



SUNREIT BOND BERHAD

▪ SUSTAINABILITY-LINKED MEDIUM TERM NOTE FRAMEWORK

SECOND OPINION REPORT

17 May 2024

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SUMMARY AND SCOPE OF SECOND OPINION

RAM Sustainability has assessed SUNREIT Bond Berhad’s (SUNREIT Bond or the Issuer) **Sustainability-Linked Medium Term Notes (SLMTN) Framework (the Framework)** against the sustainability disclosure requirements under the following guidelines and standards:

- The International Capital Market Association’s (ICMA) **Sustainability-Linked Bond Principles (SLBP)**
- The ASEAN Capital Market Forum’s (ACMF) **ASEAN Sustainability-Linked Bond Standards (SLBS)**

This includes an assessment of (i) the relevance, materiality and reliability of the key performance indicators (KPIs), (ii) the rationale and level of ambition of the proposed Sustainability Performance Targets (SPTs), (iii) the relevance and reliability of selected benchmarks and baselines, and (iv) the credibility of the strategy outlined to achieve the SPTs, where relevant.

The Framework is viewed to be **aligned with all necessary requirements under the SLBP and SLBS**. RAM Sustainability finds the KPIs relevant and material to the Issuer, and SPTs to be ambitious and impactful. Overall, we opine that the Framework has an *Aligned to Strong* level of disclosure, incorporating details that we view to be in line with best practices.

Table 1: RAM Sustainability’s Assessment of SUNREIT Bond’s Framework

Components	RAM's Overall Opinion
Selection of KPIs	<i>Aligned</i>
Calibration of SPTs	<i>Aligned</i>
Bond Characteristics	<i>Aligned</i>
Reporting	<i>Strong</i>
Verification	<i>Strong</i>

As the Issuer is a wholly owned non-operating vehicle of Sunway Real Estate Investment Trust (Sunway REIT or the REIT), our assessment relies on information and data provided by the Issuer as well as those publicly available. We have not undertaken any audit or other related activity to ascertain the validity or accuracy of the information provided. This second opinion report covers the Framework received on 6 May 2024.

RAM Sustainability classifies sustainability-linked bond frameworks as *Weak, Aligned, Strong or Advanced*, in comparison to applicable regulations and guidelines or best practices.

Level	Framework Characteristics
Weak	Not observable in the framework.
Aligned	Observable in the framework, but is below best practice.
Strong	Observable in the framework and in line with best practice.
Advanced	Observable in the framework and is more stringent, comprehensive, and establishes a new benchmark and new best practice.

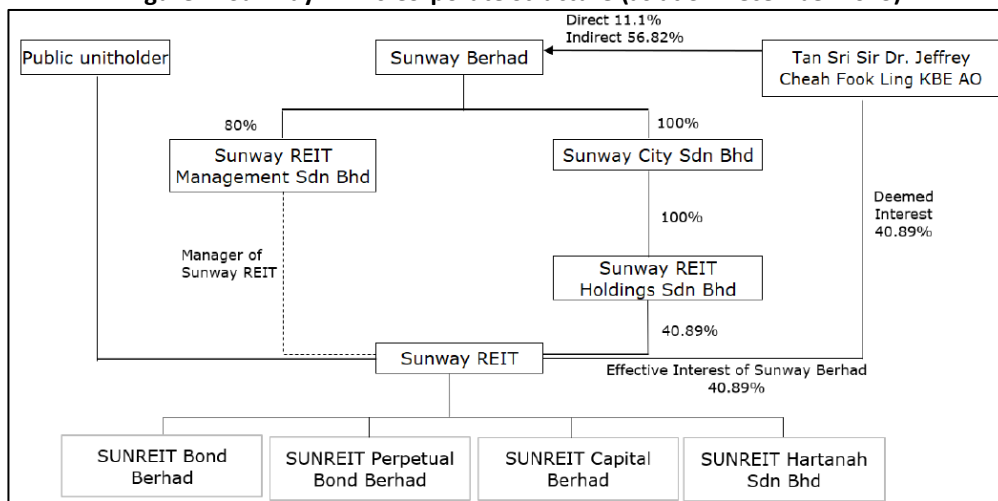
1. CORPORATE PROFILE

SUNREIT Bond is a special-purpose vehicle set up by Sunway REIT as a funding conduit to undertake issuances under a medium term note programme of up to RM10 billion in nominal value. In December 2021, SUNREIT Bond issued its first SLMTN under the programme.

Sunway REIT was listed on the Main Market of Bursa Malaysia Securities Berhad on 8 July 2010. To date, the REIT strategically expanded its portfolio and positioned diverse assets across key areas including Selangor, Kuala Lumpur, Penang, Perak and Johor, solidifying its position as one of Malaysia’s largest diversified REITs. As of 30 April 2024, the REIT’s property portfolio comprises 25 assets from the retail, hotel, office, services, industrial and others segments.

The REIT is managed by Sunway REIT Management Sdn Bhd which governs day to day operations and maintenance, as well as execution of sustainability initiatives in accordance to Sunway REIT’s strategies and targets. Sunway Berhad, a conglomerate with vast track record in sustainable development across different industries, owns 80% of the REIT Manager and is also a sponsor of the REIT, with 40.9% effective interest in the REIT as at 31 December 2023 (Figure 1). The Issuer’s overall sustainability commitment, roadmap and strategy is in alignment to Sunway REIT and ultimately, Sunway Berhad.

Figure 1: Sunway REIT’s Corporate Structure (as at 31 December 2023)



Source: Sunway REIT Management

In 2021, Sunway REIT cemented itself as a market leader in venturing into the sustainable financing sphere among Malaysian REITs through the issuance of SLMTN under SUNREIT Bond (formerly known as SUNREIT Unrated Bond Berhad). As a real estate player, the REIT has developed and embedded sustainability goals into its business strategies and operations. Sunway REIT’s sustainability journey will focus on the four key goals (Figure 2).

Figure 2: Sunway REIT’s Sustainability Goals



Source: Sunway REIT Sustainability Report 2023

2. REVIEW OF SUNREIT BOND'S SLMTN FRAMEWORK

The focus areas reviewed are grouped under five core components embedded in the **SLBP and SLBS**.

2.1 Selection of Key Performance Indicators

Definition and Methodology of Key Performance Indicators

The Issuer has selected the following KPIs for its SLMTN:

KPI-1: Annual Renewable Energy (RE) Generation (MWh)

This shall be measured by the aggregate units of electrical energy in MWh generated by solar photovoltaic energy generation facilities located on or within the properties in Sunway REIT's portfolio, in any given time.

KPI-2: Building Energy Intensity (BEI) (kWh/m²/year)

This KPI shall be the average BEI of Sunway Pyramid Mall, Sunway Carnival Mall and Sunway Putra Mall, out of the five retail assets in the REIT's portfolio. The other two retail assets are excluded as Sunway Pier is undergoing redevelopment exercise while SunCity Ipoh Hypermarket is under a Triple Net Lease arrangement, where utilities expenses and consumption are managed by the tenant and not in direct control of the REIT. The BEI shall be computed as follows:

$$BEI = \left[\frac{TBEC - CPEC - DCEC}{GFA - DCA - GLA \times FVR} \right] \times \frac{84}{WOH}$$

Where;

TBEC = Total Building Energy Consumption (kWh/year)

CPEC = Carpark Energy Consumption (kWh/year)

DCEC = Data Centre Energy Consumption (kWh/year)

GFA (excluding carpark) = Gross Floor Area exclusive of car park area (m²)

DCA = Data Centre Area (m²)

GLA = Gross Lettable Area (m²)

FVR = Weighted Floor Vacancy Rate of GLA (%)

84 = Typical weekly operating hours for retail areas and malls in Kuala Lumpur/Malaysia (hours/week)

WOH = Weighted Weekly Operating Hours of GLA exclusive of DCA (hours/week)

The formula and assumption are in accordance with the Green Building Index's (GBI) Non-Residential Existing Building (NREB): Retail v1.0 rating tool. GBI is a local green building rating system and certification tool.

Relevance and Materiality of Key Performance Indicators

The REIT tracks its journey to meeting goals and targets through a Sustainability Scorecard that measures performance across all four goals (Figure 2). Based on materiality assessments conducted by the REIT, the bulk of their material matters are associated with Goal 1 (Transforming Our Portfolios to Low-Carbon Assets) as climate change is recognised as a pressing challenge globally. The core business of a REIT relates to owning real estate assets which would contribute carbon emissions through usage of the buildings such as retail malls that operate approximately 12 hours daily with high electricity consumption.

From our discussions with the management, enhancing energy efficiency and promoting clean energy among its portfolio are priority solutions undertaken to address material matters related to climate change within their direct control. While there could be other KPIs to be explored in future by the Issuer and the REIT, KPI selection would rely on the feasibility outcome of a cost-benefit approach. Apart from that, 25% of the Sustainability Scorecard is integrated into performance evaluation of Senior Management and respective Head of Business Segments in alignment of sustainability goals to management priorities. A critical aspect monitored in the scorecard is Sunway REIT's climate change initiatives.

Alignment with Issuer’s Sustainability Strategy

Sunway REIT has identified Climate Action and Resource Management as material issues to its stakeholders. The KPIs selected by the Issuer is in line with some of its 2030 sustainability targets. The REIT aims at least 40% of its electricity consumption sourced from RE by 2030. Out of the 40%, management aims to locally generate 5% of RE sources through solar panels installed on the rooftops of its real estate portfolio. The remainder portion will be met through purchase of green energy sources. The use of RE sources will enable Sunway REIT’s decarbonisation and climate agenda.

By 2030, the REIT endeavours to maintain the BEI of all its assets below GBI’s minimum baseline for respective segments – retail, office and hotel. Improvement in BEI signifies more efficient consumption of electricity which contributes to lower carbon emissions overall. There are limitations in managing BEI given the various stakeholders involved in occupying and managing a building. As the largest electricity consumer within its portfolio, the retail assets are included as part of KPI-2 scope, except for Sunway Pier and SunCity Ipoh Hypermarket which are undergoing a redevelopment exercise and under a Triple Net Lease Arrangement respectively. Studies are being conducted by the management to explore assessment of carbon emissions intensity or absolute carbon emission targets over the longer term. These approaches represent a more precise and direct alignment with decarbonisation objectives, although implementation hinges on technological advancements and financial feasibility.

Alignment of Key Performance Indicators with UN Sustainable Development Goals

Sunway REIT has aligned the KPIs with its commitments to contribute to the United Nation (UN) Sustainable Development Goals (SDGs) namely, SDG 7: Affordable and Clean Energy, SDG 11: Sustainable Cities and Communities, SDG 12: Responsible Consumption and Production, SDG 13: Climate Action and SDG 17: Partnerships for the Goals.

In our opinion, the selected KPIs are adequately relevant and material to the Issuer’s business and sustainability strategy. The definition of the KPIs is clear and the methodology to calculate the KPIs are credible, based on the GBI standard. RAM Sustainability notes that there are other robust KPIs which would further boost the sustainability ambition of the REIT. With reference to ICMA’s KPI selection registry for Sustainability-linked Bonds, the current KPIs selected in the Framework are categorised as Secondary KPIs.

2.2 Calibration of Sustainability Performance Targets

The Issuer has set the following SPTs:

SPT-1 in relation to KPI-1:

Increase in annual RE generation by 2% per annum from the baseline year 2022.

SPT-2 in relation to KPI-2:

Reduction in BEI by 0.5% per annum from the baseline year 2019.

Table 2: SPTs from 2024 to 2030

Year	KPI-1 (MWh)	Variance	KPI-2 (kWh/m ² /year)	Variance
2022 (Baseline)	3,008		295	
2024	3,130	+122	292	-3
2025	3,192	+62	291	-1
2026	3,256	+64	289	-2
2027	3,321	+65	288	-1
2028	3,387	+66	287	-1
2029	3,455	+68	285	-2
2030	3,524	+69	284	-1
	Total	516	Total	-11

Source: The Framework

Strategy to achieve Sustainability Performance Targets

SPT-1

The primary strategy deployed is to increase the number of solar panels or installed capacity across the REIT's portfolio. There are, however, physical limitations due to the availability of rooftop area to expand solar panel installation. The REIT Manager disclosed that most of the assets under the portfolio have reached maximum physical capacity for solar panel installations. Working closely with the solar panel operator, a subsidiary under Sunway Berhad, the REIT expects to achieve increment in RE generation through a comprehensive operations and maintenance programme. Some comfort is derived from intergroup relations whereby the support of a reputational operator is promptly available to ensure optimum maintenance of the solar panels and/or equipment.

The Framework acknowledges the potential impact of achieving SPT-1 should there be asset additions and/or disposals in the future. Depending on eventual actual RE output and other future RE generation initiatives, recalibration and reassessment of the targets may be required.

SPT-2

Sunway REIT has taken proactive measures in rolling out energy reduction initiatives such as installation of Building Energy Management Systems, replacement and upgrading of lightbulbs with more efficient options, use of smart meters, daily operational needs adjustment and maximising the use of natural lighting and ventilation. The REIT endeavours to exhaust all possible efforts in enhancing energy efficiency within the retail malls, so long as the technology or infrastructure required is financially viable. Currently, there are a few ongoing energy efficiency initiatives include upgrading of air handling units and energy audits of buildings.

Another consideration to achieve SPT-2 is the cooperation and alignment of sustainability interests of the mall tenants. The BEI is directly influenced by tenants' consumption of electricity which is beyond the control of the REIT. The Green Lease Partnership Programme, established in 2022, aims to drive a coherent sustainability alignment with participating tenants. Under the programme, Sunway REIT rolled out several initiatives to encourage tenants to improve energy efficiency, responsibly manage water usage and divert waste from landfills.

Baseline Setting

The Issuer have initially established its baseline and SPTs during the earlier version of the SLMTN Framework in 2021. The SPTs set were for a term of three years and revisited last year. Upon further review, the Issuer observed actual outperformance in KPI-1 due to the injection of assets into the REIT and subsequent higher installation capacity of solar panels (Table 3). The management, therefore, has recalibrated SPT-1 to reflect actual RE generation with a new baseline set at 2022.

The Framework discloses that business activities in 2022 were still below pre-pandemic level in 2019. The movement restrictions from 2020 to 2022 owing to COVID-19 have reduced the operations level in retail malls and affected the BEI calculations. Hence, the baseline for SPT-2 remain unchanged at 2019 as it is more reflective of ordinary operating conditions of the mall.

In the Framework provided to us, both SPTs have targets set leading up till 2030. As the SPTs track year on year targets, the REIT has disclosed to us that the target observation dates would coincide with the financial reporting year and publication of Sunway REIT's Annual Sustainability Report. The report preparation process includes compilation, assessment and external verification of the KPI data.

Should the situation arise, the Framework incorporates a mechanism for recalculations or pro-forma adjustments of baselines. This helps ensure that the SPTs remain relevant, reflecting the potential changes in sustainability performance. Recalculations would be based on actual performance and any proposed adjustments shall be discussed at the Sustainability Working Group (SWG) and subsequently escalated to the Sustainability Committee (SC).

Benchmarks and Ambitiousness of the Sustainability Performance Targets

The nature of the SPTs selected by the Issuer is catered to their asset types and data feasibility, which may differ with other REITs. There is limited peer benchmarking on KPI-1 because few REITs pursue the same initiatives or properly disclose the relevant data. Furthermore, there is no standard industry benchmark amount to meet for solar energy generation by asset types. In view of this, Sunway REIT has chosen to refer to their own actual performance of the past three years. All three years' KPI data were externally verified by SIRIM QAS International Sdn Bhd (SIRIM). As for KPI-2, the BEI level is benchmarked against GBI's NREB criteria and has consistently stayed below the retail's BEI threshold of 350 kWh/m²/year.

Table 3: Actual performance of KPIs for past three years

	2021	2022	2023
KPI-1: Annual RE Generation (MWh)	2,886	3,675	4,307
Year on year change (%)	-	27	17
KPI-2: BEI (kWh/m²/year)	218	277	288
Year on year change (%)*	-	27	4

*The movement restrictions have caused a lower BEI owing to lower retail business levels. The increased BEI up to 2023 reflects the resumption of ordinary business conditions among the three retail malls.

We recognise that strategies outlined in the Framework is aimed to support a low-carbon transition for the REIT. There are also budget allocations for maintenance of the assets and green retrofitting to ensure that its entire portfolio is certified as green buildings. We understand that the management aims to obtain minimum one green building certification annually going forward and targets to certify all existing buildings as green by 2034. There is, although further avenues for ambition in the setting of KPIs and SPTs.

Over the past three years, the REIT has demonstrated efforts and commitment to achieve the SPTs despite external conditions that presented challenges like the COVID-19 movement restrictions. The strategies deployed by the REIT have demonstrated positive results in meeting the SPTs. The management has shared its commitment to continuously search and study newer technical solutions to ensure that the SPTs are achieved annually. While there are factors beyond the Issuer's control, we opine that the SPTs set by the Issuer remains to be sufficiently ambitious in the context of a local REIT player.

2.3 Bond Characteristics

Under the Framework, the characteristic of the SLMTN will be adjusted according to the Issuer's achievement or non-achievement of individual SPTs. The Framework allows for one or a combination of the below arrangements, so long as agreed between the Issuer and the respective SLMTN subscriber:

- (1) Coupon rate or credit margin adjustment,
- (2) Purchase of Renewable Energy Certificates (RECs),
- (3) Redemption price adjustment,
- (4) Purchase of carbon credits,
- (5) Payment for green certification of properties under the REIT, and
- (6) Other arrangements agreed by the respective SLMTN subscriber.

If a SPT is met and the reporting and verification processes outlined have been fully complied with, the Issuer shall recognise an achievement and be granted a step down in coupon rate and/or waiver of purchasing RECs or other adjustments, depending on the arrangement pre-agreed. Conversely, the Issuer will be penalised accordingly if a SPT is not accomplished.

For arrangement (5) above, we understand the capital expenditure required for green certification may be larger than the required SLMTN coupon quantum. This reflects Sunway REIT's commitment to support environmental goals. Any SLMTN adjustment arrangement must be predetermined and agreed between the Issuer and the respective SLMTN subscriber prior to issuance.

Should the Issuer fail to deliver a third-party independent assurance statement, both SPTs are deemed not met and relevant adjustments shall apply for that financial year. The financial characteristics of the SLMTN are viewed to provide sufficient incentive for the Issuer to achieve its targets. Few of the characteristic options

(such as purchase of carbon credits or RECs) in the Framework are comparable to some global sustainability-linked bonds issued. In a local market context, the Issuer aims to provide different yet innovative structures to encourage funding towards a sustainability-driven agenda.

2.4 Reporting

The Issuer commits to reporting and disclosing the achievement of the KPIs on an annual basis in the annual sustainability report of Sunway REIT. The report will be made available publicly on the Sunway REIT’s website at <https://www.sunwayreit.com/>. The sustainability report will minimally cover the following:

- (i) Up-to-date information considered relevant on the performance of the selected KPIs, including but not limited to Sunway REIT’s ESG governance and sustainability strategy.
- (ii) Independent assurance statement on Sunway REIT’s annual sustainability report.

In our view, the Issuer’s reporting commitment is aligned with the SLBP and SLBS. Based on retrospective checking of the reported KPI data and disclosures, Sunway REIT has provided sufficient disclosures and elaborations on the KPIs and SPTs as well as other sustainability indicators beyond the Framework.

2.5 Verification

Sunway REIT commits to the following engagements, in line with market practice:

- (i) Pre-issuance external review: The latest revised Framework shall be reviewed by RAM Sustainability through a Second Opinion engagement. A separate external review was conducted on the initial framework in 2021 by a different provider.
- (ii) Post-issuance verification: Achievement of the KPIs shall be verified by an independent third-party auditor and/or adviser and disclosed by Sunway REIT as part of its annual sustainability report.

For the past three years, the Issuer has engaged SIRIM to conduct the post-issuance verification. No anomalies or inconsistencies relating to the SLMTN indicators were highlighted in that time period.

3. SUSTAINABILITY ASSESSMENT

3.1 National-Level Drivers

The SLMTN enables Sunway REIT to reinforce its commitment to the sustainable development agenda and to align its strategic goals and sustainability initiatives. The SLMTN will, in our view, support the following national-level objectives and plans:

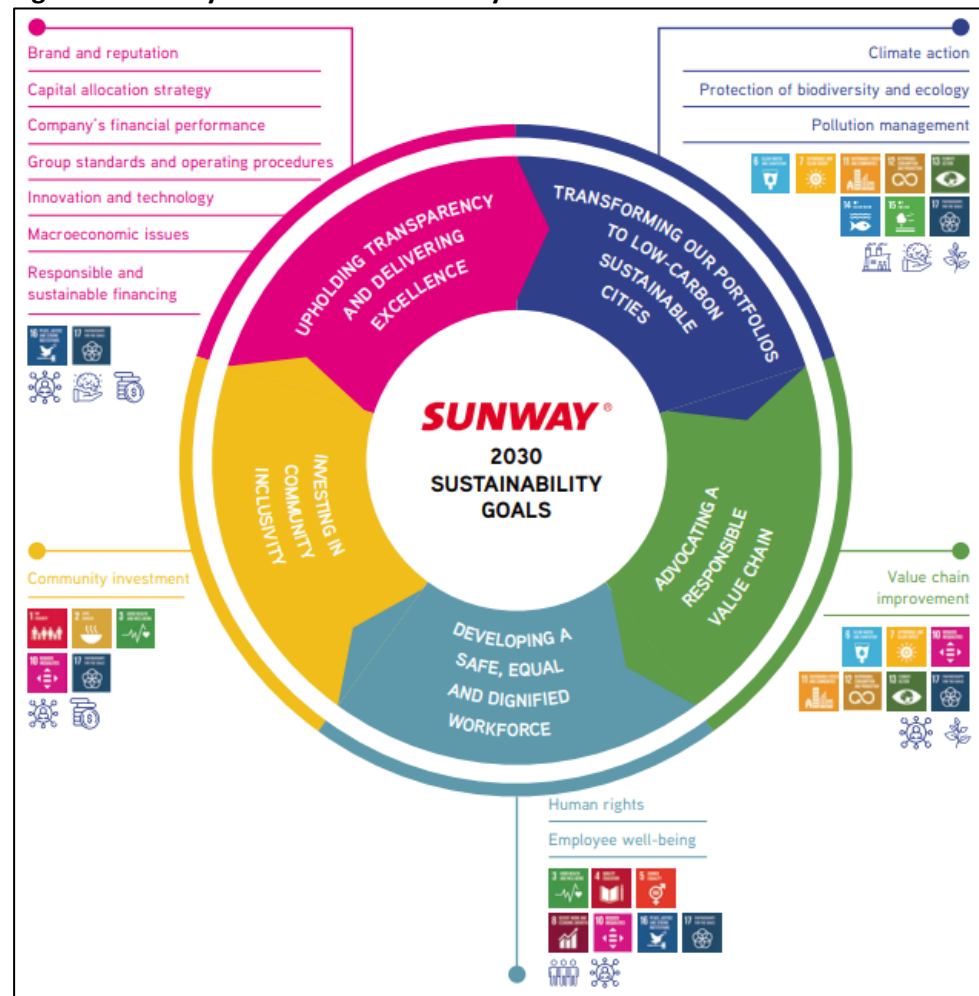
Table 4: National-Level Objectives and Plans

Category	National-Level Objectives and Plans
Renewable Energy	<p><u>Increasing RE generation</u></p> <p>Under the Malaysia Renewable Energy Roadmap, the Government of Malaysia (GoM) aims to achieve a target of 31% RE proportion by 2025, 40% by 2035 and 70% by 2050. With the targets in place, carbon emission intensity from the power sector is set to decline by 45% in 2030 and a further 60% in 2035, compared to 2005 in line with Malaysia’s Nationally Determined Contributions targets under the Paris Climate Agreement. An initiative by the GoM is the introduction of a virtual aggregation model for rooftop solar under the Net Energy Metering 3.0 programme to encourage rooftop solar installations by non-domestic consumers.</p> <p>SUNREIT Bond’s KPI-1 and SPT-1 will result in investments in RE, particularly solar, aligning with the GoM’s objectives to increase RE capacity. Since the first issuance of the SLMTN in 2021, Sunway REIT has installed 1,595 kWp of capacity of solar generation and generated 10,868 MWh of solar energy.</p>

Energy Efficiency	<p>Increasing energy savings</p> <p>Under the 12th Malaysia Plan, the GoM plans to enhance energy efficiency within the country by regulating high-intensity consumers in the industrial and commercial sector. The GoM also provides Energy Audit Conditional Grants and Energy Performance Contracting to support the National Energy Efficiency Action Plan 2016-2025 target of achieving 8% savings in electricity consumption.</p> <p>Under the National Energy Policy 2022-2040 (DTN), the GoM established the Low Carbon Nation Aspiration 2040 which includes a target to achieve EE savings in industrial and commercial facilities by 11%.</p> <p>Under the National Energy Transition Roadmap, the GoM aims to achieve 21% of energy savings by 2040 and 22% of energy savings by 2050. Some are the key initiatives identified to achieve these targets are enforcing mandatory audits for large commercial and industrial buildings, establishing mandatory green building codes that outline EE parameters for energy-intensive residential and commercial buildings to meet a minimum BEI level and launching a major EE retrofit initiatives in government buildings.</p> <p>SUNREIT Bond’s KPI-2 and SPT-2 is in line with the GoM’s initiatives to increase energy efficiency of commercial buildings. By 2030, Sunway REIT targets a 284 kWh/m²/year average BEI for its three retail malls which is 19% below the recommended maximum BEI under GBI NREB: Retail v1.0 and 38% below the performance baseline under Malaysian Standard MS 1525 for Malaysian high-intensity retail buildings.</p>
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3.2 Sponsor-Level Assessment

Figure 4: Sunway Berhad’s Sustainability Goals



Source: Sunway Berhad’s Sustainability Report 2023

Sunway Berhad commits to generate positive impacts for the economy, environment and people across all its business division and operations. The overarching sustainability strategy of Sunway Berhad is divided into five categories (Figure 4). Under its sustainability governance structure, the Board of Directors oversees and provides the direction to Sunway Berhad and its subsidiaries (the Group). The Board of Directors are supported by a Board Sustainability Committee, playing a critical role in evaluating the Group’s sustainability agenda progress. The Jeffrey Sachs Center on Sustainable Development recommends actionable sustainability solutions to the Board Sustainability Committee through research undertaken.

The Group Sustainability Department and Management Sustainability Committee helps to drive ESG strategies and ensure adherence to relevant compliance on ESG disclosures. The Group has shown commendable results in integration of sustainability efforts across the different business division it owns. One such example is the implementation of a group policy on environment, health and safety which Sunway REIT is also aligned to.

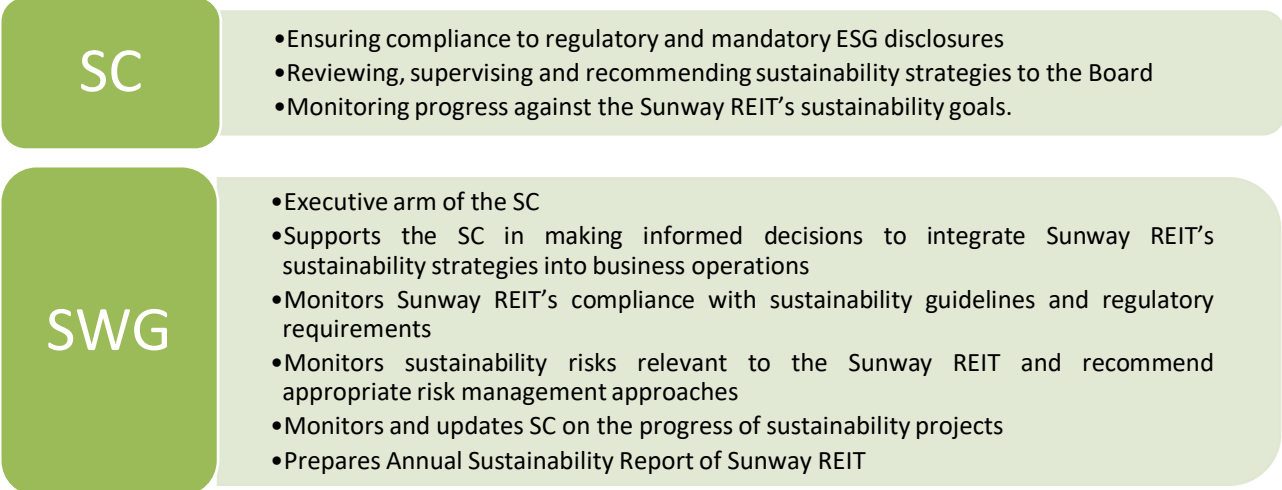
3.3 Entity-Level Assessment

Sustainability Management

Sunway REIT has established a Sustainability Policy that outlines its commitment to sustainable development and acts as guiding principles for the establishment of short-term and long-term indicators and goals. It also aims to guide implementation of impact-based initiatives that are aligned with Sunway REIT’s sustainability aspirations.

To promote sustainability governance, a SC is formed and is chaired by an Independent Non-Executive Director. The SC is supported by the SWG that is led by Sunway REIT’s Chief Executive Officer. The SWG comprises representatives from the Manager including the CEO, Chief Financial Officer, Head of Sustainability and the Heads and/or sustainability champions of each business unit. The SC convenes at least twice a year while the SWG meets on a monthly basis.

Figure 5: Functions of the SC and SWG



Source: Sunway REIT Management

Supporting UN Sustainable Development Goals

The REIT’s four sustainability goals comprehensively contribute to all UN SDGs. Sunway REIT prioritises sustainable development, employing a well-connected strategy. This interconnectedness fosters a holistic and impactful way to create a positive environmental and social influence.

Figure 6: Sunway REIT’s Interconnected Path to Sustainability



Source: Sunway REIT’s Sustainability Report 2023

Review of Policies and Guidelines

Sunway REIT’s operations are guided by robust governance structure. The REIT has formalised several new policies in the past year and are committed to improving overall governance continuously. We observed that the policies in place are comprehensive in covering material areas of Sunway REIT.

Table 5: Sunway REIT’s Policies and Guidelines

Board Policies	Corporate Policies
Directors’ Remuneration Policy	Anti-Bribery and Corruption Policy
Non-Audit Services Policy	Anti-Money Laundering Policy
Policy on Selection and Assessment of Board of Directors	Diversity & Inclusion Policy
Policy on Selection of External Auditors	Whistleblowing Policy & Procedures
Sustainability Policies	
Sustainability Policy	Human Rights Policy
Donations, Sponsorship and Corporate Responsibility Policy	Water Management Policy
Biodiversity Policy	Sustainable Procurement Policy
Diversity and Inclusion	Sustainable Events Management Policy
Green Building Policy	Universal Accessibility Policy

ISO Certification

A majority of the assets under the REIT’s portfolio are certified with ISO 9001:2015 – Quality Management System certification as well as ISO 27001:2013 – Information Security Management System certification. This reflects commitment to adherence of internationally recognised building management standards.

Controversy Scan

Our scan of SUNREIT Bond as of 10 May 2024 did not indicate any publicly available controversy pertaining to information relating to the ESG practices of the Issuer.

APPENDIX 1

APPENDIX 1: ASEAN SLBS CHECKLIST

Reference:

ASEAN Capital Markets Forum – ASEAN Sustainability-linked Bond Standards (October 2022)

Topic	Content	Requirement	Alignment	Comments
Selection of KPIs	Historical externally verified KPI values covering at least the previous three years, in situations where the KPIs have not been previously disclosed	Recommended	Yes	The KPI values are verified by SIRIM and published in Sunway REIT's Sustainability Report 2021 to 2023.
	Alignment of selected KPIs with the SDGs	Recommended	Yes	The SLMTN aim to meet the following SDG Goals: 7, 11, 12,13 and 17
	The rationale and process according to which the KPIs have been selected and how the KPIs fit into the Issuer's sustainability strategy	Necessary	Yes	Refer Section 2.1 - Alignment with Issuer's Sustainability Strategy
	A clear definition of the KPIs and include: a. the applicable scope or perimeter; and b. the calculation methodology	Necessary	Yes	Refer Section 2.1 - Relevance and Materiality of KPI
Calibration of SPTs	Strategic information that may decisively impact the achievement of the SPTs	Recommended	Yes	Refer Section 2.2 - Strategy to achieve SPTs
	Description and definition of SPTs	Necessary	Yes	Refer Section 2.2
	Motivation for the outlined SPTs (i.e. ambition level and consistency with Issuer's overall strategic planning)	Necessary	Yes	Refer Section 2.2 - Benchmarks and Ambitiousness of the SPTs
	Relevant benchmarking approaches	Necessary	Yes	Refer Section 2.2 - Benchmarks and Ambitiousness of the SPTs
	Timelines for the target achievement, including the target observation date(s)/ period(s), the trigger event(s) and the frequency of SPTs	Necessary	Yes	Refer Section 2.2 - Baseline Setting
	Verified baseline or reference point selected for improvement of KPIs as well as the rationale for that baseline or reference point to be used (including date/ period), where relevant	Necessary	Yes	Refer Section 2.2 - Baseline Setting
	Situations in which recalculations or pro-forma adjustments of baselines will take place, where relevant	Necessary	Yes	Refer Section 2.2 - Baseline Setting
	Where possible and taking competition and confidentiality considerations into account, how the Issuer intends to reach such SPTs i.e. through highlighting the key levers/type of actions that are expected to drive the performance towards the SPTs as well as their expected respective contribution, in quantitative terms wherever possible	Necessary	Yes	Refer Section 2.2 - Strategy to achieve SPTs
	Any other key factors beyond the Issuer's direct control that may affect the achievement of the SPTs	Necessary	Yes	Refer Section 2.2 - Strategy to achieve SPTs
	<i>Note: To position this information within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to ESG</i>	Recommended	Yes	Refer Section 2.2
Bond characteristics	The potential variation of the ASEAN Sustainability-Linked Bond's financial and/or structural characteristics	Necessary	Yes	Refer Section 2.3

Topic	Content	Requirement	Alignment	Comments
	Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner	Necessary	Yes	Refer Section 2.3
	Language to take into consideration potential exceptional events (such as significant change in perimeters through material M&A activities) or extreme events, including drastic changes in the regulatory environment that could substantially impact the calculation of the KPI, the restatement of the SPT, and/ or pro-forma adjustments of baselines or KPI scope	Recommended	No	-
Reporting commitments	Commitment on disclosure of reporting obligations as set out in the ASEAN SLBS	Recommended	Yes	Refer Section 2.4
	Timeline in which reporting on the ASEAN Sustainability Linked Bonds will be made available	Recommended	Yes	Refer Section 2.4
Verification commitments	Commitment on verification obligations as set out in the ASEAN SLBS	Recommended	Yes	Refer Section 2.5
	Timeline in which the verification assurance report on the ASEAN Sustainability-Linked Bonds will be made available	Recommended	Yes	Refer Section 2.5
External review	Publication of a pre-issuance external review, such as a Second Party Opinion to confirm the alignment of the ASEAN Sustainability-Linked Bond with the five core components of the ASEAN SLBS	Necessary	Yes	Refer Section 2.5
	External review provider's credentials and expertise, and scope of review	Necessary	Yes	Refer Section About RAM Sustainability

APPENDIX 2



Sustainability-Linked Bonds External Review Form

This form complements the Bond Information Template that should have been filled in by the issuer. It provides additional information on the role of the External Reviewer when assessing the issuer's sustainability framework. This form may be used or adapted, where appropriate, to summarise the scope of the review.

Section 1. Basic Information

Issuer name: SUNREIT Bond Berhad

Bond ISIN¹: To be updated

Independent External Review provider's name for pre-issuance review: RAM Sustainability Sdn Bhd

Completion date of this form: 10 May 2024

Section 2. Overview

SCOPE OF REVIEW

The review:

- assessed the 5 core components of the SLBP (**complete review**) and confirmed the alignment with the SLBP.
- assessed only some of them (**partial review**) and confirmed the alignment with the SLBP; please indicate which elements:
- | | |
|---|---|
| <input type="checkbox"/> Selection of Key Performance Indicators (KPIs) | <input type="checkbox"/> Bond characteristics |
| <input type="checkbox"/> Calibration of Sustainability Performance Targets (SPTs) | <input type="checkbox"/> Reporting |
| <input type="checkbox"/> Verification | |

ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- | | |
|---|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Does the review include a sustainability quality score²?

- | | |
|--|---|
| <input type="checkbox"/> Of the issuer | <input type="checkbox"/> Of the selected KPIs/SPTs |
| <input type="checkbox"/> Of the framework | <input type="checkbox"/> Other (<i>please specify</i>): |
| <input checked="" type="checkbox"/> No scoring | |

¹ The ISIN code is mandatory for publishing the form in the Sustainable Bond Issuers Database.

² The external review may indicate the provider's opinion of the overall sustainability quality of a bond or bond framework and assess whether it has a meaningful impact on advancing contribution to long-term sustainable development.

ISSUER'S OVERARCHING OBJECTIVES

Does the review include:

- An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and/or processes towards their delivery?
- An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's [actions] and explanations on how they are managed and mitigated by the issuer?
- A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

CLIMATE TRANSITION STRATEGY³

Does the review assess:

- The issuer's climate transition strategy & governance?
- The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
- The credibility of the issuer's climate transition strategy to reach its targets?
- The level/type of independent governance and oversight of the issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).
- If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
- The alignment of the issuer's proposed strategy and targets with appropriate science-based targets and transition pathways⁴ that are deemed necessary to limit climate change to targeted levels?
- The comprehensiveness of the issuer's disclosure to help investors assess its performance holistically?⁵

Overall comment on this section:

Section 3. Detailed pre-issuance review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

³ For issuers seeking to utilise green bonds, sustainability bonds or sustainability-linked bonds towards the achievement of their climate transition strategy, guidance on issuer level disclosures and climate transition strategies may be sought from the [Climate Transition Finance Handbook](#).

⁴ GHG emissions reduction targets that are in line with the scale of reductions required to keep the average global temperature increase to ideally 1.5°C, or at the very least to well below 2°C above pre-industrial temperatures. Science Based Targets Initiative (SBTi) is a branded verification body for science-based targets and SBTi verification is one way for issuers to validate the alignment of their emission reduction trajectories with science-based reference trajectories. In addition, ICMA has published a [Methodologies Registry](#) which includes a list of tools to specifically help issuers, investors, or financial intermediaries validate their emission reduction trajectories.

⁵ Including information such as the respective contribution (e.g. %) of the different measures to the overall reduction, the total expenses associated with the plan, or the issuer's climate policy engagement.

SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)⁶

Definition, Scope, and parameters

- Clear definition of each selected KPIs Clear calculation methodology
- Other (*please specify*):

Relevance, robustness, and reliability of the selected KPIs

- Credentials that the selected KPIs are relevant, core and material to the issuer's sustainability and business strategy Evidence that the KPIs are externally verifiable, if that is not already the case
- Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis Evidence that the KPIs can be benchmarked
- Current verification or assurance status Other (*please specify*):

Overall comment on this section:

In our opinion, the selected KPIs are adequately relevant and material to the Issuer's business and management of the portfolio. The definition of the KPIs is clear and the methodology to calculate the KPIs are credible, based on the GBI standard. With reference to ICMA's KPI selection registry for Sustainability-linked Bonds, the current KPIs selected in the Framework are categorised as Secondary KPIs. The past three years' KPI were externally verified by a third party.

CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)⁷

Rationale and level of ambition

- Evidence that the SPTs represent a material improvement compared to issuer's own performance over baseline Credentials on the relevance and reliability of selected benchmarks and baselines
- Evidence that SPTs are consistent with the issuer's sustainability and business strategy Other (*please specify*):

Does the review assess if the specificities of the sector and/or local context have been identified and addressed?

- Yes No
- Not applicable

Relevance and reliability of selected benchmarks and baselines

- Issuer's past performance Issuer's peer performance
- Science-based trajectories (*please specify the references*): Other (*please specify*):

Does the review assess the credibility of the issuer's strategy and action plan to achieve the SPTs?

- Yes No

Does the review identify the key factors that may affect the achievement of the SPTs?

- Yes No

⁶ Reviewers are encouraged to provide the information for each KPI.

⁷ Reviewers are encouraged to provide the information for each SPT.

Does the review opine on:

- | | |
|---|--|
| <input checked="" type="checkbox"/> the timelines for the target achievement | <input checked="" type="checkbox"/> the target observation date(s) |
| <input checked="" type="checkbox"/> the trigger event(s) | <input type="checkbox"/> Other (<i>please specify</i>): |
| <input checked="" type="checkbox"/> potential recalculations or adjustments description | |

Overall comment on this section:

Over the past three years, the REIT has demonstrated efforts and commitment to achieve the SPTs despite external conditions that presented challenges like the COVID-19 movement restrictions. The strategies deployed by the REIT have demonstrated positive results in meeting the SPTs. The management has shared its commitment to continuously search and study newer technical solutions to ensure that the SPTs are achieved annually. While there are factors beyond the Issuer's control, we opine that the SPTs set by the Issuer remains to be sufficiently ambitious in the context of a local REIT player.

BOND CHARACTERISTICS**Does the review assess whether the bond's financial and/or structural characteristics are commensurate and meaningful?**

- Yes No

Does the review opine on the fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner?

- Yes No

Overall comment on this section:

The financial characteristics of the SLMTN are viewed to provide sufficient incentive for the Issuer to achieve its targets. Few of the characteristic options (such as purchase of carbon credits or RECs) in the Framework are comparable to some global sustainability-linked bonds issued. In a local market context, the Issuer aims to provide different yet innovative structures to encourage funding towards a sustainability-driven agenda.

REPORTING**Does the review assess the commitments of the issuer to report:****Content:**

- | | |
|--|---|
| <input checked="" type="checkbox"/> The performance of the selected KPIs | <input checked="" type="checkbox"/> Verification |
| <input checked="" type="checkbox"/> The level of ambition of the SPTs | <input checked="" type="checkbox"/> Assurance report |
| | <input type="checkbox"/> Other (<i>please specify</i>): |

Frequency:

- Annual Semi-annual
 Other (*please specify*):

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report, or annual report and accounts | <input checked="" type="checkbox"/> Information published in sustainability report or sustainability suite of reporting |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (<i>please specify</i>): |

Overall comment on this section:

In our view, the Issuer's reporting commitment is aligned with the SLBP and SLBS. Based on retrospective checking of the reported KPI data and disclosures, Sunway REIT has provided sufficient disclosures and elaborations on the KPIs and SPTs as well as other sustainability indicators beyond the Framework.

Section 4. Post-issuance**CHANGE TO PERIMETER REVIEW⁸ (if applicable)****Material change:**

- | | |
|--|--|
| <input type="checkbox"/> Perimeter ⁹ | <input type="checkbox"/> KPI methodology |
| <input checked="" type="checkbox"/> SPTs calibration | <input type="checkbox"/> Other ¹⁰ (please specify): |

VERIFICATION**Level of verification:**

- | | |
|--|---|
| <input type="checkbox"/> Limited assurance | <input type="checkbox"/> Reasonable assurance |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Section 5. Additional Information

Useful links (e.g. to the external review provider's methodology or credentials, to the full review, to issuer's documentation, etc.)

The annual sustainability report of Sunway REIT (which covers disclosures of the KPI's annual performance and the independent assurance statement), along with the second opinion report, will be made available on Sunway REIT's corporate website. The second opinion report will also be available on RAM Sustainability's website.

Analysis of the contribution to the UN Sustainable Development Goals:

Additional assessment in relation with the issuer/bond framework:

⁸ Post issuance, in case of any material change to perimeter/KPI methodology/SPT(s) calibration, issuers are encouraged to ask external reviewers to assess any of these changes.

⁹ E.g. a material change to baselines for which SPTs are measured against for example business acquisitions/disposals.

¹⁰ Can cover other potential cases such as amendment to any applicable laws, regulations, rules, guidelines and policies relating to the business of the issuer.

ABOUT RAM SUSTAINABILITY

RAM Sustainability Sdn Bhd (RAM Sustainability) is a provider of sustainability services and ESG analytics. Incorporated on 31 May 2000, RAM Sustainability is a wholly owned subsidiary of RAM Holdings Berhad (RAM Group). RAM Sustainability is the first ASEAN-based provider of ESG ratings and second opinions and has the distinction of being the first Registered Observer of ICMA’s Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and Sustainability-Linked Bond Principles in ASEAN. It was a member of ICMA’s Advisory Council to the GBP and SBP Executive Committee for three consecutive terms. On 12 August 2020, RAM Sustainability became an Approved Verifier for the certification of climate bonds under the Climate Bonds Standard & Certification Scheme after having been awarded the status by the Climate Bonds Standards Board. For further details, please refer to <https://www.ram.com.my/sustainability>.

About RAM Group

The RAM Group is a leading provider of independent credit ratings, research, training, risk analysis and bond pricing. Formerly known as Rating Agency Malaysia Berhad, the RAM Group was established in November 1990 as a catalyst for the domestic debt capital market and as the nation’s first credit rating agency. On 1 July 2007, its rating operations were novated to RAM Rating Services Berhad (RAM Ratings). RAM Ratings is a wholly owned subsidiary of the RAM Group.

RAM Ratings is the leading and largest credit rating agency in both Malaysia and ASEAN. Established in 1990 by the central bank of Malaysia as part of the “institutional infrastructure” to support the development of Malaysia’s bond market, RAM Ratings has rated over USD473 billion of bonds issued by over 800 entities. Its rating portfolio encompasses corporates, sovereign nations, financial institutions, insurance companies, project finance and structured finance obligations.

RAM Ratings is also the world’s leading rating agency for securities issued under Islamic principles, or sukuk. RAM Ratings’ experience in and contributions to the fast-growing sukuk market has won numerous awards, including the GIFA Power Award (Islamic Rating) at the Global Islamic Finance Awards (GIFA) 2023. This is the third consecutive win for RAM Ratings. RAM Ratings also bagged The Best Islamic Rating Agency (Malaysia) by The Asset Triple A Islamic Finance Awards 2022. Apart from these awards, RAM Ratings won an award at the FocusEconomics Analyst Forecast Awards 2022, coming in third for accurately forecasting the Malaysian inflation rate in 2021. On 26 May 2016, RAM Ratings joined the line-up of pioneer credit rating agency signatories to the United Nations-supported Principles for Responsible Investment’s Statement on ESG in Credit Ratings. The Statement on ESG in Credit Ratings is a way for RAM Ratings to communicate its commitment to a more systematic and transparent incorporation of ESG into credit ratings and analysis.

RAM Solutions, with effect from 1 March 2023, has integrated sustainability solutions to its existing credit opinion business, working independently of any second opinion providers or external reviewers. As a subsidiary of RAM Holdings, Bond Pricing Agency Malaysia Sdn Bhd is the sole provider of bond-pricing and valuation data on the Malaysian bond market. For further details, please refer to <https://www.ram.com.my>.





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