

# VALUE CREATION & SUSTAINABLE DEVELOPMENT GOALS

The Manager's strategy for creating long-term value for Axis-REIT's stakeholders is rooted in our core values, purpose, strategy, and success metrics. This serves as the foundation of our value creation model, demonstrating how we convert our resources into meaningful outcomes for a wide range of stakeholders. To ensure we meet their expectations, we consistently engage with our tenants, investors, employees, suppliers, regulators and other stakeholders. By understanding their unique priorities, we align our strategy with the essential roles stakeholders play in our operations, thereby maximising value.

OUR BUSINESS CAPITAL	INPUTS & BUSINESS ACTIVITIES	OUR KEY ENABLERS
<b>FINANCIAL CAPITAL</b> Axis-REIT's Unitholders' capital, Sukuk funds, revolving credit facilities, investments, and rental income that are used to support Axis-REIT's business and operations	<ul style="list-style-type: none"> <li>Operational cash flows: RM306.6 million (2023: RM198.7 million)</li> <li>Undertaking capital raising to pare down financing and provide financial headroom for property acquisitions and development projects</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-term and long-term financing through a prudent capital management strategy</li> <li>Increasing the proportion of single-tenanted properties with triple-net lease tenancies in the portfolio</li> <li>Obtaining sustainability-linked financing facilities</li> </ul>	<b>Our Vision</b> 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 for Shariah and non-Shariah investors.
<b>MANUFACTURED CAPITAL</b> Our structured processes include Axis-REIT's diverse portfolio of properties and management services which provide the framework of how we do business and create value	<ul style="list-style-type: none"> <li>Total no. of properties: 69 (2023: 62)</li> <li>Invested RM779.3 million in acquisitions, strategic AEs, and a development project (2023: RM176.8 million)</li> <li>Strengthening the property portfolio with yield accretive acquisitions and quality new builds</li> <li>Preserving the value of the property portfolio through strategic AEs</li> <li>Securing credible and reliable tenants</li> <li>Aligning our property portfolio with green building standards</li> <li>Incorporating green building designs and features in major AEs and development projects, in line with our Environmental Policy</li> <li>Leveraging existing initial due diligence assessments to evaluate annual flood risks from mid-term to long-term horizons of new acquisitions and proposed developments</li> <li>Focusing on build-to-lease projects with long lease tenures</li> </ul>	<b>Our Mission</b> To provide consistent distributions to Unitholders through growing the property portfolio, upholding the highest level of corporate governance, excellent capital and risk management, and preserving capital values.
<b>SOCIAL &amp; RELATIONSHIP CAPITAL</b> Stakeholder relationships, including suppliers, regulators, and the communities in which we operate, as we recognise the need for interdependent relationships in building a thriving society	<ul style="list-style-type: none"> <li>Total community investments: RM201,000 (2023: RM181,000)</li> <li>Total procurement from local suppliers (by Property Management Division): RM72.7 million (2023: RM196.2 million)</li> <li>Building strong public awareness and brand association of Axis-REIT's commitment towards sustainability</li> <li>Actively providing training sessions for our suppliers</li> <li>Upholding strong ethical practices throughout our value chain by conducting periodic assessments and audits on our key suppliers and contractors</li> <li>Forging strong relationships with existing tenants</li> <li>Continual engagement with tenants to understand their business strategies and needs</li> </ul>	<b>Six Principles of Management</b> <ul style="list-style-type: none"> <li>Yield-accretive asset purchases</li> <li>Prudent capital and risk management</li> <li>Excellent investor relations</li> <li>Proactive asset and tenant management</li> <li>Upholding the highest level of corporate governance</li> <li>Development of human capital</li> </ul>
<b>HUMAN CAPITAL</b> Our culture and people, collective information, skills, and experience that enable innovative and competitive developments and initiatives for our tenants and other stakeholders	<ul style="list-style-type: none"> <li>Total workforce: 78 employees (2023: 80 employees)</li> <li>Employee training expenses: RM92,000 (2023: RM39,000)</li> <li>Providing employee engagement programmes such as ongoing learning opportunities, year-end performance appraisals, annual dinner, and company trip</li> <li>Providing equal employment benefits to both permanent and contract employees</li> <li>Upholding strong HSE practices by on-site managers in accordance with our HSE Policy</li> <li>Conducting periodic HSE audits</li> </ul>	<b>Operating Environment</b> For more details, please see the Operating Environment section on pages 76 to 81 of this Report
<b>INTELLECTUAL CAPITAL</b> The expertise and knowledge inherent to the Manager that can be reproduced and shared for sustainable growth	<ul style="list-style-type: none"> <li>Implementing annual IT disaster recovery exercises to ensure the timely recoverability of business-critical systems</li> <li>Undertaking an internal audit on IT processes and governance frameworks</li> <li>Implementing end-to-end email encryption and threat detection</li> <li>Installing endpoint detection and response software on office computers</li> <li>Conducting regular training and assessments to educate employees on the risk of cyber threats</li> <li>Subscribing to an online interactive cybersecurity awareness programme for employees</li> <li>Maintaining seamless communication with tenants via our Hello Axis online portal to address their service requests, feedback, and complaints</li> </ul>	<b>Risks and Opportunities</b> <ul style="list-style-type: none"> <li>Global</li> <li>Financial</li> <li>Real Estate Management</li> <li>Investment</li> <li>Development</li> <li>Human Resource</li> <li>Information Technology</li> <li>Environmental</li> </ul> For more details, please see the Risks and Opportunities section on pages 89 to 98 of this Report
<b>NATURAL CAPITAL</b> 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	<ul style="list-style-type: none"> <li>Implementing measures to increase energy and water use efficiency</li> <li>Upgrading air conditioning systems to environmentally-friendly systems at selected multi-tenanted properties</li> <li>Facilitating the installation of EV charging stations by our tenants at selected properties</li> <li>Actively promoting waste reduction efforts through the SR concept</li> <li>Prioritising the inclusion of additional green building features in major AEs and new developments</li> </ul>	<b>Corporate Strategy 2025-2026</b> <ul style="list-style-type: none"> <li>Real Estate Management</li> <li>Capital Management</li> <li>Facilities Management</li> <li>Investment</li> <li>Development</li> <li>Governance</li> </ul> For more details, please see the Corporate Strategy 2025-2026 section on pages 99 to 105 of this Report

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In addition to creating value for our stakeholders, we are dedicated to advancing the United Nations' Sustainable Development Goals (UN SDGs). The following UN SDGs are a central focus for the Manager and we actively contribute to:

<p><b>5.5</b> Ensure women's participation and equal opportunities for leadership</p>	<p><b>9.4</b> Continually upgrade and retrofit our properties with low carbon technology to improve their sustainability and resource-use efficiency</p>	<p><b>13.1</b> Strengthen resilience and adaptive capacity of our properties to climate-related hazards and natural disasters</p>	<p><b>16.5</b> Uphold a zero tolerance policy against all forms of bribery and corruption</p>
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OUTPUTS AND VALUE CREATED	UN SDGs	TRADE-OFFS & INTERDEPENDENCIES
<ul style="list-style-type: none"> <li>Improvement in revenue and net property income: RM322.1 million and RM276.6 million respectively (2023: RM288.4 million and RM245.4 million respectively)</li> <li>Economic value distributed RM286.1 million (2023: RM254.5 million)</li> <li>DPU: 9.27 sen (2023: 8.65 sen)</li> <li>Liquidity: RM686.7 million (2023: RM592.7 million)</li> <li>Value of committed sustainability-linked financing: RM1.64 billion (2023: RM490.0 million)</li> </ul>		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 rewarding distributions to our Unitholders.
<ul style="list-style-type: none"> <li>Total space under management: 15.15 million sq. ft. (2023: 13.35 million sq. ft.)</li> <li>Number of acquisitions: 8</li> <li>Key AEs completed: 8 (2023: 9)</li> <li>Completion of development projects: 1 (2023: 1)</li> <li>Achieved portfolio occupancy rate of 95% and a positive rental reversion of 5.3% (2023: 97% occupancy rate and a positive rental reversion of 5.8%)</li> <li>Secured renewals for 2.06 million sq. ft. of space (representing an 82.8% tenant retention rate) and commenced new tenancies for 231,606 sq. ft. of vacated space during the year</li> <li>New green building certifications: 1</li> </ul>		In addition to having stringent due diligence processes for potential acquisitions, we also undertake proactive AEs 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.  Through these efforts, we also aim to meet current market demand and create value for our tenants and potential tenants, thereby boosting our Social & Relationship Capital.
<ul style="list-style-type: none"> <li>Total amount of beneficiaries from our community investment initiatives: 978 (2023: 85)</li> <li>100% of qualified suppliers are local entities (2023: 100%)</li> <li>Total number of suppliers increased by 2.4%</li> <li>Total procurement value (excluding government-related expenses) decreased by 62.9% to RM72.7 million in total procurement</li> <li>A total of 32 training programmes were offered to our suppliers (2023: 48)</li> <li>No. of suppliers and/or contractors de-listed from our panel due to non-compliance with the Supplier Code of Conduct: 2 (2023: 4)</li> <li>Average annual tenant satisfaction survey score: 7.62 out of 10, which exceeds our target of 7 out of 10 (2023: 7.61 out of 10)</li> <li>No. of new green leases for the year (i.e., tenancy agreement featuring ESG considerations): 3 (2023: 1)</li> </ul>		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.
<ul style="list-style-type: none"> <li>Total employee training hours: 891 hours (2023: 957.5 hours)</li> <li>Average training hours per employee: 11.4 hours (2023: 12 hours)</li> <li>Proportion of employees receiving regular performance and career development reviews: 100% (2023: 100%)</li> <li>New hires rate: 2.5% (2023: 5.1%)</li> <li>Employee turnover rate: 5.1% (2023: 2.5%)</li> <li>Gender pay ratio for middle and senior management (male to female): 1.0 : 1.3 (2023: 1.0 : 1.11)</li> <li>No. of work-related fatalities: 0 cases (2023: 0 cases)</li> <li>No. of lost time injuries (LTI): 2 cases (2023: 0 cases)</li> <li>No. of fines or sanctions for non-compliance with OHS-related laws and regulations: 0 (2023: 0)</li> </ul>		Human Capital is one of the most important assets in growing the Fund's property portfolio. The Manager invests in its employees through training and development, competitive and fair remuneration packages, employee engagement activities, and by looking after their well-being.
<ul style="list-style-type: none"> <li>Proportion of employees who underwent PDPA-related training: 100%</li> <li>No. of cases of cybersecurity breaches: 0 cases (2023: 0 cases)</li> <li>Average Hello Axis Service Request Satisfaction Ratings: 4.25 out of 5, which exceeds our target of 4 out of 5 (2023: 4.31 out of 5)</li> <li>Responded to 97% of service request tickets raised from multi-tenanted properties and single-tenanted properties within 24 hours (2023: 91% from multi-tenanted properties and 97% from single-tenanted properties)</li> </ul>		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 cybersecurity defences, which include educating our people on cybersecurity awareness to effectively manage such risks.
<ul style="list-style-type: none"> <li>Total reduction in energy consumption vs. baseline year: 14.56% (2023: 13.50% reduction)</li> <li>Total reduction in Scope 1 and Scope 2 GHG emissions vs. baseline year: 13.96% (2023: 12.83% reduction)</li> <li>Increase in water withdrawal vs. baseline year: 9.8% (2023: 6.7%)</li> <li>Increase in general waste generated vs. baseline year: 16.8% (2023: 22.8%)</li> <li>Total waste recycled at multi-tenanted properties: 44,920 kg (2023: 42,710 kg)</li> <li>Recycling rate: 3.8% (2023: 3.5%)</li> </ul>		We recognise the impact of climate change on our business. In our commitment to combat climate change, we have set a target to reduce our GHG emissions (Scope 1 and Scope 2 combined) to as close to zero (carbon neutrality) or achieve net zero by 2050 or earlier. To reach this goal, we are actively exploring and implementing GHG reduction measures which may have an impact on our Financial and Manufactured Capital.  Concurrently, we are also encouraging our tenants, suppliers and service providers to uphold similar commitments to create long-term sustainable value for our collective Natural Capital.