

# VISIONARY HERITAGE BERHAD

## SECURED GREEN COLLATERAL SUKUK FRAMEWORK

Strictly Private & Confidential

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## Table of Contents

ABBREVIATIONS.....	2
1. INTRODUCTION .....	3
2. SECURED GREEN COLLATERAL SUKUK FRAMEWORK .....	4
2.1 TYPE OF GREEN SUKUK.....	5
3. UTILISATION OF PROCEEDS .....	5
3.1 ELIGIBLE PROJECT CATEGORIES.....	5
3.2 EXCLUSION CRITERIA LIST .....	5
4. PROJECT EVALUATION AND SELECTION .....	6
5. MANAGEMENT OF PROCEEDS .....	8
6. REPORTING .....	8
6.1 ALLOCATION REPORTING .....	9
6.2 IMPACT REPORTING.....	9
7. EXTERNAL REVIEW .....	9

## ABBREVIATIONS

BNM	Bank Negara Malaysia
EOI	Expression of Interest
ESG	Environmental, Social and Governance
KYC	Know Your Customer
LOI	Letter of Intent
SPA	Sale and Purchase Agreement
SRI	Sustainable and Responsible Investment

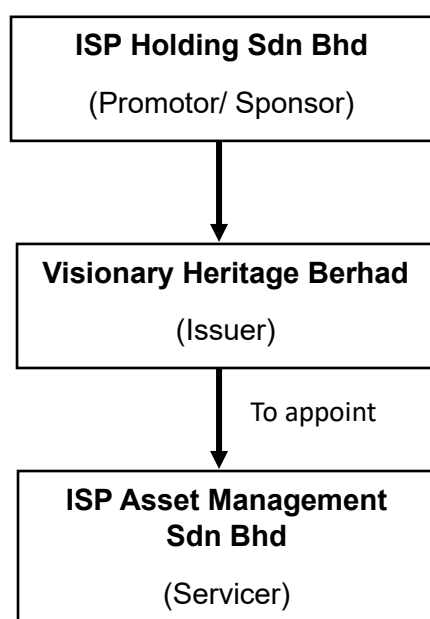
## 1. INTRODUCTION

Visionary Heritage Berhad (“**VHB**” or the “**Issuer**”), incorporated on 20 June 2024 in Malaysia as a public company under the Companies Act 2016 (“**CA**”), is a bankruptcy remote special purpose vehicle. VHB is established to undertake securitisation exercise which involves acquiring, from time to time, the rights, title and interests in eligible (i) commercial, residential, industrial warehouses, manufacturing and logistic properties and/or workers and students accommodations (collectively “**Properties**” and each a “**Property**”) all of which shall be Shariah-compliant. Such acquisitions involve purchase of Properties from originator(s) pursuant to sale and purchase agreement(s) to be entered into between the Issuer as the purchaser and the originator(s) as the vendor. The Issuer may purchase any Properties through formal tender process or any other channels under the Sukuk Wakalah Programme (as defined below). All acquisitions will be financed through the issuance of Islamic medium term notes under a multi currencies asset-backed Islamic medium term notes programme of RM2.0 billion (or its equivalent in other currencies) in nominal value based on Shariah principle of Wakalah Bi Al-Istithmar (“**Sukuk Wakalah Programme**”). The Islamic medium term notes issued or to be issued under the Sukuk Wakalah Programme are referred to as “**Sukuk Wakalah**”.

ISP Holding Sdn Bhd (“**ISPH**”), incorporated on 7 April 2022 under the CA, serves as the promotor/ sponsor of the Sukuk Wakalah Programme. The principal activity of ISPH is investment holding.

ISP Asset Management Sdn Bhd (“**ISPAM**”), incorporated on 8 September 2022 under the CA, serves as the Servicer under the Sukuk Wakalah Programme. The principal activity of ISPAM is property management, including but not limited to asset and portfolio management, real estate management and other management consultancy activities. The Servicer’s role includes amongst others administering the Properties, providing asset management services to the Issuer, including but not limited to identifying and assisting in acquisition of Properties and any disposal opportunities, recommending and assisting in the appropriate mix of financing for the acquisition of Properties and refinancing of any maturing Sukuk Wakalah as well as monitoring and tracking the Properties and the green initiatives of the Properties. Additionally, ISPAM will appoint (where necessary) a Malaysian licensed property manager as defined under the Valuers, Appraisers and Estate Agents Act 1981 to carry out property management services.

### Diagrammatic overview of parties involved herein



## 2. SECURED GREEN COLLATERAL SUKUK FRAMEWORK

In today's rapidly evolving industrial landscape, the commitment to sustainable development has become paramount. This Secured Green Collateral Sukuk Framework ("**Framework**") established by VHB is prepared in accordance with the following:

- (i) the ASEAN Green Bond Standards issued by the ASEAN Capital Markets Forum ("**ACMF**") in November 2017;
- (ii) the Green Bond Principles issued by the International Capital Markets Association ("**ICMA**") in June 2021;
- (iii) the Sustainable and Responsible Investment Sukuk Framework as set out in the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework ("**LOLA**") issued by the Securities Commission Malaysia ("**SC**") on 9 March 2015 and effective on 15 June 2015; and
- (viii) such other related guidelines, frameworks, principles or standards, whether or not having the force of law, as may be issued from time to time.

(collectively referred to as "**Standards**", as amended, modified, revised and/or substituted from time to time).

This Framework ensures transparency, disclosure and integrity for the issuance of Green Sukuk Wakalah, aligning with VHB's goal of positively contributing to green initiatives.

The Framework is developed based on the following four (4) key pillars:

- (i) utilisation of proceeds;
- (ii) project evaluation and selection;

- (iii) management of proceeds; and
- (iv) reporting.

## 2.1 TYPE OF GREEN SUKUK

In accordance with Green Bond Principles issued by ICMA in June 2021, the Green Sukuk Wakalah is categorised as a Secured Green Collateral Sukuk, as it involves securitisations of Properties.

## 3. UTILISATION OF PROCEEDS

The proceeds from the issuance of the Green Sukuk Wakalah will be utilised for:

- (i) financing or refinancing, in whole or in part, of the Properties within the eligible project categories as outlined in Section 3.1 below;
- (ii) refinancing of outstanding Sukuk Wakalah and/or Green Sukuk Wakalah under the Sukuk Wakalah Programme, provided the refinancing allows for the issuance of Green Sukuk Wakalah for a particular Properties that will be certified as green-compliant; and
- (iii) payment of all the related fees, costs and expenses for the acquisition of Green Properties.

For the avoidance of doubt, proceeds from the issuances of the Green Sukuk Wakalah are earmarked for acquisitions, shall be only used to acquire Green Properties (as defined below).

### 3.1 ELIGIBLE PROJECT CATEGORIES

The eligible projects to be funded by the issuance of Green Sukuk Wakalah fall under the Green Buildings category. This includes any new, existing and/or refurbished buildings, such as (i) commercial, residential, industrial warehouses, manufacturing and logistic properties, (ii) workers and student accommodations to be acquired by the Issuer, that are certified, or to be certified ("**Green Properties**"), which meet the following criteria:

- (a) US LEED (Bronze or higher);
- (b) GreenRE (Bronze or higher);
- (c) GBI (Bronze or higher); and/or
- (d) Such other certifications of the equivalent or higher rating than the above.

### 3.2 EXCLUSION CRITERIA LIST

The proceeds from issuance of the Green Sukuk Wakalah are excluded from financing projects or activities related to the following industries:

- (i) Luxury sectors (precious metals/ precious minerals/ artworks and antiques wholesale or brokerage);
- (ii) Child labour or forced labour;
- (iii) Gambling
- (iv) Adult entertainment;
- (v) Weapons and military contracting;
- (vi) Alcohol;
- (vii) Tobacco;
- (viii) Nuclear;
- (ix) Fossil-fuel related activities (including extraction, exploration, production, power generation or transport of fossil fuels);
- (x) Production or trade in any products or activity deemed illegal under international conventions and agreements, or subject to international bans; and
- (xi) Large-scale hydro-power projects with a generating capacity of over 25 megawatts.

## 4. PROJECT EVALUATION AND SELECTION

A well-defined process for project evaluation and selection is essential for making strategic and informed decisions. The management committee of ISPAM, who acts as the Servicer under the Sukuk Wakalah Programme, will evaluate and select the asset or property through a systematic process to ensure that the selected Properties fall under the eligible project categories are eligible for green financing.

The key environmental sustainability objectives for Green Buildings are focused on reducing their impact on the environment. These includes energy efficiency, achieved by using renewable energy sources and implementing smart energy management systems to reduce energy consumption and lower carbon emissions. Water conservation is also prioritised, with features such as low-flow fixtures and rainwater harvesting systems. Additionally, Green buildings also aim to reduce waste through the use of recycled materials and by promoting recycling and composting. The use of sustainable materials reduces environmental harm, while improving indoor air quality and maximising natural light enhances the well-being of building occupants. Finally, these buildings strive to further reduce carbon emissions through energy-saving practices and sustainable construction. These objectives collectively promote more eco-friendly and resource-efficient buildings.

The Servicer will engage with green consultancy company, a specialised consultancy in green building and sustainable township development. The team's diverse expertise enables a thorough identification of potential environmental and social risks at every stage of the project. The team will conduct on-site inspection and verify the effectiveness of green building strategies.

The evaluation and selection of eligible Properties to be sold to the Issuer will follow a detailed, step-by-step process, ensuring that each Property meets the rigorous environmental and social standard required for green financing, as follows:

- (i) Identification of Eligible Properties**  
The process begins with identifying the Property that fall under the eligibility project categories (as defined in Section 3.1) to be injected into the Sukuk Wakalah Programme.
- (ii) Pre-Consultation with Green Consultant** *(for Property that is yet to be certified green)*  
A pre-consultation with a green consultant is conducted to ensure that environmental considerations are factored in early in the process. The green consultant will evaluate the Property whether the Property can meet the green certification criteria.
- (iii) Approval by the Servicer**  
Only Property that is green certified or meets the criteria for green certification and is eligible for green certification will proceed to the next step, which involves conducting KYC procedures and obtaining approval from the Servicer.
- (iv) Recommendation to the Issuer for Approval**  
Upon receipt of internal approval from the Servicer, Servicer is to recommend such Property to the Issuer for approval.
- (v) Issuance and Submission of EOI/LOI**  
Upon Issuer's approval, an EOI/ LOI will be issued and submitted by the Issuer to purchase such Property, either through a tender process or via other channels, where applicable.
- (vi) Drafting, Negotiation, Execution and Completion of SPA**  
If the EOI/LOI is accepted (if applicable), the next step is to draft and negotiate the SPA. The SPA will be executed by the Issuer, formally initiating the transaction and followed by completion of the SPA.

*(if the Property is yet to be certified green)*
- (vii) Appointment of Green Consultant**  
A green consultant is to be appointed to oversee the environmental aspects of the relevant Property. This is to ensure that the Property aligns with sustainability goals.
- (viii) Commencement of Retrofitting**  
With the green consultant's guidance and approval of the Issuer, ISPAM will work closely with the green consultant and contractors to ensure that the retrofitting is in line with the green requirements.
- (ix) Receipt of Green Certification**  
Receipt of Green Certification upon completion of the assessment confirming that the Property meets the environmental requirements/ standards.



## 5. MANAGEMENT OF PROCEEDS

The proceeds from the issuances of the Green Sukuk Wakalah will be utilised for the purposes as mentioned in Section 3 above and in accordance with the terms and conditions specified in the transaction documents of the Sukuk Wakalah Programme. The proceeds will be channelled/ transferred to either the (i) relevant parties or (ii) relevant designated accounts (“**DA**”) under the Sukuk Wakalah Programme. The DA will be maintained/ operated by the Security Trustee, save and except for the Operating Account, which shall be operated by the Servicer, prior to occurrence of a trigger event or a dissolution event under the Sukuk Wakalah Programme. For each issuance of Green Sukuk Wakalah under the Sukuk Wakalah Programme, the Issuer shall open and maintain a separate set of DA to avoid the commingling of proceeds.

Under the terms of the Sukuk Wakalah Programme, the Issuer is allowed to invest the unutilised funds in the DA for permitted investments as follows:

- (i) Islamic deposits (based on Mudharabah, Wadiah, and other Shariah principles) with an Islamic financial institution;
- (ii) Islamic banker acceptances, Islamic bills, Islamic money market instruments issued by a licensed financial institution with a minimum short-term rating of P1 or MARC-1 and minimum long-term rating of AA3 or AA- or its equivalent;
- (iii) Islamic treasury bills, Islamic money market instruments, and other Islamic instruments issued by BNM or the Government of Malaysia;
- (iv) Sukuk issued by corporations, financial institutions, or guaranteed by licensed financial institutions with a minimum short-term rating of P1 or MARC-1 and minimum long-term rating of AA3 or AA- or its equivalent;
- (v) any other Islamic capital market instruments or Islamic investment products that are capital protected by licensed takaful companies in Malaysia with short-term rating of MARC-1 and a minimum long-term rating of AA- or their equivalent; and/or
- (vi) any Islamic fund that invests in any of the instruments above.

For unutilised funds in the DA of a Green Sukuk Wakalah to be invested in such permitted investments above, in respect of item (iv) and (v) above, the Issuer shall only invest in (1) SRI sukuk or sukuk issued by issuers that are not involved in activities set out in the Exclusion Criteria list, and (2) Islamic capital market instruments or Islamic investment products that are ESG-compliant, respectively.

All profits/ returns generated from such investments shall be remitted back to the relevant DA upon maturity.

## 6. REPORTING

As long as there is any outstanding Green Sukuk Wakalah, the Issuer and/or the Servicer will prepare and make readily available annual information on its website for investors. This information will include a brief description of the Properties under each issuance, the allocation of net proceeds and associated impact indicators.

## 6.1 ALLOCATION REPORTING

An information document will be issued on the allocation of proceeds for each issuance annually until fully allocated on a timely basis. This document will include the total amount allocated under the eligible project categories, amount utilised under the relevant eligible project categories, brief description of the eligible projects and unutilised balance of proceeds (if any) and where such unutilised amount is placed or invested pending utilisation.

## 6.2 IMPACT REPORTING

To the extent possible, the Servicer will assess the impact or expected impact and report the selected impact indicator. The indicators in relation to the Green Properties may include, amongst others, the following:

- (i) Amount of energy use reduced/ avoided (measured in kWh or MWh);
- (ii) Amount of renewable energy generated (measured in kWh or MWh);
- (iii) Amount of greenhouse gas/ carbon emissions reduced/ avoided (measured in tons of CO2 equivalent);
- (iv) Amount of water reduced/ avoided (measured in cubic meters); and
- (v) Amount of waste minimised, reused or recycle (measured in tons);

This will include the key underlying methodology or assumption used to determine such impact or expected impact.

## 7. EXTERNAL REVIEW

The Issuer has appointed RAM Sustainability Sdn Bhd as an independent party to provide a second party opinion (“**RAM’s Second Party Opinion**”) on the alignment of the Framework to the Standards. RAM’s Second Party Opinion will be conducted on a one-off basis unless there are material changes to this Framework and if required.

This Framework, RAM’s Second Party Opinion and any annual reporting (including allocation reporting and impact reporting) will be made publicly available on <https://www.slng.my/isp-group>.