Sustainability Statement

SUMMARY OF SUSTAINABILITY-RELATED RISKS AND OPPORTUNITIES ("SROs")

The table below provides an overview of the Group's sustainability-related risks and opportunities and provides a reference to where the detailed disclosures are included in this sustainability report. The table also includes references to the Group's overall sustainability-related policies.

GROUP STRUCTURE AND REPORTING BOUNDARIES

Basis of Preparation	Overview of the Group and Value Chain	Reporting Boundary
(Page 129 – 130)	(Page 133)	(Page 131 – 132)

OVERVIEW OF PROCESS AND GOVERNANCE

Materiality Assessment	Sustainability Governance
(Page 137 – 138)	(Page 134 – 136)

SUSTAINABILITY-RELATED RISKS AND OPPORTUNITIES

RISKS

Risk 1 (Transition)
Emerging GHG requirements affecting business operations and value chain readiness

A domestic carbon tax from 2026 (iron, steel, energy) may elevate input costs for superstructures and township infrastructure; IFRS-aligned, investor-grade disclosures will increase scrutiny of readiness and transition financial effects.

Risk 2 (Physical)
Flood, sea-level linked backflow and extreme weather

Driven mainly by extreme rainfall exceeding historical design assumptions and downstream backflow impacting gravity-based drainage; erosion and heat stress can disrupt works and schedules, with some post-handover drainage blockage risks sitting outside direct control.

OPPORTUNITY

Opportunity
Market demand for sustainable properties

Rising preference for lower running costs and "future-ready" homes (EV/solar) supports take-up; Setia's eGreenLiving integrates smart/sustainable features and broader market familiarity with green building benefits is increasing.

JUDGEMENT AND MEASUREMENT UNCERTAINTIES (PAGE 132 – 133)

BASIS OF PREPARATION

COMPLIANCE WITH IFRS SUSTAINABILITY DISCLOSURE STANDARDS

The sustainability-related financial disclosures of S P Setia Berhad ("the Group") have been prepared in accordance with the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB), and with reference to Bursa Malaysia's Main Market Listing Requirements.

This report should be read together with the Group's consolidated financial statements for the year ended 31 December 2025, which are prepared in accordance with Malaysian Financial Reporting Standards (MFRS), IFRS Accounting Standards, and the Companies Act 2016.

REPORTING PERIOD AND ENTITY

This report covers the same reporting entity and reporting period as the Group's consolidated financial statements for the financial year ended 31 December 2025 (FY2025). Sustainability-related financial disclosures are presented for S P Setia Berhad and its subsidiaries, consistent with the financial reporting boundary.

Further information on the reporting boundary is provided in the Organisational Reporting Boundary section on page 131.

The presentation currency is Ringgit Malaysia (RM). Unless otherwise stated, all amounts are rounded to the nearest thousand.

STANDARDS APPLIED

The following standards were applied in the preparation of this report:

- IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 – Climate-related Disclosures

In addition, industry-based guidance from the Sustainability Accounting Standards Board (SASB) Standards for Home Builders and Real Estate was considered in identifying relevant metrics and disclosure topics.

TRANSITION RELIEFS APPLIED

In accordance with the IFRS Sustainability Disclosure Standards and the NSRF, six (6) transition reliefs are available for first-year adoption. The Group has applied the following three (3) transition reliefs:

- Relief from disclosing comparative information for sustainability-related disclosures in the first annual reporting period;
- Relief from disclosing Scope 3 greenhouse gas emissions and;
- The Group discloses information only on climate-related risks and opportunities (in accordance with IFRS S2) and applies IFRS S1 requirements only insofar as they relate to such climate-related disclosures.

AMENDMENTS THAT HAVE BEEN ISSUED BUT NOT YET EFFECTIVE

Certain new amendments to sustainability standards have been published that are not mandatory for 31 December 2025 reporting periods and have not been early adopted by the Group.

Amendments to IFRS 2 'Amendments to Greenhouse Gas Emissions Disclosures' (effective 1 January 2027) relates to:

- the measurement and disclosure of Scope 3 Category 15 GHG emissions;
- the use of the Global Industry Classification Standard in applying specific requirements related to the disclosure of information about financed emissions;
- the relief from using the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) for measuring GHG emissions, if a jurisdictional authority or an exchange on which the entity is listed requires the use of a different measurement method; and
- the use of global warming potential values based on a 100-year time horizon from the latest Intergovernmental Panel on Climate Change assessment available at the reporting date.

None of these are expected to have a significant effect on the sustainability statements of the Group.

Sustainability Statement

BASIS OF PREPARATION

TIME HORIZONS

The Group defines time horizons based on when climate-related risks and opportunities could reasonably be expected to affect its prospects:

Current: **FY2025**

Short term: **2 years (FY2026 to FY2027)**

Medium term: **3 to 5 years (FY2028 to FY2030)**

Long term: **Beyond 5 years (FY2031 onwards)**

These time horizons are aligned with the Group's strategic planning and investment cycles.

MATERIALITY ASSESSMENT

The Group conducted a materiality assessment to identify climate-related risks and opportunities that could reasonably be expected to affect its cash flows, access to finance, or cost of capital. The assessment considered both the likelihood and magnitude of potential impacts on the Group's current and anticipated financial position, performance, and future prospects.

The process incorporated peer benchmarking, a review of relevant Sustainability Accounting Standards Board (SASB) disclosure topics, and consideration of stakeholder expectations. Based on this assessment, three climate-related risks and opportunities were identified as material and are disclosed in this report. Further details on the materiality assessment process and outcomes are provided in the Materiality Assessment section on page 137.

SCENARIO ANALYSIS

Scenario Analysis Summary

To assess the resilience of its strategy and business model to climate-related changes, S P Setia Berhad applied three Intergovernmental Panel on Climate Change (IPCC) Shared Socioeconomic Pathways (SSPs) as part of its IFRS S2 disclosures:

SSP1 – 2.6 (Green Transition)

Assumes strong global mitigation efforts, limiting global warming to below 2.0°C. Physical climate risks are relatively mild, while transition risks increase due to more stringent regulations, higher carbon pricing, and accelerated shifts in market expectations

SSP2 – 4.5 (Middle of the Road)

Reflects moderate mitigation efforts, with global warming of approximately 2.7°C by 2100. Both physical and transition risks are moderate and broadly aligned with current policy trajectories and market expectations.

SSP3 – 7.0 (Regional Rivalry)

Represents a fragmented global response to climate change, resulting in global warming of approximately 3.6°C. Physical risks escalate significantly, while weaker and inconsistent regulatory frameworks increase compliance uncertainty and adaptation costs.

These scenarios informed the Group's climate resilience strategy, covering short-, medium-, and long-term actions to manage climate-related risks and identify opportunities associated with sustainable development. The analysis also informs strategic decision-making related to decarbonisation initiatives, capital allocation, and resilience planning.

Key assumptions and uncertainties associated with the scenario analysis can be found in the Scenario Analysis Assumptions section on page 158, with further details on resilience considerations provided in the Resilience section at page 156.

ORGANISATIONAL REPORTING BOUNDARY

SUSTAINABILITY REPORTING BOUNDARY (NON-GHG DISCLOSURES)

The Group's sustainability-related financial disclosures are prepared in accordance with the IFRS Sustainability Disclosure Standards.

The sustainability reporting boundary covers S P Setia Berhad and entities included in the Group's consolidated financial statements. Sustainability-related information is reported for operations within this reporting boundary.

Associates and joint ventures accounted for using the equity method are excluded from the reporting boundary, but are considered within the value chain where relevant to sustainability-related risks and opportunities.

The complete list of the subsidiaries is included in Note 8 of the financial statements.

TREATMENT OF CHANGES IN GROUP STRUCTURE

Any acquisitions or disposals during the reporting period are reflected consistently with the Group's financial reporting.

Sustainability-related information is included from the date control is obtained and excluded from the date control was lost.

Comparative information is not restated for changes in group structure in the first year of reporting under the IFRS Sustainability Disclosure Standards.

There were no acquisitions or disposals undertaken by the Group during the financial year ended 31 December 2025. Accordingly, no structural changes affected the scope or boundary of this sustainability-related financial disclosure.

GHG EMISSIONS BOUNDARY

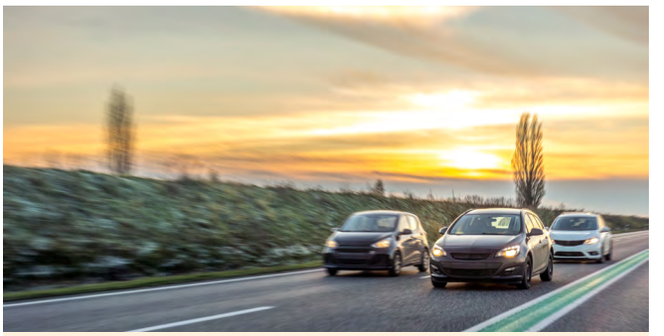
The Group defines its GHG reporting boundary in two steps, consistent with the GHG Protocol and IFRS S2.

a. Organisational boundary

The Group applies the operational control approach to determine which operations are included in its GHG emissions inventory. Emissions are reported for operations where the Group has operational control. Emissions from associates and joint ventures that are not under the Group's operational control are excluded from the inventory and are considered within Scope 3 where relevant. The Group also considers leased assets where the Group operates and controls the leased premises or activities.

b. Operational boundary

Within the organisational boundary, emissions are classified as follows:



Scope 1:
Direct GHG emissions from sources owned or controlled by the Group.

Scope 2:
Indirect GHG emissions from the generation of purchased electricity consumed by operations under the Group's operational control, reported using both location-based and market-based methods.

Scope 3:
Other indirect GHG emissions arising from activities in the Group's upstream and downstream value chain.

Sustainability Statement

SIGNIFICANT JUDGEMENTS AND MEASUREMENT UNCERTAINTIES

SIGNIFICANT JUDGEMENTS

In preparing this sustainability-related financial disclosure, management has applied judgement in determining the scope, content, and measurement of information presented, and has used estimation techniques where direct measurement was not practicable. These judgements and measurement uncertainties are inherent in sustainability-related disclosures and are influenced by data availability, methodological assumptions, and evolving industry practices.

The use of estimates and assumptions may affect the reported outcomes and should be considered when interpreting the sustainability-related financial information disclosed in this report.

Materiality Assessment

The Group applied judgement in identifying sustainability-related risks and opportunities that could reasonably be expected to affect its prospects over the short, medium, and long term. The assessment involved benchmarking against peers in the property and construction sector, reviewing industry-based disclosure topics in the SASB Standards, and considering stakeholder expectations.

While the materiality assessment was conducted in alignment with the principles of IFRS S1 and IFRS S2, transition relief has been applied in the first year of reporting. Further details of the materiality assessment process are set out in the Materiality Assessment section on page 137.

Boundary Determination

The Group's sustainability reporting boundary aligns with its consolidated financial statements for the year ended 31 December 2025. Greenhouse gas (GHG) emissions, however, are quantified and reported using the operational control approach in accordance with the GHG Protocol, as referenced by IFRS S2. Judgement was required in assessing operational control in arrangements involving joint ventures, associates, and project-based partnerships.

Reporting boundary details are set out in the Organisational Reporting Boundary at page 131.

Value Chain Scope

Judgement was exercised in determining the extent of upstream and downstream value chain information to be included, particularly in relation to transition climate risks arising from emerging greenhouse gas (GHG) emissions requirements that may affect how organisations operate their businesses. This includes considerations of the readiness and responsiveness of value chain partners to evolving regulatory, technological, and market expectations.

In determining the scope of disclosures, management considered proportionality, the relevance of potential impacts, and the availability and reliability of data. Where data limitations exist, disclosures have been calibrated to reflect the level of information reasonably available at the reporting date.

Scenario Analysis Assumptions

For climate resilience planning, S P Setia Berhad applied climate scenarios based on the Intergovernmental Panel on Climate Change (IPCC) Shared Socioeconomic Pathways (SSPs), combined with Representative Concentration Pathways (RCPs). SSPs are globally recognised scenarios developed by the IPCC to illustrate plausible future socioeconomic developments and their interaction with climate outcomes. These scenarios incorporate assumptions on population growth, economic development, energy systems, and technological progress, together with greenhouse gas concentration trajectories represented by the SSP-RCP pathways.

In the Group's scenario analysis, these integrated assumptions inform assessments of both transition and physical climate risks by shaping expectations related to future policy tightening, carbon-related requirements, technology readiness, urban development trends, and the severity of climate-related hazards relevant to the property and real estate sector. Please refer to the Setia's Footprint on page 133 for further details.

The Group selected SSP2 – 4.5 as its baseline scenario for internal planning. This "middle-of-the-road" pathway assumes moderate global mitigation and adaptation efforts, with projected global warming of approximately 2.7°C by 2100. It reflects a balanced profile of physical and transition climate risks that is considered most relevant to the Group's operating context, including anticipated regulatory developments related to GHG emissions and the preparedness of the value chain to respond.

SIGNIFICANT JUDGEMENTS AND MEASUREMENT UNCERTAINTIES

Measurement Uncertainty

The preparation of sustainability-related financial disclosures involves estimation uncertainty, particularly where forward-looking information and external data sources are used. The following areas are subject to a higher degree of estimation uncertainty.

Transition Risk Variables

Assessments of transition climate risks are subject to uncertainty due to reliance on supplier-provided information, secondary data sources, and assumptions regarding the readiness of value chain partners to respond to evolving regulatory and market expectations. Where supplier-specific data was unavailable, management applied industry averages, external benchmarks, or proxy data. Variations in regulatory approaches across jurisdictions, evolving policy landscapes, and data gaps contribute to uncertainty in the assessment of transition risks.

Forward-Looking Financial Effects

Estimates of anticipated financial effects arising from sustainability-related risks, such as potential carbon pricing exposure, the cost of low-carbon materials, and investments in climate adaptation measures, involve significant uncertainty. These estimates depend on assumptions regarding future regulatory developments, market conditions, and technology costs, which may differ from actual outcomes.

Setia Eco Park, Shah Alam, Selangor

Climate Scenario Analysis

Quantifying potential financial effects under different climate scenarios requires assumptions relating to global temperature pathways, carbon pricing mechanisms, and supply chain resilience. These assumptions are informed by external climate models and internal forecasts and are subject to revision as methodologies evolve and new information becomes available.

BUSINESS MODEL AND VALUE CHAIN

S P Setia's business model is centred on developing and delivering liveable, well-connected communities across its key markets, anchored by integrated township planning and a diversified portfolio spanning residential, commercial and selected mixed-use developments. Value is created through disciplined landbank strategy, customer-led product design, strong sales and marketing execution, and end-to-end project delivery from concept and approvals through to construction, handover and post-completion customer service. Climate considerations influence decision-making across this model, particularly in how Setia selects locations, designs communities, specifies materials and building performance, and manages delivery timelines amid evolving physical and transition-related risks.

Setia's value chain spans upstream land acquisition and masterplanning, development approvals and stakeholder engagement (including authorities and local communities), procurement and contractor management, construction and quality assurance, sales and financing facilitation, and ongoing township stewardship and customer experience. Across these stages, Setia works with key partners such as consultants, contractors, suppliers and utilities providers, while leveraging internal governance, risk management and sustainability oversight to embed climate resilience, resource efficiency and compliance with emerging policies and market expectations. For an overview of where these activities take place and how Setia's operating presence supports delivery, please refer to the Setia's Operating Footprint section at pages 24 - 25.

Sustainability Statement

SUSTAINABILITY CORPORATE GOVERNANCE

BOARD GOVERNANCE

The Board of Directors has overall oversight of the Group's sustainability-related risks and opportunities, including climate-related risks and opportunities. The Board sets the Group's sustainability direction and approves the overarching sustainability strategy, ensuring climate considerations are embedded into decision-making, major transactions and risk management policies.

The Board oversees the establishment and monitoring of the Group's sustainability targets, and reviews updates on the implementation and performance of sustainability initiatives. This oversight supports alignment between the Group's sustainability agenda and its corporate vision and mission, while considering potential trade-offs to support informed and balanced decisions.

The Board's oversight is supported by Board-level committees, including the AC and the RMC. The RMC provides oversight of the enterprise risk management (ERM) framework, including sustainability and climate-related risks and opportunities, and reviews quarterly updates from MRT and the SC.

MANAGEMENT

Management is responsible for implementing the Board-approved sustainability strategy and ensuring day-to-day management of sustainability and climate-related risks and opportunities. This includes integrating climate considerations into business planning, operational processes and project execution, and driving the delivery of sustainability initiatives across the Group.

The MSC, supported by the MRT, implements and tracks sustainability initiatives and embeds climate-related risks within the Enterprise Risk Management (ERM) framework, governance processes, reporting lines and internal controls.

The MRT keeps the RMC and the Board informed of key risk areas, the progress of mitigation plans and emerging risks and trends, including those related to sustainability. The RMC and the Board retain overall oversight of risk management and set the strategic direction for risk roles, responsibilities and reporting structures, including for climate related risk.

The Board Sustainability Committee (SC) oversees sustainability policies, frameworks, strategies and targets. Supported by the MSC, which is tasked with rolling out strategies and tracking implementation, the SC receives progress updates and, in turn, provides quarterly updates to the Board on the Group's sustainability related action plan. Management also ensures that governance processes, reporting structures and internal controls support the effective monitoring, escalation and disclosure of sustainability-related matters.

For further information on S P Setia's risk management framework, please refer to the Corporate Governance Overview Statement at page 270 and the Statement on Risk Management and Internal Control at pages 301 of this report.

Sustainability Governance Structure

Frequency of Meeting: Quarterly

Board of Directors ("Board")
Oversees overall sustainability strategy and performance.

Board Sustainability Committee ("SC")
Oversees our strategy, priorities, policies and targets, including climate-related risks and opportunities.

Risk Management Committee ("RMC")
Oversees sustainability risks, ensuring that they are integrated into the organisation's enterprise risk management framework and aligned with corporate strategy and stakeholder expectations.

Frequency of Meeting: Annually

Audit Committee ("AC")
Reviews the results of assurance of the Sustainability Statement and approves the Statement of Assurance, which forms part of the Sustainability Statement.

Frequency of Meeting: Quarterly

Management Sustainability Committee ("MSC")
Ensures proper implementation, monitoring and tracking of initiatives.

Management Risk Team ("MRT")
Ensures climate-related risks are incorporated into the organisation's Enterprise Risk Management (ERM) Framework.

Oversees the identification, assessment and prioritisation of both physical and transition risks.

Sustainability Working Group ("SWG")
Implements initiatives across the Group.

STRENGTHENING OVERSIGHT OF SROS

To support IFRS-aligned governance disclosures, the Group is enhancing the terms of reference of relevant governance bodies to explicitly include oversight of SROs, including climate-related matters. The Board, SC and RMC will continue to receive periodic updates on material SROs, related targets and progress, supported by management committees.

To strengthen capability, Directors and committee members will be provided with ongoing briefings and training on sustainability and climate topics, including emerging requirements and sector developments, to support effective oversight and decision-making.

The Group is currently evaluating the implementation of sustainability-related performance metrics into remuneration policies.

MANAGEMENT SUSTAINABILITY COMMITTEE

Supporting the Sustainability Committee is the Management Sustainability Committee, which is responsible for rolling out the Group's sustainability strategies. Chaired by the CEO and comprising senior executives, the committee ensures that sustainability initiatives are implemented, monitored and tracked across the organisation. This includes aligning sustainability efforts with the Group's vision and mission to embed sustainability into core business operations.

At the operational level, the SWG leads the implementation of ESG initiatives across the business. The working group comprises Group Corporate Sustainability representatives and appointed ESG Leaders and Champions from across the organisation. It engages actively with various Business Units to foster a culture of sustainability, drive continuous improvement and support the assessment and management of climate-related risks and opportunities across S P Setia's operations.

MATERIAL MATTER LEADS AND CORPORATE SUSTAINABILITY FUNCTION

S P Setia's sustainability governance is supported by a network of Material Matter Leads, comprising cross-functional leaders appointed to oversee and drive implementation for specific material areas, including emissions, biodiversity, and social priorities. These individuals perform their roles alongside their core business responsibilities, providing management with operational insights, technical input, and oversight within their respective areas of accountability.

This structure is complemented by the Corporate Sustainability (CS) unit, which serves as the Group's permanent sustainability function. The CS unit advises Management on sustainability policies, standards, data governance, carbon accounting, climate scenario analysis, and reporting requirements, while coordinating alignment across Business Units. Responsibility for execution remains with the Business Units, with the CS unit and Material Matter Leads supporting consistency, providing specialist guidance and facilitating the integration of sustainability considerations into business processes and the delivery of Group-wide targets.

SUSTAINABILITY OFFICERS

Sustainability Officers and appointed representatives are designated across all Business Units and corporate functions to support consistent implementation of sustainability practices throughout the Group. These individuals are appointed by the CEO, with their roles and responsibilities formally documented through appointment letters and the ESG Operating Procedures (SOPs) established for sustainability data collection and reporting.

In addition, specific key performance indicators (KPIs) have been introduced to align the roles of ESG Leaders, Sustainability Officers, and business practices with the Group's sustainability objectives.

EMISSIONS COMMITTEE AND BIODIVERSITY COMMITTEE

In 2025, S P Setia established two dedicated working committees: the Emissions Committee and the Biodiversity Committee. Each committee comprises technical representatives from across the Group's Business Units and focuses on implementation at an operational level.

These committees support cross-functional coordination and provide technical oversight to integrate emissions reduction initiatives and biodiversity considerations into the Group's project planning, product development, and service delivery processes, contributing to long-term value creation.

EXECUTIVE REMUNERATION

Remuneration matters at S P Setia are treated as confidential. Consistent with internal policy and prevailing market practice, the Group does not disclose detailed senior management remuneration on a named or banded basis.

The Nomination and Remuneration Committee (NRC) oversees the establishment of Group-wide key performance indicators for the President and CEO and Senior Management, incorporating both financial and non-financial metrics. The framework governing these KPIs and their role in performance assessment is set out in the Corporate Governance Report for the year ended 31 December 2025. As part of this framework, the CEO's KPIs include non-financial components aligned with the Group's sustainability priorities. For further details on the Group's remuneration disclosures, please refer to the Remuneration Narrative in the Financial Statements section.

Sustainability Statement

SUSTAINABILITY CORPORATE GOVERNANCE

Corporate Policies

Labour Rights Policy
Defines the Group's commitment to labour rights and compliance with applicable labour laws, promoting fair and equal opportunities and preventing forced labour. It prohibits all forms of forced and child labour (including trafficking), sets expectations for ethical recruitment practices, and outlines protections such as grievance channels, confidentiality, freedom of association, workplace health and safety, and fair wages/benefits.

Health, Safety and Environment (HSE) Policy
Sets out S P Setia's commitment to prevent injuries and occupational illness, protect people and property, and minimise negative environmental impacts across operations. It emphasises compliance with relevant HSE legislation, safe workplaces and welfare facilities, incident investigation, and continuous improvement through objectives, targets, training, and active participation by employees and business associates.

Climate Change Policy
Articulates S P Setia's commitment to address climate change by reducing environmental impacts and supporting sustainable community development, including across its supply chain. The policy sets an ambition to reach net zero by 2050 (aligned with the 1.5°C goal), establishes Scope 1–3 reduction intentions and targets (including Scope 1 and 2 reductions by 2030/2040), and commits to climate risk assessment, resilience, innovation, and transparent tracking and reporting of progress.

Biodiversity Policy
Commits S P Setia to biodiversity preservation alongside development, including safeguarding ecologically sensitive areas and endangered species habitats. It outlines actions such as stakeholder engagement, habitat restoration and tree planting, integrating biodiversity-friendly practices into planning/design/construction, and complying with biodiversity-related regulations and best practices to support liveable communities that coexist with nature.

Sustainability Policy
Defines Setia's overall sustainability approach to create lasting stakeholder value while prioritising social and environmental responsibility, guided by the vision of creating sustainable communities. It includes commitments such as net zero carbon emissions by 2050, strong governance and ethical conduct, preventing greenwashing, upholding human/workplace rights, embedding ESG into decision-making and culture, and continuous improvement of sustainability management practices.

Sustainability Financing Framework
Provides transparency for investors/stakeholders on how S P Setia raises and allocates "use-of-proceeds" sustainable financing (e.g., Green/Social/Sustainability sukuk, bonds, loans) to eligible projects aligned with sustainability priorities and best-practice guidelines (e.g., ICMA principles). It outlines the eligible project categories/criteria (including environmental and social projects such as biodiversity conservation and affordable housing), and references governance structures supporting oversight and embedding sustainability into core practices.

Code of Conduct & Business Ethics
Sets expectations for ethical behaviour, integrity and fairness in decision-making, including arm's-length dealings, conflict-of-interest management, and due diligence when engaging third parties. It also reinforces a respectful workplace culture and directs employees to proper reporting channels for concerns (including harassment), while linking compliance to key governance policies such as anti-bribery and corruption controls.

Anti-Bribery and Corruption Policy
Establishes a zero-tolerance stance towards bribery and corruption, applying not only to S P Setia personnel but also to agents, business partners, contractors and other associated third parties. It sets responsibilities and provides guidance to recognise and respond to bribery/corruption risks, requires compliance with relevant laws, and should be read alongside related policies (e.g., whistleblowing, gifts and hospitality, third-party engagement).

Whistleblowing Policy
Provides a structured reporting channel and guidance for employees and third parties to raise genuine concerns (e.g., misconduct, legal/regulatory breaches, fraud) in good faith. It prohibits retaliation, victimisation or discrimination against whistleblowers, outlines mechanisms for responding to reports and record retention, and assigns governance oversight through the Board and the Integrity and Governance Unit (aligned to ISO 37002:2021).

Gifts and Hospitality Policy
Sets rules and boundaries for giving/receiving gifts and hospitality to prevent conflicts of interest, undue influence, and bribery risks, with clear expectations on transparency and appropriate conduct. It typically requires declaration/recording (e.g., registers) and approvals where relevant, and operates alongside anti-bribery and integrity requirements to protect the Group's reputation and decision-making independence.

Third-party Engagement Policy
This policy sets S P Setia's expectations for engaging third parties/business associates with a zero-tolerance approach to bribery and corruption, requiring risk-based compliance due diligence before entering into any contract and stating that S P Setia must not engage or pay a third party unless the due diligence process has been successfully completed.

MATERIALITY ASSESSMENT

REGULATORY SHIFT: TRANSITION TO IFRS SUSTAINABILITY DISCLOSURE STANDARDS

Global and local regulators have introduced significant changes to sustainability reporting requirements, requiring companies to transition from traditional reporting frameworks to the IFRS Sustainability Disclosure Standards. These comprise:

IFRS S1:
General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S2:
Climate-related Disclosures

This regulatory shift places a strong emphasis on investor-focused materiality. Under IFRS, disclosures must address sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects, including cash flows, access to finance and cost of capital, across the short, medium and long term. As a result, the focus has moved beyond broad ESG impacts towards financially material issues that are decision-useful for investors and capital providers.

This framing guided S P Setia's determination of its climate-related risks and opportunities for disclosure in 2025, ensuring alignment with investor expectations and regulatory requirements.

Setia Eco Park, Shah Alam, Selangor

PREPARING FOR THE TRANSITION

Building on the FY2024 double materiality work under GRI Standards, the Group refined its FY2025 assessment to support the ongoing transition towards IFRS S1 and IFRS S2-aligned disclosures.

FY2025 Approach to Identifying and Prioritising Material Matters

In 2025, Setia progressed towards compliance with IFRS S1 and IFRS S2. Building on the 13 material matters identified in 2024, a detailed analysis and benchmarking exercise was conducted against industry peers and property companies operating in Malaysia and internationally.

This exercise expanded the Group's understanding of sustainability-related risks and opportunities across its operations and value chain. The assessment considered:

- Own operations, including construction delivery, site management and equipment, and contractual obligations, with linkages to cash flows, margins, capital expenditure, operating expenditure and working capital across relevant time horizons
- Value chain considerations, covering consultants, materials sourcing, logistics, subcontractors, tender expectations and defect and handover obligations
- Reference to IFRS S2 Industry Based Guidance, particularly the Homebuilders and Real Estate sector, to inform decision-useful indicators for IFRS S2 climate-related disclosures
- Internal stakeholder engagement through a senior management financial materiality survey using risk-based financial parameters

All identified SROs were mapped against Setia's existing Enterprise Risk Management (ERM) framework and anticipated time horizon in relation to the sustainability-related risks and opportunities. This mapping process is a key ISSB requirement, ensuring integration of sustainability considerations into governance, strategy and risk management.

Sustainability Statement

MATERIALITY ASSESSMENT

PRIORITISATION PROCESS

In line with ISSB recommendations, a broader set of SROs was screened and prioritised based on relevance, likelihood and potential financial impact.

These shortlisted SROs were reviewed through structured cross-functional discussions led by management representatives from:

This cross-functional review ensured that sustainability risks and opportunities were assessed within the context of enterprise value creation and strategic planning.

Subsequently, a financial materiality survey was conducted among senior management using Setia's quantitative and qualitative risk rating framework. The final outcomes were consolidated by management and approved through the established Board-level sustainability governance structure, ensuring full integration with ERM and strategic decision-making.

Honey bee species found across multiple Setia townships in Malaysia

Climate-related risks and opportunities under IFRS S2 (mandatory)

3

2
climate-related risks

1
climate-related opportunity

NEXT STEPS

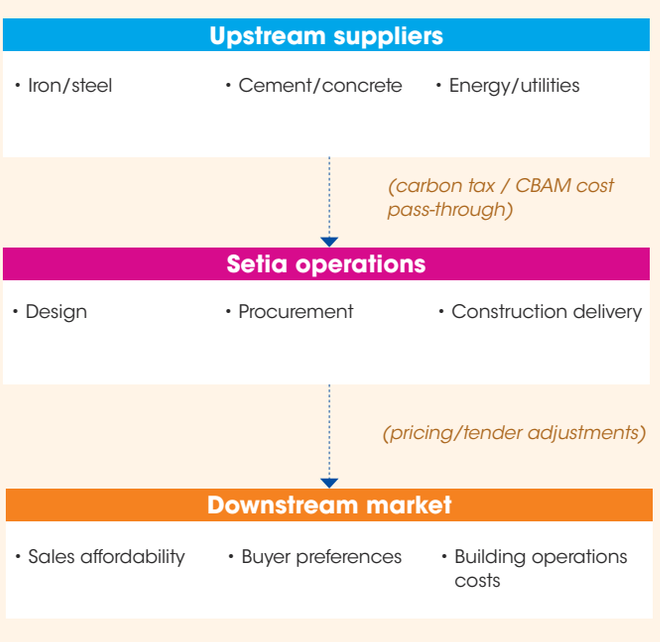
Going forward, the Group will enhance its assessment of climate-related financial impacts, including applying a financial materiality assessment of climate-related risks and opportunities and using climate-related scenario analysis, where appropriate, to strengthen decision-useful disclosures on resilience and financial effects. Relevant outputs and quantitative information are presented in Metric and Targets at page 149 (Transition Risk), 153 (Physical Risk), 155 (Opportunity) and 160 (Cross sector climate).

CLIMATE TRANSITION STRATEGY

Context and Alignment with National and Global Frameworks

S P Setia recognises climate change as a systemic challenge that influences the economics of construction materials, energy inputs, and the long-term resilience of Malaysia's townships. Malaysia is implementing the National Sustainability Reporting Framework (NSRF) to adopt IFRS S1 and IFRS S2 on a phased basis beginning in FY2025, with a climate-first approach and transition reliefs to support corporate readiness. In parallel, Bursa Malaysia has enhanced its Listing Requirements to mandate IFRS-aligned Sustainability Statements over phased timelines, with increased emphasis on disclosures relating to the current and anticipated financial effects of climate-related risks and opportunities.

In Budget 2025, the Government announced its intention to introduce a domestic carbon tax from 2026, initially targeting the iron, steel, and energy sectors. These sectors supply key upstream inputs to the property industry and are directly linked to the European Union's Carbon Border Adjustment Mechanism (CBAM), which is expected to be fully expected to be effective in 2026. The Group expects that a domestic carbon price may partially moderate CBAM-related exposure for exporters and, for property developers, influence cost structures within cement and steel supply chains that support domestic development activities.



Against this backdrop, the Group's transition strategy is structured around three interrelated priorities:

- **Mitigating transition risks arising from emerging greenhouse gas (GHG) requirements across the value chain.**
- **Strengthening resilience to physical climate risks, particularly those associated with extreme rainfall and backflow conditions.**
- **Supporting market demand for sustainable properties through practical value features and access to green financing.**

Assumptions, Dependencies, and Key Uncertainties

The Group's climate-related assessments and transition planning are subject to several external dependencies and uncertainties.

While Malaysia has confirmed the introduction of a domestic carbon tax from 2026 and outlined initial sectoral coverage, detailed design parameters including tax rates, thresholds, exemptions, offset mechanisms, and monitoring, reporting, and verification (MRV) requirements have yet to be finalised. Early policy briefings indicate potential alignment with CBAM principles. The absence of detailed design parameters introduces uncertainty in estimating supplier cost pass-throughs and potential impacts on developer margins during the initial implementation phases.

Physical climate risk management is also influenced by evolving regulatory and technical standards. Drainage design for urban developments is governed by the Urban Stormwater Management Manual (MSMA), which sets requirements for gravity drainage systems, control-at-source measures, and detention facilities.

These standards are being progressively enhanced by relevant authorities to address changing rainfall patterns and increased frequency of extreme weather events, which may affect design requirements, compliance costs, and project timelines.

Sustainability Statement

CLIMATE TRANSITION STRATEGY

With respect to market demand, comprehensive national data on residential green certification uptake remains limited. However, the Group's internal sales performance indicates sustained growth in demand for incorporating sustainable features. The performance of the Group's eGreenLiving portfolio suggests that customer adoption is driven primarily by practical benefits, including lower operating costs, convenience, and future-ready features, rather than certification status alone. This observation supports the Group's strategic focus on embedding sustainability into everyday value propositions as a driver of market acceptance.

The analysis below outlines the key internal strengths and external opportunities that support the Group's Climate Transition Plan. It highlights the main factors that reinforce the Group's strategic direction and identifies areas where the Group can further strengthen its transition initiatives. This should be read together with the Group's sustainability-related risks and opportunities discussed in this section.

STRENGTHS

- Strong governance structure (RMC, SC, MRT, MSC)
- Established ESG screening for Tier-1 contractors (building and main infrastructure contractors)
- eGreenLiving traction raising with internal sales data
- Preferential cost-effective pricing for green cement and concrete for Setia projects

OPPORTUNITIES

- Market demand for homes with sustainable features
- Access to green financing instruments (sukuk, loans) through Setia's Sustainability Financing Framework
- Development of new green/eco-themed industrial parks
- Differentiation of products by embedding a strong ESG value proposition

CLIMATE TRANSITION PLAN (AMBITION-ACTION-RESPONSIBILITY)

Setia's Climate Transition Plan is integrated with strategic planning and capital allocation processes and is aligned with Malaysia's regulatory trajectory and the Group's operational context. The Plan sets out clear ambitions, actions, and responsibilities to support the transition towards a resilient, lower-carbon property development model, while remaining responsive to evolving policy, market, and physical climate conditions.

SPHERES OF INFLUENCE

The Climate Transition Plan is structured around areas where the Group has direct control, influence, or the ability to shape outcomes through engagement.

OPERATIONS

Within its operations, the Group focuses on site energy use, design optimisation, embodied carbon assessment, drainage performance, erosion controls, and Occupational Health and Safety (OSH) practices.

VALUE CHAIN

Across the value chain, the Group engages with cement and steel suppliers on emissions factors and Environmental Product Declarations (EPDs), promotes Industrialised Building System (IBS) adoption, collaborates with consultants and architects, and applies procurement policies and sustainable construction practices to reduce embodied carbon and improve resource efficiency.

SOCIETY AND MARKET

In the broader market and societal context, the Group advances the adoption of eGreenLiving features, strengthens consumer communication, collaborates with authorities on post-handover infrastructure maintenance, and contributes to market education and industry initiatives related to sustainable development.

STRATEGIC TARGETS AND COMMITMENTS

The Group's climate-related targets and financing commitments are guided by established roadmaps and frameworks.

Under the Setia Green Roadmap, the Group targets an absolute reduction in Scope 1 and Scope 2 greenhouse gas emissions of 45 percent by 2030 and 70 percent by 2040, with a Net Zero ambition by 2050, using FY2024 as the baseline.

For Scope 3 embodied carbon associated with housing products, the Group aims to progressively reduce emissions intensity from established baselines for landed and high-rise developments.

Current reference baselines are approximately 487 $kgCO_2e$ per square metre for landed products and 1,044 $kgCO_2e$ per square metre for high-rise products. Reductions are linked to design optimisation, IBS adoption, and material selection strategies.

In 2025, the Group established the Setia Sustainable Financing Framework to fund eligible green and social projects, including green buildings, renewable energy, energy efficiency, clean transport, water and wastewater management, pollution control, biodiversity initiatives, and affordable housing. The framework is supported by a Sustainable Fitch second-party opinion, rated "Good".

CLIMATE PILLARS AND ENABLING LEVERS
LOW CARBON SOLUTIONS

For product and design, the Group continues to scale eGreenLiving features across new launches. These include smart home systems, Green Switch functionality, electric vehicle ready ports, solar conduit wiring, and rainwater harvesting systems. These features are intended to deliver immediate cost savings and convenience for homeowners, while supporting emissions reduction. IBS adoption is expanded to reduce construction waste and embodied carbon.

In relation to materials and procurement, the Group maintains the use of cost-competitive lower-carbon materials, including green cement and concrete, through supplier engagement. Efforts are focused on accelerating supplier readiness for EPDs and verified emissions data, alongside continued use of IBS and value engineering to reduce Scope 3 emissions intensity.

CLIMATE RESILIENCE

The Group applies MSMA-aligned drainage conveyance checks, periodic desilting, and maintenance of detention basins, particularly in long-build township developments. Slope and embankment erosion controls, including turfing and toe protection, are implemented, with beyond-compliance freeboard and redundancy applied where feasible.

Collaboration with local authorities is strengthened for post-handover drainage outlet clearance and gross pollutant trap maintenance, to mitigate flooding risks associated with blockages and backflow conditions.

PARTNERSHIPS AND INVESTMENTS

The Group is developing green industrial parks across the Central, Northern, and Southern regions, designed as eco-industrialised parks with green infrastructure, energy readiness, and data centre compatibility. These developments are intended to support demand for lower-carbon industrial activities.

The Setia Sustainable Financing Framework is used to deploy green and sustainability-linked sukuk and financing instruments to support the development of climate-aligned assets.

TRANSPARENCY AND ENGAGEMENT

The Group provides climate-first sustainability disclosures aligned with the National Sustainability Reporting Framework, Bursa Malaysia requirements, and the expectations of capital providers. Active industry engagement is promoted through participation in dialogues and knowledge-sharing initiatives focused on climate-resilient planning and the decarbonisation of the built environment.

Sustainability Statement

CLIMATE TRANSITION STRATEGY

Climate Risk and Opportunity (CRO)	Transition Risk	Physical Risk	Opportunity
Description	• Emerging GHG emissions regulations.	• Flood, sea-level linked backflow and extreme weather	• Market demand for sustainable properties.
Nature of risk/ opportunity	• A domestic carbon tax from 2026 on iron, steel and energy may elevate input costs for superstructures and township infrastructure.	• Township drainage systems are gravity-based and dependent on downstream conditions; intensified storms may overtop conveyance or detention capacity, while backflow at outfalls can choke drainage during peaks. Slope and embankment erosion can increase under high-energy flows.	• Consumers increasingly value homes that deliver lower running costs, greater convenience and future-readiness (EV, solar). Setia's eGreenLiving initiative integrates smart and sustainable features to meet these expectations.
Resilience, mitigation and adaptation actions	• Supplier engagement to keep green cement pricing cost-neutral or favourable via pooled demand and long-run agreements; accelerate EPDs readiness and verified data from suppliers to reduce compliance friction. • Efficiency first portfolio actions (BMS optimisation, retrofits, solar on suitable assets, behavioural programmes) to dampen energy tariff volatility. • IBS adoption and embodied carbon assessments to establish design optimisation and material choices.	• MSMA aligned design and operations for township drainage system. Targeted conveyance checks, detention basin capacity monitoring, periodic pond desilting, turfing/ geotextiles/toe protection; embed freeboard and redundancy where feasible. • Active engagement and collaboration with authority on outlet clearance and gross pollutant trap maintenance after handover; heat-stress protocols aligned to national occupational health and safety guidance and local authority requirements.	• Establish business model adaptations to scale green features across new launches; enhance marketing communications to benefit homeowners; apply value engineering for affordability; deploy IBS; consider affordable certification tiers where cost–benefit is favourable; and support financing through the Setia Sustainability Financing Framework.
Current and anticipated financial effects	• Current: Secured pricing for green cement and concrete has enabled cost-neutral in FY2025 launches, avoiding margin impact in the short term. • Anticipated: Post-2026 carbon-tax pass-throughs could compress margins where residential price pass-through is constrained. Margin recovery is expected as suppliers improve emission factors and scale process efficiencies.	• Current: Modest Opex/Capex outlays for desilting and erosion control as preventive works have maintained drainage performance under regular events. • Anticipated: Incremental spending to upgrade stormwater system bottlenecks (pinch points) as design rainfall guidance is updated; these preventive investments are expected to be offset by avoided flood losses and downtime, in line with national policy emphasis on MSMA enhancement.	• Current: Internal data indicates that homes with green features demonstrate stronger take up and price resilience, thereby supporting revenue • Anticipated: Sustained demand for future-ready homes and eligibility for sustainability-linked financing could improve margin stability and cost of capital over time.

BUILDING RESILIENCE THROUGH SCENARIO ANALYSIS

Climate scenarios are based on IPCC SSP–RCP pathways. The Group's baseline scenario for internal planning is SSP2-4.5. The transition and physical risk considerations in this table should be read together with Scenario Analysis Assumptions at page 157 of this report.

Transition Scenarios

Moderate transition: Measured tightening of carbon policy; suppliers progressively adopt low-clinker blends, alternative binders and process efficiency. Setia emphasises long-run price agreements, pooled demand, and accelerated products EPDs. Early cycles may have volatility, but price normalisation follows as emission factors improve.

High transition: Rapid carbon-price escalation; supplier pricing diverges during implementation. Setia's resilience pivots on multi-supplier qualification, frequent price dialogues, transitional terms that share upside as emission factors drop, and efficiency-first actions before renewables procurement. Margin compression may occur in highly price-sensitive segments but is expected to ease as technologies scale and product's verification becomes routine.

Physical Risk Approach

Moderate physical: The Group applies MSMA-aligned resilient design and conducts annual landbank scenario reviews to prioritise higher-resilience sites. Targeted bottleneck remediation and beyond-compliance waterways design (including appropriate freeboard/redundancy where feasible) are incorporated, supported by post-handover collaboration with authorities on outlets and maintenance.

High physical: Under higher-severity physical risk, the Group adopts more conservative design allowances for extreme rainfall and drainage capacity, with increased freeboard and added redundancy where feasible. Landbank/project screening is tightened for higher-risk locations, with earlier intervention on bottlenecks and enhanced monitoring and post-handover maintenance to sustain long-term performance.

GOVERNANCE, FINANCING AND PROGRESS TRACKING

Emissions trajectory and baselines

Setia Green Roadmap – Absolute Scopes 1 & 2: Reduce 45% by 2030, 70% by 2040, and Net-Zero by 2050 (from FY2024 baseline).

Sustainable financing

- Setia's Sustainability Financing Framework (April 2025) aligns with ICMA and ASEAN principles, enabling green/sustainability sukuk and loans for eligible projects; Sustainable Fitch issued a second-party opinion rating the framework's alignment as "Good" and outlining seven green and three social use-of-proceeds categories.
- As part of our commitment to strengthening climate risk management, we continuously assess the potential financial implications of climate change on our strategy, financial position and performance.

Governance

Oversight: The Risk Management Committee (RMC), Management Risk Team (MRT), Management Sustainability Committee (MSC) and Sustainability Committee (SC) oversee transition and physical risks, targets, and portfolio integration.

Sustainability Statement

RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE

TRANSITION CLIMATE RISK: EMERGING GHG EMISSIONS REQUIREMENTS AFFECTING HOW ORGANISATIONS WILL OPERATE ITS BUSINESS, INCLUDING READINESS OF ITS VALUE CHAIN

DESCRIPTION OF THE RISK

The Group is exposed to a structural climate transition risk arising from the tightening of carbon-related policies and disclosure expectations in Malaysia and globally. The Group's transition risk exposure is primarily driven by its Malaysian operations and value chain, while developments in other jurisdictions are monitored where relevant and material. In Budget 2025, the Government announced the introduction of a domestic carbon tax from 2026, with initial coverage targeting the iron, steel, and energy sectors. These sectors supply critical upstream inputs to the property development industry and are therefore expected to affect the Group's value chain.

At the time of reporting, detailed implementation parameters for the carbon tax, including tax rates, coverage thresholds, point of taxation, and exemption mechanisms, have not yet been finalised. This policy uncertainty creates planning challenges for property developers, as cost exposure may vary significantly depending on whether the tax is applied at the production, import, or consumption level.

In parallel, Malaysia's National Sustainability Reporting Framework (NSRF) mandates the phased adoption of IFRS S1 and IFRS S2 for listed issuers, with Main Market companies with a market capitalisation exceeding RM2 billion required to be in full compliance by 2027.

Under the NSRF, issuers may apply transition reliefs in 2025 and 2026 to focus on climate-related risks and opportunities within principal business segments. This elevates climate-related information to investor-grade disclosures, increasing scrutiny of the Group's transition preparedness, cost resilience, and credibility of mitigation actions.

As a result, the Group is likely to face potential financial impacts arising from carbon pricing policies, both directly and indirectly through its value chain. For property developers, the financial relevance is immediate. Steel, cement, and grid electricity are essential inputs for superstructures, platforms, and township infrastructure. Carbon tax pass-throughs from suppliers may increase input costs, while the ability to fully transfer these costs to homebuyers is constrained by market competitiveness. This could result in short-term margin compression and potential impacts on sales velocity.

Over the medium term, mitigation measures such as renewable electricity procurement through corporate green power programmes, design optimisation, and embodied carbon reduction strategies can help moderate cost pressures. However, these measures require upfront investment, regulatory clarity, and a sufficient level of readiness across the supplier ecosystem.

EFFECTS ON STRATEGY AND DECISION MAKING

The transition risk influences the Group's business model and value chain across several interrelated areas.

Upstream procurement

Suppliers in carbon-intensive sectors, particularly steel, cement, and energy, are expected to incorporate carbon tax costs into their pricing structures. This is likely to result in higher material costs for construction activities. Supplier readiness to support emissions transparency is uneven, with many suppliers lacking Environmental Product Declarations (EPDs) or verified emissions data. This increases compliance and verification requirements and may raise transaction costs as developers seek to assess and manage embodied carbon exposure.

Construction and operations

Electricity tariffs may increase as carbon compliance costs are reflected in grid pricing, resulting in higher operating expenses across construction sites and township operations. While renewable electricity procurement mechanisms such as the Corporate Green Power Programme (CGPP) and the Corporate Renewable Energy Supply Scheme (CRESS), including open grid access arrangements, offer potential mitigation pathways, their adoption requires contractual readiness, counterparty availability, and infrastructure compatibility at the site level.

In the near term, these mechanisms may not fully offset electricity price volatility, particularly for active construction sites with temporary power configurations or limited grid access flexibility. As a result, operating cost exposure is expected to persist during the transition period, reinforcing

the importance of phased implementation, energy efficiency measures, and longer-term procurement planning as part of the Group's transition strategy.

Downstream pricing and market competitiveness

The ability to pass increased construction costs to end buyers is constrained by affordability considerations and competitive market dynamics. Sustained cost pressures may affect pricing strategies, margins, and product mix, particularly in price-sensitive residential segments. This reinforces the need to differentiate products through value-based sustainability features rather than cost pass-through alone.

Internal Carbon Pricing

The Group is in the process of developing a formal internal carbon pricing framework to support climate-related decision-making and long-term business planning. In the interim, climate considerations are being progressively integrated into project feasibility assessments through the inclusion of indicative estimates of potential carbon cost impacts.

These preliminary assessments enable project teams to evaluate how future carbon pricing mechanisms could influence project economics, investment returns and cost structures. By incorporating prospective carbon costs at an early stage of decision-making, the Group is strengthening its ability to anticipate regulatory and market developments while enhancing the resilience of its investment and development strategies.

This interim approach will remain in place until the internal carbon pricing framework is finalised and formally implemented. Once established, the framework will provide a more structured and consistent methodology for incorporating carbon costs into strategic and operational decision-making across the Group.

Data governance and reporting

The implementation of the NSRF and IFRS Sustainability Disclosure Standards requires investor-grade climate disclosures supported by consistent, multi-year metrics and decision-useful narratives on current and anticipated financial effects. In response, the Group has strengthened its data governance framework through the rollout of eDew, the Group's digitalised sustainability data collection system, supported by formal standard operating procedures and the appointment of Sustainability Officers across business units.

While these measures enhance internal readiness and reporting discipline, heterogeneous data capabilities across the supplier base may delay data capture and increase verification effort in the near term. This is expected to persist until data availability, emissions reporting practices, and assurance standards become more standardised across the market.

South Creek, Setia EcoHill 2, Semenyih, Selangor

CURRENT AND ANTICIPATED FINANCIAL EFFECTS

In the current reporting period, the Group has not experienced material cost escalation arising from the adoption of green materials. Through proactive engagement with cement and concrete manufacturers, Setia secured preferential pricing for green cement and green concrete. This enables contractors on Setia projects to procure these materials at cost-neutral rates, and in some cases at lower rates, compared with conventional alternatives. As a result, the Group has been able to integrate sustainability features without adversely affecting project budgets or margins in the short term.

Looking ahead, the Government's planned introduction of a domestic carbon tax from 2026 introduces significant uncertainty that may outweigh these negotiated pricing benefits. Key parameters, including the tax rate, coverage thresholds, exemptions and any crediting or offset mechanisms, have not yet been finalised. This limits the Group's ability to quantify the potential financial impact. If carbon-related costs for steel, cement and electricity are passed through by suppliers, the Group may face margin pressure, particularly in price-sensitive residential segments where cost pass-through to buyers is constrained. This exposure is heightened because these inputs are critical to construction and project delivery, and there is limited scope for substitution in the near term.

Sustainability Statement

RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE

Short-term Outlook:
2 years
(FY2026 to FY2027)

- No material cost increases are expected from green cement and green concrete due to secured supplier pricing arrangements.
- Compliance-related costs are expected to increase as IFRS S2 and NSRF requirements take effect, including expanded data management, reporting, and governance requirements across Scope 1, Scope 2, and, progressively, Scope 3 emissions.
- Carbon-tax exposure remains contingent on final policy design, though early policy signals suggest potential cost pressure within steel and iron supply chains.
- Pricing sensitivity in the residential market is expected to limit the Group's ability to pass incremental costs to buyers, resulting in potential margin pressure where design optimisation and efficiency measures cannot fully offset increases.

Medium-term Outlook:
3 to 5 years
(FY2028 to FY2030)

- If carbon pricing accelerates, input costs for steel and cement may increase materially, even after supplier negotiations and discounts, potentially affecting development costs and pricing strategies. Higher selling prices may affect take-up rates in certain market segments.
- The Group expects to mitigate a portion of this exposure through energy efficiency initiatives, including solar panel installations, enhanced Building Management System (BMS) controls, targeted retrofitting, and staff awareness programmes aimed at reducing operational energy consumption.
- Financing dynamics may improve as sustainability-linked financing instruments become more accessible and competitively priced, which could partially offset compliance and transition-related costs

Long-term Outlook:
Beyond 5 years
(FY2031 onwards)

- Product differentiation through green-certified townships, embedded sustainability features, and verified performance data is expected to support price realisation and sales velocity, contributing to improved margin resilience over time.
- Structural compliance costs related to carbon pricing, emissions reporting, and supplier verification are expected to remain embedded within the cost base, requiring ongoing optimisation, supplier engagement, and value-chain collaboration.
- The government may expand carbon tax coverage to additional sectors, which could increase indirect costs across the Group's value chain.

At present, management does not anticipate material climate-related impairment within the next 12 months. However, investors should note that the eventual design and implementation of carbon-pricing mechanisms could materially influence the Group's cost structure and margin trajectory over time, depending on regulatory outcomes and supply-chain readiness.

South Creek, Setia EcoHill 2, Semenyih, Selangor

Climate Resilience

Setia's resilience to climate transition risk is underpinned by active supplier engagement, portfolio-level efficiency measures, and scenario-informed planning. As the proposed carbon tax will apply nationwide, initial cost pressures are expected to be industry-wide rather than entity-specific. Resilience therefore depends on the Group's ability to convert supplier decarbonisation into lower emissions factors and competitive pricing for green inputs, while managing cost volatility during the transition period.

Consistent with IFRS S2, the Group assesses resilience under moderate and high transition scenarios. In both cases, resilience is evaluated through supplier cost trends, expected improvements in embodied carbon intensity for cement and steel, and the pace at which pricing and verification practices stabilise following policy implementation.

Under a moderate transition, progressive policy tightening supports supplier investments in lower-carbon materials and process efficiencies. The Group's focus is on maintaining cost-competitive green inputs through long-term supplier arrangements, pooled demand, and accelerated adoption of Environmental Product Declarations. Short-term price volatility may occur during early tax cycles, but improvements in emissions factors and verification maturity are expected to support cost-neutral outcomes over time. Electricity-related resilience before 2030 prioritises energy efficiency and targeted solar deployment, with renewable procurement considered post-2030.

Under a high transition scenario, faster policy tightening increases implementation uncertainty and pricing divergence across suppliers. Resilience is driven by deeper supplier engagement, accelerated multi-supplier qualification, and transitional procurement structures. While margin pressure may arise where residential price pass-through is constrained, cost normalisation is expected as suppliers scale low-carbon technologies and emissions reporting becomes standard practice.

Overall, transition risk is concentrated in the period between initial tax implementation and supply-chain stabilisation. The Group mitigates this through negotiated pricing, prioritisation of suppliers demonstrating decarbonisation progress, and sequencing energy efficiency ahead of renewable procurement. Over the longer term, continued supplier innovation and post-2030 renewable options are expected to support cost-base re-optimisation and sustained demand for efficient, resilient townships.

Sustainability Statement

RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE

Processes, Controls and Policies to Manage the Risk

The Group manages climate transition risk through established governance structures, disciplined development controls, and targeted engagement with contractors and suppliers, calibrated to its role as a property developer.

Oversight is embedded within the Group's governance framework. The Risk Management Committee (RMC) sets risk appetite for climate-related transition exposures and reviews policy developments for their impact on project economics and risk profiles. The Management Risk Team (MRT) conducts operational risk assessments at project and business-unit level and escalates material issues. The Management Sustainability Committee (MSC) coordinates execution of climate-related actions across design, procurement, and site practices, while the Sustainability Committee (SC) provides strategic direction and alignment with broader business objectives.

Transition risk is further managed through contractor and supplier controls. ESG screening is applied to Tier 1 contractors as part of prequalification and renewal processes, focusing on environmental practices, site management capability, and safety performance.

Contractor engagement during tender stages promotes adoption of ISO 14001:2015 and ISO 45001:2018 standards to strengthen environmental and occupational health and safety practices and reduce non-compliance and remediation risk.

Within development planning, embodied carbon assessments are conducted for landed and high-rise projects and used as inputs into design optimisation and value engineering reviews. This allows emissions considerations to be incorporated alongside cost, performance, and quality criteria. Until the internal carbon pricing framework is finalised, indicative carbon cost considerations are incorporated into project feasibility assessments to support forward-looking decision-making.

Data governance is supported through documented ESG data collection procedures, appointed Sustainability Officers across business units, and the use of the Group's eDew ESG system to track environmental indicators and monitor trends. These controls support data integrity, consistency, and timely production of investor-grade climate disclosures.

Transition risk management is reviewed on a continuous basis. The MRT conducts quarterly reviews, the MSC monitors progress on contractor capability and design initiatives, and the SC considers portfolio-level implications. Where gaps are identified, particularly in supplier emissions data and EPD readiness, the Group engages suppliers through procurement expectations and prioritisation of those demonstrating progress.

Collectively, these processes provide a coherent framework to identify, assess, and mitigate climate transition risk, focusing on actionable levers within the Group's control while allowing flexibility to integrate future policy developments, supplier innovation, and the internal carbon pricing framework as they mature.

Transition Risk Metric and Target

The table below summarises the Group's key transition risk metric and target for FY2025, focusing on electricity consumption across Offices, Malls and Convention Centres. This metric supports monitoring of operational efficiency and exposure to potential energy price and carbon-related cost pressures, using utility bills as the primary data source. Performance is tracked against the FY2024 baseline and reviewed annually by the MSC and SC to inform ongoing efficiency initiatives and next-year target-setting. The targets outlined below were developed by the Group to monitor mitigation progress and resilience to climate-related transition risks, particularly those associated with embodied carbon in construction materials and emissions arising from construction activities.

Metrics	Methodology	Unit	Baseline	2024	2025	Target	Standard Reference
Energy Management Electricity usage by Offices, Malls & Convention Centres (Malaysia Operations)	Electricity consumption in the financial year	MWh	2024	44,411	**40,592**	2% reduction for FY2025 from FY2024 Baseline	• SASB (Real Estate) – IF-RE-130a.2

PHYSICAL CLIMATE RISK: FLOOD, SEA LEVEL RISE AND EXTREME WEATHER

Description of the Risk

The Group's portfolio is primarily located in Malaysia and is non-coastal, which limits exposure to storm surge and sea-level rise. Physical climate risk is therefore driven mainly by extreme rainfall events that exceed historical design assumptions and by downstream backflow conditions that can temporarily impair gravity-based drainage during peak rainfall periods.

Recent flood events in Malaysia, including the December 2021 Klang Valley floods, have highlighted that rainfall intensity and duration can exceed established national design curves. This reinforces the need to reassess hydraulic constraints, drainage conveyance capacity, and detention performance as climate patterns evolve. In addition, erosion risks may arise on slopes, waterways, and pond embankments, particularly in tropical residual soils where instability can be exacerbated by intense rainfall, slope geometry, and site conditions.

The Group distinguishes between two primary flooding drivers: climate-induced extreme rainfall that stresses drainage and detention systems, and maintenance-related flooding in handed-over townships, which may be influenced by maintenance conditions and external factors affecting drainage performance.

Scenario analysis conducted for the current portfolio indicates no material flooding sensitivity under present and medium-term scenarios. However, given uncertainty under extreme weather conditions, the Group applies scenario analysis to all future developments and land acquisitions and conducts annual reviews across its landbank to monitor emerging physical risk signals.

Sustainability Statement

RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE

Effects on the Business Model and Value Chain

Physical climate risk affects the Group primarily through engineering and operational pathways. For current township developments, these risks are managed through climate-resilient design and engineering responses defined under national stormwater and erosion-control standards, including conveyance verification, detention basin performance checks, and stabilisation measures.

For handed-over township assets, flood risk linked to drainage blockage sits outside the Group's direct control. The Group therefore engages with authorities and operators on outlet clearance and gross pollutant trap maintenance to reduce maintenance-related flooding risk.

Long-duration township developments, which may span 10 to 20 years, face ongoing sediment accumulation in detention ponds due to earthworks and surface runoff. To preserve stormwater performance and compliance, the Group undertakes periodic desilting and pond deepening based on engineering assessments. This practice is embedded within township sustainability and water management plans and supports the long-term functionality of drainage systems throughout the development lifecycle.

Effects on Strategy and Decision-making

Flood protection and drainage infrastructure

Climate-related flood risks are systematically embedded into the Group's project planning, design and investment decision-making processes. From the early design stage, developments incorporate flood mitigation and adaptation measures such as elevated building platforms, enhanced drainage systems, retention ponds, desilting works and the installation of Gross Pollutant Traps.

For mature townships, periodic upgrades to drainage networks, water expressways and retention infrastructure are undertaken to improve stormwater conveyance and storage capacity. These enhancements strengthen long-term flood resilience, reducing vulnerability to extreme rainfall events and supporting business continuity and tenant confidence.

Slope stability and site protection

Slope management measures are implemented to maintain site stability, particularly in areas exposed to heavy rainfall. These include erosion rectification, slope stabilisation works and improved drainage on sloped terrains. Such interventions reduce landslide risks and contribute to safer and more resilient development environments.

Supporting infrastructure and access works

Supporting infrastructure, such as access improvements, water expressways and drainage channels—is incorporated into development plans to ensure the safe and efficient functioning of townships. These works enhance connectivity during adverse weather conditions and help manage runoff and stormwater movement across project sites.

Compliance and environmental safeguards

Strategic decision-making is informed by mandatory Environmental Impact Assessments (EIAs) for large-scale developments. These assessments evaluate hydrology, flood exposure, soil stability, air quality and ecological impacts before construction begins. The findings guide project design, regulatory compliance and the development of targeted mitigation strategies, enabling risks to be identified and addressed early in the project lifecycle.

Current and Anticipated Financial Effects

The Group's financial exposure to physical climate risks is primarily associated with flood mitigation and adaptation measures embedded within township development and asset management activities. In the current period, impacts remain modest and mainly relate to routine preventive maintenance (e.g., desilting of detention ponds and drainage channels, and slope erosion control) to maintain system performance under normal rainfall conditions. For completed townships, the Group's focus is on ongoing monitoring and maintenance, including engagement with relevant authorities to sustain drainage performance.

Time-horizon outlook

In the short term (2 years), for ongoing and new township developments, the Group expects incremental operating and capital expenditure associated with erosion control measures and selective hydraulic checks or minor upgrades at identified pinch points. No material cost impacts from heat stress are anticipated during this period.

In the medium term (3 to 5 years), for long-duration township developments, updates to national rainfall design guidance may identify further drainage constraints, requiring optimisation of conveyance and detention systems and planned desilting cycles in long-duration township developments.

Over the long term (beyond 5 years), for future developments, strengthened climate-resilient planning requirements, including higher design standards and more stringent maintenance expectations, may increase compliance costs for new developments. Sector trends also indicate a growing likelihood of developer-funded sewerage and pumping infrastructure upgrades in high-growth or high-rainfall catchments.

Management does not anticipate material asset impairment within the next 12 months, as current measures focus on optimisation, maintenance, and compliance planning. The impacts and responses below relate primarily to the Group's ongoing and new township developments. For completed townships, the Group's focus is on ongoing monitoring, maintenance and engagement with relevant authorities to sustain drainage performance.

Capital and Operational Cost Categories

In RM million	FY2025 Current financial effects	FY2026-FY2027 Short term financial effects (per annum)	FY2027-FY2029 Medium term financial effects (per annum)	FY2030 onwards Long term financial effects (per annum)
Financial position				
Asset*	52.71	61.84	Note 1	Note 1
Borrowings (increase)	–	–	–	–
Financial performance				
Revenue	–	–	–	–
Cost of sales: - (Cost)/savings from low carbon materials and carbon tax				
- Compliance and verification cost	0.02	0.01	Note 1	Note 1
- Depreciation (increase)	–	–	–	–
Gross Profit	–	–	–	–
Borrowing cost (increase)	–	–	–	–
Cash flows				
Cash used in operations (outflow)	(52.73)	(61.85)	Note 1	Note 1
Cash used in investing activities (outflow)	–	–	–	–
Cash used in financing activities (outflow)	–	–	–	–
- Proceeds from borrowing	–	–	–	–
- Borrowing Cost	–	–	–	–

Note 1 : The Group has not provided quantitative information because the level of measurement uncertainty is so high that the resulting data is not useful.
** : The amount of capital expenditure deployed on flood protection and drainage infrastructure, slope stability and site protection, and supporting infrastructure and access work.*

Sustainability Statement

RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE

The Group's resilience to physical climate risk is built on drainage performance, erosion control, operational continuity, and ongoing collaboration with authorities, supported by scenario-based planning. Scenario analysis indicates no material flood sensitivity for the current portfolio under present and medium-term conditions. Given uncertainty under extreme scenarios, the Group applies scenario analysis to all future land acquisitions and conducts annual reviews across the landbank.

Resilience measures focus on targeted verification of drainage conveyance systems, confirmation of detention pond capacity, and implementation of low-cost erosion controls. Where feasible, beyond-compliance features such as additional freeboard and system redundancy are incorporated to enhance robustness as rainfall patterns evolve. Engagement with authorities on post-handover maintenance remains a key element of flood risk mitigation.

Scenario analysis underpinning the Group's climate resilience assessment is discussed in Resilience section at page 156.

Processes, Controls, and Policies to Manage the Risk

Physical climate risk is managed within the Group's Enterprise Risk Management Framework, with oversight by the Risk Management Committee, supported by the Management Risk Team, Management Sustainability Committee, and Sustainability Committee. Climate-related risks are identified, assessed, and monitored in line with approved risk parameters, with quarterly reporting to Management and the Board.

Setia Governance Risk & Audit Forum 2025

Design and project planning controls align with the national Urban Stormwater Management Manual, incorporating climate considerations into design reviews and applying beyond-compliance measures where feasible. Scenario analysis is embedded into future project and acquisition assessments.

Operational controls include periodic desilting of detention basins, erosion stabilisation of slopes and waterways, engagement with authorities on drainage maintenance after handover. Monitoring and reporting are conducted through regular risk reviews, with sustainability and risk committees assessing implications for portfolio strategy and regulatory compliance.

These measures aim to reduce disruption, avoid unplanned remediation costs, and support long-term asset performance. While precise quantification of avoided losses is uncertain, management expects that proactive adaptation investments will be offset by reduced flood damage, infrastructure degradation, and workforce disruption, supporting operational continuity and long-term value preservation.

Physical Risk Metrics and Targets

These physical risk metrics support the risk management approach by tracking both the Group's exposure (landbank/developments) and the implementation of resilience measures. The results are reviewed periodically to inform site screening, design decisions and maintenance priorities.

Metrics	Methodology to calculate metric	Measuring Unit	Baseline (Year)	2025 Results	Related Target	Standard Reference
Climate Change Adaptation Number of lots located in 100-year flood zones (Malaysia Operations)	Hydrological mapping & regulatory pond data	NIL	NIL	All major Setia townships are designed in accordance with the Urban Stormwater Management Manual (MSMA), incorporating engineered waterways and detention ponds. Each development is designed to a calculated 100-year flood level, with building platforms set above the maximum design water level. Due to this, all post developments are above 100-year flood level.	NIL	SASB (Home Builders) – IF-HB-420a.1
Climate Change Adaptation Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks	Scenario screening & portfolio review	NIL	NIL	Climate exposure is assessed through portfolio-level scenario analysis using SSP2-4.5 as the baseline, with SSP1-2.6 and SSP3-7.0 for sensitivity. The portfolio has no material coastal flood exposure; risks arise mainly from extreme rainfall and downstream backflow affecting gravity-based drainage in inland townships. Exposure relates to stormwater hydraulics and long-build township developments where detention capacity may be reduced by sedimentation. Mitigation includes MSMA-aligned drainage design, periodic desilting and deepening of detention ponds, and erosion controls.	NIL	SASB (Home Builders) – IF-HB-420a.2
Land Use & Ecological Impacts Discussion of process to integrate environmental considerations into site selection, site design and site development and construction		NIL	NIL	Environmental considerations are embedded across the development lifecycle. Pre-acquisition landbank screening incorporates flood risk. During design, MSMA-aligned drainage is applied and detention basin capacity verified. Design and value-engineering reviews include embodied carbon assessments supporting Industrialised Building Systems (IBS) and lower-carbon materials. During construction, erosion and sediment controls are implemented, with post-handover engagement to ensure drainage outlets maintenance, supporting climate resilience.	NIL	SASB (Home Builders) – IF-HB-160a.4

Sustainability Statement

RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE

OPPORTUNITY: MARKET DEMAND FOR SUSTAINABLE PROPERTIES

Description of the Opportunity

The Group identifies a growing market opportunity in residential properties that deliver practical, everyday value to homeowners through lower operating costs, improved convenience, and readiness for future technologies. Demand is driven less by sustainability labels and more by tangible benefits experienced in daily living.

Introduced in 2023, the eGreenLiving initiative integrates smart and resource-efficient features into residential products, including energy management controls, electric vehicle and solar readiness, water efficiency measures, and smart security solutions. These features reduce household utility costs, enhance usability, and future-proof homes against evolving technology adoption, supporting longer-term resale appeal.

Internal Traction and Market Signals

Internal sales indicators reflect growing market acceptance of homes with sustainability features, supporting the Group's continued focus on scaling eGreenLiving offerings and integrating practical, future-ready features across new launches. While comprehensive national residential data remains limited, these internal indicators suggest demand responds positively when benefits are clearly communicated to buyers.

Broader market indicators also support this trend. Malaysia's Green Building Index has seen growing certification activity, particularly in commercial and industrial segments, alongside rising consumer awareness of comfort, efficiency, and energy savings. This creates potential spillover demand into the residential market.

Analyst Perspective

Analyst commentary highlights that full green building certification for residential developments may introduce cost pressures that are not fully recoverable through pricing premiums in the short term. As a result, a focus on practical, cost-effective green features is considered more viable for residential products, with full certification better suited to commercial developments. Analysts also note the Group's strengths in Industrialised Building System adoption and materials innovation, which help moderate cost pressures and provide optionality for future certification when economics are more favourable.

Effects on the Business Model and Value Chain

This opportunity reinforces the Group's shift toward low-carbon design and smart infrastructure across its housing portfolio. It influences procurement through increased use of IBS and lower-carbon materials, partnerships with technology providers for smart systems, and access to sustainability-linked financing under the Group's Sustainable Financing Framework. Sales and marketing approaches increasingly emphasise future-ready features and practical benefits, aligning product offerings with evolving buyer preferences.

Refer Climate Transition Strategy – Strategic priorities at page 139 and Climate Transition Plan / Climate pillars and enabling levers at page 140.

Current and Anticipated Financial Effects

In the current reporting period, homes incorporating green features have demonstrated stronger sales absorption and price resilience, supporting overall revenue performance. Incremental costs associated with smart systems and sustainability features are managed through early value engineering and efficiencies from Industrialised Building System (IBS) adoption.

Short to medium term, the Group expects these features to contribute positively to revenue growth and margin stability by enhancing product attractiveness without materially increasing development costs. Over the longer term, as market recognition of sustainable housing deepens, such homes are expected to retain higher resale values and deliver lower operating costs for occupants. In parallel, alignment with sustainability-linked financing frameworks may support access to funding on more favourable terms, contributing to a lower cost of capital.

Climate Opportunity Metrics – Market Demand for Sustainability Properties

Metric	Methodology to calculate metric	Measuring Unit	Baseline (Year)	2025 Results	Related Target
Entity-developed metric					
Percentage of sales increase for eGreenLiving property	Percentage of sales of eGreenLiving properties out of total group sales	Percentage (%)	2024	41%	To achieve 35% of FY2025 sales from S P Setia products with green features, by tracking the sales performance of eGreenLiving-labelled properties.

The Group tracks market-demand opportunity through internal sales and product-feature data for eGreenLiving-labelled properties. Each metric is compiled by identifying eligible units (based on standard feature specifications such as Green Switch, solar PV, solar conduit provision, energy-efficient fittings and rainwater harvesting) and calculating the proportion of total relevant property sales. Baselines are set where consistent tracking is established, and results are reviewed periodically to support product planning and marketing focus.

Strategic Outlook

Over the long term, the Group expects residential sustainability features to become increasingly standard across the market, reducing differentiation as competitors adopt similar offerings. To maintain its competitive position, Setia has established a dedicated Innovation Department under Group Digital and Innovation to continuously evaluate and introduce new sustainability solutions and advanced features.

This focus on ongoing innovation supports product differentiation beyond baseline green features, enabling the Group to sustain buyer relevance, respond to evolving preferences, and reinforce its positioning in future-ready residential development as sustainable housing becomes mainstream.

Sustainability Statement

RESILIENCE

BUILDING RESILIENCE THROUGH CLIMATE-RELATED SCENARIO ANALYSIS

S P Setia Berhad applies climate-related scenario analysis to strengthen resilience across its strategy, capital allocation, and risk management processes. The analysis is aligned with IFRS S2 and supports Malaysia's National Sustainability Reporting Framework and the Exchange's climate-first transition approach. It provides a structured basis for assessing how climate change may influence demand patterns, construction economics, and asset durability over time.

Purpose and Scope

The scenario analysis was conducted to identify and assess:

- physical climate risks, including extreme rainfall, flooding, and heat stress, that may affect construction schedules, operating costs, and asset performance
- transition risks, such as carbon pricing, evolving building standards, and supply-chain requirements, that could alter project economics
- opportunities linked to demand for sustainable housing, low-carbon materials, and township-scale energy solutions

The assessment covers the current period, short term (FY2026–FY2027), medium term (FY2028–FY2030), and long term (beyond FY2030). It focuses on the Group's Malaysian portfolio, which represents the majority of exposure, with international sites to be assessed in future periods when material.

Scenario Framework and Assumptions

Physical and transition risks were assessed using IPCC Shared Socioeconomic Pathways (SSP1-2.6, SSP2-4.5, and SSP3-7.0), supported by global climate model outputs and hydrometeorological references relevant to key operating regions. The analysis is designed to be iterative and will be refined over time as data quality, methodologies, and sector practices evolve.

Setia Eco Park, Shah Alam, Selangor

Climate Scenarios, Strategic Implications and Business Model Response

The table summarises scenario-driven impacts on the Group's development costs, project design standards, approvals and timelines, and demand for sustainable homes.

Scenario	Scenario narrative	Key strategic implications	Implications for strategy & business model
SSP1–2.6 (2.0 °C by 2100) – Sustainable transition	Strong global mitigation moderates physical risks but increases transition pressures through carbon pricing and performance-based building standards.	Demand shifts toward green-certified homes, high-efficiency designs and township-scale renewable solutions. Transition pressure and investor scrutiny increase risk of obsolescence for underperforming developments.	Shift focus towards net-zero-ready communities, verified international certifications, and integrating internal carbon pricing into investment appraisal and capital allocation decisions. Accelerate low-carbon product roll-out (eGreenLiving), increase IBS and low-carbon material specifications, and tighten supplier requirements for EPDs/verified data; expand use of green/sustainability-linked financing to support eligible projects.*
SSP2–4.5 (≈2.7°C by 2100) – Middle-of-the-road	Gradual increases in heat and rainfall variability affect construction planning and durability standards. Carbon pricing and regulation emerge progressively.	Steady growth in demand for energy-efficient homes, scaled adoption of IBS and lower-carbon materials. Gradual regulatory tightening aligns with Malaysia's phased NSRF adoption and planned carbon tax from 2026.	Maintain near-term competitiveness by embedding low-carbon design across launches, scaling IBS and lower-carbon materials, and advancing certification pathways aligned with investor expectations. Maintain competitiveness by embedding low-carbon design into new launches, scaling IBS and material optimisation, and progressing supplier engagement/EPDs while managing gradual cost pass-through and evolving standards.*

Sustainability Statement

RESILIENCE

Scenario	Scenario narrative	Key strategic implications	Implications for strategy & business model
SSP3–7.0 (≈3.6°C by 2100) – Regional rivalry	Higher warming intensifies physical risks and supply-chain disruption, while regulatory responses are delayed and abrupt.	Near-term opportunities are limited; longer-term demand may rise for climate-resilient retrofits and infrastructure in higher-risk urban areas. Physical risk and supply-chain volatility become dominant drivers.	Strengthen resilience through robust engineering responses (enhanced drainage/flood mitigation), nature-based solutions, and incorporating contingency buffers in project timelines and cost planning. Prioritise resilience and delivery certainty through stricter landbank screening, more conservative drainage/erosion design, contingency buffers in project schedules and budgets, and diversified suppliers to manage supply-chain volatility and higher physical risk.*

Notes:
** The financial impact associated with these climate related measures cannot be determined at this point, given the differing cost requirements across various projects*

For climate scenario analysis, the Group applies scientific time horizons commonly used in climate modelling (near-term 2025–2030, medium-term 2030–2050 and long-term 2050–2100), which are distinct from the Group's financial planning time horizons disclosed above.

Further discussion of the Group's transition strategy and priorities and resilience measures is set out in the Climate Transition Strategy and Climate Resilience sections at pages 142-143.

Uncertainties and Significant Judgements

The Group recognises the uncertainties inherent in climate-related modelling, evolving regulations and emerging technologies. Projections for localised extreme rainfall often differ across models. To address this, the Group combines results from different climate models and fine-tunes them for better accuracy.

Regulatory uncertainty also remains a key consideration. While Malaysia has announced the introduction of a carbon tax from 2026 with phased coverage beginning in the iron, steel, and energy sectors, the timing, scope, and downstream implications for construction materials and electricity contracts may evolve.

Accordingly, the Group periodically recalibrates its assumptions, including internal carbon price considerations, procurement strategies, and project feasibility assessments.

The pace and cost of technology adoption, including Industrialised Building Systems, low-carbon materials, and distributed energy solutions, may also vary depending on supply-chain capacity and financing conditions. Scenario assumptions are therefore refreshed regularly as part of the Group's planning cycle.

Sensitivity Analysis for Transition Risks

Transition risk sensitivity is assessed primarily through potential exposure to carbon pricing. A phased carbon tax and the possible development of a domestic carbon market are expected to influence the cost of key construction inputs such as cement and steel, as well as electricity tariffs. Potential cost pass-through effects are evaluated within project cost planning and supplier contract discussions, reflecting national transition objectives and evolving policy signals.

Financial Resilience and Capital Allocation

Transition pricing may affect embodied carbon costs, grid electricity expenses, and the economic life of mechanical and electrical systems under tightening efficiency standards. The Group's disclosed emissions baseline for 2024 provides a foundation for assessing direct and indirect exposure and informing mitigation strategies. These baselines are supported by structured data governance through the eDew system and standard operating procedures.

Capital allocation is guided by the Group's Sustainability Policy, Climate Change Policy, and Green Roadmap, which set a net zero ambition by 2050 and interim Scope 1 and 2 reduction targets of 45 percent by 2030 and 70 percent by 2040, relative to the 2024 baseline. These commitments inform investment decisions in energy efficiency, on-site solar, water efficiency, electric vehicle readiness, and IBS adoption, while shaping supplier engagement to reduce lifecycle emissions and manage long-term operating costs.

Governance, Data, and Assurance

In line with NSRF requirements and Bursa Malaysia's enhanced Listing Requirements, the Group is strengthening Board oversight of climate-related risks and opportunities, enhancing internal governance structures, and building organisational capability through training and engagement across Business Units. These efforts are supported by the eDew centralised data platform, which improves the quality, consistency, and comparability of climate disclosures, including the progressive integration of Scope 3 emissions and annual scenario analysis updates.

Response to Identified Effects and Next Steps

Differences across scenarios relate primarily to the pace and severity of physical climate impacts and the stringency of transition policies. If conditions shift towards SSP1-2.6, physical risks are expected to be relatively milder but transition pressures would intensify, and the Group would prioritise accelerating supplier decarbonisation and verified data/EPDs, alongside efficiency and low-carbon design levers. Conversely, if conditions shift towards SSP3-7.0, physical risks would escalate amid weaker policy consistency, and the Group would strengthen landbank screening and MSMA-aligned design safeguards (including additional freeboard/redundancy) and increase targeted adaptation planning to protect project delivery and asset performance. The Group's integrated development model provides adaptive capacity through coordinated planning, design, and procurement. Ongoing investments will focus on climate adaptation measures, including stormwater management, heat mitigation, resilient materials, and nature-based solutions.

Scenario analysis, internal carbon price assumptions, and risk assessments will be refreshed annually to reflect evolving policy signals and investor expectations. The Group's approach emphasises early-stage integration of climate considerations into master planning, architectural design, and engineering specifications, reducing exposure to climate-related risks at source rather than relying on reactive measures after impacts occur.

Sustainability Statement

METRICS AND TARGETS

This section summarises the Group's approach to climate-related metrics and targets, including reporting boundary, measurement methodologies, and target review processes. For clearer linkage to the Group's SROs, the specific metrics and targets are presented under their respective SRO disclosures (Transition Risk, Physical Risk and Opportunity).

Target validation and review process

The Group's climate-related metrics and targets are established through internal management processes and are validated through science-based procedures embedded within the eDew Sustainability Data Management System. Progress against targets and the continued appropriateness of the metrics are reviewed at least annually by the MSC and SC, with updates escalated to the Board where relevant. Targets may be refined as data quality improves, reporting scope expands, or material changes arise in regulatory requirements, business plans, or operating conditions.

Cross-sector Climate Metrics (IFRS S2)

Greenhouse gas emissions are reported on an operational control basis, consistent with the Group's consolidated financial statements. The emissions inventory covers carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), and sulphur hexafluoride (SF_6).

In line with IFRS S2 requirements and current data availability, all Scope 2 emissions reported by the Group are calculated using the location-based method. The Group reports Scope 1 and Scope 2 (location-based) emissions on an operational control basis. The FY2024 baseline is presented for comparability; FY2025 includes an expanded reporting boundary.

Metric	Baseline year (FY2024) (tCO_2e)	FY2025 (tCO_2e)
Scope 1 GHG emission (Gross)		
- The consolidated accounting group	2,770	3,433*
- Other investees within the organisational boundary	Nil	Nil
Scope 2 (location-based) GHG emission (Gross)		
- The consolidated accounting group	34,335	39,880*
- Other investees within the organisational boundary	Nil	Nil
Gross Scope 1 and Scope 2	37,105	**43,313**

Note:

* *The reported emissions increased due to an expansion of the reporting boundary to align with the financial boundary, which now includes Amari Hotels' operations, Australia and Vietnam. No carbon credits or offsets were purchased or utilised for this reporting period.*

Scope 1 Gross Emission Details for FY2025

Key Scope 1 Emission Categories	FY2025 (tCO_2e)
Fugitive Emission	2,476
Stationary Combustion	211
Mobile Combustion	746
Processed Emission	Nil
Total	**3,433**

Methodology

Scope 1

Calculated bottom-up by combining asset level activity data with authoritative emission factors (vehicle fuel, carbon content and Global Warming Potential (GWP). Emission factors are reviewed annually (IPCC guidance and national inventories). Immaterial sources are disclosed qualitatively (Page 162). Calculated bottom-up by combining asset level activity data with authoritative emission factors (vehicle fuel, carbon content and GWP). Emission factors are reviewed annually (IPCC guidance and national inventories).

Scope 2

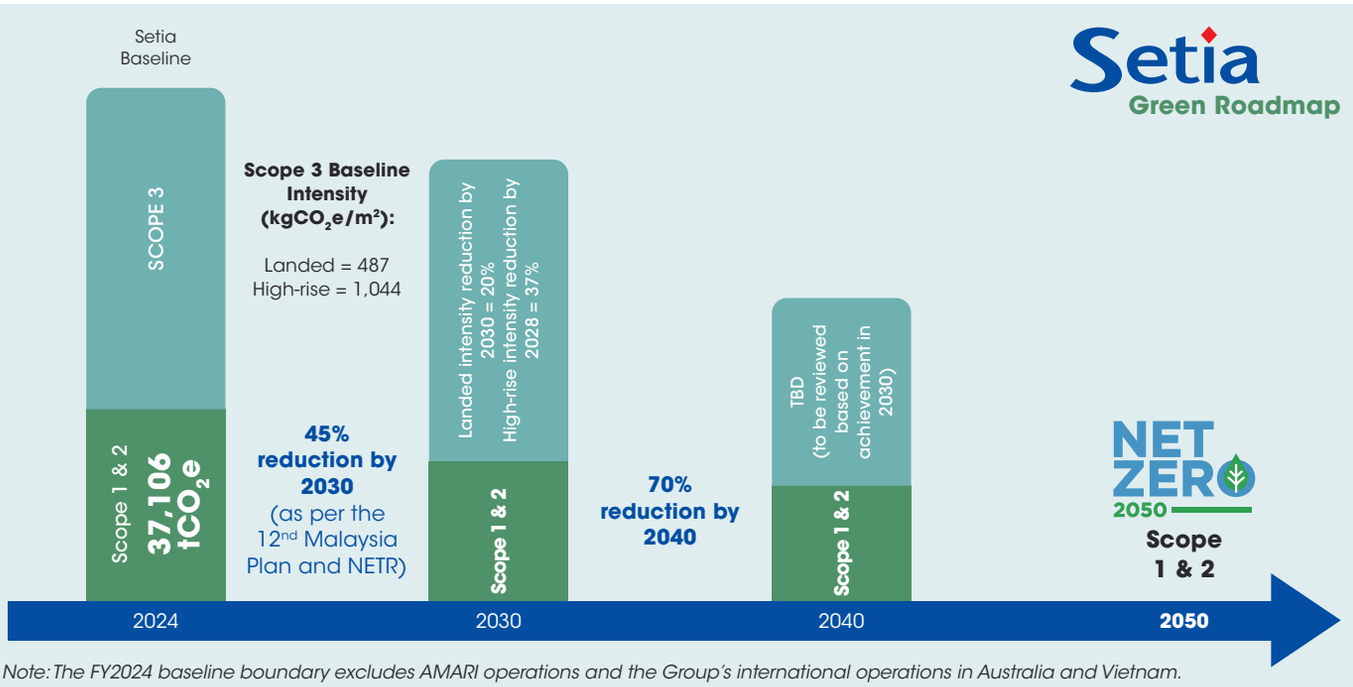
Location-based emissions are computed by multiplying purchased electricity by grid average emission factors. Grid-factor sourcing follows national inventories and recognised datasets.

Scope 1+2

Sum of Scope 1 and Scope 2 (location-based).

For product-level Scope 3 emissions (embodied carbon), the Group is progressing intensity reductions from disclosed baselines through greater adoption of Industrialised Building Systems (IBS), systematic value engineering and lower-carbon material mixes where technically and commercially feasible. Embodied-carbon assessments are conducted annually and embedded into project design and specification reviews, with procurement processes used to track supplier readiness, availability of emissions data and Environmental Product Declarations (EPDs).

Under the Setia Green Roadmap, the Group has begun implementing emissions reduction initiatives against the FY2024 baseline. For Scope 1 and Scope 2 emissions, the Roadmap sets absolute reduction targets of 45 percent by 2030, 70 percent by 2040, and Net Zero by 2050, relative to the FY2024 baseline. These targets are aligned with the calculation methodologies of the Science Based Targets initiative (SBTi) and are assessed to be consistent with a science-based pathway.



Note: The FY2024 baseline boundary excludes AMARI operations and the Group's international operations in Australia and Vietnam.

Sustainability Statement

METRICS AND TARGETS

Green Roadmap Progress Update for FY2025

Green Roadmap Components	Baseline year (FY2024) (tCO_2e)	FY2025 (tCO_2e)
Scope 1	2,771	**3,219**
Scope 2 (Malaysia)	34,335	**31,377**
Gross Scope 1 + Scope 2	37,106	**34,597**
Others (Australia, Vietnam & Amari Hotels)		
Scope 1	NA	**214**
Scope 2	NA	**8,503**
Gross Scope 1 + Scope 2		**8,717**

On a like-for-like basis, excluding the impact of boundary expansion, the Group achieved a 7% reduction in gross Scope 1 and Scope 2 (location-based) emissions relative to the FY2024 baseline. Building on this momentum, the Setia Green Roadmap will continue to guide further emissions reductions through targeted initiatives and disciplined implementation.

Method Notes

- Scope 1: Calculated bottom-up by combining asset-level activity data with authoritative emission factors (vehicle fuel, carbon content and GWP). Emission factors are reviewed annually (IPCC guidance and national inventories).
- Scope 2 (LB/MB): Location-based emissions are computed by multiplying purchased electricity by grid-average emission factors. Grid-factor sourcing follows national inventories and recognised datasets.
- Scope 3 in FY2025: Group totals are deferred under the reliefs in the Basis of Preparation section at page 129. Decision-useful disclosure is provided through product-level embodied-carbon intensity baselines for landed and high-rise products; supplier specific EPDs are preferred, with authoritative secondary databases used where necessary and assumptions disclosed.
- Operational energy with energy data are captured from utility bills and reconciled to meter readings; anomalies are investigated and corrected. The boundary covers assets under operational control.
- IBS adoption and innovation: IBS scores use CIDB parameters and are aggregated to a Group view, together with quantified impacts ($kgCO_2e/m^2$).
- Physical risk exposure, i.e flood zone exposure is identified using floodplain maps and hydrological datasets. Mitigation status covers design and operational measures (detention basin capacity, desilting cycles, erosion controls) and authority engagement on outlets and gross pollutant trap maintenance after handover at page 149.
- eGreenLiving metrics, i.e. sales share is calculated from sales ledgers; feature-adoption are derived from contracted specifications records, linking opportunity metrics to product and contract evidence at page 175.
- Data governance and assurance: Emission data are captured through the Group's eDew platform under documented SOPs, with Sustainability Officers embedded across business units and quarterly governance via MSC and SC. Assurance will be extended progressively as systems mature.

EVENTS AFTER THE REPORTING DATE

No transactions, other events or conditions occurring after the end of the reporting period and before the date of authorisation of issue of this report have taken place that require disclosure in this sustainability report. The Company reserves the right to revise or update its strategies and disclosures as necessary, without prior notice. This report is for informational purposes only and does not constitute legal, financial or investment advice. Decisions based on the information herein are the sole responsibility of the reader. Neither S P Setia nor its directors, officers or representatives assume liability for any losses or actions arising from the use of this report.

DISCLAIMER

This Sustainability Statement is prepared to present S P Setia's climate-related disclosures and is based on information available at the time of preparation. The disclosures are subject to inherent limitations, including estimation uncertainty, evolving methodologies and assumptions, and changes in regulatory, technological, economic and environmental conditions.

This document may include forward-looking statements regarding targets, plans, strategies and anticipated outcomes. Such statements are based on current expectations and are not guarantees of future performance; actual results may differ materially due to factors beyond the Group's control. The Group does not undertake any obligation to update forward-looking statements except as required by applicable laws and regulations.

This Sustainability Statement is provided for informational purposes only and does not constitute investment, legal or other professional advice.

STATEMENT OF ASSURANCE

The sustainability information disclosed in our Sustainability Statement for the financial year ended 31 December 2025 has not been subject to independent external assurance. The disclosures have been prepared in accordance with IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB) and Bursa Malaysia's Main Market Listing Requirements.

Management is responsible for the accuracy, completeness and reliability of the information presented, supported by ESG data governance and internal validation processes to promote data integrity and consistency. The Board acknowledges the value of independent assurance in enhancing the credibility of sustainability disclosures and will continue to assess its appropriateness and timing as part of the Company's ongoing reporting enhancement efforts.

S P Setia Berhad Corporate HQ, Shah Alam, Selangor

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PERFORMANCE DATA TABLE

S P Setia Berhad
IFRS S2

Date & Time: 2026-03-10_14:20:54
FYE 31/12/2025

Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance	Remarks
* Emission	Gross Scope 1 and Scope 2	tCO2e	43,313	6% reduction	No assurance	Scope 1 & 2 - Consolidated accounting Group, Scope 2 is location-based
Footnote Sustainability Matter	Cross-sector Climate Metrics (IFRS S2)					
* Transition Climate Risk	Energy Management Electricity usage by Offices, Malls & Convention Centres (Malaysia Operations)	MWh	40,592	2% reduction	No assurance	Methodology: Electricity consumption in the financial year
Footnote Sustainability Matter	SASB (Real Estate) – IF-RE-130a.2					
* Physical Climate Risk	Climate Change Adaptation Number of lots located in 100-year flood zones (Malaysia Operations)	Narrative	All major Setia townships are designed in accordance with the Urban Stormwater Management Manual (MSMA),incorporating engineered waterways and detention ponds. Each development is designed to a calculated 100-year flood level, with building platforms set above the maximum design water level. Due to this, all post developments are above 100 year flood level	-	No assurance	Methodology: Hydrological mapping & regulatory pond data
Footnote Sustainability Matter	SASB (Home Builders) – IF-HB-420a.1					

S P Setia Berhad
IFRS S2

Date & Time: 2026-03-10 14:20:54
FYE 31/12/2025

Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance	Remarks
* Physical Climate Risk	Climate Change Adaptation Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks	Narrative	Climate exposure is assessed through portfolio-level scenario analysis using SSP2-4.5 as the baseline, with SSP1-2.6 and SSP3-7.0 for sensitivity. The portfolio has no material coastal flood exposure; risks arise mainly from extreme rainfall and downstream backflow affecting gravity-based drainage in inland townships. Exposure relates to stormwater hydraulics and long-build township developments where detention capacity may be reduced by sedimentation. Mitigation includes MSMA-aligned drainage design, periodic desilting and deepening of detention ponds, and erosion controls.	-	No assurance	Methodology: Scenario screening & portfolio review

Footnote Sustainability Matter	SASB (Home Builders) – IF-HB-420a.2

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S P Setia Berhad
IFRS S2

Date & Time: 2026-03-10 14:20:54
FYE 31/12/2025

Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance	Remarks
* Physical Climate Risk	Land Use & Ecological Impacts Discussion of process to integrate environmental considerations into site selection, site design and site development and construction	Narrative	Environmental considerations are embedded across the development lifecycle. Pre-acquisition landbank screening incorporates flood risk. During design, MSMA-aligned drainage is applied and detention basin capacity verified. Design and value-engineering reviews include embodied carbon assessments supporting Industrialised Building Systems (IBS) and lower-carbon materials. During construction, erosion and sediment controls are implemented, with post-handover engagement to ensure drainage outlets maintenance, supporting climate resilience.	-	No assurance	Narrative metrics
Footnote Sustainability Matter	SASB (Home Builders) – IF-HB-160a.4					
* Climate Opportunity	Percentage of sales increase for eGreenLiving property	Percentage (%)	41%	To achieve 35% of FY2025 sales from S P Setia products with green features, by tracking the sales performance of eGreenLiving-labelled properties	No assurance	Methodology: Percentage of sales of eGreenLiving properties out of total group sales
Footnote Sustainability Matter	Entity-developed metric					