# **Value Creation & Sustainable Development Goals**

Our approach in delivering long-term value to our stakeholders is underpinned by our core values, purpose, strategy and measures of success. This forms the basis of our value creation model, which illustrates the process in which we transform our capitals into valuable outcomes for our diverse stakeholders. In doing so, 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 positively impacted and contributed value to our stakeholders, we have mapped our material matters to the United Nations' Sustainable Development Goals (UN SDGs).

### **OUR BUSINESS CAPITAL**

# **INPUTS & BUSINESS ACTIVITIES**

### Our Vision

To successfully benchmark Axis-REIT against the world's most successful REITs in terms of total returns to Unitholders and be the REIT of choice

To provide consistent distributions and preserving capital values

for Shariah and non-Shariah investors

**KEY ENABLERS** 

to Unitholders through growing the property portfolio, upholding the highest level of corporate governance, excellent capital and risk management.

- Yield-accretive asset purchases
- · Prudent capital and risk management
- · Excellent investor relations
- Proactive asset and tenant management
- Upholding the highest level of corporate governance
- · Development of human capital

- Macroeconomic landscape
- Digitalisation/technological change
- Climate change
- Sustainable design/features
- Social and demographic change
- Growth in sustainable investments



# Risks and Opportunities

- Global
- Financial
- · Real Estate Management
- Human Resource & IT
- Development
- Environmental



# Corporate Strategy 2024-2025

- Capital Management
- · Facilities Management
- Investment
- Development
- Governance



# FINANCIAL CAPITAL

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

- CAPEX: RM176.8 million
- Operational cash flows: RM198.7 million
- Undertaking capital raising to pare down financing and provide financial headroom for property acquisitions and developments
- Managing financial resources through the implementation of a disciplined investment strategy
- Maintaining a proactive portfolio management strategy to preserve and enhance the value of properties Adopting cost discipline and optimisation of the Fund's capital structure
- Maintaining an optional balance of short- and long-term financing through a prudent capital management
- Increasing the proportion of single-tenanted buildings with triple-net leases in the portfolio
- Obtaining sustainability-linked financing facilities

### MANUFACTURED CAPITAL

Our structured processes that include Axis-REIT's diverse portfolio of properties and management services which provide the framework of how we do business and create value

- Total no. of properties: 62
- Investments in strategic AEIs and development projects in 2023: RM172.7 million
- Strengthening the property portfolio with yield-accretive acquisitions and quality new builds
- Preserving the value of the property portfolio through strategic AEIs
- Securing credible and reliable tenants
- Incorporating green building designs and features in major AEIs and development projects, in line with our Environmental Policy, and aligning these efforts with green building standards
- Leveraging on existing initial due diligence assessments to evaluate annual flood risks in the mid- to long-term horizons of new acquisitions and proposed developments
- Focusing on development projects with long lease tenures



# SOCIAL & RELATIONSHIP CAPITAL

Stakeholder relationships, including with suppliers, regulators, and the communities in which we operate, as we recognise the importance of having robust interdependent relationships in building a thriving society

- Total community investments in 2023: RM181,000
- Total procurement (excluding government-related expenses) from local suppliers in 2023: RM205.6
- Building strong public awareness and brand association of Axis-REIT's commitments towards sustainability
- Actively providing training sessions for our suppliers
- Upholding strong ethical practices among our value chains by conducting periodic assessments and audits on key suppliers and contractors
- Forging strong relationships with existing tenants
- Continual engagements with tenants to understand their business strategies and needs

# HUMAN CAPITAL

Our culture and people, collective information, skills and experience innovative competitive business space solutions, developments and initiatives for our tenants and other stakeholders

- Total workforce: 80 employees
- Employee training expenses: RM39,000
- Providing employee engagement programmes such as ongoing learning opportunities, year-end performance appraisals, annual dinners and company trip
- Providing equal employment benefits to both permanent and contract employees
- Upholding strong HSE practices by on-site managers in accordance with our HSE Policy
- Conducting periodic HSE audits



# INTELLECTUAL CAPITAL

The expertise and knowledge inherent to the Manager that can be reproduced and shared for sustainable growth

- . Strengthening cybersecurity defences by engaging with our outsourced IT service provider to explore the implementation of an IT disaster recovery plan
- Undertaking an internal audit on IT processes
- Implementing end-to-end encryption and threat detection
- Installing endpoint detection and response software on Facilities Management computers Subscribing to an online interactive cybersecurity awareness programme for employees
- Maintaining seamless communication with tenants via our Hello Axis online portal to address their
- service requests, feedback and complaints



### NATURAL CAPITAL

All environmental resources and processes that support the current and future sustainability of our business and all our stakeholders, which we preserve through the limitation of negative contributions towards climate change

- Implementing measures to increase energy and water use efficiency
- Upgrading air conditioning systems to environmentally-friendly systems at selected multi-tenanted properties
- Installing new energy efficient transformers at Crystal Plaza in 2023
- Establishing a baseline and targets for waste management initiatives Actively promoting waste reduction efforts through the 5R concept
- Prioritising the inclusion of additional green building features in major AEIs and new developments

# Value Creation & Sustainable Development Goals



Creating and sustaining value involves action and communication between the Manager and stakeholders. In managing the Fund, we strive to uphold inviolable business ethics and integrity to enhance our accountability and credibility. This is vital to ensure business sustainability. We continue to focus on SDG#16 - Peace, Justice and Strong Institutions. We have various internal controls and processes in place to support the targets of SDG#16 to prevent corruption and bribery within the organisation. These controls include the development and implementation of our Code of Conduct, Whistle-blowing Policy, Supplier Code of Conduct, as well

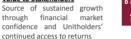
as our ABC Policy. These protocols govern the conduct of both internal and external stakeholders, including our employees, suppliers and service providers. Please refer to the Business Ethics sustainability matter on pages 123 to 125 and Cybersecurity & Data Protection sustainability matter on pages 126 to 128 for further information.

### **OUTPUTS AND VALUE CREATED IN 2023**

### **UN SDGs TRADE-OFFS & INTERDEPENDENCIES**

- Improvement in revenue and net property income: RM288.4 million and RM245.4 million respectively
- Economic value distributed: RM193.9 million
- DPU: 8.65 sen
- Liquidity: RM592.7 million
- Value of committed sustainability-linked financing: RM490.0

Value to Stakeholders Source of through financial



Financial Capital largely serves as the input for the other capitals. which include investing, enhancing and maintaining our properties (Manufactured Capital), investing in our people (Human Capital), and funding initiatives to reduce our carbon footprint (Natural Capital). As a REIT, we are also committed to growing our Financial Capital to ensure consistent and competitive distributions to our Unitholders.

- Total space under management: 13.4 million sq. ft
- Major AEI completed: 1
- Development project completed: 1
- Successfully raised tenant occupancy rate by 2 percentage points to 97% and achieved a positive rental reversion of 5.8%
- Secured renewals for 1.53 million sq. ft. of space (representing 97% tenant retention rate) and commenced new tenancies for 1.91 million sq. ft. of space during the year
- Obtained final green building certification for 1 property and provisional green building certifications for 2 buildings

# Value to Stakeholders

strong value proposition through emphasis on strategic locations and development projects that meet tenants' requirements and expectations





In addition to having stringent due diligence processes for potential acquisitions, we also undertake proactive AEIs for our existing properties to maintain, refurbish and enhance the value of the Fund's portfolio. These rely heavily on our Financial Capital and Human Capital.

- Total number of beneficiaries of our community investment initiatives: 85
- Proportion of qualified suppliers that are local entities: 100%
- Total number of suppliers increased by 8.4%
- Total procurement value (excluding government-related expenses) increased by 136% to RM205.6 million
- No. of suppliers and/or contractors removed from our panel due to non-compliance with the Supplier Code of Conduct: 4 Annual tenant satisfaction survey average score: 7.61 out of 10
- (target score: 7 out of 10) No. of green lease (i.e., tenancy agreement featuring ESG
- considerations): 1 Incorporated ESG components into the fit-out and refurbishment guide of the Renovation Manual

### Value to Stakeholders

opportunities and growth through strong partnerships with tenants, suppliers and regulators, along with being a responsible and ethical community participant







As a responsible corporate citizen, we recognise the importance of regular and meaningful engagements with our stakeholders, namely our tenants, contractors, suppliers, and the community around us, to maintain healthy stakeholder relationships.

In line with our commitment to reduce our carbon footprint, we also involve our tenants, contractors and suppliers to create value for Natural Capital

In our pursuit of growing our Financial Capital, we also actively contribute to the surrounding communities through our Community Activity & Partnership Initiatives.

- Total employee training hours: 957.5 hours
- Average training hours per employee: 12 hours
- Proportion of employees receiving regular performance and career development reviews: 100%
- New hires rate: 5%
- Employee turnover rate: 2%
- Gender pay ratio for middle and senior management (male to
- No. of work-related fatalities, lost time injuries (LTI), restricted work, medical treatment cases, or first aid cases: 0
- No. of fines or sanctions for non-compliance with OHS-related laws and regulations: 0

### Value to Stakeholders

Employer of choice by ensuring inclusive opportunities safety and well-being, and differentiated provider of relevant space for tenants

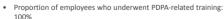








Human Capital is one of the most important assets in growing our property portfolio. The Manager invests in its employees through training and development, competitive and fair remuneration packages, employee engagement activities, and by looking after



- Proportion of employees who underwent cybersecurity-related training: 70%
- No. of cases of cybersecurity breaches: 0
- Hello Axis tenant satisfaction ratings average score: 4.31 out of 5 (target score: 4 out of 5)
- Responded to 91% of service request tickets raised from multitenanted properties and 97% of tickets from single-tenanted properties within 24 hours

## Value to Stakeholders

Preferred business partner by strengthening relationships with real estate agents and business owners, and by providing superior and reliable customer service to tenants

Amid rapid digitalisation, we have actively explored opportunities to digitalise our business operations, from our daily routine tasks, to engaging with our stakeholders through virtual platforms.

As this exposes Axis-REIT to cybersecurity risks, we actively invest in enhancing our IT security systems and cybersecurity defences, which include educating our people on cybersecurity awareness to effectively manage such risks.

- Total reduction in energy consumption vs. baseline year: 13.5%
- Total reduction in Scope 1 and Scope 2 GHG emissions vs. baseline year: 15.2%
- Increase in water consumption vs. baseline year: 6.7%
- Increase in general waste generated vs. baseline year: 22.8% Total waste recycled at multi-tenanted buildings: 42,710 kg
- Waste reused or recycled at development projects: 88,150 kg

### Value to Stakeholders

Strengthening the resilience and Fund's adaptive capacity to changes in the availability and consumption of natural resources over the short-, medium-, and longterm for all stakeholders











We have made a commitment to look into efforts to reduce our GHG emissions (Scope 1 and Scope 2 combined) to as close to zero (carbon neutrality) or to achieve net zero by 2050 or earlier, and we are actively exploring and implementing measures to achieve this. This will directly impact our Financial Capital and Manufactured Capital.

Concurrently, we are also encouraging our tenants, contractors and suppliers to uphold similar commitments to create long-term sustainable value for our collective Natural Capital

