

Sustainability Statement

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SUSTAINABILITY STATEMENT



About this Report

Hektar REIT is committed to strengthening its relationships with the investment community. Complete and transparent reporting of sustainability and Environmental, Social and Governance (ESG) objectives highlights how the REIT differentiates itself to create long-term value for its business and unitholders. We are developing a roadmap for enhanced stakeholder engagement and communication in a post-pandemic world to accommodate changing investor profiles and needs.

This Sustainability Statement is a testament to our commitment to demonstrating a high standard of ESG consciousness and best-in-class practices. We will continue to reinforce our commitment through ongoing reviews, transparency and performance.

Reporting Period	1 January to 31 December 2021
Reporting Cycle	Annually
Reporting Scope and Boundary	<p>Unless otherwise stated, this Sustainability Statement includes the sustainability performance of all Hektar REIT's properties, which include:</p> <ul style="list-style-type: none">■ Subang Parade in Subang Jaya, Selangor;■ Mahkota Parade in Melaka;■ Wetex Parade in Muar, Johor;■ Classic Hotel in Muar, Johor;■ Central Square in Sungai Petani, Kedah;■ Kulim Central in Kulim, Kedah; and■ Segamat Central in Segamat, Johor. <p>Any references to "we" and "our" refer to Hektar REIT as a whole unless otherwise indicated in the text.</p>
Reporting Principles and Guidelines	<p>Principle Guideline: Global Reporting Initiative (GRI) Standards: Core Option</p> <p>Additional Guidelines:</p> <ul style="list-style-type: none">■ Bursa Malaysia's Sustainability Reporting Guide■ FTSE4Good Bursa Malaysia ESG Index■ United Nations Sustainable Development Goals (UNSDGs)■ International Organization for Standardisation (ISO) 26000:2010 Guidance on Social Responsibility
Reporting Approach	<p>This Sustainability Statement summarises the sustainability performance of Hektar REIT's strategic businesses. The GRI reporting principles of stakeholder inclusiveness, sustainability context, materiality and completeness have been applied in defining the statement content.</p> <p>This Sustainability Statement focuses on the key ESG issues material to Hektar REIT based on their potential to affect the business and operational impact.</p>
Reliability of Information Disclosed	The accuracy of the Sustainability Statement's content has been reviewed by the Sustainability Committee and approved by the Board.
Feedback	<p>As Hektar REIT progresses on its sustainability journey, we welcome stakeholder support and any feedback for improvement. Queries and comments can be directed to:</p> <p>The Sustainability Department Hektar Asset Management Sdn. Bhd. ("HAMSB") D1-U3-10, Solaris Dutamas No 1, Jalan Dutamas 1, Sri Hartamas 50480 Kuala Lumpur Tel: +6 03 6205 5570 Fax: +6 03 6205 5571</p>

A Statement From Our Board

2021 was a year of challenges, turbulence and recovery. Like many organisations, we experienced unprecedented economic volatility and disruption in our day-to-day functions due to COVID-19. The pandemic has shown that widespread and significant interruptions are entirely possible, as unfortunate as they may be. Solidifying our platform to create value and deliver sustainable, stable income for our unitholders is vital for our post-COVID-19 recovery.

Sustainability remained a key priority throughout 2021 as we emerged from the crisis. We refined our material issues, strengthened our commitment to business excellence and managed our stakeholders' most material environmental, social and governance (ESG) aspects. We also aligned our material factors with the corresponding United Nations Sustainable Development Goals to maximise our impact.

SUSTAINABLE DEVELOPMENT GOALS

Social issues came to the fore in particular during the year. We took extra care to ensure the health, safety and well-being of employees, shoppers, guests, visitors and local communities. Despite being socially disconnected, we fostered interaction amongst employees and safeguarded their well-being with regular online catch-ups.

Management carried out continuous communication and engagement with tenants in ensuring regulatory compliance amidst the pandemic. We also provided rental assistance to eligible tenants to support them in challenging market conditions and our engagement platforms proved effective in providing continued support to tenants.

Last year was particularly challenging for vulnerable and disadvantaged members of society. We serve these communities in meaningful and enriching ways each year. In 2021, our community investment contributions focused on alleviating the socioeconomic challenges facing our tenants and the local community in light of the pandemic and various Movement Control Orders.

Despite the pandemic, reducing the environmental footprint of our assets and operations remained a priority. We continued to implement Environmental Management Programmes, such as the Building Management System, at several of our assets. Other meaningful initiatives introduced throughout our asset management and property operations included identifying environmental risks and integrating them into the Enterprise Risk Management framework.

As we reflect on 2021, we would like to take this opportunity to thank all stakeholders for withstanding the headwinds and overcoming the year's challenges. Moving forward, we will continue to establish measurable targets, improve and formalise our ESG priorities and include them in our decision-making process. Increasingly, tenant-customers, employees, investors and other stakeholders demand more substantial ESG commitments. We will continue to improve our ESG credentials, not just because regulations are becoming more focused on these matters, but also because it makes good business sense and – most importantly – because it is the right thing to do.



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Our Approach to Sustainability

Hektar REIT recognises that resilient, ethical and socially-responsible business practices underpin its prosperity and success. Putting market-leading ESG practices at the core of its long-term business allows Hektar REIT to continue to fulfil its core purpose of creating the places people love. Hektar REIT's sustainability strategy, management framework and supporting policies directly result from Hektar REIT's values in action.

Sustainability Framework and Governance



Hektar REIT introduced its sustainability framework to align values with enterprise risks and corporate strategy, delivering resilient business development through strong corporate social governance. The framework continues to evolve and respond to emerging ESG legislation and challenges whilst the framework also addresses all material risks and opportunities.

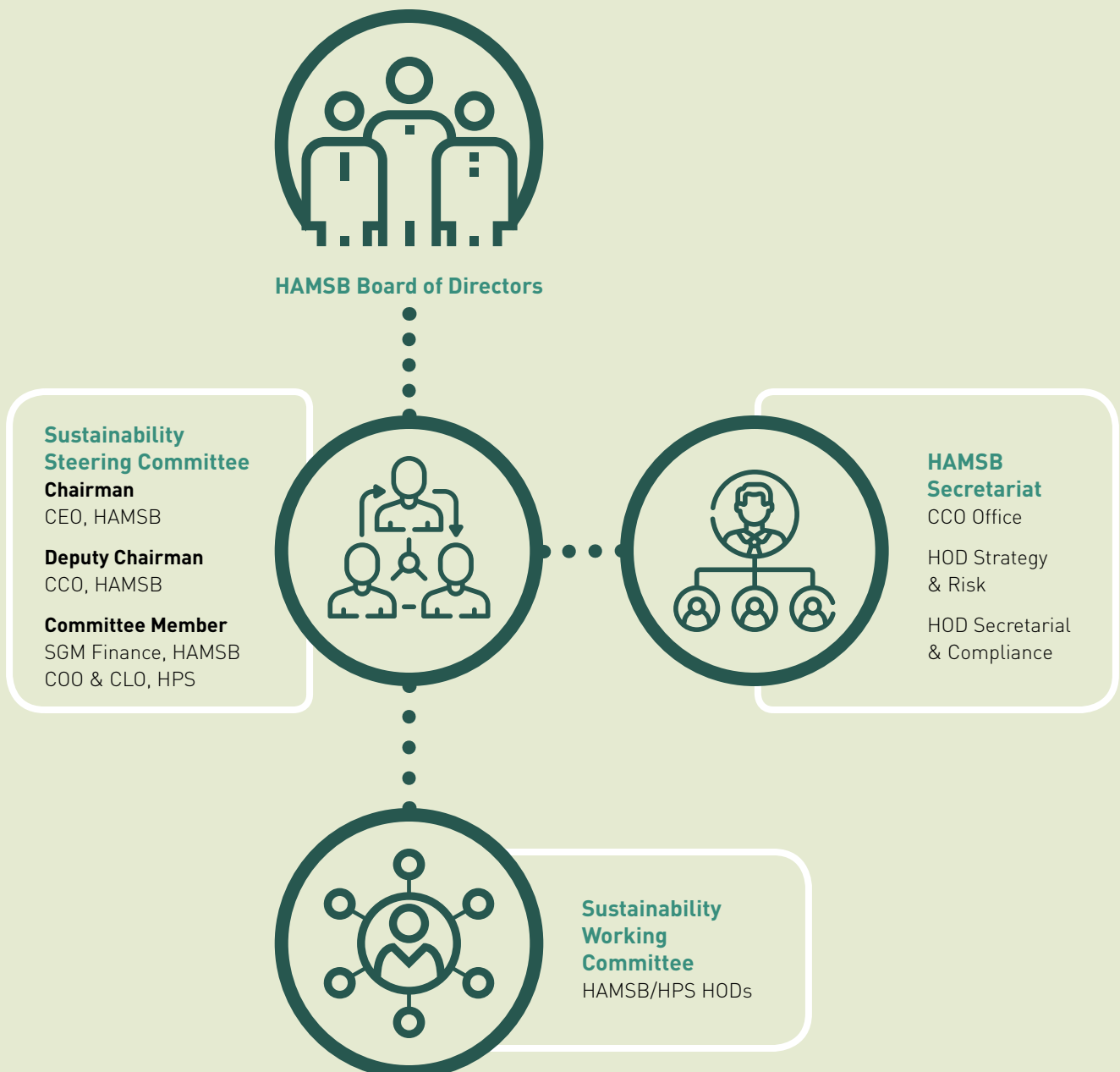
Hektar REIT's sustainability management is under the purview of the Board. The Board provides strategic direction and endorses the material matters relevant to Hektar REIT's business and stakeholders. The Board also provides strategic oversight and reviews Hektar REIT's sustainability performance.

Sustainability Governance

We have established a Sustainability Steering Committee (SSC) to provide greater accountability. The SSC is chaired by the Executive Director and Chief Executive Officer of our asset manager, HAMS B and supported by the Chief Corporate Officer of HAMS B. Other SSC members include the Chief Operating Officer and Chief Leasing Officer of our property manager, Hektar Property Services Sdn Bhd (HPS).

We also formed a Sustainability Working Committee (SWC) comprising dedicated executives and senior managers from departments such as Finance, Human Resources, Maintenance, Marketing, Leasing and Quality.

Together, these committees have been delegated specific responsibilities by the Board to identify, set and deliver the objectives and targets associated with material ESG topics. Evaluating these committees against sustainability KPIs, linked to Hektar REIT's ESG targets, provides additional motivation and commitment. These committees meet quarterly to discuss sustainability matters and update the Board regularly.



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Stakeholder Engagement

Hektar REIT endeavours to operate its business in a responsive manner that addresses stakeholder concerns. Engagement is key to understanding stakeholders' needs, communicating expectations and addressing their concerns. Regular engagement through various platforms involves stakeholders holistically and builds positive and lasting relationships.

We have identified key stakeholder groups critical to our performance and long-term business strategy. The engagement approach for each key stakeholder group and corresponding actions are summarised in the following table.

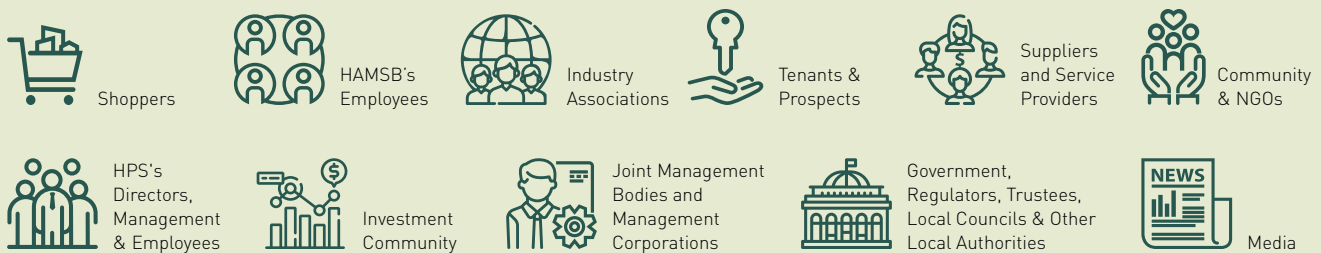
Key Stakeholder Groups	Interests and Areas of Focus	Our Commitment	Key Engagement Mode
Shoppers	<ul style="list-style-type: none"> Quality of service and facilities Safety Accessibility Connectivity Comfortable shopping and stay experience 	To be the neighbourhood and regional shopping centres throughout Malaysia to provide shoppers with conducive retail environments based on international best practices	<ul style="list-style-type: none"> Shoppers' surveys Focus group studies Social media engagement Regular shopper events Feedback forms
Tenants and Prospects	<ul style="list-style-type: none"> Maintaining high shopper traffic Maintenance of assets Improving the sustainability of assets Value for money in terms of rent High occupier satisfaction Safety and well-being Excellent service and property management 	<ul style="list-style-type: none"> Ongoing responsible upkeep of assets Regular communication and engagement Support for key tenants' corporate milestone events Responsiveness to tenants' feedback Competitive rental rates and locations On-site security practices 	<ul style="list-style-type: none"> Joint events Regular tenant feedback meetings Direct meeting and email exchanges Collaboration on marketing and promotional events
Property Manager	<ul style="list-style-type: none"> Key Performance Indicators for property managers and centre management Business and operations performance Business strategy and outlook Sustainability progress 	<ul style="list-style-type: none"> Empowerment and active engagement Competitive remuneration and benefits Job security, stability and pathways for career progression 	<ul style="list-style-type: none"> Regular engagement with Leasing, Projects, Marketing and Quality Departments Emails
Employees	<ul style="list-style-type: none"> Compensation and benefits Career progression and skills upgrading Employee well-being and welfare 	<ul style="list-style-type: none"> Fair and equal employment opportunities Learning, development and career progression Safe and healthy working environment Commitment to diversity and inclusion 	<ul style="list-style-type: none"> Performance appraisals Training programmes Engagement and social activities
Investment Community Including Unitholders, Banks and Investors	<ul style="list-style-type: none"> Stable and growing distributions and net asset value per asset over the long term Long-term, sustainable and recurring distributions Responsible asset and capital management Total investment returns Strategic outlook and growth prospects 	<ul style="list-style-type: none"> Transparent and timely reporting with the issuance of quarterly and annual financial results, with interim updates between the results periods 	<ul style="list-style-type: none"> Quarterly result announcements and analyst briefings Annual reports Annual General Meetings and Extraordinary General Meetings Roadshows, online and offline communications
Industry	<ul style="list-style-type: none"> REIT industry performance, potential and outlook Policies by regulators 	<ul style="list-style-type: none"> Active memberships in industry associations Establish a robust risk management framework 	<ul style="list-style-type: none"> Meetings and dialogue Participation in social events and forums REIT Managers' association meetings
Community	<ul style="list-style-type: none"> Venue sponsors and donations Philanthropic activities Social events 	<ul style="list-style-type: none"> Support in community development and activities Creation of employment opportunities Responsible operations 	<ul style="list-style-type: none"> Charity drives, sponsorships, donations and events Festive celebration and other get-together celebrations Collaborations Community engagement
Joint Management Body and Management Corporation	<ul style="list-style-type: none"> Day-to-day operations on the management and maintenance of common areas and properties within strata buildings 	Fair, transparent and healthy relationships that focus on delivering value to customers	<ul style="list-style-type: none"> JMB and MC periodic meetings (together with property managers) Voting Audited accounts submission

Material Sustainability Matters




























Hektar REIT defines material sustainability matters as areas with significant ESG impact on Hektar REIT and its stakeholders. Hektar REIT conducted a comprehensive stakeholder engagement exercise to gather insight on the relative importance of specific economic, environmental, social and governance issues.

The Methodology

We commissioned an external consultant to conduct a comprehensive study of the most material aspects of our sustainability programme in the last quarter of 2021. An impartial external party was chosen to secure the anonymity of the respondents. We sought feedback from representatives of all major stakeholder groups:



We asked stakeholder representatives to rate the importance they placed on 17 areas of sustainability. We asked respondents to indicate how important each criterion was, from a scale of 'very unimportant' (1) to 'very important' (5). A 5-point Likert Symmetric Scale was chosen so respondents could specify their level of agreement with (3) being neutral.

Sustainability Pillars	Focus Areas	What It Means for Hektar REIT	GRI Topics	Boundaries	Corresponding UNSDGs
Economic	Financial Returns & Stability	Delivering healthy financial returns and growth potential for the benefit of unitholders	<ul style="list-style-type: none"> Economic performance 	Shoppers, Tenants and Prospects, Property Manager, Investment Community, Industry	 
	Regulatory Compliance	Ethical business conduct and complying with all applicable social and environmental regulations including antibribery and corruption	<ul style="list-style-type: none"> Anti-Corruption Anti-competitive behaviour Environmental compliance Socioeconomic compliance 	Tenants and Prospects, Property Manager, Investment Community	
	Sustainable Supply Chain Management	Integrating social and environmental factors into the supply chain	<ul style="list-style-type: none"> Procurement practices Supplier environmental assessment Supplier social assessment 	Tenants and Prospects	  
	Industrial Advancement & Nation Building	Advancing the real estate industry and contributing to economic growth through Hektar REIT's operations	<ul style="list-style-type: none"> Indirect economic impacts 	Property Manager, Investment Community, Industry	     
Environment	Energy & Climate Change	Managing energy and greenhouse gases effectively to reduce them whenever possible	<ul style="list-style-type: none"> Energy Emissions 	Tenants and Prospects, Property Manager, Joint Management Body and Management Corporation	      
	Waste	Minimising all types of waste and recycling whenever possible	<ul style="list-style-type: none"> Waste 	Shoppers, Tenants and Prospects, Property Manager, Joint Management Body and Management Corporation	     
	Water	Using water efficiently	<ul style="list-style-type: none"> Water and effluents 	Shoppers, Tenants and Prospects, Property Manager, Joint Management Body and Management Corporation	 

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Sustainability Pillars	Focus Areas	What It Means for Hektar REIT	GRI Topics	Boundaries	Corresponding UNSDGs
Social	Diversity, Equal Opportunity and Non-Discrimination	Promoting diversity and equal opportunities and eliminating all forms of discrimination in the workplace	<ul style="list-style-type: none"> Diversity and equal opportunity Non-discrimination 	Employees	
	Community Engagement and Contributions	Having a positive influence on local communities through charitable contributions and Corporate Social Responsibility initiatives while maintaining active engagements with them	<ul style="list-style-type: none"> Local communities 	Tenants and Prospects, Property Manager, Joint Management Body and Management Corporation	
	Human Rights	Protecting all aspects of human rights including protecting staff welfare and ensuring no child or forced labour	<ul style="list-style-type: none"> Human rights assessment Rights of indigenous peoples Security practices Child labour Forced labour 	Employees, Joint Management Body and Management Corporation	
	Training and Development	Providing training and education to employees to expand their knowledge base for career development	<ul style="list-style-type: none"> Employment Training and education 	Employees	
	Occupational Health and Safety	Keeping all workers safe and free from injury and both noncommunicable and infectious diseases	<ul style="list-style-type: none"> Occupational Health and Safety 	Property Manager, Employees, Joint Management Body and Management Corporation	
	Public Safety and Security	Enhancing security measures and monitoring infrastructure	<ul style="list-style-type: none"> Customer Health and Safety 	Shoppers, Tenants and Prospects, Property Manager, Community, Joint Management Body and Management Corporation	
	Tenants' Satisfaction	Ensuring high levels of tenants' satisfaction	<ul style="list-style-type: none"> Non-GRI topic 	Tenants and Prospects	
	Customers' Satisfaction	Ensuring high levels of shoppers' satisfaction	<ul style="list-style-type: none"> Non-GRI topic 	Shoppers	
	Customer Privacy and Cybersecurity	Protecting customers' and tenants' privacy through safe data management	<ul style="list-style-type: none"> Customer privacy 	Shoppers	
Responsible Operations	Being a responsible and considerate asset owner and manager by offering facilities such as disabled access, mothers' rooms and shuttle transportation services	<ul style="list-style-type: none"> Non-GRI topic 	Shoppers, Tenants and Prospects, Property Manager, Investment Community, Community, Industry, Joint Management Body and Management Corporation		

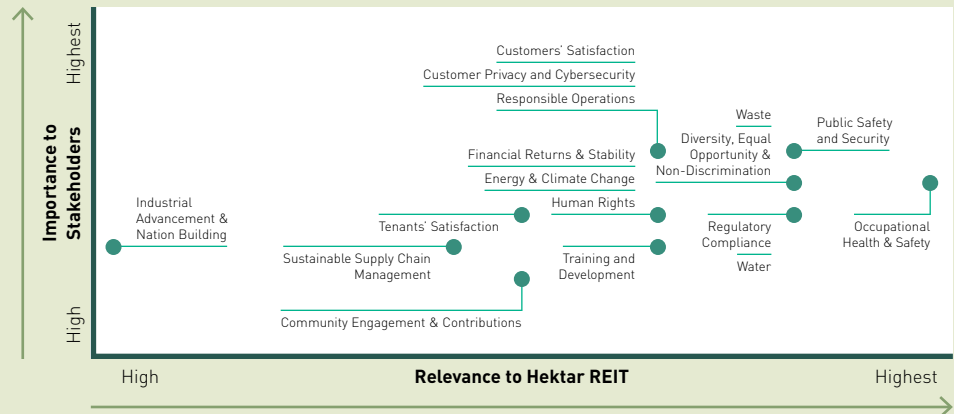
We discovered a natural skew in the results, with each stakeholder group not represented equally. We received the most responses from our shoppers and employees with fewer received from 'government, regulators, trustees, local councils & other local authorities', 'tenants & prospects' and 'community & NGOs'.

We calculated an average score for all areas within each stakeholder group to rectify the sample imbalance before obtaining an average rating from all 11 stakeholder groups.

We also asked members of our Board of Directors to complete the survey. Their views represented Hektar REIT.

The Results

We considered all scores of 3 as medium importance. Stakeholder scores ranged from 4.24 to 4.61; Hektar REIT's was between 3.80 and 5.0. All issues are important to some degree. We adopted a scale from high to highest as even the lowest scores fell into the important category. The materiality assessment results are presented in the following materiality matrix.



Economic

A REIT's success depends on how well it executes its business model. The REITs' portfolios and tenant profiles are key drivers that affect revenue, covering the location, target segment and the quality of the property supply pipeline vis-à-vis the market requirements. The REIT conducts comprehensive market research as part of the due-diligence for the acquisition of properties. These studies consider the availability of public transportation.

Positioning Strategy

Our neighbourhood-focused Malls and Hotel Positioning Strategy prioritises the primary trade area, which provides the centre with a 'captive' customer base. The appeal of our shopping centres is largely down to the level of value and convenience they provide to shoppers.

Investment Management – Quality Assets and Services

Hektar REIT monitors annual tenant occupancy and retention rates. The gathered data is benchmarked against industry peers to identify possible areas of improvement. In 2021, we recorded a portfolio occupancy rate of 84.9%.

Hektar REIT commits to quality assets and services to maximise and deliver long-term economic value to tenants and customers. We seek to improve our properties through proactive asset management and asset enhancement initiatives (AEIs). Our strategy is driven through three strategic objectives.

Regular AEIs complement ongoing maintenance in improving the overall quality of assets and include:

- Refurbishing the Air Conditioning and Mechanical Ventilation System (ACMV) systems
- Implementing other energy efficiency initiatives
- Enhancing existing Net Lettable Areas (NLA)
- Improving external infrastructure such as ingress and egress roads
- Enhancing other physical attributes of the buildings such as roof and facades as well as refurbishment of toilets and other public facilities.

Ethical Business Conduct

We maintain a zero-tolerance policy against all forms of corruption, including fraud and money laundering. All forms of bribery, such as monetary bribery and bribery by or of a public official, are strictly prohibited.

The Board of Directors oversees compliance of the above unethical practices by ensuring anti-corruption and anti-bribery policies are established. All employees are responsible for preventing and reporting instances of corruption, bribery and other suspicious activity, or wrongdoing that may lead to bribery, through our whistleblowing channels.

Integrity is a fundamental business philosophy and deeply rooted in the corporate culture. All board members and employees have:

- Accepted the REIT's integrity and delivery of the anti-corruption policy; and
- Received comprehensive anti-corruption education and training, including matters relating to anti-bribery.

All employees must comply with our Code of Ethics and Conduct. This comprehensive policy communicates our stand on ethical business conduct and includes all elements of corruption and bribery. All HAMSB and HPS directors and employees must familiarise themselves with the Code contents upon commencement of their service or employment. It is also part of the induction programme.

A keen understanding of corruption risk exposure is the foundation of an effective anti-corruption compliance



Three Strategic Objectives

- Active acquisition and development growth
- Achieving organic growth
- Exercising prudent capital management

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programme. Corruption and bribery risks are important elements of the REIT's risk register. This detailed understanding helps the REIT:

- Design effective mitigation strategies; and
- Strategically deploy resources to combat potential instances of bribery, corruption and fraud, which is particularly important for operations deemed to be of high risk.

Hektar REIT conducts comprehensive corruption risk assessments on intermediaries, including contractors and agents. Our anti-corruption policy is communicated clearly to these intermediaries.

We encourage all key stakeholders such as customers, suppliers, contractors and service providers to refer to this document for guidance on their dealings with the REIT. The Code is also an integral component of the REIT's risk management strategy.

All contractors, subcontractors and third parties are subject to corruption and bribery risk assessments and must declare they are not involved in any misconduct or corrupt, unethical and illegal behaviour. The comprehensive screening of new and existing business partners for corruption and bribery is part of our due diligence in the context of Hektar REIT's compliance requirements.

We hold compliance awareness on anti-corruption and ethics for all employees to reinforce ethical conduct in business dealings. These sessions cover anti-corruption, the Code of Conduct, conflicts of interest, whistleblowing, personal data protection, outsourcing arrangements and other crisis management. MACC also delivered anti-corruption training to employees on Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 relating to Corruption Offences of Commercial Organisations on 29 October 2021.

Whistleblowing

The values of transparency, integrity, impartiality and accountability permeate our business and affairs. Any alleged wrongdoings such as fraud, corruption, financial misappropriation, gross mismanagement and other possible improprieties should be reported in good faith and confidence.

Hektar REIT has developed a comprehensive Whistle-Blowing Policy. Employees and other persons can report any abuse or instances of unethical behaviour, actual or suspected corruption, bribery or fraud occurring within the REIT. The Human Resource Department has disseminated this policy throughout the organisation and briefed employees on its use.

The policy facilitates an open and transparent corporate culture, promoting accountability and allowing us to respond nimbly to changes in the environment. It also encourages and provides employees and other persons with an alternative way of raising concerns outside the normal reporting channels.

Employees wishing to raise a concern may consult their respective heads of department. However, if these concerns

remain unresolved, this policy provides an avenue for the employee to make formal disclosures for escalation through the relevant channels.

Written disclosures, specifying the Designated Recipient, can be made through a Whistleblowing Form and submitted:



- Via email to whistleblowing@hektarreit.com; or
- In hardcopy in a sealed envelope.

Alternatively, the Reporting Person may call 016-9552543 and 016-4085974 and leave a message. These telephone numbers are routed to the Executive Director or Chief Corporate Officer and Chairman of the Audit Committee. Subsequently, the Audit Committee may take corrective action based on the REIT's best interest. Managers are trained to handle reports and instances of bullying or harassment.

The REIT protects the confidentiality and identity of persons making a report in good faith. Information is held in the strictest of confidence by both the REIT and reporting persons to the extent legally permissible and reasonably practicable.

Our Ethical Performance Highlights

Number of staff disciplined or dismissed due to non-compliance with anti-corruption practices	None (0)
Number of corruption, bribery and other cases of unethical conduct reported	None (0)
Cost of fines, penalties or settlements in relation to corruption	RM 0
Total amount of political contributions made during the year	The REIT did not make any contributions to any political parties or for any political reasons during the year (RM0).

Coming Back Stronger

The retail and real estate sectors are among the hardest hit by the COVID-19 pandemic. Shopping malls and commercial centres have been significantly affected by travel bans, movement restrictions and more people working from home.



Impact of COVID-19 on Retail Businesses*

91% reported a decline in sales

55% were forced to downsize their operations

21% closed up to six outlets and branches

* Survey by the Malaysian Retail Chain Association (MRCA) published in July 2021

Keeping tenants and visitors throughout the crisis was key to preserving value and liquidity. We also complied with governmental agency requirements by increasing cleaning measures.

Our asset portfolio as of 31 December 2021 had an occupancy rate of 84.9%, with more than half of the malls having occupancy rates of over 85%.

The REIT sector began recovering as consumer activities increased once movement restrictions were relaxed following the COVID-19 vaccination rollout. Our balanced footfall profile, which is moderately affected by tourism, allows us to capitalise on the recovery in domestic consumption while waiting for Malaysia's borders to open. Our diversified investment portfolio, which includes retail malls and a hotel, is also advantageous.

An encouraging return of footfall within our asset portfolio indicates future sustainable business recovery. Vaccinating retail frontliners under the Retail Industry Vaccination Programme (RIVAC) is critical to the industry's sustainability. RIVAC protects retail staff and public health from daily infections. As of 31 December 2021, 100% of our employees are fully vaccinated, excluding those with health conditions.

Asset managers proactively and tirelessly worked hand-in-hand to establish the rental and marketing assistance programme for affected tenants. The bonds and trusts forged in this tumultuous period allowed us to maintain a strong occupancy rate in our asset portfolio. Our asset portfolio as of 31 December 2021 had an occupancy rate of 84.9%, with more than half of the malls having occupancy rates of over 85%. According to Retail Group Malaysia (RGM), Malaysia's retail industry will continue to record positive growth as the retail and hospitality segments are the prime beneficiaries of this economic recovery. Hektar REIT is in a position of strength to ride on the economic recovery. We will continue to work with our industry peers and organisations, including the Malaysian REIT Managers Association (MRMA), Malaysia Shopping Malls Associations (PPK), Malaysia Retailers Association (MRA), Malaysia Retail Chain Association (MRCA), Bumiputra Retailers Organisation (MRO) and Malaysian Association of Theme Park and Family Attractions (MAFTA).

Sustainability Across the Supply Chain

Our commitment to promoting sustainability extends across our supply chain; we identify and manage risks in our outsourcing and procurement practices. We engage with many active suppliers, including facility managers, maintenance service providers, contractors, professional consultants and financial institutions. Local and sustainable sourcing is part of the REIT's ethos, allowing us to contribute to the local economy while minimising the footprint of business operations.

We strive to implement appropriate sustainability measures across the value chain, such as risk management procedures for outsourcing and the procurement of goods and services to support our broader sustainability efforts. Key considerations include reputation, professional expertise, track record, pricing, financial standing and compliance with legal requirements in the supplier selection process. Our Procurement Department obtains a minimum of three quotes whenever applicable and feasible.

The policy for selecting, screening and managing contractors and supply chain partners, including sustainability criteria, is presented in the following diagram.

Hektar REIT Principles of Sustainable Supply Chain



We will strive to implement policies that facilitate sustainability throughout the supply chain. Key suppliers are encouraged to adopt the best sustainability practices, including implementing energy-efficient features in upcoming asset enhancement initiatives.

Industry Partnerships

Hektar REIT actively contributes to the growth of the real estate industry by participating in several industry associations and supporting employees and individual memberships. Participating regularly in key industry events, the REIT shares insight on the latest industry developments. A non-exhaustive list of memberships and licenses held by the Management of HAMS and HPS is listed below.

List of memberships held by the Group and management team

- Malaysian REIT Managers Association (MRMA)
- Institute of Enterprise Risk Practitioners (IERP)
- Capital Markets Service Representatives' License (CMSRL)
- Institute of Corporate Directors of Malaysia (ICDM)
- Malaysian Institute of Corporate Governance (MICG)
- Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVAEP)
- Institute of Industrial Engineers USA (IIE)
- Institute of Quality Malaysia (IQM)
- Malaysian Hotel Association (MAH)
- Malaysia Shopping Malls Association

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Environmental

Hektar REIT is committed to minimising the environmental impact of its assets and adopting leading practices in its operations in line with the REIT’s strategy. We have introduced various sustainability-related initiatives throughout Hektar REIT’s asset management and property operations, including:

- Identifying environmental risks and integrating them into the Enterprise Risk Management framework;
- Enhancing the collection of reliable and accurate performance with robust systems; and
- Adopting meaningful global benchmarks.

These efforts help identify areas for further improvement. Managing the cost and environmental impact efficiently helps provide stable and growing returns for unitholders.

Hektar REIT’s sustainability policy reiterates its commitments to a wide range of environmental issues, including pollution prevention, minimising the impact on biodiversity, climate change adaptation, water and waste management, and energy consumption, including increasing renewable energy in the existing energy mix.

Environmental Management Programme

Environmental Management Programmes, such as the Building Management System (BMS), have been introduced at some assets. The MyHijau certified Tracer System Controller acts as the central coordinator for all individual major Air-Conditioning and Mechanical Ventilation (ACMV) equipment.

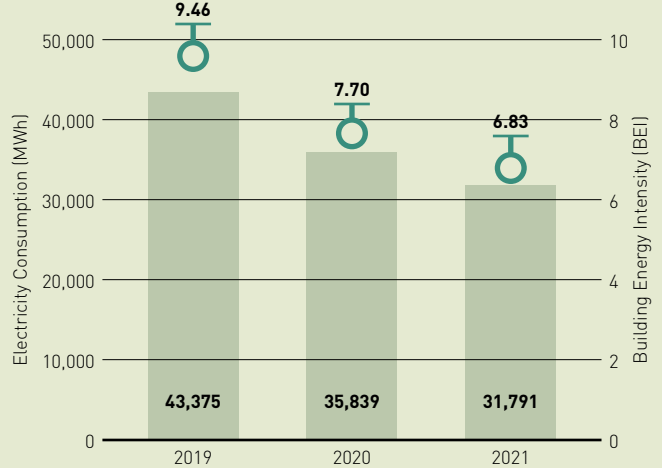
This real-time environmental tracking tool, operating on a web and mobile app interface, allows the close monitoring and tracking of sustainability-related performance. We performed regular inspections and resolved lower-risk issues. We have seen improvements across selected assets with no further major environmental issues detected since adopting this system.

Building certifications reinforce the quality of assets and deliver increased value for unitholders. These building certifications are strongly correlated with positive returns on investment and high tenant satisfaction levels. Hektar REIT plans to achieve green certification for one of its assets by 2025.

Improving Energy Efficiency Across Assets

Hektar REIT strives to use energy in the most efficient, cost-effective and environmentally-responsible manner possible. As a result, the REIT is committed to addressing energy use and improving efficiency. The coverage of energy consumption data reported below covers the entire REIT’s asset portfolio (100%).

Indirect Energy Consumption



COVID-19 disrupted the operations of Hektar REIT and its tenant customers. A significant reduction in activities and energy demand resulted from many tenant customers being unable to operate. The respective property managers promptly adjusted settings on heating systems, lifts and lighting based on building occupancy and usage.

A significant decrease in energy consumption was attributed mainly to the closure of some retail outlets during the various phases of movement control orders to combat the COVID-19 pandemic. However, we continuously seek ways to improve energy efficiency, increase renewable energy within the energy mix and increase the coverage of energy consumption reporting.

Examples of Existing Energy-Efficient Features and Initiatives Implemented Across the Portfolio



LED lighting



Smart meters at Subang Parade



BMS control at Subang Parade and Central Square



EV Charging Stations at Hektar Malls



Controlling operating times



Regular cleaning, maintenance and upgrading



Installation of soft starters, demand control drives and inverters



Reconfiguration and fine-tuning of ACMV equipment by setpoint



Subscription to Off Peak Tariff Rider (OPTR) Scheme



Staggered phasing out of HCFC refrigerant and changing to ultra low GWP refrigerant



Conversion of Air Handling Units (AHU)

We audited the chiller plants in Subang Parade, Mahkota Parade and Central Square. Immediate remedial works and retrofits optimised the energy efficiency of the chiller plant and other ACMV components based on the findings.

Energy usage and savings are discussed regularly and are on the agenda of management meetings. During these meetings, the management team updates the Sustainability Steering Committee on energy usage and savings trends.

Being recognised by various awards for our energy savings initiatives is a testament to our sustainability commitment. Recent awards include the Annual Global CSR Summit & Award, the National Energy Awards and ASEAN Energy Awards.

Renewable Energy

Solar power is produced by collecting sunlight and converting it into electricity. Renewable energy helps reduce the REIT's electricity consumption and manage our environmental footprint.

We are examining the feasibility of installing solar panels on the rooftops of all our malls. A photovoltaic (PV) system:

- Tracks the performance of the installed solar panels
- Allows real-time key system data to be accessed and analysed
- Measures both the overall consumption of internal power and external energy as power is generated for self-consumption
- Detects minor deviations and resolves them quickly

Green Leases

Green leases are lease contracts with specific clauses that oblige tenants and customers to provide sustainability data such as consumption to the landlord. Currently, we do not have any green leases in place but aim to increase the share of consumption data collected from tenants across our portfolio:

- For more comprehensive reporting; and
- As a basis for joint sustainability initiatives with tenants and customers.

Solar panels, tenant engagement and smart building systems are examples of possible joint sustainability initiatives.

Business Impact of Climate Scenario Analysis Through Active Design

Chiller Plant System

We undertook a major ACMV retrofit and energy efficiency exercise at Subang Parade in 2018. The chiller plant system is fully integrated with a building control and monitoring system (BMS). It also features permanent measuring instrumentation. The chiller operates at 0.591kW/T or less with a minimal deviation of 1.5% to 2% for seasonal weather and building load factors.

Efficiency Comparison Prior and After Retrofit Exercise at Subang Parade

Equipment	Efficiency before retrofit (kW/T)	Efficiency after retrofit (kW/T)
Chillers (covering 90% of building load)	0.95	0.485
Chilled Water Pump	0.24	0.038
Condenser Water Pump		0.038
Cooling Tower		0.03
Air Cooled Packaged Unit (covering 10% of building load)	1.9 (correlated to 0.19 for 10% of building load)	0 Taken offline
Total System Efficiency	1.38	0.591

The newly retrofitted chiller plant system operates autonomously based on a pre-set schedule and configuration, corresponding to real-time feedback from both outdoor and indoor temperature sensors.

A real-time analytics algorithm installed within the controllers ensures the system operates optimally to accommodate the building load requirements and deliver the highest possible efficiency.

A similar retrofit exercise, conducted at Central Square, resulted in an estimated 23.07% in energy savings due to:

- Using certified chillers with new efficient pumps
- Installing cooling towers with variable speed drives and rigorous and detailed setpoints
- Configuring the Building Automated System (BAS)

Air Handling Unit (AHU) and Fan Coil Unit (FCU)

Hektar regularly and diligently services AHUs and FCUs to ensure their performance matches the energy-efficient chiller plant system equipment. The building maintenance team diligently adheres to bi-weekly water cleaning and a quarterly chemical cleaning programme.

Lighting

Our buildings have been retrofitted with energy-efficient fixtures such as LED light fittings and timers to maximise energy savings. Subang Parade was the first to initiate the LED replacement programme in 2017 in line with their total energy-saving initiatives. The programme is currently ongoing and includes all areas, including an underground car park, service tunnel, loading bay, staircase, and indoor and outdoor lighting.

Indoor Air Quality

Hektar REIT monitors the Indoor Air Quality (IAQ) of its buildings to ensure they are within limits set by the Department of Occupational Safety and Health (DOSH). The fresh air exchange rate for Subang Parade is 2.74m³/hour/person. The table below presents the DOSH Industry Code of Practice Indoor Air Quality 2010.

Parameter	Air temperature	Relative humidity	Air movement
Acceptable range	23 – 26°C	40-70%	0.15-0.50 m/s

SUSTAINABILITY STATEMENT

Water Management

Water is the most precious resource on planet earth. We have been meticulously finding ways to limit the water consumption of our property portfolio by reducing usage and improving efficiency. This commitment applies to all of our properties. Typically, we source water from municipal water utilities. Any wastewater is also discharged responsibly through municipal water utilities.

Water-Saving Initiatives Across Our Properties



Installed water-efficient push taps in bathrooms across all properties

Reduced the litres per flush in toilets from fourteen to eight litres

Minimised the flow time of push type taps in all toilets by reducing the open flow from four to two seconds

Our hotel property only provides extra linen upon request; we practise a one-to-one exchange to minimise water waste.

We are committed to exploring the feasibility of installing more water-saving devices and equipment in the future. Our property managers check our water supply systems regularly to prevent water leakage. Recently, we refurbished the Mahkota Parade rooftop water tank for this purpose.

Our short-term agenda involves examining rainwater harvesting and storage systems to reuse stormwater for irrigation and cleaning.

We advocate the responsible use and management of water and improve efficiency across all properties. Working with property managers, we educate tenants and raise awareness of its conservation as they consume most water.

The water consumption intensity of our properties reduced by 6.5% in 2021 compared to the previous year. Primarily, this decrease was attributed to the significant reduction in building usage during the COVID-19 pandemic. We will continue to monitor and review the water performance of our portfolio.

As none of our properties are located in water-stressed sites, this topic is not discussed during engagement with stakeholders.

REIT Water Usage Data*

	Water usage (m ³)	Water use intensity (WUI)
2019	701,190	0.153
2020	556,226	0.120
2021	520,122	0.112

* Covers the entire REIT (100% of operations)

Sustainable Architecture

Cost is always a primary consideration for building planners. Hektar REIT's upfront spending on sustainable strategies delivers significant long-term savings while improving air quality and well-being.

Sustainability architecture consists of design strategies that reduce the negative environmental impact of a built environment. We consider sustainability throughout the design, planning and construction of properties to construct buildings with the lowest environmental impact possible. Continuously redesigned over time, these buildings undergo various enhancement initiatives. Responding to the local climate and site conditions maximises users' comfort, health and resource efficiency.

Key Elements of Passive Design Incorporated in Buildings



All passive design elements work together holistically to achieve comfortable conditions and good indoor air quality.

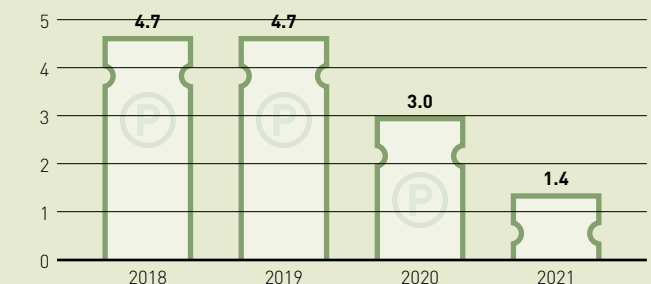
One of our assets, Subang Parade, is a prime example of improvement works and facelifts being carried out steadily since its inception. These improvements consist of structural improvements and interior design works. Our overarching focus on energy efficiency and energy sustainability is one of the boldest among our peers in Malaysia.

Green Procurement

We strive to practise green procurement across all properties as part of Hektar REIT's pollution prevention principles and activities. Environmentally-friendly products and services consider environmental criteria and standards to protect natural resources. All malls are encouraged to use green products in their daily cleaning and maintenance.

Hektar REIT has introduced paperless parking at some malls to reduce paper wastage. The cashless and ticketless parking experience allows visitors to pay their parking fees with Visa PayWave and participating e-wallets such as Touch N' Go. The total paper ticket used/purchased has further declined since enforcing a paperless parking system throughout 2021 in stages across all malls.

Total Paper Ticket Used (million)



Year	2019	2020	2021
Total Paper Ticket Reduction (million)	0.069	1.703	1.562

Waste Management

Improper waste management adversely affects the environment and public health. Hektar REIT aims to manage waste at its properties responsibly.

Tenants, customers, guests, visitors and the general public produce the bulk of waste generated at operational properties. Hektar REIT engages with its stakeholders through various means to reduce and recycle waste. Every Classic Hotel guest is greeted with a welcome note to remind them to be environmentally and socially conscious during their stay.

Encouraging tenants to recycle minimises waste sent to landfills. Recycling bins are available at our properties for shoppers, guests and tenants. Authorised third-party contractors collect and dispose of the waste accordingly. These contractors are engaged several times a week, depending on the volume of waste generated.

Periodically, we run recycling campaigns across our properties to encourage the public to protect the environment. The most recent campaign was the #JomKitaRecycle at Segamat Central.



Textile waste releases methane as it decomposes. This harmful greenhouse gas is a significant contributor to global warming. Dyes and chemicals in fabrics and other

components of clothing and shoes can leach into the soil, rivers, waterways and possibly water destined for personal consumption. Subang Parade partners with Kloth Cares for its fabric recycling movement. We invite shoppers and visitors to recycle unwanted clothes and fabrics by depositing them in the Kloth Bin in the basement carpark. 615 kg of textile waste has been collected to date.



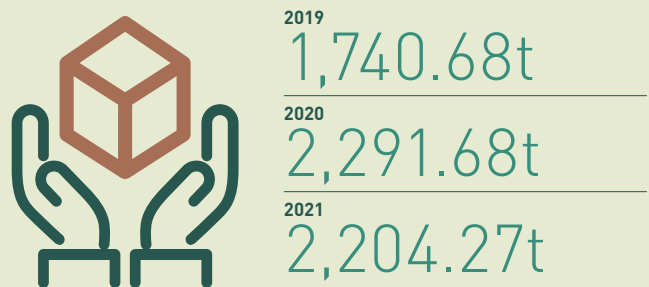
Did You Know?

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Significant environmental damage is caused by disposing of old electronics in landfills or improperly treating them. Subang Parade introduced an e-waste recycling programme that offers cash for e-waste. The Mall sends all collected e-waste to licensed recovery factories to minimise the negative effect on the environment. We will continue to encourage and educate our tenants, shoppers, guests and visitors on the importance of disposing of e-waste properly.

The majority of waste generated at our malls and hotel is domestic waste from day-to-day activities. Our solid waste disposed of in the past three years is presented below.

Solid Waste Disposed (tonnes)



Climate Change Management

Hektar REIT is committed to mitigating climate change risks. We recognise the devastating effects and associated short- and long-term business risks that climate change presents. Hektar REIT's strong commitment to addressing this issue includes avoiding the impact of climate change by improving the efficiency of operations. Our climate change strategy includes working with employees and supply chain partners on energy-saving processes and a complete climate change risk assessment.

Climate-related risk management is integrated into the REIT-wide risk scorecard. It is part of the foundation in formulating our business strategy, deciding on future R&D and investments in technology. Specifically, the REIT's climate risk management process includes mitigation efforts to reduce greenhouse emissions, climate engineering and expanding climate system knowledge.

SUSTAINABILITY STATEMENT

Inevitably, climate change affects operating costs (OPEX) and capital expenditure (CAPEX). Efficiency, output and performance of assets and equipment can decrease due to changing climate conditions. Additional CAPEX may be required due to asset damage or decreased asset performance. Further, complying with environmental regulations requires additional CAPEX for upgrading facilities or equipment to cope with increased pollution risks.

We are committed to addressing the issue of climate change and improving efficiency through adaptation by adopting new and green technology in developments and implementing fuel efficiency measures. Specifically, we have adopted a tracking system for emissions, energy use, water use and waste in our properties.

Environmental sustainability is a core consideration of MREITs. As one of the MREITs, we collaborate with industry peers to address increasingly diverse challenges around environmental performance, compliance and efficiency in the real estate industry. Our role and involvement in this membership include:

- Identifying pressing environmental issues in climate change, water and waste; and
- Collaborating on solutions that drive improvement within Hektar REIT and throughout our supply chains.

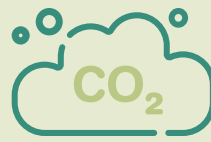
We are consistent between our climate change policy and the position we advocate in the trade associations of which we are members. When opinions contradict, we identify gaps and initiate a process that alerts us to new areas of good business practice.

Our management team, overseen by Dato' Hisham bin Othman, CEO of HAMS B, who also sits on the Board, devises strategies to manage and minimise our environmental footprint. Progress reports and proposals on energy management, climate change and pollution reduction, supported by financial indicators and Return on Investment (ROI) calculations, where applicable are presented to the Board.

Climate Change Investment

Climate change is reshaping the investment context at Hektar REIT. Given the urgency and magnitude of climate change implications, the REIT redefined its sustainable investment strategy to include a more targeted and holistic approach to climate change. Strategically managing climate-related risks and opportunities lowers our competitive risk while transitioning to a low-carbon, climate-resilient economy.

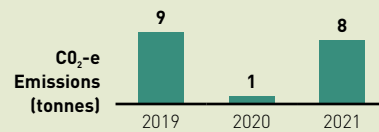
Hektar REIT has invested more than RM5.5 million on various climate change-related initiatives over the past five years. We invested heavily in R&D, advancing the building and facilities, machinery and automation such as installing chillers, repairing the cooling towers, retrofitting air-conditioning and mechanical ventilation, installing cold water systems, refurbishment and audits.



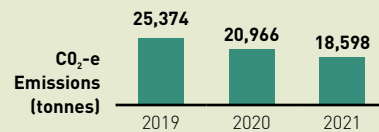
Carbon Footprint Calculations

Consolidation method for calculating carbon footprint	100% of emissions from wholly-controlled properties are calculated.
Organisational boundary in calculating carbon footprint	Accounts for 100% assets GHG emissions from Hektar REIT's portfolio

Scope 1 Coverage: entire REIT (100%) Small amounts of diesel are used to run generators in our properties. CO₂ emissions from the consumption of diesel were derived from the emission factor published by the IPCC Guidelines for National Greenhouse Gas Inventories.

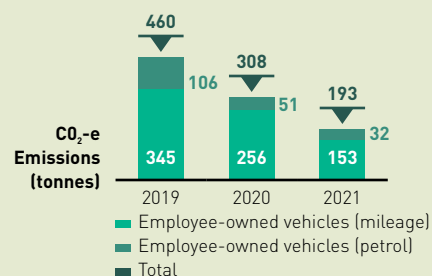


Scope 2 Coverage: entire REIT (100%) CO₂ emissions from electricity use were derived using the emission factor published by the Malaysian Green Technology Corporation for the Peninsular Grid.



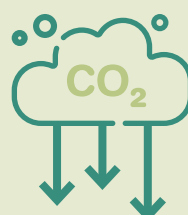
Scope 3 Coverage: Employee-owned vehicles GHG emissions resulting from employee commuting consisted of both fuel and mileage claims for employee-owned vehicles:

- Mileage claims for employee-owned vehicles were calculated using the World Resources Institute GHG Protocol tool for mobile combustion. Version 2.6.
- Petrol claims were calculated using the emission factor published by the IPCC Guidelines for National Greenhouse Gas Inventories.

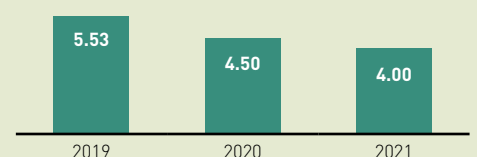


Emissions Intensity

Emissions intensity, or carbon intensity, is a better measure of the emissions efficiency of our assets. At Hektar REIT, we express emissions intensity as the amount of CO₂e emitted per gross floor area (kgCO₂e/sq.ft.).



CO₂e Emissions Intensity (kgCO₂e/sq.ft.)



Environmental Supply Chain

Hektar REIT is committed to environmental sustainability and value creation and has introduced a management policy to address issues arising from tenant operations, covering general environmental conduct and compliance. We can manage our business more efficiently and create long-term stakeholder value by leveraging technologies and analytics that optimise the use of energy, water and waste management across our properties.

Our Environmental, Safety and Health policy is readily available to all employees, tenants, suppliers and service providers.

Society

Hektar REIT's community investment principles are aligned with the focus areas of building well-being and developing local communities. Closely aligning the business strategy with community investment produces better outcomes for the REIT and local communities.

We help protect the socioeconomic welfare of the community through *zakat* collections. *Zakat* is an Islamic religious "tax" distributed to the poor, needy and other beneficiaries. Eligibility criteria are derived directly from the *Qur'an*. In March 2021, Pusat Pungutan Zakat Wilayah Persekutuan offered Hektar REIT to be a distributor to receive Zakat Wakalah amounting to RM14,994.

We also support the local community through local hiring. Providing local jobs helps develop the local economy and enhances their living standards. Our hiring practices consider employing underprivileged groups such as those from deprived backgrounds and in 2021, considered the hiring of locals who had lost their jobs due to the pandemic. Hektar REIT also offers apprenticeships and graduate placement programmes to address youth unemployment.

The global pandemic has shaken Malaysia and the rest of the world. The Movement Control Order (MCO), enforced by the Government, affected many individuals and suspended businesses. Vulnerable members of the community, such as the B40 Group and daily income earners, were particularly affected. Fellow front-liners were called to duty and had been working around the clock during the pandemic.



In 2021, our community investment contributions focused on alleviating the socioeconomic challenges that our tenants and the local community faced in light of the pandemic and MCO.

A total of RM55,000 was spent on donations and community investments to registered not-for-profit organisations in 2021.



"Let's Share Because We Care"

When the pandemic started, we pulled together to care for our neighbours. Subang Parade established a food bank, which provided essential relief efforts during the pandemic. The Mall collaborated with YB Michelle Ng Mei Sze, the assemblywoman of the Selangor State Legislative Assembly (Ahli Dewan Undangan Negeri) for Subang Jaya, on this initiative. The collected items have been distributed to 1,600 Subang Jaya residents to date.

Meanwhile, Wetex Parade introduced a CSR Dropbox in collaboration with YB Syed Saddiq Syed Abdul Rahman, the Member of Parliament for Muar. The public could donate daily necessities to families affected by the pandemic. Wetex Parade and our hospitality asset, Classic Hotel, executed similar food aid, donation Drop boxes and distribution.

Several of our properties also prepared, packed and distributed food for 150 Food Banks during *Ramadhan* as part of the Food Bank donation drive. The recipients broke fast with the prepacked food and received groceries and donations.

Tautan Mesra

Wetex Parade and Classic Hotel organised a donation drive to collect necessities for the elderly in Pusat Jagaan Sinar Kasih, Muar, Johor, in collaboration with Moet Glory Services Sdn Bhd.



SUSTAINABILITY STATEMENT



Contribution to Frontliners

The COVID-19 pandemic has been challenging and placed significant pressure on the national healthcare system. Our healthcare workers continue to devote their time and energy to contain the pandemic. We are humbled by their immense sacrifice, invaluable dedication, commitment and unwavering effort in managing the pandemic. Often, they risk their own lives for the benefit of the people, community and the nation.

Mahkota Parade worked with Seleria Food Court to donate food and beverages to frontline workers at Balai Bomba Kubu, Hospital Melaka, Balai Polis Melaka Tengah and Balai Polis Pelancong. These donations were made in appreciation

of the frontliners' sacrifices, including being separated from their families during the festive season.



Kempen Kraftangan Malaysia

Mahkota Parade held a 'Kempen Kraftangan Malaysia', or Malaysian Handicraft Campaign, from 6 December 2020 to 2 May 2021. This event allowed 22 local craftsmen to promote their design crafts. The younger generation also learned about Malaysian handicrafts and explored the unique works of handicraft in the country.

Peaceful Blessings 2021

Wetex Parade partnered with Pusat Khidmat Rakyat Parlimen Bakri and Sunshine World Construction in welcoming the year of the Ox. The collaboration helped an impoverished local fisherman who could not repair the roof of his house. We completed the repair work in five days and were happy to spread joy by helping those in need during the festive season.

A Warm and Blessed Aidilfitri

The Management teams of Wetex Parade, Classic Hotel and MOET Glory Services Sdn Bhd visited an old folks' home in Pusat Jagaan Sinar Kasih on 5 May 2021 in conjunction with the 2021 Aidilfitri celebration. The representatives in attendance distributed green packets and donated food, reusable face masks and necessities to the elderly.

Central Square also launched 'Tabung Syukur Ramadhan' to raise funds for purchasing groceries and prepacked food for those in need. The Mall also held a food giveaway distributing 250 packs of 'ketupat' to shoppers for 5 days in Ramadhan.

Kulim Central celebrated the season of gratitude and giving by packing and distributing 400 packs of 'bubur lambuk' to the surrounding community for two days during Ramadhan.

Blood Donation Drive

According to the Red Cross, someone needs blood every two seconds. It is essential for surgeries, cancer treatment, chronic illnesses and traumatic injuries. Whether a patient receives whole blood, platelets or plasma, this lifesaving care starts with one person making a generous donation.

Wetex Parade collaborated with the following organisations on running blood donation drives in 2021:

- The Blood Bank of Hospital Muar
- Persatuan Liu Gui Tang Johor Utara
- Koperasi Perniagaan Guru-Guru Muar Berhad
- The National Blood Bank

Kulim Central and Segamat Central held similar blood donation drives in most months of 2021.

We saw 5,887 donors including our employees participating in the various blood donation drives organised at our properties in 2021. We extend a token of appreciation to those who volunteered and took part.

Back to School

Hektar REIT has a policy and is committed to protecting children's rights. We uphold the Child Act 2001 (Act 611), which is the country's legislation for the protection and care of children.

Every child has a right to education. Going back to school is exciting for all children but can burden some parents. School supplies such as stationery and school uniforms can be expensive.

With that in mind, Central Square took part in the 'Back to School' programme by extending RM100 cash vouchers to 140 underprivileged or deserving pupils to help them purchase stationery and school uniform in preparation for the new school term.



COVID-19 Donation

The Malaysia REIT Managers Association (MRMA) donated RM100,000 in 99-Speedmart cash vouchers to alleviate the suffering of local communities in Selangor and Kuala Lumpur. The recipients could exchange the vouchers for food, groceries, personal hygiene products and other essential goods.

These communities were adversely affected by COVID-19 and the various resulting lockdowns since 2020, including the EMCO in Selangor and some localities in Kuala Lumpur.

The money was raised by 23 MRMA members, including Hektar REIT. We will continue to stand together with our industry peers in supporting the community whose livelihoods and survival have been jeopardised.

Fifty portions of prepacked food were donated to taxi drivers around Kuala Muda at Central Square’s taxi station as part of our ‘Sumbangan Bakul Makanan’ Programme led by YB Robert Ling the assemblyman in the Kedah State Legislative Assembly (Ahli Dewan Undangan Negeri) for Sidam, Kuala Muda Negeri Kedah. Central Square also hosted the distribution programme of 150 portions of ‘oden’ to shoppers via a drive-through facility. This initiative helped the people cope with the lockdown crisis.

Central Square also held a Malaysia Day Charity Programme in collaboration with Jabatan Bomba & Penyelamat Negeri Kedah to distribute donations contributed by shoppers to Sungai Petani residents.



Unity In Diversity

The pandemic has served as a stark reminder that shared prosperity depends on the collective health, safety and well-being of those around us. Employees are our greatest asset; our success is mainly due to their commitment, motivation and talent. We are proud to stand by employees during these difficult times as we navigate this crisis together.

Labour Standards

Hektar REIT’s success is dependent on having a world-class workforce and a culture defined by its corporate values. We continued to develop a great and conducive working environment throughout FY2021 by providing quality leadership, learning and engagement, diversity, equity and inclusion for all employees.

Our stringent yet fair employment standards and practices are stipulated in the Employee’s Code of Ethics and Conduct. Our position is communicated to all employees in English as it is the most commonly used business language. The Code of Ethics and Conduct is also translated and available in Bahasa Malaysia for employees who are more familiar with the national language.

We adhere to local labour laws during recruitment, with preference given to hiring locally to help boost the nation’s economy and address issues on youth unemployment.

There were no (0) cases of noncompliance with labour standards reported during the year.

Employee Engagement and Satisfaction

The last two years have brought unprecedented, fundamental and long-term changes to the workplace and workforce. Remote working has affected workers’ motivation and well-being. Hektar REIT must adapt to these challenges to remain resilient and retain talent. Our long-standing commitment to employee engagement and satisfaction stands strong.

The pandemic forced new ways of working that were daunting to many. Hektar REIT engaged with its employees by providing timely updates on work processes and rotating schedule arrangements. Working-from-home schedules were communicated with employees to offer some peace of mind during this uncertainty. The Human Resources team also ensured that employees stayed connected despite social restrictions. Regular online activities and ‘catch up’ sessions ensured that employees remained as connected and motivated as possible.

Despite the pandemic, the Management continued to hold regular meetings, townhalls and other employee engagement sessions throughout the year.

Turnover Rates



Indicator	FY2019	FY2020	FY2021
Employee Turnover Rates (%)	26.49	13.74	24.84
By gender (%)			
Female	8.44	6.14	13.84
Male	18.05	7.60	11.01
By age Group (%)			
< 30	12.52	4.39	7.55
30-50	11.06	7.60	13.84
> 50	2.91	1.75	3.46

SUSTAINABILITY STATEMENT

The Management also provided financial assistance of between RM1,000 to RM1,500 to each staff member affected by the major floods affecting Selangor in December 2021. Help was also provided in the form of cleaning employees' houses.



Benefits

Hektar REIT's salary policy follows the principles of fairness and reasonableness. The policy centres around the principle of equal pay for equal work, provided the basic terms are the same. Remuneration investigations ensure that all basic salaries exceed the minimum wage required by law.

Hektar REIT offers a competitive remuneration package in line with industry standards, including comprehensive medical coverage, parental leave and all mandatory leave, retirement contributions, allowances, memberships (club and professional memberships) and long-service awards.

Employees Years of Service

Period	FY2019	FY2020	FY2021
Below 2 years	115	76	56
2 to 5 years	121	139	131
6 to 9 years	45	62	48
10 years and above	69	66	67

Employees' wages comply with all applicable Malaysian laws such as working hours, minimum living wages, overtime hours and legally mandated benefits. We compensate workers for overtime with higher rates than the stated regular hourly rates in compliance with Malaysian law. We also try to eliminate excessive working hours by limiting them.

Maintaining Workplace Safety and Health

Hektar REIT recognises the importance of protecting the health and safety of all stakeholders. We take effective and practical steps to minimise the adverse impact on health and safety from business activities. We abide by the Occupational Safety and Health Ordinance and other relevant legislation in all our properties.

Each Occupational Safety and Health Committee is headed by a Chairman and consists of a secretary, employer representatives and employee representatives.

Composition of Our Occupational Safety and Health Committees

Property	Chairman	Secretary	Employer Representatives	Employee Representatives
Corporate (Group)	1	1	5	16
Subang Parade	1	1	3	3
Mahkota Parade	1	1	2	8
Wetex Parade	1	1	5	6
Central Square	1	1	3	5
Kulim Central	1	1	3	3
Segamat Central	1	1	4	5
Classic Hotel	1	1	2	3

We also introduced a Health and Safety Policy, which documents our expectations and formalises our commitment to a safe and healthy workplace. Strict incident-reporting protocols ensure:

- Incidents are escalated to the relevant departments; and
- Timely corrective action is taken to prevent recurrences.

Safety Statistics in 2021 at a Glance

Indicator	Performance
Employees	
Fatalities (cases)	0
High consequence work-related injuries (cases)	0
Recordable work-related injuries (cases)	2
Number of days without accident (cases)	2,005
Non-Employees	
Fatalities (cases)	0
High consequence work-related injuries (cases)	0
Recordable work-related injuries (case)	1
Number of days without accident (days)	2,254

We have an additional responsibility to ensure tenants, customers, shoppers, guests, visitors and contractors enjoy a healthy and productive environment.

We tested the indoor air quality and cleaned the air ventilation ducts in all properties in accordance with local legislation. Mandatory maintenance works continued throughout the MCO as they were essential for the safety of our properties and stakeholders. Contracted companies are expected to comply with the REIT's safety requirements.

We conduct fire drills and evacuation exercises to raise the awareness of tenants and visitors on fire hazards and safety. These exercises covered safety principles, fire hazards, preventive gear and exit routes. As the pandemic disrupted most of the year, we only conducted fire drills at two of our properties: Central Square and Kulim Central.

We also provided new Personal Protective Equipment (PPE) in November 2021 to help all our operations staff perform their duties in a safe manner.

COVID-19 Control and Prevention

The COVID-19 pandemic reinforces the importance of effective board governance and oversight under unprecedented events. Since the beginning of the pandemic, we held meetings with the directors to:

- Assess the impact of COVID-19 on the business; and
- Discuss and review action plans for the overall interest of stakeholders.

We considered various issues when assessing current and future business impacts for different scenarios. This exercise helped us formulate appropriate crisis-response and backup plans and understand their adequacy.

General Engagement During COVID-19



Communicating safe distancing messages



Providing up-to-date information on COVID-19 across our malls and hotel and on social media platforms



Engaging with tenants regularly to understand their concerns and provide relevant support

Hektar REIT established a dedicated COVID-19 Emergency Team communication group which included Top Management personnel such as the Chief Operating Officer, Chief Leasing Officer, Heads of Departments and Centre Managers. Each centre also has a dedicated COVID-19 team, including managers and Occupational Safety and Health Committee members.

We have implemented standard operating procedures (SOPs), in line with government recommendations, to manage the impact of the COVID-19 pandemic. We purchased hand sanitisers, infrared thermometers, face masks and sanitising cleaners for our properties during the year in review.

Examples of Implemented SOPs



Face masks required



Social distancing



Mandatory MySejahtera registration



Temperature scanning



Symptom screening



Travelling history and close contact declaration



Daily sanitisation and cleaning of common areas



Working from home arrangement



Deferring large meetings and encouraging the use of virtual meeting facilities



Providing easy access to handwashing facilities and hand sanitiser



Monitoring the body temperature monitoring of employees twice daily

Talent Development

Hektar REIT is committed to investing in employee training and development to build a competitive and sustainable workforce. A well-structured employment career management system provides a clear progression path for all employees. The Human Resources Department of HAMSB and HPS supports the REIT with suitable training programmes and updates employees on their individual training needs and relevant courses and seminars.

Our training programmes develop employees' personal skills and capabilities. Training programmes attended by our employees covered various topics such as:

- Effective stress management through exercise
- Mental health crisis and autophobia
- Strata management in the face of MCO
- Healthy workplace webcast
- QMS training: Introduction to the Quality Management System
- QMS training: Guideline for the Quality Management System Audit
- Code of Conduct & Ethics and Whistleblowing Policy
- Awareness briefing on corruption offences of commercial organisations and managing recurrent related third-party transactions
- Understanding the Malaysian Capital Market
- Climate Change and Net Zero Journey
- Sustainable Finance and ESG for Value Creation
- ESG Risk Management and Diligence

Training Figures in 2021 at a Glance



Total training time (hours)

2,106

Average training hours per year per employee

7

Average training days per year per employee

0.88

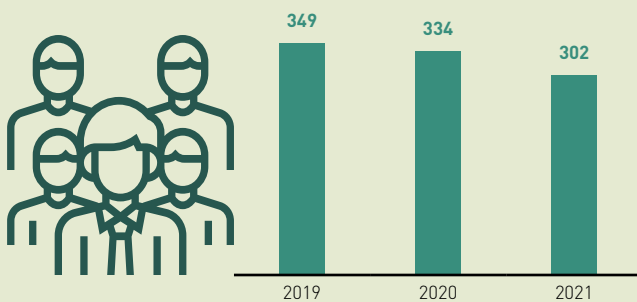
SUSTAINABILITY STATEMENT

Creating and Embracing A Diverse and Inclusive Workforce

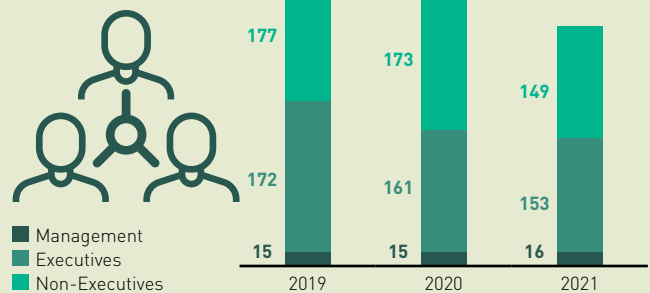
A diverse, inclusive and safe culture creates a sense of well-being, increasing engagement and delivering a solid performance. Hektar REIT maintains a zero-tolerance stance on any form of workplace discrimination.

We do not tolerate any acts of discrimination against any employee based on race, gender, age, sexual orientation, religion, caste, marital status and/or disability. This policy applies to all terms and conditions of employment, including hiring, placement, promotion, termination, layoff, recall, transfer, leave of absence, compensation and training. Hektar REIT does not discriminate in its hiring process. However, 0% of employees were disabled as of the end of 2021.

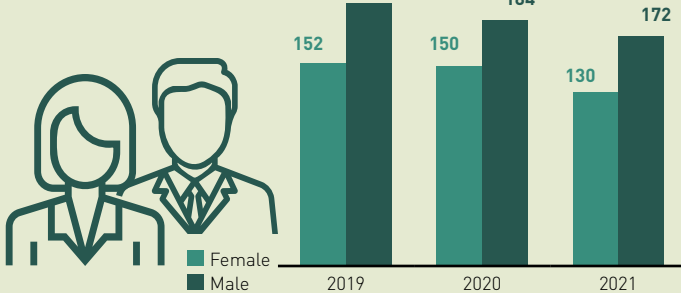
Workforce Strength



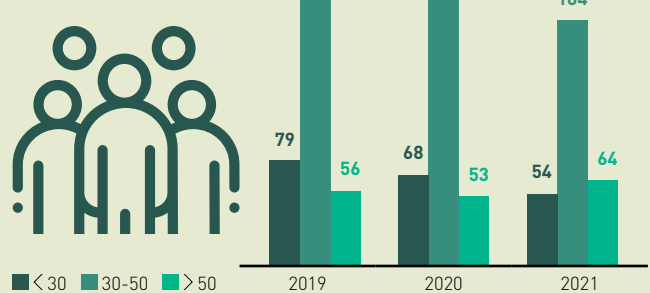
Breakdown of Employees by Category



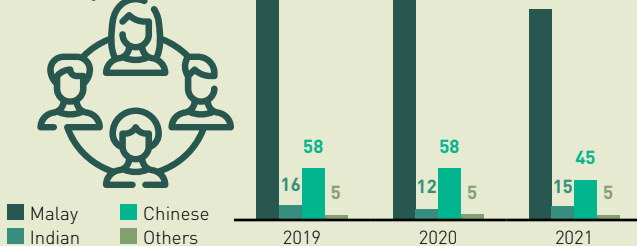
Breakdown of Employees by Gender



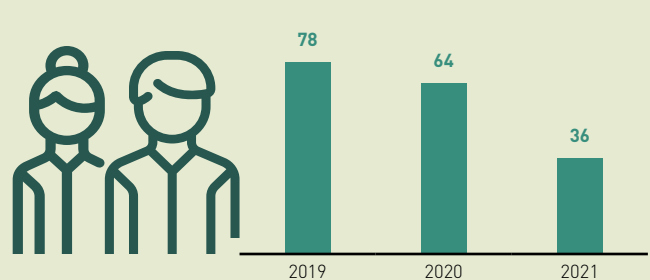
Breakdown of Employees by Age Group



Breakdown of Employees by Ethnicity



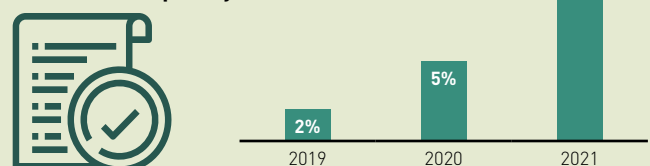
Number of New Hires



Percentage of Females in the Management (%)



Percentage of Employees Who Are Employed on Contract/Temporary (%)



Upholding Human Rights

Hektar REIT conducts business ethically and sustainably at all times. Human rights are respected throughout operations and extended to the value chain.

We abide by international human rights instruments, including the Universal Declaration of Human Rights. We adhere to all applicable employment and human rights laws where operations are based.

Freedom of Association and Collective Bargaining

Hektar REIT complies with local laws on freedom of association and collective bargaining. All business operations comply with:

- The Industrial Relations Act 1967; and
- Relevant local laws that protect workers' rights to bargain collectively in the context of the International Labour Organisation (ILO) standards.

Although we do not have a formal union in place, our employees and workers are free to join any of their choice. We support them by addressing any raised issues. However, none of our employees are members of any trade union organisations (0%).

Operating Responsibly

Our values and expectations are at the heart of everything we do. We are determined to ensure that we act with integrity across all our assets and operations, in line with our commitment to transform the shopping experience by creating places where people love to shop, dine and play.

Going Beyond Buildings

Hektar REIT hopes to bring people together from within and around its properties. Our focus is to be the "neighbourhood shopping centre" of choice.

Beyond buildings, we continue to champion various engagement activities with tenants and customers to improve their shopping experience. We delivered several key programmes despite the COVID-19 pandemic effects severely impacting operations throughout 2021.

Key Events Delivered in 2021



Deepavali henna design online contest



Deepavali kolam competition



Tik Tok Deepavali on-ground contest



Secret Santa Claus giveaway carolling



Welcome Back campaign



Animal shelter fundraising with ninja health



Online Christmas tree decoration

Boosting Tenant Sales

Hektar REIT has reached out to extend a supporting hand to shoppers. Engaging with our shoppers boosts tenant sales through marketing promotions via both physical and digital platforms.

Curbside Delivery

- For the convenience of our shoppers, we are offering curbside pickup by participating stores and restaurants at the mall entrances for shoppers to collect their purchases and orders.
- 46 F&B outlets across our six malls participated in this initiative.



Welcome Back Campaign

With the 'Welcome Back Campaign', shoppers were rewarded by picking from a "lucky pod" based on the specified minimum spend with attractive prizes and shopping vouchers offered.



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Spend & Win Campaign

Shoppers meeting the minimum spend amount were eligible to enter the Lucky Draw Contest with prizes worth up to RM13,000.



Winning in the Digital Era

Online shopping provides consumers with the ultimate level of convenience. Malls will never compete with the endless product selection, price comparisons and 'always-on' nature of online retailing. Malls must reinvent themselves to excel in the digital age. Hektar REIT is moving away from commoditised shopping experiences and embracing a broadened value proposition for its consumers.

We incorporate value-added elements that recast our malls as the new downtown, including hosting events and festive celebrations that can never be satisfied online. Using temporary, flexible spaces more effectively can help us accommodate different stores over time, such as kiosks and pop-up stores.

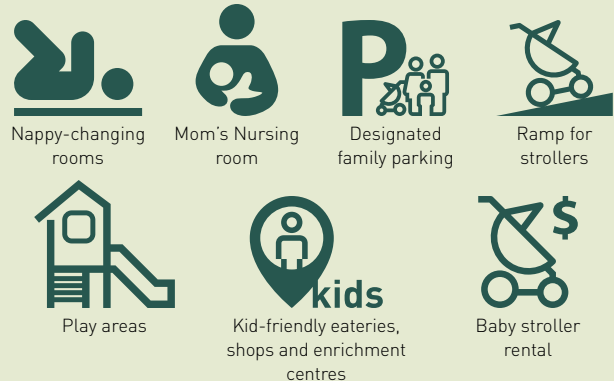
The digital transformation of retail, resulting from the pandemic, is not all bad news for malls. It presents new opportunities for malls to engage with consumers throughout their decision journeys.

Going digital helps us extend our relationships with customers before and after their visits. Our properties actively engage with customers through social media platforms with engagement rates as high as 27% on popular posts.

Creating Places for Everyone

Hektar REIT supports the community by creating places where people can shop, dine and play. We aim to provide them with an inclusive and comfortable shopping experience.

Family-Friendly Facilities at Our Malls



All of our properties are disabled-friendly to some degree as we provide:

- Amenities such as wheelchairs to customers
- Dedicated disabled parking bays
- Toilets with facilities dedicated for the handicapped
- Ramps to help with wheelchair accessibility.

Tenant Satisfaction

Tenants are key stakeholders that are pivotal to Hektar REIT's success. Good working relationships, born out of mutual respect, allow us to anticipate, understand and respond to changing tenant requirements. Periodic site visits, email correspondences, regular tenant engagement events and tenant satisfaction surveys strengthen tenant attraction and retention.

Working closely with tenants and local communities, we welcome them to be part of our sustainability journey. Together, we address social issues facing the industry such as vandalism at malls, unemployment, theft and child safety.

Operating in a Safe Environment

The Government launched the Retail Industry Vaccination Programme (RIVAC). RIVAC is a joint initiative between the public and private sectors, involving the Ministry of Domestic Trade and Consumer Affairs (KPDNHEP); the COVID-19 Immunisation Task Force; the Ministry of Science, Technology and Innovation; retail industry players and the Malaysia Shopping Malls Association. The initiative prioritised frontliners in the economic retail sector to ensure consumers could shop in a safe environment. As of 31 December 2021, 100% of our employees had completed the two-dose vaccination and we will continue to ensure that our employees participate in ongoing booster programmes as mandated by the Ministry of Health.

Hektar REIT supports this programme and views it as critical for the eventual full reopening of the industry. RIVAC is important for the safety of retail staff and safeguarding public health for those who have daily interactions with the public. Hektar REIT will continue to monitor the situation while adhering to all SOPs and has implemented measures to ensure the business sustainability of the REIT and its tenants.

We carry out regular sanitisation and disinfection during daily cleaning operations. We have also introduced effective crowd

control at all of our malls. We limit the number of people entering the premises according to the size of each shop to minimise overcrowding, especially during peak periods. These measures prevent the occupant load from exceeding the number of persons per square metres as per government guidelines.

Each mall performs daily walkabouts and other inspections to identify any safety hazards. The Duty Manager also conducts similar walkabouts on weekends and public holidays.

GRI Content Index

The GRI content index lists all GRI disclosures included in the report, including references to where they can be found in the report. The GRI standards have been used as a main reference in preparing this Sustainability Statement.

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