

VALUE CREATION & SUSTAINABLE DEVELOPMENT GOALS

The Manager’s approach in delivering long-term value for our stakeholders is underpinned by our core values, purpose, strategy, and measures of success. This forms the basis of our value creation model, illustrating the process in which the Manager transforms its capitals into valuable outcomes for our diverse stakeholders. We regularly engage with our tenants, investors, employees, suppliers, and other stakeholders to understand how to meet their expectations. To generate maximum value, it is imperative that our strategy is tied to the purposeful roles that stakeholders

play in our operations. Therefore, to illustrate how we have made positive impact and contributed value to our stakeholders, we have mapped our material matters to the United Nations’ Sustainable Development Goals (UNSDGs).



Creating and sustaining value involves action and communication between the Manager and stakeholders. On the Manager’s side, we strive to uphold inviolable business ethics and integrity to enhance our accountability

and credibility, which is vital to ensure business prosperity and sustainability. We continue to focus on SDG#16 – *Peace, Justice, and Strong Institutions*, and have various internal controls and processes in place to support SDG#16 targets to substantially reduce corruption and bribery within the organisation. These controls include the development and implementation of a Code of Conduct, Whistle-Blowing Policy, Supplier Code of Conduct, as well as an ABC Policy, which are used together to govern the conduct of both internal and external stakeholders, including

our employees, suppliers, and service providers. We also established Information Technology (IT) Guidelines in 2021 and Personal Data Protection Policy in 2022 to ensure integrity and accountability in terms of safeguarding personal data and information against any form of cybersecurity breaches. Please refer to the Business Ethics section on pages 126 to 128 and Cybersecurity & Data Protection section on pages 129 to 131 for further information.

Value Creation & Sustainable Development Goals

OUR SIX RESOURCES	BUSINESS ACTIVITIES (Operating & Regulatory Environment / Strategic Plan)	OUTPUT / OUTCOME	VALUE TO STAKEHOLDERS	UN SDGs
<div><div>FINANCIAL CAPITAL</div><div>Axis-REIT’s Unitholders’ capital, Sukuk funds, revolving credit facilities, investments, and rental income that are used to support the Fund’s business and operations</div></div>	<ul style="list-style-type: none"><li>Undertaking capital raising to pare down financing and provide financial headroom for property acquisitions</li><li>Managing financial resources through the implementation of a disciplined investment strategy</li><li>Maintaining a proactive portfolio management strategy to preserve and enhance the value of properties</li><li>Adopting cost discipline and optimisation of capital structure</li><li>Maintaining an optimal balance of short and long-term financing through a prudent capital management strategy</li><li>Identifying further opportunities for green financing and other green or sustainability-linked financing</li></ul>	<ul style="list-style-type: none"><li>Completion of 4 yield-accretive acquisitions for a total consideration of RM479.3 million</li><li>Improvement in revenue and net property income, which grew 15.6% and 15.2% yoy to RM284.5 million and RM245.3 million respectively</li><li>Economic value distributed increased by 16.3% to RM199.4 million</li><li>Liquidity remained strong at RM326.5 million</li><li>Committed RM170 million in sustainability-linked financing to-date</li><li>Entered a 10-year sustainability-linked IPRS with ESG KPIs and sustainability SPTs</li></ul>	Source of sustained growth through financial market confidence and Unitholders continued access to returns	<div>8</div>
<div><div>MANUFACTURED CAPITAL</div><div>Our structured processes, which include Axis-REIT’s diverse portfolio of properties and management services that provide the framework for how we do business and create value</div></div>	<ul style="list-style-type: none"><li>Active marketing of spaces to prospective tenants with increased reach through digital marketing channels</li><li>Regularly reviewing new opportunities for development</li><li>AEIs</li><li>Focusing on manufacturing facilities and logistics warehouses to cater to demand for efficient distribution and supply chain solutions</li><li>Incorporating green building designs and features, in line with our Environmental Policy</li></ul>	<ul style="list-style-type: none"><li>Achieved tenant occupancy rate of 95% and a rental reversion of 3.3%</li><li>Secured tenancies for 1.9 million sq. ft. out of the 2.5 million sq. ft. of space that came up for renewal during 2022, which translates to a 77% tenant retention rate</li><li>Invested RM14.7 million in 11 strategic AEIs</li></ul>	A strong value proposition with emphasis on developments in strategic locations to meet tenants’ needs	<div>9</div> <div>11</div>
<div><div>SOCIAL &amp; RELATIONSHIP CAPITAL</div><div>Stakeholder relationships, including relationships with our suppliers, regulators, and the communities in which we operate, as we recognise the need for interdependent relationships in building a thriving society</div></div>	<ul style="list-style-type: none"><li>Incorporating ESG considerations in the annual vendor/contractor evaluation process</li><li>Engaging with existing tenants on space and facility requirements</li><li>Providing supplier training courses covering renovation guidelines, working at height, electrical safety, safe chemical handling, and adherence to our HSE policy</li><li>Enhancing the whistleblowing channel for effective reporting</li><li>Organising community investment initiatives with St John Ambulance of Malaysia (SJAM) and welfare home, IQ70+</li><li>Enhancing the Supplier Code of Conduct by including clauses related to human rights and fair labour practices</li><li>Conducting human rights assessments/audits for contractors engaged in our Bukit Raja Distribution Centre 2 development</li><li>Enhancing our Code of Conduct by including clauses related to non-discrimination and fair labour practices</li><li>Providing funding from the Manager for qualified employees’ children to pursue education opportunities through the Axis Education Fund</li></ul>	<ul style="list-style-type: none"><li>No cases of compliance breaches were reported</li><li>100% of qualified vendors are local entities</li><li>The total number of suppliers increased by 49.2% with total procurement amounting to RM57.3 million</li><li>A total of 93 training hours were offered to suppliers over 31 training sessions</li><li>No reported incidents or grievances related to discrimination, child labour, or forced labour issues</li><li>Community investment of RM193,000 was channelled into donations for an ambulance and the provision of health services for children with disabilities</li><li>Annual allocation of RM150,000 by the Manager to support qualified employees’ children in furthering their education</li></ul>	Business opportunities and growth through strong partnerships with suppliers and being a responsible and ethical community participant	<div>3</div> <div>8</div> <div>10</div> <div>12</div> <div>16</div>
<div><div>HUMAN CAPITAL</div><div>Our culture and people, collective information, skills, and experience that enable innovative and competitive developments and initiatives for our tenants and other stakeholders</div></div>	<ul style="list-style-type: none"><li>Adhering to the HSE Policy and enforcement by on-site managers</li><li>Requiring contractors to furnish Job Safety Analysis (JSA) with risk assessments</li><li>Conducting safety awareness and training for new employees, external service providers, and contractors</li><li>Conducting “lessons learned” training for employees to discuss case studies of past safety incidents</li><li>Adhering to SOPs to protect the health and wellbeing of employees and other stakeholders</li><li>Providing employee engagement programmes such as ongoing learning opportunities, year-end performance appraisals, annual dinners, and company trips</li><li>Providing equal employment benefits to both permanent and contract employees</li></ul>	<ul style="list-style-type: none"><li>No fatalities, Lost Time Injury (LTI), restricted work, medical treatment cases, or first aid cases</li><li>No fines or sanctions for non-compliance with occupational health &amp; safety-related laws and regulations</li><li>Average training hours per employee increased by 50% from the previous year</li><li>100% of employees received regular performance and career development reviews</li><li>92% of employees participated in the Employee Satisfaction Survey, which drew an average net promoter score of 8.44 out of 10</li><li>7 new hires in 2022 and a 6% turnover rate</li><li>Gender pay ratio (male to female) stood at 1:1 from middle to senior management</li></ul>	Employer of choice by ensuring inclusive and equitable advancement opportunities, safety and wellbeing focus, and a differentiated provider of relevant space for tenants	<div>3</div> <div>4</div> <div>5</div> <div>8</div> <div>10</div>
<div><div>INTELLECTUAL CAPITAL</div><div>The expertise and knowledge inherent to the Manager that can be reproduced and shared for sustainable growth</div></div>	<ul style="list-style-type: none"><li>Disseminating information on the Fund’s properties and services to real estate agents via annual virtual roadshows</li><li>Maintaining seamless communication with tenants via our <i>Hello Axis</i> portal to address their service requests, feedback, and complaints</li><li>Safeguarding tenants’ data by maintaining proper IT infrastructure and constant upgrades of our IT security systems</li></ul>	<ul style="list-style-type: none"><li>Hosted a virtual roadshow engaging 143 agents from 14 real estate companies</li><li>Maintained tenant satisfaction rating for service requests on <i>Hello Axis</i> at 4.22 out of 5, against the target score of 4 and above</li><li>Improved the annual tenant satisfaction survey score to 7.49 out of 10 which is a marginal 2.5% increase from 2021</li><li>Enhanced IT security systems with zero incidents of cybersecurity breaches</li></ul>	Preferred business partner by strengthening relationships with real estate agents and business owners, and providing superior and reliable customer service to tenants	<div>9</div>
<div><div>NATURAL CAPITAL</div><div>All environmental resources and processes that support current and future prosperity for our business and all our stakeholders through the limitation of negative contributions towards climate change</div></div>	<ul style="list-style-type: none"><li>Conducting due diligence exercises for potential new acquisitions that include ESG considerations</li><li>Incorporating ESG criteria for ‘built-to-lease’ developments</li><li>Installation of rainwater harvesting systems for landscaping and general cleaning</li><li>Upgrading air conditioning systems at selected sites to more environmentally-friendly systems</li><li>Replaced conventional lighting with energy-efficient LED light fittings and water-saving appliances within multi-tenanted buildings</li><li>Providing recycling bins and repositories for the collection of recyclable waste and electronic waste (e-waste)</li><li>Facilitated the installation of TNB smart meters at 96.7% of our properties, to regularly monitor energy more efficiently</li><li>Distributing electronic circulars to tenants instead of printed hardcopies</li><li>Incorporating considerations for green building certifications when evaluating potential new acquisitions</li><li>Obtaining green building certifications for existing properties undergoing major refurbishments, where possible</li><li>Incorporating sustainability considerations into AEIs such as sourcing of sustainable materials and installing energy-efficient fittings</li><li>Engaged with an independent energy consultant to conduct building audits on energy and water consumption</li><li>Set a target to reduce water consumption by 1% in 5 years (2022 to 2026) against the 2019 baseline year</li><li>Set a target to reduce energy consumption and GHG emissions (Scope 1 and 2 combined) by at least 1% within 5 years (2022 to 2026) against the 2019 baseline year</li></ul>	<ul style="list-style-type: none"><li>Water consumption increased by 0.5%, and Water Use Intensity (WUI) increased by 0.04 m³/sq. ft. when compared to data from the 2019 baseline year</li><li>Total energy consumption and GHG emissions decreased by 10% when compared to the 2019 baseline year</li><li>Collected 19,768 kg of waste paper, 7,421 kg of glass and metal, 4,284 kg of plastic and 4,281 kg of e-waste from our multi-tenanted properties</li><li>Recycled or reused 5,301,650 kg of construction waste from our development project and major AEI</li><li>No fines or sanctions for non-compliance with environmental laws and regulations</li><li>Acquired DW1 Logistics Warehouse, which is a GBI-certified building</li><li>Received provisional GreenRE Gold-certification for Bukit Raja Distribution Centre 2 development and provisional GreenRE Silver-certification for Axis Facility 2 @ Bukit Raja</li></ul>	Strengthen resilience and adaptive capacity to the availability and consumption of natural resources over the short, medium, and long term for all stakeholders	<div>6</div> <div>7</div> <div>11</div> <div>12</div> <div>13</div>