

MRCB's Climate Change Statement

Context

Climate change is a global problem requiring a global solution. Just as business operations are important, it is imperative to consider the impact of climate change on business operations, and potential impacts on sustainability. Climate change has environmental, social, political, and economic repercussions. Extreme and unpredictable weather conditions, floods, droughts, and rising sea levels are among the major climate change challenges for business operations and have direct implications for commerce globally.

Potential Implications

The climate change brings with it a wide range of both positive and negative impacts on MRCB's business:

- **Changing demand for goods and services and impacts on customer access will result in changing markets.** This will create business opportunities, for example where the private sector is able to provide the knowledge, skills and technologies required to help society adapt. (e.g. Waste to Energy)
- **Business logistics (supply chains, utilities and transport arrangements) can be disrupted by extreme weather events.** This is likely to affect businesses across all sectors to some extent, threatening business continuity. MRCB's businesses that rely heavily on utilities, the transport network or who have inflexible supply networks will be particularly vulnerable.
- **Business premises will be affected through impacts on building fabric, structure and the comfort conditions of the internal environment.** This will have implications for the design, construction, maintenance and facilities management of both existing and new business premises. Designing buildings that are both low carbon and resilient to the future climate presents a significant challenge for MRCB Land and MRCB Builders.
- **People are affected by the weather.** Heat has physiological effects, inclement weather can affect concentration and weather patterns influence behaviour and lifestyles. MRCB will therefore be affected by climate change as our employees and customers are affected and respond in different ways.

- **Water security.** Places with high water stress brought about by climatic conditions might not be suitable for future development. MRCB will need to assess the risk that this might have on potential occupants.
- **MRCB's revenues and cashflow could be affected by climate change through the cost of damage, disruption and loss of sales driven by all of the above.** There will also be financial impacts on businesses as the insurance industry seeks to spread the increasing risk and as investors increasingly evaluate future climate risks when making investment decisions. Access to finance may become a challenge if banks start to refuse lending to companies that are not managing climate risk properly.

Qualitative Scenario

Scientists have warned that we only have a dozen years left to cap temperatures from increasing by 1.5 degrees Celsius beyond which extreme weather patterns will become a more common occurrence. Besides the broader impacts this will have, rising temperatures will have a tangible impact on MRCB's activities. As a start, this could include an increase in 'heat stress' among construction workers which could affect productivity.

Another key issue to consider is our exposure to water risk (water stress, water depletion, interannual variability of rainfall, coastal floods, droughts). We have mapped our areas of operation (i.e. construction sites) to Aqueduct's Water Risk Atlas tool and Table 1 below summarises our exposure to these risks:

Indicators	Risk exposure
Water Stress	Low
Water Depletion	Low
Interannual variability of rainfall	Low
Coastal Flood	Low-Medium
Drought	Medium

Table 1. Water Risk Exposure mapped to Aqueduct's Water Risk Atlas

Generally, our exposure to water stress (measures the ratio of water withdrawal to available renewable water resources and groundwater supplies), and water depletion (measures the ratio of total water consumption to available renewable water supplies) is low. Climate change creates a phenomenon known as "interannual variability" of rainfall; areas that used to get high volumes of water no longer get as much water as they used to in the same year. Our current exposure to interannual variability of rainfall is assessed to be low. However, based on the Aqueduct tool, our exposure to coastal flood risk ranges between Low-Medium based on the location of our construction sites. The state of Selangor was hit by a shortage of water a few years back¹ and since water security might be a future risk, our drought exposure is assessed to be Medium.

Governance: Board oversight

Our Board of Directors takes accountability for the management of climate change issues. The Group Managing Director, an Executive Member of the Board of Directors has oversight on the management of climate change risks and opportunities with the support from MRCB's Sustainability Management Committee. The members of the Board of Directors are well-equipped and have the necessary capabilities to understand the implication of climate change on our business and have an aspiration to adhere to the Principles of the Climate Governance Initiative (CGI) in the long run:

- Principle 1 – Climate accountability on boards
- Principle 2 – Command of the subject
- Principle 3 – Board structure
- Principle 4 – Material risk and opportunity assessment
- Principle 5 – Strategic integration
- Principle 6 – Incentivization
- Principle 7 – Reporting and disclosure
- Principle 8 – Exchange

Our Board of Directors also bears overall responsibility for MRCB's risk management framework and is responsible for decisions in relation to material risks and key strategies. We are committed to the ongoing development and maintenance of our Board and management's climate capability, and will continue to explore opportunities to take the lead in addressing the challenges presented by climate change.

Strategy

As part of our 5 year Sustainability Transformation Roadmap, Climate Change has been identified as one of the key material issues for MRCB and there are plans to:

- (i) Develop a climate risk assessment process and integrate this into the existing enterprise risk management system
- (ii) Conduct a preliminary assessment of MRCB's climate vulnerability
- (iii) Measure, monitor and verify Scope 1 and 2 emissions
- (iv) Capability building workshops to build awareness on the implications of climate change



Climate Mitigation

The Malaysian government has committed to a 45% of emissions reduction in the Nationally Determined Contribution (NDCs). At MRCB, we recognize the importance of the role of the private sector in aligning to the national agenda and have committed towards progressively reducing our own carbon footprint in areas where we have control. We are in the process of understanding the best available methodology to establish a baseline for our carbon footprint and set reduction targets.

Climate Adaptation

The Intergovernmental Panel on Climate Change (IPCC) defines climate adaptation as the process of adjustment to the actual or expected climate and its effects. Since MRCB is in the business of developing buildings and public infrastructure, there is a need to ensure that our products are designed and built for resiliency and able to adapt to the harsh conditions of extreme weather patterns. We have developed a Green Building Policy which encourages the adoption of sustainable and low carbon designs in our products (i.e. buildings and infrastructure).

Managing Climate Risk

The Group Risk Management Department consolidates and monitors a set of material risks within MRCB. Climate change is one of the material issues embedded within MRCB's enterprise risk management process. Relevant business segments will need to consider the impact of climate risk on their operations and prepare an action plan to mitigate such risks.

What's next?

Guided by the Task Force for Climate Financial Disclosures (TCFD) framework, we have plans in the near future to undertake quantitative climate scenarios and explore appropriate business continuity measures. We will also focus on material climate-related risks and opportunities in our business and integrating these into our strategies and processes.

Having released our 5 year Sustainability Transformation Roadmap, our goal now is to strengthen our approach to climate resilience across our business and ensure that we have a consistent method of assessing and managing both climate-change risks and opportunities.