

GOAL 1: TRANSFORMING OUR PORTFOLIOS TO LOW-CARBON ASSETS

GRI 2-22, 305-1, 305-2, 305-3

Sunway REIT is committed to reducing the impacts of global warming and achieving Net Zero Carbon Emissions by 2050. In the year under review, we aligned the reporting of our climate action to the TCFD's four overarching recommendations to enable us to identify climate-related risks and opportunities and ensure we remain resilient during the transition to a lower-carbon economy. The four recommended areas of disclosures are Governance, Strategy, Risk Management and Metrics & Targets.

GOVERNANCE

Sunway REIT's sustainability governance is led by the Sunway REIT Sustainability Committee.

CHAIRPERSON



Yeo Kar Peng

COMMITTEE MEMBERS



Dato' Jeffrey Ng Tiong Lip



Sarena Cheah Yean Tih, S.M.S.

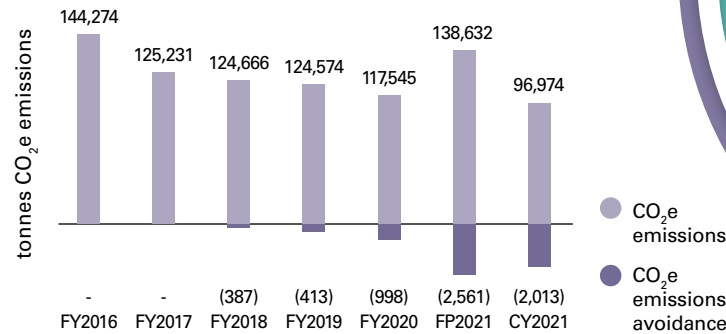
For more information on Sustainability Governance, please refer to page 177.

METRICS & TARGETS

Sunway REIT has been disclosing Scope 1, 2 and 3 greenhouse gas (GHG) emissions of our operations since 2016. To ensure proper accounting of our GHG emissions, we scope our data on emissions generated by using the relevant emission factors from the Department for Environment, Food & Rural Affairs (DEFRA), United Kingdom and Malaysian Green Technology and Climate Change Centre (MGTC). Our carbon emissions are calculated in accordance with the World Business Council for Sustainable Development and World Resources Institute's (WBCSD/WRI) GHG Protocol, a corporate accounting and reporting standard. The protocol is currently deemed best practice for corporate or organisational emissions reporting.

Sunway REIT has set four goals and eight targets to achieve by 2030, which have been endorsed by the Sustainability Committee in 2021. The targets include targets for energy and water usage, waste generation and supply chain. The progress against the targets is tracked and reported annually in our Sustainability Statement, which serves as a guide for us towards meeting our 2030 goals progressively.

TOTAL CO₂e EMISSIONS AND CO₂e EMISSIONS AVOIDANCE



TOTAL CO₂e EMISSIONS AND CO₂e EMISSIONS AVOIDANCE IN FP2021 (SCOPE 1, 2 AND 3)

Category	Item	Value (tonnes CO ₂ e)
CO ₂ e emissions	Company vehicles	82
	Purchased electricity	19,650
CO ₂ e emissions avoidance	Waste generated in operations	4,848
	Downstream Leased Assets (Renewable Energy)	1,810
	Waste generated in operations	543
CO ₂ e emissions	Downstream Leased Assets	113,994
	Business Travel	58
CO ₂ e emissions avoidance	Purchased goods and services	209

Note: CO₂e emissions refers to carbon dioxide equivalent emissions.

NET
BY

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STRATEGY

INTERNAL CARBON PRICING FRAMEWORK

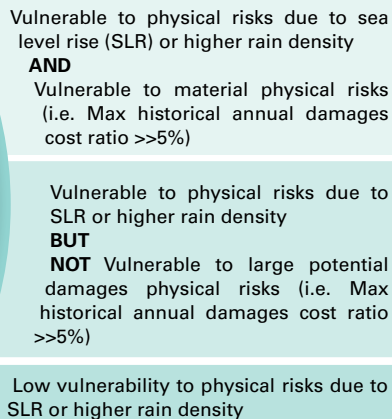
We have set clear targets to drive our decarbonisation efforts, which include reducing energy consumption through improving energy efficiency and substitution with cleaner energy sources. This year, we established an Internal Carbon Pricing framework to start preparing for the potential transitional risks from climate-related issues. The carbon pricing framework simulates the scenario wherein a cost of RM15 per tonne is imposed on CO₂e emitted above the Management-approved limit for each business segment.

One of the 2030 targets that we have set is to achieve an average 4% annual reduction in Building Energy Intensity (BEI) using 2021 as a baseline in three phases. We also target to source at least 25% of electricity from renewable energy source by 2030.

PHASE 1	PHASE 2	PHASE 3
2022-2024	2025-2027	2028-2030

VALUE AT RISK (VaR) ASSESSMENT

As part of our risk management approach towards climate-related issues, we have appointed the Jeffrey Sachs Center on Sustainable Development (JSC) to conduct a Value at Risk (VaR) assessment on our properties to assess Sunway REIT's risk exposure to climate change. JSC has categorised the levels of VaR as below:



exposure to physical risks and financial risk such as building repair costs due to floods, while low-risk buildings have a lower exposure to the risks.

- The properties were assessed against the worst-case scenario described by the Intergovernmental Panel on Climate Change (IPCC) Assessment Report 6, which was published in August 2021, whereby:

- The global annual carbon emissions will rise above **120 gigatonnes** per year by 2100
- The SLR upper bound is forecast to be **1.1 m**
- The median temperature is expected to increase by **4.4°C** over pre-industrial levels (higher than the 2°C scenario)
- The maximum 1-day rainfall increase will be **46.6%**

- The elevation of each property vis-à-vis sea level was determined using an online topographic map, and the location relative to the coast and rivers was determined using Google Maps to gauge SLR risk.
- The historical flooding and water seepage incidences and damage cost of each property were obtained to gauge the likelihood of floods and water seepages as suggested by historical incidences at the local level.

CONCLUSION

Physical Risks

From the assessment, all Sunway REIT properties are exposed to the following climate-related physical risks, where 10 of the properties have Low VaR and eight properties have Medium VaR:

- **Flash floods** in times of heavy rain.
- **Water seepages** in times of heavy rain.

Additionally, five of the 18 properties are vulnerable to SLR that will cause coastal and riverine floods to become more likely and more severe for properties that are low-lying and close to the coast or river. However, these following mitigation steps can be considered to minimise risks to the portfolio.

- Continuous monitoring of **drains and gutters** to ensure that they are clear
- If economically viable, permanently **stop water seepages** from external gaps
- If practicable, increase the **drainage and gutter system's** maximum capacity
- Set an **annual agenda** to review the status of the physical risks above for the entire portfolio

RISK MANAGEMENT

ZERO
2050

JSC assessed all our 18 properties, including leased properties, across the business segments against two types of climate risks:

Physical Risks	Transition Risks
<ul style="list-style-type: none"> • The risks of climate events physically damaging the properties in Sunway REIT's portfolio. • Consisting of: <ul style="list-style-type: none"> SLR, which can lead to more coastal and riverine floods. Increased rainfall intensity, which can lead to more flash floods and water seepages into buildings. 	<ul style="list-style-type: none"> • The risks of regulatory costs that could be imposed on Sunway REIT such as carbon tax introduced by the government to transition to a low-carbon economy. • Carbon tax may be extended to include tax exemptions for low-carbon buildings to incentivise property owners to transform their properties into low-carbon buildings.

METHODS

To systematically assess the material physical risks for each property, JSC utilised an analytical procedure:

- The buildings were categorised according to the level of VaR – High, Medium and Low. High-risk properties have a higher

Transitional Risks

Sunway REIT's transitional risks could be significant due to the significant amount of carbon emitted by its properties. However, the implementation of decarbonisation efforts will adequately mitigate the transitional risks.