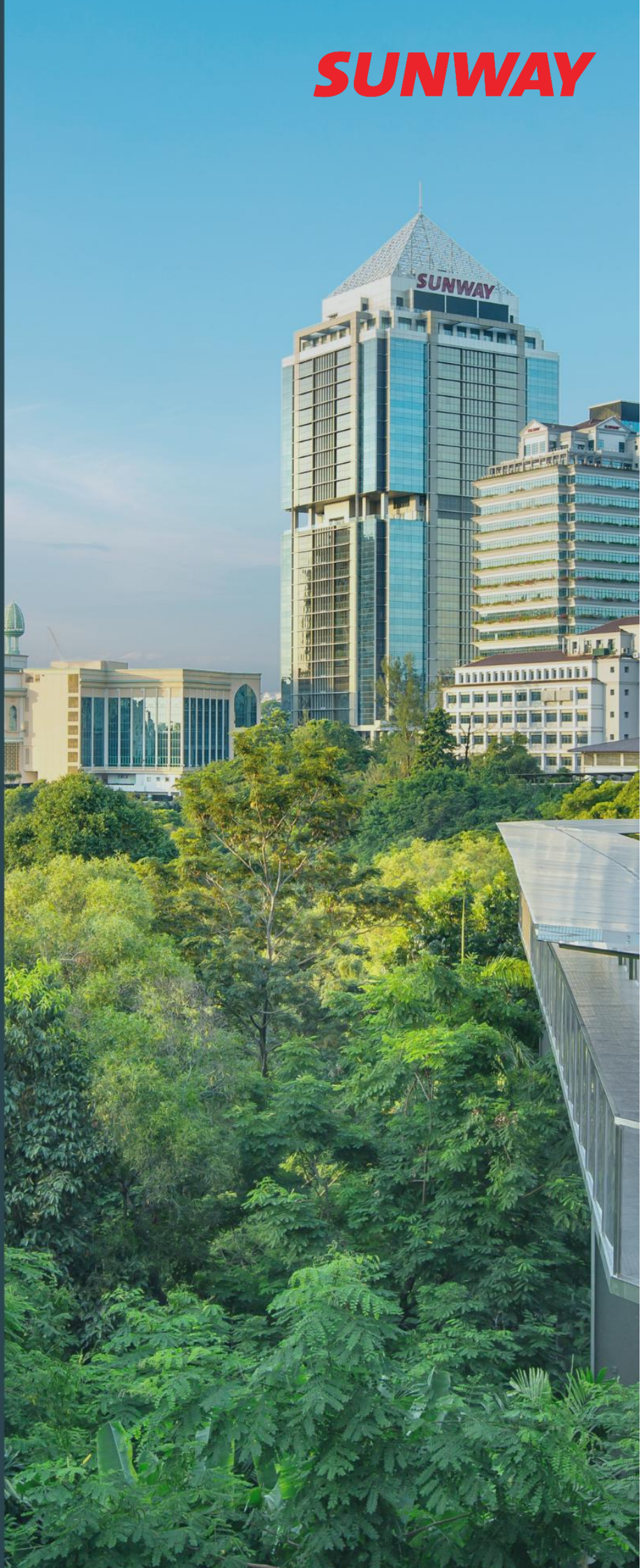
SUNWAY BERHAD TNFD REPORT 2025



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INTRODUCTION

PURPOSE AND SCOPE OF THE REPORT

This report identifies, assesses, and outlines Sunway Berhad's key nature-related dependencies, impacts, risks and opportunities in line with the TNFD framework. It provides a high-level understanding of how the Group's operations interact with natural ecosystems, highlighting material nature-related risks and opportunities.

TEMPORAL SCOPE

This report focuses on the 2025 reporting year, assessing Sunway Berhad's nature-related dependencies, impacts, risks, and opportunities. Where relevant, the analysis incorporates historical data from previous years and available projections to provide a comprehensive understanding of current and future nature-related considerations.

The assessment is structured across short, medium, and long-term horizons:

- **Short-term (1–3 years):** Focuses on immediate actions and operational decisions to manage pressing nature-related risks and opportunities, supporting ecosystem stewardship, regulatory compliance, and operational resilience.
- **Medium-term (4–10 years):** Covers Sunway Berhad's mid-range strategic planning, including investments in sustainable infrastructure, technological enhancements, and implementation of nature-positive strategies.
- **Long-term (beyond 10 years):** Aligns with the Group's vision for sustainable growth, addressing structural transformations, long-term asset planning, and alignment with global nature-related targets and industry trends.

BUSINESS MODEL AND VALUE CHAIN

Sunway Berhad is a diversified conglomerate with operations across multiple sectors. This assessment focuses on operations with direct interaction with natural ecosystems. The Group's integrated business model generates value across these sectors, with each business depending on natural resources to varying degrees, positioning nature as both a critical input and a factor shaping operational performance.

The Group's value chain, which includes design, construction, and asset management, creates both dependencies and impacts on nature. Operational decisions affecting resource use and ongoing asset management shape the intensity of pressures on nature, ultimately influencing biodiversity, water, and soil outcomes. Engagement with tenants, visitors, and local communities further affects environmental performance.

Across the asset lifecycle, activities such as maintenance, retrofitting, and redevelopment present opportunities to enhance sustainability, reduce negative environmental impacts, and strengthen nature-positive outcomes. Material dependencies and impacts are particularly relevant in areas where operations interact with sensitive ecosystems or high-value natural resources.

GOVERNANCE

Sunway Berhad's sustainability governance structure sets out clear oversight and implementation responsibilities from the Board of Directors and Board Sustainability Committee (BSC) to the Group Sustainability Department (GS) and Management Sustainability Committee (MSC), supported by the Jeffrey Sachs Center on Sustainable Development (JSC). The BSC holds ultimate responsibility for overseeing sustainability, nature-related and climate-related risks and opportunities, including Sunway Berhad's ESG targets and progress scorecard. The BSC meets at least twice a year to discuss on these matters.

The JSC provides advisory support on sustainability strategy, risk and impact management, metrics and targets, including Sunway Berhad's TNFD-aligned assessment. At management level, the MSC is responsible for communicating and implementing the BSC's directions across business divisions, including matters related to biodiversity management.

This governance approach is supported by Sunway Berhad's Biodiversity Policy, which guides the Group in integrating biodiversity considerations into strategic and decision-making processes, long-term risk management and reporting. The Policy sets out Sunway Berhad's commitment to applying the mitigation hierarchy of avoid, minimise, restore and compensate (as a last resort), while supporting responsible site operations, ecological assessments where practicable, and regular review of nature-related risks and opportunities.

Sunway Berhad's Environmental Impact Assessment (EIA) processes further reinforce this approach by incorporating stakeholder engagement in line with regulatory requirements, including providing opportunities for consultation with local communities and other affected stakeholders where required. This ensures that both environmental and social considerations are systematically addressed in managing nature-related dependencies, impacts, risks, and opportunities, with oversight at both management and Board levels.

The full Biodiversity Policy is available at:

https://www.sunway.com.my/wp-content/uploads/sustainability-policies/Sunway-Berhad-Biodiversity-Policy-240425.pdf

STRATEGY

LEAP ANALYSIS

To support the identification, assessment, and prioritisation of nature-related dependencies, impacts, risks, and opportunities, Sunway Berhad applied the TNFD LEAP approach across its direct operations to inform response strategies and disclosures. The key elements of Sunway Berhad's LEAP application are summarised in the table below.

LEAP INDICATOR	SUNWAY BERHAD'S APPROACH
LOCATE (Interface with nature)	Identified operational assets/sites under direct management control across Sunway Berhad's business divisions. Used the WWF Biodiversity Risk Filter (BRF) for initial dependency and impact screening. Under the BRF, assets are mapped as points on the maps. To better reflect operational scale, these point-based locations were subsequently mapped in ArcGIS as polygons representing each asset's footprint, together with their proximity to natural areas, including Key Biodiversity Areas (KBAs), protected areas and ecosystems.
EVALUATE (Impact and dependencies)	The location assessment identified two main business divisions within Sunway Berhad that have direct interfaces with nature. These are the Quarry and Hospitality divisions. Impact and dependency analyses for assets within these two divisions were conducted using a combination of GIS tools, desktop research, on-the-ground site visits, and engagement with internal stakeholders responsible for managing the assets. The ecosystem services of the biomes in which its assets are located were also assessed. Associated risks and opportunities were also evaluated for assets within the two main business divisions.
ASSESS (Risk and opportunities)	Based on results obtained from the Evaluate phase along with the TNFD guidelines, the correlation of risks and opportunities to the identified impacts and dependencies were evaluated.
PREPARE (Responses and reporting)	Sunway Berhad has adopted TNFD core global disclosure indicators and metrics for performance monitoring and has published a TNFD-aligned report for FY2025.

Table 1: Application of TNFD LEAP Framework to Sunway Berhad operations

MATERIAL AND SENSITIVE LOCATION CONSIDERATIONS

Material locations are locations where an organisation has material nature-related dependencies, impacts, risks, and opportunities in its direct operations and upstream and downstream value chain(s). The specific assets identified in this report fall under the Quarry Division and Hospitality Division, as described in the LEAP analysis, and are considered material locations. This is because Sunway Berhad's activities and operations directly interface with nature at these locations. These operations and activities may generate impacts on nature. The specific ways in which these locations depend on, and impact nature are discussed in the sections below.

Sensitive locations are material locations that interface with nature in one or more of the following: areas important for biodiversity; areas of high ecosystem integrity; areas of rapid decline in ecosystem integrity; areas of high physical water risk; or areas of importance for ecosystem service provision, including benefits to Indigenous Peoples, Local Communities, and other stakeholders.

PROPERTY NAME	STATE	DIVISION	RATIONALE
Kuala Kangsar Quarry	Perak	Quarry	The quarry is located 1 km away from the Bintang Hijau Forest Reserve.
The Banjaran Hotsprings Retreat	Perak	Hospitality	Several land parcels are located within 5 km of limestone hills and forest ecosystems. The Banjaran Hotsprings Retreat is directly adjacent to limestone formations, and the surrounding natural landscape constitutes a key dependency and attraction for the resort's operations and guest experience.

Table 2: Sensitive locations of Sunway Berhad with rationales explaining why these assets are sensitive locations

IDENTIFICATION OF LOW AND HIGH BIODIVERSITY RISK AREAS

The identification of biodiversity risk areas was conducted based on the location of operational sites and assets under direct management control, with a focus on their proximity to environmentally sensitive ecosystems and areas of ecological significance.

Sites were assessed using a combination of publicly available spatial datasets and internal location data, including proximity to protected areas, Key Biodiversity Areas, and sensitive ecosystems such as limestone formations. The analysis also considered the nature and intensity of operational activities at each site.

- High biodiversity risk areas are defined as operational sites located within or near environmentally sensitive ecosystems, where activities may result in higher potential for ecosystem disturbance or where ecosystem degradation may directly affect operations. This includes Quarry operations and Hospitality assets situated near limestone hills.

- Low biodiversity risk areas are defined as operational sites located in areas of lower ecological sensitivity, or where activities have limited direct interaction with natural ecosystems.

This approach enables the Group to prioritise management attention and mitigation efforts on sites with higher potential exposure to nature-related risks, while maintaining a consistent methodology aligned with the scope of activities under direct operational control.

METHODOLOGY FOR BIODIVERSITY RISK IDENTIFICATION

For this report, Sunway Berhad applied a geospatial approach using ESRI ArcGIS Online to assess the proximity of its assets to key natural features and areas of ecological sensitivity. This enabled the identification of nature-related dependencies, potential impacts, and higher-risk locations across the Group's operations, supporting risk prioritisation and TNFD-aligned disclosures.

In Figure 1 below, the dark green areas represent protected areas, such as national parks. The light green areas indicate permanent forest reserves. The small grey areas represent limestone regions, such as those around Ipoh. The light blue areas, which are often overlapped by permanent forest reserves, represent mangrove areas, such as those at the mouth of the Kelantan River.

As part of the assessment, the Biodiversity Integrity Index (BII) was initially incorporated to provide a high-level indication of biodiversity condition across operational landscapes. While BII offers insights into changes in biodiversity abundance and ecosystem integrity, it was applied cautiously due to limitations in spatial resolution and potential overestimation at site level. It therefore served as a supplementary reference point rather than a primary determinant of risk.

In parallel, site location data was screened using the WWF Biodiversity Risk Filter (BRF) to identify potential nature-related dependencies and impacts. For quarry operations, proximity analyses were conducted to assess relationships with biodiversity-sensitive features, with distances used to inform risk categorisation and mitigation priorities.

This approach forms part of Sunway Berhad's LEAP methodology, supporting the Locate and Evaluate phases by systematically mapping where operations interact with nature. Insights from this process feed into the broader Risk and Impact Management framework, guiding the prioritisation of material nature-related risks and opportunities.

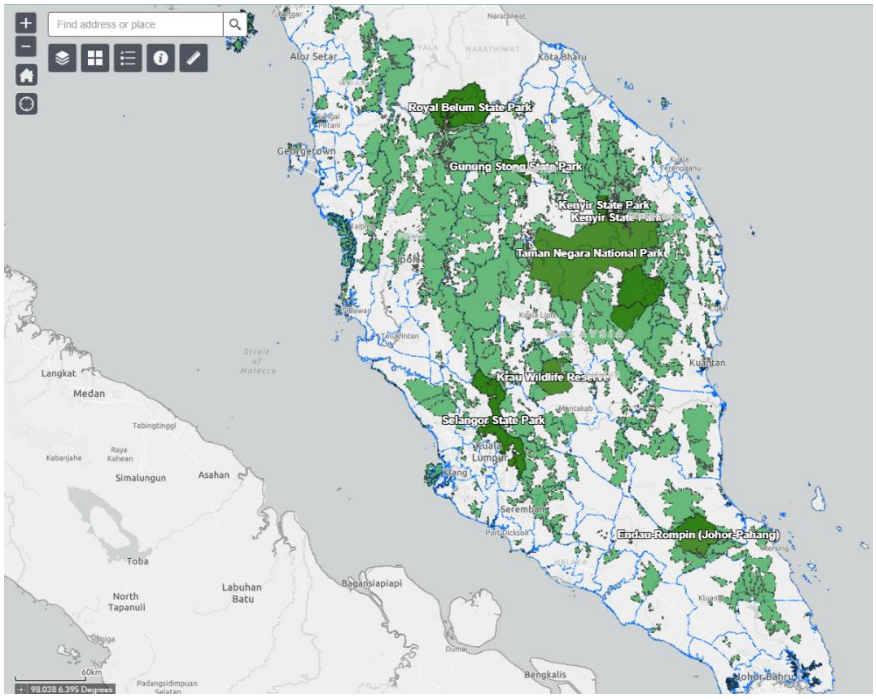

Figure 1: Biodiversity map of Peninsular Malaysia

SUMMARY OF NATURE-RELATED DEPENDENCIES

This section outlines the nature-related dependencies of Sunway Berhad's two business divisions with the most direct interface with nature, as identified through the LEAP approach. Dependencies are defined by the TNFD framework as "aspects of environmental assets and ecosystem services that a person or an organisation relies on to function". The nature-related dependency lists generated using the WWF Biodiversity Risk Filter (BRF) have been adapted and presented below for the two business divisions.

DEPENDENCIES LIST

RISK CATEGORY FOR QUARRY DIVISION	BRF INDICATOR	DEPENDENCY LEVEL
Provisioning services	Water availability	Low
	Forest productivity and distance to markets	Low
	Limited wild flora & fauna availability	N/A
	Limited marine fish availability	N/A
Regulating & supporting services – enabling	Soil condition	N/A
	Water condition	Low
	Air condition	High
	Ecosystem condition	N/A

	Pollination	N/A
Regulating & supporting services – mitigating	Landslides	High
	Wildfire hazard	High
	Plant/forest/aquatic pests and diseases	N/A
	Herbicide resistance	N/A
	Extreme heat	High
	Tropical cyclones	Low
Cultural services	Natural & cultural resources	N/A
Additional reputational factors	Media scrutiny	High
	Political situation	Medium
	Sites of international interest	Low
	Risk preparation	Low

Table 3: The nature-related dependencies of Sunway Berhad's Quarry Division. This table is adapted from WWF's BRF Tool

RISK CATEGORY FOR HOSPITALITY DIVISION	BRF INDICATOR	DEPENDENCY LEVEL
Provisioning services	Water availability	Low
	Forest productivity and distance to markets	Low
	Limited wild flora & fauna availability	High
	Limited marine fish availability	N/A
Regulating & supporting services – enabling	Soil condition	Low
	Water condition	Medium
	Air condition	Very high
	Ecosystem condition	N/A
	Pollination	N/A
Regulating & supporting services – mitigating	Landslides	High
	Wildfire hazard	Low
	Plant/forest/aquatic pests and diseases	Low
	Herbicide resistance	Low
	Extreme heat	High

	Tropical cyclones	Low
Cultural services	Natural & cultural resources	Very high
Additional reputational factors	Media scrutiny	High
	Political situation	Medium
	Sites of international interest	Low
	Risk preparation	Low

Table 4: The nature-related dependencies of Sunway Berhad's Hospitality Division. This table is adapted from WWF's BRF Tool

QUARRY DIVISION

The BRF tool does not fully capture the Quarry Division's fundamental dependency on land as a provisioning asset. Open-pit quarries extract construction aggregates, such as crushed rock, sand, and gravel, directly from the land. These materials are fundamental to the division's operations. However, unlike other ecosystem services that fall under the provisioning services category, such as the availability of flora and fauna, the provisioning ability of a quarry is finite and non-renewable regardless of management. All of Sunway Berhad's quarries use water sprinklers to minimise dust pollution; consequently, the availability of water is also a key dependency of the Quarry division. This is reflected as low in the WWF Biodiversity Risk Filter (BRF) output, which does not fully capture operational realities based on on-the-ground assessment and internal knowledge.

HOSPITALITY DIVISION

Within the hospitality division, only assets with direct ecological interface are considered material for this assessment.

However, the asset within the hospitality division that directly interacts with nature is The Banjaran Hotsprings Retreat in Ipoh, Perak. The BRF has accurately identified the "very high dependency" on the natural and cultural resources provided by nature for this asset. This is because limestone hills with their surrounding forests serve as the primary ecological draw and value driver for this asset. The scenic beauty and tranquillity of the surrounding natural environment support the asset's premium positioning.

SUMMARY OF NATURE-RELATED IMPACTS

This segment highlights the nature-related impacts of Sunway Berhad's two main business divisions that have the most direct interface with nature as previously identified by adopting the LEAP approach. Impacts are defined by the TNFD framework as "Changes in the state of nature (quality or quantity), which may result in changes to the capacity of nature to provide social and economic functions. Impacts can be positive or negative. They can be the result of an organisation's or another party's actions and can be direct, indirect or cumulative. A single impact driver may be associated with multiple impacts". The nature-related impact lists

generated using the WWF Biodiversity Risk Filter (BRF) have been adapted and presented below for the two business divisions. A more detailed discussion of the nature-related dependencies identified for each business division is provided after the lists, including where the WWF Biodiversity Risk Filter (BRF) may not fully capture their relative significance to Sunway Berhad's operations. The impacts described may occur across short-, medium-, and long-term time horizons depending on the scale and duration of the activities.

IMPACTS LIST

RISK CATEGORY FOR QUARRY DIVISION	BRF INDICATOR	IMPACT LEVEL
Pressures on biodiversity	Land, freshwater and sea use change	Low
	Forest canopy loss	Very high
	Invasives	Low
	Pollution	Very high
Environmental factors	Protected/conserved areas	High
	Key Biodiversity Areas	Medium
	Other important delineated areas	Medium
	Ecosystem condition	Low
	Range rarity	Medium
Socioeconomic factors	Indigenous Peoples (IPs); Local Communities (LCs) land and territories	Medium
	Resource scarcity: food - water - air	Low
	Plant/forest/aquatic pests and diseases	Low
	Financial inequality	Low

Table 5: The nature-related impacts of Sunway Berhad's Quarry Division. This table is adapted from WWF's BRF Tool

RISK CATEGORY FOR HOSPITALITY DIVISION	BRF INDICATOR	IMPACT LEVEL
Pressures on biodiversity	Land, freshwater and sea use change	Low
	Forest canopy loss	High
	Invasives	Medium

	Pollution	Medium
Environmental factors	Protected/conserved areas	Low
	Key Biodiversity Areas	Low
	Other important delineated areas	Low
	Ecosystem condition	Low
	Range rarity	High
Socioeconomic factors	Indigenous Peoples (IPs); Local Communities (LCs) land and territories	Low
	Resource scarcity: food - water - air	High
	Plant/forest/aquatic pests and diseases	High
	Financial inequality	Low

Table 6: The nature-related impacts of Sunway Berhad's Hospitality Division. This table is adapted from WWF's BRF Tool

QUARRY DIVISION

The BRF tool indicates that Quarry operations may have a "very high" impact on nature, particularly in relation to forest cover loss and pollution in areas surrounding the quarries. All the quarries operated by Sunway Berhad are open pit quarries. As a result, existing vegetation and topsoil may be cleared before quarrying begins, resulting in forest cover loss and potential biodiversity impacts. The reduction in forest cover and removal of topsoil may contribute to greenhouse gas emissions and climate-related impacts.

The extraction of construction aggregates from open-pit quarries generates dust, which may affect local air quality. The transportation of aggregates and quarry products generates additional dust and debris from vehicle movement, further contributing to air pollution.

In addition to air pollution, Quarry activities result in water pollution because the open pit quarries expose the soil to rainfall, resulting in surface runoff. Runoff from quarry sites reduces downstream water quality by carrying sediments into the watershed, which can harm freshwater biodiversity and affect communities that rely on the water for irrigation, industrial, or household use.

Depending on the location and proximity of the respective quarry to protected areas or Key Biodiversity Areas (KBAs), the forest canopy removal can negatively impact these surrounding areas via biological edge effects where the edges of the protected areas experience harsh microclimates such as excessive heat, harsh winds and storms resulting in the deterioration of these areas. However, it should be noted that the impact of these quarries is dependent on the size of the quarries as well as the previous vegetation that was present on the quarry before extraction activities commenced. Sunway Berhad's impact on biodiversity loss would be lower if the quarry were previously a plantation compared to a forest.

HOSPITALITY DIVISION

The Banjaran Hotsprings Retreat in Ipoh, Perak has the most direct impact on nature among all the Hospitality assets as the luxury resort is located within proximity of the limestone hills and features a restaurant within one of the limestone caves on site. Construction of the resort resulted in forest cover loss, directly creating negative impacts on biodiversity. However, the long-term impact of the operations of the resort is the disturbance created by the tourism activities. Increased foot traffic, tourism infrastructure such as walkways and paved surfaces, and the generation of wastewater and solid waste may collectively degrade the limestone hill ecosystem over time.

RISK & IMPACT MANAGEMENT

This section describes Sunway Berhad's processes for identifying, assessing, and managing nature-related risks and opportunities across its key business divisions, in line with the TNFD Risk and Impact Management recommendations.

RISK GROUPS FOR SUNWAY BERHAD QUARRIES

Each Sunway Berhad quarry was assigned an average risk category based on selected environmental factors and additional site-specific considerations.

CATEGORY	HIGH RISK	MEDIUM RISK	LOW RISK
Distance to River Course	< 20 metres	20 - 200 metres	> 200 metres
Distance to Key Biodiversity Area	0 - 500 metres	500 - 1000 metres	> 1000 metres
Distance to Forest Reserve	0 - 500 metres	500 - 1000 metres	> 1000 metres
Air Pollution	> 25 µg/m^3	10 - 25 µg/m^3	<10 µg/m^3

Table 7: The environmental factors used to determine the average risk categories for quarries

The risk scores for each quarry were averaged based on the applicable category and threshold.

- High Risk (average values of 4.5 and above)
- Medium (average values of 3 to 4.49)
- Low (average values of 1 to 2.99)

PHYSICAL RISK OVERVIEW

Nature-related physical risks arise from the degradation of ecosystems and the disruption of ecosystem services that support business operations. For Sunway Berhad, these risks are primarily localised and site-specific, rather than systemic at the Group level.

The most material physical risks are associated with Quarry operations, which involve direct interaction with natural landscapes. These activities may contribute to habitat disturbance, changes in landform, and impacts on air and water quality if not effectively managed. Over time, degradation of surrounding ecosystems may affect operational stability, increase rehabilitation requirements, and lead to heightened regulatory scrutiny.

In addition, Hospitality assets located in environmentally sensitive areas, such as The Banjaran Hotsprings Retreat, are exposed to physical risks linked to the condition of surrounding ecosystems. The retreat's proximity to the limestone hills makes it particularly sensitive to changes in landscape integrity, water quality, and biodiversity. Degradation of these natural features may affect the long-term attractiveness and viability of the asset.

Overall, physical risks are expected to remain localised and manageable in the short-term but may intensify over time if ecosystem conditions deteriorate or if environmental thresholds are exceeded. These risks are intricately linked to operational practices and the effectiveness of environmental management and rehabilitation measures.

NATURE-RELATED RISKS AND OPPORTUNITIES OF THE TWO MAJOR BUSINESS DIVISIONS

QUARRY DIVISION

QUARRY NAME	DISTANCE TO RIVER COURSE	DISTANCE TO KEY BIODIVERSITY AREAS	DISTANCE TO PROTECTED AREA	AIR POLLUTION	AVERAGE RISK	AVERAGE RISK CATEGORY
Kuala Kangsar (Premix & Quarry)	5	5	5	3	4.5	High
Semenyih (Premix & Quarry)	1	5	1	3	2.5	Low
Bukit Perak (Premix & Quarry)	1	1	5	3	2.5	Low
Bukit Mendi (Premix & Quarry)	1	1	5	3	2.5	Low
Melaka (Premix & Quarry)	1	1	1	3	1.5	Low
Rawang (Premix & Quarry)	1	1	5	3	2.5	Low
Hulu Langat (Premix & Quarry)	5	5	1	3	3.5	Medium

Table 8: List of quarries and their proximity to key environmental features and their risk status

The table above shows the average risk category for each individual quarry with only the Kuala Kangsar Quarry having a high-risk profile whilst the Hulu Langat Quarry has a medium risk profile with the other quarries having a low risk profile. However, it should be noted that due to the extractive nature of Quarry and the often-irreversible impacts to biodiversity, the division should be viewed as being exposed to high nature-related risks.

Given the air and water pollution associated with Quarry activities, this division faces significant exposure to policy risk. For example, local governments may introduce more stringent air and water quality standards, which could result in temporary operational stoppage if the quarry fails to comply with stricter regulations. Additionally, to comply with stricter environmental regulations, the operations may be less profitable due to the higher costs required to minimise the pollution generated by the quarries.

In addition to pollution, Quarry operations result in biodiversity loss and ecosystem change, thus exposing Sunway Berhad to significant liability risks if environmental laws and regulations evolve. This may result in potential legal consequences for operations that deteriorate nature. Sunway Berhad may also be exposed to reputational risk due to public perceptions of quarrying as an environmentally intensive activity. Lastly, this division is also exposed to physical risk especially in the form of chronic risks where air pollution, water pollution and biodiversity loss lead to an overall degradation of ecosystems and their ecosystem services.

Measures to reduce pollution in quarries such as sprinklers to minimise dust and silt traps to reduce the sediments flowing into waterways are already in place. There is an opportunity for Sunway Berhad to be an industry leader in further minimising pollution from its Quarry activities. In addition, Sunway Berhad could explore nature-based solutions and credible carbon credit mechanisms to address residual biodiversity impacts and carbon emissions associated with Quarry activities.

The Kuala Kangsar Quarry, Perak, with its "High" average risk category is most exposed to nature-related risk because of its sensitive location that is 1 km away from areas of high ecosystem integrity such as Bintang Hijau Forest Reserve.

HOSPITALITY DIVISION

The Banjaran Hotsprings Retreat in Ipoh, Perak is the asset from the Hospitality division most exposed to nature-related risks due to its proximity to sensitive limestone hill ecosystems. Like the Quarry division, this asset is exposed to policy risks where operations may be less profitable because of more stringent pollution regulations. Liability risks are also present as evolving legislation may result in legal consequences because of the deterioration of a sensitive area such as the limestone hills.

The property also faces reputational risk, as it must maintain its image as a sustainable, well-managed, and ecologically responsible resort to retain guests who value environmental stewardship.

Despite the risks, there is ample opportunity for The Banjaran Hotsprings Retreat to further enhance its image as a sustainable and ecologically responsible resort. One such opportunity is to establish on-site conservation initiatives, including the identification, documentation, and protection of local flora and fauna within the surrounding limestone hill ecosystem.

Additionally, there is also an opportunity for the resort to engage with the local community via outreach and education programmes on the importance and unique biodiversity found in limestone hills. Expanding the scope outside of The Banjaran Hotsprings Retreat, Sunway Berhad could pursue nature-based solutions and carbon credit schemes that promote the conservation of limestone hills and their surrounding forests in other locations.

VALUATION OF FINANCIAL RISKS

Sunway Berhad recognises that nature-related risks may give rise to financial implications, particularly for quarrying operations located near environmentally sensitive areas or subject to evolving regulatory requirements. Potential financial exposure may arise from increased compliance costs, enhanced environmental monitoring obligations, rehabilitation requirements, operational constraints, or temporary operational disruptions.

Based on the current assessment, the overall likelihood of quarrying operations being required to halt is considered low, provided that environmental protection practices mandated by the authorities continue to be adhered to. However, certain sites may face elevated localised exposure due to their proximity to river courses, protected areas, Key Biodiversity Areas, or other environmentally sensitive features.

Kuala Kangsar Quarry has been assessed as having a higher nature-related risk profile due to its proximity to river courses, protected areas, and Key Biodiversity Areas. However, the estimated revenue exposure associated with this quarry is relatively limited, at approximately RM14 million. Hulu Langat Quarry has been assessed as having a medium nature-related risk profile due to its proximity to river courses and Key Biodiversity Areas. The estimated revenue exposure associated with this quarry is higher, at approximately RM197 million, largely due to the scale of its operations.

These figures represent site-level revenue exposure under the assessment and should not be interpreted as expected financial losses, impairments, or forecast financial impacts. The likelihood of new laws or regulatory requirements mandating the closure of quarrying operations due to biodiversity impacts is considered low, but not negligible. In the event of more stringent environmental laws or enforcement requirements aimed at preserving biodiversity and ecosystem services, affected sites may be subject to higher compliance obligations, operational constraints, or additional mitigation requirements.

Overall, nature-related financial risks are assessed as localised and site-specific, rather than systemic at the Group level. Based on the current assessment, no material Group-level financial impacts have been identified in the short- to medium-term. Sunway Berhad will continue to strengthen environmental risk monitoring, regulatory compliance processes, and site-level mitigation measures to manage these exposures over time.

SCENARIO ANALYSES

Before outlining the scenario analysis for Sunway Berhad, it is important to clarify the nature of this exercise. Unlike climate-related scenario analysis, nature-related scenarios are inherently less precise due to the complex, location-specific and non-linear interactions within ecosystems.

In line with the TNFD framework, scenario analysis is used to explore a range of plausible future conditions rather than to predict specific outcomes. It is distinct from stress tests, sensitivity analyses, probabilistic forecasts, and transition pathways, which rely on more defined assumptions or quantitative modelling.

The TNFD recommends constructing scenarios around two key uncertainties:

- Ecosystem service degradation, which relates to physical risks arising from the deterioration of natural systems; and
- Alignment of market and non-market driving forces, which relates to transition risks influenced by regulatory changes, stakeholder expectations, and market behaviour.

For Sunway Berhad, ecosystem service degradation is not currently assessed as a primary systemic risk at the Group level, based on current exposure and available data, as most operations are not directly dependent on ecosystem services at a scale that would threaten overall business continuity. However, location-specific assets, particularly Quarry operations and Hospitality assets situated in environmentally sensitive areas, remain exposed to localised physical risks.

Accordingly, the scenario analysis focuses on transition risks and opportunities, driven by changes in regulatory requirements, stakeholder expectations, and market preferences. Four qualitative scenarios are developed based on the interaction between market and non-market forces:

SCENARIO FRAMEWORK

Scenario 1: High regulatory pressure, high market preference for sustainability
In this scenario, both regulators and market participants place strong emphasis on environmental performance. Stricter environmental regulations are introduced alongside increasing demand from investors and customers for sustainable and nature-positive practices.

- Risks:
    - Increased compliance costs for Quarry operations due to tighter environmental standards.
    - Heightened scrutiny on operations located near sensitive ecosystems such as limestone formations.
- Opportunities:
    - Positioning as an industry leader in sustainable quarry management.
    - Premium positioning of nature-based Hospitality assets such as The Banjaran Hotsprings Retreat.

Scenario 2: High regulatory pressure, low market pressure (Most likely)
This scenario assumes increasing environmental regulations, while market behaviour remains primarily cost- and profit-driven with limited emphasis on nature-related considerations.

- Risks:
    - Stricter air and water quality regulations affecting Quarry operations.
    - Potential operational constraints or increased costs due to environmental compliance requirements.
    - Regulatory scrutiny for assets located in environmentally sensitive areas.
- Opportunities:
    - Early adoption of best practices in environmental management to maintain operational continuity.
    - Strengthening internal governance and monitoring systems to anticipate regulatory changes.

Scenario 3: Low regulatory pressure, high market preference for sustainability
In this scenario, regulatory requirements remain relatively stable, but market expectations shift significantly towards sustainability and environmental stewardship.

- Risks:
    - Reputational risk for operations perceived as environmentally intensive, particularly Quarry.
    - Loss of competitiveness if sustainability expectations are not met.
- Opportunities:
    - Differentiation through voluntary sustainability initiatives.
    - Enhanced brand value for Hospitality assets that are intricately linked to natural environments.

Scenario 4: Low regulatory pressure, low market pressure
This scenario assumes minimal changes in both regulatory and market expectations, with continued prioritisation of economic performance over environmental considerations.

- Risks:
    - Limited immediate risks, but potential long-term exposure if environmental issues become more prominent.
    - Risk of being unprepared for future regulatory tightening.
- Opportunities:
    - Short-term cost advantages due to lower compliance requirements.
    - Flexibility in operational decision-making.

SCENARIO OUTLOOK

Of the four scenarios, Scenario 2 is considered the most likely, reflecting a trajectory where regulatory expectations continue to strengthen in Malaysia, while market demand for nature-related performance remains secondary to financial considerations.

Under this scenario, Sunway Berhad's key exposure lies in regulatory-driven transition risks, particularly for Quarry operations due to their environmental footprint and sensitivity to air, water, and environmental and site-specific operational regulations.

Hospitality assets such as The Banjaran Hotsprings Retreat may also face increased expectations to demonstrate environmental stewardship, given their reliance on the quality and integrity of surrounding natural ecosystems.

Scenario 4 remains relevant as a lower-regulation scenario for stress-testing purposes but does not represent Sunway Berhad's preferred direction of travel. Scenarios involving strong market-driven shifts toward nature-positive outcomes are considered less likely in the near term but remain relevant over a longer time horizon.

RISKS, OPPORTUNITIES AND IMPACTS ACROSS TIME HORIZONS

RISKS/ OPPORTUNITIES	SCENARIO 2 (NON-MARKET INCREASE IN REGULATIONS, MARKET FORCES REMAIN PROFIT-ORIENTED)	SCENARIO 4 (NON-MARKET FORCES REDUCE REGULATIONS, MARKET REMAINS PROFIT-ORIENTED)
Short-term Risks	Increased enforcement of environmental regulations affecting Quarry operations, including stricter requirements on air emissions, water discharge and land disturbance. Heightened regulatory scrutiny for operations near sensitive ecosystems such as limestone formations.	No material increase in risk is anticipated.
Short-term Opportunities	Strengthening compliance systems and environmental monitoring to meet regulatory expectations. Early adoption of mitigation measures to minimise operational impacts.	Operational flexibility and lower compliance costs in the near term.
Short-term Impacts	Continued localised impacts on land, air and water, with increasing emphasis on compliance and control measures.	Ongoing localised environmental impacts from Quarry and site operations, with limited external pressure for improvement.

Medium-term Risks	As Sunway Berhad's business model requires continued access to suitable quarry sites, regulatory constraints may limit access to such sites.	No material increase in risk is anticipated.
Medium-term Opportunities	Adoption of improved environmental management and rehabilitation practices. Enhanced operational resilience through proactive compliance and risk management.	Ability to implement improvements at a self-determined pace without immediate regulatory pressure.
Medium-term Impacts	Gradual reduction in operational impacts as stricter controls and mitigation measures are implemented.	Environmental impacts persist with incremental improvements, depending on internal initiatives rather than external drivers.
Long-term Risks	Structural regulatory changes potentially limiting operations in high ecological value areas. Increased expectations for restoration and biodiversity outcomes. Higher long-term compliance and operational costs.	No material increase in risk is anticipated.
Long-term Opportunities	Diversification of the Group's portfolio towards less nature-intensive activities may reduce long-term exposure to nature-related risks.	Short-term cost advantages may persist but limited strategic positioning in sustainability.
Long-term Impacts	Tightening regulations progressively reduce Quarry-related pressures on land, air, and water.	Localised environmental impacts persist with limited external pressure for mitigation. Loss of nature-based services such as natural water availability may gradually affect operations, though engineering solutions such as rainwater harvesting may offset some impacts at the township level.

Table 9: Short-term, medium-term and long-term Risk, Opportunities and Impacts.

METRICS & TARGETS

Sunway manages its nature-related dependencies, impacts, risks, and opportunities through clearly defined targets and performance monitoring mechanisms that are integrated into its governance and operational processes. In the current year, the Group has introduced a new target requiring the Board Sustainability Committee (BSC) to review and approve Environmental Impact Assessments (EIAs) for all major projects.

Previously, responsibility for EIAs resided with Business Division Heads, resulting in oversight that was primarily operational. The transition of this responsibility to the BSC is intended to enhance board-level visibility of biodiversity considerations and other material environmental factors. It also ensures that nature-related risks and impacts are assessed in a more structured and consistent manner as part of overall project governance.

TARGETS	METRICS
Emissions intensity targets across business divisions, as stated in the Sunway Berhad Sustainability Report 2025 (pg. 52).	Number of business divisions that have achieved their emissions intensity targets, and their performance under the internal carbon pricing framework.
Acknowledgement by the Board Sustainability Committee (BSC) of Environmental Impact Assessment (EIA) reports.	Percentage of EIA reports acknowledged by the BSC, specifically the biodiversity sections.

NATURE STRATEGY AND WAY FORWARD

Sunway Berhad's assessment of nature-related dependencies, impacts, risks, and opportunities indicates that the Group's primary exposures are concentrated within its Quarry operations and selected Hospitality assets located in environmentally sensitive areas. These interactions require ongoing monitoring and proactive management to ensure operational resilience and alignment with evolving regulatory and stakeholder expectations.

In response, the Group is strengthening its approach to managing nature-related impacts through a combination of operational improvements, governance enhancements, and targeted conservation efforts.

Key focus areas include:

- Enhancing environmental management practices in Quarry operations, including continued implementation of pollution control measures and rehabilitation efforts to minimise impacts on surrounding ecosystems.
- Supporting nature-based conservation initiatives, including the protection and preservation of ecologically sensitive areas, particularly those associated with limestone ecosystems and other high-value habitats.
- Strengthening monitoring and reporting, through improved documentation of environmental mitigation measures in line with the Group's Biodiversity Policy and the application of the mitigation hierarchy (avoid, minimise, restore, and compensate as a last resort).
- Embedding nature considerations into governance structures, ensuring that nature-related risks and impacts are consistently reviewed and monitored at the Board and management levels.

The Group has established a foundation for managing these risks through existing environmental practices, governance oversight, and targeted operational controls. Building on this, Sunway Berhad will continue to strengthen its approach by enhancing data collection, improving environmental performance monitoring, and progressively aligning its disclosures with TNFD recommendations.

Through these efforts, Sunway Berhad aims to support responsible environmental stewardship while maintaining long-term business resilience and value creation.

TNFD INDEX

TNFD PILLAR	RECOMMENDED DISCLOSURES	REFERENCE
GOVERNANCE	A. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.	Pg 4
	B. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.	
	C. Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.	
STRATEGY	A. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.	Pg 5 - 13
	B. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.	Pg 3, 17, 23
	C. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.	Pg 17 - 21
	D. Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	Pg 14 - 17
RISK AND IMPACT MANAGEMENT	A(i). Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.	Pg 14 - 17
	A(ii). Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).	
	B. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.	

	C. Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.	
METRICS AND TARGETS	A. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process	Pg 22
	B. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.	
	C. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.	

ABBREVIATIONS

BII	Biodiversity Integrity Index
BRF	Biodiversity Risk Filter (WWF)
BSC	Board Sustainability Committee
ESG	Environmental, Social and Governance
EIA	Environmental Impact Assessment
GIS	Geographic Information System
GS	Group Sustainability
IFSRS S1 / S2	International Financial Reporting Standards – Sustainability Disclosure Standards S1 (General Requirements) and S2 (Climate-related Disclosures)
JSC	Jeffrey Sachs Center on Sustainable Development
KBA	Key Biodiversity Area
LEAP	Locate, Evaluate, Assess, Prepare (TNFD approach)
MSC	Management Sustainability Committee
TNFD	Taskforce on Nature-related Financial Disclosures