



SIME DARBY PROPERTY BERHAD

Sustainability Sukuk Framework

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1. Background

1.1. Company History and Sustainability Accreditation

Sime Darby Property Berhad (“SDP” or the “Company”) is an established property developer listed on BURSA Malaysia’s main board. The Company has an excellent track record in developing residential, commercial and industrial properties, spanning well over 47 years of successful track records of developing sustainable communities.

SDP is Malaysia’s biggest property developer in terms of land bank, with 19,921 acres of remaining developable land with a total estimated Gross Development Value (GDV) of RM86.5 billion (as at 30 June 2020). SDP’s growth in the industry is represented by the 24 strategically located active townships/ developments built to date within its Property Development Segment. This business segment is complimented by two other key business segments – Property Investment and Leisure & Hospitality.

SDP’s global reach not only encompasses assets and operations across the Asia Pacific region, but also a footprint in the United Kingdom, through its 40% stake in a Malaysian consortium for the redevelopment of the iconic Battersea Power Station. It is the Company’s first significant foray in property development outside Malaysia for the development of the iconic industrial monument into a modern masterpiece with innovative and groundbreaking spaces.

SDP’s sustainability journey continues to receive due recognition from the investment community. For the second year running in 2019, SDP has been recognised as the only Malaysian property developer as a constituent in the Dow Jones Sustainability Index (DJSI), Emerging Markets sub-indices, a global sustainability benchmark covering the top 10% of most sustainable listed companies globally and MSCI Global Small Cap Indexes, MSCI Malaysia Index. The Company is also a constituent of the FTSE4Good BURSA and FTSE4Good Asean 5 for the third year in a row (2018-2020) and has been rated by the Carbon Disclosure Project (CDP)¹ as of December 2019, being the only Malaysian Property Developer to achieve the rating level awarded (C-Rated) largely based on applying our Carbon Footprint Project since 2010.

¹ <https://www.cdp.net/en> a global body focused on carbon and environmental performance disclosure and rating. A common reference for SRI’s and ESG Indexes of a listed company’s carbon and environmental management performance.

1.2. UNGC, UN-SDG's 2030 and Climate Change Agenda / Support

The Company's sustainability agenda is guided by our Corporate Sustainability Model, Sustainability Strategic Framework and 2030 Sustainability Goals, whereby sustainability is approached from an ecosystem perspective, which motivates our actions towards contributing to a better society, optimising environmental performance, delivering sustainable development and contributing to the prosperity of both our business and communities. The Company's sustainability agenda is influenced not only by domestic market forces, authority requirements and socio-economic context but also by various international sustainability focused instruments, such as; the Ten Principles of the United Nations Global Compact (UNGC), the subsequent United Nations Sustainable Development Goals 2030 (SDG's 2030) announced in 2015, the Paris Climate Agreement 2015, the Global Reporting Initiative (GRI-ISO) and international environmental, social and corporate governance (ESG) Sustainability Indexes such as DJSI, FTSE4Good and Global Real Estate Sustainability Benchmark (GRESB). Within this expansive often changing sustainability ecosystem, in order to support and align to this context, the Company has established its own industry specific Sustainability Model, Sustainability Strategic Framework and Sime Darby Property 2030 Sustainability Goals.

2. Sustainability at Sime Darby Property

2.1. Journey of Sustainability

The initial foray into sustainable business practices started in 2008/9 with a focus on environmental and economic related sustainability matters, such as tree planting, IUCN² Red List Tree Planting, Carbon Footprint Project (CFP) following the GHG Protocol Guidance and relevant IPCC Protocols³ and Operational Efficiency and Corporate Social Responsibility (CSR). Since then the sustainability has been broadened to a holistic ecosystem approach with focus across the value chain supporting the three (3) spheres of People, Planet and Prosperity. SDP's ultimate objective is to create sustainable communities and deliver developmental solutions that meet the needs of society.

² International Union for the Conservation of Nature (IUCN)

³ GHG Protocol: "GHG Protocol establishes comprehensive global standardized frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions" <https://ghgprotocol.org/> and <https://www.ipcc.ch/about/>

2.2. Sustainability Model, Sustainability Strategic Framework and Goals

SDP's Sustainability Framework is not only about growth, but it is about people, economic, environmental and social impacts of the overall business and operations. Sustainability at SDP is guided at the highest levels of decision making which is aligned to the Company's vision to be the 'Leader in Building Sustainable Communities'. The Sustainability Model (Figure 1) and Sustainability Strategic Framework (Figure 2) support the delivery of the Sime Darby Property 2030 Sustainability Goals (Figure 3).

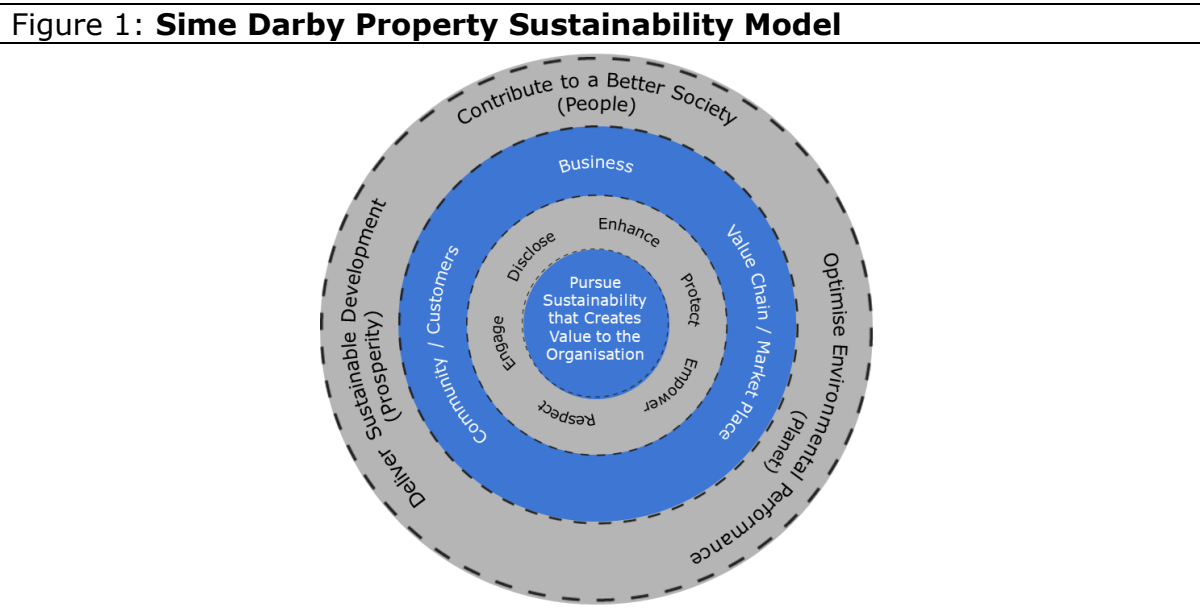


Figure 2: **Sime Darby Property Sustainability Strategic Framework**



Figure 3: **Sime Darby Property 2030 Sustainability Goals**



3. Sustainability Sukuk Framework

In line with SDP's 2030 Sustainability Goals and the UN SDG's 2030, SDP's Sustainability Sukuk Framework is established setting out guidelines for the issuances of ASEAN Sustainability SRI Sukuk Musharakah under the SDP's Sukuk Musharakah Programme. SDP endeavors to follow guidance provided by "Islamic Green Finance" for Development, Ecosystem and Prospect', a joint publication of the Securities Commission Malaysia and the World Bank Group, with the principles applied are for financial stability and economic growth, poverty alleviation and wealth distribution, and financial and social inclusion as well as environmental preservation and climate action.

The SDP's Sustainability Sukuk Framework adopts the following guidelines or frameworks or standards, as amended from time to time:

- (a) the Sustainable and Responsible Investment ("SRI") Sukuk framework under the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC on 9 March 2015 and revised on 28 April 2020 (as amended from time to time) (LOLA Guidelines);
- (b) the ASEAN Green Bond Standards issued by the ASEAN Capital Markets Forum ("ACMF") on November 2017;
- (c) the ASEAN Social Bond Standards issued by the ACMF on October 2018;
- (d) the ASEAN Sustainability Bond Standards issued by the ACMF on October 2018;
- (e) such other guidelines or frameworks or standards, whether or not having the force of law, in relation to SRI Sukuk / sustainability / social / green bonds issued from time to time.

and covers the following four core principles:

- (i) Use of proceeds;
- (ii) Project evaluation and selection;
- (iii) Management of proceeds; and
- (iv) Reporting.

3.1. Use of Proceeds

The proceeds from SDP’s ASEAN Sustainability SRI Sukuk Musharakah issuance (the “Sukuk Proceeds”) shall be used to finance and/or re-finance, in whole or in part, new or existing assets, businesses, projects and/or products that comply with the guiding principles of the SDP’s Sustainability Sukuk Framework (the “Eligible Assets”). These include the operations of SDP, being the issuer, and its subsidiaries (together, the “Group”), provided they are in compliant with the SDP’s Sustainability Sukuk Framework. For the avoidance of doubt, any sukuk proceeds issued by SDP can be used by the Group for working capital requirements, operating expenses and other expenses related to Eligible Assets, so long as the proceeds from SDP’s ASEAN Sustainability SRI Sukuk Musharakah issuance are not used to fund new or existing assets, businesses, projects and/or products falling outside the Eligible Assets.

The cornerstone of a sustainability sukuk is the use of proceeds. The Sukuk Proceeds will be used to finance and/or re-finance the Eligible Assets that comply with any of the following eligible criteria as outlined in table 1, subject to the Exclusion List as provided in the Annexure:

Table 1: Eligible Criteria for Use of Sukuk Proceeds

Sustainability Category	Description
Pollution Prevention and Control	<p>Community Recycling Programs and Facilities Development of recycling facility and systems for the community under SDP’s developments and subsequent education programme targeted for the community.</p> <p>River and Water Body Enhancement /Preservation Where a water body is adversely affected by existing land-uses, to develop engineering and non-engineering strategic solution (inclusive of collaborative multi-stakeholder solutions) to execute river and water body ecological restoration/enhancement.</p>
Terrestrial & Aquatic Biodiversity Conservation	<p>Biodiversity Restoration/Conservation Program Development of Biodiversity Program specifically targeted at conservation of endangered, rare and threatened species (either identified within the IUCN Red List or Malaysian Forest Research Institute Malaysia (“FRIM”) Red List), or restoration of life-supporting ecosystems in partnership for execution by technical subject specialist / NGO’s / Academia / government.</p>

Energy Efficiency & Climate Action	<p>Green Building & Renewable Energy Initiatives</p> <p>Inclusion of renewable energy and/or improved product energy efficiency, water and waste efficiency in development and/or green certification within landbank development of either commercial, residential or industrial development and investment in properties with renewable energy and/or improved product energy efficiency, water and waste efficiency, that meet the widely accepted green certification standards such as:</p> <ul style="list-style-type: none"> • LEEDS (min Gold) • BREEAM (min Excellent) • GBI (min Gold) • GreenRE (min Gold) • BCA Greenmark (min Gold) • WELL Building Standard (min Gold)
Affordable Housing	<p>Statutory Housing (Affordable)</p> <p>Expansion of affordable residential housing, in support of state and federal government initiatives to address issues surrounding housing affordability.</p>
Socioeconomic Advancement and Empowerment	<p>Uplifting B40 Community Economy</p> <p>Addressing the increasing cost of living and its impact on the wellbeing of B40 households⁴ within SDP developments through suitable programmes and engagement for example, Community Recycling Program (raise income from recycling), Urban Farming, Edible Gardens etc.</p>
	<p>SME, Micro-enterprise & Social Enterprise Business Districts</p> <p>Development of community centric micro-enterprise, SME or social enterprise program that helps affected community segment elevate their socio-economic condition.</p>
	<p>Education</p> <p>Development of educational facilities and subsequently educational programs targeted for the community and/or in collaboration with educational functional specialists (e.g., government/private/NGO/Academia partners).</p>

⁴ Referring to the 40% of the population living on the lowest incomes.

3.2 Project Evaluation and Selection

The strategic direction for sustainability at SDP is guided by the Board of Directors, with the Group Managing Director (the "GMD") taking an executive role for implementation of any sustainability exercise, which includes approval for the Eligible Assets to be funded by the Sukuk Proceeds under the SDP's Sustainability Sukuk Framework.

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

- (a) review and validation of the proposed assets in accordance with the guiding principles for selection of Eligible Assets for the use of Sukuk Proceeds;
- (b) evaluate the proposed Eligible Assets against the SDP's Sustainability Sukuk Framework;
- (c) submit recommendation to the GMD for approval on the selection of the Eligible Assets, with joint support from the Group Chief Financial Officer and the Head of Corporate Sustainability based on the proposal from the sustainability team; and
- (d) monitor the Eligible Assets portfolio during the life of the transaction. The Group can decide to replace an Eligible Assets if it no longer meets the eligibility criteria by going through steps (a) to (c) above.

3.3 Management of Proceeds

The Sukuk Proceeds shall be allocated to a portfolio of Eligible Assets ("Portfolio"), selected as per the evaluation and approval process set out above. Where necessary, additional Eligible Assets will be added to the Portfolio to ensure sufficient and timely allocation of the incremental net Sukuk Proceeds. The Group will monitor the allocation of the Sukuk Proceeds and the Portfolio internally.

During the life of SDP's ASEAN Sustainability SRI Sukuk Musharakah, if any of the Eligible Assets cease to comply with the SDP's Sustainability Sukuk Framework, the Group will identify other assets that comply with the framework for approval by the GMD and upon approval, allocate the Sukuk Proceeds to the newly identified Eligible Assets as soon as is practicable. Where the aggregate amount in the Portfolio is less than the total outstanding amount of SDP's ASEAN Sustainability SRI Sukuk Musharakah issued, the Group may hold the balance unallocated amount in cash, cash equivalents and/or invest in other liquid marketable instruments in accordance with the Group's liquidity policy until the amount can be allocated to the Portfolio.

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

3.4 Reporting

SDP has complied with Bursa Malaysia's Market Listing Requirements on its Sustainability Reporting and have also mapped sustainability issues (materiality) based on the Global Reporting Initiative approach.

Information relating to SDP as the issuer of ASEAN Sustainability SRI Sukuk Musharakah and this Sustainability Sukuk Framework will be made publicly available on SDP's website at the point of issuance and throughout the tenure of the ASEAN Sustainability SRI Sukuk Musharakah. SDP is fully committed to keep the investors of SDP's ASEAN Sustainability SRI Sukuk Musharakah updated with the latest development on the Group's continuous sustainability initiatives.

The Company will issue a progress report on annual basis ("Sustainability Sukuk Report"), which will provide information on the allocation and impacts throughout the tenure of SDP's ASEAN Sustainability SRI Sukuk Musharakah issuance. The annual Sustainability Sukuk Report will be made available to the public on the website at www.simedarbyproperty.com and the reporting cycle will be in conjunction with the Company's Annual Report.

(a) Allocation Reporting

The allocation report section of the Sustainability Sukuk Report will include, among others:

- Aggregate amount of Sukuk Proceeds allocated and utilised for the various Eligible Assets, with summary on the assets allocated including the purpose, location and status of project.
- Remaining balance of the unallocated Sukuk Proceeds at the end of the reporting period and where such unutilised amount is placed or invested pending utilisation.
- Removal or substitution of Eligible Assets.
- Confirmation that the use of Sukuk Proceeds from SDP's ASEAN Sustainability SRI Sukuk Musharakah issuance conforms to the SDP's Sustainability Sukuk Framework.

(b) Impact Reporting

The impact report section of the Sustainability Sukuk Report will include:

- Impact or expected impact, including the key underlying methodology or assumptions used to determine the impact or expected impact.
- Key Performance Indicators Achieved in supporting 17 UN Sustainable Development Goals (SDG's) 2030 and SDP 2030 Sustainability Goals.

The impact of the selected Eligible Assets will be measured against how they aid in the delivery of SDP specific 2030 Sustainability Goals in support of the UN SDG's 2030.

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

4. External Review

SDP will obtain an independent party to provide the second opinion on this Sustainability Sukuk Framework prior to issuance of SDP's ASEAN Sustainability SRI Sukuk Musharakah. The independent party opinion will be published on SDP's website at www.simedarbyproperty.com.

5. Potential Evolutions

As the sustainability sukuk market will likely be subject to changing market and regulatory context as it evolves, SDP shall continuously enhance and improve its Sustainability Sukuk Framework and publish any supplementary content to the framework on SDP's website.

EXCLUSIONS LIST

Projects that are excluded from SDP's ASEAN Sustainability SRI Sukuk Musharakah Funding:

1. Gambling
2. Weapons
3. Pork products sector
4. Alcohol
5. Fossil fuel
6. Nuclear energy and nuclear related assets
7. Destructive dams
8. Waste incineration resulting in pollution
9. Harmful biomass
10. Forestry projects resulting in removal of primary forests
11. Conventional financial institution (ribawi)- banking and insurance
12. Large scale hydropower plants (>30 MW capacity)
13. Gaming business and any prohibited trade

Notes : The above includes exclusions that are not currently relevant to the business; however they are included for clarity and compliance to standards and guidelines related to ASEAN Sustainability SRI Sukuk Musharakah Sukuk Musharakah issuance.

Reference:

1. Islamic Green Finance: Development, Ecosystem & Prospects – Securities Commission Malaysia & World Bank Group <https://www.sc.com.my/api/documentms/download.ashx?id=a86707ce-07e0-4c75-9e45-7ad7bca6f540>
2. ASEAN Green Bond Standards 2018 <https://www.sc.com.my/api/documentms/download.ashx?id=75136194-3ce3-43a2-b562-3952b04b93f4>
3. Green Sukuk Issuance as an Investment Instrument for Sustainable Development, Conference paper-January 2020
4. Risk in Funding Infrastructure Projects through Sukuk or Islamic Bonds, Journal 2014
5. Green Sukuk: An Innovation in Islamic Capital Markets, Journal 2016