

Second-Party Opinion

RHB Sustainability Sukuk and Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the RHB Sustainability Sukuk and Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021 and ASEAN Sustainability Bond Standards 2018. This assessment is based on the following:



USE OF PROCEEDS The 14 eligible categories¹ for the use of proceeds are aligned with those recognized by the Green Bond Principles, Social Bond Principles and ASEAN Sustainability Bond Standards. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts in Malaysia and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 8, 9, 11, 12 and 13.



PROJECT EVALUATION / SELECTION RHB Banking Group has established a Board Sustainability Committee to oversee project evaluation and selection, which is supported by the Group Sustainability Committee led by the Group Managing Director or CEO. Board Sustainability Committee is further supported by senior leaders from RHB's Sustainability Councils. RHB has developed and integrated ESG risks assessment tools into its lending and financing evaluation and decision-making. Sustainalytics considers the risk management system to be adequate and the project evaluation and selection process to be aligned with market practice.



MANAGEMENT OF PROCEEDS RHB's Group Treasury, supported by the Group Sustainability Management and Capital and Balance Sheet Management will oversee the management of proceeds with a centralized register to track and monitor the allocation of proceeds. RHB will apply a look-back period of a maximum of three years and aims to fully allocate proceeds within two years of issuance. Pending allocation, unallocated proceeds will be temporarily invested in cash or cash equivalents. Sustainalytics considers the process for the management of proceeds to be aligned with market practice.



REPORTING RHB intends to report on the allocation of proceeds on its website on an annual basis until full allocation. The report will include an overview of the allocation of bonds or sukuk proceeds, including a breakdown of allocation per expenditure category and the unallocated proceeds, if any. In addition, RHB is committed to reporting on relevant impact metrics. Sustainalytics views RHB's allocation and impact reporting as aligned with market practice.

Alignment with the ASEAN Sustainability Bond Standards 2018

The ASEAN Sustainability Bond Standards 2018 provide guidance to issuers and communicate more specifically on what issuers should do to issue credible green, social and sustainability bonds in ASEAN countries. Sustainalytics is of the opinion that the green and social categories under the RHB Sustainability Sukuk and Bond Framework are aligned with the ASEAN Sustainability Bond Standards 2018.



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Issuer Location Kuala Lumpur, Malaysia

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¹ Eligible use of proceeds categories: 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 Circular Economy Adapted Products, Production Technologies and Processes; Green Buildings; Affordable Basic Infrastructure; Access to Essential Services; Affordable Housing; Employment Generation; Food Security and Sustainable Food Systems.

Introduction

RHB Banking Group (“RHB” or the “Group”) is a multinational regional financial service provider with operations in eight countries in the ASEAN region. The Group has structured its core businesses into five pillars: Group Community Banking, Group Wholesale Banking, Group Shariah Business, Group International Business and Group Insurance. The retail and corporate financing portfolio includes a range of products through its Personal Banking, Business Banking and Islamic Banking services. With more than 14,000 employees Group-wide, RHB is listed on the Main Market of Bursa Malaysia Securities Berhad and is headquartered in Kuala Lumpur, Malaysia.

RHB has developed the RHB Sustainability Sukuk and Bond Framework dated March 2023 (the “Framework”), under which it intends to issue green and social bonds and sukuk and use the proceeds to finance or refinance, in whole or in part, existing and future projects that are expected to create positive environmental and social impacts in Malaysia.

The Framework defines eligibility criteria in the following nine green categories:

1. Renewable Energy
2. Energy Efficiency
3. Pollution Prevention and Control
4. Environmentally Sustainable Management of Living Natural Resources and Land Use
5. Clean Transportation
6. Sustainable Water and Wastewater Management
7. Climate Change Adaptation
8. Eco-efficient and Circular Economy Adapted Products, Production Technologies and Processes
9. Green Buildings

The Framework defines eligibility criteria in the following five social categories:

10. Affordable Basic Infrastructure
11. Access to Essential Services
12. Affordable Housing
13. Employment Generation
14. Food Security and Sustainable Food Systems

RHB engaged Sustainalytics to review the RHB Sustainability Sukuk and Bond Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP),² ASEAN Sustainability Bond Standards 2018, ASEAN Green Bond Standards 2018 and ASEAN Social Bond Standards 2018.^{3,4} The Framework has been published in a separate document.⁵

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021, as administered by ICMA, and ASEAN Sustainability Bond Standards as administered by ACMF.
- The credibility and anticipated positive impacts of the use of proceeds; and

² The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

³ The Green Bond Principles, Guidelines and Handbooks are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

⁴ The ASEAN Sustainability Bond Standards are administered by the ASEAN Capital Markets Forum and are available at: <https://www.theacmf.org/initiatives/sustainable-finance/asean-sustainability-bond-standards>

⁵ The RHB’s Sustainability Sukuk and Bond Framework is available on RHB Banking Group’s website at: <https://www.rhbgroup.com/investor-relations/overview/index.html>

⁶ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.12, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of RHB’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. RHB representatives have confirmed (1) they understand it is the sole responsibility of RHB to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and RHB.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and sukuk proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, RHB is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond and sukuk proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that RHB has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics’ Opinion

Section 1: Sustainalytics’ Opinion on the RHB’s Sustainability Sukuk and Bond Framework

Sustainalytics is of the opinion that the RHB’s Sustainability Sukuk and Bond Framework is credible, impactful and aligns with the four core components of the GBP, SBP and ASEAN Sustainability Bond Standards. Sustainalytics highlights the following elements of RHB’s Framework:

- Use of Proceeds:
 - The eligible categories⁷ are aligned with those recognized by the GBP, SBP and ASEAN Sustainability Bond Standards. Sustainalytics notes that the proceeds of the financial instruments issued under the Framework can be expected to facilitate the transition to a low-carbon economy and lead to positive social impacts in Malaysia.
 - Under the Framework, RHB intends to use part of the proceeds for general-purpose loans for pure play businesses that derive at least 90% of their revenue from activities identified in the eligible categories. Sustainalytics acknowledges that the GBP, SBP and SBG favour project-based lending and financing, which provide more transparency in general than non-project-based lending, but notes that financing pure play companies through green and social bonds is commonly accepted in the market as an approach that can generate positive impacts.

⁷ Eligible use of proceed categories: 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 Circular Economy Adapted Products, Production Technologies and Processes; Green Buildings; Affordable Basic Infrastructure; Access to Essential Services; Affordable Housing; Employment Generation; Food Security and Sustainable Food Systems; and

- RHB has defined a 36-month look-back period for its refinancing activities, which Sustainalytics considers to be in line with market practice.
- RHB has communicated with Sustainalytics that all R&D activities financed under the Framework will be limited to 10% on a portfolio basis, which Sustainalytics considers to be in line with market practice.
- Under the Renewable Energy category, RHB may finance or refinance the production, manufacturing, operation and maintenance of renewable energy projects related to solar power, hydropower, tidal, geothermal, green hydrogen, ammonia and methanol, and bioenergy and biofuel in accordance with the following criteria, which Sustainalytics considers to be in line with market practice:
 - Solar energy facilities, including solar photovoltaic panels and solar thermal plants, where solar thermal plants will derive more than 85% of electricity from solar energy sources.
 - Hydropower generation facilities with either: i) run-of-river without artificial reservoir or low storage capacity, ii) a power density greater than 10 W/m², or iii) a life cycle emissions intensity below 50 gCO₂e/kWh. RHB has confirmed to Sustainalytics that all new hydropower projects will be subject to an environmental and social risk assessment and only those with no significant risks, negative impacts or controversies associated will be financed.
 - Geothermal electricity generation facilities with direct emissions of less than 100 gCO₂e/kWh.
 - Hydrogen, ammonia and methanol production through electrolysis powered by renewables. RHB has confirmed to Sustainalytics that CO₂ used for the production of methanol excludes CO₂ from fossil fuel operations.
 - Bioenergy production, including pre-treatment and bio-refinery facilities⁸ using agricultural and forestry waste resources. The feedstock for biomass projects may include palm kernel shells and palm oil mill effluents. RHB has confirmed with Sustainalytics that financing will be limited to waste from palm oil operations certified to Roundtable for Sustainable Biomaterial (RSB)⁹ or RSPO¹⁰.
 - Bioenergy projects, including pre-treatment and bio-refinery facilities¹¹ from non-waste feedstock,¹² such as soybean oil, sugarcane and wood pellets with: i) a life cycle emission intensity below 100 gCO₂e for electricity generation; or ii) life cycle emissions at least 65% lower than the fossil fuel baseline for biofuel production. RHB has communicated to Sustainalytics that non-waste feedstock will not be derived from land with high biodiversity that is in competition with food production or that deplete carbon pools. RHB has communicated to Sustainalytics that it will pursue credible certification schemes on a best-effort basis, such as ISCC Certification¹³, RSB¹⁴ and UTZ¹⁵, which ensures third-party verification of compliance with the bioenergy production requirements for non-waste biomass, and that the Group will report on the schemes achieved. Sustainalytics notes that it is market expectation to specify all eligible schemes and certifications and encourages RHB to report on any specific schemes and certifications it intends to use.
- Under the Energy Efficiency category, RHB may finance energy-efficiency technologies and projects and activities aimed at increasing the energy efficiency of public services and utilities. Intended projects under this category may include:
 - Installation and manufacture of smart meters and energy-efficient lighting for public, commercial and residential buildings.
 - Installation and manufacture of smart grid technologies that enable more efficient end-user demand management. Despite the variety of definitions and applications of smart grid technology, Sustainalytics positively views investments that are designed to improve grid efficiency and encourages RHB to select projects that are clearly anticipated to deliver tangible efficiency improvements.

⁸ RHB has confirmed the exclusion of biofuel blending facilities.

⁹ RSB: <https://rsb.org/>

¹⁰ RSPO: <https://rspo.org/>

¹¹ Ibid.

¹² RHB has confirmed the exclusion of non-waste biomass feedstock from any palm oil operations.

¹³ ISCC: <https://www.iscc-system.org/>

¹⁴ RSB: <https://rsb.org/>

¹⁵ UTZ: <https://www.rainforest-alliance.org/utz/>

- Improvement of industrial or utility energy efficiency through waste heat recovery improvement, renewable energy retrofits¹⁶ and projects related to electric-powered cooling and heating systems. Sustainalytics notes that district heating and cooling distribution network systems primarily powered by renewables are preferred in the market. However, Sustainalytics recognizes the importance of improving energy efficiency of air conditioning systems and encourages RHB to report on the impact achieved.
 - RHB has confirmed to Sustainalytics the exclusion of energy-efficiency technologies intended for efficiency improvements in processes that are inherently carbon-intensive or primarily driven or powered by fossil fuels. In addition, RHB will exclude energy-efficiency improvements of transmission lines connected or dedicated to fossil fuel power.
 - Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Pollution Prevention and Control category, RHB may finance infrastructure projects and technologies related to waste minimization, collection, management, recycling, reuse, processing and disposal. Intended projects may include:
 - Solid-waste management projects. RHB has clarified to Sustainalytics that such projects will be limited mainly to waste-to-energy from municipal solid waste, where the majority of recyclables are segregated before energy conversion and medical and scheduled waste are excluded. Sustainalytics recognizes that energy from waste could take potentially recyclable materials out of circulation and undermine two of the main objectives of a zero-waste circular economy (waste prevention and recycling). Additionally, for such projects to have low emission intensities, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that due to constraints on recycling in many parts of the world, energy from waste can offer a better residual waste management option than landfills in many cases. Sustainalytics recommends RHB to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.
 - Liquid waste management projects that are limited to the capture of methane emissions from sewage waste handling to generate electricity. Wastewater treatment facilities, including sewage water treatment plants, exclude palm oil mill effluents from non-RSPO certified operations and treatment of wastewater from fossil fuel operations.
 - Biological treatment facilities, such as anaerobic digestion facilities and composting facilities to produce compost. RHB has communicated to Sustainalytics that facilities financed under the Framework will be limited to the processing of forestry and agricultural residue, as well as food waste from households, offices, and the hospitality and industrial sectors.
 - Landfill gas capture with at least 75% of gas capture efficiency for energy generation from decommissioned landfills. Sustainalytics notes that recovering methane produced from a closed landfill will not prolong the lifespan of the landfill and is a key strategy to reduce methane emissions from waste.
 - Sustainalytics considers investments under this category to be aligned with market practice.
 - Under Environmentally Sustainable Management of Living Natural Resources and Land Use, RHB may invest in forestry, agriculture and fisheries. Intended project examples and eligibility criteria include the following:
 - Investments in sustainable forest management projects certified to PEFC,¹⁷ FSC¹⁸ or MTCS.¹⁹ Such projects may include: i) adoption of early warning or wildfire control measures; ii) reforestation and afforestation using tree species that are well adapted to site conditions; iii) adoption of harvesting techniques to reduce soil erosion and vulnerabilities to wildfires; and iv) forest conservation activities aimed at preventing soil erosion and protection of water catchments.

¹⁶ RHB has confirmed with Sustainalytics that the financed activities for renewable energy retrofits will align with the technical criteria of the Renewable Energy category in the Framework.

¹⁷ PEFC: <https://www.pefc.org/>

¹⁸ FSC: <https://fsc.org/en>

¹⁹ MTCS: <https://mtc.com.my/resources-MalaysianTimberCertificationScheme.php>

- Adoption of agricultural practices that reduce GHG emissions, such as agricultural production²⁰ certified to MyOrganic,²¹ MyGap,²² UTZ Certified,²³ Rainforest Alliance,²⁴ Fairtrade International²⁵ or other organic certifications. Sustainalytics considers MyOrganic and MyGap as credible and impactful in the Malaysian context, but it notes that the certification process does not involve independent third-party verifiers as the audit process is conducted by the Department of Agriculture. Regarding Fairtrade International, Sustainalytics notes that the scheme primarily speaks to the social impacts of agricultural activities, and as such, activities are considered credible in the context of social financing. Furthermore, Sustainalytics notes that it is market expectation to specify all eligible schemes and certifications and encourages RHB to report on any specific schemes and certifications it intends to use.
 - Adoption of regenerative agriculture techniques, such as no-till or conservation tillage, integrated pest management to eliminate chemical usage, crop rotation to promote biodiversity, compost or manure.
 - Soil and water management to increase water availability in areas experiencing increased water shortages. RHB has clarified to Sustainalytics that it intends to finance water-efficient irrigation methods, rainwater harvesting systems and soil remediation activities. The Group has also confirmed to Sustainalytics that soil remediation activities will not be related to the contamination or negative environmental externalities from the borrower's own activities.
 - R&D of drought-resistant crop varieties to increase crop yields. RHB has confirmed to Sustainalytics the exclusion of any activities for genetically modified crops.
 - Fisheries certified by the Marine Stewardship Council²⁶ (MSC) or Aquaculture Stewardship Council (ASC)²⁷.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Clean Transportation category, RHB may finance or refinance the development of urban mass transit systems, non-motorized transport, freight transportation, climate-resistant transport networks and supporting infrastructure. Intended project examples and eligibility criteria include:
- Zero direct emission public transport vehicles, including trains and buses.
 - Passenger cars and light commercial vehicles below the threshold of 75 gCO₂/km. Sustainalytics notes that the Group has not communicated which test procedure will be used to ensure that vehicles comply with the threshold of 75 gCO₂/km. Different test procedures can achieve varying results in actual vehicles' CO₂ emissions, whether they intend to replicate real-driving conditions (such as the WLTP) or are based on theoretical driving profiles (such as the NEDC).²⁸ Hence, Sustainalytics further encourages, where feasible, to report on the test procedure used to determine the emissions intensity of the vehicles to be financed.
 - Heavy trucks and freight rail below the threshold of 25 gCO₂/tkm. RHB has confirmed to Sustainalytics the exclusion of freight dedicated to the transport of fossil fuels.
 - Low-carbon-fuel boat fleet, such as fully electric, biofuel or hydrogen-powered ships. RHB has confirmed to Sustainalytics the exclusion of boat fleet dedicated to the transport of fossil fuels. RHB may also invest in infrastructure for low-carbon transport, including electric charging stations and infrastructure upgrades for zero direct emission electrified rails, trains and buses for public passenger use.
 - Urban planning for car-free city areas, high-occupancy vehicle lanes, road pricing, parking management and development of fleet optimization and route management software. Sustainalytics recognizes that infrastructure investments for ICT systems for

²⁰ RHB has confirmed the exclusion of agricultural production of palm oil.

²¹ MyOrganic: http://www.agricmelaka.gov.my/index.php?option=com_content&view=article&id=29:skim-pensijilan-organik-malaysia-myorganic&catid=22&lang=ms&Itemid=127

²² MyGap: http://www.agricmelaka.gov.my/index.php?option=com_content&view=article&id=68:malaysian-good-agricultural-practices-scheme-mygap&catid=23&lang=en&Itemid=114&_ncforminfo=-4zjA4wgRUyqul7zue_5-DVEBCerO1NgZ_IL5KTHhsnyUAWT55ghSDWnl3ul3h4Zrt81Tn6cVNb1t_RgTpm-SzcRBK1CAjE6fla7lACUpkNIYYcIkb53fHjO4GabGUPGwiNjijmVrRMNHwz2B2GtuA==

²³ UTZ Certified: <https://www.rainforest-alliance.org/utz/>

²⁴ Rainforest Alliance: <https://www.rainforest-alliance.org/>

²⁵ Fairtrade International: <https://www.fairtrade.net/>

²⁶ MSC: <https://www.msc.org/>

²⁷ ASC: <https://www.asc-aqua.org/>

²⁸ The WLTP (World Harmonized Light-duty Vehicle Test Procedure) test cycle uses real-driving data to replicate actual driving conditions, while the NEDC (New European Driving Cycle) test determines values based on a theoretical driving profile, which can lead to material differences in terms of CO₂ emissions.

fleet optimization, such as for parking management, support the optimization of transport use, duration or distance in many cases, and therefore, has the potential to reduce fuel consumption and associated GHG emissions. However, Sustainalytics recommends RHB to prioritize financing of projects that facilitate a modal shift to public transit and incentivize the use of low-carbon vehicles and car-sharing schemes. Regarding high-occupancy vehicle lanes, RHB has clarified that financing is limited to dedicated lanes for bus rapid transit (BRT) infrastructure. Sustainalytics notes that while RHB intends to finance BRT infrastructure that is not dedicated to low-carbon vehicles meeting the 50 gCO₂/km threshold, the Bank has also clarified to Sustainalytics that regions across Malaysia are increasingly implementing decarbonization measures for their public transportation fleet. Sustainalytics encourages RHB to prioritize investment in BRT infrastructure where the relevant regions have a decarbonization strategy for their fleet.

- Development or improvement of electric railway transport and fully electric or hydrogen-fueled ships and boats, as well as related infrastructure to support the modal shift from road to rail and waterways for freight transport.
 - Design and development of climate-resilient or climate-proofed transport networks, such as the upgrades of existing road and rail infrastructure to prepare them for adverse climatic conditions. Construction of climate-resilient transport infrastructure will undergo vulnerability assessments and adaptation plans to identify physical risks.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under Sustainable Water and Wastewater Management, RHB may finance or refinance activities to improve water quality, water-use efficiency and water conservation. Intended projects include: i) construction of sand dams limited to small-scale reservoirs with a minimal sustainability impact; ii) aquifer storage and recovery and removal of accumulated sediment in reservoirs; iii) water supply, quality and demand management systems; iv) rainwater harvesting and water drainage systems; and v) water and wastewater²⁹ treatment facilities. Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Climate Change Adaptation category, the Group may invest in construction, health, information communication, fisheries and coastal areas. Intended projects include:
- Installation and development of climate observation and information support, as well as modelling systems, including meteorological devices and early warning systems for wind, fire, heatwaves and floods.
 - Development of systems to monitor drinking water, food and air quality in areas affected by high temperatures, forest burning, floods and rising sea levels.
 - Mapping and monitoring changes in the range of fish species and fish stocks to understand climate change effects.
 - Construction of climate-resilient infrastructure and adapting buildings for flood defence, including research on population exposure to sea levels, and technical consultancy and subsequent engineering activities.
 - Conservation of mangroves and coral reefs.
 - RHB has confirmed to Sustainalytics that the eligible infrastructure under this category will be supported by vulnerability assessments and adaptation plans to identify physical risks that may risk the resilience of the aforementioned activities.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under Eco-efficient and Circular Economy Adapted Products, Production Technologies and Processes, RHB may finance the research, development and manufacturing of the following:
- Production of resource-efficient or low-carbon products that are RSB-certified.
 - Energy storage equipment or solutions, including electrochemical (such as battery storage and hydrogen storage), mechanical (such as pumped hydro) or power-to-gas through water electrolysis powered by renewables. RHB has confirmed with Sustainalytics that an environmental and social impact assessment by a credible body will be carried out per new pumped hydropower storage project, with no significant risks or expected negative impacts identified. Furthermore, Sustainalytics notes that the Framework limits financing to energy storage technologies connected to renewables.
 - R&D expenditures related to bioenergy and carbon capture and storage, and direct air capture. R&D activities will exclude commercial-scale carbon capture, utilization and

²⁹ RHB has confirmed the exclusion of wastewater treatment from fossil fuel operations.

- storage applied to hard-to-abate industrial activities that are inherently carbon-intensive.
- Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Green Buildings category, RHB may finance or refinance the acquisition, construction or renovation of commercial and residential buildings according to the following criteria:
 - Buildings that have achieved or are expected to achieve one of the following green building certifications: GBI³⁰ (Gold or above), LEED³¹ (Gold or above), Green Mark³² (Gold Plus or above) GreenRE³³ (Gold or above), BREEAM³⁴ (Excellent or above) or EDGE³⁵ (Certified).
 - Renovations of existing buildings that result in a 20% improvement in energy efficiency or a 20% reduction in GHG emissions. Sustainalytics notes that retrofits that result in performance improvements of 20% will result in some environmental benefits but considers it market practice to ensure that retrofits achieve emission or energy performance improvements of at least 30%.
 - Under the Affordable Basic Infrastructure category, RHB may finance or refinance projects, including:
 - Projects related to community centres, recreational centres, cultural centres, museums and libraries, where access to these sites will be free for all or subsidized for low-income populations, and the unemployed, underserved or disadvantaged groups. Low-income populations are defined as the B40 income population³⁶ and those defined by the Bank Negara Malaysia's (BNM) Bancassurance and Bancatakaful documents.³⁷ Recognizing that such facilities may not always be affordable or accessible to the mentioned target populations, Sustainalytics considers the targeting and the expenditure to be supportive of increasing access to affordable basic infrastructure. RHB may also invest in the construction of special-purpose buildings, such as shelters, relief centres or safe buildings for evacuation from flooding.
 - Renovation, retrofitting and modification of public and private spaces to improve accessibility for people with special needs or disabilities. Examples include education facilities; hospitals; recreational areas, such as parks, museums and libraries; and transport terminals and stations. RHB has communicated that private spaces will be accessible to the target populations at no cost or subsidized rates.
 - Construction of transport infrastructure, such as roads and bridges to enhance: i) the connectivity of underdeveloped rural areas; ii) connectivity where road connectivity does not exist; or iii) connectivity that is clearly inadequate and hinders a community's development. This will exclude construction of and upgrades to major roads and highways.
 - Upgrade of waste management infrastructure related to sewers and sanitation. Such expenditures exclude waste management from industrial sectors.
 - Construction of residential or publicly accessible clean drinking water, sanitation and clean energy infrastructure. RHB has confirmed to Sustainalytics that activities financed under this category may include desalination plants powered by low-carbon energy sources. Such facilities will have reasonable assurances of appropriate waste management programmes for the disposal of brine and will exclude facilities powered by fossil fuels.
 - Sustainalytics recognizes the expected benefits of improving access to affordable infrastructure, such as community centres, relief centres, transport infrastructure,

³⁰ GBI: <https://www.greenbuildingindex.org/>

³¹ LEED: <https://www.usgbc.org/leed>,

³² Green Mark: <https://www1.bca.gov.sg/buildsg/sustainability/green-mark-certification-scheme>

³³ GreenRE: <https://www.greenre.org/>

³⁴ BREEAM: <https://bregroup.com/products/breeam/how-breeam-works/>

³⁵ EDGE at: <https://edgebuildings.com/certify/certification/>

³⁶ The Household Income and Expenditure Survey and Basic Amenities 2019 defines the B40 population as the bottom 40% household income group.

The monthly income of the B40 population is less than MYR 4,850 (USD 1,103) in 2019.

Government of Malaysia, "Twelfth Malaysia Plan 2021-2025", (2021), at:

https://rmke12.epu.gov.my/file/download/2021092722_twelfth_malaysia_plan.pdf?path=fileUpload/2021/09/2021092722_twelfth_malaysia_plan.pdf&name=Twelfth%20Plan%20Document.pdf

³⁷ The Framework mentions the exclusion of consumers who are overly indebted or has low or no savings.

Bank Negara Malaysia, "Bancassurance/Bancatakaful", (2022), at: https://www.bnm.gov.my/documents/20124/948107/PD_Banca.pdf

- clean drinking water, sanitation and clean energy infrastructure for low-income and vulnerable populations living in underserved or remote communities. Given the targeting, Sustainalytics considers that the expenditures are socially impactful and are expected to contribute to improve the standard of living among the target populations.
- Under Access to Essential Services, RHB intends to finance or refinance infrastructure related to technology and telecommunications, education and healthcare. Intended activities under this category include:
 - Construction of telecommunications infrastructure, such as mobile towers for low-income populations and vulnerable populations.³⁸ RHB has communicated that investments will be carried out in areas that are unconnected or lack adequate connectivity to enable access to new technology and telecommunication products.
 - Enable free or low-cost access to products and programmes in the education and health sectors, such as long-distance learning and telemedicine. RHB has communicated that they have yet to identify investment opportunities for this activity, but that it intends to serve the low-income population, the underserved or disadvantaged groups in underserved or deprived areas.³⁹ Sustainalytics recognizes that financing such activities may increase access to education and healthcare in Malaysia and encourages RHB to report on the social impacts achieved as part of its reporting commitments.
 - Development of: i) childcare facilities; ii) educational programmes from kindergarten to the tertiary education level; and iii) vocational and technical training facilities and institutions. RHB has communicated that the expenditure includes construction of educational service infrastructure, as well as financing for education and training programmes for the low-income population and in underserved or remote locations of Malaysia.⁴⁰ In case of private establishments, the facilities will charge a nominal fee similar to public facilities. Considering the access and affordability for the target populations, Sustainalytics believes that expenditures under this category to be impactful in increasing access to education in Malaysia.
 - Development, expansion or acquisition of: i) non-profit or public healthcare buildings or facilities; ii) critical medical equipment or provision of diagnostic services, such as magnetic resonance imaging machines, respirators or services that support diagnostics, including laboratory testing at facilities that offer free or subsidized healthcare services to all; and iii) distribution of essential vaccines⁴¹ free of cost to low-income populations. RHB has confirmed that critical medical equipment expenditures exclude the manufacture of medical equipment and are limited to procurement or distribution costs for public hospitals that offer free or subsidized rates that ensure affordability to all. Given the targeting and the affordability mechanisms offered, Sustainalytics considers such expenditures as socially impactful in improving access to healthcare in Malaysia.
 - Under the Affordable Housing category, RHB intends to finance or refinance the construction, renovation, maintenance and improvement of affordable housing, including:
 - Loans to developers to construct low-cost housing schemes.⁴² Sustainalytics notes that RHB intends to finance the construction of social housing projects with adequate affordability mechanisms for low-income groups only. Sustainalytics also notes that the Group's role in affordable housing projects is limited to financing the development of housing units and that RHB does not have control over deciding the detailed criteria for low-income groups and affordability mechanisms. As such, Sustainalytics encourages RHB, where feasible, to provide further disclosure on the affordable housing programmes financed and relevant beneficiaries defined by regional governments, and to report on the social impacts achieved.
 - Loans to low-income individuals to construct or purchase affordable homes. RHB has communicated to Sustainalytics that the Group will offer higher margins of financing for the loans, thereby reducing down payments. Recognizing the income-based targeting, Sustainalytics notes that such targeting falls 80% below the median income

³⁸ Ibid.

³⁹ Ibid.

⁴⁰ Ibid.

⁴¹ Essential vaccines will be determined as per recommendations from Malaysia's Ministry of Health or certified bodies, such as the World Health Organization.

⁴² RHB will consider the Malaysian Government's nationally determined definition of affordable or social housing as and when available. The Group has communicated that such houses should target populations with a monthly household income of no more than MYR 4,360 (USD 974) and have a maximum property price of MYR 300,000 (USD 67,024).

- of Malaysia.⁴³ Furthermore, the Group ensures responsible lending and takes measures to reduce predatory lending. Refer to Section 2 for additional detail. Considering the targeting of these loans, financial thresholds offered to the target groups and the presence of responsible lending practices, Sustainalytics expects this expenditure to help improve access to affordable housing financing to the defined low-income populations.
- Additionally, the Bank has communicated that such housing projects will include initiatives that may promote sustainable small-scale farming, such as urban farming.
 - Under the Employment Generation category, RHB may finance or refinance upskilling programmes for low-income individuals and disadvantaged populations. It may also invest in employment generation through MSME loans. The activities include the development of trade schools, job training or job placement programmes, serving low-income populations, and the unemployed, underserved or disadvantaged groups in areas of high unemployment, underserved or deprived areas. Sustainalytics considers these as credible social investments expected to improve employment opportunities for low-income and disadvantaged populations.
 - Under Food security and Sustainable Food Systems, RHB may finance or refinance activities related to:
 - Developing access to nutrition, such as food and potable water programmes to address malnutrition. RHB has communicated that it intends to finance food nutrition programmes, including government food distribution programmes for target populations, as well as food at schools and increasing access to rural communities. Recognizing the benefits of such programmes in addressing food security challenges, Sustainalytics encourages RHB to report on the food nutrition programmes to be financed and their expected impacts.
 - Provision of technical capacity building or training for small-scale farmers⁴⁴ or agricultural-related MSMEs to increase nutritional quality of agricultural products. Sustainalytics is of the opinion that RHB's expenditures in this category may help improve the skill sets of small-scale farmers for effective food production.
 - Project Evaluation and Selection:
 - RHB has established a Board Sustainability Committee (BSC) to oversee the process of project evaluation and selection. BSC is supported by the Group Sustainability Committee (GSC) led by the Group Managing Director or CEO. Further, the GSC is supported by senior leaders across the Group's Sustainable Banking Council and Responsible and Sustainable Practices Council.
 - RHB has developed a risk assessment tool to evaluate ESG risks in its lending business and has integrated it into its decision-making process. For additional details, refer to Section 2.
 - Based on the cross-functional oversight for project evaluation and selection and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - RHB's Treasury Department, supported by the Group's Sustainability Management, and Capital and Balance Sheet Management will be responsible for managing the proceeds with a centralized register to track and monitor the allocation of proceeds. RHB aims to fully allocate proceeds within two years (24 months) of issuance. Pending allocation, unallocated proceeds may be temporarily invested in cash or other short-term market instruments.
 - Based on the process in place for the management of proceeds, Sustainalytics considers this process to be aligned with market practice.
 - Reporting:
 - RHB intends to report on the allocation of proceeds and relevant impact metrics on an annual basis until the maturity of the bonds or sukuk. Allocation and impact reporting will be made publicly available on RHB's website.
 - Allocation reporting will include information such as the net proceeds raised from each bond or sukuk, the removal or substitution of the eligible assets and the outstanding balance of unallocated proceeds. Additionally, impact metrics may include annual energy savings (in MWh), GHG emissions avoided (CO₂ in tonnes), area conserved or protected (in m²) and the number of residents benefitting from healthcare services that are otherwise not accessible.

⁴³ The Twelfth Malaysian Plan mentions that the median income of Malaysia in 2019 was MYR 5,873 a month.

Government of Malaysia, "Twelfth Malaysia Plan 2021-2025", (2021), at:

https://rmke12.epu.gov.my/file/download/2021092722_twelfth_malaysia_plan.pdf?path=fileUpload/2021/09/2021092722_twelfth_malaysia_plan.pdf&name=Twelfth%20Plan%20Document.pdf

⁴⁴ The UN Food and Agriculture Organization defines small-scale farmers as those with a landholding threshold of 2-10 ha.

UN FAO, "Smallholders and Family Farmers", (2012), at: <https://www.fao.org/3/ar588e/ar588e.pdf>

- Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the RHB Sustainability Sukuk and Bond Framework aligns with the four core components of the GBP and SBP. For detailed information, please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Alignment with ASEAN Sustainability Bond Guidelines 2018

The ASEAN Sustainability Bond Standards provide guidance to the issuer and communicate more specifically what an issuer should do to issue a credible sustainable bond in Malaysia. Sustainalytics is of the opinion that the green and social categories under the RHB Sustainability Sukuk and Bond Framework aligns with the ASEAN Sustainability Bond Standards. For detailed information, please refer to Appendix 1: Alignment to the ASEAN Sustainability Bond Sustainability Standard.

Section 2: Sustainability Performance of RHB

Contribution to RHB Banking Group's sustainability strategy

RHB's sustainability strategy focuses on three key environmental and social pillars: i) sustainable and responsible financial services, ii) embedding good practices, and iii) enriching and empowering communities.⁴⁵ RHB's sustainability strategy is overseen by the board of directors and supported by the Group Sustainability Committee, led by RHB's Group Managing Director or CEO. The GSC is further supported by the Group's sustainability councils including the Sustainable Business Council (SBC) and the Responsible and Sustainable Practices Council.⁴⁶

The Bank's 5-year (2022-2026) Sustainability Strategy and Roadmap, established in 2021, outlines the Bank's overall focus and commitment to its sustainability and climate agenda.⁴⁷ As part of the strategy, the Bank outlines three environmental and social commitments, including: i) mobilizing MYR 20 billion (USD 4.5 billion) in sustainable financial services by 2026, ii) empowering more than two million people in ASEAN countries by 2026 through financial inclusion and education, and iii) achieving climate neutral operations by 2030. In line with its green financing commitments, RHB has launched the Sustainability Financing Programme with a target of granting MYR 1 billion (USD 226.9 million) in new financing by 2025 for green energy, green buildings and green products and processes. As of September 2021, RHB has extended a total of MYR 44.36 million (USD 9.9 million) in loan and financing towards hybrid, plug-in and electric vehicles.

Regarding the Bank's social objectives, RHB disbursed MYR 5.7 billion (USD 1.3 billion) SME loans and financing as of December 2021, benefitting more than 210,000 SME customers across ASEAN countries. Additionally, RHB aims to follow the guidelines and recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). It published climate-related financial disclosures aligned with the TCFD recommendations for the first time in 2021, articulating its approach to assessing and managing climate change risks.⁴⁸

Sustainalytics is of the opinion that the RHB Sustainability Sukuk and Bond Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects could include i) biodiversity loss and community relations due to land use from large infrastructure projects; ii) emissions, effluents and waste generated in construction; iii) worker health and safety issues; and iv) stakeholder participation issues. Additionally, RHB is exposed to risks pertaining to the social impact of products, human rights, quality and safety, business ethics and predatory lending. RHB plays a limited role in the development of projects and

⁴⁵ RHB, "Sustainability Report 2021", at https://www.rhbgroup.com/~/_media/files/malaysia/investor-relations/annual-reports/rhb-sr21.ashx

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ RHB, "Sustainability Report 2021", at https://www.rhbgroup.com/~/_media/files/malaysia/investor-relations/annual-reports/rhb-sr21.ashx

assets being financed, but it remains exposed to risks associated with projects it may finance by offering lending and financial services.

Sustainalytics is of the opinion that RHB is able to manage or mitigate potential risks through the implementation of the following:

- Since 2020, RHB has been incorporating sustainability risks into its material risk assessments to ensure biodiversity protection, pollution prevention and prevention of water supply degradation, adopting a precautionary approach. To mitigate climate risks its business and operations, RHB has established a Group Climate Action Programme, which incorporates Negara Malaysia's Climate Change and Principle-based Taxonomy into the Bank's credit management process.⁴⁹
- As part of the Bank's general ESG risk assessment process, the Bank assesses the following areas: i) legal issues associated with the clients' ESG performance; ii) environmental issues faced by the companies; iii) occupational health and safety issues; iv) presence of safe and proper working conditions and labour practices; v) implementation of good corporate governance practices; and vi) environmental impact studies conducted for projects.⁵⁰
- Furthermore, the Bank has identified ESG Sensitive Sectors in its non-retail portfolio, taking into account the International Finance Corporation's and the World Bank's sector categorizations. The identified sectors are subject to an enhanced ESG risk assessment using the Bank's general ESG risk assessment criteria and sector criteria. The Bank has established additional climate risk assessments for the following sectors: i) palm oil; ii) oil and gas; iii) iron, steel and other metals; iv) chemical products; v) cement; vi) wood products; vii) plastic products; and viii) power producers.⁵¹
- As of January 2022, RHB has been excluding new thermal coal mine projects and coal-fired power plant projects from financing.
- RHB has embedded the Malaysian central bank's principles on fair treatment into its lending process, ensuring that unfair discriminatory practices – including unfair contract terms that significantly disadvantage financial consumers – are avoided. The policy requires the Bank to provide its customers with clear, relevant and timely information (including costs, risks and important exclusions or limitations) so they can make informed decisions before, during and after the point of sale.⁵²
- Malaysia's environment impact assessment guidelines make project promoters responsible and accountable to the relevant stakeholders and local residents who may be impacted by the proposed project.⁵³

Based on these policies, standards and assessments, Sustainalytics is of the opinion that RHB has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All 14 use of proceeds categories are aligned with those recognized by the GBP, SBP and ASEAN Sustainability Bond Standards. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

Importance of increasing the share of renewable energy sources in Malaysia's power mix

Malaysia is dependent on conventional power generation. As of 2020, natural gas, oil and coal made up 39%, 33.8% and 23.5%, respectively, of the country's energy supply.⁵⁴ Hydro and biofuels and waste combined accounted for only 3.67% of the total energy supply in 2020.⁵⁵ In terms of installed electricity capacity, renewable energy sources accounted for 23% in 2020.⁵⁶ Reliance on fossil fuels makes the energy sector a

⁴⁹ Ibid.

⁵⁰ Ibid.

⁵¹ Ibid.

⁵² Bank of Negara Malaysia, "Fair Treatment of Financial Consumers", (2019), at:

https://www.bnm.gov.my/documents/20124/761679/FTFC_PD_028_103.pdf/f83853d4-7146-9842-a40c-7e20bf0c9b75?t=1590696786502

⁵³ Department of Environment Ministry of Natural Resources and Environment Malaysia, "Environmental Impact Assessment Guideline in Malaysia", at: <https://enviro2.doe.gov.my/ekmc/wp-content/uploads/2017/02/FA-EIA-GUIDELINE-IN-MALAYSIA-1.pdf>

⁵⁴ IEA, "Malaysia: Key energy statistics, 2020", (2022), at: <https://www.iea.org/countries/malaysia>

⁵⁵ Ibid.

⁵⁶ IRENA, "Energy Profile: Malaysia", (2022), at: https://www.irena.org/-/media/Files/IRENA/Agency/Statistics/Statistical_Profiles/Asia/Malaysia_Asia_RE_SP.pdf

significant source of GHG emissions in Malaysia, as the country goes through high economic growth and energy demand.⁵⁷

Malaysia's Nationally Determined Contribution aims to reduce the GHG emissions intensity of GDP by 45% by 2030 compared to the 2005 baseline to decouple growth from GHG emissions and achieve sustainable growth.⁵⁸ To achieve this target, Malaysia introduced new programmes and initiatives, such as the Renewable Energy Act, through which the country aims to increase the share of low-carbon sources in its power mix by introducing feed-in tariff schemes for solar photovoltaic, biomass, biogas and mini hydro use.⁵⁹ Additionally, Malaysia aims to increase the share of renewable energy capacity from about 20% in 2021 to 31% by 2025 and 40% by 2035 in its installed capacity.⁶⁰

Based on the above, Sustainalytics considers that RHB's financing of renewable energy projects will help increase the share of renewable energy sources in electricity production and support Malaysia's emission intensity targets.

Importance of financing healthcare in Malaysia

In 2019, Malaysia spent 3.83% of GDP on healthcare, which was relatively low compared with the 6.7% average of other countries in eastern Asia and Pacific.⁶¹ Malaysia's two-pronged healthcare system (one government-run public universal healthcare and a co-existing private healthcare system fully self-funded out-of-pocket or by private insurance) is characterized by differences in service costs, prescription drug costs, funding sources, doctor-patient ratio and relationships and the perceived quality of services.⁶² The public sector provides an estimated 82% of inpatient care and 35% of ambulatory care, the remainder covered by private sector, which is predominantly used by upper-middle income to affluent.^{63,64} Additionally, government health expenditures are unevenly distributed across the country, whereas private primary healthcare is clustered in urban areas.⁶⁵ Inadequate facilities, improper resource allocation and financing, poor integration of health databases among public facilities and an insufficient number of healthcare experts are some of the gaps that the Malaysian government has identified.⁶⁶

To strengthen the capacity of public healthcare, the government announced an allocation of MYR 36.3 billion (USD 8 billion) to the Ministry of Health in its 2023 budget, an increase of 12% compared to 2022.⁶⁷ Through the Twelfth Malaysian Plan, the country prioritizes enhancing healthcare delivery services by introducing reforms in private healthcare and transforming public services through several measures, including: i) streamlining subsidies in public healthcare services; ii) introducing national health endowment fund for creating alternative financing for healthcare; iii) establishing public-private partnerships; iv) expanding the scope of healthcare programmes for the B40 population⁶⁸ to cover the costs of treatment and services at private hospitals; v) introducing national health literacy policies to improve public knowledge on basic health

⁵⁷ Abdullah, W.S.W. et al., (2019), "The Potential and Status of Renewable Energy Development in Malaysia", *Energies*, at: <https://www.mdpi.com/1996-1073/12/12/2437>

⁵⁸ UNFCCC, "Intended Nationally Determined Contribution of the Government of Malaysia", (2015), at: <https://www4.unfccc.int/sites/submissions/INDC/Published%20Documents/Malaysia/1/INDC%20Malaysia%20Final%2027%20November%202015%20Revised%20Final%20UNFCCC.pdf>

⁵⁹ Majid, A.A. et al., (2019), "The Renewable Energy Act: Is Malaysia Powering Up Right?", *ZICO Law*, at: <https://www.zicolaw.com/resources/publications/the-renewable-energy-act-is-malaysia-powering-up-right/#:~:text=Almost%20a%20decade%20has%20passed,the%20country's%20renewable%20energy%20sector>

⁶⁰ Malaysian Investment Development Authority, "Malaysia aims 31% RE capacity by 2025", (2021), at: <https://www.mida.gov.my/mida-news/malaysia-aims-31-re-capacity-by-2025/>

⁶¹ The World Bank, "Current health expenditure (% of GDP) - East Asia & Pacific, Malaysia", (2022), at: https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS?locations=Z4-MY&most_recent_value_desc=true

⁶² Panichella, J. (2019), "Integration of Malaysia's Two-pronged Health Care System", Lehigh University, at: <https://core.ac.uk/download/pdf/275906754.pdf>

⁶³ WHO, "Malaysia Health System Review" (2012), at: https://apps.who.int/iris/bitstream/handle/10665/206911/9789290615842_eng.pdf

⁶⁴ US Department of Commerce, International Trade Administration, "Healthcare Resource Guide – Malaysia", at: <https://www.trade.gov/healthcare-resource-guide-malaysia>

⁶⁵ Harvard T.H. Chan, School of Public Health, "Malaysia Health Systems Research Volume I", (2016), at: https://www.moh.gov.my/moh/resources/Vol_1_MHSR_Contextual_Analysis_2016.pdf

⁶⁶ Economic Planning Unit, Prime Minister's Department, "Twelfth Malaysia Plan 2021-2025", at: https://rmke12.epu.gov.my/file/download/2021092722_twelfth_malaysia_plan.pdf?path=fileUpload/2021/09/2021092722_twelfth_malaysia_plan.pdf&name=Twelfth%20Plan%20Document.pdf

⁶⁷ Government of Malaysia, "Budget Speech 2023", at: <https://budget.mof.gov.my/en/budget2023/>

⁶⁸ The B40 population is the bottom 40% household income group in Malaysia, with income below MYR 4,850. The Government of Malaysia, "Twelfth Malaysia Plan 2021-2025", (2021), at: https://rmke12.epu.gov.my/file/download/2021092722_twelfth_malaysia_plan.pdf?path=fileUpload/2021/09/2021092722_twelfth_malaysia_plan.pdf&name=Twelfth%20Plan%20Document.pdf

services; vi) establishing an electronic medical record initiative to ensure the seamless flow of information among healthcare facilities, and vii) sharing data across government agencies.⁶⁹

In this context, Sustainalytics is of the opinion that RHB's financing of healthcare services is expected to improve access to and the quality of healthcare in Malaysia.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The financial instruments issued under the RHB Sustainability Sukuk and Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Environmentally Sustainable Management of Living Natural Resources and Land Use	12. Responsible Consumption and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport
Sustainable Water and Wastewater Management	6. Clean water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Climate Change Adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Eco-efficient and Circular Economy Adapted Products, Production Technologies and Processes	12. Responsible Consumption and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
Green Buildings	11. Sustainable Cities and Communities	11.c Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials
Affordable Basic Infrastructure	6. Clean water and sanitation	6.1. By 2030, achieve universal and equitable access to safe and affordable drinking water for all

⁶⁹ Ibid.

	9. Industry, Innovation and Infrastructure	9.1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
Access to Essential Services	3. Good Health and Well-Being	3.8. Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	4. Quality Education	4.1. By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes
Affordable Housing	11. Sustainable Cities and Communities	11.1. By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Employment Generation	8. Decent Work and Economic Growth	8.5. By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
Food Security and Sustainable Food Systems	2. Zero Hunger	2.3. By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment

Conclusion

RHB has developed the RHB Sustainability Sukuk and Bond Framework, under which it may issue sustainability bonds and sukuk and use the proceeds to finance projects related to the following categories: 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 Circular Economy Adapted Products, Production Technologies and Processes; Green Buildings; Affordable Basic Infrastructure; Access to Essential Services; Affordable Housing; Employment Generation; and Food Security and Sustainable Food Systems. Sustainalytics considers that the funded projects are expected to facilitate the transition to a low-carbon economy and lead to positive social impacts in Malaysia.

The RHB Sustainability Sukuk and Bond Framework outlines a process by which proceeds will be tracked, allocated and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the RHB Sustainability Sukuk and Bond Framework is aligned with the overall sustainability strategy of the Group and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 2, 3, 4, 6, 7, 8, 9, 11, 12 and 13. Additionally, Sustainalytics is of the opinion that RHB has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that RHB Banking Group is well positioned to issue green and social bonds and sukuks and that the RHB Sustainability Sukuk and Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021), Social Bond Principles (2021), and ASEAN Sustainability Bond Standards (2018).

Appendix 1

Appendix 1: Alignment to the ASEAN Sustainability Bond Standards 2018 (ASEAN SBS)

ASEAN SBS Criteria	Alignment with the ASEAN SBS	Sustainalytics' comments on alignment with the ASEAN SBS
Eligibility	Yes	The ASEAN SBS requires that issuers must be in or that the proceeds be directed toward assets in an ASEAN country. RHB qualifies given that the Bank intends to finance projects in Malaysia.
Use of Proceeds	Yes	The ASEAN SBS offers specific clarification that fossil fuel power generation projects are excluded. The Bank has confirmed this exclusion criteria to Sustainalytics.
Process for Project Evaluation and Selection	Yes	The ASEAN SBS specifies information that must be clearly communicated to investors before issuance regarding project selection. RHB has established a BSC to oversee the process of project evaluation and selection. BSC is supported by the Group Sustainability Committee which is further supported by RHB's sustainability councils including the Sustainable Business Council (SBC) and the Responsible and the Sustainable Practices Council.
Management of Proceeds	Yes	The ASEAN SBS mandates that proceeds must be appropriately tracked and that temporary investments be disclosed.
Reporting	Yes	The ASEAN SBS requires annual reporting on the allocation of funds and the expected impact.
Annual Review	Yes	The ASEAN SBS encourages, but does not require, annual reviews. As of 2023, RHB Bank intends to provide annual review.

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	RHB Banking Group
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	RHB's Sustainability Sukuk and Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	March 15, 2023

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The 14 eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles, Social Bond Principles and ASEAN Sustainability Bond Standards. Sustainalytics considers that

investments in the eligible categories will lead to positive environmental or social impacts in Malaysia and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 4, 6, 7, 8, 9, 11, 12 and 13.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input checked="" type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

RHB Banking Group has established a Board Sustainability Committee to oversee project evaluation and selection, which is supported by the Group Sustainability Committee led by the Group Managing Director or CEO. Board Sustainability Committee is further supported by the senior leaders from RHB's Sustainability Councils. RHB has developed and integrated ESG risks assessment tools into its lending and financing evaluation and decision-making. Sustainalytics considers the risk management system to be adequate and the project evaluation and selection process to be aligned with market practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

RHB's Group Treasury, supported by the Group Sustainability Management and Capital and Balance Sheet Management will oversee the management of proceeds with a centralized register to track and monitor the allocation of proceeds. RHB will apply a look-back period of a maximum of three years and aims to fully allocate proceeds within two years of issuance. Pending allocation, unallocated proceeds will be temporarily invested in cash or cash equivalents. Sustainalytics considers the process for the management of proceeds to be aligned with market practice.

Tracking of proceeds:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner | |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds | |
| <input type="checkbox"/> Other (please specify): | |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

RHB Banking Group intends to report on allocation of proceeds on its website on an annual basis until full allocation. The report will include an overview of the allocation of bonds or sukuk proceeds by a breakdown of allocation per expenditure category and the unallocated proceeds (if any). In addition, RHB Banking Group is committed to reporting on relevant impact metrics. Sustainalytics views RHB Banking Group's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported:

- Allocated amounts Sustainability Bond financed share of total investment
- Other (please specify): net proceeds raised, share of financing vs refinancing

Frequency:

- Annual Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Number of beneficiaries
- Target populations Other ESG indicators (please specify):

Renewable energy	<ul style="list-style-type: none"> • Renewable energy produced in MWh • Annual energy savings in MWh • Annual GHG emissions reduced / avoided in tonnes of CO₂ equivalent
Energy efficiency	<ul style="list-style-type: none"> • Annual energy savings in MWh • Annual GHG emissions reduced / avoided in tonnes of CO₂ equivalent
Pollution prevention and control	<ul style="list-style-type: none"> • Annual GHG emissions reduced / avoided in tonnes of CO₂ equivalent

Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> • Area conserved or protected in m² • Area covered by sustainable agricultural land management practices (hectares)
Clean transportation	<ul style="list-style-type: none"> • Annual GHG emissions reduced / avoided in tonnes of CO₂ equivalent
Sustainable water and wastewater management	<ul style="list-style-type: none"> • Amount of waste avoided /reduced in kg or m³ per year • Amount of wastewater treated in m³ per year
Climate change adaptation	<ul style="list-style-type: none"> • Number and nature of projects that support climate change adaptation / resilience
Eco-efficient and/or circular economy adapted products, production technologies and processes	<ul style="list-style-type: none"> • Material reused, recycled, refurbished, manufactured per year (tonnes)
Green buildings	<ul style="list-style-type: none"> • Annual GHG emissions reduced / avoided in tonnes of CO₂ equivalent • Annual energy savings in MWh
Affordable basic infrastructure	<ul style="list-style-type: none"> • Number of people with access to community centres, recreational centres, cultural centres, museums or libraries and facilities • Number of people with access to sustainable transportation • Number of water and waste management infrastructure projects for clean drinking water and sanitation
Access to essential services	<ul style="list-style-type: none"> • Number of people with access to new technology and telecommunication • Number of students supported • Number of hospitals and other healthcare facilities financed • Number of residents benefitting from healthcare which is otherwise not accessible
Affordable housing	<ul style="list-style-type: none"> • Number of people with access to affordable and safe housing
Employment generation	<ul style="list-style-type: none"> • Number of people supported in trade schools, job training or job placement programmes • Amount of financing approved for women-led MSMEs • Amount of financing approved for low-income entrepreneurs MSMEs
Food security and sustainable food systems	<ul style="list-style-type: none"> • Number of people with affordable access to nutritious food and clean water

	<ul style="list-style-type: none"> Number of people supported in technical capacity building or training for small-scale farming operations
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Frequency:

- Annual
 Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report
 Information published in sustainability report
 Information published in ad hoc documents
 Other (please specify): Progress report
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion)
 Certification
 Verification / Audit
 Rating
 Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer’s adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer’s overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer’s internal tracking method for use of proceeds, allocation of

funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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For more information, visit www.sustainalytics.com

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