

Environmental and Social Due Diligence (ESDD) Summary

Issuer	Hektar Real Estate Investment Trust (“Hektar REIT”)
Use of CGIF’s guarantee	Hektar REIT has requested Credit Guarantee & Investment Facility (“CGIF”) to provide a guarantee for the Bond Issuance, where the use of proceeds (“UOP”) will be to refinance and support one operating shopping mall, the Subang Parade, located in Subang Jaya city, Petaling district, in the state of Selangor in Peninsular Malaysia.
Countries of operations	Malaysia
Categorisation	General-purpose corporate bond (GCB) High

Environmental and social management system	<p>Hektar REIT has developed and adopted an Environmental and Social (E&S) Policy that, at a minimum, applies to Subang Parade shopping mall in Malaysia and describes its commitments to managing its current and proposed assets in accordance with the CGIF’s Environmental and Social Safeguards (ESS) Policy.</p> <p>Hektar REIT, through the REIT Manager, has enhanced its current Environmental and Social Management System (ESMS) which will be applied at a minimum to its Subang Parade shopping mall, to be aligned with the overarching E&S Policy. The ESMS includes enhancements to the current property management procedures covering existing property assets and prior to (and after) the acquisition of any additional property assets. Additionally it provides enhancements to the monitoring and reporting of environmental and social management performance in the underlying REIT property assets.</p> <p>Under the ESMS, Hektar REIT Manager’s oversight role will follow the standard requirements for shopping mall operations considered to be an international industry good practice and including compliance to CGIF Environmental and Social Standards requirements to mitigate potential impacts.</p>
Screening and identification of risks	The E&S assessment of the type and nature of shopping mall operations and activities performed indicates the environmental impacts are few in number, site-specific and can be (or are being) managed by appropriate mitigation measure and management systems. Therefore, overall the transaction as a deemed Category B for the environment.

	<p>The key identified risks with Hektar REIT’s operations relate to the ongoing shopping mall operation and the potential acquisitions of assets/properties to add to its portfolio. Environmental and social risks associated with the business operations include those connected to daily operations of the shopping malls, which include occupational and community health and safety, waste management, wastewater treatment, contractor management, supply chain risk, fire safety, emergency response planning, stakeholder engagement). All of these operational impacts can be managed through a combination of compliance with local regulations and the application of good international industry practice.</p> <p>The shopping mall assets under the Hektar REIT’s portfolio have been under ownership of the Company since at least 2011. The environmental and social due diligence confirmed, there are no current or legacy involuntary resettlement (IR) impacts. IR is not triggered and the IR categorization is therefore deemed to be C.</p> <p>The business and activities of Hektar REIT are conducted in urban townships and/ or well-developed areas in Malaysia where the presence of Indigenous Peoples (IP) is highly unlikely and no Ips were identified at any asset location. There i no risk, or anticipate future risk, of direct negative impacts on IP and as such the IP categorization is therefore deemed to be C.</p>
<p>Institutional capacity, commitment and development</p>	<p>Hektar REIT, as a Malaysia based real estate investment trust, has appointed Hektar Asset Management Sdn Bhd (“HAMSB”) as the REIT Manager under the terms of the Trust structure to manage the ongoing business operations of the REIT, including the facilities management of property assets and the implementation of the ESMS.</p> <p>The Manager has appointed an ESMS Officer to ensure that the environmental and social management system (ESMS) is effectively implemented and maintained and cascaded through the business. The ESMS Officer will be supported by a team of ESMS Coordinators under Hektar Property Services Sdn Bhd (“HPSSB”), who are appointed as the Property Manager providing property management services (including managing day to day activities such as mall operations, maintainance, and marketing).</p> <p>The ESMS Officer and ESMS Coordinators will monitor the day-to-day implementation of the ESMS to ensure that the both the REIT and mall tenants meets regulatory obligations and environmental & social performance</p>

	<p>commitments to national government and reporting requirements to CGIF.</p> <p>CGIF provided a high level ESMS awareness training to the Manager's (and Property Manager) senior personnel, including those with designated roles and responsibilities under the ESMS. The ESMS also incorporates the requirement for internal training within Hektar REIT's Manager and Property Manager to develop and enhance the necessary knowledge and skills to effectively implement and manage the ESMS.</p>
<p>Stakeholder communication, participation and consultation</p>	<p>The ESMS includes an overarching stakeholder engagement plan (SEP) and grievance redress mechanism (GRM) that will be disclosed to different stakeholder groups that have vested interests in Hektar REIT retail mall business. Under the ESMS, the Manager will ensure that the contents of the ESMS are communicated and applied to all stakeholder levels, where applicable.</p>
<p>Monitoring and reporting</p>	<p>The ESMS requires i) the monitoring of the E&S performance of Hektar REIT's operations using CGIF's proceeds by the ESMS Officer and ii) reporting E&S performance to CGIF on an annual basis for the tenor of the bond, iii) early advice of any non-compliances to CGIF E&S requirements (including any remedial actions plans where required) .</p>

Date Issued – 21 February 2024