

We believe in building a foundation for tomorrow that is strong, sustainable, and inclusive. In achieving a sustainable future, we have embedded sustainability across our business operations and strive to minimise our impact on the environment while investing in the people and communities that surround us. We are also committed to building a portfolio that is resilient to environmental risks to protect long-term value for our stakeholders.





# FOUNDATION FOR TOMORROW

*Shaping A  
Sustainable  
Future*

# SUSTAINABILITY REPORT

## ABOUT THIS REPORT

This Sustainability Report covers AIMS APAC REIT's ("AA REIT") approach towards sustainability in our business operations and our performance and progress on material economic, environmental, social and governance ("ESG") issues for the period 1 April 2022 to 31 March 2023 ("FY2023"). Unless otherwise stated, environmental data presented in this report relates only to the 18 properties in Singapore which were under the Manager's operational control (FY2022: 19 properties) and employee-related information in this report refers to employees of the REIT Manager and of AIMS APAC Property Management Pte. Ltd. (the "Property Manager"), located in Singapore.

We publish our sustainability reports annually. This is our seventh Sustainability Report and our reports for previous years are available on our website, <https://www.aimsapacreit.com/sustainability.html>.

## Reporting Frameworks

This report has been prepared in accordance with the Global Reporting Initiative's ("GRI") Standards 2021. We have adopted GRI Standards as our reporting framework, as we believe it provides robust disclosure guidance and is widely accepted as a global standard for sustainability reporting. The full GRI content index can be found on pages 111 to 114.

This year, we have also started to adopt the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD") in

our climate change reporting in accordance with requirements from the Singapore Exchange ("SGX") and the Monetary Authority of Singapore ("MAS"). Our TCFD disclosures can be found on page 95 to 98.

This report complies with the reporting requirements of the Singapore Exchange Securities Trading Limited Sustainability Reporting Guide Listing Rules 711A, 711B and Practice Note 7.6 Sustainability Reporting Guide. This Sustainability Report has been internally audited by a third-party, BDO Advisory Pte Ltd.

## Feedback

We welcome feedback on our Sustainability Report and any aspect of our sustainability performance. Please address all feedback to [investorrelations@aimsapac.com](mailto:investorrelations@aimsapac.com).



## BOARD STATEMENT

### Dear Stakeholders,

In the last few years, we have seen a pivotal shift in the expectations of the role businesses play in society. The global pandemic has also created significant additional momentum for change by reinforcing the importance of building a sustainable business. At AA REIT, we recognise the responsibilities we have towards our various stakeholders which include investors, customers, business partners, as well as the communities we operate in, and we strive to deliver on that responsibility.

As the Board of AA REIT, we continue to provide oversight over the identification of ESG issues that are relevant and material to our business. In FY2023, we reviewed and refreshed what we have identified as our key material topics and have set new targets and commitments as part of our efforts to reinforce our sustainability focus. The identified topics have been recognised as having significant potential to impact our business and influence the decisions of our stakeholders.

In the interest of advancing our ESG agenda, we have formalised a framework to ground and guide our sustainability efforts. As we strive to embed ESG and sustainability considerations into our business and investment decisions, the framework serves to provide an overarching view as to how we think about these issues. Alongside this, we have outlined a five-year roadmap with several initiatives targeted specifically to help us achieve our ambitious short, medium and long-term ESG goals, which are measurable and strategic.

These goals include an ambitious commitment to reduce 42% of our Scope 2 greenhouse gas emissions by FY2030, from a FY2020 base year. Furthermore, this target was set in-line with the Science Based Targets initiative ("SBTi"), and in accordance with the goals of the Paris Agreement to limit global warming to 1.5°C above pre-industrial levels. This target was determined through a carbon baselining exercise which led to the identification of initiatives to reduce our carbon footprint.

In our efforts to mitigate the effects of climate change, we have taken our first steps towards assessing climate-related risks and opportunities by conducting a climate risk assessment of our portfolio and office headquartered in Singapore. The high-level results of this effort can be found on pages 97 to 98. In this year's report, we are providing disclosures in accordance with the TCFD recommendations for the first time, which include an overview of our climate governance, strategy, risk management approach, identified climate-related risks and our metrics and targets. This also marks our continued commitment towards greater accountability and transparency.

Other key environmental highlights in FY2023 included our partnership with SP Group to install rooftop solar photovoltaic ("PV") systems across six of our industrial, logistics and warehouse properties by December 2023. The total solar PV is estimated to produce a combined 14,500 megawatt-hours of energy per year, which will help avoid over 5,900 tonnes of carbon emissions.

On the social front, we remain committed to nurturing an inclusive and supportive culture. We also made

progress on diversity and inclusion, with 61% of our workforce being women and having at least 20% representation of female Directors on the Board<sup>1</sup>. We continued our efforts to provide the best environment for our employees, supporting their well-being through a series of health and wellness initiatives and ensuring the highest standards of safety, fairness and working conditions. In the community, we partnered with non-profit organisations such as the Food Bank Singapore to distribute food bundles to 100 lower-income families and Habitat for Humanity to rehabilitate home conditions for three vulnerable families. We will continue to show our support to local charities to help improve the lives of vulnerable members of the local community.

The seventh Sustainability Report for FY2023 ("SR FY2023") details our efforts and achievements made on the ESG front during the year and is the culmination of hard work by the team. We would like to express our gratitude to everyone who has contributed to our sustainability journey. Looking ahead, there is more work to be done as we look to drive sustainability trajectory within our business and operations. We look forward to providing all of you with favourable updates on our progress in our roadmap in the coming years.

### The Board of Directors

**AIMS APAC REIT Management Limited**

<sup>1</sup> As at 1 April 2023, following the stepping down of Mr Kheng Hwa as an Independent Non-Executive Director effective on 31 March 2023.



## FY2023 ESG Highlights



**Established Sustainability Framework to embed sustainability into our business strategies**

- Development of a five-year sustainability roadmap to drive ESG performance



**Inked solar partnership to add 14,500 Megawatt-hours (MWh) of renewable energy per year**

- Completed the installation of solar panels on two out of six properties in FY2023



**Achieved BCA Green Mark Gold Plus certification for 7 Bulim Street in Singapore**



**Contributed to 103 households through our community service outreach initiatives with a 72% staff participation rate**



**Reviewed and updated our Board Diversity Policy**

- Achieved target of having at least 20%<sup>2</sup> representation of female directors

<sup>2</sup> As at 1 April 2023, following the stepping down of Mr Kheng Hwa as an Independent Non-Executive Director effective on 31 March 2023.



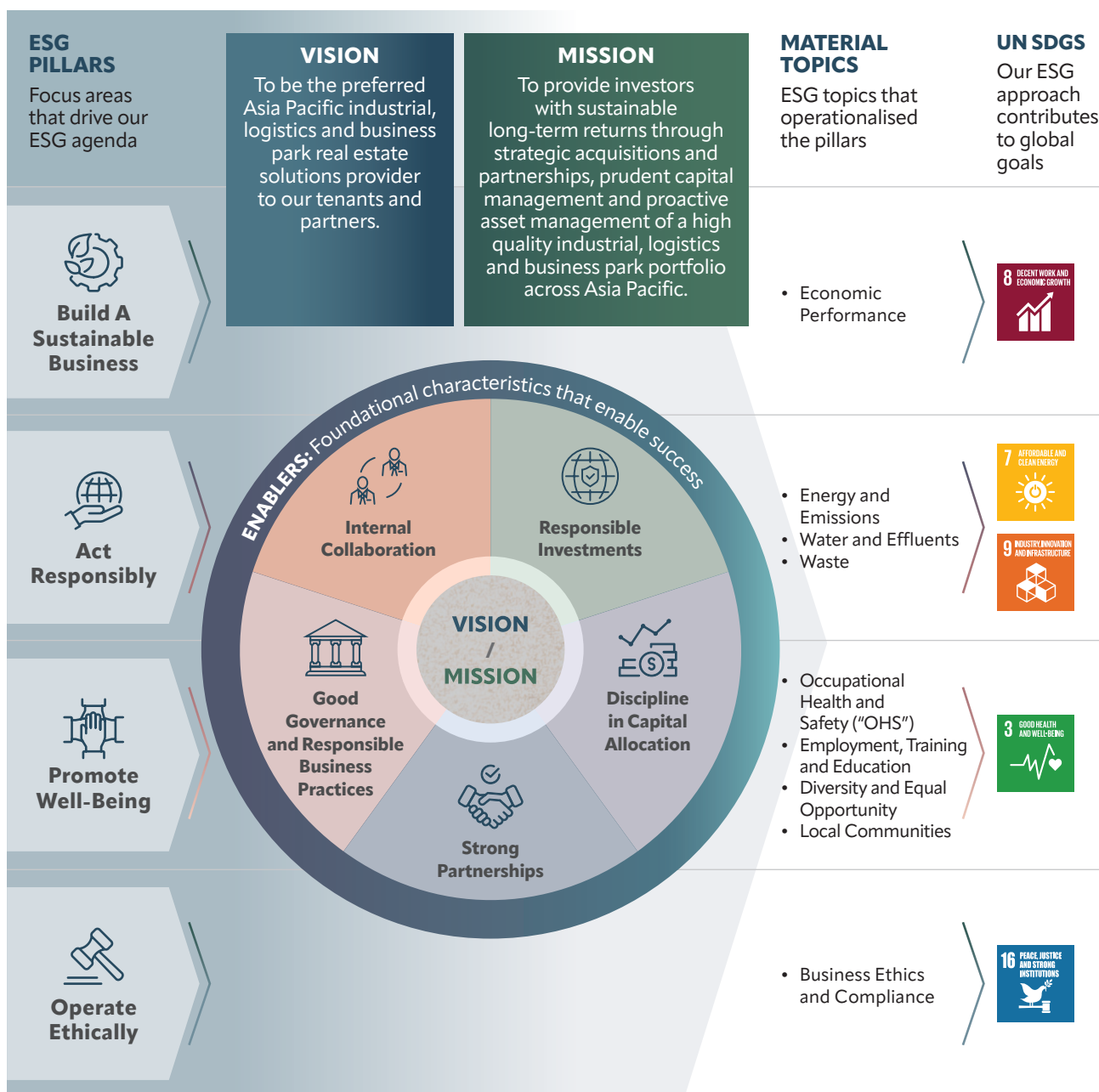
## SUSTAINABILITY FRAMEWORK

At AA REIT, we recognise that we have a role to play in creating a sustainable future and are committed to sustainable and responsible growth. We strive to embed sustainability into our business practices and processes in order to reduce any adverse environmental and social impact of our operations while playing a role in the betterment of the communities we operate in.

This year, our sustainability strategy has been reinforced by our sustainability framework that seeks to ground and guide our long-term sustainability strategy and reaffirmed by our roadmap and targets. To fulfill our duty as a responsible corporate citizen, we strive to set a firm foundation for tomorrow by creating positive economic, environmental and social impact. To this end, we have developed and implemented relevant policies, procedures and

practices to manage sustainability issues efficiently across our business operations.

Our sustainability framework supports the vision of the UN Sustainable Development Goals ("UN SDGs") and we have adopted five of the 17 SDGs which are most applicable to our business and our ESG material topics.





# SUSTAINABILITY REPORT

## SUSTAINABILITY GOVERNANCE

We believe that sustainability, together with accountability and transparency, is a tenet of good governance. Our ESG framework is supported by a strong governance structure which involves the Board of Directors and senior management's commitment and oversight on ESG priorities. ESG-related indicators are also integrated into the Key Performance Indicators as part of the annual appraisal process for employees from relevant functions. All members of the Board of Directors have also received ESG training.

## SUSTAINABILITY GOVERNANCE STRUCTURE



### BOARD OF DIRECTORS

AA REIT's Board of Directors provides strategic directions and oversees the determination and management of material ESG factors and targets of the REIT. The Board of Directors receives quarterly updates from the Sustainability Council.



### SUSTAINABILITY COUNCIL

The Sustainability Council ("SC") is led by the Chief Executive Officer and supported by the Sustainability Manager and comprises the heads of department from every business function. The SC is responsible for the driving of sustainability strategy and objectives, overseeing and approving the implementation of initiatives, tracking of targets for continuous improvement and reviewing of sustainability performance. The SC meets at least quarterly and is supported by the Sustainability Working Committee.



### SUSTAINABILITY WORKING COMMITTEE

The Sustainability Work Committee ("SWC") is led by the Sustainability Manager and Portfolio Manager, and is comprised of senior members across the various business function. The SWC is involved in implementing, executing and monitoring sustainability policies and practices, collecting of data and collaborating with the various business functions in managing ESG matters within the organisation. Critical concerns are communicated to the Board and Sustainability Council through the SWC. The SWC meets at least once a month.



### INTERNAL AUDIT

Independent and objective assurance and advice on all matters related to the achievement of objectives

## STAKEHOLDER ENGAGEMENT

At AA REIT, we believe that active stakeholder engagement allows us to build meaningful and mutually beneficial relationships. We regularly engage with our stakeholders throughout the year on many topics and through a variety of platforms to understand what is important to them and how our business can be a force for good. This regular, continual stakeholder engagement also keeps us abreast of evolving needs and expectations, and shapes our strategies and initiatives as we strive to remain relevant. Key stakeholders were determined based on significance of impact on and by operations of AA REIT.

Key Stakeholders	Key Topics and Concerns	Engagement Methods <sup>3</sup>	Frequency of Engagement
 <b>Employees</b>	<ul style="list-style-type: none"> <li>• Health and safety</li> <li>• Fair and competitive employment practices</li> <li>• Talent development</li> <li>• Equality and diversity</li> <li>• Compensation and other benefits</li> </ul>	• Town halls	• Bi-annually
		• Constant review of Occupational Health & Safety standards by OHS committee	• Throughout the year
		• Training and development programme	• Throughout the year
		• Recreational and wellness activities	• Throughout the year
		• Career development performance appraisals	• Annually
		• Employee Handbook	• Throughout the year

<sup>3</sup> Includes virtual engagements, where applicable.



Key Stakeholders	Key Topics and Concerns	Engagement Methods <sup>3</sup>	Frequency of Engagement
 <b>Investment Community</b>	<ul style="list-style-type: none"> <li>• Sustainable distributions</li> <li>• Operational and financial performance</li> <li>• Asset and capital management</li> <li>• Business strategy and outlook</li> <li>• Timely and transparent reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Investor conferences, webinars, face-to-face meetings and Non-Deal Roadshows</li> <li>• Annual General Meeting</li> <li>• Website, announcement, management presentations, press release, webcasts of half-year and full-year results briefings</li> <li>• Results briefings and business updates for investors and analysts</li> <li>• Site visits</li> </ul>	<ul style="list-style-type: none"> <li>• Throughout the year</li> <li>• Annually</li> <li>• Throughout the year</li> <li>• Quarterly</li> <li>• Annually</li> </ul>
 <b>Current and Potential Tenants</b>	<ul style="list-style-type: none"> <li>• Quality and maintenance of assets</li> <li>• Environmentally sustainable buildings</li> <li>• Safety and security of premises</li> <li>• Tenant engagement</li> <li>• Tenant satisfaction</li> <li>• Responsiveness to tenant requests and feedback</li> </ul>	<ul style="list-style-type: none"> <li>• Tenant survey</li> <li>• Tenant meetings</li> <li>• Improving efficiency of buildings</li> <li>• Encourage and support tenants' ESG initiatives</li> <li>• Fitting-out manuals</li> </ul>	<ul style="list-style-type: none"> <li>• Annually</li> <li>• Throughout the year</li> <li>• Throughout the year</li> <li>• Throughout the year</li> <li>• Throughout the year</li> </ul>
 <b>Business Partners</b>	<ul style="list-style-type: none"> <li>• Safe working environment</li> <li>• Fair and reasonable business practices</li> <li>• Stronger relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Review of third-party service providers ("TPSPs")</li> <li>• Meetings, inspections and networking events</li> <li>• Communicating standard operating procedures (where applicable)</li> <li>• Ensuring robust health and safety requirements are met by TPSPs during the selection process and execution of contracts</li> <li>• Conveying the integrity of the procurement process</li> <li>• Screening of suppliers based on environmental and social criteria</li> </ul>	<ul style="list-style-type: none"> <li>• Throughout the year</li> <li>• Throughout the year</li> <li>• Throughout the year</li> <li>• Throughout the year</li> <li>• Throughout the year</li> <li>• Throughout the year</li> </ul>
 <b>Government, Regulators and Industry Bodies</b>	<ul style="list-style-type: none"> <li>• Business ethics and regulatory compliance</li> <li>• Good corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>• Responses to public consultations</li> <li>• Participation and membership in industry forums and associations</li> </ul>	<ul style="list-style-type: none"> <li>• Throughout the year</li> <li>• Throughout the year</li> </ul>
 <b>Local Communities</b>	<ul style="list-style-type: none"> <li>• Impact and contribution to the communities AA REIT operates in</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate social responsibility ("CSR") events</li> </ul>	<ul style="list-style-type: none"> <li>• Throughout the year</li> </ul>



# SUSTAINABILITY REPORT

## MATERIALITY ASSESSMENT






To identify the ESG factors that matter most to our business and our key stakeholders, we conduct materiality assessments on a regular basis. The materiality assessment helps us to identify and prioritise the topics to guide and set our ESG strategies. The process involves identifying ESG-related topics based on industry mega-trends and stakeholder feedback. AA REIT surveys internal and external stakeholders to rank these factors








based on their significance. Responses from the stakeholders' surveys are assessed to create a materiality matrix which is used to finalise the topics.

### Material Topics

In July 2022, the Manager completed a materiality assessment exercise. The FY2023 material topics were reviewed, refreshed and approved by the Board and Sustainability Council, after taking into consideration the stakeholders' survey results, a peer analysis and a benchmarking


assessment against established standards and frameworks in sustainability. We had also established targets for each of our key material topics and are in the process of strengthening the policies and process of the data supporting them. For FY2023, there were two new material topics, namely Waste and Diversity & Equal Opportunity. The material topics for FY2023 are presented below.

Categories	Material Topic	Targets	U.N. Sustainable Development Goal Mapping
 <b>Build a Sustainable Business</b>	Economic Performance	<b>Perpetual Target:</b> <ul style="list-style-type: none"> <li>To provide investors with sustainable long-term returns</li> </ul>	 SDG 8: Decent work and economic growth
 <b>Act Responsibly</b>	Energy and Emissions	<b>Short-term Target:</b> <ul style="list-style-type: none"> <li>To commence installation of energy-efficient fittings and equipment at 20 Gul Way and 135 Joo Seng in FY2024</li> </ul> <b>Medium-term Target:</b> <ul style="list-style-type: none"> <li>To generate 15,000 MWh of solar energy per year by FY2025</li> <li>45% of total tenants on Green Leases by FY2025 (based on number of leases)</li> <li>To actively engage tenants for the collection of Scope 3 emissions</li> </ul> <b>Long-term Target:</b> <ul style="list-style-type: none"> <li>Adopted target aligned with the SBTi criteria: commit to 42% reduction in Scope 2 emissions by FY2030, from FY2020 base year</li> </ul>	 SDG 7: Affordable and clean energy   SDG 9: Industry, innovation and infrastructure
	Water and Effluents	<b>Short-term Target:</b> <ul style="list-style-type: none"> <li>Progressively install water efficient fittings certified under the PUB's Water Efficiency Labelling Scheme (or equivalent) for toilets</li> </ul> <b>Medium-term Target:</b> <ul style="list-style-type: none"> <li>To actively engage master tenants in single-user properties for collection of water consumption data</li> </ul> <b>Long-term Target:</b> <ul style="list-style-type: none"> <li>Reduce water intensity by 18% by FY2030, from FY2020 base year</li> </ul>	

Categories	Material Topic	Targets	U.N. Sustainable Development Goal Mapping
 <b>Act Responsibly</b> (cont'd)	Waste (NEW)	<b>Short-term Target:</b> <ul style="list-style-type: none"> <li>To collect accurate waste data for all properties with operational control by end of FY2024</li> <li>To encourage waste recycling across properties with operational control</li> </ul> <b>Medium-term Target:</b> <ul style="list-style-type: none"> <li>To actively engage master tenants in single-user properties for collection of waste data</li> </ul>	 SDG 7: Affordable and clean energy   SDG 9: Industry, innovation and infrastructure
	Occupational Health and Safety	<b>Perpetual Target:</b> <ul style="list-style-type: none"> <li>Zero incidents resulting in staff permanent disability or fatality</li> <li>Conduct OHS committee meetings every quarter</li> </ul>	 SDG 3: Good health and well-being
 <b>Promote Well-being</b>	Employment, Training and Education	<b>Perpetual Target:</b> <ul style="list-style-type: none"> <li>Achieve average training hours of at least 15 hours per employee per annum</li> </ul>	
	Diversity and Equal Opportunity (NEW)	<b>Perpetual Target:</b> <ul style="list-style-type: none"> <li>Commit to fair employment practices by ensuring that all individuals receive the same opportunities for hiring, advancement and benefits</li> <li>Zero cases of validated discrimination</li> </ul>	
	Local Communities	<b>Perpetual Target:</b> <ul style="list-style-type: none"> <li>To participate in two CSR initiatives annually</li> </ul>	
 <b>Operate Ethically</b>	Business Ethics and Regulatory Compliance	<b>Perpetual Target:</b> <ul style="list-style-type: none"> <li>Zero material incidents of non-compliance with regards to anti-corruption laws and regulatory compliance</li> </ul>	 SDG 16: Peace, justice and strong institutions



# SUSTAINABILITY REPORT



## BUILDING A SUSTAINABLE BUSINESS

We are committed to delivering strong financial returns to our investors in a socially responsible manner. Our strategic investments and partnerships are structured to create a positive impact for our Unitholders and communities, while ensuring the long-term resilience of our portfolio.



## Economic Performance

AA REIT's mission is to provide investors with sustainable financial returns while making a positive impact in the communities we operate in. In FY2023, AA REIT delivered a Distribution per Unit of 9.944 Singapore cents, 5.1% higher than in FY2022. For detailed information regarding our economic

performance, please view the Financial Statements section of our Annual Report, found on pages 143 to 219 and our Capital Management section found on pages 35 to 36.

The rights of creditors, which comprise the lending banks, are protected with a healthy interest coverage ratio and gearing ratio well

below the regulated limits. Quarterly internal compliance reviews are also conducted to ensure that various capital management metrics remain compliant with loan covenants.

In driving sustainable growth, the Manager adopts a disciplined and prudent capital management approach.

## Key Initiatives in FY2023:

### Strategic planning through annual budget review exercise:

- The Manager carries out an annual budget review exercise which provides a long-term view on AA REIT's financial performance and leads to the formulation of long-term strategies for the business. To ensure accountability and responsibility, a regular review of the budget is carried out, and the overall financial performance is regularly reported to the Board.

### Review of service charges for Singapore properties to address inflationary pressures:

- In view of rising property-related costs such as labour, material and electricity, the Manager has implemented higher service charges for its Singapore properties with effect from 1 January 2023. This has allowed AA REIT to mitigate the impact of rising inflation rates.

### Entering into long-term contract with vendors to mitigate rising operational costs:

- The Manager regularly reviews expiring term contracts (e.g. cleaning services, security services). In view of rising operational costs, the Manager strives to enter into longer contract durations with vendors to reduce volatility of AA REIT's financial performance.

### Proactive hedging of interest rate risk and foreign currency risks:

- Through regular monitoring of interest rates and currency movements, AA REIT mitigates the impact of interest rate volatility and foreign currency risks via derivative financial instruments. Interest rate risks are mitigated via fixed rates borrowings and interest rate swaps. AA REIT mitigates foreign currency risks via forward currency hedges on a four-quarter rolling basis. As at 31 March 2023, 88% of AA REIT's borrowings are on fixed rates (including forward interest rate swaps) and 70% of its expected AUD distributable income is hedged into SGD.

### Maintaining strong financial flexibility:

- The Manager adopts a prudent and disciplined approach to capital management. As at 31 March 2023, AA REIT's aggregate leverage was 36.1% with an overall blended debt funding cost of 3.4%. There are no refinancing requirements until FY2025. The available committed debt facilities and cash and bank balances of S\$182.3 million provide AA REIT with the financial flexibility to manage its capital structure, to fund future developments and asset enhancement initiatives and capture any acquisition growth opportunities. Through its strong relationships with its financial institutional partners, AA REIT has access to well-diversified funding sources.

## Environmental Risk Management

We are cognisant that climate change is presenting new and growing forms of financial risks to real assets. Beyond the physical impacts of climate change, increasing regulations and changing market preferences as part of the low carbon transition are influencing investment management and performance. As we strive to future-proof our portfolio, it is also imperative to take into account longer trends resulting from climate change as well as costs associated with mitigation actions and climate risk.

In FY2023, we set out to adopt TCFD recommendations for the first time and will be implementing a phased approach towards climate reporting. This is also in line with the MAS Guidelines on Environmental Risk Management ("EnRM") for Asset Managers as well as SGX requiring listed companies from the material and buildings industry to provide climate-related disclosures based on the TCFD recommendations from FY2025 onwards. Looking forward, we will be working with third parties on climate-related scenario analysis to evaluate the exposure of our portfolio to physical and natural

hazards as well as ensure that we are prepared for changes in frequency and severity of extreme weather events.

The following section demonstrates AA REIT's approach to managing climate-related risks that may impact our business, with close reference to the four primary pillars of TCFD.

Key Components of TCFD Recommendations	AA REIT's Response
<b>Governance</b> <b>a) Describe the board's oversight of climate-related risks and opportunities.</b>  <b>b) Describe management's role in assessing and managing climate-related risks and opportunities.</b>	<ul style="list-style-type: none"> <li>The Board provides strategic directions and oversees the determination, monitoring and management of material ESG factors of the REIT. This includes: <ul style="list-style-type: none"> <li>Considering the environmental risk profile in setting the firm's strategy plan;</li> <li>Approving an environmental risk management framework and policies to assess and manage the environmental risk of assets managed;</li> <li>Setting clear roles and responsibilities of the Board and senior management relating to oversight of environmental risk; and</li> <li>Providing oversight in relation to building environmental risk management competency at the Board and management level.</li> </ul> </li> <li>Management, represented by the Sustainability Council, manages sustainability strategy and objectives, oversees the implementation of initiatives and set targets for continuous improvement. This includes: <ul style="list-style-type: none"> <li>Ensuring development and implementation of EnRM framework and policies, detailing how AA REIT incorporates environmental risk considerations in investment research, portfolio construction, risk management and stewardship practices;</li> <li>Ensuring ESG commitments align with the environmental risk profile set by the Board through short, medium and long-term lens;</li> <li>Establishing an internal escalation process for managing environmental risk; and</li> <li>Providing regular updates to the Board on material environmental risk issues.</li> </ul> </li> <li>Please refer to the "Sustainability Governance" section on page 90 for more information.</li> </ul>



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Key Components of TCFD Recommendations	AA REIT's Response
<b>Strategy</b> a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.  b) Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning.  c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<ul style="list-style-type: none"> <li>• Management has integrated environmental risk into the existing Enterprise Risk Management process and accounts for environmental risk considerations in its investment process and at a portfolio level, which are monitored and appropriately managed where the risk is material.</li> <li>• Management has conducted a qualitative assessment of climate-related transition and physical risks for all its properties, considering short-term, medium-term to 2030 and long-term to 2050 time horizons per SGX recommendations for a phased TCFD approach. Please refer to page 97 for more information on the scenarios considered.</li> </ul>
<b>Risk Management</b> a) Describe the organisation's processes for identifying and assessing climate-related risks.  b) Describe the organisation's processes for managing climate-related risks.  c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	<ul style="list-style-type: none"> <li>• The Board will periodically review the existing Enterprise Risk Management policy to ensure that environmental and climate-related risks are being appropriately captured and assessed to manage potential and actual impacts of environmental risk.</li> <li>• AA REIT acknowledges that achieving our sustainability goals will require building sustainability capabilities across our organisation. As such, we will introduce training and development programmes to upskill employees and Board members on the topic of environmental and climate-related risks.</li> <li>• Please refer to pages 97 to 98 for more information on AA REIT's climate-related risks identification and assessment process.</li> </ul>
<b>Metrics and Targets</b> a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.  b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.  c) Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	<ul style="list-style-type: none"> <li>• Climate-related and environmental metrics such as energy consumption and intensity and Scope 1 and Scope 2 GHG emissions are disclosed in the Energy and Emissions section of this sustainability report. Please refer to page 99 for more information on AA REIT's target for energy and emissions.</li> <li>• AA REIT currently has long-term emissions reduction goals. Moving forward, AA REIT is exploring additional metrics and targets to measure relevant environmental risks and opportunities.</li> </ul>

In FY2023, AA REIT conducted our inaugural qualitative environmental risk assessment and scenario analysis exercise to identify and assess the potential impacts of:

- Transition risks<sup>4</sup>, under the Network for Greening the Financial System ("NGFS") net zero scenario and a business-as-usual ("BAU") scenario
- Physical risks<sup>5</sup>, under the Intergovernmental Panel on Climate Change ("IPCC") RCP 2.6 (1.5°C) scenario and RCP 8.5 (4°C) scenario<sup>6</sup>

The net zero scenario assumes that the global mean temperature increases by the year 2100 from

pre-industrial levels would be 1.5°C or less and will attract higher transition risks arising from the regulatory, market and technological changes in a lower-carbon and more environmentally sustainable economy.

The BAU scenario assumes that global mean temperature increases by the year 2100 would be more than 4°C, with higher physical risks arising from changes in the physical environment and climate.

The identified transition and physical risks were assessed for the following time horizons:

- Short-term: Within the next 2

years (by 2025)

- Medium-term: Within the next 2 to 7 years (by 2030)
- Long-term: Within the next 8 to 27 years (by 2050)

These time horizons are in-line with TCFD, IPCC and NGFS scenario analysis guidance.

The risks considered can be categorised as transitional risks and physical risks, and are listed in the table below.

Risk Type	Description	Possible Impacts and AA REIT's Response
<b>Transition Risk</b>		
<b>Regulatory and policy</b>	The risk of loss resulting from failure to comply with laws, regulations, contracts or court decisions relating to the impacts of climate change.	<ul style="list-style-type: none"> <li>• Mandatory climate-related disclosures (and stricter sustainability reporting requirements) would result in additional costs as regulated companies create and maintain processes for carbon emissions monitoring. AA REIT is already capturing relevant data and working with stakeholders to improve the quality and timeliness of that data.</li> <li>• AA REIT is assessing and managing risk of capital financing being affected by non-compliance with GHG disclosure requirements by collecting and disclosing energy consumption and GHG emissions.</li> </ul>
<b>Reputational</b>	The risk of damage to an organisation's image and brand as a result of its actions or perceived inaction on climate-related issues.	<ul style="list-style-type: none"> <li>• AA REIT is managing potential reputational risks through regular and robust stakeholder engagement. Please see pages 90 to 91 for more information on AA REIT's stakeholder engagement efforts.</li> </ul>

<sup>4</sup> Transition risks arise from the process of shifting towards a low-carbon economy, and can include regulatory changes, disruptive technological developments, and shifts in consumer and investor preferences.

<sup>5</sup> Physical risks arise from the impact of weather events and long-term or widespread environmental changes and can include increased severity of extreme weather events such as floods, rising mean temperatures, sea levels and weather patterns.



# SUSTAINABILITY REPORT

Risk Type	Description	Possible Impacts and AA REIT's Response
<b>Transition Risk</b>		
<b>Market</b>	The risk of financial loss resulting from market changes.	<ul style="list-style-type: none"> <li>AA REIT understands that less desirable properties in locations vulnerable to climate change may lead to reduced occupier/tenant demand, reduction in customer base and reduced asset value and are incorporating such considerations into our investment approach.</li> <li>We understand that inability to meet or keep up with market expectations for green technologies may result in the loss of competitive edge. This is one of the reasons we have endeavoured to install rooftop PV solar panels and are in the process of updating buildings with energy-efficient fittings. Please see pages 99 to 102 for more information.</li> </ul>
<b>Technology</b>	The risk of obsolescence or increased operational cost resulting from the failure to adopt new technologies or business practices that address the impacts of climate change.	<ul style="list-style-type: none"> <li>Failure to implement new technologies that have the potential to address energy/emissions/water/waste demands in the operations may lead to a loss in market share and stranded assets. AA REIT is working towards upgrading its buildings to improve energy and water efficiency.</li> <li>Neglecting the adoption of sustainable and eco-friendly technologies in the long run may lead to increased energy and operational expenditure. In FY2023, we made progress towards advancing our green technology journey by inking a partnership with SP Group to install 10.8 MWp of solar PV system which will collectively produce 14,500 MWh of energy per year, atop six of our Singapore properties.</li> </ul>
<b>Physical Risk</b>		
<b>Acute</b>	Extreme weather such as flooding and fire caused property damage and business disruption.	<ul style="list-style-type: none"> <li>AA REIT is aware that flooding events may damage properties and disrupt the use of facilities. We are carefully monitoring this risk.</li> <li>AA REIT is carefully monitoring fire events in Australia that may damage facilities and disrupt use of facilities.</li> </ul>
<b>Chronic</b>	Long-term, persistent impacts of climate change on an organisation's assets, operations and supply chains.	<ul style="list-style-type: none"> <li>Extreme weather and rising temperature lead to higher cost of refurbishments and expense of up-front countermeasures and property insurance premium. AA REIT is carefully monitoring these risks.</li> </ul>

Following the identification of climate-related risks, we are in the process of reviewing existing and potential mitigation actions to address and abate these risks, and will provide an update on our progress in our next Sustainability

Report. We will be enhancing our Enterprise Risk Management Framework to identify, assess, monitor and manage climate-related risks and opportunities across our portfolio and are looking into conducting regular scans for

exposure of our existing properties to physical risks and periodic climate-risk assessment to identify potential exposure to any new environmental risks or changes to prevailing environmental risks amid an evolving ESG landscape.



## ACTING RESPONSIBLY

As a responsible corporate citizen, we strive to reduce our impact on the environment. We do so by working closely with our customers, developing and obtaining the necessary credentials for sustainable buildings and the generation of renewable energy.

## OUR APPROACH

▼  
Track, manage and reduce emissions and water consumption

▼  
Encourage recycling and minimise waste generation

▼  
Invest in energy-efficient fixtures and new technologies to improve the performance of our assets

▼  
Review, calibrate and adopt ESG criteria in our investment and redevelopment processes

## Our Progress

► FY2023 Targets	► FY2023 Achievements	► Targets
<b>Energy and Emissions</b>		
<ul style="list-style-type: none"> <li>Invest in new projects and existing properties to improve energy efficiency</li> <li>Explore integrating new sustainable practices into our business operations</li> <li>Measure and disclose our Scope 1 and 2 emissions in the medium-term with a view to include Scope 3 emissions in future</li> </ul>	<ul style="list-style-type: none"> <li>Inked solar partnership with SP Group for the installation of 10.8 MWp of solar PV system which will collectively produce 14,500 MWh of energy per year, atop six of our Singapore properties</li> <li>Completed carbon baselining exercise to benchmark our carbon footprint and AA REIT is reporting its Scope 2 emissions in SR FY2023</li> </ul>	<p><b>Short-term Target:</b></p> <ul style="list-style-type: none"> <li>To commence installation of energy-efficient fittings and equipment at 20 Gul Way and 135 Joo Seng in FY2024</li> </ul> <p><b>Medium-term Target:</b></p> <ul style="list-style-type: none"> <li>To generate 15,000 MWh of solar energy per year by FY2025</li> <li>45% of total tenants on Green Leases by FY2025 (based on number of leases)</li> <li>To actively engage tenants for the collection of scope 3 emissions</li> </ul> <p><b>Long-term Target:</b></p> <ul style="list-style-type: none"> <li>Adopted target aligned with the SBTi criteria: commit to 42% reduction in Scope 2 emissions by FY2030, from FY2020 base year</li> </ul>
<b>Water and Effluents</b>		
<p>Measure and evaluate the long-term sustainability of our water performance data and identify new water efficiency opportunities within our portfolio and new developments</p>	<ul style="list-style-type: none"> <li>Commenced toilets upgrading and the installation of water efficient fittings for one Singapore property</li> <li>Introduced initiatives to improve water management in properties</li> </ul>	<p><b>Short-term Target:</b></p> <ul style="list-style-type: none"> <li>Progressively install water efficient fittings certified under the PUB's Water Efficiency Labelling Scheme (or equivalent) for toilets</li> </ul> <p><b>Medium-term Target:</b></p> <ul style="list-style-type: none"> <li>To actively engage master tenants in single-user properties for collection of water consumption data</li> </ul> <p><b>Long-term Target:</b></p> <ul style="list-style-type: none"> <li>Reduce water intensity by 18% by FY2030, from FY2020 base year</li> </ul>



# SUSTAINABILITY REPORT

## Our Progress

### ► FY2023 Targets

### ► FY2023 Achievements

### ► Targets

#### Waste [NEW MATERIAL TOPIC]

Not applicable

#### Short-term Target:

- To collect accurate waste data for all properties with operational control by end of FY2024
- To encourage waste recycling across properties with operational control

#### Medium-term Target:

- To actively engage master tenants in single-user properties for collection of waste data

## Green Buildings

We recognise the role green buildings play in reducing negative impacts on the environment as well as the importance of green building certification standards to help attract and retain customers who value sustainability. As at 31 March 2023, we have four buildings with green building certifications in our portfolio, of which 7 Bulim Street in Singapore obtained the Building and Construction Authority ("BCA") Green Mark Gold Plus in FY2023.

These are the green building certifications within AA REIT's portfolio:

- 7 Bulim Street, Singapore: BCA Green Mark Gold Plus
- 1A International Business Park, Singapore: BCA Green Mark Gold
- Optus Centre, Australia: 5-stars NABERS energy rating and 5-stars NABERS water rating
- Woolworths HQ, Australia: 4.5-stars NABERS energy rating

Going forward, the Manager will assess the feasibility of obtaining new green building certifications during the design and planning phase of new development projects, as well as during asset enhancement initiatives, where economically viable. We will also review our existing properties regularly for certification or recertification opportunities.

## Energy and Emissions

AA REIT has committed to play our part to mitigate climate change by limiting global warming to 1.5°C. We adopt a two-pronged approach — improving building energy performance and reducing our carbon emissions through innovation and advancing best practices.

### Our Performance<sup>6</sup>

Energy consumption of AA REIT's properties comes predominantly from the use of electricity for lighting, air conditioning and mechanical ventilation ("ACMV") systems and lifts which translate to

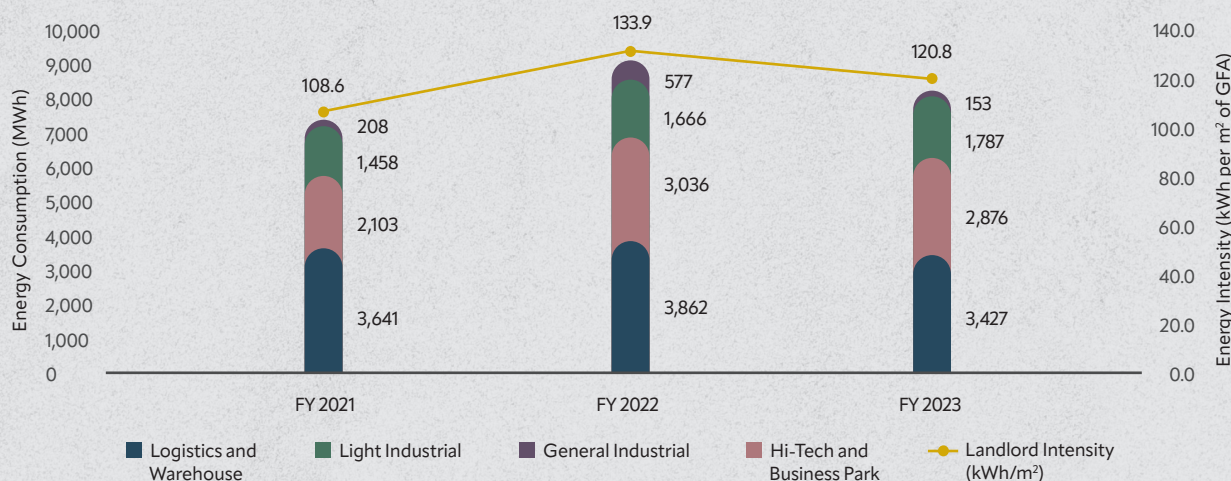
Scope 2 (indirect GHG) emissions. The energy consumption data presented in the following section reflects the landlord's energy consumption of buildings the Manager has operational control over. As the vast majority of total building carbon emissions from AA REIT's properties are from electricity use, the Manager only reports Scope 2 GHG emissions<sup>7</sup>.

In FY2023, total energy consumption for our portfolio was 8,243 MWh, a reduction of 898 MWh compared to FY2022. Correspondingly, average building electricity intensity reduced by 9.8% from 133.9 kWh/m<sup>2</sup> to 120.8 kWh/m<sup>2</sup> of common area GFA. As part of the Manager's efforts to track and improve its energy consumption, a third-party vendor was engaged in FY2022 to actively manage the efficiency of the chillers in 1A International Business Park. Since the engagement, the chiller has reported an improvement of 25% in energy efficiency.

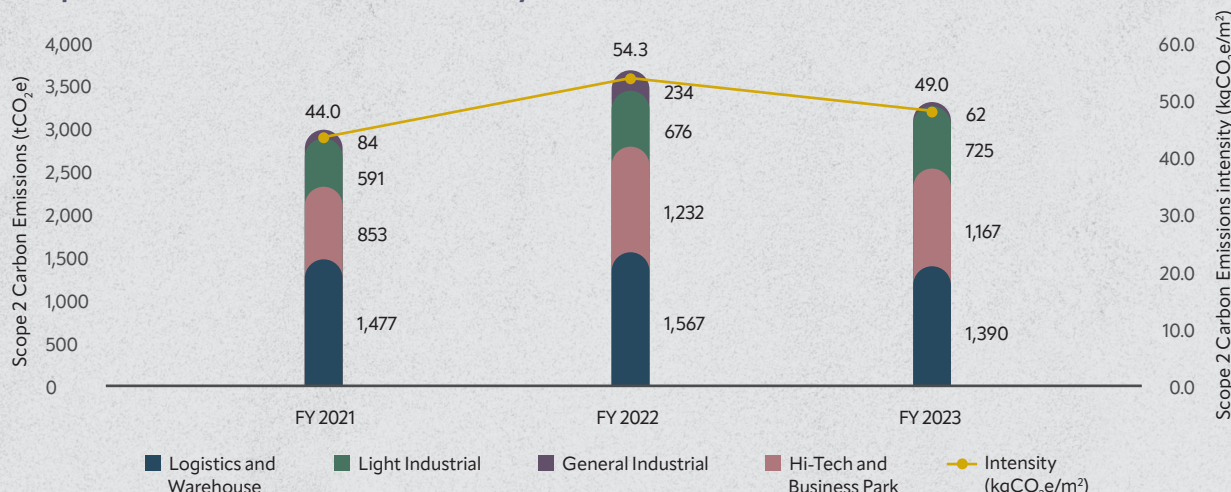
<sup>6</sup> The energy performance pertains only to the properties over which AA REIT has direct operational control. For the purpose of accurate comparison with previous years, we have conducted a like-for-like comparison by excluding the operational data from property 23 Tai Seng Drive, which was converted into a single-tenanted building in FY2023. This approach ensures that the comparison is consistent and reliable.

<sup>7</sup> Scope 1 emissions are the result of activities from a company such as combustion of fuels for boilers, furnaces, turbines, or company owned and operated vehicles, physical or chemical processing or fugitive emissions resulting from the use of refrigeration and air conditioning equipment. AA REIT's buildings are connected to the electrical grid and, while AA REIT does use diesel generators in the event of power outages and there are some fugitive emissions, these were deemed negligible in FY2023 and we have chosen not to disclose it in this Sustainability Report. Further, AA REIT does not operate company-owned vehicles. Therefore, AA REIT has no Scope 1 emissions to disclose this year, and the disclosed Scope 2 emissions are the result of purchased electricity.

## Energy Consumption and Energy Intensity



## Scope 2 Carbon Emissions and Intensity



In FY2023, the total building GHG emissions of AA REIT's properties were 3,344 tonnes of CO<sub>2</sub> equivalent ("CO<sub>2</sub>e"), a 364 tonnes decrease from 3,708 tonnes CO<sub>2</sub>e in FY2022. Average building GHG emission intensity reduced by 9.8% from 54.3 kgCO<sub>2</sub>e/m<sup>2</sup> to 49.0 kgCO<sub>2</sub>e/m<sup>2</sup> over the same period.

In FY2023, the Manager concluded a carbon baselining study for its portfolio with respect to properties under its operational control and committed to a science-based target of a 42% reduction in scope 2 emissions by FY2030, (from FY2020

base year). Following the study, the Manager has established a carbon reduction roadmap to enable AA REIT to achieve its target. The roadmap entails initiatives such as the replacement of lifts and ACMV systems to more energy-efficient models across select properties, as well as the enhancement of procurement procedures to account for ESG considerations. Through our continued efforts towards achieving our long-term goal, we have been closely monitoring our progress. This year, we made significant strides by achieving a 25.6% reduction in scope 2 emission intensity, compared

to our FY2020 carbon baseline emissions<sup>8</sup>. Our commitment to this long-term target remains steadfast, and we will continue to prioritise and invest in emission reduction initiatives to achieve our goal. The Manager intends to install energy-efficient fittings and equipment in two of its Singapore properties in FY2024. This includes the replacement of chiller at 135 Joo Seng with new energy-efficient models as well the upgrade to LED lightings at 20 Gul Way.

<sup>8</sup> Our calculation of carbon emissions and intensity for FY2020 is based on the carbon baselining study we conducted.



# SUSTAINABILITY REPORT



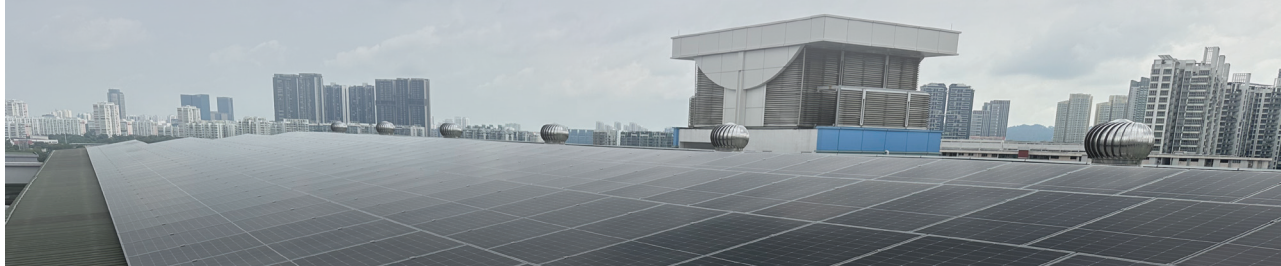
## Environment Case Study

### SOLAR PARTNERSHIP WITH SP GROUP

On 16 September 2022, AA REIT announced its partnership with SP Group, a leading provider of utilities and sustainable energy solutions in Asia Pacific, to install rooftop solar PV system across six of AA REIT's industrial, logistics and warehouse properties in Singapore by December 2023.

Upon completion, the 10.8 MWp combined solar PV system is expected to generate over 14,500 MWh of energy annually. The solar energy generated from the combined rooftop solar PV system is recognised as a renewable energy source and AA REIT will receive all the renewable energy certificates ("RECs") associated with the solar energy generated. These RECs can be used to offset carbon emissions by AA REIT.

As at 31 March 2023, the Manager has completed solar panel installations atop two of its properties in Singapore - 8 & 10 Pandan Crescent and 30 Tuas West Road. Collectively, these solar panel installations at these 2 properties have a capacity of 1.63 MWp.



### Water and Effluents

We seek to reduce our environmental impact through sustainable management of natural resources. This includes water which is a scarce resource in most parts of the world. Even though water consumption from AA REIT's business activities is negligible with most of the use of water relating to our common areas (i.e. bathrooms and pantries) and chiller plant systems, we are committed to improving water management across our portfolio of properties and to encourage our tenants to use water responsibly.

#### Our Performance<sup>9</sup>

We have adopted various water management practices to reduce water usage and actively track our

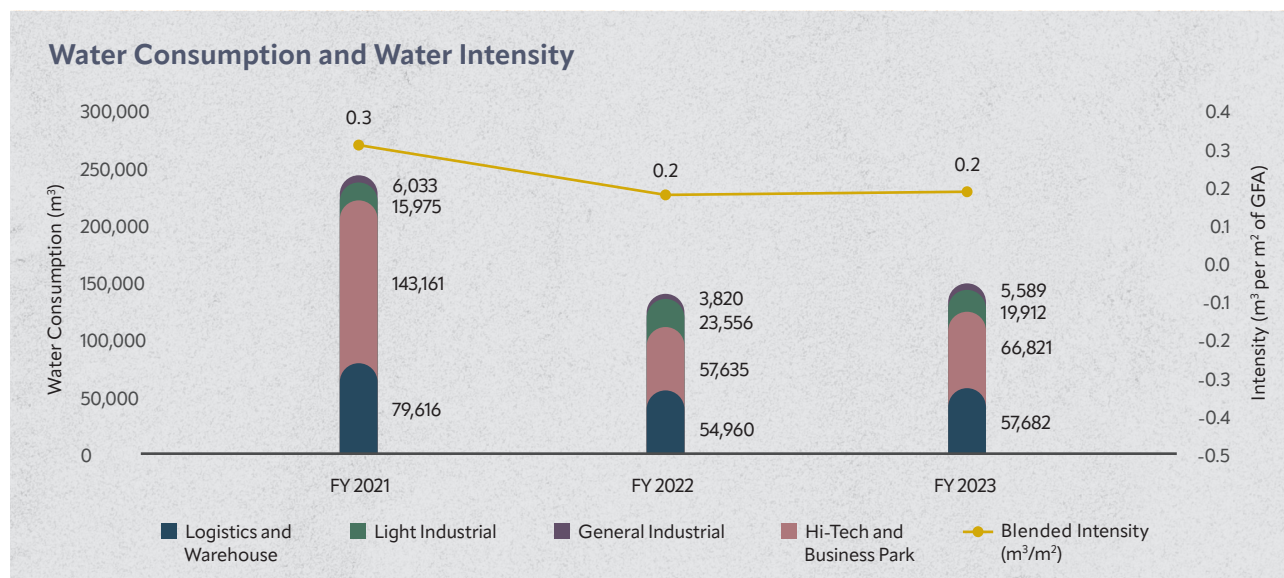
water consumption to analyse usage patterns. This allows us to identify opportunities to improve water efficiency. The Property Manager performs regular inspections on water-related systems and carries out regular maintenance to prevent and address water leakages issues. In FY2023, water conservation posters, including QR codes to report leaks to ensure fast rectifications, were placed in toilets.

The Manager also strives to install water-efficient fittings certified under the Public Utilities Board's ("PUB") Water Efficiency Labelling Scheme (or equivalent). In recognition of AA REIT's efforts in water management, two of AA REIT's properties in Singapore, 1 Bukit Batok Street

22 and 8 Tuas Avenue 20, are certified by PUB as Water Efficient Buildings ("WEBs"). In Australia, Optus Centre has attained a 5-star (Excellent) NABERS water rating. In FY2023, the Manager also commenced toilet upgrading at 15 Tai Seng, which saw the installation of water-efficient fittings. Moving forward, the Manager will progressively install water-efficient fittings for toilets during their upgrading.

In FY2023, total building water consumption for our properties was 150,004 m<sup>3</sup>, of which landlord consumption accounts for 53%. Water intensity as per landlord's consumption for FY2023 was 1.16 m<sup>3</sup>/m<sup>2</sup>.

<sup>9</sup> The water performance data pertains only to the properties over which AA REIT has direct operational control. For the purpose of accurate comparison with previous years, we have conducted a like-for-like comparison by excluding the operational data from property 23 Tai Seng Drive, which was converted into a single-tenanted building in FY2023. This approach ensures that the comparison is consistent and reliable.



## Waste

We are stepping up to improve waste practices across our business. The Manager intends to track and report the amount of waste produced and recycled in buildings with operational control in FY2024. The data collection will enable the Manager to better engage tenants with an aim to reduce waste generation at its properties, as well as establish targets to track and measure its waste management performance. As the majority of waste generated in our properties is attributable to tenant activities, the Manager aims to encourage and promote tenant awareness on recycling. By the end of FY2024, recycling bins will be set up across all buildings with operational control.

## Improving Visibility of Tenant Environmental Data

Due to the nature of our typical lease terms for single-tenant properties, we have limited visibility on our tenants' environmental data including energy, water, waste as well as GHG emissions in such properties. We recognise the importance of collecting such data which will allow us to better

engage our tenants to operate more efficiently. To this end, we have commenced engaging with our tenants in single-tenant properties to receive their environmental data and hope to be able to share our progress in our next Sustainability Report. In FY2023, we also introduced "green" clauses into our standard leases in Singapore, whereby customers are required to provide us with environmental data. As at 31 March 2023, about 15% of our tenants are on green leases and we hope to increase this to 45% by the end of FY2025.

## Supply Chain Responsibility

AA REIT strives to conduct business with vendors who share our commitment to high ethical standards and who operate in a socially responsible manner. We identify and manage issues across our supply chain through active governance and having risk management processes in place. As at 31 March 2023, AA REIT had a supply chain of approximately 150 active suppliers, including facility managers, maintenance service providers, contractors, professional consultants and financial institutions based mainly in Singapore.

Through our procurement processes, we strive to deliver the best value to our customers through the delivery of high quality products and services while reducing total costs and risks. Key practices include screening new suppliers based on environmental and social criteria depending on the nature of their services, including but not limited to safety performance track records, relevant International Organisation for Standardisation for Occupational Health and Safety Management System certifications and the National Environment Agency's ("NEA") Enhanced Clean Mark Accreditation Scheme. Service providers are also required to meet health and safety policies in the terms and conditions of their service contracts. The Property Manager conducts half-yearly performance reviews on our service providers.

# SUSTAINABILITY REPORT

## PROMOTING WELL-BEING

Our employees are our greatest assets, and we value their contributions and strive to create an environment that fosters growth, development and well-being. Some of the ways we nurture and value our employees include providing an inclusive work environment that is safe, offering opportunities for learning and growth as well as recognising and rewarding their hard work and dedication. At the same time, we are also committed to support and contribute to the well-being of our tenants as well as the local communities we operate in.

## OUR APPROACH

Development of policies and investments in initiatives to keep employees engaged and to promote employee welfare

Continue to reinforce an inclusive and supportive organisation culture which provide equal opportunities for all

Continually validate effectiveness of our health and safety-related policies and processes to ensure employees' safety and wellbeing

## Our Progress

► FY2023 Targets	► FY2023 Achievements	► Targets
<b>Occupational Health and Safety</b>		
<ol style="list-style-type: none"> <li>1. Zero instances of avoidable OHS incidents</li> <li>2. Annually review employee safety and well-being practices</li> <li>3. Enhance employee engagement</li> </ol>	<ul style="list-style-type: none"> <li>• Achieved zero instances of OHS incidents</li> <li>• OHS committee reviewed employee safety and well-being practices</li> <li>• Implemented series of team bonding activities and wellness initiatives</li> </ul>	<p><b>Perpetual Target:</b></p> <ul style="list-style-type: none"> <li>• Zero incidents resulting in staff permanent disability or fatality</li> <li>• Conduct OHS committee meetings every quarter</li> </ul>
<b>Employment, Training and Education</b>		
<ol style="list-style-type: none"> <li>1. Achieve an average of at least 26 hours of training per employee in FY2023</li> <li>2. Maintain commitment to facilitating employee development that aligns with the long-term interests of the organisation and individual</li> </ol>	<ul style="list-style-type: none"> <li>• Achieved an average of 22.4 hours of training per employee in FY2023</li> <li>• Continued to support employee development that aligns with the long-term interests of the organisation and individual</li> </ul>	<p><b>Perpetual Target:</b></p> <ul style="list-style-type: none"> <li>• Achieve average training hours of at least 15 hours per employee per annum</li> </ul>
<b>Diversity and Equal Opportunity [NEW MATERIAL TOPIC]</b>		
Not applicable		<p><b>Perpetual Target:</b></p> <ul style="list-style-type: none"> <li>• Commit to fair employment practices by ensuring that all individuals receive the same opportunities for hiring, advancement and benefits</li> <li>• Zero validated cases of discrimination</li> </ul>
<b>Local Communities</b>		
<ol style="list-style-type: none"> <li>1. Continue our outreach efforts by partnering with The Food Bank Singapore in FY2023</li> <li>2. Encourage all our employees to actively participate in CSR activities for FY2023</li> </ol>	<ul style="list-style-type: none"> <li>• Partnered with The Food Bank Singapore and Habitat for Humanity to bless 103 households</li> <li>• Achieved a total staff participation rate of 72% for the CSR initiatives</li> </ul>	<p><b>Perpetual Target:</b></p> <ul style="list-style-type: none"> <li>• To participate in two CSR initiatives annually</li> </ul>



## Employment, Training and Education

### Profile of Our Workforce

As at 31 March 2023, the REIT and Property Manager had a total of 39 permanent and full-time employees, compared to 40 staff in FY2022. In FY2023, there was a new hire rate of 44% and a turnover rate of 31%.

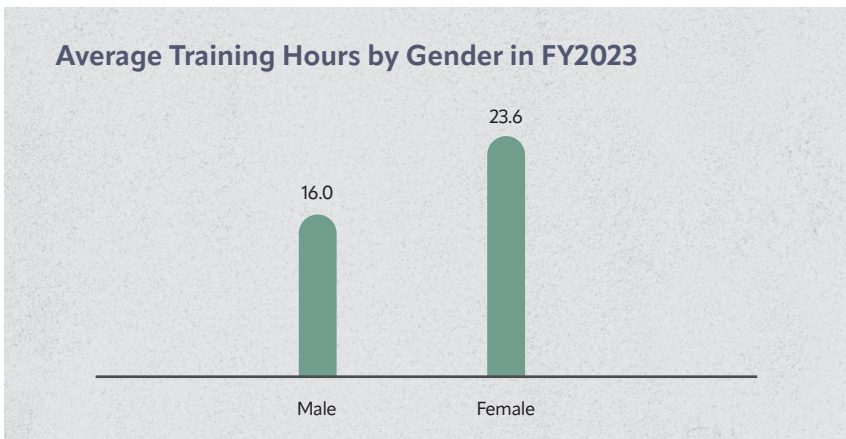
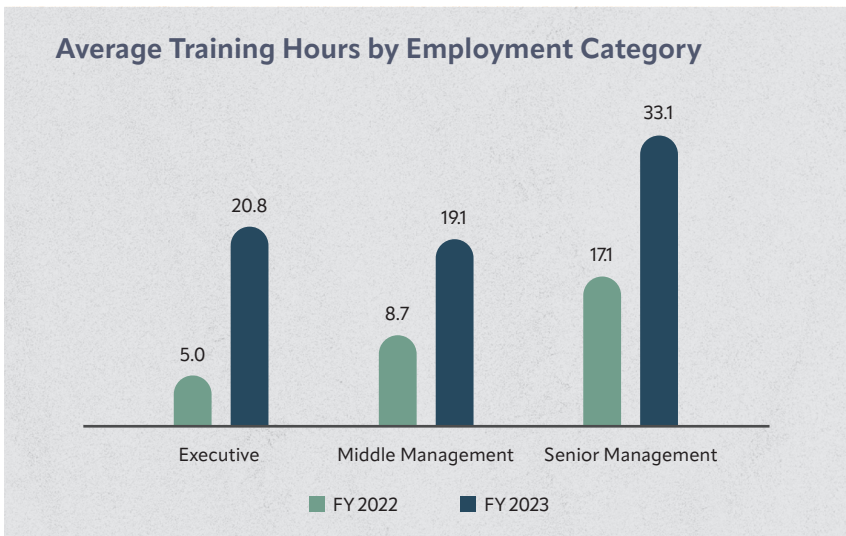
### Employee Development

We believe in fostering a culture of continuous learning and development, alongside a fair appraisal system which takes into consideration multiple factors.

We strive to provide our employees with opportunities for growth, learning and development that align with their career goals and inspirations. We support professional training for employees by fully funding relevant training courses to help employees develop new skills, broaden their knowledge and advance their career. Our Employee Handbook details for employees the ways in which AA REIT supports their training and education.

We are also committed to making all reasonable efforts to reconcile the training and development needs of our employees with their family responsibilities by ensuring that training and development will take place during the employee's normal work hours as much as possible. This ensures that employees with family responsibilities are not disadvantaged in their access to training and skill acquisition.

In FY2023, each employee received an average of 22.4 hours of training, as compared to the Manager's FY2023 target of an average of 26 hours of training for each employee. The average training hours for each



employee of the REIT Manager was 38.0 hours, whereas the average training hours for each employee of the Property Manager was 17.2 hours. In October 2021, the Property Manager internalised its facilities management function, which led to an increase in the number of employees within the Property Manager. Specifically, these employees had less regulatory mandated courses due to the nature of their job as compared to employees of the REIT Manager, which contributed to the significant difference in the training hours between the Manager and Property Manager. The Property Manager has reviewed its training policy and

implemented a list of mandated courses for its staff to ensure the level of competency and to encourage more learning and development.

Notably, approximately 26% of the staff received training on ESG-related topics. As part of its five-year ESG roadmap, AA REIT hopes to upskill more of its employees in sustainability to meet the increasing expectations of stakeholders, better manage risks and opportunities and create a sustainable and responsible workplace culture.

# SUSTAINABILITY REPORT

Training programmes span across a diverse range of topics and the following table highlights some of the training courses attended by AA REIT employees in FY2023.

Training Courses	
Training Categories	Examples of Training Programmes
<b>Finance &amp; Capital Markets</b>	<ul style="list-style-type: none"> <li>• Green and Sustainable Finance, Opportunities and Challenges</li> <li>• Capitalisation Valuation – Methods and Processes</li> <li>• Fundraising for REITs</li> <li>• APAC REITs: Current Market Trends and Impact of Rising Interest Rates</li> </ul>
<b>Business Ethics &amp; Risk Management</b>	<ul style="list-style-type: none"> <li>• Anti-Money Laundering and Counter-Terrorism Financing Refresher Training</li> <li>• REITS Rules and Ethics Course</li> <li>• Realigning Risk Management and Governance Changing Business Environment</li> </ul>
<b>Information and Technology</b>	<ul style="list-style-type: none"> <li>• Annual IT Security and PDPA Awareness Training and Updates</li> <li>• Leading in the Age of Digital Transformation for Finance Sector Organisations</li> </ul>
<b>ESG Training</b>	<ul style="list-style-type: none"> <li>• LED - Environmental, Social and Governance Essentials</li> <li>• Due Diligence on ESG risks - Why it Matters and How to Prepare for it</li> <li>• Rediscovering Renewable Energy Certificate</li> <li>• Tactical Ways to Address Sustainability in the Built Environment</li> </ul>
<b>Health and Safety</b>	<ul style="list-style-type: none"> <li>• Implement Incident Management Processes</li> <li>• Standard First Aids CPR AED</li> <li>• Response to Fire Incident in Workplace</li> </ul>
<b>Personal Improvement</b>	<ul style="list-style-type: none"> <li>• Developing Influencing Skills to achieve successful outcomes</li> <li>• Negotiation Skills</li> <li>• Cultivating Mindfulness in the Workplace</li> </ul>

The Company also adopts a fair appraisal system for all eligible permanent employees<sup>10</sup>. Staff performance is appraised based on a balance scorecard approach which focuses on agreed key performance indicators across four key areas: Financial, Customer, Internal Process, Learning and Growth. In FY2023, 100% of employees received a regular performance and career development review which allows them to receive feedback on their performance, help align their work with organisational goals, facilitate career development and enhances talent retention. Such performance appraisals are conducted in a supportive and constructive manner.

## Diversity and Equal Opportunity

We believe that an inclusive workplace that celebrates differences will improve workplace productivity and overall company performance. We are committed to valuing diversity and inclusiveness by ensuring that all our employees have equal opportunities.

As an equal opportunity employer, we strive to attract, develop and retain talent with a wide range of characteristics and from diverse backgrounds. We do not discriminate against gender, age, religion, ethnicity, disability or sexual orientation. Our employment practices are based on merit and guided by the Tripartite Guidelines on Fair Employment Practices and the

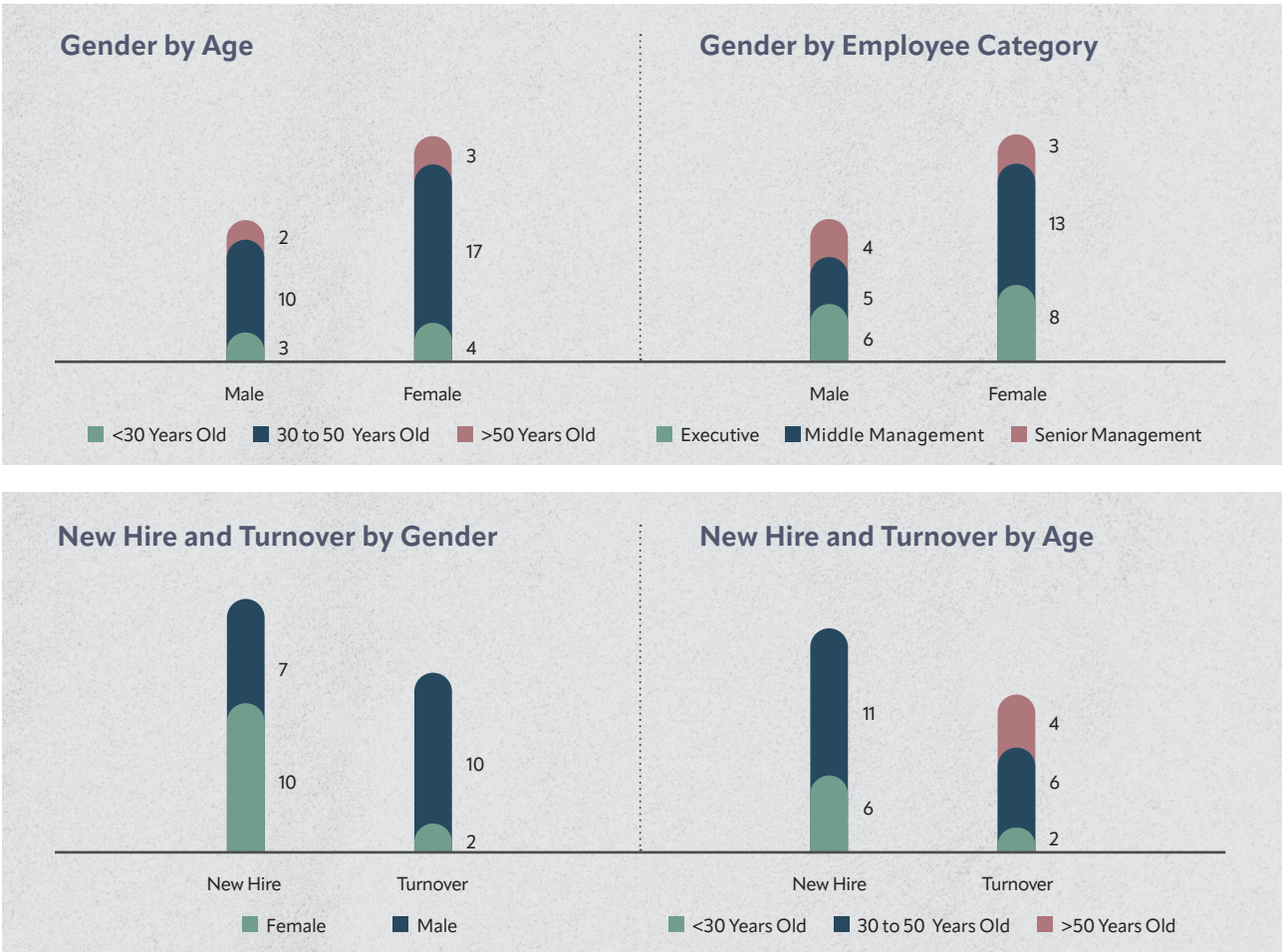
Ministry of Manpower's Fair Consideration Framework. AA REIT's Employee Handbook also prohibits any form of discrimination, victimisation, bullying or harassment.

AA REIT is also committed to create a supportive workplace for women. As at the end of FY2023, women accounted for 59% of our new hires and 62% of our total workforce. Women also held 43% of senior management role and accounted for 20% of Board representation<sup>11</sup>. AA REIT's commitment to diversity and equal opportunity extends to the Board, for which we have an aspirational target of at least 20% representation of female Directors on the Board. More details are illustrated in charts on the right.

<sup>10</sup> Eligible permanent employees exclude new hires with less than six months of service and employees who have resigned, among others.

<sup>11</sup> As at 1 April 2023, following the stepping down of Mr Kheng Hua as an Independent Non-Executive Director effective on 31 March 2023.

Employee Breakdown:



Occupational Health and Safety

Providing a safe working environment for our employees is of paramount importance to us, and we are committed to safeguarding the well-being of all employees. Therefore, we have implemented robust health and safety related policies and practices, which are regularly reviewed and updated to ensure compliance with the latest regulations and best practices. We also take into account OHS risks into our enterprise risk management framework by identifying, assessing and mitigating risks that can lead to accidents, injuries or illnesses in the workplace.

The OHS Committee, established in FY2017, oversees and drives OHS activities, including real-time review of OHS standards, implementing appropriate work practice control measures and keeping staff informed of any regulatory updates. The OHS Committee has key representatives from all departments, meets at least quarterly and is responsible for:

- Strengthening and reviewing occupational health and safety management processes, including appropriate education and training
- Implementing appropriate work practice control measures and providing regulatory updates to our staff

- Enhancing employees' risk awareness
- Organising and encouraging social initiatives to improve employees' physical and mental wellness

Our health and safety related policies such as the Workplace Health and Safety Policy and our Business Continuity Plan are made available to all employees. Furthermore, all employees are briefed on fire evacuation plans, appointed first aiders and units responsible for executing tasks during an emergency and location of our safety kit. All staff are also briefed on the Business



## SUSTAINABILITY REPORT

Continuity Plan ("BCP"), and we execute emergency drills annually to ensure that all staff are familiar with the actions they need to take during an emergency. The BCP is also reviewed regularly to reflect changes in the current operating environment and changes in the organisation.

We also take OHS considerations into our supplier selection processes, to ensure a safe and healthy workplace for our third-party service providers. Some of our efforts include:

- Screening potential service providers based on their safety performance track records
- Ensuring suppliers in Singapore are held to the required standards depending on the nature of their services (e.g. ISO 9001, ISO 14001, bizSAFE Level)
- Requiring appointed third-party service providers to meet health and safety policies that have been included in the terms and conditions of their service contracts

The Property Manager carries out routine inspections of the properties regularly to identify and address any potential hazards immediately. These routine inspections cover various aspects such as electrical safety, fire safety and hazardous materials handling. Bi-weekly meetings are also held to highlight any recurring issues. The Property Manager team also undergoes training programmes such as first-aid courses and site incident controller courses.

Beyond taking care of our employees' physical well-being, we also care for their mental and emotional health through providing access to health and wellness initiatives. All employees are provided with medical and insurance coverage and a flexi-benefit scheme which can be utilised for health screening or any services that are relevant to their health and wellness needs such as dental and optical. All eligible employees are entitled to parental leave and we make monthly

contributions to our Singapore employees' Central Provident Fund accounts. In FY2023, two eligible employees took parental leave.

AA REIT also celebrates employees through its long-service awards at their 5, 10, 15, 20 years or more to express appreciation and to enhance retention.

During the year, wellness activities include providing employees with weekly fruits supply, organising a financial wellness talk for employees to increase financial literacy and conducting team bonding activities. We also committed to designate every last Friday of the school term in Singapore as "Eat with Your Family Day" to encourage employees to leave work early to enjoy a meal with their loved ones, in support of greater family bonding. In FY2023, team bonding activities include a Survivor Day-Out, hosting of festive celebrations, such as a Chinese New Year lunch and lucky draw, as well as monthly birthday celebrations.

### SURVIVOR DAY-OUT!

In December 2022, AA REIT held its first in-person corporate team bonding since COVID-19, during which all staff came together for a Survivor challenge. Staff had to work through multiple daunting obstacles and challenges that put their team's determination, teamwork, communication and survivor skills to test. The challenges required staff to come together and pull through as one, as they aim to outdo and outperform each other. The event ended with a finale Tug-Of-War challenge.



## Local Communities

### Our Progress

► FY2023 Targets	► FY2023 Achievements	► Targets
Encourage all our employees to actively participate in targeted CSR activities for FY2023	Completed two CSR activities with total staff participation rate of ~72%	<b>Perpetual Target:</b> <ul style="list-style-type: none"> <li>To participate in two CSR initiatives annually</li> </ul>

#### Tenant and Community Engagement

We believe in the importance of tenant engagement to jointly create an attractive workplace environment for them and their employees. We regularly meet up with tenants to discuss important issues and initiatives and to provide them with an opportunity to voice their feedback. This also allows us to identify and manage risks and opportunities related to social and environmental impacts and develop initiatives that create value for our stakeholders.

In FY2023, we conducted a tenant satisfaction survey to gather

feedback on our services, facilities as well as their ESG considerations, and achieved a response rate of approximately 20%. In response to tenants' feedback, the Manager is looking into installing electric vehicles ("EV") charging stations at select properties in FY2024. The charging stations, which will be open to tenants and the public, will also support the adoption of EVs in Singapore. Going forward, the Manager will continue to work with tenants to improve the response rate of the tenant satisfaction survey.

To raise awareness about climate change and in conjunction with the annual Earth Day, an email was also

sent to all tenants to encourage them to practice "Lights Off" for Earth Hour on 25 March 2023.

In FY2023, we continued to promote the spirit of community engagement and social responsibility amongst our employees. We partnered with The Food Bank Singapore, a charitable organisation, and Habitat for Humanity, a non-profit organisation, in Singapore for our corporate social responsibility programmes. 72% of the staff participated in at least one of these initiatives, which saw 103 homes being positively impacted.

#### HOME REHABILITATION WITH HABITAT FOR HUMANITY SINGAPORE



On 11 November 2022, in partnership with Habitat for Humanity Singapore, volunteers from the AA REIT team participated in Project HomeWorks to help the underprivileged in Singapore. Project HomeWorks aims to help elderly and financially under-privileged Singaporeans to rehabilitate their homes into a safe and sanitary state.

Volunteers worked on decluttering, re-organising and sanitising the homes, and dealt with problems like infestations, repairing or replacing old furniture as well as repainting the homes.

#### DISTRIBUTION OF FOOD BUNDLES WITH THE FOOD BANK SINGAPORE



On 24 February 2023, in collaboration with The Food Bank Singapore, volunteers from AA REIT team packed 100 food bundles for door-to-door distribution to bless the elderly residents living in Ang Mo Kio rental blocks.

# SUSTAINABILITY REPORT

## OPERATING ETHICALLY

AA REIT believes that the integrity of our business is paramount to building investors and stakeholder confidence. We maintain a rigorous corporate governance framework and hold ourselves to the highest ethical standards. We strive to maintain compliance with all applicable laws and regulations as well as best practices with regards to business governance and occupational health and safety.

## OUR APPROACH

▼  
Establish clear corporate governance processes through range of policies and processes

▼  
Conduct anti-corruption training for employees to improve awareness

▼  
Review and refine policies and processes to consider changes in regulatory landscape and best practices and ensure compliance

## Our Progress

► FY2023 Targets	► FY2023 Achievements	► Targets
Continue to maintain zero incidents of corruption	Zero cases of corruption received by employees or officers	<b>Perpetual Target:</b> <ul style="list-style-type: none"> <li>Zero material incidents of non-compliance with regards to anti-corruption laws and regulatory compliance</li> </ul>

## Anti-corruption, Business Ethics and Regulatory Compliance

### Preventing Corruption and Upholding Integrity

AA REIT adopts a zero-tolerance policy against bribery, fraud, embezzlement and other forms of corrupt activities. All employees have been informed that AA REIT will not hesitate to investigate and to report incidents of internal fraud to the appropriate authorities. In FY2023, we conducted an anti-money laundering and counter-terrorism financing training session for employees.

All employees are also given a copy of the Employee Handbook which details the Code of Conduct as well as requirements for all employees

to uphold the highest standards of professional behaviour. It covers an extensive list of topics which include, integrity and fair dealing, conflict of interest, workplace behaviour and equal opportunity, stance towards gifts and rewards and disciplinary actions amongst others.

Our Whistle-Blowing Policy and Complaints Process provide channels for employees to report concerns of suspected wrongdoing and raise their grievances without fear of negative repercussions. We strive to address these claims and misconduct in a timely manner.

### Maintaining Business Ethics

We maintain a robust conflict of interest disclosure process that applies to all employees and

members of the Board. There is also a Conflict of Interest Policy which sets out the principles and procedures to adhere to in managing any conflicts of interest, which is made available to all employees.

Across our supply chain, we apply a set of stringent and appropriate risk management procedures for outsourcing and procurement of goods and services to prevent corruption and bribery. Three quotes for contract value above a pre-agreed threshold are obtained for all procurements unless the necessary waivers are obtained. In the case of substantial contract sums, a pre-qualification and tender process would be conducted. The supplier that fulfils the necessary criteria would be awarded the tender





### Policies in place to ensure compliance and best practices:

- Conflict of Interest policy
- Employees Code of Conduct
- Interested party & related party policy
- Whistle blowing policy
- Personal data protection policy
- Enterprise risk management

accordingly. Key criteria include prior performance, track record, pricing, financial standing, safety and litigation records and compliance with legal requirements in the selection process for suppliers.

Any material outsourcing to service providers is also done in line with MAS guidelines and evaluation is done based on financial strength and resources, corporate governance, business reputation, culture, compliance, as well as quality assurance and security management standards.

### Ensuring Regulatory Compliance

We are committed to complying with the laws and regulations in the countries in which we operate. We have in place robust protocols and processes to address regulatory requirements, which include identifying, assessing,

monitoring and managing regulatory compliance risks, financial risks and technology risks. For more information on our approach to risk management, please refer to pages 116 to 118. The Board of Directors and all employees are also encouraged to go for regular training in relation to regulatory trends and developments.

We closely monitor regulatory and industry developments and actively engage with regulators as well as industry bodies to enhance the compliance capabilities within our organisation. AA REIT is a member of the REIT Association of Singapore ("REITAS"), the representative voice of the Singapore REIT sector.

## GRI Content Index

GRI Standard/ Other Source	Disclosure	Section	Page Number
GRI 2: General Disclosures 2021	<b>Organisation and its reporting practices</b>		
	2-1	Organisational details	About this report 86
	2-2	Entities included in the organisation's (cont'd) sustainability reporting	About this report 86
	2-3	Reporting period, frequency and contact point	About this report 86
	2-4	Restatements of information	About this report 86
	2-5	External Assurance	External assurance has not been sought for this year's Sustainability Report. AA REIT will consider this in the future as our reporting matures, in line with sustainability reporting regulations. N/A
	<b>Activities and workers</b>		
	2-6	Activities, value chain and other relationships	Supply chain responsibility; Stakeholder engagement 90-91, 103
	2-7	Employees	Employment, training and education 105-107
	2-8	Workers who are not employees	AA REIT is looking to progressively report the disclosure when such capabilities are available. N/A

# SUSTAINABILITY REPORT

## GRI Content Index

GRI Standard/ Other Source	Disclosure	Section	Page Number	
GRI 2: General Disclosures 2021	Governance			
	2-9	Governance structure and composition	Sustainability governance	90
	2-10	Nomination and selection of the highest governance body	Corporate Governance report	119-142
	2-11	Chair of the highest governance body	Corporate Governance report	119-142
	2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability governance	90
	2-13	Delegation of responsibility for managing impacts	Sustainability governance	90
	2-14	Role of the highest governance body in sustainability reporting	Sustainability governance	90
	2-15	Conflicts of Interest	Corporate Governance report	119-142
	2-16	Communication of critical concerns	Anti-corruption, business ethics and regulatory compliance	110-111
	2-17	Collective knowledge of the highest governance body	Sustainability governance	90
	2-18	Evaluation of the performance of the highest governance body	Corporate Governance report	119-142
	2-19	Remuneration policies	Corporate Governance report	119-142
	2-20	Process to determine remuneration	Corporate Governance report	119-142
	2-21	Annual total compensation ratio	AA REIT regards compensation information of employees to be of a confidential and sensitive nature, thus the annual total compensation ratio is not disclosed in this report.	N/A
	Strategy, policies, and practices			
	2-22	Statement on sustainable development strategies	Board statement	87
	2-23	Policy commitments	Anti-corruption, business ethics and regulatory compliance	110-111
	2-24	Embedding policy commitments	Anti-corruption, business ethics and regulatory compliance	110-111
	2-25	Process to remediate negative impacts	Stakeholder engagement; Anti-corruption, business ethics and regulatory compliance	90-91, 110-111
	2-26	Mechanism for seeking advice and raising concerns	Anti-corruption, business ethics and regulatory compliance	110-111
	2-27	Compliance with laws and regulations	Anti-corruption, business ethics and regulatory compliance	110-111
	2-28	Membership associations	Stakeholder engagement	90-91
	Stakeholder engagement			
	2-29	Approach to stakeholder engagement	Stakeholder engagement	90-91
	2-30	Collective bargaining agreements	Not applicable, as AA REIT does not have trade unions	N/A

## GRI Content Index

GRI Standard/ Other Source	Disclosure	Section	Page Number
GRI 3: Material Topics	3-1	Process to determine material topics	Materiality assessment
	3-2	List of material topics	Material topics
	3-3	Management of material topics	Economic performance; Energy and emissions; Water and effluents; Waste; Occupational health and safety; Employment, training and education; Diversity and equal opportunity; Local communities; Anti-corruption, business ethics and regulatory compliance
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	Economic performance
	201-2	Financial implications and other risks and opportunities due to climate change	Environmental risk management
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	AA REIT is vigilant against the risk of corruption. The Group has in place a suite of thorough anti-corruption policies and procedures to mitigate this risk.
	205-2	Communication and training about anti-corruption policies and procedures	Anti-corruption, business ethics and regulatory compliance
	205-3	Confirmed incidents of corruption and actions taken	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Diversity and equal opportunity
	401-3	Parental leave	Occupational health and safety
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Diversity and equal opportunity
	405-2	Ratio of basic salary of women to men	AA REIT regards compensation information of employees to be of a confidential and sensitive nature, thus the remuneration ratio of women to men is not disclosed in this report.
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Occupational health and safety
	403-2	Hazard identification, risk assessment, and incident investigation	
	403-3	Occupational health services	
	403-4	Work participation, consultation, and communication on occupational health and safety	
GRI 403: Occupational Health and Safety 2018	403-5	Worker training on occupational health and safety	Occupational health and safety
	403-6	Promotion of worker health	
	403-9	Work-related injuries	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Employment, training and education
	404-2	Programs for upgrading employee skills and transition assistance programs	
	404-3	Percentage of employees receiving regular performance and career development reviews	



# SUSTAINABILITY REPORT

## GRI Content Index

GRI Standard/ Other Source	Disclosure	Section	Page Number
GRI 302 Energy 2016	302-1 Energy consumption within the organisation	Energy and emissions	100-102
	302-2 Energy consumption outside of the organisation	AA REIT is working to improve engagement throughout our value by obtaining energy consumption data from our tenants, suppliers, and other stakeholders. Data availability is currently not within the organisation's control, and we aim to disclose energy consumption within our value chain once the relevant information is made available to us.	N/A
	302-3 Energy intensity	Energy and emissions	100-102
	302-4 Reduction of energy consumption	AA REIT is looking to progressively report the disclosure when such data are available.	N/A
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	AA REIT does not operate company-owned vehicles. AA REIT's buildings are connected to the electrical grid and, while AA REIT does use diesel generators in the event of power outages and there are some fugitive emissions, these were deemed negligible in FY2023 and we have chosen not to disclose it in this Sustainability Report. Therefore, AA REIT has no Scope 1 emissions to disclose this year.	N/A
	305-2 Energy indirect (Scope 2) GHG emissions	Energy and emissions	100-102
	305-3 Other indirect (Scope 3) GHG emissions	AA REIT is working to improve engagement throughout our value chain, in order to obtain emissions data from our tenants, suppliers, and other stakeholders. Data availability is currently not within the organisation's control, and we aim to disclose our Scope 3 GHG emissions once the relevant information is made available to us.	N/A
	305-4 GHG emissions intensity	Energy and emissions	100-102
	305-5 Reduction of GHG emissions	AA REIT is looking to progressively report the disclosure when such data are available.	N/A
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Water and effluents	102-103
	303-2 Management of water discharge-related impacts		
	303-3 Water withdrawal		
	303-4 Water discharge	AA REIT does not currently track its water discharge from its operations, and is working to disclose in the future when such information is available.	N/A
	303-5 Water consumption	AA REIT does not have water consumption, as all water withdrawn is used for cleaning purposes and then discharged into the sewer systems where it will be treated or re-used.	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Waste	103
	306-2 Management of significant waste-related impacts		
	306-3 Waste generated	AA REIT does not currently track its waste generated and disposal as the majority of waste generated in the properties are from tenant activities. The Manager intends to track and report the amount of waste produced in buildings with operational control in FY2024.	N/A
	306-4 Waste diverted from disposal		
	306-5 Waste directed to disposal		

## APPENDIX: ASSUMPTIONS AND METHODOLOGY

This section explains the boundaries, methodologies and assumptions used in the computation of AA REIT's sustainability data and information.

### Employees Data

"Employees" refer to all employees of the REIT Manager and the Property Manager. The employee data does not include contractors engaged to perform certain property management services.

### New Hires and Turnover

- New hires are defined as employees who joined the organisation during the financial year. The new hire rate is represented as the number of new hires divided by the total number of employees as at the end of the financial year and is expressed as a percentage.
- Turnovers are defined as employees who left the organisation during the financial year. The annual turnover rate is represented as the employees who left the organisation during the financial year divided by the total number of employees as at the end of the financial year and is expressed as a percentage.

### Training Hours and Regular Performance and Career Development Reviews

- The average training hours that employees have undertaken during the reporting period is represented as total training hours by gender or by employee category over total number of employees by gender or by employee category.
- The percentage of employees receiving regular performance and career development reviews is calculated by total employees who received a regular performance and career development review during the reporting period over the total number of employees.

### Occupational Health and Safety

Work-related injuries are defined as a negative impact on an employee's health arising from exposure to hazards at work. Injuries as a result of commuting incidents are only included if the transport has been organised by the Manager. The rate of work-related injuries is computed based on 1,000,000 man-hours worked.

### Environmental Data

Data reported relates to the 18 properties (out of 29 properties) that are within the operational control of the Manager.

### Energy Consumption and Intensity

Energy consumed across AA REIT's properties only involves purchased electricity. Energy consumption data only includes landlord's area.

Energy consumption and intensity included only properties with full year data for FY2021, FY2022, FY2023. Energy intensity is derived by taking total energy consumption divided by the GFA of common areas.

### GHG Emissions and Intensity

GHG emissions are reported in line with the guidance from the GHG Protocol Corporate Accounting and Reporting Standard. The GHG Protocol Corporate Standard classifies a company's GHG emissions into three "scopes":

- Scope 1 emissions: direct emissions from owned or controlled sources
- Scope 2 emissions: indirect emissions from the generation of purchased energy
- Scope 3 emissions: all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

Given that any energy consumption by AA REIT's tenants would be considered Scope 3, and therefore

out of scope for this year's disclosures, AA REIT will only disclose energy consumption and emissions from its properties' common spaces. GHG and intensity includes only properties with full year data for FY2021, FY2022 and FY2023.

Direct (Scope 1) GHG emissions are calculated using emission factors and global warming potential rates from the 2006 IPCC Guidelines for National Greenhouse Gas Inventories and the IPCC Fifth Assessment Report.

A location-based method is adopted for the calculation of energy indirect (Scope 2) GHG emissions. Grid emission factors used are obtained from authoritative release data from all regions of operation, including:

- Australian Government Clean Energy Regulator's Emissions and Energy Reporting System for 2021-22, New South Wales: 0.79 kg CO<sub>2</sub>e/kWh, Queensland: 0.8 kg CO<sub>2</sub>e/kWh
- Singapore Energy Statistics 2022 published by the Energy Market Authority in Singapore: 0.4057 kg CO<sub>2</sub>e/kWh

We have adopted the latest available emission factor using the average operating margin ("OM") method for the reporting period.

The GHG intensity is derived by taking total energy direct (Scope 1) GHG and energy indirect (Scope 2) GHG emissions divided by the GFA of common areas.

### Water Consumption

Water consumption data for FY2021, FY2022 and FY2023 includes data for the whole building. Water consumption for landlord area only has been reported for FY2023. Data only includes properties with full year data available.