

# OUR APPROACH TO SUSTAINABILITY

## MRCB'S SUSTAINABILITY JOURNEY AND CORPORATE SUSTAINABILITY GOALS

Innovation and sustainability are well embedded into our business, notably with the innovation of our modular construction technology, MRCB Building System (MBS), and our role as a TOD developer, that integrates green certified commercial and residential developments around transportation hubs, which encourages the use of sustainable materials and public transportation that helps reduce carbon emissions from personal vehicles. We have taken an increasingly proactive approach in how we report our environmental impact, and are constantly working towards improving our sustainability initiatives.



| ACHIEVED  |  |   |   | TARGET   |   |   |
|---|--|---|---|--|---|---|
| 2017  | 2018   | 2019  | 2020  | 2021   | 2022  | 2023-2040   |
| <br><br><ul style="list-style-type: none"> <li>Sustainability Report aligned to GRI Standards</li> <li>Alignment to 2 SDGs</li> </ul> | <br><ul style="list-style-type: none"> <li>Alignment to 6 more SDGs</li> </ul> | <br><ul style="list-style-type: none"> <li>Publication of inaugural Integrated Annual Report in accordance with the International Integrated Reporting Framework</li> <li>Launched our proprietary modular construction technology, MRCB Building System (MBS)</li> </ul> | <br><br><ul style="list-style-type: none"> <li>Signatory of the Ten Principles of the UNGC</li> <li>Member of the UNGC CFO Taskforce</li> <li>Alignment to 4 more SDGs</li> <li>Obtained external assurance for selected sustainability data</li> </ul> | <br><ul style="list-style-type: none"> <li>Embarked on Task Force on Climate-related Financial Disclosures (TCFD) Reporting</li> <li>Member of the CEO Action Network</li> <li>Expanded reporting on Scope 3 carbon emissions</li> <li>Established science-based targets for Scope 1 &amp; Scope 2 carbon emissions</li> <li>Alignment to 2 more SDGs</li> </ul> | <br><ul style="list-style-type: none"> <li>Sustainable Procurement</li> <li>Apply for Science-Based Targets initiatives (SBTi) validation</li> <li>Embedding of sustainability in Management's KPIs</li> <li>Expand measurement of Scope 3 carbon emissions to suppliers</li> <li>Enhance Diversity, Equity &amp; Inclusion Programmes</li> </ul> | <ul style="list-style-type: none"> <li>Expand measurement of Scope 3 carbon emissions to 50% of suppliers by 2025 and 100% of suppliers by 2030</li> <li>Net Zero Carbon (Scope 1 &amp; Scope 2) by 2040</li> </ul> |

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Our approach to sustainability is founded on the five pillars of sustainability: people, planet, partnership, prosperity, and peace. These pillars define our focus areas that align our ambition for sustainable growth with our goals for business success, in the short, medium and long term.

| MRCB's Sustainability Pillars  |   |   |  |  |
|--|---|---|--|--|
|   |    |    |   |                   |
| <b>People</b>  | <b>Peace</b>  | <b>Prosperity</b>   | <b>Planet</b>  | <b>Partnership</b>   |
| MRCB is determined to effectively engage with all its stakeholders including its employees and ensuring a positive impact on society | MRCB is committed to upholding the highest ethical standards in all areas of our business, ensuring transparency and honest conduct | MRCB is committed to upholding competitive financial performance that is beneficial to the company, employees, shareholders, society and the national economy | MRCB pledges to explore innovative approaches and adopt green practices in order to minimise our impact to the environment | MRCB is keen to form valuable partnerships that are beneficial and aimed at tackling global problems |

### Aiming for Net Zero Carbon by 2040 with a Climate Action Strategy

With increasing concerns on the impact of climate change, MRCB has made it a priority to develop a more robust climate action strategy. In 2020, we developed a Climate Change Statement acknowledging the Principles of the Climate Governance Initiative (CGI). As a responsible business entity, we have developed a roadmap for our sustainability journey (for more details on our Net Zero Carbon performance, please refer to page 126). We are committed to significantly improve our operations, particularly our eco-efficiency of energy, water, waste, as well as our carbon footprint. Here is our list of initiatives we are embarking on and our long-term strategy.

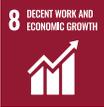
| 2020 <span style="float: right;">Climate Action Strategy</span> <span style="float: right;">2040</span>  |  |  |  |
|--|--|--|--|
| Phase 1  | Phase 2  | Phase 3  |  |
| <p><b>Completed Initiatives</b></p> <ul style="list-style-type: none"> <li>Developed Climate Change Statement</li> <li>Developed Biodiversity Statement</li> <li>Climate Risk Assessment (CRA) integrated into existing enterprise risk management system</li> <li>Established Scope 1 &amp; Scope 2 carbon emissions baseline</li> <li>Achieved an average 8% reduction in carbon emission intensity for Scope 1 &amp; Scope 2 in 2021</li> <li>Developed and marketed MRCB Building System (MBS) to reduce carbon footprint and mitigate other sustainability issues in the construction industry</li> </ul> | <p><b>Ongoing Initiatives</b></p> <ul style="list-style-type: none"> <li>Conduct capacity building workshops to build awareness on climate change</li> <li>Ongoing development and maintenance of our Board and Management's climate capability</li> <li>Implement reduction strategy for eco-efficiency (energy, water, waste and carbon)</li> <li>Adopt and identify gaps against the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)</li> <li>Commit to Science-Based Targets initiatives (SBTi) by getting validation of our Scope 1 &amp; Scope 2 science-based carbon emission reduction targets</li> <li>Identification of new opportunities within the renewable energy space</li> </ul> | <ul style="list-style-type: none"> <li>Expand capacity and expertise in waste-to-energy, solar and wind farms and water projects</li> <li>Refine MRCB's Green Building Policy and increase the adoption of modular construction</li> <li>Enhance Responsible Procurement by establishing new policies and guidelines for sustainable procurement</li> <li>Expand reporting on Scope 3 carbon emissions</li> <li>Enhance energy reduction initiatives through District Cooling System Plant optimisation, LED retrofitting, and digitalisation</li> </ul> | <ul style="list-style-type: none"> <li>Further identification of Scope 3 emissions</li> <li>Expand into clean energy such as solar and hydrogen power, and source for low and/or zero carbon fuels</li> <li>Transition to electric-powered equipment and machinery</li> <li>Increase acceptable off-set initiatives and develop a Carbon Sequestration Strategy</li> </ul> |

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### INTEGRATION OF THE UNITED NATIONS SUSTAINABILITY DEVELOPMENT GOALS (UNSDGs)

As a responsible leader in the property and construction sectors in the country, we recognise the need to contribute to global efforts to achieve sustainable growth. We have made a concerted effort to integrate the UNSDGs in our business decisions. The SDGs selected are based on the economic, environmental, and social impacts of the company, and the initiatives we undertake to contribute to specific goals as defined by the UN.

In 2017, we selected two UNSDGs, Goals 9 (Industry, Innovation and Infrastructure) and 11 (Sustainable Cities and Communities), which are inherently embedded in our role as a Transit Oriented Developer (TOD), and well aligned with our values and business goals. In 2018, we identified six additional SDGs which reflected our strengthened efforts to build a sustainable business. In 2020, we expanded our goals to Goals 10 (Reduced Inequalities) and 15 (Life on Land). We also recognised Goals 16 (Peace, Justice and Strong Governance) and 17 (Partnership for the Goals), as key drivers by establishing trusting relationships with relevant government agencies and institutions to help drive the SDGs. In 2021, we further expanded our integration of the SDGs with the inclusion of Goals 1 (No Poverty) and 2 (Zero Hunger), which we continue to perform through our numerous corporate social responsibility programmes.

| SDG   | Description   |
|---|---|
|    | <ul style="list-style-type: none"> <li>We regularly provide financial aid, household necessities, and aid for medical treatment to the most vulnerable segments of society, especially for families that were affected by the COVID-19 pandemic.</li> </ul>   |
|   | <ul style="list-style-type: none"> <li>We believe zero hunger is a basic human right and provide food aid to underprivileged indigenous families, different-abled communities, orphans, undocumented foreigners, refugees, and students.</li> </ul>   |
|  | <ul style="list-style-type: none"> <li>We prioritise health and safety in our business operations by adopting rigid safety standards and systems, as well as implementing a Quality, Environmental, Safety and Health (QESH) Policy, in addition to providing continuous safety training to protect our employees, sub-contractors, clients and the general public.</li> <li>We established comprehensive Standard Operating Procedures (SOPs) to manage COVID-19 outbreaks and provided Rapid Test Kits (RTKs) to all employees for regular self-checks, before allowing them access to our sites and offices.</li> <li>We promote healthy lifestyles by organising programmes that focus on our employees' physical and mental well-being.</li> <li>We developed our Human Rights Statement which articulates our commitment in this area.</li> </ul> |
|  | <ul style="list-style-type: none"> <li>We have been involved in renovating and upgrading dilapidated schools and libraries.</li> <li>We provided lunches, books, and uniforms for underprivileged children.</li> <li>We leveraged on our skills and expertise to complete the construction of 35 classrooms for the Ministry of Education in approximately three months.</li> </ul>   |
|  | <ul style="list-style-type: none"> <li>We acknowledge women's contribution in the industry and are committed to promoting the advancement of women, especially in fields related to property development, engineering and construction by introducing empowerment programmes and more flexible policies to promote gender equality.</li> </ul>  |
|  | <ul style="list-style-type: none"> <li>Our Transit Oriented Developments (TOD) and infrastructure development projects create large economic multipliers, provide numerous employment opportunities and contribute to the development of the national economy.</li> <li>We provide competitive remuneration packages to our employees in addition to training opportunities for career growth and development.</li> </ul>   |
|  | <ul style="list-style-type: none"> <li>We develop and construct green buildings, and where possible make efforts to incorporate sustainable features in our infrastructure projects.</li> </ul>   |

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| SDG  | Description   |
|--|---|
|  <p>10 REDUCED INEQUALITIES</p>                     | <ul style="list-style-type: none"> <li>We strive to reduce gender inequalities by providing our female workforce a safe work environment fitted to their needs, i.e., Mother's Room for nursing mothers, provide training to our female workforce, closing the gender pay gap and striving towards achieving 30% female representation on the Board level.</li> <li>We believe in giving back to less-privileged Malaysians, and through Yayasan MRCB we have channelled our contributions or donations to the underserved communities, such as orphanages, the differently abled, orang asal, and B40 category families.</li> <li>We provide employment to prisoners/offenders through our PEKA@MRCB Programme.</li> </ul> |
|  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>       | <ul style="list-style-type: none"> <li>As a leading urban property and TOD developer, we contribute by connecting communities and businesses, reducing GHG emissions in cities and promoting sustainable lifestyles by encouraging people to walk and travel using public transport by integrating our developments with mass public transportation infrastructure, removing vehicles from the roads.</li> <li>We are involved in the construction of rail and road infrastructure, green buildings and affordable housing that reduces carbon emissions, connects communities, and provides opportunities for the general public to live comfortably and affordably in thriving cities.</li> </ul>                         |
|  <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>  | <ul style="list-style-type: none"> <li>We implement our QESH Policy at project sites, which includes the practice of the 3Rs (Reduce, Reuse, and Recycle).</li> <li>We track water and energy usage and the waste generated at our project sites and implement strategies to improve efficiency and reduce the waste produced.</li> <li>We deliver training courses and toolbox talks regularly to educate our site workers and employees on how to carry out site inspections and work safely.</li> </ul>  |
|  <p>13 CLIMATE ACTION</p>                         | <ul style="list-style-type: none"> <li>We developed a Climate Change Statement articulating our commitments to tackling climate change.</li> <li>We measure and disclose our carbon dioxide (CO<sub>2</sub>) emissions (Scope 1 &amp; Scope 2) and will validate our science-based reduction targets.</li> <li>We record our energy, water consumption and waste generation and are currently planning ways to increase our energy efficiency as well as reduce waste across all our business operations.</li> <li>We have embarked on conducting TCFD assessments to measure the risks of climate change to our business and develop strategies to overcome them.</li> </ul>   |
|  <p>15 LIFE ON LAND</p>                           | <ul style="list-style-type: none"> <li>We developed a Biodiversity Statement acknowledging and committing to the Ramsar Convention and the five principles stipulated in Malaysia's National Policy on Biological Diversity where applicable to our business operations.</li> </ul>   |
|  <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> | <ul style="list-style-type: none"> <li>We believe strong corporate governance is the foundation of building a resilient and sustainable business, as well as providing us with a competitive advantage.</li> <li>We commit to upholding peace, justice and strong institutions.</li> </ul>  |
|  <p>17 PARTNERSHIPS FOR THE GOALS</p>             | <ul style="list-style-type: none"> <li>We engage with our stakeholders and create trusting and beneficial partnerships that drive the SDG goals further.</li> <li>As a signatory of the United Nations Global Compact (UNGC) Network Malaysia, we have adopted its universal Ten Principles that guide us on our sustainability journey.</li> <li>We are a member of the CEO Action Network (CAN) network and the UNGC CFO Taskforce for the SDGs to promote the Sustainable Finance agenda.</li> </ul>   |

## OUR APPROACH TO SUSTAINABILITY

### SUSTAINABILITY GOVERNANCE

We have developed a governance structure dedicated to sustainability, one that complements our existing organisational structure and underscores the importance of embedding the SDGs into the organisation's overall management and operations.

The Board of Directors (Board) and Senior Management are responsible for sustainability and for overseeing the development and adoption of the Group Sustainability Strategy, and its related policies and risk mitigation plans.

The Board Charter includes the Board's responsibility to promote sustainability as a driver of business performance, through appropriate environmental, economic, social and governance considerations in the Group's business strategies, which includes, among others, the following:



The Chief Corporate Officer (CCO) has been identified by the Board to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the Group. To assist the CCO in executing this mandate, the Sustainability Management Committee (SMC) was established to provide advice and assistance to the Board for sound decision making on sustainability issues, as well as facilitate the overall goal towards improving and enhancing the Group's sustainability performance. The SMC consists of our Senior Management, with our CCO designated as its Chairman that manages the material sustainability matters and ensures the Board stays abreast with and understands the sustainability issues, including climate-related risks and opportunities. Outcomes arising from the SMC meetings are updated to the Board each quarter.



# OUR APPROACH TO SUSTAINABILITY



MRCB’s Sustainability Framework was developed in alignment with the 2030 Agenda. The Group’s corporate values act as a foundation to the five key sustainability pillars: Internal Action, Sustainable Impact, Risk and Governance, Corporate Social Responsibility, and Stakeholder Engagement.

A 5-Year Roadmap with comprehensive measurable performance indicators were also developed to guide the Group to achieve its sustainability goals. We will focus on generating positive impacts through our internal actions, develop sustainable products that add value to our customers, report and manage material sustainability risks, support innovations that are aligned to the SDGs and strive to have meaningful engagement with key stakeholders.

Our five sustainability focus areas are:

| INTERNAL ACTION   | SUSTAINABLE IMPACT/BUSINESS   | RISK & GOVERNANCE  | CORPORATE SOCIAL RESPONSIBILITY (CSR)   | STAKEHOLDER ENGAGEMENT  |
|---|---|--|---|---|
| <p>Focuses on how MRCB creates positive impact internally while minimising the negative impacts from our operations. These include strategies to improve eco-efficiency in energy, water and waste, and measuring and reducing our carbon footprint, as well as developing policies and strategies on protecting biodiversity and human rights.</p> | <p>Ensuring that our product offerings generate a positive impact for our customers and communities and covers areas like sustainable construction through the development of green buildings, TODs and transportation infrastructure that can help mitigate climate change, adopting sustainable procurement by ensuring locally sourced materials are specified and materials that meet sustainability specifications are procured.</p> | <p>Process of identifying and managing material sustainability risks within the Group. This requires setting up a sustainability governance structure and measuring and reporting our sustainability progress and ensuring it is reported to our stakeholders in alignment with local and international requirements, indices and standards (e.g.: FTSE4Good, MSCI, GRI Standard).</p> | <p>Aligning the Group’s CSR initiatives to the SDGs and exploring methods to measure our impact (e.g.: conducting a Social Return on Investment analysis on our initiatives).</p> | <p>Focuses on both internal and external engagement with key internal and external stakeholders (i.e., employees, customers, communities surrounding our developments, Government and regulators, investors, NGOs, etc.) to help achieve the SDGs and align MRCB with national priorities (e.g.: piloting the Plastic Disclosure Project, engagement with the UNGC CFO Taskforce, etc).</p> |