

**MARC**

**MARC RATINGS BERHAD**

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SUNWAY SOUTH QUAY SDN BHD

PRE-ISSUANCE SUSTAINABLE FINANCE FRAMEWORK  
ASSESSMENT

OCTOBER 2022



SUSTAINABLE FINANCE  
FRAMEWORK ASSESSMENT

MARC Ratings Berhad has been engaged by Sunway South Quay Sdn Bhd (Company Registration No.: 200301034175 (636596-T)) as an independent external reviewer for its Sustainable Finance Framework. This external review was conducted according to the analytical framework in MARC Ratings' Impact Bond Assessment methodology that is published on its website.

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## SUMMARY

Sunway South Quay Sdn Bhd (SSQ or “the company”) (Company Registration No.: 200301034175 (636596-T)) has engaged MARC Ratings Berhad (MARC Ratings) to review its Sustainable Finance Framework (the Framework). The Framework has been established to set guidelines for the company’s future fundraising through sustainable debt instruments, including green/social/sustainability sukuk and green/social loans/financings. In assigning the assessment, MARC Ratings has relied on pre-issuance information provided by SSQ and associated parties as well as information gathered from the public domain.

MARC Ratings’ external review consists of three parts: an impact significance analysis based on SSQ’s Framework; an assessment of alignment with the Green Bond Principles (GBP) and Social Bond Principles (SBP) of the International Capital Markets Association (ICMA), ASEAN Green Bond Standards (GBS) and ASEAN Social Bond Standards (SBS) of the ASEAN Capital Markets Forum (ACMF), Green Loan Principles (GLP) and Social Loan Principle (SLP) of the Loan Market Association (LMA), Sustainable and Responsible Investment (SRI) Sukuk Framework of the Securities Commission Malaysia (SC), and an evaluation of the issuer’s sustainability implementation capacity and performance.

SSQ is a wholly-owned subsidiary of Sunway Berhad 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. SSQ is an established property development company with a portfolio of 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 Residence, Sunway GEO Office Suites, Sunway GEO Avenue, and Sunway GEO Sense, with a gross development value of more than RM3 billion. There are more future developments in the pipeline.

Sunway Berhad and its direct and indirect subsidiaries, including controlled entities and associate companies, collectively known as the Sunway Group, are 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 impact on human health and the environment during the buildings’ life cycle through better design, construction, operation, and maintenance.

The proceeds will predominantly be used to finance the development of the Commercial Precinct 2 (CP2) project which comprises two blocks of office towers, a retail mall and a university campus. SSQ’s CP2 project is part of Sunway City Kuala Lumpur and is designed to deliver a quality urban waterfront environment within the township and development. The social and environmental benefits of this project are clear and directly support nine of the 17 United Nations Sustainable Development Goals (SDGs). The CP2 project falls under the “Green Building” Eligible Categories for Use of Proceeds and will provide support in achieving SDG 3, 7, 8, 9, 11, 12, 13, 15, 17.

The Framework also includes two other Eligible Categories for Use of Proceeds which are “Renewable Energy” (SDG 7, 11, 12, 13) and “Socioeconomic Advancement and Empowerment” (SDG 4) as additional project categories for future reallocations of proceeds to support SSQ’s articulated sustainability strategy. More importantly, the main and additional categories are among those broad categories of eligibility recognised by the GBP/SBP, ASEAN GBS/SBS, the SC’s SRI Sukuk Framework and GLP/SLP.

The process for project evaluation and selection is clearly defined and transparent, with sufficiently detailed selection and exclusion criteria. Eligible asset screening, selection and approval are conducted in accordance with existing processes for the evaluation of E&S risks. The strategic direction for sustainability at SSQ is guided by the policies set by Sunway Property Division Management for implementation of any sustainability exercise, which includes giving approval for the Eligible Assets to be funded by the proceeds under the Framework.

A dedicated Project Matrix Team will be entrusted with the responsibility to review, validate and evaluate the eligible project pool, and ensuring that it conforms to the eligibility criteria in the Framework. The team will also monitor the project progress, identify issues, and report and escalate key concerns to the management of Sunway Property/Group to ensure the project is aligned with all set targets. Company-wide environmental, safety & health implementations are also monitored and reported. This includes reporting of the performance during the construction stage for resource consumption (water, electricity, and diesel) and waste management practices.

The net proceeds will be managed internally. SSQ will segregate and track the proceeds for the CP2 project via project schedule for all the components, namely office towers, a retail mall and a university campus. MARC Ratings considers the process for the management of proceeds to be in line with market practice. The Framework aligns SSQ’s post-issuance tracking and reporting on Use of Proceeds with the SC’s SRI Sukuk Framework. It provides for annual reporting of the projects to which the proceeds have been allocated, the balance of unallocated proceeds and where such unutilised amount is placed or invested pending utilisation, as well as project impact indicators. Where feasible, SSQ will disclose qualitative performance indicators, quantitative performance measures and the key underlying methodology and/or assumptions used.

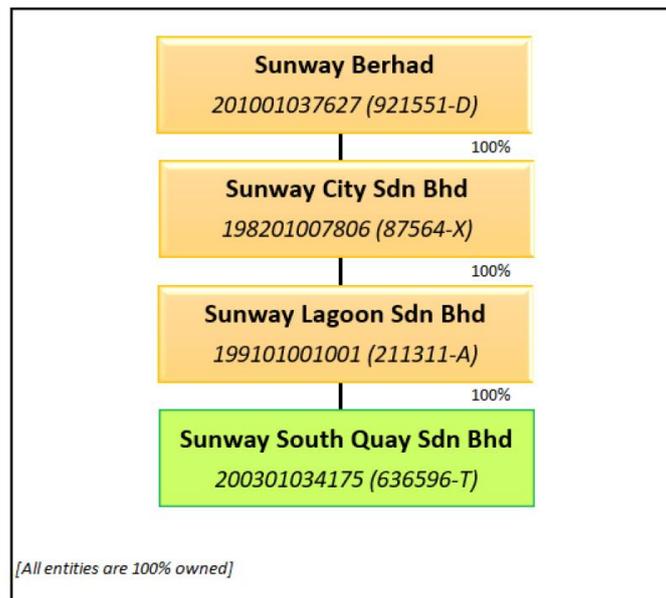
Based on our review of the relevant documentation and assessment as per our IBA methodology, we have assigned a “Gold” assessment to the Framework. MARC Ratings also opines that the Framework is correspondingly aligned with the core components of the GBP/SBP, ASEAN GBS/SBS, the SC’s SRI Sukuk Framework and GLP/SLP.

## Introduction

SSQ is an established property development company with a portfolio of 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. The gross development value of SSQ's portfolio is more than RM3 billion.

The company was incorporated on December 10, 2003 and is a wholly-owned subsidiary of Sunway Berhad (Sunway Group) 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. SSQ's holding company, Sunway Berhad, 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 December 31, 2021.

## SSQ Organisational Structure



Sunway Group 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 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 designing and producing built environments that facilitate healthy lifestyles and prioritises the well-being of stakeholders.

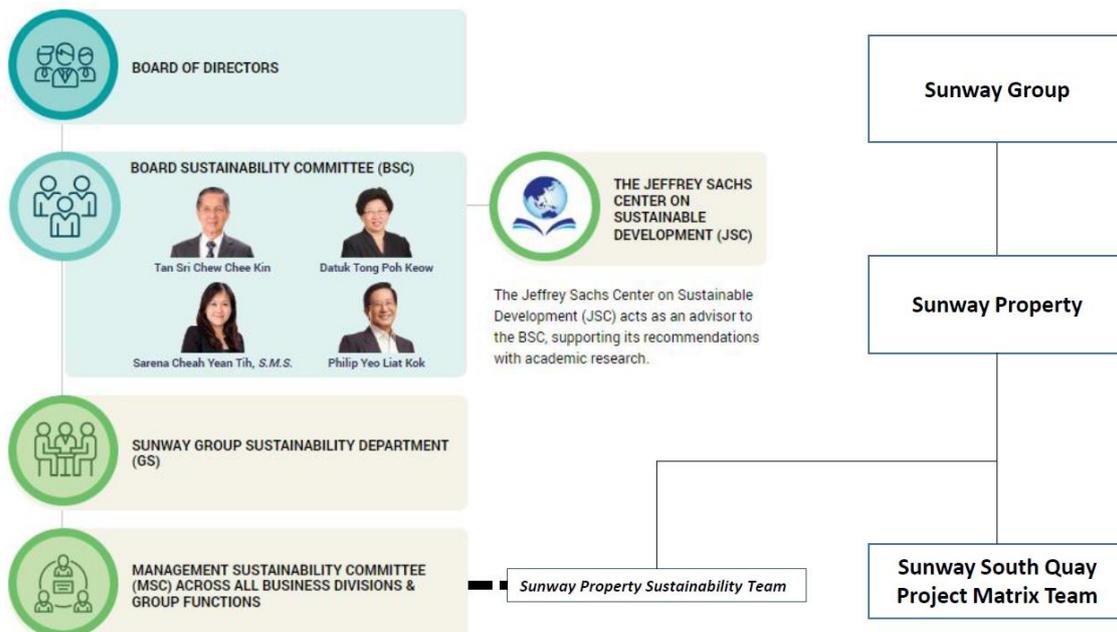
Key completed green-certified properties under SSQ are Sunway GEOLake Residence and Sunway GEO Office Tower. Both projects were designed with considerations of energy efficiency, greenery and reducing indoor air pollutants. Other projects developed by SSQ include BayRocks, Nautica Lake Suites, A'Marine Lakeside Condominiums, LaCosta, Sunway GEO Avenue and Sunway GEO Sense.

Type	Property	Green certification
Residential (Built)	Sunway GEOLake Residence	GreenRE - Gold
Non-Residential (Existing)	Sunway Geo Tower	GreenRE - Bronze (Provisional Cert)
Non-Residential (New or Upcoming)	Sunway CP2 (Office Tower)	LEED - Gold

SSQ falls under the purview of Sunway Property and champions the Sunway Group’s sustainability initiatives. These sustainability initiatives can be expanded into green and social strategies. Green strategies include ensuring all projects being built are green-certified, ensuring environmental implementation and control during collection of data regarding energy and water consumption, waste diversion according to set targets in alignment with the Group’s targets. Social strategies as a Master Community Developer would include providing customer service and community engagement at their developments. Besides that, also managing and monitoring implementation of SSQ’s suppliers at the construction sites.

Sustainability is integrated into the overall policies set by the Sunway Property Sustainability Team and implemented by the respective Project Matrix Teams. The Sunway Property Sustainability Team oversees the implementation of the policies through collection of data from the developments periodically. This includes annual reporting to Sunway Berhad Group Sustainability.

### Sustainability Governance Structure



# CONTENTS

## SUMMARY

<b>01</b>	IMPACT SIGNIFICANCE ANALYSIS	6
<b>02</b>	ASSESSMENT OF ALIGNMENT WITH GBP, ASEAN GBS, SC SRI SUKUK FRAMEWORK AND GLP	13
<b>03</b>	ANALYSIS OF SUSTAINABILITY PERFORMANCE	19
<b>04</b>	RATING SCALE	22
<b>05</b>	MARC RATINGS.	23

## APPENDIX

### COMPLIANCE REVIEW FORM

## 01 IMPACT SIGNIFICANCE ANALYSIS

MARC Ratings' qualitative analysis of the impact of Use of Proceeds is conducted in the context of the United Nations' SDGs. As a globally accepted guidepost for transition to sustainable development, the SDGs serve as a useful framework of reference for project impact analysis. The 17 SDGs are at the heart of a global sustainability agenda covering three broad areas of economic, social and environmental development to be reached by 2030.

The major objective of SSQ's Framework is to set the guidelines for the company's future fundraising through sustainable debt instruments, including green/social/sustainability sukuk and green/social loans/financings. The proceeds from the respective financing instruments will be utilised to support the transition towards a more inclusive, resource-efficient economy that is aligned to the UN SDGs and the circular economy concept.

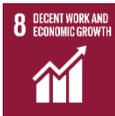
The eligible use of proceeds, as defined in the Framework, will be used to finance three broad Eligible Categories as follows:

1. Green Building
2. Renewable Energy
3. Socioeconomic Advancement and Empowerment

These Eligible Categories collectively support 10 of the 17 United Nations' SDGs.

### ELIGIBLE CATEGORIES FOR USE OF PROCEEDS

<b>1 Green Building</b>		
<b>Eligibility Criteria:</b> 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:		
<ul style="list-style-type: none"> <li>• GreenRE (Gold or above);</li> <li>• GBI (Gold or above); and</li> <li>• LEED (Gold or above).</li> </ul>		
The buildings should include features, designs and materials that allow resources to be efficiently utilised.		
<b>Sustainability objective</b>	<b>Sustainability benefit</b>	<b>Corresponding SDG</b>
Ensure healthy lives and promote well-being for all at all ages	<ul style="list-style-type: none"> <li>• Reduce the number of deaths and illnesses from hazardous chemicals, and from air, water and soil pollution and contamination</li> </ul>	 <p><b>SDG 3: Good Health and Well-Being</b></p> <p><b>Alignment to the SDG:</b> Use of low volatile organic compounds (VOC) paint certified by local and international certification bodies for interior walls.</p>
Ensure access to affordable, reliable, sustainable and modern energy for all	<ul style="list-style-type: none"> <li>• Ensure universal access to affordable, reliable, and modern energy services</li> <li>• Promote usage of renewable energy</li> </ul>	 <p><b>SDG 7: Affordable and Clean Energy</b></p> <p><b>Alignment to the SDG:</b></p>

		<p>Solar energy generated via photovoltaic (PV) cells to generate an alternative to electricity generated by fossil fuels.</p> <p>The development is being designed to reduce resources utilised and improve efficiency</p> <p>Energy</p> <ul style="list-style-type: none"> <li>• LED Lighting &amp; Motion Sensor Control Lighting</li> <li>• Energy Efficient Lift &amp; Escalator</li> <li>• Centralised Chiller Plants – District Cooling System</li> </ul>
<p>Promote sustained, inclusive and sustainable economic growth, as well as full and productive employment and decent work for all</p>	<ul style="list-style-type: none"> <li>• Achieve higher levels of economic productivity through diversification, technological upgrading and innovation</li> <li>• Improve efficiency in the use of energy, water, materials and other resources.</li> </ul>	 <p><b>SDG 8: Decent Work and Economic Growth</b></p> <p><b>Alignment to the SDG:</b> The mixture of components in the development promotes employment opportunities in different industries (higher education, retail and office towers) supporting the economy.</p>
<p>Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation</p>	<ul style="list-style-type: none"> <li>• Open access to innovative solutions and sustainable infrastructure which are key to a more equitable world.</li> </ul>	 <p><b>SDG 9: Industry, Innovation, and Infrastructure</b></p> <p><b>Alignment to the SDG:</b> The development of CP2 is connected to other SSQ components via sheltered link bridges. This provides convenient access for people to go from one development/building to another, as well as connections to public transportation such as bus rapid transit (BRT) and light rapid transit (LRT) stations.</p>
<p>Make cities and human settlements inclusive, safe, resilient, and sustainable</p>	<ul style="list-style-type: none"> <li>• Reduce the adverse per capita environmental impact of cities, including by focusing on air quality, as well as municipal and other waste management</li> <li>• Provide universal access to safe, inclusive and accessible green and public spaces, in particular for women and children, older persons and persons with disabilities</li> </ul>	 <p><b>SDG 11: Sustainable Cities and Communities</b></p> <p><b>Alignment to the SDG:</b> During construction, air, water and noise monitoring is carried out. Besides these, monitoring of resource consumption (water, electricity and diesel) and waste management practices are also implemented. Designated parking spaces for women and persons with disabilities are provided in SSQ developments.</p>

<p>Ensure sustainable consumption and production patterns</p>	<ul style="list-style-type: none"> <li>• Achieve sustainable management and efficient use of natural resources</li> <li>• Substantially reduce waste generation through prevention, reduction, recycling and reuse</li> <li>• Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle</li> <li>• Ensure communities have the relevant information and awareness for sustainable development and lifestyles in harmony with nature</li> </ul>	 <p><b>SDG 12: Sustainable Consumption and Production</b></p> <p><b>Alignment to the SDG:</b> Efficient use of natural resources has been incorporated in the design for efficient energy and water consumption.</p>
<p>Take urgent action to combat climate change and its impacts</p>	<ul style="list-style-type: none"> <li>• Reduce greenhouse gas (GHG) emissions</li> <li>• Integrate climate change measures into national policies, strategies and planning</li> <li>• Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning</li> </ul>	 <p><b>SDG 13: Climate Action</b></p> <p><b>Alignment to the SDG:</b> Efficient use of natural resources has been incorporated in the design. During construction, air, water and noise monitoring is carried out. Besides these, monitoring of resource consumption (water, electricity and diesel) and waste management practices are also implemented.</p>
<p>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss</p>	<ul style="list-style-type: none"> <li>• Promote fair and equitable sharing of the benefits arising from the utilisation of genetic resources and promote appropriate access to such resources, as internationally agreed</li> </ul>	 <p><b>SDG 15: Life on Land</b></p> <p><b>Alignment to the SDG:</b> Efficient use of natural resources has been incorporated in the design.</p>

<p>Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development</p>	<ul style="list-style-type: none"> <li>Encourage and promote effective public, public-private and civil society partnerships, and build on the experience and resourcing strategies of partnerships</li> </ul>	 <p><b>SDG 17: Partnerships for the Goals</b></p> <p><b>Alignment to the SDG:</b> The development of a higher learning facility supports knowledge-sharing capabilities and partnerships.</p>
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<p><b>2 Renewable Energy</b></p>		
<p><b>Eligibility Criteria:</b> Optimising use of renewable energy via on-site energy generation and other methods where applicable.</p>		
<p><b>Sustainability Objective</b></p> <ul style="list-style-type: none"> <li>Ensure access to affordable, reliable, sustainable and modern energy for all</li> <li>Make cities and human settlements inclusive, safe, resilient, and sustainable</li> <li>Ensure sustainable consumption and production patterns</li> <li>Take urgent action to combat climate change and its impacts</li> </ul>	<p><b>Sustainability Benefit</b></p> <ul style="list-style-type: none"> <li>Transforming and improving renewable energy source</li> <li>Improvement of the energy efficiency infrastructure</li> <li>Avoidance of GHG emissions</li> <li>Enhance research and upgrade technological capabilities for renewable energy</li> </ul>	 <p><b>Corresponding SDG</b></p> <ul style="list-style-type: none"> <li><b>SDG 7: Affordable and Clean Energy</b></li> <li><b>SDG 11: Sustainable Cities and Communities</b></li> <li><b>SDG 12: Sustainable Consumption and Production</b></li> <li><b>SDG 13: Climate Action</b></li> </ul> <p><b>Alignment to the SDG:</b> Solar energy generated via photovoltaic (PV) cells to generate an alternative to electricity generated by fossil fuels.</p>

<p><b>3 Socioeconomic Advancement and Empowerment</b></p>		
<p><b>Eligibility Criteria:</b> Development of educational facilities targeted for the community and/or in collaboration with educational functional specialists (e.g., government /private /NGO /Academia partners).</p>		
<p><b>Sustainability objective</b></p> <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<p><b>Sustainability benefit</b></p> <ul style="list-style-type: none"> <li>Ensure that all learners acquire the knowledge and skills needed to promote sustainable development</li> <li>Education on sustainable development and sustainable lifestyles, human rights, gender equality, as well as promotion of a culture of peace and non-violence, and appreciation of cultural diversity</li> </ul>	 <p><b>SDG 4: Quality Education</b></p> <p><b>Alignment to the SDG:</b> The development of a higher learning facility supports quality education.</p>

## Overall Impact Significance

The main goal of this Sustainable Finance Framework is to set forth principles under which SSQ intends to issue financing instruments. The three Eligible Categories identified in the Framework align with the project categories recognised by GBP/SBP, ASEAN GBS/SBS, the SC's SRI Sukuk Framework and GLP/SLP. Each of the Eligible Categories will provide support in achieving SDGs such as "Green Building" (SDG 3, 7, 8, 9, 11, 12, 13, 15, 17), "Renewable Energy" (SDG 7, 11, 12, 13) and "Socioeconomic Advancement and Empowerment" (SDG 4).

The exclusion criteria of the proceeds include the financing of luxury sectors (precious metals/ precious minerals/ artworks and antiques wholesale or brokerage); child labour or forced labour; gambling; adult entertainment; weapons and military contracting; alcohol; tobacco; fossil-fuel related activities (including extraction, exploration, production, power generation or transport of fossil fuels); nuclear; production or trade in any product or activity deemed illegal under international conventions and agreements, or subject to international bans; and large-scale hydro-power projects with a generating capacity of over 25 megawatts. Where applicable, SSQ will undertake necessary processes to identify and manage potentially material E&S risks associated with the Eligible Projects.

The unallocated proceeds may be used for SSQ's future developments besides the CP2 project, and are excluded from financing projects or activities in the Exclusion List.

SSQ has defined "Green Building" as its main Use of Proceeds category based on the nature of the expected social and environmental impact of the development of the CP2 project which comprises:

- Two blocks of office towers
- A retail mall
- A university campus

### Illustration of proposed completed CP2 Project



SSQ's CP2 project is part of Sunway City Kuala Lumpur and is designed to deliver a quality urban waterfront environment within the township and development. The CP2 project will include four components of green-certified buildings.

SSQ is targeting for the four components to obtain the following certifications:

- GreenRE Gold for the retail mall and cinema
- GreenRE Gold for the Sunway University Campus and the Performance Arts Centre (PAC)
- GreenRE Platinum & LEED Gold (international recognised) for Office Tower 1
- GreenRE Platinum & LEED Gold (international recognised) for Office Tower 2

The CP2 project is currently under construction with target completion in 2024/2025. The expected financing issuance would be made in a few tranches with estimated issuance in 4Q2022, 1Q2023 and 1Q2024.

The development is energy efficient, using solar panels with a target of generating approximately 2% of energy savings and an air conditioning system with the potential for 13%-30% of energy savings. This shall allow occupants to use less energy and resources. The buildings will also promote an energy-conserving lifestyle, with the provision of features supporting the usage of electrical vehicles (EV) by way of a charging station in CP2's car parks.

The buildings are being designed to be energy efficient, with features such as efficient air distribution systems as well as LED and motion sensor lighting, among others, being incorporated. The buildings are also equipped with efficient fittings and a rainwater harvesting system for irrigation, to promote water efficiency. CP2 will also be designed to include a green area to reduce urban heat island effects.

Once operational, CP2 would be accessible to the current BRT line, with free shuttle bus service and canopy walks within the Sunway City Kuala Lumpur area improving walkability and providing 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.

### Site progress photos



Overall View

Overall, the anticipated impact of the Use of Proceeds is assessed to be significant, considering the potential to contribute to advanced transformative sustainable development. Finally, the expected sustainability benefits of the Use of Proceeds are highly coherent with SSQ’s sustainability approach, the United Nations’ SDGs, and national sustainable development priorities.

<input type="checkbox"/>	<b>Very Significant</b>	This level of impact significance is assigned where underlying projects are expected to generate very visible positive ground level impact. Projects at this level support the realisation of long-term integrated visions of sustainable development that are consistent with global sustainability goals, as well as national sustainable development goals and priorities.
<input checked="" type="checkbox"/>	<b>Significant</b>	This level of impact significance is assigned where underlying projects are expected to generate a visible positive ground level impact. Projects at this level have the potential to facilitate adjustments towards a more sustainable development trajectory and to meaningfully advance national level sustainable development goals.
<input type="checkbox"/>	<b>Fairly Significant</b>	This level of impact significance is assigned where underlying projects are expected to generate a ground level impact which, although at a lower magnitude than that expected for higher assessment levels, is still considered noteworthy.
<input type="checkbox"/>	<b>Marginal</b>	This level of impact significance is assigned where underlying projects are expected to generate a positive but limited ground level impact.
<input type="checkbox"/>	<b>Not Significant</b>	This level of impact significance is assigned where underlying projects are expected to have negligible ground level impact.

## 02 ALIGNMENT WITH THE GBP/SBP, ASEAN GBS/SBS, GLP/SLP AND SRI SUKUK FRAMEWORK

A summary of the findings of our review is given below. The detailed review is attached in this assessment's appendix.



Principle One:  
Utilisation of Proceeds

The proceeds of the financing will be allocated to finance and/or refinance new or existing eligible assets from project categories recognised by GBP/SBP, ASEAN GBS/SBS, the SC's SRI Sukuk Framework and GLP/SLP.

The Eligible Categories outlined in the Framework are aligned to one or more of the following project categories specified in the SC's SRI Sukuk Framework:

- Green Building
- Renewable Energy
- Socioeconomic Advancement and Empowerment

The eligible use-of-proceeds categories and associated expected sustainability benefits are in line with SSQ's sustainability approach and its focus SDGs. SSQ may add Eligible Categories from time to time that are aligned to GBP/SBP, ASEAN GBS/SBS, the SC's SRI Sukuk Framework and GLP/SLP collectively.

Clear exclusion criteria have also been defined by the Framework. The exclusion criteria of the proceeds include the financing of luxury sectors (precious metals/ precious minerals/ artworks and antiques wholesale or brokerage); child labour or forced labour; gambling; adult entertainment; weapons and military contracting; alcohol; tobacco; fossil-fuel related activities (including extraction, exploration, production, power generation or transport of fossil fuels); nuclear; production or trade in any product or activity deemed illegal under international conventions and agreements, or subject to international bans; and large-scale hydro-power projects with a generating capacity of over 25 megawatts.

The Eligible Categories have been mapped to the United Nations' SDGs in the Framework. Use of Proceeds impacts are linked to SDGs 3 - Good Health and Well-being; 4 - Quality Education; 7 - Affordable and Clean Energy; 8 - Decent Work and Economic Growth; 9 - Industry, Innovation and Infrastructure; 11 - Sustainable Cities and Communities; 12 - Responsible Consumption and Production; 13 - Climate Action; 15 - Life on Land; and 17 - Partnerships for the Goals.

The company has committed to provide information on the allocation of proceeds to new financing and refinancing. In cases of refinancing, SSQ shall endeavour for refinanced projects to have a look-back period of no more than three (3) years from the time of issuance of each instrument.

A register of eligible assets will be maintained by SSQ and will be periodically reviewed to verify that all assets in the register continue to meet the criteria under the Framework. SSQ has committed to annually disclose its the allocation of proceeds to each eligible category in aggregate. In MARC Ratings' opinion, the defined eligible use-of-proceeds categories meet the criteria for Use of Proceeds as set forth in the GBP/SBP, ASEAN GBS/SBS, the SC's SRI Sukuk Framework and GLP/SLP.



Principle Two:  
Process for Project  
Evaluation and Selection

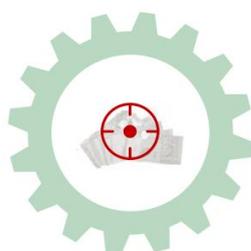
The process for the project evaluation and selection is clearly defined and transparent, with sufficiently detailed selection and exclusion criteria. Eligible asset screening, selection and approval are conducted in accordance with existing processes for the evaluation of E&S risks. SSQ has established internal processes for project evaluation and selection which provides for senior management involvement.

A dedicated Project Matrix Team will be entrusted with the responsibility to review, validate and evaluate the eligible project pool, and ensuring that it conforms to the eligibility criteria in the Framework. The team will also monitor the project progress, identify issues, and report and escalate key concerns to the management of Sunway Property/Group to ensure the project is aligned with all set targets. Company-wide environmental, safety & health implementations are also monitored and reported. This includes reporting of the performance during the construction stage for resource consumption (water, electricity, and diesel) and waste management practices.

SSQ's Project Matrix Team consists of members from various departments including Project Management; Supply Chain & Contracts Management (SCCM); Finance, Quality Environment Safety & Health (QESH); and Planning Design & Development (PD&D), working together with the Sunway Property Sustainability Team, to ensure policy setting and compliance. The SSQ Project Matrix Team forms part of Sunway Property, is also supported by the Sunway Group Sustainability Team.

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

- a) Design projects with sustainability strategies and features incorporating input by Project Matrix Team, to ensure alignment with Sunway Group's sustainability initiatives and commitments;
- b) Review and validate the proposed assets in accordance with the guiding principles for selection of Eligible Assets for the Use of Proceeds;
- c) Evaluate the proposed Eligible Assets against SSQ's Sustainable Finance Framework;
- d) Submit recommendation to Sunway Property's management for approval on the selection of the Eligible Assets, based on the proposal from the Project Matrix Team; and
- e) Monitor the Eligible Assets portfolio during the life of the transaction. SSQ can decide to replace an Eligible Asset if it no longer meets the eligibility criteria by going through steps (b) to (c) above.



Principle Three:  
Management of  
Proceeds

The proceeds from each Funding Transaction will be used exclusively for the financing or 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. For the avoidance of doubt, any proceeds from each Funding Transaction can be used by SSQ 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 Berhad 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 category of Eligible Projects.

The net proceeds will be managed on a portfolio basis in accordance with the Framework. The net proceeds will be managed internally. SSQ will segregate and track the proceeds for the CP2 project via project schedule for all the components, namely office towers, a retail mall and a university campus. SSQ will invest the balance of unallocated financing instrument proceeds in the permitted investment instruments in accordance with Sunway Group's cash management policy.

If an eligible asset ceases to meet the eligibility criteria and is removed from the eligible asset pool, SSQ will identify other assets that comply with the Framework for approval by the management of Sunway Property and upon approval, allocate the proceeds to the newly identified Eligible Asset as soon as is practicable. Where the aggregate amount of the newly identified Eligible Asset 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 SSQ's liquidity policy until the amount can be allocated to new Eligible Assets.

For Sustainable Finance Proceeds allocated for the purpose of refinancing 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.

SSQ will provide allocation and impact reports to Sunway Group to be included in Sunway's Annual Sustainability Report, and on a timely basis in the event of any material developments until full allocation of the financing instrument proceeds. This report will include, among others:



Principle Four:  
Reporting

- The original amount earmarked for the Eligible Projects;
- The amount of financing instrument proceeds that have been utilised/allocated to one or more Eligible Projects defined as the whole or part of new or existing projects, under construction and/or in operation, either individually or by category, subject to confidentiality considerations (customer consent);
- The unutilised amount, and where such unutilised amount is placed or invested pending utilisation;
- The list of Eligible Projects with a selection of brief descriptions;
- Expected impact metrics, where feasible;
- The outstanding amount of net financing instrument proceeds yet to be allocated to Eligible Projects at the end of the reporting period; and
- The removal or substitution of the Eligible Assets.

The Allocation Report and Impact Report will be published annually until the maturity of the financing facility. The reporting will be made available at [www.sunway.com.my](http://www.sunway.com.my).

Where possible, SSQ will report on the E&S impacts associated with the Eligible Projects funded with the proceeds. Subject to the nature of the 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 the 17 United Nations' SDGs 2030 and Sunway Group 2030 Sustainability Goals.

In MARC Ratings' opinion, the reporting commitments are aligned with the requirements of the GBP/SBP, ASEAN GBS/SBS, the SRI Sukuk Framework, GLP/SLP and market practice.

Overall, MARC Ratings considers SSQ's Framework to be aligned with the core components of SC's SRI Sukuk Framework with regard to the Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting (including Disclosures).

### Overall Assessment

	Clarity of Issuance Process and Disclosure	Total Score
<input checked="" type="checkbox"/>	High	10–12 points
<input type="checkbox"/>	Good	7–9 points
<input type="checkbox"/>	Satisfactory	4–6 points
<input type="checkbox"/>	Low	Below 4 points

Equal weighting is given to each of the four principles in arriving at the total score which is then expressed on the above four-point descriptive scale which ranges from High to Low.

Assessment Grade	High	Good	Satisfactory	Low
	3	2	1	0

## 03 ANALYSIS OF SUSTAINABILITY PERFORMANCE

SSQ falls under the purview of Sunway Property, which has sustainability initiatives including to ensure all projects being built are green-certified, ensure environmental implementation and control during collection of data regarding energy and water consumption, and waste diversion according to set targets in alignment with the Group’s targets. Social strategies as a Master Community Developer would include providing customer service and community engagement at the developments. In addition, this also includes managing and monitoring suppliers at construction sites.

The company’s sustainability strategy and commitments are driven by the sustainability strategy and initiatives mandated by the Sunway Group. These comprise five goals, complete with key targets to benchmark the yearly performance.

### Five Goals mandated by Sunway Group

- 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’ SDGs which the 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.

### Key targets of Sunway Group relating to SSQ:

Timeline	Key target
By 2025	All new buildings completed in 2025 onwards to be green-certified, to reduce the overall impact of the built environment on the surroundings.
By 2030	<ul style="list-style-type: none"> <li>• 40% waste diverted from landfills by 2030</li> <li>• To reduce emissions intensity of revenue by 10% by 2030</li> <li>• To reduce overall water intensity by 10% by 2030</li> <li>• All ongoing construction sites are in compliance with ISO 14001:2015 (Environmental Management Systems)</li> <li>• All business divisions (where relevant and applicable) to be ISO 45001:2018 (Occupational Health &amp; Safety Management Systems) certified by 2030</li> </ul>

As for the development of the CP2 project, all ongoing construction sites are ISO 14001:2015 compliant and collection of data is currently being undertaken to set baselines and targets for energy consumption and waste diversion in alignment with the group’s overall 2030 targets.

Sunway Property has several ESG metrics related to its staff and operations. These include monitoring of the environmental, safety and health implementation which includes ensuring energy, water and waste data are collected from respective development sites. Another metric is on improving occupation health, safety and environmental compliance at the workplace, which involves data collection from both staff and development sites. Data is collected and submitted to the Group for assessment, with ratings then provided to reflect company-wide practices. Other metrics include the staff's learning hours, and compliance with Sunway's mandatory policies, namely the Code of Conduct & Business Ethics, E-policy, Conflict of Interest, Anti-Bribery & Corruption, Personal Data Protection Act & Human Rights.

The management is involved in the monitoring of the strategies and direction, as well as the review of risk and opportunities. The risk register currently includes risks involving water pollution, land pollution, air pollution, noise/vibration pollution, man-made disasters, natural disasters, management of waste at site, accidents at project site, non-compliance with obligations and excessive use of resources (energy, water, etc.) during product design. Potential root causes, consequence existing control and recommended control are also identified to address the respective risk.

Sustainability performance indicators of the company are carried by respective departments as part of their individual key performance indicators. As an example, the project team carries monitoring of the environmental, safety and health implementation which includes ensuring energy, water and waste data are collected from the respective development sites.

Overall, MARC Ratings believes that SSQ's sustainability performance to date provides reasonably high assurance of its sustainability implementation capacity and performance.

## Sustainability Performance Assessment

<input checked="" type="checkbox"/>	<b>Excellent/Highest Assurance</b>	The issuer positions itself as a sustainability leader in its industry, ranking in the "top tiers" of performance across multiple categories of engagement, ranging from supply chain management to environmental performance. Sustainability-related risks and opportunities are integrated with the business strategy. Well-defined sustainability policies and practices are augmented by strong accountability systems which allow for a benchmarking of the issuer's performance against stated objectives and the incorporation of external assurance in its sustainability reporting framework.
<input type="checkbox"/>	<b>Very Good/High</b>	The issuer has integrated risk-based sustainability considerations in its operations and has a robust process for assessing significant sustainability risks exposures to minimise adverse impacts on its business. The focus of the issuer's sustainability performance monitoring and evaluation is on managing risk exposures to minimise downside risk. Globally-recognised best practice reporting frameworks guide the issuer's sustainability reporting.
<input type="checkbox"/>	<b>Good/Medium</b>	The issuer has adopted a CSR-centric sustainability strategy that prioritises stakeholder engagement and goodwill building. Sustainability is a small part of the issuer's business strategy, nonetheless there is evidence to suggest that its sustainability performance has progressed beyond maintaining regulatory compliance. The issuer has implemented general sustainability reporting to investors.
<input type="checkbox"/>	<b>Fair/Basic</b>	The issuer has a policy of regulatory compliance but has yet to incorporate sustainability considerations into its business operations. At this performance level, the goal of sustainability management is to achieve and maintain compliance with health, safety, and environmental requirements mandated by government laws and regulations.
<input type="checkbox"/>	<b>Poor/Weak</b>	The issuer has a record of poor sustainability performance or operates in unsustainable industries.

MARC Ratings' assessment of the issuer's sustainability implementation capabilities and performance is expressed on a five-level descriptive scale that runs from "Excellent" to "Poor" which corresponds to five levels of assurance (Highest, High, Medium, Basic and Weak). The assurance level can be interpreted as a measure of MARC Ratings' confidence in the issuer's continuing performance of its sustainability obligations in line with marketplace expectations and in compliance with its framework for financing issuance.

## 04 RATING SCALE

GRADE	DESCRIPTION
	<p>Bonds assessed at this level are judged to offer very significant environmental and/or social sustainability impact based on the projects supported or expected to be supported by the bond issuance. The processes used or to be used for the allocation and administration of proceeds, decision making process of eligible projects and the reporting of performance indicators are consistent with the core principles of the GBP and/or SBP and applicable market guidance or standards and should support high standards of accountability and transparency.</p>
	<p>Bonds assessed at this level are judged to offer significant environmental and/or social sustainability impact based on the projects supported or expected to be supported by the bond issuance. The processes used or to be used for the allocation and administration of proceeds, decision making process of eligible projects and the reporting of performance indicators are consistent with the core principles of the GBP and/or SBP and applicable market guidance or standards and should support good standards of accountability and transparency.</p>
	<p>Bonds assessed at this level are judged to offer fairly significant environmental and/or social sustainability impact based on the projects supported or expected to be supported by the bond issuance. The processes used or to be used for the allocation and administration of proceeds, decision making process of eligible projects and the reporting of performance indicators are consistent with the core principles of the GBP and/or SBP and applicable market guidance or standards and should support satisfactory standards of accountability and transparency. Minor shortcomings exist in the areas assessed but none of major concern.</p>

## MARC RATINGS BERHAD

MARC Ratings Berhad was incorporated as a public limited company to undertake the business of providing credit rating services, as well as economic and fixed-income research publications, on behalf of the MARC group of companies.

Effective January 1, 2022, Malaysian Rating Corporation Berhad (MARC) transferred its regulatory license as a credit rating agency with the SC and the Bank Negara Malaysia-accredited External Credit Assessment Institution (ECAI) status under Basel II to its wholly-owned subsidiary MARC Ratings. MARC Ratings continues to adopt practices and procedures for Domestic Credit Rating Agencies based on the guidance on the Code of Conduct Fundamentals provided by the International Organisation of Securities Commissions (IOSCO) and the Association of Credit Rating Agencies in Asia (ACRAA). MARC Ratings continues to consult international best practices and the International Capital Market Association's Guidelines for Green, Social and Sustainability Bonds External Reviews in its conduct of external reviews, particularly in relation to the organisation and content of external reviews.

Following a series of outreach and external reviewer capacity building initiatives jointly undertaken by domestic market regulators and World Bank Group, MARC published its proposed criteria for rating green, social or sustainability bonds in April 2018. The version that was adopted in July 2018 after public consultation can be accessed on MARC's corporate website at [https://www.marc.com.my/images/Rating\\_Methodologies/201912\\_/Impact-Bonds-Assessment-Criteria-201912-newlogo-.pdf](https://www.marc.com.my/images/Rating_Methodologies/201912_/Impact-Bonds-Assessment-Criteria-201912-newlogo-.pdf). As explained in the criteria, the analytical framework consists of three components that provide insights to the green, social and sustainability credentials of green, social and sustainability bonds: (1) an assessment of environmental and/or social benefits of the underlying funded project(s); (2) an assessment of compliance with internationally recognised principles and market standards for the evaluation of such bonds; and (3) an evaluation of the issuer's sustainability strategy and performance. Bonds which meet the minimum thresholds in each of the three analytical components will be rated Gold, Silver or Bronze.

For more information, visit [www.marc.com.my](http://www.marc.com.my) or contact us at [ratings@marc.com.my](mailto:ratings@marc.com.my).

## Review of Compliance with Green/Social Bond Principles (GBP/SBP), ASEAN Green/Social Bond Standards (GBS/SBS), and Sustainable and Responsible Investment (SRI) Sukuk Framework

Issuer: Sunway South Quay Sdn Bhd (SSQ) Sustainable Finance Framework

**Key Additional Features to comply with for sukuk issuance:**

- The proceeds allocated for the Project must not be used for ineligible projects specified by the ASEAN GBS (i.e. fossil fuel power generation projects) as well as the ASEAN SBS (i.e. projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weaponry).
- Continuous accessibility of information on Use of Proceeds, process for project evaluation and selection, and management of proceeds to investors throughout the tenure of the sukuk.
- Periodic reporting on the allocation of the sukuk proceeds.
- The external reviewer’s credentials and scope of review conducted to be made publicly accessible from a website designated by the Issuer throughout the tenure of the sukuk.

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p><b>Issuer</b> <u>ASEAN GBS/SBS/SUS</u> 3.1 The issuer must be an ASEAN issuer, or the eligible green and/or social project(s) must be in an ASEAN country.</p> <p><u>SRI Sukuk Framework</u> 7.02 The proceeds (of Sukuk) will be applied exclusively for funding of any activities or transactions relating to the Eligible SRI projects.</p> <p>7.03 An issuer must not– (a) use or adopt the term “SRI sukuk”; or (b) hold itself out as an issuer of such SRI sukuk, unless the issuance of the SRI sukuk has complied with these Guidelines.</p> <p>7.04 An issuer who wishes to issue an SRI sukuk must establish policies and processes to ensure compliance with the SRI Sukuk Framework as set out in these Guidelines.</p> <p>7.05 The information relating to the issuer and the details of the issuer’s SRI Sukuk Framework must be made publicly accessible via a designated website to be disclosed by the issuer. Such information in the designated website must be made available at the point of issuance and throughout the tenure of the SRI sukuk.</p>	<p>SSQ is an ASEAN issuer.</p> <p>The Sukuk proceeds will be applied exclusively for the funding of activities falling within those broad categories of eligibility recognised by the SC’s SRI Sukuk Framework.</p> <p>The issuer intends to issue SRI sukuk that complies with the Guidelines.</p> <p>SSQ commits to establishing policies and processes as needed to ensure compliance with the SRI Sukuk Framework.</p> <p>The Issuer’s Framework will be made available at the point of issuance and throughout the tenure of the SRI sukuk via a designated website.</p>	<p>The Framework will be made available at <a href="http://www.sunway.com.my">www.sunway.com.my</a>.</p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p><b>Eligible Projects</b></p> <p><u>SRI Sukuk Framework</u></p> <p>7.07 An eligible SRI project refers to a project that seeks to achieve any one or a combination of the following objectives:</p> <ol style="list-style-type: none"> <li>a) Preserving and protecting the environment and natural resources;</li> <li>b) Conserving the use of energy;</li> <li>c) Promoting the use of renewable energy;</li> <li>d) Reducing greenhouse gas emission;</li> <li>e) Addressing or mitigating a specific social issue or seeking to achieve positive social outcomes especially but not exclusively for a target population; or</li> <li>f) Improving the quality of life of the society.</li> </ol> <p>7.08 The Eligible SRI projects may include but not limited to the following:</p> <ol style="list-style-type: none"> <li>a) Green projects that relate to renewable energy; energy efficiency; pollution prevention and control; environmentally sustainable management of living natural resources and land use; terrestrial and aquatic biodiversity conservation; clean transportation; sustainable water and wastewater management; climate change adaptation; eco-efficient and/ or circular economy adapted products, production technologies and processes; and green buildings which meet regional, national or internationally recognised standards or certifications.</li> <li>b) Social projects that relate to, among others, affordable basic infrastructure; access to essential services; affordable housing; employment generation including the potential effect of SME financing and microfinance; food security; and socioeconomic advancement and empowerment.</li> <li>c) Projects which are the combination of Green and Social projects as described in (a) and (b) above; and</li> <li>d) Waqf projects that relate to the development of waqf properties or assets.</li> </ol>	<p>Eligible projects as defined by the Framework will achieve any one or a combination of objectives (a) through (f) set out in paragraph 7.07 of the SRI Sukuk Framework.</p> <p>The Eligible Categories outlined in the Framework are aligned to one or more of the following Green and Social project categories specified in paragraph 7.08 (a) of the SRI Sukuk Framework 7.08:</p> <ul style="list-style-type: none"> <li>• Renewable Energy</li> <li>• Green Building</li> <li>• Socioeconomic Advancement and Empowerment</li> </ul>	<p>SSQ intends to use the net proceeds issued under the Framework to finance and/or refinance, in whole or in part, new and existing projects within the categories of Green Building, Renewable Energy and Socioeconomic Advancement and Empowerment.</p> <p>Use of Proceeds impacts are linked to SDGs 3 - Good Health and Well-being; 4 - Quality Education; 7 - Affordable and Clean Energy; 8 - Decent Work and Economic Growth; 9 - Industry, Innovation and Infrastructure; 11 - Sustainable Cities and Communities; 12 - Responsible Consumption and Production; 13 - Climate Action; 15 - Life on Land; and 17 - Partnerships for the Goals.</p> <p>SSQ may add Green and/or Social Eligible Categories from time to time that are aligned to SC's SRI Sukuk Framework and ASEAN Standards (ACMF's ASEAN SBS, ASEAN GBS and ASEAN SUS, collectively).</p>

<b>Criteria</b>	<b>Compliance with criteria</b>	<b>Remarks/Scope of Work Undertaken</b>
<p><b>Use of Proceeds</b></p> <p><u>ASEAN GBS/SBS/SUS</u></p> <p>4.1</p> <p>4.1.1 The utilisation of issue proceeds must be described in the documentation for issuance.</p> <p>4.1.2 The Issuer must disclose the following information: The categories of eligible Green and/or Social Projects to which the issue proceeds will be allocated; and/or the information on specific Green and/or Social Projects in the case where the issuer has identified the specific Green and/or Social Projects to which the issue proceeds will be allocated.</p> <p>4.1.3 All designated Green and/or Social Projects must provide clear environmental/social benefits, which will be assessed and, where feasible, quantified by the Issuer.</p> <p>4.1.4 In the event that all or a proportion of the proceeds are or may be used for refinancing, it is recommended that Issuers provide an estimate of the share of financing and refinancing, and where appropriate, also clarify which investments or project portfolios may be refinanced and, to the extent relevant, the expected look-back period for refinanced projects.</p>	<p>The utilisation of proceeds is described in the Framework.</p> <p>The eligible Use of Proceeds categories identified by the Framework are aligned with the social and green project categories recognised by ASEAN Standards.</p> <p>The eligible Use of Proceeds project categories set out in the Framework are recognised as impactful by ASEAN Standards.</p> <p>The issuer has committed to provide information on the allocation of proceeds to new financing and refinancing. In cases of refinancing, SSQ shall endeavor for refinanced projects to have a look-back period of no more than three (3) years from the time of issuance of each instrument.</p>	<p>The proceeds will be used to finance and/or refinance, in part or in whole, new or existing eligible assets falling within the green categories recognised by the GBP/SBP, ASEAN GBS/SBS and the SC's SRI Sukuk Framework.</p> <p>MARC Ratings has reviewed Social and Green Eligible Categories and concluded that the eligible projects/financing fulfill the applicable criteria and would be considered green for the purposes of the GBP/SBP, ASEAN GBS/SBS and the SC's SRI Sukuk Framework.</p> <p>A look-back period of no more than three (3) years aligned with best market practices.</p>
<p><b>Criteria</b></p> <p><b>Process for Project Evaluation and Selection</b></p> <p><u>SRI Sukuk Framework</u></p> <p>7.12 An issuer must establish internal processes for evaluation and selection of the Eligible SRI projects as identified in paragraph 7.08 above.</p> <p><u>ASEAN GBS/SBS/SUS</u></p> <p>4.2.1 The issuer must clearly communicate to investors:</p> <p>(i) The environmental/social sustainability objectives; The Eligible Categories are framed in the context of SDGs with specific E&amp;S (E&amp;S) objectives;</p>	<p>The issuer has established internal processes for project evaluation and selection which provides for senior management involvement. The Eligible Categories are framed in the context of SDGs with specific social and environmental objectives. The issuer has clearly communicated:</p> <p>The sustainability objectives of the Framework and the Eligible Categories;</p>	<p>SSQ's Project Matrix Team work together with the Sunway Property Sustainability Team are responsible for the implementation of any sustainability exercise, which includes approval of Eligible Projects nominated under the Eligible Categories and Eligible Criteria for funding in accordance with the Framework.</p> <p>The eligibility criteria are clearly communicated in the Framework.</p>

<p>(ii) The process by which the Issuer determines how the projects fit within the identified eligible project categories; and</p> <p>(iii) The related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material E&amp;S risks associated with the selected projects.</p> <p>4.2.2 The Issuer must establish the process for project evaluation and selection prior to the issuance of the Bonds and disclose the same to investors in the documentation for the issuance of the Bonds.</p> <p>4.2.3 Issuers are encouraged to position this information within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to E&amp;S sustainability. Issuers are also encouraged to disclose any green and social standards or certifications referenced in project selection.</p> <p>4.2.4 It is recommended that the Issuer's process for project evaluation and selection be supported by an external review.</p> <p>4.2.5 The Issuer must make the following publicly available on a website designated by the Issuer at the time of the issuance and throughout the tenure of the Bonds: (i) The process for project evaluation; (ii) The Use of Proceeds; and (iii) External review report on the process (if any)</p>	<p>The Framework details an internal process by which Eligible Projects are assessed and selected to ensure fulfillment of criteria.</p> <p>The exclusion criteria of the proceeds include the financing of:</p> <ul style="list-style-type: none"> <li>• Luxury sectors (precious metals/ precious minerals/ artworks and antiques wholesale or brokerage);</li> <li>• Child labour or forced labour;</li> <li>• Gambling;</li> <li>• Adult entertainment;</li> <li>• Weapons and military contracting;</li> <li>• Alcohol;</li> <li>• Tobacco;</li> <li>• Fossil-fuel related activities (including extraction, exploration, production, power generation or transport of fossil fuels);</li> <li>• Nuclear;</li> <li>• Production or trade in any product or activity deemed illegal under international conventions and agreements, or subject to international bans; and</li> <li>• Large-scale hydro-power projects with a generating capacity of over 25 megawatts.</li> </ul> <p>The issuer has appointed MARC Ratings as external reviewer for its Framework.</p> <p>The issuer has committed to make the required information available on its corporate website at <a href="http://www.sunway.com.my">www.sunway.com.my</a>.</p>	<p>The Framework outlines the internal process and governance structure by which Eligible Projects are assessed and selected to ensure the eligibility of the projects.</p> <p>Where applicable, SSQ will undertake necessary processes to identify and manage potentially material E&amp;S risks associated with the Eligible Project and Eligible Assets.</p> <p>The Issuer has also disclosed that review of the Eligible Projects will be conducted annually by the Project Matrix Team to confirm the continued eligibility of the Eligible Assets, and the course of action to be taken where the project/financing no longer meets the Framework's Eligibility Criteria. Projects/financing that are no longer eligible will be removed from the register of Eligible Assets and replaced with projects/financing that are compliant with the Framework.</p> <p>The Framework will provide information on the process for project evaluation, and the company will issue a progress report on an annual basis that will provide information on the allocation and impacts throughout the tenure of the Sukuk. MARC Ratings' external review assessment will also be made available on MARC's corporate website.</p>
<b>Criteria</b>	<b>Compliance with criteria</b>	<b>Remarks/Scope of Work Undertaken</b>
<p><b>Management of Proceeds</b></p> <p><u>SRI Sukuk Framework</u> 7.13 An issuer must ensure that the proceeds allocated for the Eligible SRI projects are credited into a designated account or otherwise tracked in an appropriate manner.</p>	<p>The Sustainable Finance Proceeds shall be allocated to Eligible Projects selected as per the evaluation and approval process set out in the Framework. SSQ will track and monitor the allocation of the Sustainability Financing Proceeds internally.</p>	

<p><u>ASEAN GBS/SBS/SUS</u></p> <p>4.3.1 Prior to the issuance of the Bonds, the Issuer must disclose to investors in the documentation for the issuance of the Bonds the process for managing the net proceeds from the Bonds.</p> <p>4.3.2 The net proceeds of the Bonds, or an amount equal to these net proceeds, must be credited into a sub-account, moved to a sub-portfolio or otherwise tracked by the Issuer in an appropriate manner and attested to by a formal internal process. The total amount deployed from the net proceeds for the eligible projects need not occur simultaneously.</p> <p>4.3.3 As long as the Bonds are outstanding, the balance of the tracked net proceeds must be periodically adjusted to match allocations to eligible projects made during that period.</p> <p>4.3.4 The Issuer must also disclose to investors in the documentation for the issuance of the Bonds the intended types of temporary placement for the balance of unallocated net proceeds.</p> <p>4.3.5 It is recommended that the Issuer's management of proceeds be supplemented by the use of an auditor, or other third party, to verify the internal tracking method and the allocation of funds from the Bonds proceeds.</p>	<p>Prior to issuance, the issuer will make the Framework available to investors. The Framework describes the process for managing the net proceeds from the Sukuk.</p> <p>The net proceeds from the issue of Sukuk will be internally tracked. SSQ will invest the balance of unallocated proceeds in the permitted investment instruments in accordance with SSQ's cash management policy.</p> <p>The Issuer has committed that until full allocation, the allocation of Eligible Projects will be continuously monitored to ensure that the aggregate value of the Eligible Projects is at a level that is equal to the net proceeds raised from the outstanding Sukuk.</p> <p>The Framework discloses the intended types of temporary placement for the balance of unallocated net proceeds.</p> <p>SSQ will track the allocation of funds internally.</p>	<p>An area of improvement will be to state in the Framework that SSQ will ensure that the aggregate value of the Eligible Projects portfolio matches or exceeds the balance of net proceeds of outstanding Sukuk and will undertake periodic reconciliation of the tracked proceeds to allocations made to Eligible Assets.</p> <p>The appointment of a third party to verify the internal tracking method and the allocation of funds from the Sukuk proceeds is encouraged by the ASEAN Standards to provide high level of transparency.</p>
<p><b>Criteria</b></p>	<p><b>Compliance with criteria</b></p>	<p><b>Remarks/Scope of Work Undertaken</b></p>
<p><b>Reporting</b></p> <p><u>ASEAN GBS/SBS/SUS</u></p> <p>4.4.1 Issuers must report to investors at least on an annual basis and are encouraged to make more frequent reporting on the Use of Proceeds until full allocation, and on a timely basis in the case of material developments. The annual report should include a list of the projects to which the Bonds proceeds have been allocated, as well as a brief description of the projects and the amounts allocated, and their expected impact.</p> <p>4.4.2 Where confidentiality agreements, competitive considerations, or a large</p>	<p>SSQ will provide allocation and impact reports to Sunway Group Sustainability Department to be included in Sunway's Annual Sustainability Report, and on a timely basis in the event of any material developments until full allocation of the financing instrument proceeds. This report will include, among others:</p> <ul style="list-style-type: none"> <li>• The original amount earmarked for the Eligible Projects and/or Eligible Assets;</li> <li>• The amount of financing instrument proceeds that have been utilised/allocated to one or more Eligible Projects and/or</li> </ul>	

<p>number of underlying projects limit the amount of detail that can be made available, the Issuer may present the information in generic terms or on an aggregated portfolio basis (e.g. percentage allocated to certain project categories).</p> <p>4.4.3 It is recommended that Issuers use qualitative performance indicators, and where feasible, quantitative performance measures and disclose the key underlying methodology and/or assumptions used in the quantitative determination.</p> <p>4.4.4 It is recommended that the Issuer's annual reporting on the Use of Proceeds be supplemented by a confirmation of such Use of Proceeds by an external reviewer along with any relevant updates of the external review.</p> <p>4.4.5 The Issuer must provide to investors the annual reporting and the external review on the annual reporting, if any, through a website designated by the Issuer and/or annual reports throughout the tenure of the Bonds.</p> <p><b>Disclosure Requirements</b></p> <p><u>SRI Sukuk Framework</u></p> <p>7.16 The following information must be included:</p> <p>a) The overall SRI objectives that the issuer intends to achieve;</p> <p>b) The utilisation of proceeds from the issuance of the SRI sukuk. Where all or part of the proceeds are used for refinancing, an issuer must provide the amount of proceeds being allocated for refinancing and which Eligible SRI projects to be refinanced;</p> <p>c) The Eligible SRI projects in which the proceeds will be allocated; d) The details of the Eligible SRI projects and to the extent possible,</p> <p>d) impact objectives from the Eligible SRI projects;</p> <p>e) The processes used by the issuer to evaluate and select the Eligible SRI projects;</p> <p>f) The criteria used by the issuer to identify and manage material environmental or social risks associated with the Eligible SRI projects;</p>	<p>Eligible Assets defined as the whole or part of new or existing projects, under construction and/or in operation, either individually or by category, subject to confidentiality considerations (customer consent);</p> <ul style="list-style-type: none"> <li>• The unutilised amount and where such unutilised amount is placed or invested pending utilisation;</li> <li>• The list of Eligible Projects and/or Eligible Assets with a selection of brief descriptions;</li> <li>• Expected impact metrics, where feasible; and</li> <li>• The outstanding amount of net financing instrument proceeds yet to be allocated to Eligible Projects and/or Eligible Assets at the end of the reporting period.</li> </ul> <p>The Issuer has stated item (a), (e), (f), (g) and (h) in the Framework and is committed to annually provide information items (b) through (d) in its Allocation Reporting.</p>	<p>Updates to the external review are encouraged by the ASEAN Standards but are strictly voluntary.</p>
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<p>g) <i>The processes used by the issuer to manage the proceeds from the issuance of the SRI sukuk; and</i></p> <p>h) <i>A statement that the issuer has complied with the relevant environmental, social and governance standards or recognised best practices relating to the Eligible SRI projects.</i></p>		
<b>Criteria</b>	<b>Compliance with criteria</b>	<b>Remarks/Scope of Work Undertaken</b>
<p><b>External Review</b></p> <p><u>SRI Sukuk Framework</u> 7.17 <i>If an external reviewer is appointed to assess and provide report on the Eligible SRI projects or the issuer's compliance with the requirements under these Guidelines, such external reviewer's report must be made available on the designated website.</i></p> <p><u>ASEAN GBS/SBS/SUS</u> 5.1 <i>Issuers are recommended to appoint external review providers for the bond issuances or programmes.</i> 5.2 <i>The external review may be partial, covering only certain aspects of the bonds framework or full, assessing alignment with all four core components as stated in the relevant standards.</i> 5.3 <i>The external review provider must have the relevant expertise and experience in the components of the Bonds which they are reviewing.</i> 5.4 <i>The external review provider must also disclose their relevant credentials and expertise, and the scope of the review conducted in the external review report.</i></p>	<p><i>MARC Ratings has been engaged as independent external reviewer for the Framework. The external reviewer's report will be made available on a designated website.</i></p> <p><i>The review conducted by MARC Ratings is a full review and addresses alignment with all four components of the relevant standards.</i></p> <p><i>MARC Ratings is registered with the SC as a credit rating agency. The scope of MARC Ratings' external review is set out in MARC Ratings' Impact Bond Assessment (IBA) methodology that is publicly accessible from its corporate website.</i></p>	<p><i>MARC Ratings has established a transparent score-based framework for its green, social and sustainability bond assessments analysis that is published on our website. The differentiated approach taken recognises that some projects offer more environmental and/or social benefits than others.</i></p>

## Review of Compliance with Green/Social Loan Principles (GLP/SLP)

**Issuer: Sunway South Quay Sdn Bhd Sustainable Finance Framework**

**Note:**

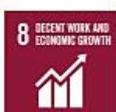
The Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA), and Loan Syndications and Trading Association (LSTA) view that it is important to provide market practitioners with clarity on their application of financing guidelines and promote a harmonised approach. Hence, APLMA, LMA and LSTA has produced a guideline to harmonise with Green Loan Principles (GLP) and Social Loan Principles (SLP).

<b>Criteria</b>	<b>Compliance with criteria</b>	<b>Remarks/Scope of Work Undertaken</b>
<p><u>GLP/SLP/APLMA/LMA/LSTA</u></p> <p><b>Use of Proceeds</b> The standards explicitly recognise several broad categories of eligibility for Green and/or Social Projects with the objective of addressing key areas of environmental concern such as climate change, natural resources depletion, loss of biodiversity, and air, water and soil pollution.</p> <p>The utilisation of loan proceeds for Green and/or Social Projects (including other related and supporting expenditures, including R&amp;D), should be appropriately described in the finance documents.</p> <p>Where funds are to be used, in whole or part, for refinancing, it is recommended that borrowers provide an estimate of the share of financing versus refinancing.</p> <p>A Green and/or Social loan may take the form of one or more tranches of a loan facility. In such cases, the loan tranche(s) must be clearly designated, with proceeds of the tranche(s) credited to a separate account or tracked by the borrower in an appropriate manner.</p> <p><b>Process for Project Evaluation and Selection</b> The borrower of a green and/or social loan should clearly communicate to its lenders:</p> <ul style="list-style-type: none"> <li>• their sustainability objectives;</li> <li>• the process by which the borrower determines how its projects fit within the Eligible Categories; and</li> <li>• the related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material E&amp;S risks</li> </ul>	<p>All designated Green and/or Social Projects have clear environmental and/or social benefits, which will be assessed, and where feasible, quantified, measured and reported by the company.</p> <p>Where appropriate, the company will clarify which investments or project portfolios may be refinanced, and, to the extent relevant, the expected look-back period for refinanced Green and/or Social Projects.</p> <p>The issuer has established internal processes for project evaluation and selection which provides for senior management involvement. The Eligible Categories are framed in the context of SDGs with specific environmental objectives. The issuer has clearly communicated:</p>	

<p>associated with the proposed projects.</p> <ul style="list-style-type: none"> <li>Borrowers are encouraged to position this information within the context of their overarching objectives, strategy, policy and/or processes relating to environmental sustainability.</li> </ul> <p>Borrowers are also encouraged to disclose any green standards or certifications to which they are seeking to conform.</p> <p><b>Management of Proceeds</b> The proceeds of a green and/or social loan should be credited to a dedicated account or otherwise tracked by the borrower in an appropriate manner, so as to maintain transparency and promote the integrity of the product.</p> <p>Where a green and/or social loan takes the form of one or more tranches of a loan facility, each tranche(s) must be clearly designated, with proceeds of the green tranche(s) credited to a separate account or tracked by the borrower in an appropriate manner.</p> <p>Borrowers are encouraged to establish an internal governance process through which they can track the allocation of funds towards Green and/or Social Projects.</p> <p><b>Reporting</b> Borrowers should make and keep readily available up to date information on the Use of Proceeds to be renewed annually until fully drawn, and as necessary thereafter in the event of material developments.</p> <p>This should include a list of the Green and/or Social Projects to which the green and/or social loan proceeds have been allocated and a brief description of the projects and the amounts allocated and their expected impact.</p> <p>Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the GLP/SLP recommend that information is presented in generic terms or on an aggregated project portfolio basis. Information need only be provided to those institutions participating in the loan.</p>	<p>The net proceeds from the issue of Sukuk will be internally tracked. SSQ will invest the balance of unallocated proceeds in the permitted investment instruments in accordance with SSQ's cash management policy.</p> <p>SSQ will provide allocation &amp; impact reports to Sunway Berhad Group Sustainability to be included into the Sunway Berhad Annual Sustainability Report annually, and on a timely basis in the event of any material developments until full allocation of the financing instrument proceeds. This report will include, among others:</p> <ul style="list-style-type: none"> <li>The original amount earmarked for the Eligible Projects and/or Eligible Assets;</li> <li>The amount of financing instrument proceeds that have been utilised/allocated to one or more Eligible Projects and/or Eligible Assets defined as the whole or part of new or existing projects, under construction and/or in operation, either individually or by category, subject to confidentiality considerations (customer consent);</li> </ul>	
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<p><i>Transparency is of particular value in communicating the expected impact of projects. The GLP recommend the use of qualitative performance indicators and, where feasible, quantitative performance measures (for example, energy capacity, electricity generation, greenhouse gas emissions reduced/avoided, etc.) and disclosure of the key underlying methodology and/or assumptions used in the quantitative determination. Borrowers with the ability to monitor achieved impacts are encouraged to include those in regular reports.</i></p> <p><b>External Review</b> <i>When appropriate, an external review is recommended. There are a variety of ways for borrowers to obtain outside input into the formulation of their green and/or social loan process and there are several levels and types of review that can be provided to those institutions participating in the loan.</i></p> <p><i>An external review may be partial, covering only certain aspects of a borrower's green and/or social loan or associated green and/or social framework or full, assessing alignment with all four core components of the GLP/SLP. It should be made available to all institutions participating in the green and/or social loan on request. When appropriate, and taking into account confidentiality and competitive considerations, borrowers should make publicly available the external review, or an appropriate summary, via their website or otherwise.</i></p>	<ul style="list-style-type: none"> <li>• <i>The unutilised amount and where such unutilised amount is placed or invested pending utilisation;</i></li> <li>• <i>The list of Eligible Projects and/or Eligible Assets with a selection of brief descriptions;</i></li> <li>• <i>Expected impact metrics, where feasible; and</i></li> <li>• <i>The outstanding amount of net green financing instrument proceeds yet to be allocated to Eligible Projects and/or Eligible Assets at the end of the reporting period.</i></li> </ul> <p><i>MARC Ratings has been engaged as an independent external reviewer for the Framework. The review conducted by MARC Ratings is a full review and addresses alignment with all four components of the relevant standards.</i></p> <p><i>MARC Ratings is registered with the SC as a credit rating agency. The scope of MARC Ratings' external review is set out in MARC Ratings' Impact Bond Assessment (IBA) methodology that is publicly accessible from MARC's corporate website.</i></p>	<p><i>MARC Ratings has established a transparent score-based framework for its green, social and sustainability bond assessments analysis that is published on MARC's website. The differentiated approach taken recognises that some projects offer more environmental and/or social benefits than others.</i></p>
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## THE UN SUSTAINABLE DEVELOPMENT GOALS

	<b>GOAL 1:</b> End poverty in all its forms everywhere		<b>GOAL 10:</b> Reduce inequality within and among countries
	<b>GOAL 2:</b> End hunger, achieve food security and improved nutrition and promote sustainable agriculture		<b>GOAL 11:</b> Make cities and human settlements inclusive, safe, resilient and sustainable
	<b>GOAL 3:</b> Ensure healthy lives and promote well-being for all at all ages		<b>GOAL 12:</b> Ensure sustainable consumption and production patterns
	<b>GOAL 4:</b> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all		<b>GOAL 13:</b> Take urgent action to combat climate change and its impacts
	<b>GOAL 5:</b> Achieve gender equality and empower all women and girls		<b>GOAL 14:</b> Conserve and sustainably use the oceans, seas and marine resources for sustainable development
	<b>GOAL 6:</b> Ensure availability and sustainable management of water and sanitation for all		<b>GOAL 15:</b> Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
	<b>GOAL 7:</b> Ensure access to affordable, reliable, sustainable and modern energy for all		<b>GOAL 16:</b> Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
	<b>GOAL 8:</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all		<b>GOAL 17:</b> Strengthen the means of implementation and revitalize the global partnership for sustainable development
	<b>GOAL 9:</b> Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation		

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