PBA
Perbadanan Bekalan Air Pulau Pinang Sdn Bhd
199901001061 (475961-X)
Memenuhi segala keperluan bekalan air anda
Meeting all your water supply needs

SUSTAINABLE FINANCE FRAMEWORK

Perbadanan Bekalan Air Pulau Pinang Sdn Bhd ("PBAPP")

8 July 2025

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GLOSSARY

ACMF	ASEAN Capital Markets Forum
APLMA	Asia Pacific Loan Market Association
APMC	Advanced Pressure Management Control
ARMC	Audit and Risk Management Committee
AI	Artificial Intelligence
BREEAM	Building Research Establishment Environmental Assessment Method
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
DAF	Dissolved air flotation
DMA	District Metering Areas
EECA	Efficiency and Conservation Act 2024
ESG	Environmental, Social, Governance
GBI	Green Building Index
GBP	Green Bond Principles
GEF	Grid Emission Factor
GET	Green Electricity Tariff
GHG	Greenhouse Gas
GLP	Green Loan Principles
GRI	Global Reporting Initiative
GSS	Green, Social and Sustainability
ICMA	International Capital Market Association
KOMTAR	Kompleks Tun Abdul Razak
LEED	Leadership in Energy and Environmental Design
LMA	Loan Market Association
LSTA	Loan Syndications and Trading Association
MLD	Millions liter per day
MyDAMS	Malaysia Dam Safety Management Guidelines
NRW	Non-Revenue Water
OPEX	Operating expenditures
PBAHB	PBA Holdings Bhd
PBAPP	Perbadanan Bekalan Air Pulau Pinang Sdn Bhd
PED	Primary Energy Demand
PPA	Power Purchase Agreement
QSH	Quality, Safety, and Health
REC	Renewable Energy Certificate
R&D	Research and Development
RE	Renewable Energy
SAC	Shariah Advisory Council
SBP	Social Bond Principles
SCADA	Supervisory Control and Data Acquisition
SFT	Sustainability Finance Transactions
SLP	Social Loan Principles
SPO	Second Party Opinion
SPS	Seberang Perai Selatan
SRI	Sustainable and Responsible Investment
SSC	Sustainability Steering Committee
ST	Suruhanjaya Tenaga
SWG	Sustainability Working Group
TCFD	Task Force on Climate–related Financial Disclosures
UN SDGs	United Nations Sustainable Development Goals
WCP 2030	Water Contingency Plan 2030
WTP	Water treatment plant

1 INTRODUCTION

1.1 About PBAPP

Perbadanan Bekalan Air Pulau Pinang Sdn Bhd ("**PBAPP"**) is the licensed water supply operator that serves the State of Penang. It is a 100% owned subsidiary of PBA Holdings Bhd ("**PBAHB**" or "**the Group**"), which is listed on the Main Market of Bursa Malaysia.

Corporatised in 1999, PBAPP has served Penang loyally, by supplying enough water to support its socioeconomic growth. Today, PBAPP is gearing up to supply more treated water in Penang than ever before towards the achievement of the State Government's "**Penang2030**" vision.

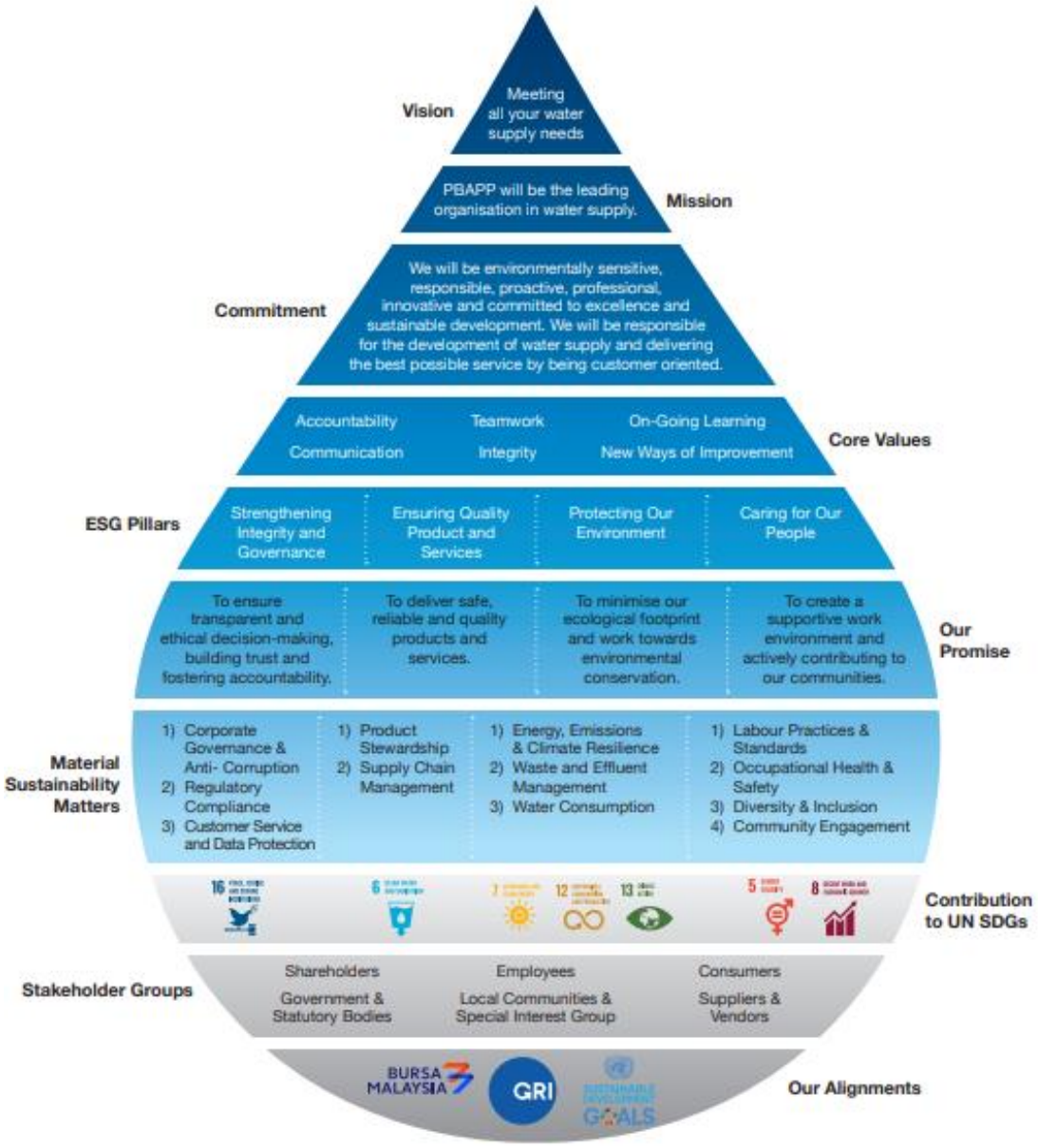
PBAPP's key day-to-day operations encompass the abstraction of raw water, the production of treated water, distribution of treated water, billing for water supply services and the provision of customer services.

VISION
Meeting all your water supply needs
MISSION
PBAPP will be the leading organisation in water supply.
COMMITMENT
PBAPP will be environmentally sensitive, responsible, proactive, professional, innovative and committed to excellence and sustainable development. PBAPP will be responsible for the development of water supply and delivering the best possible service by being customer-oriented.
CORE VALUES
ACCOUNTABILITY **C**OMMUNICATION **T**EAMWORK **I**NTEGRITY **O**N-GOING LEARNING **N**EW WAYS OF IMPROVEMENT

1.2 PBAPP's Approach to Sustainability

1.2.1 PBAPP's Sustainability Framework

PBAPP's Sustainability Framework offers a structured approach for the Group to integrate sustainability into core operations, decision-making processes and overall business strategy.



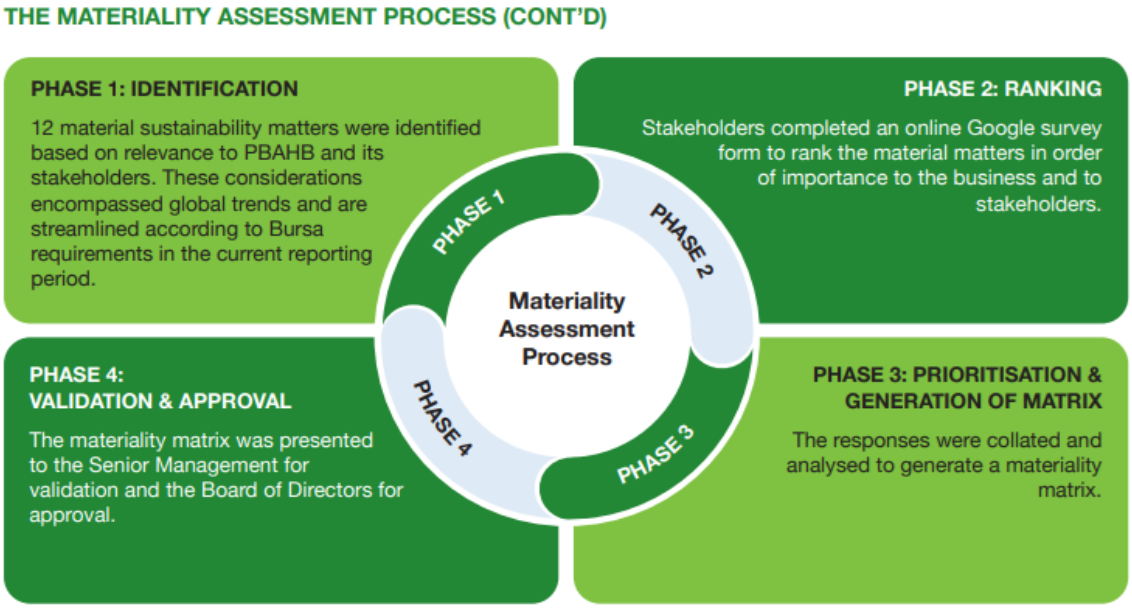
Source: PBAHB Sustainability Statement 2024

1.2.2 PBAPP's Sustainability Policy

1.2.3 PBAPP's Materiality Matters

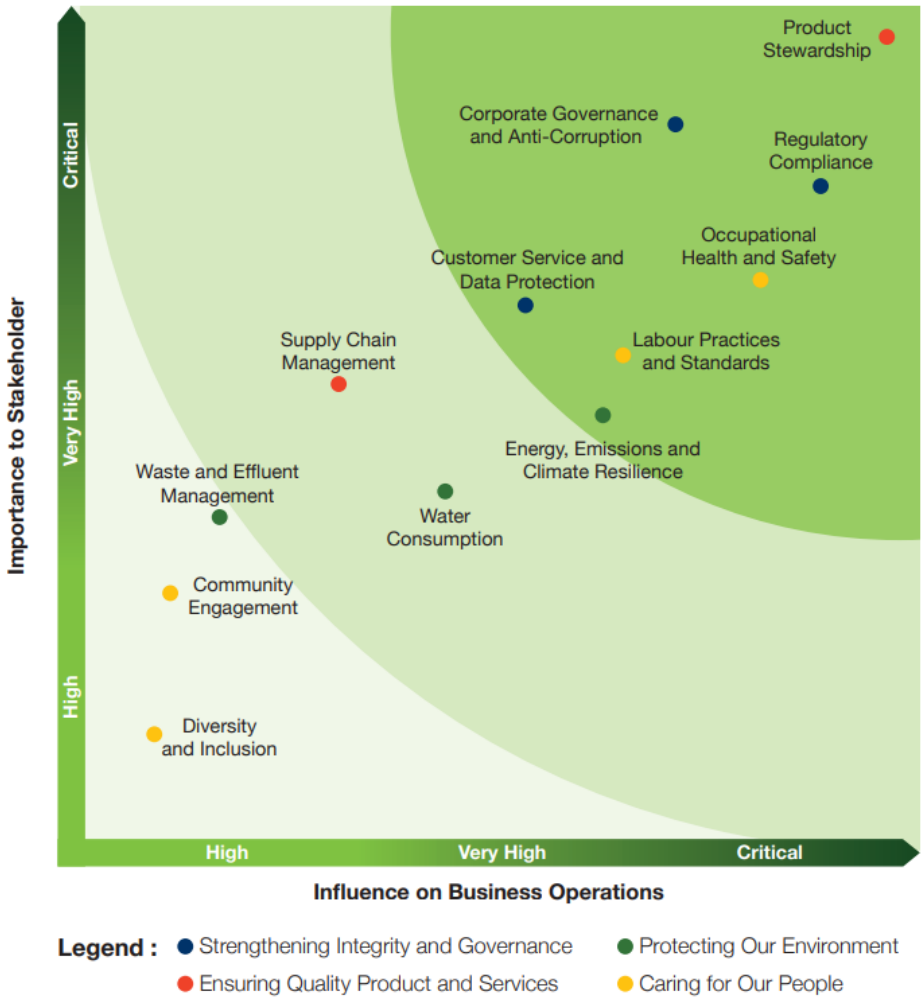
Identifying material sustainability matters that can influence PBAPP's value creation is crucial. Effectively managing these matters is essential to guarantee transparent, accountable and fair water resource management, ensuring the delivery of water services that meet customer needs while maintaining financial sustainability. In PBAPP, these material matters are organised into four main pillars:

As part of PBAPP's ongoing efforts to uphold sustainability and transparent stakeholder engagement, it consistently evaluates its material sustainability issues, on a Group level, ensuring that sustainability efforts are aligned with the broader values and priorities of the community. Encompassing the four steps outlined below, the materiality assessment serves as a strategic tool, guiding decision-making processes and helping focus on the issues that truly matter.



Source: PBAHB Sustainability Statement 2023

As the outcome, PBAPP developed a materiality matrix to visualise the importance of sustainability matters for both the Group and its stakeholders. This year, the Group reassessed its 12 material matters, with the top five (5) being Product Stewardship, Regulatory Compliance, Corporate Governance and Anti-Corruption, Occupational Health and Safety, as well as Labour Practices and Standards.



Source: PBAHB Sustainability Statement 2024

PBAPP's Water Contingency Plan 2030

During the post-PBAHB Annual General Meeting press conference on 27th June 2023, PBAHB highlighted PBAPP's Water Contingency Plan 2030 ("**WCP 2030**") to mitigate Penang's high water risks and ensure water supply sufficiency until 2030.

The 3 key objectives of the WCP 2030 are to:

1. Address a 10% surge in water consumption in Penang since 2019 (before the Covid-19 pandemic) and ensure water supply sufficiency until 2030;
2. Reduce and mitigate Penang's inherent water risks in regard to limited raw water resources, climate change and growing water demand; and
3. Buy time for the implementation of the RM4 billion Perak-Penang Water Project, as announced by the Federal Government.

Projects		Status	Projected max yield (MLD)*
1	New Bukit Panchor Water Treatment Plant ("**WTP**") DAF module.	Commissioned: December 2023	10
2	Package 12A, Sungai Dua WTP (additional water treatment module).	Commissioning: September 2024	114
3	Laying 13.0km of 1.8m pipelines: Sungai Dua WTP to Butterworth (Seberang Perai).	Work commencing: November 2024	315
4	Laying 3.9km of 1.8m pipelines: Macallum Area to Bukit Dumbar Reservoir and Pumping Station Complex (Penang Island).	Work commencing: December 2024	315
5	Mengkuang Dam WTP	Scheduled completion: 2028	114
6	Sungai Kerian WTP	Scheduled completion: 2028	114
7	Sungai Perai Water Supply Scheme (including pre-treatment of raw water)	Scheduled completion: 2031	136
8	Sungai Muda WTP	Scheduled completion: 2031	114
		Total projected yield	**602**

***million litres per day**

The new dissolved air flotation ("**DAF**") module at the Bukit Panchor WTP has been completed and commissioned. Its maximum designed capacity is 10 MLD. The Bukit Panchor WTP is meeting the water supply needs of 13,780 consumers in Seberang Perai Selatan ("**SPS**").

Progress of works related to Package 12A of the Sungai Dua WTP was delayed for nine months, due to nationwide construction material shortage. Package 12A refers to the construction of an additional water treatment module in the plant. When commissioned in September 2024, this new module will increase the overall water treatment capacity of the Sungai Dua WTP by 114 MLD to 1,342 MLD.

Meanwhile, work to lay new 1.8m pipelines in Penang Island already started and is currently in the tendering process while the work for 1.8m pipelines in Seberang Perai is scheduled to commence 1st quarter of 2026. When commissioned, these pipelines will allow PBAPP to efficiently pump more treated water from the Sungai Dua WTP to Penang Island in response to higher projected water demand on the island towards 2030.

The progress of work on the WCP 2030 projects to date reflects PBAPP's commitment to develop new and additional water supply infrastructure in Penang. In other words, PBAPP is busy "walking the talk" in terms of responding to the increasing water demands of Penang's 705,526 water consumers.

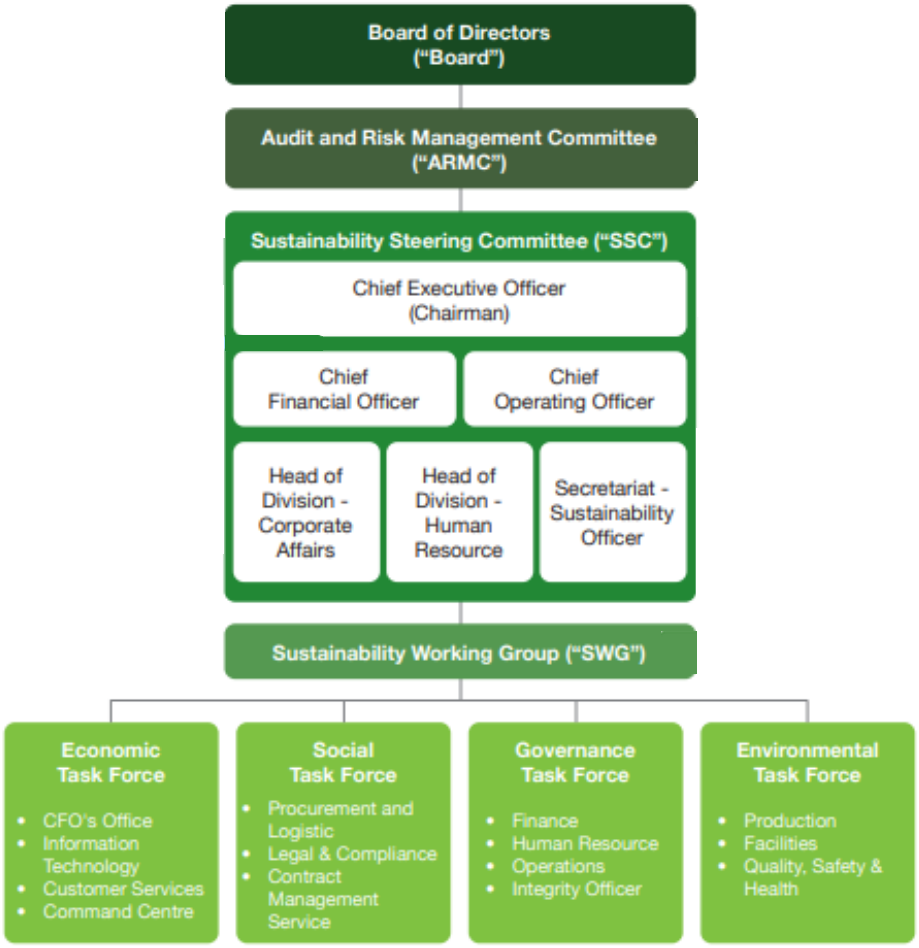
Penang Green Agenda 2030

The Penang Green Agenda aims to position Penang as Malaysia's greenest state by 2030 by promoting a green economy and sustainable development practices. This strategic framework focuses on environmental sustainability to ensure a healthier, cleaner, and more resilient living environment for its residents. It incorporates the SDGs to enhance community resilience and protect the region's rich cultural and natural heritage. Key initiatives include engaging technical experts and the community to formulate environmentally sound strategies and solutions. The agenda emphasizes innovative governance through partnerships among public, private, professional, and people sectors ("4P"). By 2050, Penang aspires to achieve a high-income status while maintaining low carbon footprints and prioritising social inclusiveness and environmental integrity.

1.3 PBAPP's Sustainability Governance

Sustainability Governance Structure

The pursuit for excellence begins at the highest level with PBAPP's Board of Directors, providing oversight on the leadership team and collaborating to establish and pursue sustainability goals. The corporate governance structure is crafted to foster accountability and integrity throughout the Group. To ensure robust oversight and strategic direction, the Board of Directors has established the following standing committees:



Source: PBAHB Sustainability Statement 2024

1. The Board provides strategic oversight on the Group's sustainability direction and approves the integration of sustainability and climate-related matters.
2. The ARMC reviews the Group's sustainability aspects, identifies climate risks and opportunities, provides advice on initiatives and goals, and monitor audit or assurance reviews related to sustainability reporting.
3. The SSC supports the ARMC in overseeing and integrating sustainability matters, providing recommendations and proposing changes to the Group's sustainability and climate-related matters.
4. The SWG implements day-to-day sustainability initiatives, propose material sustainability matters and regularly report ESG data to the SSC.

2 PBAPP'S SUSTAINABLE FINANCE FRAMEWORK OVERVIEW

In support of PBAPP's sustainability strategies and implementation, this Sustainable Finance Framework (the "**Framework**") has been established to demonstrate how PBAPP and the Group intend to enter into Sustainable Finance Transactions ("**SFTs**") to fund projects, which will deliver most positive societal and environmental impacts that enables the sustainability journey for PBAPP.

PBAPP's Framework defines the SFTs for the Use of Proceeds format of new and/or existing specific investments, assets and projects that adhere to the eligibility criteria on a case-by-case basis, retaining full flexibility in terms of specific sustainability objectives and projects that PBAPP intends to support.

The SFTs' may be issued in any currency and for any tenor and may include other terms and conditions (including covenants) to reflect the financing strategy and plans of PBAPP, as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender. The SFTs may be issued in any jurisdiction and market reflecting PBAPP's current and future business needs. Under this Framework, PBAPP will be able to undertake different types of SFTs such as Green, Social, and Sustainability ("**GSS**") financing instruments, but are not limited to, the following:

- Sustainable and Responsible Investment ("**SRI**") Sukuk; or
- GSS Bonds/Loans.

This Framework adopts the principles and guidelines set by the International Capital Market Association[1] ("**ICMA**"), ASEAN Capital Markets Forum[2] ("**ACMF**"), Securities Commission Malaysia ("**SC**")[3], Loan Market Association ("**LMA**")/Asia Pacific Loan Market Association ("**APLMA**")/Loan Syndications and Trading Association ("**LSTA**")[4] as specified below. These documents provide a set of voluntary guidelines that recommend transparency and disclosure to promote integrity in the development of the sustainable finance market.

With respect to Sukuk/Bonds, issuance will be aligned with the following frameworks as appropriate for the type of Sukuk/Bonds issued or as they may be subsequently amended:

- Green Bond Principles ("**GBP**") 2021, Social Bond Principles ("**SBP**") 2023, Sustainability Bond Guideline 2021 issued by ICMA;
- ASEAN Green Bond Standards 2018, ASEAN Social Bond Standards 2018 and ASEAN Sustainability Bond Standards 2018 issued by ACMF; and
- SRI Sukuk Framework 2019 issued by SC.

Loan transactions will be aligned with the Green Loan Principles ("**GLP**") and Social Loan Principles ("**SLP**") developed by LMA, APLMA and LSTA as of 2025 or as they may be subsequently amended.

The Framework may be updated from time to time to include other sustainable debt instruments that may be issued in the future.

[1] Available at: https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/
[2] Available at: https://www.theacmf.org/initiatives/sustainable-finance
[3] Available at: https://www.sc.com.my/api/documentms/download.ashx?id=84491531-2b7e-4362-bafb-83bb33b07416
[4] Available at: https://www.lma.eu.com/sustainable-lending/resources

3 PBAPP'S FRAMEWORK FOR USE OF PROCEEDS

PBAPP's Framework for Use of Proceeds is based upon the four core components of the above-mentioned market guidelines, principles and standards:

1. Use of Proceeds;
2. Process for Project Evaluation and Selection;
3. Management of Proceeds; and
4. Reporting.

For Sukuk transactions, the issuer must ensure that the proceeds are utilised for Shariah-compliant purposes only. For the avoidance of doubt, PBAPP will comply with internationally recognised sustainability best practices on the use of proceeds arising for such Sukuk transactions, subject to the exclusion list in the Annexure.
The additional exclusion categories/ineligible project shall be aligned with the ACMF's ASEAN GBS (e.g. fossil fuel generations projects), ACMF's ASEAN SBS and the SC's SRI Sukuk Framework (e.g., activities that pose a negative social impact related to alcohol, gambling tobacco and weaponry).

3.1 Use of Proceeds

PBAPP is committed that the proceeds of each transaction will be used exclusively for financing and/or refinancing projects, in whole or in part, assets or activities that meet the eligibility criteria set out below. PBAPP can issue Green, Social and Sustainability financing instruments:

- Green financing instruments – for which an amount equivalent to the net proceeds is exclusively allocated to green projects as defined below (the "**Eligible Green Projects**")
- Social financing instruments – for which an amount equivalent to the net proceeds is exclusively allocated to social projects as defined below (the "**Eligible Social Projects**")
- Sustainability financing instruments – for which an amount equivalent to the net proceeds is allocated to a combination of Eligible Green and Social projects (the "**Eligible Projects**")

PBAPP complies with the relevant ESG standards and recognised best practices relating to the Eligible Projects.

In order to be earmarked as eligible, Eligible Projects must align with all of the following criteria:

i. Eligible Types of Investments
- Eligible Projects may include the value of fixed assets ("**Assets**"), investments and capital expenditures ("**CAPEX**") and/or operating expenditures ("**OPEX**") meeting the eligibility criteria outlined below
- Research and Development ("**R&D**") expenditures related to Eligible Project categories account as OPEX

ii. Financing and Refinancing
- New financing is defined as allocated amounts to Eligible Projects financed within or after the issuance year and refinancing is defined as allocated amounts to Eligible Projects financed prior to the issuance year

iii. Lookback[5] Period

- Asset values and CAPEX will qualify for refinancing without specific look-back period, while OPEX qualify with a maximum 36 months look-back period prior to the issuance year

PBAPP has identified the following major categories of contributions to PBAPP's sustainability strategy expected to be made by Eligible Green and Social Projects:

Green Project Categories	Social Project Categories
1. Sustainable Water & Wastewater Management 2. Climate Change Adaptation 3. Green Building 4. Renewable Energy 5. Energy Efficiency 6. Clean Transportation	7. Affordable Basic Infrastructure

3.1.1 Eligible Green Projects

Eligible Green Project Category	Eligibility Criteria	PBAPP's Aspirations and Alignment with UN SDGs
Sustainable Water & Wastewater Management Sustainability Benefits: i) Natural resource conservation ii) Sustain economic activities and economic growth of Penang iii) Energy efficiency iv) Resilient water supply system	Construction, development, operation, maintenance, renovation and upgrade of water supply infrastructure to increase efficiency, accessibility and management of water delivery systems including projects such as: ▪ Construction of water treatment plant and pumping station to adjust or redistribute water supply; ▪ Renewal or replacement of old water facilities such as water transmission pipelines to reduce leakage, sensors, controllers, SCADA system and command centre facilities to enhance network efficiency; ▪ Advanced Pressure Management Control ("**APMC**") including but not limited to establishing District Metering Areas ("**DMA**"), pressure reducing valves, flow meters and controllers to reduce water leakage; ▪ Advanced Real-time Leakage Detection Systems; ▪ Water Network Optimisation (Hydraulic Modelling) Systems and related Artificial Intelligence ("**AI**") applications to enhance the efficiency of water supply networks; ▪ Installation of smart water meters; ▪ Rainwater harvesting systems; ▪ Water reclamation projects; ▪ Improving pollution detection and management and enhancing laboratory services to, amongst others, reduce service disruptions; ▪ Desalination projects with energy consumption not exceeding 3.5kWh/m^3 saline water abstracted	▪ PBAPP is committed to reduce the non-revenue water ("**NRW**") to the lowest possible levels by 2030. This commitment is driven by strategic initiatives, including advanced leak detection, infrastructure modernization, and enhanced operational efficiencies, ensuring sustainable water resource management and value delivery to stakeholders. ▪ Maintain minimum water supply pressure of 10 meters' head at consumer premises ▪ 24/7/365 availability of reliable and safe water supply

[5] "Look-back period" refers to a maximum period in the past that an Issuer will look back to identify assets/earlier disbursements to such Eligible Projects that will be included in the allocation and impact reporting.

	complete with sustainable/circular brine disposal management such as brine mining. PBAPP strives to improve the desalination energy requirement in the long term, subject to technological advancement and commercial viability; ▪ Water treatment residue dewatering systems to prevent pollution of inland waterways; and ▪ Advanced wastewater treatment plants catering to high water-consuming industries and commercial entities (e.g., Batu Kawan Industrial Areas) to supply recycled wastewater meeting specific reuse standards.	
Climate Change Adaptation Sustainability Benefits: i) Climate change adaptation ii) Water resource resilience and availability iii) Managing physical risks associated with climate change	Investments and expenditures beyond business-as-usual renovations and retrofits, relating to the adaptation to the impacts of climate change identified as a result of vulnerability assessments undertaken including infrastructure and ecosystem resilience, such as: ▪ Deepening of raw water canals to augment water resource availability during droughts; ▪ Upgrading of water intakes and aqueducts; ▪ Water Resources Modelling system based on meteorological forecast and historical data for better forecasting capabilities and management of water resources in view of the increase in extreme weather events, inclusive of the use of AI applications where possible; ▪ Sensors and SCADA systems for water resource real-time flow, levels, water quality monitoring and modelling for more accurate forecasting; and ▪ Dam Safety Systems complying to Malaysia Dam Safety Management Guidelines ("MyDAMS") for disaster risk reduction	
Green Building Sustainability Benefits: Natural resource conservation	Construction, development, expansion, renovation, and maintenance of buildings that have received or are anticipated to receive green building certification including but not limited to the below international standards or regional equivalent e.g., obtaining: ▪ Green Building Index ("**GBI**") (Gold and above) ▪ Leadership in Energy and Environmental Design ("**LEED**") (Gold and above) ▪ GreenRE (Gold and above) ▪ Building Research Establishment Environmental Assessment Method ("**BREEAM**") (Excellent and above) This shall apply to all our new and existing buildings/complexes, offices, and water treatment plant administrative buildings.	

Renewable Energy Sustainability Benefits: i) Climate change mitigation ii) Decarbonisation iii) Managing transition risks towards a low carbon economy	Construction, development, acquisition, maintenance, and/or operation of facilities, systems and equipment of renewable energy including projects such as: ▪ Solar power (including all photovoltaic installations whether ground mounted, roof mounted or floating) ▪ Direct and virtual long-term Power Purchase Agreement ("**PPA**") including purchase of renewable energy through Renewable Energy Certificates ("**RECs**") ▪ Obtaining Green Electricity Tariff ("**GET**") to reduce carbon footprint in electricity consumption ▪ Run-of-river hydropower projects without artificial reservoir or low storage capacity or non-run-of-river hydropower satisfying one of the following criteria: ○ Facilities that became, or will become operational after 2019 to have life-cycle emissions below 50g CO_2e/kWh, or power density greater than 10 W/m^2, or ○ Facilities that became operational before 2019 to have life-cycle emissions below 100g CO_2e/kWh, or power density is greater than 5 W/m^2	▪ PBAPP strives towards net-zero water supply operations ▪ Comply with the Energy Efficiency and Conservation Act ("**EECA**") 2024 ▪ Reduce energy intensity from 0.470kWh/m^3 water produced in 2023 by 1% to 0.465kWh/m^3 equivalent to a reduction of 26GWh energy used per year and 20,000 tonnes CO_2 equivalent per year (based on 2022 ST GEF) 
Energy Efficiency Sustainability Benefits: i) Climate change mitigation ii) Decarbonisation iii) Optimisation of energy use iv) Managing transition risks towards a low carbon economy	Construction, development, acquisition, maintenance, and/or operation of facilities, systems and equipment to improve energy efficiency including projects such as: ▪ Installation of Energy Management Systems for water treatment plants, pumping stations and other major energy users ▪ Pumping System Optimisation using water network optimisation hydraulic models and AI to enhance energy efficiency from pumping ▪ High efficiency motors & pumps ▪ Variable speed drives	▪ PBAPP strives towards net-zero water supply operations ▪ Comply with EECA 2024 ▪ Reduce energy intensity from 0.470kWh/m^3 water produced in 2023 by 1% to 0.465kWh/m^3 equivalent to a reduction of 26GWh energy used per year and 20,000 tonnes CO_2 equivalent per year (based on 2022 ST GEF) 
Clean Transportation Sustainability Benefits: i) Climate change mitigation ii) Decarbonisation	Investments and expenditures related to the establishment, acquisition, expansion, upgrades, maintenance and operation of environmentally-friendly transportation including zero direct and low carbon emissions vehicles and related infrastructures: ▪ Electric vehicles (cars, pickups, lorries, boats, etc) ▪ Low-carbon fuel (biofuels, hydrogen) vehicles	

	▪ Hybrid passenger vehicles and freight trucks at or below the threshold of 100g CO_2/km and 25g CO_2/t-km respectively ▪ Supporting infrastructures such as clean/renewable Energy electric vehicle charge points, and biofuels and hydrogen fuelling stations	

3.1.2 Eligible Social Projects

Eligible Social Project Category	Eligibility Criteria	PBAPP's Aspirations and Alignment with UN SDGs
Affordable Basic Infrastructure Sustainability Benefits: i) Natural resource conservation ii) Increased water availability	Investments in the development, construction, installation, and maintenance of systems and/or programmes that ensure distribution of affordable clean water, such as: ▪ Installation of affordable water treatment facilities and sanitation systems ▪ Installation of water efficient fittings at high water consumption public facilities such as mosques and places of worship and schools and institutions of higher learning ▪ Development of water pumping systems and distribution networks **Target population**: General public, in particular, the underserved and unserved due to lack of quality access to essential basic needs	▪ Reduce per capita domestic water consumption from 284 liters per person per day to 250 liters per person per day by 2030. 

3.1.3 Exclusion List

PBAPP's Utilisation of Proceeds for Green and Social Projects shall be excluded from financing projects or activities related to the following industries below ("**Exclusion List**"), and as aligned with the ACMF's ASEAN GBS (e.g. fossil fuel generations projects), and ACMF's ASEAN SBS (e.g., activities that pose a negative social impact related to alcohol, gambling tobacco and weaponry):

(a) Luxury sectors (precious metals / precious minerals / artworks and antiques wholesale or brokerage);
(b) Child labour or forced labour;
(c) Gambling;
(d) Adult entertainment;
(e) Weapons and military contracting;
(f) Alcohol;
(g) Tobacco;
(h) Fossil-fuel generation related activities (including extraction, exploration, production, power generation or transport of fossil fuels); and
(i) Production or trade in any product or activity deemed illegal under international conventions and agreements, or subject to international bans

3.2 Process for Project Evaluation and Selection

PBAPP has established processes and procedures to ensure that projects are properly identified and assessed in compliance with this Framework. Under the direction of Top Management, SSC will review, evaluate, and advise on sustainability initiatives in alignment with PBAPP's broader strategy. In respect to this Framework, the SSC is responsible for:

- Overseeing the Framework implementation and allocation process;
- Reviewing the allocation to the projects to ensure it meets the eligibility criteria set forth in the Framework;
- Validating the annual reporting referring to Eligible Project;
- Ensuring the appointment of an independent auditor to provide an annual assurance report.

Please refer to Section 1.3 for further details.

Eligibility criteria include a set of both exclusion criteria and selection of environmental and social criteria which the Eligible Project must meet to be financed or refinanced by GSS Financing Instruments.

To address the relevant environmental and social risks associated with the Eligible Projects, PBAPP has developed comprehensive policies including its Occupational Safety & Health Policy, Environmental Policy and Risk Management Policy to identify and manage any potential risks.

The **step-by-step process** for evaluation and selection of Eligible Projects uses internal expertise as follows:

1. SSC will assess and identify projects that satisfy the Eligible Projects criteria set forth in the "**Use of Proceeds**" section and in accordance with PBAPP's Sustainability Framework including assessment of the project's environmental and social risks.

2. The SSC is chaired by the CEO and include the following representatives:

   - Chief Operating Officer;
   - Chief Financial Officer;
   - Head of Division – Corporate Affairs;
   - Head of Division – Human Resource;
   - Secretariat – Sustainability Officer
   - Other Subsidiaries/Business Units involved, relating to specific project(s).

3. On a half-yearly basis, and before any new finance is raised, the SSC will review the assets/projects identified for funding and confirm that they meet the criteria for inclusion.

   In case of divestment or an Eligible Project no longer meets the eligibility criteria, the proceeds will be allocated to other Eligible Projects as soon as practicable.

PBAPP's SSC will be responsible for managing any future updates of the Framework, including any expansion of the eligibility criteria under the use of proceeds. The Finance Department will assist the SSC in this process, ensuring that any changes are financially sound and align with PBAPP's strategic objectives. Any changes to the Framework will have to be approved by the SSC and published on PBAPP's website: https://pba.com.my/.

3.3 Management of Proceeds

The proceeds from each SFT will be deposited in the general funding account and be earmarked to Eligible Projects. To ensure that net proceeds from SFTs are appropriately tracked and allocated, PBAPP will maintain a register of Eligible Projects managed by the PBAPP's Finance Department which will outline the following:

i. Type of Funding Transaction

- This includes key information such as issuer/borrower entity, transaction date, tranche(s) information, principal amount of proceeds, repayment or amortisation profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number)

ii. Allocation of Use of Proceeds Information

- This includes information such as name and description of Eligible Projects to which the proceeds of the SFT have been allocated in accordance with this Framework, amount of SFT proceeds allocated to each project, the remaining balance of unallocated proceeds, other relevant information such as information of temporary investment for unallocated proceeds

PBAPP's internal records will show the allocation of the net proceeds of the relevant offering to Eligible Projects as long as the offering remains outstanding. Any balance of issuance proceeds which is not yet allocated to Eligible Projects will be held in accordance with PBAPP's liquidity policy. Payment of principal and interest on any SFTs may be made from general funds and will not be directly linked to the performance of any Eligible Projects.

In case of asset divestment or cancellation of a project, PBAPP will reallocate proceeds to finance other Eligible Projects, compliant with the current Framework. PBAPP will aim to fully allocate the proceeds of any Use of Proceeds Financing instruments issuance within 36 months.

3.4 Reporting

As long as there are any SFTs outstanding, PBAPP is committed to publishing relevant information regarding its SFTs, including allocation reporting and impact reporting, in a report, which will be made available on PBAPP's website at https://pba.com.my/ on an annual basis. Any material developments, such as modification of the Framework, will also be reported in a timely manner on PBAPP's website. Such information will be provided on an annual basis until all the net proceeds have been allocated.

Allocation Reporting

i. The amount issued and outstanding for the SFTs;
ii. The total value of Eligible Projects;
iii. A description of the portfolio of Eligible Projects including a breakdown of the allocated amounts by Eligible Project categories and the breakdown by geographical region on an aggregated basis by year of implementation where appropriate;
iv. The amount and/or percentage of new and existing projects (share of financing and refinancing); and
v. Any further information on how unallocated proceeds have been held.

Impact Reporting

Where feasible, PBAPP will provide qualitative and quantitative performance measures associated with each category of Eligible Projects including respective calculation methodology and key assumptions. Examples of impact reporting indicators may include, but are not limited to:

Eligible Green Project Category	Example of Impact Metrics
Sustainable Water & Wastewater Management	• NRW percentage (%) • Reduction / Increase in NRW percentage (%) • Volume of non-revenue real water losses (thousand m^3) • Avoided water leakage (m^3) due to reduction in NRW% • Water main replacement rate • Volume of recycled water delivered to customers (thousand m^3) • Number of incidents of non-compliance associated with water effluent quality permits, standards, and regulations • Number of incidents of non-compliance associated with drinking water quality standards and regulations • Number of water treatment residue plants constructed • Percentage of water treatment plants equipped with water treatment residue plants, by numbers and by design capacity
Climate Change Adaptation	• Number of raw water infrastructure upgraded (e.g. canals, intakes, aqueducts • Water resource safeguarded by upgrades to raw water infrastructure (MLD) • Number of dams complying to MyDAMS
Green Building	• Details of the green building certifications achieved for new/existing buildings • Estimated annual energy consumption (KWh/m^3) or savings (MWh) • Estimated annual GHG emissions reduced and/or avoided (tCO_2e) • Water consumption (m^3) • Waste generation (kg) • Percentage of waste recycled (%)

Renewable Energy	• Renewable energy installed capacity (MW) • Percentage of renewable energy (%) • Annual renewable energy generation (MWh) • Annual GHG emissions reduced/avoided (tCO_2e)
Energy Efficiency	• Total energy consumed (GJ) • Percentage grid electricity (%) • Energy intensity (kWh/m^3) • Number of high energy efficiency equipment/ motors/pumps installed
Clean Transportation	• Number of electric vehicles invested • Estimated annual GHG emissions reduced and/or avoided (tCO_2e) • Number of clean energy supporting infrastructure units installed (e.g., number of charging points)

Eligible Social Project Type	Example of Impact Metrics
Affordable Basic Infrastructure	• Number of water infrastructure projects built/upgraded (e.g. rooftop tanks and pumping systems) • Number of water treatment plants built or upgraded • Percentage/size of populations provided access to clean water and/or sanitation • Number of new household water connections • Number of: (1) residential, (2) commercial, and (3) industrial customers served • Average retail water rate for (1) residential, (2) commercial, and (3) industrial customers. • Reduction of domestic water consumption (Liters/capita/day) • Customer water savings from efficiency measures

3.5 External Review

To allow investors to follow the information related to SFTs, PBAPP's GSS instruments are supported by external reviews, depending on the type of instruments.

3.5.1 Pre-Issuance Review

PBAPP has obtained an independent Second Party Opinion ("**SPO**") from RAM Sustainability to review the Sustainable Finance Framework, its transparency and governance as well as its alignment to the components of the ICMA's Green and Social Bond Principles and Sustainability Bond Guidelines and LMA's Green and Social Loan Principles, ACMF's GSS Bond Standards and SC's SRI Sukuk Framework with PBAPP's overall corporate strategy and supporting sustainability governance and strategy.

The SPO report is available on RAM Sustainability's website**: [insert link]** and also available on PBAPP's website: https://pba.com.my/.

3.5.2 Post-Issuance Review

External verification on the tracking of the SFT proceeds may be provided by an independent third party appointed by PBAPP. The verification will include an opinion on all allocation and impact reports produced in line with Section 3.4, and management of proceeds to verify PBAPP's internal tracking method. The review will be included together in the relevant annual progress report.

3.6 Update and Amendment of the Framework

PBAPP may review this Framework from time to time, including its alignment to updated versions of the relevant Principles as and when available in the market and where applicable, PBAPP may procure an updated SPO from RAM Sustainability or any such other qualified SPO provider pursuant to the revision.

4 Annexure

Criteria for Non-Shariah Compliant Business Activities / Products / Goods:

1. Riba bearing financial institutions
2. Non-Shariah compliant entertainment and gambling establishments
3. Non-halal food, beverage and animal-based related activities
4. Other suspicious/immoral related activities
5. Unlicensed/illegal products including drugs, hazardous chemicals, weapons and explosive products
6. Tobacco-based product or weed (including hookahs)
7. Other activities deemed non-compliant according to Shariah principles as determined by the Shariah Advisory Council ("**SAC**")