Property

POSITIVE (Maintain)

The ESG Approach Towards Sustainability

Analyst
Jessica Low Jze Tieng
jessica.low@midf.com.my
03-2173 8391

HIGHLIGHTS

- Property companies in Malaysia saw higher adoption of Environment, Social and Governance (ESG) practices with FTSE4Good Bursa Malaysia Index as key benchmark index for ESG rating
- Environmental (E) - Sustainable design with green certification & renewable energy for sustainable use of resources
- Social (S) - Provide quality homes for people, affordable home to address housing affordability issues & employee safety as top priority
- Governance (G) - Zero corruption or bribery cases, trainings on anti-corruption, governance by Audit Committee, Risk Management Committee and Sustainability Committee, & policy on data privacy and cybersecurity
- Mah Sing Group, Sunway Berhad and IOI Properties and Eco World shown good achievement and leading the ESG adoption. S P Setia, Matrix Concepts and UOA Developments are progressing to better ESG adoption

Growing adoption of ESG practices by property companies. Property companies in Malaysia saw higher adoption of Environment, Social and Governance (ESG) practices as a commitment to sustainability. Adoption of ESG practices bring economic benefit to the companies such as lower energy consumption, lower resource waste and reduction in operating costs. ESG adoption is also a risk management process that looks beyond financial risks, managing the risks and opportunities from changing conditions of environment, social systems and governance.

FTSE4Good Bursa Malaysia Index as key benchmark index for ESG rating. The FTSE4Good Bursa Malaysia Index is designed to highlight companies that demonstrate a leading approach to addressing ESG risks. Most of the property companies under our coverage are included in FTSE4Good Bursa Malaysia Index except for UOA Development. Meanwhile, FTSE Russell ESG Ratings form the engine for the FTSE4Good indices whereby companies need to achieve a rating of 2.9 or higher for index inclusion. The ESG Grading Band for property companies are deemed decent with four companies (Sunway Berhad, IOI Properties Group, Mah Sing Group and Eco World) rated 4-star rating while three companies (Matrix Concepts Holdings, S P Setia and UOA Development) rated 3-star.

Figure 1: FTSE4Good Bursa Malaysia Index and ESG Grading Band

	FTSE4 Good Bursa Malaysia Index	ESG Grading Band
IOI Properties Group	Yes	4
Sunway Berhad	Yes	4
Mah Sing Group	Yes	4
Eco World Development Group	Yes	4
S P Setia	Yes	3
Matrix Concepts Holdings	Yes	3
UOA Development	No	3

Source: Bursa Malaysia, MBSB Research

COMPANY *IN FOCUS*

Mah Sing Group

BUY | Unchanged Target Price: RM1.51
Price @ 13 Aug 2025: RM1.20

- High ESG Grading Band of 4-star.
- Green certification for new projects.
- High QLASSIC score of >80% for recent projects.
- Contributes affordable home in Malaysia.

SHARE PRICE CHART



Sunway Berhad

NEUTRAL | Unchanged Target Price: RM5.01
Price @ 13 Aug 2025: RM4.79

- All new projects are subject to Green Township Policy.
- Implemented Internal Carbon Pricing framework.
- Pioneer in Green Lease Partnership programme.
- Completed projects in 2024 achieved average QLASSIC scores of 84%.

SHARE PRICE CHART



Environmental (E)

Sustainable design with green certification. Property companies encompass sustainable design in their project planning. In the context of sustainable design, property companies allocate certain percentage of open green areas within developments. Besides, developers also obtain Green Certifications namely GreenRE or Green Building Index (GBI) for their projects. Note that GreenRE is green building certification tool developed by REHDA while GBI is industry recognised green rating tool for buildings to promote sustainability in the built environment. Meanwhile, other sustainable designs include north-south orientation of building, natural lighting and ventilation features such as open concept designs and high ceilings and low Volatile Organic Compound (VOC) paint. The notable achievement of developers in sustainable design as below:

Eco World Development Group

- Eco World Development Group achieved 20% of open green areas within developments in 2024, surpassing target of 15%.
- 89% of development projects received green certification.

Mah Sing Group

- Mah Sing Group's township, M Legasi in Semenyih is a GreenRE township, featuring 50 acres of green spaces which includes a 13-acres central park.
- Mah Sing Group targets to obtain a minimum "Bronze" GreenRE Certification rating for all high-rise developments in KL. Mah Sing Group obtained GreenRE Bronze for M Terra and M Zenya while GreenRE Silver was obtained for M Azura.
- Most of Mah Sing's M Series high-rise development in Klang Valley have achieved more than 25% of green space, exceeding target of 10%.

Figure 2: Green spaces at M Legasi



Source: Mah Sing Group

S P Setia

- At least 10% of project areas are designated as green spaces. For certain Business Units such as the Eco Series, the allocation increases to be more than 15%.

IOI Properties Group

- IOI Central Boulevard Towers in Singapore is honoured with the BCA Green Mark Platinum award for its exemplary environmental design and construction and adoption of green building technologies. It is expected to achieve 30% energy and water savings through environmentally sustainable building practices and innovative green features.
- Green Building Index (GBI) is obtained for IOI City Tower 1&2, Puchong Financial Corporate Centre Tower 4&5, PJ Midtown, IOI City Mall, IOI Galleria @ Bandar Putra Kulai and Moxy Putrajaya.

Sunway Berhad

- Sunway Berhad is committed to ensuring that all its new buildings and townships developed from 2025 onwards will achieve green certification such as GreenRE and Green Building Index (GBI), in line with its Green Township Policy.

Matrix Concepts Holdings

- Matrix Concepts set a target of minimum of 10-15 trees/acre for residential development. The target was achieved with 12 trees/acre. Besides, Matrix Concepts achieved 15% green space allocation, exceeding target of 10% green space allocation.

UOA Development Group

- UOA Development targets to obtain GreenRE Certificate minimum "Bronze" for all new development. The target is achieved with GreenRE Certification Non-Residential Building Category GOLD obtained for Tower B @ Duo Tower.
- UOA Development targets to allocate more than 10% of development area to green spaces for all new development. The target is achieved as Laurel Residence achieved 27% green spaces.

Renewable energy for sustainable use of resources. Most of the developers are leveraging on renewable energy such as installing solar panel to reduce GHG emissions. Rainwater harvesting system is also installed for sustainable use of water and to achieve cost savings. To increase energy efficiency, developers are installing LED compound. In addition, developers are providing electric vehicle (EV) charging stations to support the use of EV due to its lower emission. Meanwhile, developers that have investment properties namely Sunway Berhad and IOI Properties introduced green lease for tenants in achieving sustainability goal. Green lease is a leasing agreement with additional clauses which tenants gain incentives by participating in water and energy conservation as well as waste reduction. The notable ESG practices of developers in sustainable use of resources as below:

Eco World Development Group

- Installed Solar PV systems at TTC Office, the Eco Grandeur, Eco Ardence and Se.duduk D'Kajang sales gallery and Sanctuary Mall.
- Eco World targets to reduce Scope 2 GHG emissions by 20% by 2025 and 30% by 2030.
- Eco World targets to Install at least one EV charging station at all new projects within 1 year of the first handover.
- Residential units are equipped with the necessary infrastructure for solar panel installation.

Mah Sing Group

- All of Mah Sing's M Series high-rise developments in Klang Valley have minimum 2 EV charging stations. Moving forward, Mah Sing targets to provide a minimum 3 EV charging stations for high rise development in KL.
- All Mah Sing's M Series high-rise development in Klang Valley is with energy-efficient lighting.
- Mah Sing targets to provide a minimum 30% of roof coverage with solar panel for high rise development in KL.

S P Setia

- S P Setia targets to reduce Scope 1 and Scope 2 carbon emissions by 45% by 2030.
- Setia eGreenLiving includes green features for latest and upcoming development. Key features include smart home system, green switch, solar PV conduit ready, EV port ready and rainwater harvesting system.

IOI Properties Group

- Achieved 100% adoption of low-VOCs paint across all new development projects.
- 30% of IOI Properties Group hotels are replacing single-use plastic bottles with glass bottles in guest rooms and using biodegradable, eco-friendly materials for amenities kits.
- IOI Properties Group installed solar-powered lighting at the Central Park at IOI Resort City, Town Park @ Bandar Puteri Puchong and 16 Sierra Lookout Point.
- 3.5 MWp solar photovoltaic (PV) system was installed in IOI City Mall Phase 1.
- IOI Properties offers green leases to MNCs with specific sustainability requirements.

Figure 3: Solar panel of IOI City Mall



Source: IOI Properties Group

Sunway Berhad

- Sunway Berhad sets interim goal of reducing GHG emissions by 50% by 2030 to support its ambition of net zero carbon emissions by 2050.
- Installed more than 11MWp of rooftop solar PV cells as of 2024.
- Sunway Berhad is the first Malaysian corporation to implement an Internal Carbon Pricing framework for business divisions in 2021.
- Sunway X Farms is Sunway Berhad's flagship vertical farming initiatives, repurposing underused spaces such as empty buildings and rooftops for urban farming.
- Invested RM18m on water treatment plant to turn excess water from the Sunway South Quay Lake into potable water.
- Sunway Pyramid, Sunway Resort Hotel and Sunway University continued to utilize the food composting machines to turn food waste into compost.
- Sunway's Green Lease Partnership programme saw a 100% participation from hotel master lessees, 91% retail tenants and 91% office tenants in 2024.

Matrix Concepts Holdings

- Solar power contributes 14.6% of total energy mix.
- Switch to LED lighting is complete across all exterior and construction sites.
- Introduced rainwater harvesting systems at premium developments and achieved 100% stormwater usage for landscape irrigation at all applicable sites.
- Implementing composting facilities at all project sites.

Figure 4: Sunway X Farms



Source: Sunway Berhad

UOA Development Group

- Achieved 5% savings in electricity bills in FY24 from Roof Top Solar Panel
- 31 bays of EV charging stations are outfitted at Bangsar South, UOA Business Park, The Sphere, Bamboo Hill Retail and United Points Mall.

Social (S)

Provide quality homes for people. Besides the profit-maximization incentives, we believe that developers also have an important mission of building quality homes for better living of people. In this context, developers use QLASSIC scores to assess the quality of their newly completed buildings and to evaluate the performance of contractors. QLASSIC, or the Quality Assessment System in Construction, is developed by Construction Industry Development Board Malaysia (CIDB). QLASSIC is an assessment measuring a buildings or structure's workmanship quality based on the Construction Industry Standard (CIS 7). A higher QLASSIC score indicates better quality construction. Key achievement of developers under QLASSIC scores as below:

- **Mah Sing Group** – M Senyum Phase 1A gained QLASSIC scores of 80%. M Luna gained QLASSIC scores of 86%. M Arisa obtained QLASSIC scores of 84%.
- **IOI Properties Group** – In FY24, property developments have achieved a QLASSIC scores of 77% or higher. Double storey Semi-D House at Taman Kempas Utama get QLASSIC scores of 85%, cluster terrace and single storey house terrace house at Bandar Putra Kulai get QLASSIC scores of 83%, The GEMS Phase 1 at IOI Resort City gets QLASSIC scores of 82% while The GEMS Phase 2 at IOI Resort City obtains QLASSIC scores of 81%.
- **Sunway Berhad** – Completed projects in 2024 achieved average QLASSIC scores of 84%.
- **UOA Development** – Target to achieve QLASSIC scores of 70%. Laurel Residence obtains QLASSIC scores of 79%, Bangsar South City gets QLASSIC scores of 74% while UOA Business Park gets QLASSIC scores of 82%.
- **Matrix Concepts** – Matrix Concepts consistently achieves QLASSIC scores of 70% and above, with an average score of 74% for constructed property projects in FY25.
- **Eco World Development Group** – QLASSIC evaluations are conducted, targeting a minimum score of 70.
- **S P Setia** – Starting in 2025, S P Setia will adopt QLASSIC scores for construction projects to further enhance quality standards.

Affordable home to address housing affordability issues. As Malaysia is facing housing affordability issues due to supply-demand mismatch, property developers are playing an important role to increase supply of affordable home in Malaysia. Under 13th Malaysia Plan (13MP), the government aims to build one million affordable homes between 2026-2035 to enhance housing affordability and accessibility for low and middle-income Malaysians. Mah Sing Group is participating in several federal and state government housing programs such as Residensi Madani and Rumah Selangorku (RSKU). In August 2024, Mah Sing launched Residensi Suria Madani in Taman Desa which offers 800 units, each with a built-up of 800sf and priced from RM200k. Meanwhile, IOI Properties Group contributed to affordable housing development by launching 1,170 units of homes in FY24 priced within the affordability levels stipulated by the respective state governments.

Employee safety as top priority of property companies. As property companies involved in construction projects, most of the property companies set annual target of zero work-related fatalities for both employees and contractors. Property companies enhance occupational health & safety (OSH) procedures, aiming to reduce incident risks, minimize injury rates and achieve zero fatality at project site. Some common practices under OSH are conducting monthly safety meetings and step-by-step protocol on how safety and health at project sites are managed.

Governance (G)

Good governance essential for success. Good corporate governance is crucial to success of companies as it ensures ethical behavior. and transparency. Good corporate governance also reduces the likelihood of corruption in the company and financial mismanagement. In terms of governance of property companies, common practices include target of zero corruption or bribery cases, trainings on anti-corruption, governance by Audit Committee, Risk Management Committee and Sustainability Committee, policy on data privacy and cybersecurity. Governance failure will lead to serious consequences such as financial loss and reputational damage. With growing awareness on good governance, most of the property companies are taking into consideration of governance in both the strategy and compliance frameworks. We believe the good governance will ensure success of property companies.

Conclusion

Maintain POSITIVE on property sector. In conclusion, we observed that property companies under our coverage saw higher adoption of ESG practices due to growing concerns about environmental impacts, social and governance issues. It shows property companies are adopting more robust ESG practices to align with stakeholder expectations. Notably, Mah Sing Group, Sunway Berhad, Eco World Development Group and IOI Properties shown good achievement and leading the ESG adoption namely sustainable design or property projects, use of renewable energy and ensuring high quality of projects by targeting decent QLASSIC scores. Meanwhile, other developers such as S P Setia, Matrix Concepts and UOA Developments are progressing to better ESG adoption. In short, we believe that embracing ESG principles is a pathway to long-term value creation, enhancing brand reputation and support long-term financial performance. Going forward, we anticipate deeper integration of ESG principles into investment decisions and operations of property companies as we believe ESG can help property companies make sound decisions and achieve better long-term returns.

Figure 5: Peer comparison

Stock	Rec.	Price @ 13-Aug-2025	Target Price (RM)	Core EPS (sen)		Core PER (x)		Net DPS (sen)		Net Dvd Yield		P/NTA (x)
				FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	
MAHSING	BUY	1.20	1.51	10.2	11.5	11.8	10.4	4.8	5.2	4.0%	4.3%	0.79
UOADEV	BUY	1.77	2.04	12.3	13.0	14.4	13.7	10.0	10.0	5.6%	5.6%	0.81
MATRIX	BUY	1.30	1.65	11.4	14.2	11.4	9.2	7.95	8.20	6.1%	6.3%	0.87
ECOWLD	NEUTRAL	2.16	2.15	12.7	13.0	17.1	16.7	6.0	6.0	2.8%	2.8%	1.31
SPSETIA	NEUTRAL	1.09	1.25	9.4	10.3	9.2	7.9	2.5	2.5	2.5%	2.6%	0.37
SUNWAY	NEUTRAL	4.79	5.01	13.6	14.4	35.3	33.3	7.0	7.0	1.5%	1.5%	2.16
IOIPG	NEUTRAL	2.19	2.15	7.1	9.9	30.9	22.1	5.0	5.0	2.3%	2.3%	0.51

Source: MBSB Research

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology