



SUNWAY SOUTH QUAY SDN. BHD.

Sustainable Finance Framework

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1. Background

1.1. Company Profile

Sunway South Quay Sdn. Bhd. (“**SSQ**” or “**Company**”) is an established property development company under Sunway Berhad (“**Sunway**”) through Sunway City Sdn. Bhd. with four subsidiaries; Sunway Monash-U Residence Sdn. Bhd., Prosper Revenue Sdn. Bhd., Sunway Integrated Parking Sdn. Bhd. and Sunway Geo Sdn. Bhd. (“**Sunway Group**” means Sunway Berhad and its direct and indirect subsidiaries and including controlled entities and associate companies of Sunway Berhad)

SSQ was incorporated on 10 December 2003 under the Companies Act 1965 with the name Renown Oasis Sdn. Bhd. and subsequently changed its name to SSQ on 9 April 2005. SSQ’s current issued and paid-up share capital is RM97,178,000 comprising 250,000 ordinary shares and 85,268,000 non-cumulative redeemable preference shares.

SSQ masterplan features mixed developments of residential, commercial and institutional properties, designed around a 28-acre lake, together with an education and healthcare corridor in Sunway City Kuala Lumpur.

Key completed properties under SSQ are BayRocks, Nautica Lake Suites, A’Marine Lakeside Condominiums, LaCosta, Sunway GEOLake, Sunway GEO Office Suites, Sunway GEO Avenue, Sunway GEO Sense with a gross development value of more than RM3 billion.

There are more future developments in the pipeline. Currently SSQ is developing Commercial Precinct 2 (“**CP2**”) project which comprises of 2 blocks of office towers, retail mall and a university campus.

SSQ’s holding company, Sunway, is one of the largest conglomerates in Malaysia and the parent company of the Sunway Group of companies, with operations in more than 50 locations across 11 countries and with 10,889 employees. It is among the top 100 companies listed on Bursa Malaysia Securities Berhad, with a market capitalisation of RM8.5 billion as of 31 December 2021.

Sunway Holdings Sdn Bhd, a wholly-owned subsidiary of Sunway, owns 54.6% of Sunway Construction Group Berhad, the largest pure-play construction company in Malaysia by revenue, and Sunway REIT Holdings Sdn Bhd, a subsidiary of Sunway holds 40.9% unit holding in Sunway Real Estate Investment Trust, the second-largest listed real property investment trust (“**REIT**”) in Malaysia by property value. The combined market capitalisation of Sunway Berhad, Sunway Construction Group Berhad and Sunway REIT was RM15.3 billion as of 31 December 2021.

Established in 1974, Sunway Group is headquartered in Bandar Sunway, Selangor, Malaysia, with a diverse portfolio covering property development, property investment and REIT, healthcare, hospitality, leisure, trading and manufacturing, quarry, building materials and others. Sunway currently owns about RM11.1 billion of assets under management in its property investment and REIT divisions and has delivered more than 31,000 homes in integrated developments in Malaysia and stand-alone developments in Singapore, Australia and China.

Besides property development and investment, Sunway's leisure and hospitality divisions are among its flagship brands, with 12 hotels in Malaysia, Cambodia and Vietnam, comprising over 3,700 guestrooms, suites and villas. Sunway's brand name is also propelled by two signature theme parks in Malaysia, which span more than 120 acres and have more than 100 thrilling adventures combined.

Sunway Group's sustainability journey continues to receive due recognition from the investment community. Key highlights of the sustainability achievement and commitment include:

- Top 15% percentile of its Industry Classification Benchmark ("ICB") Supersector that has been assessed by FTSE Russell
- ESG rating of "A" by Morgan Stanley Capital International ("MSCI")
- One of the first few public-listed companies in Malaysia to commit to setting near-term science-based emissions reduction targets in line with the Science Based Targets ("SBTi") criteria and recommendations

2. Sustainability at Sunway South Quay

2.1. Sunway Group 2030 Goals

SSQ's sustainability strategy and commitments are driven by the sustainability strategy and initiatives mandated by Sunway Group which are anchored on a set of five goals complete with key targets to benchmark against their yearly performance:

- Goal 1: Transforming portfolios to low carbon sustainable cities
- Goal 2: Advocating a responsible value chain
- Goal 3: Developing a safe, equal and dignified workforce
- Goal 4: Investing in community inclusivity
- Goal 5: Respecting ethical principles

All the above goals are aligned with the 17 United Nations Sustainable Development Goals (“**UNSDGs**”) which Sunway Group aims to achieve by 2030. Sunway Group is also committed to achieve its Net Zero Carbon Emissions Goal by 2050 in line with the 12th Malaysia Plan.

2.2. Green Building Policy

Sunway is committed to ensuring all new townships and buildings completed from 2025 onwards are green-certified. The Group defines green townships and green buildings as developments that focus on boosting resource efficiency, while reducing building impact on human health and the environment during the buildings' life cycle through better design, construction, operation and maintenance. Established in 2021, Sunway's Green Building Policy outlines the key requirements that are essential to the development of green townships and buildings. The Policy ensures that the Group will integrate sustainable practices into the development, operations and management of townships and buildings. The Policy also underscores the Group's commitment to design and produce built environments that facilitate healthy lifestyles and prioritise the well-being of the stakeholders.

The current CP2 project of SSQ is part of Sunway City Kuala Lumpur and designed to deliver quality urban waterfront environment within the township and development. CP2 once in operation would be accessible to the current Bus Rapid Transit (BRT), free shuttle bus service and canopy walks within the Sunway City Kuala Lumpur area improving walk-ability and provide low-carbon mobility options within the city. The lake within SSQ is housed with a water treatment plant which recycles water to produce potable drinking water within Sunway City Kuala Lumpur.

Buildings under CP2 are proposed to reduce energy consumption and increase reliance on renewable energy with efforts and initiatives such as the installation of solar panels. Such initiative will result in an approximate generation of 1-3% of the energy mix contributed from renewable energy i.e. solar panels. Moreover, Electrical vehicles (EVs) charging station is also provided in the carpark for CP2.

The buildings are being designed to be energy efficient with features of efficient air distribution systems, LED and motion sensor lighting, among others. The buildings are also equipped with facilities to promote water efficiency with efficient fittings and rain water harvesting system for irrigation. CP2 would also be designed with a green area to reduce heat island effects.

SSQ has completed and delivered other green buildings within the area surrounding CP2 project such as Sunway GeoLake a residential building with landed homes and Sunway Geo Tower an office building. Both projects were designed with considerations of energy efficiency, greenery and reducing indoor air pollutants. Other properties of Sunway have also been developed to be accredited with green certification as covered in Section 2.3. In line with the Group's Policy, all properties that are developed in the future shall also be green-certified with considerations made during the planning and designing of the project.

2.3. Sustainability Accreditation

The listing below are properties of Sunway with Sustainability Accreditation¹:

Type	Property	Green Certification
Township	<ul style="list-style-type: none"> Sunway City Kuala Lumpur Sunway City Iskandar Puteri 	<ul style="list-style-type: none"> GBI - Silver (Provisional Cert) GBI - Silver (Provisional Cert)
Residential (Built)	<ul style="list-style-type: none"> Sunway Nexis – SOHO Sunway Rymba Hills Sunway SPK 3 Harmoni Sunway Palazzio Sunway GEOLake Residence ** Sunway MontBleu (Ipoh) 	<ul style="list-style-type: none"> GreenMark - Gold (Provisional Cert) GreenMark - Gold (Provisional Cert) GreenMark - Gold (Provisional Cert) GreenMark - Gold (Provisional Cert) GreenRE - Gold GreenMark - Gold (Provisional Cert)
Residential (New/Upcoming)	<ul style="list-style-type: none"> Sunway D'Hill Sunway Velocity TWO (Tower A & B) Sunway Velocity TWO (Tower C & D) Sunway Avila Sunway Serene Sunway Belfield Sunway Alishan Sunway Jernih Residence Sunway GRID Residence Sunway Bukit Jalil 	<ul style="list-style-type: none"> GreenRE - Gold (Provisional Cert) GreenRE - Gold (Provisional Cert) GreenRE - Gold (Provisional Cert) GreenRE - Gold (Provisional Cert) GreenRE - Gold (Provisional Cert) GreenRE - Gold (Provisional Cert) GreenRE - Gold (Provisional Cert) GreenRE - Gold (Provisional Cert) GreenRE - Bronze (Provisional Cert) GreenRE - Gold (Provisional Cert) GreenRE - Platinum (Provisional Cert)

¹ The Sustainability Accreditation listed is as of 30 June 2022.

Type	Property	Green Certification
	<ul style="list-style-type: none"> • Sunway Carnival Mall (Expansion) • Sunway Onsen Suites 	<ul style="list-style-type: none"> • GreenMark - Gold Plus (Provisional Cert) • GreenRE - Gold (Provisional Cert)
Non-Residential (Existing)	<ul style="list-style-type: none"> • Sunway Vivaldi (Clubhouse) • The Pinnacle Sunway • Sunway Geo Tower** • Sunway Clio Hotel (Sunway Pyramid Phase 3) • Sunway Citrine Hub • Sunway Southern Region Office • Sunway Property @ Anson Road 	<ul style="list-style-type: none"> • GreenMark - Certified (Provisional Cert) • GBI - Certified & GreenMark - Gold • GreenRE - Bronze (Provisional Cert) • GreenMark - Gold (Provisional Cert) & GBI - Certified (Provisional Cert) • GreenRE - Bronze (Provisional Cert) • GBI - Certified CVA • GBI - Gold (Provisional Cert)
Non-Residential (New or Upcoming)	<ul style="list-style-type: none"> • Sunway Velocity TWO (Corporate Office) • Sunway International School @ USJ1 • Sunway CP2 (Office Tower) ** • Sunway Grid Hub 	<ul style="list-style-type: none"> • GreenRE - Platinum (Provisional Cert) • GreenRE - Platinum (Provisional Cert) • LEED - Gold • Green RE - Silver (Provisional Cert)

** These are properties developed by SSQ.

3. Sustainable Finance Framework

This Sustainable Finance Framework (“**Framework**”) has been developed to demonstrate how SSQ intends to fund projects that will deliver environmental and social benefits, which contribute and/or complement Sunway Group 2030 Goals.

The Framework will guide future fundraising through sustainable debt instruments, including green/social/sustainability sukuk and green/social loans/financing with structures tailored to finance Eligible Projects as defined in this framework to address global SSQ and Sunway’s sustainability initiatives.

The Framework adopts the following guidelines or frameworks or standards, as amended from time to time:

- (i) ICMA’s 2021 Green Bond Principles², 2021 Social Bond Principles³ and 2021 Sustainability Bond Guidelines⁴;
- (ii) LMA’s 2021 Green Loan Principles⁵ and 2021 Social Loan Principles⁶;
- (iii) The ASEAN Green Bond Standards⁷ updated in October 2018, ASEAN Social Bond Standards⁸ dated October 2018 and ASEAN Sustainability Bond Standards⁹ dated October 2018 endorsed by the ASEAN Capital Markets Forum (ACMF); and
- (iv) The Sustainable and Responsible Investment Sukuk framework¹⁰ issued by the Securities Commission Malaysia

The Framework is presented through the following key pillars:

- (i) Use of Proceeds;
- (ii) Process for Project Evaluation and Selection;
- (iii) Management of Proceeds;
- (iv) Reporting; and
- (v) External Reviews.

² https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf

³ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Social-Bond-Principles_June-2022-280622.pdf

⁴ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

⁵ <https://www.lsta.org/content/green-loan-principles/>

⁶ <https://www.lsta.org/content/social-loan-principles-slp/>

⁷ <https://www.theacmf.org/images/downloads/pdf/ASBS2018.pdf>

⁸ <https://www.theacmf.org/images/downloads/pdf/AGBS2018.pdf>

⁹ <https://www.theacmf.org/images/downloads/pdf/ASUS2018.pdf>

¹⁰ [https://www.sc.com.my/api/documentms/download.ashx?id=84491531-2b7e-4362-bafb-83bb33b07416#:~:text=The%20Securities%20Commission%20Malaysia%20\(SC,for%20SRI%20investors%20and%20issuers.](https://www.sc.com.my/api/documentms/download.ashx?id=84491531-2b7e-4362-bafb-83bb33b07416#:~:text=The%20Securities%20Commission%20Malaysia%20(SC,for%20SRI%20investors%20and%20issuers.)

The Framework will be in force as long as there is outstanding financing under this Framework. SSQ may update this Framework and commits that any new version will keep or improve the current level of transparency and reporting.







The Framework will be made available on <https://www.sunway.com.my/> .









3.1. Use of Proceeds

The Sustainable Finance Proceeds will be used to finance and/or re-finance the projects that comply with any of the following eligible criteria as outlined in Table 1 (“**Eligible Projects**”).

The proceeds of each Funding Transaction will be used exclusively for the financing or the refinancing of Eligible Projects, in whole or in part, new existing assets, businesses, projects and/or products that comply with the Eligible Projects (“**Sustainable Finance Proceeds**”). These include the operations of SSQ and its subsidiaries (together, the “**Group**”). For the avoidance of doubt, any proceeds from each Funding Transaction can be used by the Group for working capital requirements, general corporate purposes, refinancing of existing debt concerning Eligible Projects, fees and expenses in relation to each Funding Transaction and/or inter-company advances to Sunway and the subsidiaries within the Sunway Group related to Eligible Projects, so long as the proceeds are not used to fund new or existing assets, businesses, projects and/or products falling outside the Eligible Projects.

Table 1: Eligible Criteria for Use of Proceeds

Eligible Projects/ Categories	Description	Direct Contribution to SDG Mapping	
Green Building	<p>Development / redevelopment of new/existing educational, commercial and retail buildings to be certified by a third party in accordance with any one or more of the following green building standards:</p> <ul style="list-style-type: none"> • GreenRE (Gold or above); • GBI (Gold or above); and • LEED (Gold or above). <p>Including features, designs and materials that allows resources to be efficiently utilised.</p>		
			
			

Eligible Projects/ Categories	Description	Direct Contribution to SDG Mapping
		  
Renewable Energy	Optimising use of renewable energy via on-site energy generation and other methods where applicable.	   
Socioeconomic Advancement and Empowerment	Development of educational facilities targeted for the community and/or in collaboration with educational functional specialists (e.g., government/private/NGO/Academia partners).	

The Use of Proceeds for the Eligible Projects may include disbursements to the projects 3 years prior to the issuance or signing date of each tranche of the respective Sustainable Finance and for the duration of their life.¹¹

¹¹ For avoidance of doubt, such expenditure could be related to projects which were kicked off in or after 2019. If the disbursement to such projects fall within the 3 years look back period, it is deemed as Eligible Expenditure

The Sustainable Finance Proceeds are excluded from financing projects or activities related to the following industries (“**Exclusion List**”):

- (a) Luxury sectors (precious metals / precious minerals / artworks and antiques wholesale or brokerage);
- (b) Child labor or forced labor;
- (c) Gambling;
- (d) Adult entertainment;
- (e) Weapons and military contracting;
- (f) Alcohol;
- (g) Tobacco;
- (h) Fossil-fuel related activities (including extraction, exploration, production, power generation or transport of fossil fuels);
- (i) Nuclear;
- (j) Production or trade in any product or activity deemed illegal under international conventions and agreements, or subject to international bans; and
- (k) Large-scale hydro-power projects with a generating capacity of over 25 megawatts.

The unallocated Sustainable Finance Proceeds may be used for SSQ’s future development besides the CP2 project, and are excluded from financing projects or activities in the Exclusion List.

3.2. Project Evaluation and Selection

The strategic direction for sustainability at SSQ is guided by the policies set by Sunway Property Division for implementation of any sustainability exercise, which includes approval for the Eligible Projects to be funded by the proceeds under the Framework.

The step-by-step process for evaluation and selection of Eligible Projects is as follows:

- (a) Design projects with sustainability strategies and features incorporating input by Project Matrix team, to ensure alignment with sustainability initiatives and commitments driven by Sunway Group
- (b) Review and validation of the proposed assets in accordance with the guiding principles for selection of Eligible Projects for the Use of Proceeds;
- (c) Evaluate the proposed Eligible Projects against the SSQ’s Sustainable Finance Framework;
- (d) Submit recommendation to Sunway Property Division Management for approval on the selection of the Eligible Projects based on the proposal from the Project Matrix team; and

- (e) Monitor the Eligible Projects portfolio during the life of the transaction. SSQ can decide to replace an Eligible Projects if it no longer meets the eligibility criteria by going through steps (b) to (c) above.

3.3. Management of Proceeds

The Sustainable Finance Proceeds shall be allocated to Eligible Projects selected as per the evaluation and approval process set out above. SSQ will track the Sustainable Finance Proceeds and monitor the allocation of the Sustainability Financing Proceeds internally.

During the life of SSQ Sustainable Finance raised, if any assets of the Eligible Projects (“**Eligible Assets**”) cease to comply with the Framework, SSQ will identify other assets that comply with the framework for approval by the Sunway Property Division Management and upon approval, allocate the proceeds to the newly identified Eligible Assets as soon as is practicable. Where the aggregate amount of the newly identified Eligible Assets is less than the total outstanding amount of SSQ’s Sustainable Finance Proceeds, SSQ may hold the balance unallocated amount in cash, cash equivalents and/or invest in other liquid marketable instruments in accordance with the SSQ’s liquidity policy until the amount can be allocated to new Eligible Assets.

For Sustainable Finance Proceeds allocated for the purpose of refinancing of operating projects, in which case the projects’ costs were fully disbursed in the past, no separate management of proceeds is required. SSQ is committed to perform the same evaluation in accordance with the Framework for the selection of the Eligible Assets in respect of the already invested capital in order to ensure the proceeds are utilised in accordance with the Framework.

3.4. Reporting

The Allocation Report and Impact Report will be reported and published annually until the maturity of the financing facility.

The reporting will be made available on <https://www.sunway.com.my/>.

(a) Allocation Reporting

The allocation report section of the Sustainable Finance Report will include, among others:

- Aggregate amount of proceeds allocated and utilised for the Eligible Projects, with summary on the assets allocated including the purpose, location and status of project.
- Remaining balance of the unallocated proceeds at the end of the reporting period and where such unutilised amount is placed or invested pending utilisation.
- Removal or substitution of Eligible Assets.
- Confirmation that the Use of Proceeds from the Framework conforms to SSQ’s Sustainable Finance Framework.

(b) Impact Reporting

Where possible, SSQ will report on the environmental and social impacts associated with the Eligible Projects funded with the proceeds. Subject to the nature of Eligible Projects and availability of information, SSQ aims to include, but not limited to, the following Impact Indicators:

- Impact or expected impact, including the key underlying methodology or assumptions used to determine the impact or expected impact.
- Key Performance Indicators Achieved in supporting 17 UNSDGs 2030 and Sunway Group 2030 Sustainability Goals.

Table 2: Indicative Impact Reporting Criteria

Eligible Projects/ Categories	Indicative Reporting Criteria
Green Building	<ul style="list-style-type: none">• Number and floor space of Green Buildings meeting the minimal eligibility criteria, by certification type and level• Other relevant info
Renewable Energy	<ul style="list-style-type: none">• Renewable energy savings (MWh)• Annual GHG emissions reduced/avoided (tonnes of CO2e)• Other relevant info
Socioeconomic Advancement and Empowerment	<ul style="list-style-type: none">• Number / type of facilities• Number of students / beneficiaries• Other relevant info

SSQ has complied and will comply with the relevant environmental, social and governance standards or recognised best practices relating to the Eligible Projects.

4. External Review

4.1. Pre-issuance External Review

SSQ will obtain an independent party to provide the second opinion on this Sustainable Finance Framework prior to its issuance.

4.2. Post-issuance Verification/ External Review

External verifiers may be engaged to verify SSQ's use of proceeds and reporting as described in the sections above.