8 CLIMATE CHANGE

Related UNSDGs

Goal 13:
Climate Action

Why Is It Important

Climate change has the potential to directly affect Tropicana's operations, project timelines, and long-term business resilience. Physical risks such as flash floods, extreme rainfall, and rising temperatures can disrupt construction progress, increase development costs, and affect worker safety.

Over the longer term, climate conditions may also affect the liveability, durability and maintenance requirements of completed developments, influencing asset value and purchaser confidence.

Transition risks, such as new building regulations, higher energy tariffs, and growing demand for low-carbon and climate-resilient buildings, may also affect development costs, regulatory compliance and the Group's long-term competitiveness.

OUR APPROACH

Governance

The Board of Directors oversees sustainability-related risks, including climate-related risks, as part of its overall responsibility for risk management and long-term business resilience.

Management supports the Board through regular risk reviews and integrates climate-related considerations into project planning, development design, operational monitoring, and cost assessments where relevant.

Climate-related risks are assessed alongside other operational, development and financial risks within Tropicana's enterprise risk management processes. These risks may arise over the short, medium, or long term depending on project duration, site location, asset characteristics and evolving regulatory and environmental conditions.

To strengthen risk awareness, Tropicana has begun incorporating climate scenario references as part of its internal risk assessment processes, including through a climate risk assessment conducted during the financial year. This included consideration of potential physical climate impacts under higher emissions conditions and transition risks associated with the global shift towards a lower-carbon economy. These scenarios are used to support management's understanding of potential exposures and are not intended as forecasts.

Climate-related considerations may influence:

- Site selection and development planning
- Development design and building specifications
- Project scheduling and cost assessments
- Long-term asset resilience and performance

These considerations are applied alongside commercial, technical, and regulatory factors to support informed decision-making.

The Group supports Malaysia's broader transition towards a lower-carbon economy, including national commitments to reduce greenhouse gas emissions, and seeks to align its development planning and operations with applicable climate-related regulatory requirements and policy developments, while continuing to monitor relevant regulatory, market, and industry developments that may affect its developments and operations.

Executive remuneration is linked to overall Group and individual performance, including financial performance, project delivery, and risk management. As climate-related risks may affect development costs, operational performance, and project delivery, their management forms part of broader business performance considerations reflected in remuneration outcomes. Climate-specific performance targets are not currently included as standalone remuneration metrics.

Climate Risk Assessment & Financial Impact Understanding

To support our enterprise risk management processes and strengthen our understanding of potential financial exposures, we enhanced our climate risk assessment during the financial year to incorporate scenario analysis and financial impact considerations, covering both physical and transition risks across our development portfolio and operating assets.

This assessment complemented our broader risk management approach described above by providing a structured evaluation of how climate-related risks may affect development planning, cost assumptions, asset performance, and long-term financial considerations.

The exercise referenced internationally recognised climate scenarios, including a high-emissions pathway (SSP5–8.5) to assess potential escalation in physical hazards, and a global decarbonisation pathway (IEA Net Zero Emissions by 2050) to assess potential transition-related cost and regulatory implications. These scenarios were used to illustrate potential financial sensitivities under different future conditions and are not intended as forecasts.

At the Group level, climate risk exposure was assessed using external climate risk datasets and geospatial screening tools, including internationally recognised references such as the World Bank climate risk profile and other global hazard datasets, to identify broad exposure trends relevant to our operating footprint.

At the site level, the assessment incorporated asset-specific information, commercial exposure considerations, and management input to reflect operational realities and development priorities. This enabled us to develop an initial view of relative climate risk exposure across its development pipeline and operating assets, and to better understand how site characteristics may influence potential financial and operational sensitivities.

To support financial sensitivity analysis, the exercise also referenced proxy asset damage rate benchmarks derived from Bloomberg climate risk datasets. As asset-specific benchmarks were not directly available, proxy references based on comparable assets in similar locations were used to illustrate potential asset value sensitivity under severe climate scenarios. This provided management with an indicative perspective on how physical climate risks could affect asset-related financial exposure under different conditions.

Based on this assessment, we have identified several areas where climate-related risks may have financial implications over time, including:

- Development and construction costs, including potential disruption, rectification works, and protective measures
- Operating expenditure, including electricity costs under higher-emissions pathways, supporting our sensitivity assessment of potential tariff and carbon pricing impacts
- Asset performance, including repair costs, maintenance requirements, and long-term durability
- Project feasibility, design considerations, and capital allocation planning

These insights have strengthened our understanding of how climate-related factors may influence our financial performance, cost structure, and financial planning assumptions, as well as development considerations and support the progressive integration of climate risk awareness into our enterprise risk management and planning processes.

We recognises that this assessment is subject to inherent uncertainties, including reliance on external datasets, proxy benchmarks, and forward-looking assumptions that may not materialise. The exercise was conducted at a strategic and portfolio level and does not replace detailed engineering assessments or financial forecasting. However, it provides a valuable foundation for improving our climate risk awareness, supporting risk monitoring, and informing future planning considerations.

Understanding Physical Climate Risks

Physical climate risks arise from changing weather patterns that may directly affect project delivery and the long-term performance of Tropicana's developments.

These include acute risks from extreme weather events and longer-term chronic changes in climate conditions.

To support risk awareness, Tropicana referenced high-emissions climate scenarios (SSP5-8.5) to understand potential exposure to more severe weather conditions under a higher-risk climate pathway and to inform development planning and risk management.

Risk Type	Risk Description & Potential Impact	Adaptation Measures
Acute Physical Risk	Extreme weather events such as heavy rainfall, flooding, or heatwaves may disrupt construction progress, affect site accessibility, reduce productivity, and delay project completion. Financial impacts may include increased development costs, additional protective works, rectification expenses, and potential Liquidated Ascertained Damages ("**LAD**").	• Monitoring weather forecasts and site conditions • Implementing site-specific drainage systems, water pumps, and flood protection measures • Adjusting construction schedules where necessary • Providing shaded rest areas and heat stress management for workers • Securing materials and equipment to prevent damage • Maintaining contingency buffers within project timelines
Chronic Physical Risk	Rising temperatures and changing rainfall patterns may affect construction conditions and, over the longer term, influence development design requirements, building durability and maintenance needs.	• Considering site elevation, drainage capacity, and flood risks during development planning • Implementing appropriate structural and drainage design • Incorporating ventilation and heat-resilient design considerations • Applying preventive measures to protect materials and building components

Understanding Transition Climate Risks

Transition risks arise from regulatory, market, and economic changes associated with the transition to a lower-carbon economy. Tropicana referenced the International Energy Agency Net Zero by 2050 ("**NZE2050**") scenario as a benchmark to support its understanding of potential transition risks, which assumes progressive tightening of climate policies, expansion of carbon pricing, and increasing energy and material transition costs over time.

Risk Type	Risk Description & potential impact	Mitigation Measures
Cost Transition Risk	Under net zero transition scenarios, carbon pricing, fuel subsidy rationalisation, and decarbonisation of electricity generation may increase the cost of electricity and carbon-intensive construction materials such as steel and cement. These cost increases may affect development costs, project margins, and overall project feasibility.	• Monitoring construction material, electricity, and fuel costs during project planning • Engaging suppliers and contractors to assess cost implications and availability of alternative materials and methods • Considering alternative materials and development approaches where appropriate and financially feasible • Incorporating cost contingencies into project budgeting and financial planning
Policy / Regulatory Risk	Transition scenarios assume progressively stricter climate-related regulations, including potential introduction or expansion of carbon pricing mechanisms, tighter building energy efficiency standards, and enhanced climate-related disclosure requirements. These may affect development design requirements, approval processes, and reporting obligations.	• Monitoring regulatory developments and industry requirements, including sustainability and climate-related disclosure expectations • Integrating applicable regulatory requirements into development planning and design processes • Ensuring compliance with relevant building codes, environmental regulations, and planning requirements
Market Alignment Risk	As part of the transition to a lower-carbon economy, purchasers, investors and financial institutions may increasingly prioritise sustainability, energy efficiency, and climate resilience in property developments. Failure to meet these expectations may affect the attractiveness and long-term value of developments.	• Incorporating sustainability and resilience considerations into development planning and design where appropriate • Aligning developments with evolving purchaser expectations and market trends • Monitoring industry developments to maintain long-term competitiveness

OUR PERFORMANCE

Climate-related risks are monitored through the Group's enterprise risk management and project delivery processes. During the reporting period, we did not record any material disruptions or losses attributable to climate-related events, nor did we experience material climate-related supply chain or project delivery impacts.

As part of our climate risk assessment, we applied scenario-based analysis to better understand how physical hazards (e.g. flooding and extreme heat) and transition developments (e.g. policy, technology and market changes) could affect project delivery, operating costs and asset performance under different future conditions. These scenarios support risk awareness and planning considerations and are not forecasts.

Based on our current assessment and the controls embedded within project planning and delivery processes, climate-related risks are not expected to have a material effect on the Group's financial position, financial performance or cash flows over the short to medium term, notwithstanding the Government's announced introduction of a carbon tax in Malaysia targeting the iron, steel and energy sectors. The impact remains uncertain at this stage as key parameters, including pricing levels and implementation details, have yet to be finalised and will depend on how affected industries adapt, decarbonise and manage cost pass-through.

Physical risks remain the more direct source of potential disruption, as these can affect construction timelines, site conditions and asset performance at specific locations. These risks are addressed through measures already embedded within project planning and delivery, including drainage and flood mitigation design, construction scheduling buffers and contingency planning across the current development pipeline.

Transition-related risks are expected to develop more gradually and are primarily reflected through changes in cost structures rather than immediate operational disruption. For property development activities, such risks are generally industry-wide and may affect input costs, particularly for energy-intensive materials and contractor services.

Over longer time horizons, climate-related risks may give rise to financial implications as the frequency and severity of physical hazards evolve and as transition measures such as regulatory requirements, energy pricing and market expectations continue to develop.

At this stage, the Group is not able to reliably quantify the potential financial effects of these risks due to uncertainties surrounding future climate conditions, policy developments, technological changes and the characteristics of projects that have yet to be planned or approved. Scenario analysis is therefore used to support risk awareness and planning considerations rather than to provide precise financial projections.

Performance Indicator	FY2025	FY2024	FY2023
Material adverse financial impacts arising from climate-related physical or transition risks	**Nil**	Nil	Nil
Significant weather-related disruptions impacting project delivery or construction schedules[1]	**Nil**	Nil	Nil
Health and safety incidents directly attributable to extreme weather or climate-related conditions[2]	**Nil**	Nil	Nil

1. *Significant weather-related disruptions refer to events such as flooding, extreme rainfall, or heat conditions that materially affected construction progress, site accessibility, or project timelines, based on management's operational reviews.*
2. *Climate-related health and safety incidents refer to confirmed incidents where extreme weather conditions (e.g. heat stress, flooding) were identified as a direct contributing factor, based on internal incident reporting and investigation.*

Climate-related risks are also monitored through other areas of the Group's sustainability and operational management, including Health and Safety, Procurement, Sustainable and Green Design, Water Management, Energy and Emissions, and Economic Performance.