



BANK PEMBANGUNAN MALAYSIA BERHAD

Sustainable Development Sukuk Report **2023**

6 June 2024

We deliver impact capital
for national development



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About this report

This Sustainable Development Sukuk Report 2023 (“Report”) is prepared in accordance with BPMB’s Sustainable Development Sukuk (“SDS”) Framework. This Report provides an update on the allocation of SDS proceeds as at 31 December 2023.

BPMB has complied with the relevant environmental, social and governance (“ESG”) standards during the tenure of the SDS, including:

- Sustainable and Responsible Investment (SRI) Sukuk Framework by Securities Commission Malaysia
- Sustainability Bond Guidelines by the International Capital Market Association
- ASEAN Sustainability Bond Standards by the ASEAN Capital Markets Forum

For more information on our SDS Framework and third-party external review report, kindly visit our website at www.bpmb.com.my

Introduction



1.1

Overview

About BPMB

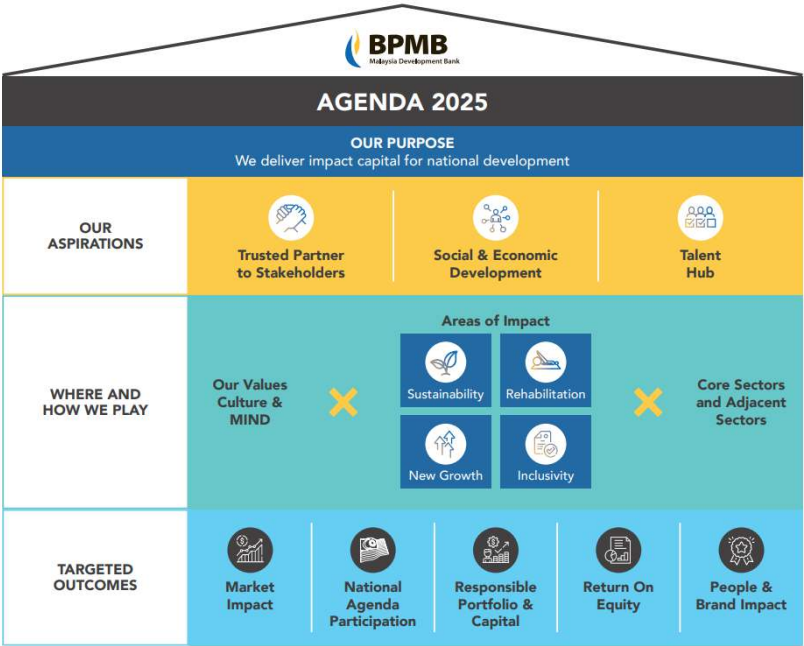
Incorporated in 1973, Bank Pembangunan Malaysia Berhad (“BPMB” or “we”) is one of Malaysia's first Development Financial Institutions (“DFIs”) and is wholly owned by the Malaysian Government through the Minister of Finance Inc. Over the past 50 years, BPMB has supported the growth of key sectors identified by the Government to be of strategic socio-economic development importance. We have played a key role in Malaysia's development, during which our strategic focus has broadened over time beyond promoting the infrastructure, maritime, oil and gas and technology sectors of the economy. With a resolute commitment to impact and national development, we remain steadfast in our commitment to empower businesses, foster innovation, and drive national progress.

Supporting Malaysia's development for over **50 years**

AAA
ratings by RAM Ratings and MARC

Total SDS allocation
RM1.45 billion
(100% of SDS net proceeds allocated)

Our purpose
We deliver impact capital for national development



Agenda 2025

In 2023, we announced the launch of Agenda 2025, our three-year strategic journey with our purpose, “We deliver impact capital for national development”. Through Agenda 2025, we aspire to become a trusted partner to our stakeholders, providing social and economic development and building a talent hub. We also believe that by working together, we can create a better Malaysia.

For more information, kindly visit our website at www.bpmb.com.my

1.2

Our sustainability approach

Climate ambition

Net zero emissions by 2050

Carbon neutral by 2030

Scope 1 and 2 emissions

Sustainability at BPMB

As a DFI, we play an instrumental role in driving sustainability by leveraging our financial resources, technical expertise, and strategic partnerships to support projects that balance economic growth, social inclusion, and environmental protection. Our sustainability approach is guided by our Measuring Impact on National Development (“MIND”) and Sustainability Framework, which outline our sustainability governance, strategy, risk management and performance metrics.

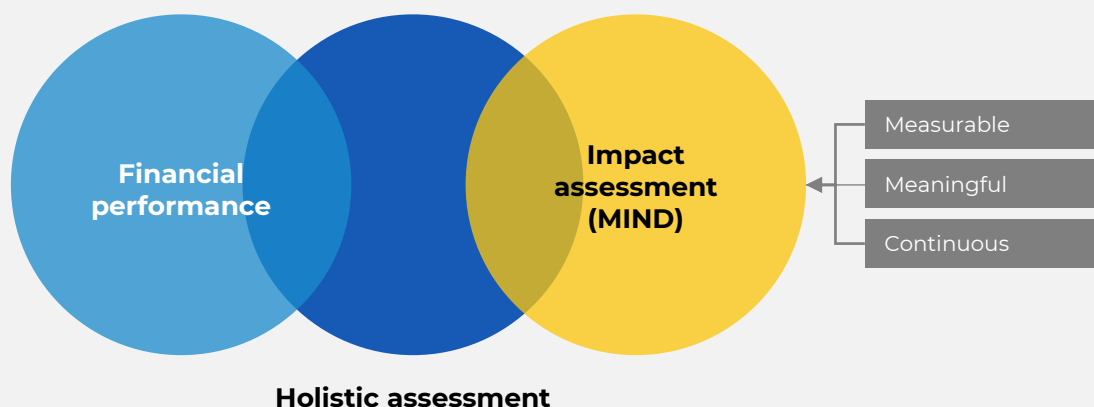
As part of our Agenda 2025 strategy, we developed a comprehensive sustainability strategy to address the 13 material matters, focusing on three key pillars: (1) supporting impactful national development, (2) developing an inclusive and diverse talent pool, and (3) driving responsible business practices. Our sustainability strategy extends beyond our traditional role as a capital provider to focus on building markets and nurturing talent, which is crucial for maintaining a continuous pipeline of impactful projects and a productive workforce essential for national development.

BPMB sustainability strategy



BPMB project evaluation approach

BPMB has shifted project evaluation from a credit-centric assessment to a holistic end-to-end assessment



With the nation in MIND

We bridge financing gaps by participating in impactful projects in underserved markets and sectors to fulfil our national development mandate. Traditionally, banks assess projects based on their financial performance and indicators such as credit risks and profitability. We take pride in being one of the first DFIs to move away from the traditional approach by incorporating impact assessment in all financing activities through our MIND Framework.

Our MIND Framework is not just a tool, but a commitment to assessing the environmental, social, and economic impact of each transaction. This assessment is in line with the Government's 12th Malaysia Plan and the United Nations' Sustainable Development Goals ("SDGs"). By evaluating and scoring both positive and negative impacts of a project/company, we produce a development impact score ("DIS") that guides our financing decisions. MIND allows us to identify and assess sustainability/ ESG risks which strengthens our overall risk management and financing decisions.

In addition to the eligibility criteria outlined in the SDS Framework, all the Use of Proceeds from the SDS are assessed and scored using MIND.

MIND Framework

Launched in 2021

100% new financings assessed

on their economic, environmental and social impacts



About our sustainable development sukuk

2.1

Summary of our sustainable development sukuk

Issuer	Bank Pembangunan Malaysia Berhad
Rating	AAA (Malaysia Rating Corporation Berhad, MARC)
Programme	Islamic Medium-Term Notes ("Sustainability Sukuk Wakalah") Programme
Programme size	Up to RM5.0 billion in nominal value
Total issued amount	RM1.45 billion (1 st tranche RM450.0million, issued in October 2021; 2 nd tranche RM1.0billion, issued in December 2023)
Use of proceeds	Finance and/or refinance, in part or in whole, assets, businesses or projects (collectively, termed "eligible assets") which meet the eligibility criteria under the following eligible category:

SDG	Eligible category
	1. Renewable energy 2. Green/efficient buildings 3. Energy efficiency
	4. Circular economy 5. Employment generation and retention including through SME financing
	6. Clean transportation 7. Affordable basic infrastructure 8. Digital inclusion
	9. Affordable housing 10. Access to essential services
	11. Sustainable water and wastewater management 12. Environmentally sustainable management of living natural resources and land use
	13. Climate change adaptation

Proceeds from the SDS will not knowingly finance any business for which the principal activity is any of the following:

- Sectors which are prohibited by Shariah
- Coal mining and power generation from coal
- Fossil fuel
- Hazardous chemicals

The details of the eligibility criteria for the above eligible category are outlined in our SDS Framework, available on our [website](#).

Process for project evaluation and selection

BPMB business team will identify potential Eligible Assets. The MIND and Sustainability (M&S) department will assess the development impact of the potential projects in accordance with the MIND Framework and evaluate the eligibility of potential assets, businesses, and projects based on the Use of Proceeds criteria outlined in the SDS Framework. The Board Credit Committee (BCC) or Group Credit Committee (GCC) will make the final decision, depending on credit approval limits.



Management of proceeds

- The net proceeds from Sukuk issued will be managed by BPMB’s Capital & Asset Liability Management (CALM) and Treasury Operations & Analytics (TROPs) team on a portfolio approach and allocated to a Portfolio selected in accordance with the eligibility criteria and evaluation and selection process outlined in the SDS Framework.
- The Portfolio is intended to be dynamic, with new eligible assets added and existing eligible assets removed, when applicable.

Management of proceeds (cont'd.)

- BPMB monitors and maintains the aggregate value of eligible assets in the Portfolio, ensuring it equals to/or exceeds the net proceeds raised from the corresponding outstanding SDS.
- Where the aggregate amount in the Portfolio is less than the total outstanding amount of the Sustainable Development Sukuk issued, BPMB may hold the unallocated amount in cash, cash equivalents and/or invest in other liquid marketable instruments in accordance with the Bank's normal liquidity management policy with preference given to SRI/ASEAN Standards/ICMA Principles compliant instruments until the amount can be allocated towards the Portfolio.

M&S will review the portfolio at least annually to verify that all Eligible Assets continue to meet the eligibility criteria set out in the SDS Framework. Assets that have matured or no longer comply with the eligibility criteria will be removed from the Portfolio and, as soon as practicable, substituted with suitable assets that meet the SDS Framework's eligibility criteria.

Reporting

Annually, until full allocation of the net SDS proceeds, and on a timely basis in case of material developments, BPMB will publish a progress report on the corporate website that will include, among others:

- the amount of net proceeds that have been allocated to one or more Eligible Assets defined as the whole or part of new or existing projects, under construction and/or in operation, either individually or by category, subject to confidentiality considerations (customer consent).
- the list of Eligible Asset categories with brief descriptions;
- the outstanding amount of net proceeds yet to be allocated to Eligible Assets at the end of the reporting period (if any)

As of 31 December 2023, BPMB has complied with the relevant environmental, social, and governance standards related to the Eligible Assets, such as:

- The ASEAN Capital Markets Forum's (ACMF) Green Bond Standards (ASEAN GBS), Social Bond Standards (ASEAN SBS), and Sustainability Bond Standards (ASEAN SUS);
 - The International Capital Market Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG);
 - Sustainable and Responsible Investment (SRI) Sukuk Framework under the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the Securities Commission.
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Eligible assets and allocation of proceeds

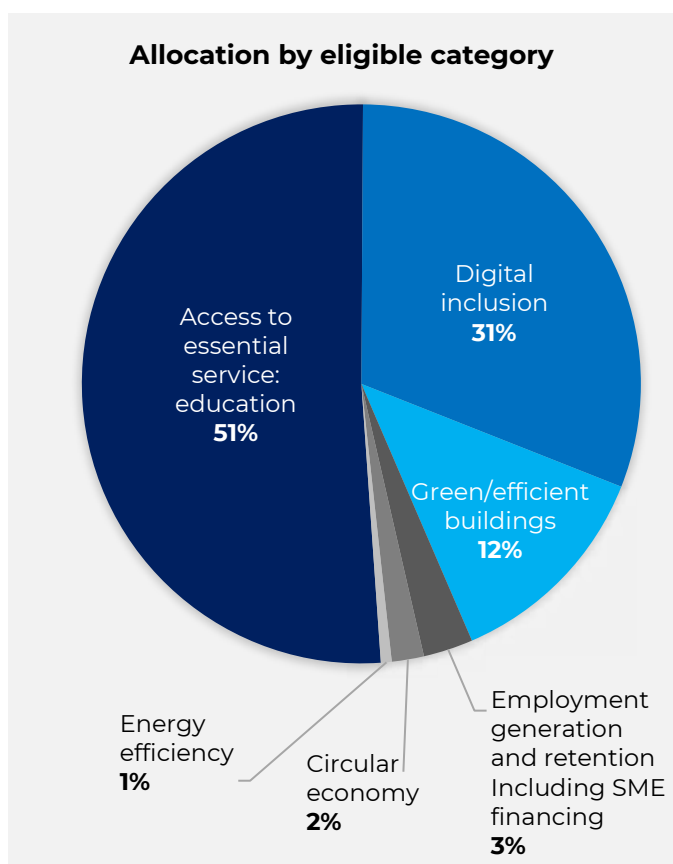
As of 31 December 2023, the total net proceeds of the SDS issued of RM1.45 billion have been fully allocated to finance/refinance, in whole or in part, new or existing assets, businesses, and/or projects (collectively, “Eligible Assets”).

Reporting date	31 December 2023
Geographic location	Malaysia
Currency of eligible assets	Malaysian Ringgit (RM)
Total allocated amount	RM1.45 billion

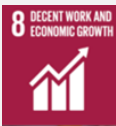
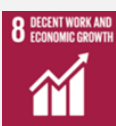
The section below outlines the Eligible Assets to which those proceeds were allocated:

Total SDS Issuance to-date: RM1,450,000,000

Allocation	%
Access to essential service: education	51
Digital inclusion	31
Green/efficient buildings	12
Employment generation and retention including SME financing	3
Circular economy	2
Energy efficiency	1
TOTAL ALLOCATED	100
TOTAL UNALLOCATED	Nil



Eligible category	Supported SDGs	Eligible Asset Description	Location	Amount (RM'mil)	Allocation (%)
Access to essential services: Education		Financing or refinancing of activities that expand access to publicly funded primary, secondary, adult and vocational education, notably through but not limited to the following: • Construction, extension, or refurbishment of public primary and secondary schools and universities; • Construction, extension or refurbishment of technical/vocational training centres; • The construction of public student housing; • E-learning	Malaysia	742.45	51%
Digital inclusion		Financing or refinancing of activities that promote SME participation in the digital economy, e-commerce, and their digital transformation.	Malaysia	448.10	31%
Green/efficient buildings		Financing or refinancing the acquisition, construction and refurbishment of mix-used development projects, residential and/or commercial buildings that meet or are expected to receive a minimum certification of: • Green Building Index ("GBI") (Gold and above); • Building Research Establishment Environmental Assessment Method ("BREEAM") (Excellent and above); • Leadership in Energy and Environmental Design ("LEED") (Gold and above); • Singapore Building and Construction Authority (BCA) Green Mark (Gold Plus and above); or • Any other green building labels that are equivalent standard as the abovementioned.	Malaysia	181.72	12%

Eligible category	Supported SDGs	Eligible Asset Description	Location	Amount (RM'mil)	Allocation (%)
Circular economy		Financing or refinancing businesses, activities or projects, including research into and the development of processes, infrastructure and technology and facilities that support a transition towards the circular economy through: • Design and/or manufacture of products that significantly increase effectiveness and efficiency of resource consumption; • Design and/or manufacture of products that are made of renewable or recycled resources and/or can be fully recycled within an efficient framework of collection, separation and recycling after use; or • Solutions that extend the product-life or enable circular value recovery of goods and/or materials after use.	Malaysia	41.68	3%
Employment generation and retention including through SME financing		Financing of projects that support local economic development and job creation or retention via the financing of small, medium, and micro-sized enterprises (SMEs).	Malaysia	26.96	2%
Energy efficiency		Financing or refinancing the development, manufacture and/or installation of energy efficiency technologies, products or system(s) including but not limited to: • Digital controls and sensors for efficient energy management; • Energy saving technology such as smart meters and lighting for public, commercial and domestic services; or • Manufacture of components to enable energy efficiency	Malaysia	9.09	1%
Total				1,450	100%



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