



SOLAR DISTRICT COOLING GROUP BERHAD




1. Introduction

Solar District Cooling Group Berhad ("SDCG") is a leading company listed on the ACE Market of Bursa Malaysia Securities Berhad. The company specializes in the provision and maintenance of building management systems, solar thermal systems, and energy-saving services. With an unwavering focus on innovation and efficiency, SDCG is committed to shaping a sustainable future by delivering energy-efficient solutions that help its clients optimize their operations while minimizing environmental impact.

The sustainability framework outlined in this framework establishes the key principles and strategies that SDCG follows to achieve sustainable business practices. By integrating sustainability into our core operations, we aim to enhance long-term shareholder value, support environmental conservation, and contribute positively to society.

2. Policy Statement

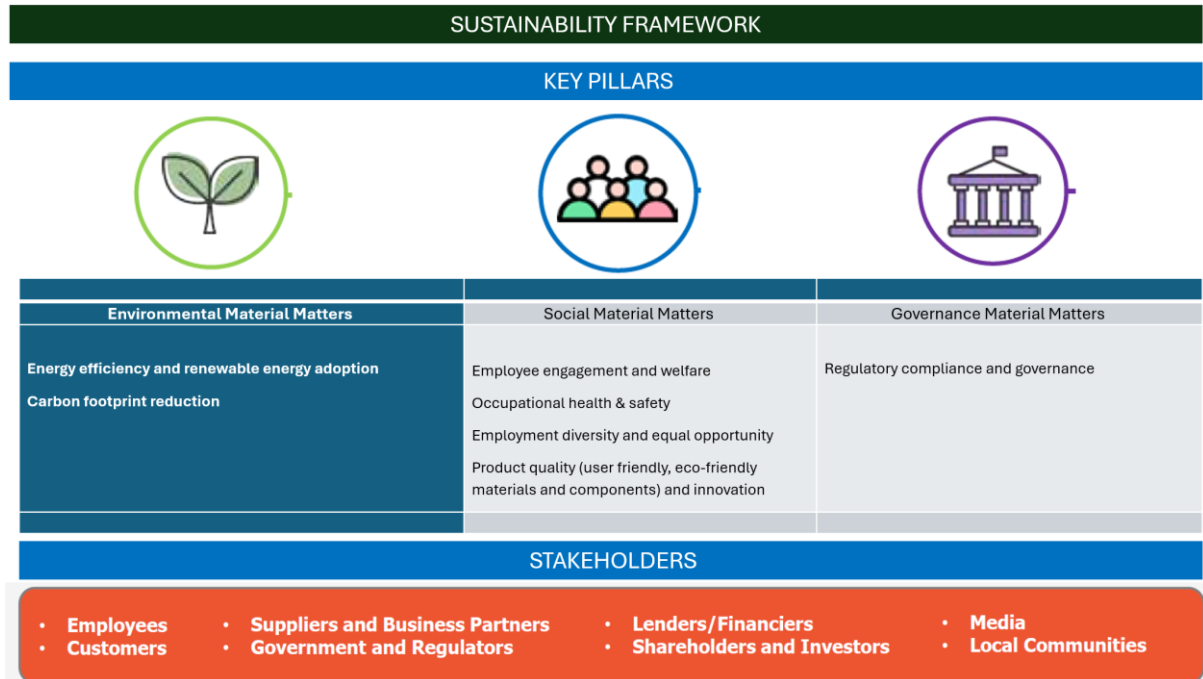
SDCG is dedicated to advancing sustainability within its operations and offerings. Our sustainability policy is based on the principles of environmental stewardship, social responsibility, and governance.

		
Environmental	Social	Governance
<p>Focus on reducing energy consumption and carbon emissions by offering solar thermal systems, smart energy-saving technologies, and building management solutions.</p> <p>Commitment to resource efficiency, waste reduction, and the adoption of renewable energy.</p>	<p>Empowerment of employees through training, safe working environments, and fostering a culture of sustainability.</p> <p>Community outreach through educational initiatives about energy conservation and sustainable living.</p>	<p>Aims to establish clear governance structures, accountability, and oversight mechanisms that are essential to integrating sustainability into decision-making processes, operations, and long-term growth strategies.</p>

This policy drives our commitment to meeting the expectations of our stakeholders while ensuring that all our business activities are aligned with sustainable development goals.

3. Sustainability Framework

Our sustainability framework is grounded in three interconnected pillars:



By adhering to this framework, SDCG aims to integrate sustainability into all facets of its operations, positioning itself as a responsible and forward-thinking market leader.

4. Group's Sustainability Governance Structure

SDCG's sustainability efforts are governed through a structured and transparent approach. The **Sustainability Committee** is responsible for overseeing the implementation of the sustainability framework, with the following governance structure:

- **Board of Directors:** The Board ensures that sustainability is integrated into the overall corporate strategy, making high-level decisions on sustainability-related matters.
- **Audit and Risk Management Committee:** This committee supports the Board by monitoring the implementation of the strategic plans by Management and provide independent assurance on the sustainability disclosures.
- **Sustainability Committee:** This committee, led by the Managing Director and supported by the Head of respective Departments, develops sustainability policies, monitors progress, reviews key performance indicators (KPIs) and provides status updates on sustainability performance to the Audit and Risk Management Committee.
- **Heads of Departments:** Represented by Heads of Departments and representatives from various departments across all business divisions. Sets the scope of sustainability management measures and drive the implementation and monitoring of sustainability management across all business division whilst promoting interdepartmental collaboration. Raises awareness of sustainability management, establishes and maintains communication with external stakeholders. Identifies, assess and reports on sustainability risk and opportunities relevant to operations, providing progress updates on sustainability activities

performance and oversees the production of sustainability disclosures to ensure compliance with regulatory requirements and recommends for approval.

Regular reviews and reporting by the Sustainability Committee ensure accountability, and the Board provides guidance on strategic decision-making aligned with sustainability objectives.

Reporting Frequency

Reporting party	Reporting to	Reports to be prepared and submitted	Frequency of reporting
Sustainability Committee	Board of Directors	<ul style="list-style-type: none"> • Sustainability disclosures for Board's approval 	Yearly
	Audit and Risk Management Committee	<ul style="list-style-type: none"> • Summary of key stakeholders and their concerns • Summary of sustainability matters • Summarised action plans/initiatives for the Group and the status on the implementation of the key action plans • Summary statement of embedment of completion action plans 	Yearly
Heads of Departments	Sustainability Working Group	<ul style="list-style-type: none"> • Perform key stakeholders' engagement and materiality assessment • Monitor the progress and update sustainability initiatives, measurement results, goals and targets achievements and arising sustainability matters • Status update on progress of the implementation of key action plans 	Quarterly

		<ul style="list-style-type: none"> • Unresolved issues or challenges faced in the achievement of the targets or implement the sustainability initiatives shall be highlighted • Updated stakeholder and material matter register 	
Internal Audit	Audit and Risk Management Committee	<ul style="list-style-type: none"> • Independent assurance statement on the sustainability disclosure 	Upon request from Audit and Risk Management Committee

5. Stakeholders' Engagement Process

SDCG recognizes the importance of engaging with its stakeholders to understand their needs, address concerns, and strengthen relationships. Our stakeholder engagement process involves:

- **Communication Channels:** Regular meetings, consultations, surveys, and feedback mechanisms ensure that all stakeholders' views are heard and incorporated.
- **Collaboration:** Collaborative partnerships with industry groups, suppliers, and regulators allow for sharing knowledge, resources, and innovative solutions.
- **Transparency:** SDCG provides consistent and transparent updates on sustainability progress, challenges, and opportunities.

By maintaining active and transparent communication, SDCG builds trust with its stakeholders and ensures that their needs are met through sustainable practices.

Documentation required for stakeholder engagement is outlined as follows:

5.1 Stakeholders Prioritisation Matrix

To effectively manage our stakeholder relationships, SDCG uses a **Stakeholder Prioritisation Matrix**. The matrix helps identify and prioritize stakeholders based on two key criteria:

- **Power/Influence:** The level of influence stakeholders have over the company's activities.
- **Interest/Dependency:** The degree to which stakeholders are affected by or have an interest in the company's sustainability performance.

Stakeholders are grouped as follows:

- **High Power, High Interest:** These are stakeholders to fully engage with, collaborate to find solutions to issue and make the greatest efforts to keep satisfied. It would be prudent to invest well into engagement process to understand their key concerns.
- **High Power, Low Interest:** Ensure these stakeholders' concerns are proactively address as they may have influence over other stakeholders who may have significant influence and may be involve in the processes as needed.
- **Low Power, High Interest:** Keep these stakeholders adequately informed when needed to ensure no issues are arising. Honour commitments made through company policy, industry best practices and applicable regulations. Otherwise endeavour to keep stakeholders satisfied insofar as the cost and benefit allow. Engaged through surveys, feedback loops, and educational initiatives (e.g., employees, local communities).
- **Low Power, Low Interest:** These stakeholders need minimum amount of effort compared to all the stakeholders in the other group. Provide them with access to communication channels for feedback purposes.

This matrix guides how SDCG tailors its engagement strategies to effectively address the concerns and interests of each Group.

Stakeholder interest / dependency	High interest				
	Some interest				
	Low interest				
	No interest				
		No Power	Low Power	Some Power	High Power
		Stakeholder Power / Influence			

5.2 List of Key Stakeholders

Below are the Sustainability focus areas with the key stakeholders, among others

- **Shareholders/Investors:** Concerned with financial returns, sustainability efforts, and corporate governance.
- **Employees:** Engaged in the company's sustainability culture, health, and safety, and personal development.

- **Customers:** Building owners, developers, and facility managers seeking energy-efficient solutions.
- **Suppliers:** Partners who provide the materials and technology necessary for energy-saving solutions.
- **Regulatory Authorities:** Government entities that establish policies and regulations related to energy efficiency and environmental protection.
- **Local Communities:** Affected by the company's operations, particularly in the areas where services are implemented.

5.3 Key Stakeholders Engagement Summary

SDCG's stakeholder engagement activities include:

- **Shareholder Engagement:** Annual general meetings (AGMs), quarterly financial reports, and sustainability disclosures.
- **Employee Engagement:** Regular training, sustainability workshops, and employee appraiser form.
- **Customer Engagement:** Customer satisfaction surveys, direct consultations, and collaboration on sustainability initiatives.
- **Supplier Collaboration:** Joint sustainability programs, procurement policies focused on sustainability, and collaboration on eco-friendly solutions.
- **Regulatory Authorities:** actively engages with relevant regulatory authorities to ensure full compliance with laws and regulations in relation to the operations of the Group.
- **Community Outreach:** Community workshops, energy awareness programs, and partnerships with local organizations.

These engagement activities ensure that SDCG's sustainability efforts are aligned with stakeholder expectations and foster long-term relationships.

6. Materiality Assessment Process

The materiality assessment process allows SDCG to identify and prioritize key sustainability matters that have the most significant impact on the company's operations and stakeholders. The process includes:

- **Identifying Potential Matters:** Gathering input from stakeholders and reviewing industry trends.
- **Assessing Impact and Importance:** Evaluating the environmental, social, and economic impact of identified matters.
- **Prioritizing Material Matters:** Ranking matters based on their relevance and importance to the company and stakeholders.

This assessment is performed annually to ensure that the company's sustainability focus is current and aligned with the evolving business environment.

Documentation required for materiality assessment process are outlined as follows:

6.1 Preliminary List of Sustainability Matters for Consideration

The following matters are identified as part of SDCG's sustainability assessment:

- **Energy Efficiency:** Key to the company's business model and environmental impact.
- **Carbon Emissions Reduction:** Focus on reducing greenhouse gas emissions through renewable energy solutions.
- **Employee Health and Safety:** Ensuring the well-being of employees across all operations.
- **Community Impact:** Supporting local communities through energy-saving initiatives and awareness programs.
- **Supply Chain Sustainability:** Ensuring sustainable practices in sourcing materials and technologies.
- **Regulatory Compliance:** Adhering to national and international sustainability regulations.

6.2 Sustainability Materiality Parameters

Materiality parameters are defined as the scale and scope of each matter's impact on the business. For SDCG, the parameters include:

- **Financial Impact:** How each matter affects the company's revenue, cost, and profitability.
- **Reputation:** The potential to enhance or damage the company's public image.
- **Risk Exposure:** The degree to which each matter poses risks to the company's operations.
- **Stakeholder Expectations:** How each matter aligns with stakeholder concerns and interests.

Factor	Impact (Materiality)				
	Insignificant	Minor	Moderate	Major	Catastrophic
<i>Financial</i>					
Total Revenue	Decrease by <2%	Decrease by 2% to 5%	Decrease by 5% to 10%	Decrease by 10% to 25%	Decrease by >25%
Total Cost	Increase by <5%	Increase by 5% to 10%	Increase by 10% to 15%	Increase by 15% to 20%	Increase by >20%
<i>Non-financial</i>					
Legal/ regulator/ compliance	No litigation consequences. Issuance of advice letter.	Issuance of reprimand or warning letter. Minimum fine.	Issuance of public reprimand or warning letter. Moderate fine.	Multiple issuances of public reprimand or warning letters. Heavy fines.	Delisting. Closure of operations. Jail sentence for Directors.
Reputation / Media	No permanent damage in the short or long term.	Minor impact due to complaints or unfavourable media coverage but most not disrupt the	Significant media coverage or complaints to authority or stakeholders or press that could disrupt	Unfavourable publicity or media coverage affecting corporate image that requires	Unfavourable publicity or media coverage with long term adverse effects on corporate

		organisations' routine operations.	the organisations' operations in short or medium term.	immediate actions or response.	reputation and disruption of business that required immediate remedial actions or response.
Risk impact description	An event where the impact can be absorbed or managed through routing activity.	An event where the impact can be absorbed or managed with minimum Management effort.	An event that causes the business to sustain negative financial or non-financial impacts that would require some work or planning from Management to manage the matter.	An event that could lead the business to sustain huge adverse financial or non-financial impacts that would require hard work from Management to manage the matter.	An event that could potentially crumple the entire business in the long-term.

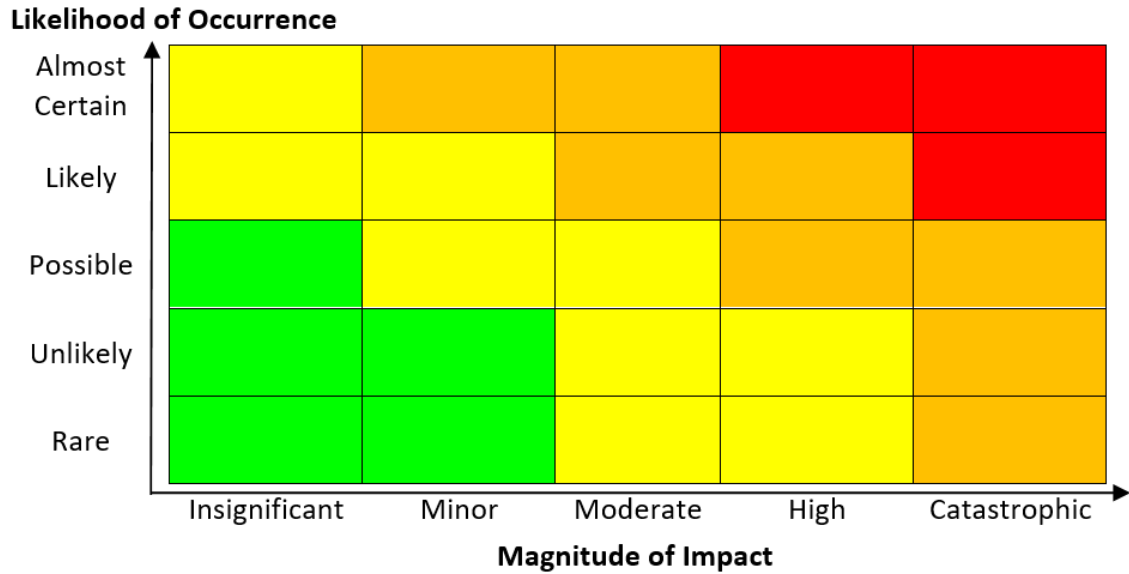
6.3. Risk Rating Matrix

The Group has aligned its Enterprise Risk Management Framework with the Sustainability Materiality Assessment. The Risk Rating Matrix is used to assess the likelihood and severity of potential risks associated with sustainability matters. This matrix helps prioritize actions based on:

- **Likelihood of Occurrence / Probability** of the risk occurring.
- **Magnitude of Impact** if the risk occurs, based on potential consequences.

The matrix guides decision-making in managing and mitigating sustainability-related risks.

Rating	Description	Risk description
5	Almost certain	The risk may occur in most circumstances or certainly occur within 12 months period.
4	Likely	The risk may occur several times in the next 12 months.
3	Possible	The risk may occur at least once in the next 12 months.
2	Unlikely	The risk may occur less frequently but at least once in the next 3 years.
1	Rare	The risk may occur in exceptional circumstances and is unlikely to occur in the next 5 years.



6.4. List of Material Matters

Based on the materiality assessment, the following key sustainability matters are identified:

No	Material Matters	Pillar	Rating	Impact	Likelihood
1	Energy efficiency and renewable energy adoption	Environment			
2	Carbon footprint reduction	Environment			
3	Product quality (user friendly, eco-friendly materials and components) and innovation	Social			
4	Employee engagement and welfare	Social			
5	Occupational health & safety	Social			
6	Employment diversity and equal opportunity	Social			
7	Regulatory compliance and governance	Governance			

6.6 Sustainability Material Matrix

The Sustainability Material Matrix is used to visualize and rank each material matter's priority level based on their impact and stakeholder importance. It helps SDCG determine which matters to focus on and allocate resources accordingly.

6.7. Managing Sustainability Material Matters

To manage material sustainability matters effectively, SDCG will:

- **Set Clear Objectives:** Establish specific sustainability goals for each material matter.
- **Implement Action Plans:** Develop action plans to address each matter and monitor progress.
- **Review and Adapt:** Continuously review the effectiveness of initiatives and adapt strategies as needed.

7. Material Matters Summary

SDCG will regularly update the material matters summary based on stakeholder feedback, industry trends, and internal assessments. This ensures that the company is always focused on the most critical sustainability matters and remains responsive to emerging challenges.

No	Material Matter	Existing measures	Targets and performance		
			Metric	Target	FY2025
	Recommended additional measures				

8. Sustainability Reporting Principles

SDCG's sustainability reporting is guided by the following principles:

- **Transparency:** Provide clear and honest reporting of sustainability performance.
- **Accountability:** Ensure that the company takes responsibility for its sustainability actions.
- **Relevance:** Focus on reporting matters that are most important to stakeholders.
- **Comparability:** Ensure that sustainability performance can be compared over time and against industry peers.
- **Reliability:** Ensure that data is accurate and based on verified sources.

The overall Sustainability Framework is also based on the following various guidelines and standards related to **ESG (Environmental, Social, and Governance) reporting** to promote transparency and sustainability. Here's a summary of the key guidelines and standards:

i. Bursa Malaysia's Main Market Listing Requirements:

- The **Bursa Malaysia Corporate Governance** framework encourages listed companies to disclose ESG practices, focusing on transparency and responsible business operations.
- Companies are required to publish an annual **sustainability statement** in their annual report, highlighting their ESG performance.

- ii. **Bursa Malaysia Sustainability Reporting Guide:**
 - This guide helps listed companies disclose their ESG strategies, performance, and key risks in a consistent manner.
 - Companies are encouraged to follow a "**comply or explain**" approach where they disclose whether they have adhered to recommended practices or explain the reasons if they have not.
- iii. **Malaysian Code on Corporate Governance (MCCG):**
 - The MCCG emphasizes **good governance practices** and recommends that companies integrate ESG factors into their long-term business strategies, including risk management and stakeholder engagement.
 - Companies should disclose their ESG-related risks and strategies in line with the principles of accountability and sustainability.
- iv. **Global Reporting Initiative (GRI) Standards:**
 - Many Malaysian companies refer to the **GRI Standards** for comprehensive ESG reporting. This globally recognized standard helps companies disclose their impact on the economy, environment, and society.
- v. **Task Force on Climate-related Financial Disclosures (TCFD):**
 - Companies are increasingly aligning with **TCFD** recommendations for better climate-related disclosures, which focus on governance, strategy, risk management, and metrics related to climate change.
- vi. **ISO Standards (e.g., ISO 14001 for Environmental Management):**
 - Malaysian companies also refer to **ISO standards** for managing environmental impacts, such as ISO 14001 (Environmental Management Systems), which aids in systematic environmental performance improvement.
- vii. **Securities Commission Malaysia (SC) Guidelines:**
 - The **Securities Commission's Guidelines on Sustainability Reporting** provides a framework for listed companies to disclose ESG practices, especially focusing on social impact, governance, and environmental matters.
- viii. **United Nations Sustainable Development Goals (UNSDGs):**
 - In addition to local guidelines, many Malaysian companies are aligning their ESG strategies with the UNSDGs (United Nations Sustainable Development Goals), which provide a global framework for sustainability. The UNSDGs consist of 17 goals addressing key global challenges such as poverty, climate change, health, and education.



- Companies are encouraged to identify which UNSDGs align with their business activities and report on their contributions towards achieving those goals. This helps ensure companies are part of the global movement towards sustainable development and are contributing positively to society, the economy, and the environment.

These standards and guidelines provide a structure for companies to report on their ESG performance transparently and ethically, helping them to manage risks, engage stakeholders, and align with global sustainability trends.

9. Conclusion

This sustainability framework sets the stage for SDCG to lead in providing innovative, energy-efficient solutions while meeting the expectations of all its stakeholders and contributing to a sustainable future.

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APPENDIX 1: Indicators for Disclosure Template

Indicators are used to measure the progress, effectiveness or efficiency of the existing measures or actions taken to manage SDCG's material sustainability matters. SDCG is classified under the following sector.

Sector	Description
Industrial Products and Services	The company specializes in the provision and maintenance of building management systems, solar thermal systems, and energy-saving services.

Notwithstanding that SDCG is now listed on the ACE Market of Bursa Securities, we strive to make our best efforts to include the following disclosures (as per Paragraph 6.2 of Practice Note 9 of the Main Market Listing Requirements):

- a) material sustainability matters and
- b) how they are managed including details on:

Indicators relevant to these sustainability matters which demonstrate how SDCG has performed in managing these sustainability matters together with the data for the last 3 financial years, and performance target(s) in relation to the indicators (if such targets are set).

Sustainability matters are considered material if they:

- a) reflect the listed issuer's significant economic, environmental and social impacts; or
- b) substantively influence the assessments and decisions of stakeholders; and
- c) fall under the common material sustainability matters.

Summary of Common [C] Indicators

No	Common Sustainability Matters	Code	Common Indicators
1	Anti-corruption	C1(a)	Percentage of employees who have received training on anticorruption by employee category
		C1(b)	Percentage of operations assessed for corruption-related risks
		C1(c)	Confirmed incidents of corruption and action taken
2	Community/Society	C2(a)	Total amount invested in the community where the target beneficiaries are external to the listed issuer
		C2(b)	Total number of beneficiaries of the investment in communities
3	Diversity	C3(a)	Percentage of employees by gender and age group, for each employee category
		C3(b)	Percentage of directors by gender and age group

4	Energy Management	C4(a)	Total energy consumption
5	Health and Safety	C5(a)	Number of work-related fatalities
		C5(b)	Lost time incident rate
		C5(c)	Number of employees trained on health and safety standards
6	Labour Practices and Standards	C6(a)	Total hours of training by employee category
		C6(b)	Percentage of employees that are contractors or temporary staff
		C6(c)	Total number of employee turnover by employee category
		C6(d)	Number of substantiated complaints concerning human rights and violations
7	Supply Chain Management	C1(a)	Proportion of spending on local suppliers
8	Data privacy and security	C8(a)	Number of substantiated complaints concerning breaches of customer privacy and losses of customer data
9	Water	C9(a)	Total volume of water used
10	Waste Management	C10(a)	Total waste generated, and a breakdown of the following: (i) total waste diverted from disposal (ii) total waste directed to disposal
11	Emissions Management	C11(a)	Scope 1 emissions in tonnes of CO ₂ e
		C11(b)	Scope 2 emissions in tonnes of CO ₂ e
		C11(c)	Scope 3 emissions in tonnes of CO ₂ e (at least for the categories of business travel and employee commuting)

Summary of Sector-specific [S] Indicators

No	Common Sustainability Matters	Code	Common Indicators
1	Biodiversity	S1(a)	Percentage of existing operations or projects assessed for biodiversity risks
		S1(b)	Size and location of all habitat areas protected or restored
		S1(c)	Total number of International Union for Conservation of Nature (“IUCN”) Red List of Threatened Species and national conservation list species with habitats in areas affected by the operations of the company
2	Material	S5(a)	Total weight or volume of materials that are used to produce and package products and services
3	Supply Chain (Environmental) / Supplier Environmental Assessment	S6(a)	Percentage of new suppliers that were screened using environmental criteria
		S6(b)	Number of suppliers assessed for environmental impacts
		S6(c)	Percentage of the company’s total property portfolio certified to a recognised building management standard for property
4	Supply Chain (Social) / Supplier Social Assessment	S7(a)	Percentage of new suppliers that were screened using social criteria
		S7(b)	Number of suppliers assessed for social impacts
5	Effluents	S8(a)	Total volume of water (effluent) discharge over the reporting period

Note: Reference taken from Sustainability Reporting Guide 3rd Edition from Bursa Malaysia.