



**UEM GROUP BERHAD  
SUSTAINABILITY SUKUK  
FRAMEWORK**

27 October 2023

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## **1. Introduction of UEM Group Berhad (“UEM” or the “Company”)**

UEM Group Berhad was incorporated in Malaysia under the Companies Ordinances 1940-1946 on 10 March 1966 as United Engineers (Malaysia) Limited. It changed its name to United Engineers (Malaysia) Sdn Berhad on 15 April 1966. On 19 May 1975, it was resolved to convert into a public company and assumed the name United Engineers (Malaysia) Berhad. UEM assumed its present name on 23 January 2007.

UEM was previously listed on the Main Board (now known as Main Market) of Bursa Malaysia Securities Berhad (“Bursa Securities”) on 10 July 1975. On 15 October 2001, UEM was taken private and delisted from the Official List of Bursa Securities following its shareholders' acceptance of more than 90% of the voluntary take-over offer made by Syarikat Danasaham Sdn Bhd (“Danasaham”), a wholly-owned subsidiary of Khazanah Nasional Berhad (“Khazanah”). On 14 January 2005, Danasaham transferred its entire shareholdings in UEM to Khazanah.

UEM’s principal activities are project design, management and contracting in the fields of civil, electrical and mechanical engineering, undertaking of turnkey projects, corporate and advisory support services and training services and investment holding. As at the date of this Sustainability Sukuk Framework, UEM has interests in:

- Expressways, via its investment in PLUS Malaysia Berhad (“PMB”), which is a 51:49 joint venture between UEM and the Employees Provident Fund Board. PMB in turn wholly-owns Projek Lebuhraya Usahasama Berhad (“PLUS”), which is the largest highway operator in Malaysia. UEM also holds a 100% equity stake in PLUS Expressways International Berhad, which in turn holds highway concession assets in India;
- Township and Property Development via its subsidiary, UEM Sunrise Berhad (“UEMS”), which is listed on the Main Market of Bursa Securities and is the master developer of Iskandar Puteri in Johor. UEMS also has projects in the Klang Valley and Australia;
- Engineering and Construction via its wholly-owned subsidiaries, UEM Builders Berhad and Cement Industries of Malaysia Berhad (“CIMA”);
- Asset and Facility Management (“AFM”) via its subsidiary, UEM Edgenta Berhad (“Edgenta”), which is listed on the Main Market of Bursa Securities, a leading AFM service provider in the region with presence in Malaysia, Singapore, Indonesia, Taiwan, the United Arab Emirates, and the Kingdom of Saudi Arabia; and
- Green Industries via its subsidiaries, UEM Lestra Berhad (“UEM Lestra”), the green investment platform that spearheads UEM’s green initiatives and Cenergi SEA Berhad (“Cenergi”) which specialises in reducing carbon footprint through investment in renewable energy specifically biogas, biomass and solar as well as energy efficiency projects.

## **2. UEM Group of Companies' Commitment to Environmental, Social and Governance ("ESG")**

UEM aims to preserve and protect the environment, ensure its employees and communities are nurtured and supported and aspire to make a long-lasting and positive impact in the governance space. The Company aims to embed sustainability into everything it does and with everyone it works with.

The Company is taking a proactive approach to further develop green industry in the country with an aim of creating green domestic champions, driving Malaysia's decarbonisation agenda and create high quality employment opportunities in Malaysia.

The Company is also committed to create an inclusive and diverse work environment and will continue to ensure the health and safety of each and every member of its employees with an improved workforce management, workplace health and safety, diversity and inclusion, and fair and equitable access.

UEM's governance structure helps foster principled actions, informed and effective decision-making, and appropriate monitoring of compliance and performance as the Company practices conducting business ethically, honestly and in full compliance with applicable laws and regulations.

PLUS, the expressway arm of UEM, is committed to a path of sustainable growth by balancing profitable growth, social and environmental responsibilities. In 2020, PLUS's energy consumption reduced by 25% from 2016 baseline and 475MWh of its electricity consumed were from renewable energy source. PLUS's landscaping inventory consists of 47,009 trees and has installed 77 rainwater and groundwater monitoring stations along the highways and 21 rainwater harvesting systems across its building and rest stops. PLUS has made considerable inroads in its path towards becoming a more sustainable corporation.

CIMA, the cement manufacturing subsidiary of UEM, acknowledges the importance of combining sound financial performance with a commitment to environmental stewardship, social responsibility and good governance. The ESG principles are embodied in CIMA's core values and integrated in its day-to-day operations. CIMA is the first cement manufacturer in Malaysia to adopt an alternative fuel combustion system, allowing the utilisation of recycled materials such as pulverised fly ash and palm kernel shell, whilst incorporating alternative raw materials including SW421 sludge (which is a mixture of scheduled wastes) and SW207 sludge (which refers to sludge containing fluoride) as part of the efforts to reduce its dependence on fossil fuel and the need for landfills. CIMA's composite cement was introduced in 2010, followed by various greener cement products such as Ground Granulated Blast Furnace Slag and high-performance concrete that is more sustainable. Some of CIMA's key products have received the green label certification from the Singapore Environment Council. CIMA is currently in the process of installing a Waste Heat Recovery system which, upon completion, will save up to 30% of its electricity

consumption and reduce carbon dioxide emission by 24% in its Bahau plant in Negeri Sembilan.

UEMS, the township and property development arm of UEM, established the UEM Sunrise Sustainability Blueprint, which sets out its sustainability roadmap towards reaching Carbon Neutrality by 2050. Starting with building a low-carbon future by 2030, the UEM Sunrise Sustainability Blueprint anchors on four pillars namely, livability, affordability, sustainability and resilience.

Edgenta, the AFM arm of UEM, has its sustainability goals anchored on the three pillars of sustainability - Economic, Environmental and Social, and they are projected through three key themes namely, Sustainable Economic Growth, Minimising Environmental Impact and Social Value Creation. Edgenta contributes to the global climate agenda and the national plan to achieve carbon neutrality by 2050 through reducing its carbon footprint and providing energy efficiency and renewable energy solutions. Edgenta focuses on generating a positive impact on the lives of its employees and the local communities in which it operates as it provides high-quality and efficient products and services.

UEM, in its transition to a lower carbon-economy, has further diversified and expanded its core business into green industries. Led by UEM Lestra and Cenergi, UEM plans to strengthen and organically grow the green assets in renewable energy and storage, integrated energy solutions, green or electric mobility and waste management and recycling. This platform will spearhead national decarbonisation and sustainability agenda, building capabilities and upskilling Malaysians in new and emerging sectors in creating sustainable future. Cenergi is Malaysia's largest grid-connected Palm Oil Mill Effluent (POME) biogas player, specialises in reducing carbon footprint through investment in renewable energy specifically biogas, biomass and solar as well as energy efficiency projects. Cenergi is driven by three values: people, planet, and profit. Cenergi's vision, policies and corporate plans are directed towards lowering carbon emissions and creating sustainable future. Cenergi strives to provide Malaysia and its neighbouring countries with the expertise as well as infrastructure to promote the use of renewable energy. These will further deliver sustainable value to UEM.

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### 3. Sustainability Sukuk Framework

This Sustainability Sukuk Framework ("Framework") is established to set out clear and transparent guidelines and principles for the issuances of ASEAN Sustainability SRI Sukuk Wakalah and ASEAN Sustainability SRI-linked Sukuk Wakalah (both as defined below) from UEM's Sukuk Wakalah Programme of up to RM7.0 billion in nominal value, set up or to be set up by UEM through its wholly-owned special purpose vehicle, UEM Olive Capital Berhad ("UEM Olive"), with UEM acting as the obligor thereunder.

"ASEAN Sustainability SRI Sukuk Wakalah" are Sukuk Wakalah issued pursuant to the Sukuk Wakalah Programme and will be in compliance with the following guidelines or frameworks, as amended from time to time:

- (a) the Sustainable and Responsible Investment ("SRI") Sukuk provisions under the Securities Commission Malaysia ("SC")'s Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC on 9 March 2015 (effective on 15 June 2015) (as amended from time to time) ("LOLA Guidelines");
- (b) the ASEAN Green Bond Standards, the ASEAN Social Bond Standards, and/or the ASEAN Sustainability Bond Standards issued by ASEAN Capital Markets Forum (as the case may be);
- (c) the Green Bond Principles, the Social Bond Principles, and/or the Sustainability Bonds Guidelines issued by International Capital Markets Association (as the case may be) ("ICMA"); and
- (d) such other related guidelines or principles or frameworks or standards, whether or not having the force of law, in relation to sustainability/social/green bonds or sukuk issued from time to time.

"ASEAN Sustainability SRI-linked Sukuk Wakalah" are Sukuk Wakalah issued pursuant to the Sukuk Wakalah Programme and will be in compliance with the following guidelines or frameworks, as amended from time to time:

- (a) the SRI-Linked Sukuk provisions under the LOLA Guidelines ("SRI-Linked Provisions");
- (b) the ASEAN Sustainability-Linked Bond Standards issued by ASEAN Capital Markets Forum ("ASEAN Sustainability-Linked Guidelines");
- (c) the Sustainability-Linked Bond Principles issued by ICMA ("Sustainability-Linked Principles"); and
- (d) such other related guidelines or principles or frameworks or standards, whether or not having the force of law, in relation to sustainability-linked bonds issued from time to time.

The Framework outlines four key components:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

### **3.1 Use of Proceeds**

The proceeds raised from any ASEAN Sustainability SRI Sukuk Wakalah issuance by UEM via UEM Olive ("Sustainability Sukuk Proceeds") shall be utilised:

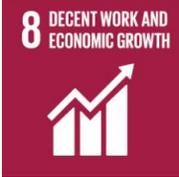
- (a) by UEM for the payment of fees and expenses incurred in connection with the Sukuk Wakalah Programme; and/or
- (b) by UEM and its subsidiaries, associates and joint ventures (collectively, the "Group") to finance and/or refinance, in whole or in part, new or existing investments, acquisitions, assets, businesses, projects and/or products that comply with the principles of this Framework ("Eligible Assets"),

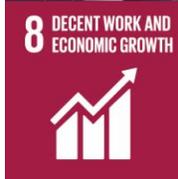
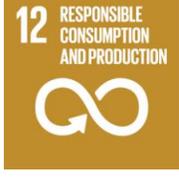
all of which shall be Shariah-compliant. For the avoidance of doubt, any utilisation by the Group pursuant to sub-paragraph (b) shall include investment into its subsidiaries, associates and/or joint ventures which have Eligible Assets as its business activities.

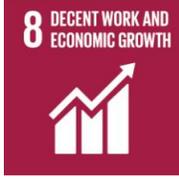
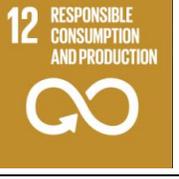
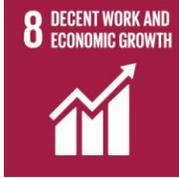
The utilisation in (b) above shall include the operations of UEM, being the obligor under the Sukuk Wakalah Programme, and the Group, provided they are in compliant with this Framework. For the avoidance of doubt, any proceeds from any other Sukuk issued by UEM Olive pursuant to the Sukuk Wakalah Programme can be used by the Group for working capital requirements, operating expenses and other expenses related to the Eligible Assets, so long as the proceeds from the ASEAN Sustainability SRI Sukuk Wakalah issuances are not used to fund new or existing assets, businesses, projects and/or products falling outside of the Eligible Assets. In the event that proceeds from the Sukuk Wakalah which are compliant with the SRI provisions under the LOLA Guidelines are used for an acquisition of a company which carries on the Eligible SRI projects (as described in the LOLA Guidelines), UEM will ensure that the target company that is to be acquired does not carry on any other business or projects except for the Eligible SRI projects.

The Sustainability Sukuk Proceeds will be used to finance and/or refinance the Eligible Assets that fulfil any of the following criteria:

**Table 1: Eligibility Criteria for Utilisation of Sustainability Sukuk Proceeds**

No.	Eligible Project Category	Description	Alignment with United Nations' Sustainable Development Goals ("UN SDG") Targets
1.	Renewable energy and storage	<ul style="list-style-type: none"> <li>• Investment, acquisition, development, construction of renewable energy infrastructure such as solar farms, mini hydro plants and biogas.               <ul style="list-style-type: none"> <li>○ Mini-hydro power plants (run of river hydroelectric projects up to 30MW per installation).</li> <li>○ Biogas-to-electricity projects using POME and other agricultural waste through the acquisition or development or operation or maintenance of projects related to methane capture activities which avoids the release of GHG. Where projects are based on palm oil by-products, feedstock should be certified from Malaysian Sustainable Palm Oil sources. Certification from Roundtable of Sustainable Palm Oil is preferred.</li> </ul> </li> </ul>	     

No.	Eligible Project Category	Description	Alignment with United Nations' Sustainable Development Goals ("UN SDG") Targets
		<ul style="list-style-type: none"> <li>Investment, acquisition, development of power generation, operation and / or maintenance and services of renewable energy plants or projects.</li> <li>Investment, acquisition, development in technology solutions or projects, including technical design, certification and financing package that enhance battery capacity.</li> </ul>	
2.	Integrated energy solutions	<ul style="list-style-type: none"> <li>Investment, acquisition, development of products, technologies, or solutions in green building services and end to end energy services such as distributed energy generation technologies and energy efficiency related services.</li> <li>Investment, acquisition, development of products, technologies, or solutions in Energy Efficiency that among others will reduce energy consumption, improve lighting technologies or automation.</li> <li>Electrical Efficiency solutions which include technological design, certification, financing package and software tool.</li> </ul>	     

No.	Eligible Project Category	Description	Alignment with United Nations' Sustainable Development Goals ("UN SDG") Targets
3.	Green or electric mobility	Investment, acquisition, development of material, products or technologies in Electric Mobility including electric vehicle charging infrastructure, maintenance and services.	   
4.	Waste Management and recycling	Investment, acquisition, development of products or technologies in environmental mitigation, specialty services, waste collection, waste treatment, recycling, reuse and waste-to-energy solutions.	  

**Exclusion Criteria**

For the avoidance of doubt, any loans/financing/assets/projects which are in connection with the items listed below are excluded from utilising UEM's Sustainability Sukuk Proceeds:

- a. Gambling, gaming business and any prohibited trade;
- b. Weapons;
- c. Pork products sector;
- d. Alcohol;
- e. Fossil fuel;
- f. Nuclear energy and nuclear related assets;
- g. Waste incineration resulting in pollution; and

- h. Conventional financial institutions (ribawi) - banking and insurance.

In addition, loans/financing/assets/projects which are not Shariah-compliant are also excluded from the utilisation of UEM's Sustainability Sukuk Proceeds.

The Eligible Assets are expected to have a positive environmental and social impact i.e. reduction or avoidance of CO<sub>2</sub> emission and carbon footprint, energy saving and job creation.

### **3.2 Process for Project Evaluation and Selection criteria**

The evaluation and selection process of Eligible Assets is as follows:

- a. UEM will identify, evaluate and validate the investment, assets, businesses, projects and/or products based on the set of Eligibility Criteria for use of Sustainability Sukuk Proceeds as set out in Table 1;
- b. Evaluation of the proposed Eligible Assets will be conducted by the relevant business division(s) such as Commercial Division, Special Project and Corporate Finance Division against this Framework;
- c. The evaluation parameters include but not limited to:
  - i. Operational, technical and regulatory analysis;
  - ii. Economic benefit – the viability of the investment and potential benefit;
  - iii. Environmental and/or social benefit and concern;
  - iv. Environmental and/or social impact assessment; and
  - v. Risk and mitigation – economic, operation, regulation, environmental and social risk.
- d. Recommendation on the selected Eligible Assets will be submitted to the Board of Directors of UEM for approval as per the UEM Discretionary Authority Limits; and
- e. The Eligible Assets portfolio will be monitored by the relevant business division(s) such as Commercial, Finance and Special Projects and Corporate Finance Division during the tenure of the ASEAN Sustainability SRI Sukuk Wakalah issuance. The Company can decide to replace the Eligible Assets if they no longer meet the Eligibility Criteria by going through steps (a) to (c) above.

### 3.3 Management of Proceeds

The Sustainability Sukuk Proceeds will be utilised in accordance with paragraph 3.1 above. The portfolio of the Eligible Assets and the allocation of the Sustainability Sukuk Proceeds will be maintained and monitored by the Finance Division and the relevant divisions in the Company.

The Company will maintain a ledger to track the Sustainable Sukuk Proceeds allocation and utilization which will include (but not limited) to the following information:

- a. Details of SRI Sukuk;
- b. List of Eligible Assets with:
  - i. Summary of project details;
  - ii. Amount allocated to each project;
  - iii. Expenditure of each project;
  - iv. Expected environmental impact of each project; and
  - v. Remaining balance of unallocated proceeds.

In the event the Sustainability Sukuk Proceeds are used for investment into companies which have Eligible Assets as its business activities, the Finance Division and the relevant divisions shall monitor the utilisation of such Sustainability Sukuk Proceeds to ensure compliance with the relevant guidelines or frameworks mentioned in paragraph *Section 3, Sustainability Sukuk Framework* which the relevant ASEAN Sustainability SRI Sukuk Wakalah is issued under.

Additional Eligible Assets may be added into the portfolio of Eligible Assets, when necessary, to ensure efficient and timely distribution and utilisation of the Sustainability Sukuk Proceeds. During the life of UEM's ASEAN Sustainability SRI Sukuk Wakalah, if any of the Eligible Assets cease to fulfil the criteria under this Framework, the Company will use its best effort to identify new Eligible Assets as replacement and allocate the balance of unutilised Sustainability Sukuk Proceeds as soon as reasonably practicable.

In the event where the aggregate amount of the portfolio of Eligible Assets is less than the total outstanding amount of the ASEAN Sustainability SRI Sukuk Wakalah issued, the Finance Division may maintain the unallocated amount in cash, cash equivalents and/or invest in other Shariah-compliant marketable instruments in accordance with the Company's policy until the amount can be allocated to the portfolio of Eligible Assets.

### 3.4 Reporting

UEM will publish and make publicly available information regarding its ASEAN Sustainability SRI Sukuk Wakalah and ASEAN Sustainability SRI-linked Sukuk Wakalah as well as this Framework on UEM's website at the point of the relevant issuance and throughout the tenure of the ASEAN Sustainability SRI Sukuk Wakalah and/or ASEAN Sustainability SRI-linked Sukuk Wakalah.

In respect of the ASEAN Sustainability SRI Sukuk Wakalah only, UEM will publish an annual progress report ("Sustainability Sukuk Report"), which will provide information on the allocation and impacts throughout the tenure of UEM's ASEAN Sustainability SRI Sukuk Wakalah. The annual Sustainability Sukuk Report will be made available to the public on UEM's website at [www.uem.com.my](http://www.uem.com.my).

#### a. Allocation Reporting

The allocation report section of the Sustainability Sukuk Report will include, amongst others:

- i. Aggregate amount of Sustainability Sukuk Proceeds allocated and utilised for the various Eligible Assets, including the proportion and breakdown between financing and refinancing of the Eligible Assets (if applicable).
- ii. Remaining balance of the unallocated Sustainability Sukuk Proceeds at the end of the reporting period and where the unutilised amount is retained or invested.
- iii. Removal or substitution of Eligible Assets.
- iv. Confirmation that the utilisation of Sustainability Sukuk Proceeds from UEM's ASEAN Sustainability SRI Sukuk Wakalah issuance complies with this Framework.

#### b. Impact Reporting

The impact report section of the Sustainability Sukuk Report will include, amongst others:

- i. Impact or expected impact of the Eligible Assets, including the key underlying methodology or assumptions used to determine the impact or expected impact.

- ii. Key performance indicators achieved in supporting the United Nations’ Sustainable Development Goals relevant to the Eligible Assets. Subject to the nature of the relevant Eligible Assets, key performance indicators may include, but not limited to, the following:

**Table 2: Indicative Key Performance Indicators**

Eligible Project Category	Indicative Key Performance Indicators (KPI)
Renewable energy and storage	<ul style="list-style-type: none"> <li>• Renewable Energy Installed capacity (MW).</li> <li>• Renewable energy generated.</li> <li>• Annual CO2 emission reduction / avoidance (in tonnes of CO2).</li> <li>• Job creation.</li> </ul>
Integrated energy solutions	<ul style="list-style-type: none"> <li>• Annual energy saving.</li> <li>• Annual CO2 emission reduction / avoidance (in tonnes of CO2).</li> <li>• Calculated carbon footprint disclosed by absolute emission and intensity (tonnes and tonnes/m2).</li> <li>• List of eligible or number of buildings that receives third party green building certification.</li> <li>• Reduction in energy use, measured in, amongst others, kilowatt hour per square meter per year (kWh/m2 /year) compared to the baseline for building type.</li> <li>• Job creation.</li> </ul>
Green or electric mobility	<ul style="list-style-type: none"> <li>• Annual energy saving.</li> <li>• Annual CO2 emission reduction / avoidance (in tonnes of CO2).</li> <li>• List of eligible or number of public charging point.</li> <li>• Job creation.</li> </ul>
Waste Management and recycling	<ul style="list-style-type: none"> <li>• Recycling and recovery rate.</li> <li>• Annual CO2 emission reduction / avoidance (in tonnes of CO2).</li> <li>• Total resource recovered.</li> <li>• Renewable energy generated.</li> </ul>

*The KPI above are purely indicative and non-exhaustive and that there may be other forms of KPI used for the respective eligible sustainability project categories stated above.*

The impact of the selected Eligible Assets will be measured against how they aid in the delivery of UEM's sustainability goals and initiatives in support of the relevant UN SDGs.

UEM will comply with the relevant environmental, social and governance standards or recognised best practices relating to the Eligible Assets.

#### **4. External review on the Sustainability Sukuk Framework**

UEM will obtain an independent party to provide the second opinion on this Framework (or such amendments, supplementals and/or addendums to this Framework) prior to the first issuance of UEM's ASEAN Sustainability SRI Sukuk Wakalah and/or the first issuance of the ASEAN Sustainability SRI-linked Sukuk Wakalah. The independent party opinion(s) will be published on UEM's website at [www.uem.com.my](http://www.uem.com.my).

#### **5. Potential evolutions**

As the Sustainability Sukuk and Sustainability-linked Sukuk market may be subject to changing market and regulations as it evolves, UEM looks to enhance and improve this Framework from time to time and publish any supplementary content on UEM's website. Additionally, in the event UEM decides to make an ASEAN Sustainability SRI-linked Sukuk Wakalah issuance, this Framework will be updated to meet the relevant requirements under the SRI-Linked Provisions, ASEAN Sustainability-Linked Guidelines, Sustainability-Linked Principles and such other related guidelines or principles or frameworks or standards, whether or not having the force of law, in relation to sustainability-linked bonds issued from time to time, where applicable.

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