CHAIRMAN'S REFLECTIONS

Dear Stakeholders,

2021 continued to be a year of turmoil and turbulence for the entire world as not only did the COVID-19 pandemic persist, but the impact of climate change reverberated around the world, disrupting economies and livelihoods.

As nations continued to grapple with the prolonged health crisis and increasingly frequent weather disasters, I would like to proffer that we at MRCB have strived to manage the difficulties and challenges within our operating environment to the best of our abilities. The pandemic, which remains an unprecedented event in the modern era, has through foresight taught us an important lesson, and we reaffirm our commitment to ensuring we keep our eye on the broader value creation objective and continue adding to the important work of strengthening our sustainability foundation and developing our climate action plans.

A CHALLENGING YEAR

2021 has been more challenging than the previous year with the emergence of new COVID-19 variants amidst global efforts to battle the health crisis through immunisation efforts. As Malaysia, and many other parts of the world, imposed lockdowns throughout the year to contain the spread of the virus, global supply chains were greatly impacted, leading to shortages of important raw materials and increased prices. The ensuing border closures also meant labour shortages for Malaysia, especially for the construction and industrial sectors, which are heavily dependent on foreign labour. Both these issues significantly affected MRCB and

The property development and construction sector met with many setbacks stemming from its dependence on physical labour at project sites and global supply chains.

were exacerbated by the lockdowns and construction site closures which prevented us from constructing anything for a little over two months.

However, despite the operational challenges, we forged ahead with our sustainability agenda and strengthened climate actions to accelerate our transition towards a low-carbon future. This included leveraging innovation and technology to reduce our carbon footprint and to improve operational efficiency through optimised cost and manpower, as well as working to expand our future scope of business to include waste treatment. However, we acknowledge that our organisation will not succeed over the long-term without good corporate governance and social well-being. Hence, we go beyond the operational segment when embedding sustainability practices into our business. We inculcate good corporate governance and create value for our employees and the local communities we serve by fostering diversity, emphasising the occupational health, safety and well-being of our people, including mental wellness, and generating long-lasting positive social impacts.

SDG13

Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy

STRENGTHENING CLIMATE ACTION

With climate action now being the most discussed issue globally, MRCB is proud to attest to the efforts and commitment we have put in place to lead the industry in pushing forward the Environmental, Social, and Governance (ESG) agenda in 2021. As a member of the United Nations Global Compact (UNGC) CFO Taskforce for the Sustainable Development Goals, we endeavour to walk the talk in embedding ESG in our business management and operations. For a start, we believe in practising transparency and as such, we have been very actively engaging with key stakeholders to make disclosures of our ESG performance, which is also publicly available on our corporate website. We have also established a foothold in

Key Highlights of the Year

MARKET CAPITALISATION	GROUP REVENUE	PROFIT BEFORE TAX	DIVIDEND PER SHARE
2020: RM2.1 billion	*2020: RM1,199 million*	*2020: RM(154) million*	*2020: RM1.00 sen*
2021 RM1.6 Billion	2021 RM1,448 Million	2021 RM61 Million	2021 RM1.00 sen

climate risk disclosure by engaging an external consultant to assess our assets against the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

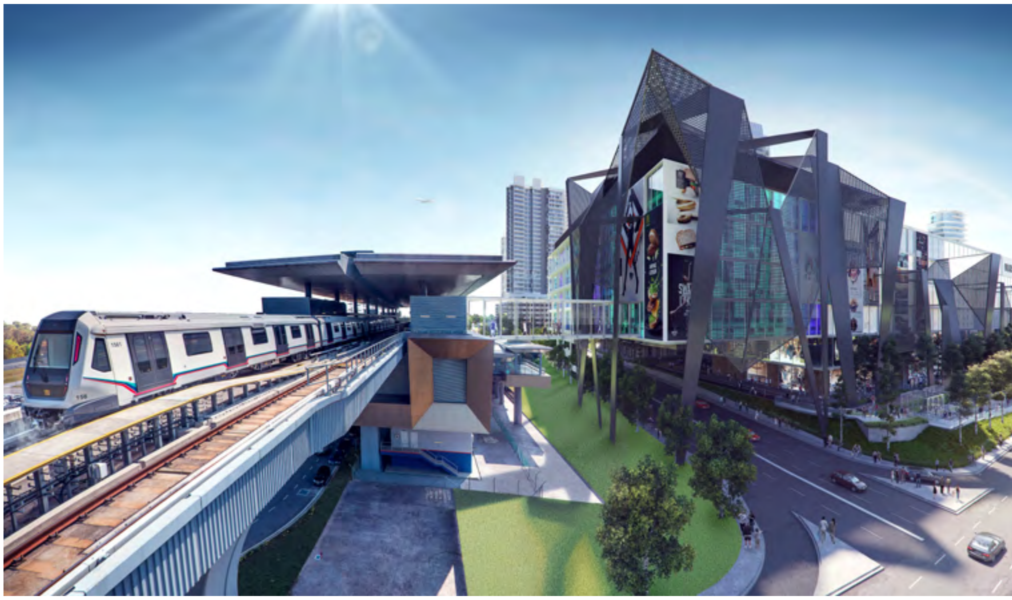
As an ESG proponent, we truly believe that climate actions by businesses need to start now. The recent floods in Malaysia in December 2021 are just one of the few examples of the negative impacts of climate change. The event, which led to the loss of properties and even lives, disrupted various business operations and supply chains, further impacting the economy that was already reeling from the pandemic, and served as a wake-up call for all industries to take immediate action before it is too late. In 2020, we announced our commitment towards achieving Net Zero Carbon in our Scope 1 & Scope 2 emissions by 2040 and set internal reduction targets for our operations. While our Scope 1 & Scope 2 emissions are currently calculated in accordance with the World Business Council for Sustainable Development and World Resources Institute's GHG Protocol, we now plan to adopt more stringent emission reduction target setting and from this year we have transitioned to science-based targets. In 2021, we began to lay the groundwork to extend our goal to our vendors and suppliers by reaching out to our top suppliers to communicate our plans and assess their readiness levels that could eventually allow us to track their carbon footprint as a means to strengthen our climate action plans. While we are still a long way from being able to measure and monitor carbon emissions produced by our vendors and suppliers, we hope we will eventually be able to disclose their greenhouse gas (GHG) emissions, which contribute to our Scope 3 emissions. We also canvassed our major suppliers on their human rights policies and other important sustainability related data points, to enable us to develop our sustainable procurement strategy, which will be a key thrust for us in 2022.

SDG15

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

As a sustainable developer, our contribution to climate change will not stop at reducing our own direct and indirect carbon emissions as we expand our scope of business into waste treatment. Nationwide, there are 141 landfills, with only 21 of them being sanitary landfills. These landfills, which have an average lifespan of 30 years and require large areas of land, contribute to environmental pollution and release methane gas which traps 72 times more heat than CO_2. With the expected growth in household waste, there is an urgent need for alternative ways to treat waste, in an environmentally-friendly manner, and slowly eliminate landfills completely. To this end, we are pleased to report that our endeavour in developing a waste-to-energy project will soon come to fruition as we reach the final stage of negotiations at the Government level.

I am also pleased to note that we remain a constituent of the FTSE4Good Index, which has been a challenge given our classification as being in a primary industry in the index, where our carbon emissions are a top focus area. It however also indicates that our efforts to manage this matter, in addition to our other sustainability initiatives continue to be recognised.



Artist's impression of the Kwasa Sentral project

LEVERAGING INNOVATION AND TECHNOLOGY TO REDUCE OUR CARBON FOOTPRINT

To accelerate our transition towards a low-carbon future, our efforts are further supported by our very own modular construction technology, the MRCB Building System (MBS). This innovative proprietary technology, which allows the construction of a building to be undertaken offsite in a controlled environment, is widely used in developed countries, and certainly proven its benefits when it enabled us to build 35 classrooms for five schools in approximately three months for the Ministry of Education in Malaysia. This technology reduces our carbon footprint, operational costs and our dependency on foreign workers, which naturally also lowers the risk of accidents at the workplace as up to 90% of the work is carried out at ground level using the MBS technology. We also licensed the MBS technology to two major developers in Hong Kong and Singapore for high-rise developments they are undertaking in those countries. In recognition of our efforts towards sustainability through the deployment of our MBS technology, MRCB received the Sustainability Performance Award 2021 for SDG Ambition Benchmark 6 awarded by the United Nations Global Compact Malaysia & Brunei in December 2021.

Our role as a TOD developer in Malaysia naturally incorporates sustainability and also helps cut carbon emissions, as their heavy integration with mass public transportation infrastructure encourage city dwellers to use public transport for commuting, taking motor vehicles off the roads. In 2021, we were given the opportunity to expand the benefits of TOD beyond Malaysia when we won the tender to develop a TOD in Auckland, New Zealand, which is set to benefit a population of about 170,000 people. Valued at NZ$452 million (RM1.25 billion), the development is set to begin in 2024.

We also achieved an important milestone in 2021, when Stesen Sentral Kuala Lumpur (SSKL), which is located within our first TOD, KL Sentral, marked its 20th Anniversary. Launched in 2001, SSKL and the surrounding KL Sentral Central Business District (CBD) is one of MRCB's most iconic developments and positioned us as the pioneer TOD developer in Malaysia. The development has helped catalyse the economic boom that we see in the KL Sentral CBD today and will continue connecting communities well into the future.

SDG9

Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation

SDG8

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

SDG11

Make cities and human settlements inclusive, safe, resilient, and sustainable

GENERATING ECONOMIC VALUE

From the economic and business perspective, we are certainly aware of the important role we can play as a developer of properties and infrastructure in helping to advance the economies of entire communities. As such, we continue to market our capabilities in building important drivers of growth such as highways, rail infrastructure and TODs to build the nation and help the country realise its aspirations. Despite setbacks brought about by the Enhanced and Full Movement Control Orders that were reinstated between June and August 2021, we are progressing well in this context, as we will be completing the Mass Rapid Transit Line 2 Package V210, the Damansara-Shah Alam Elevated Expressway (DASH) and the Sungai Besi – Ulu Kelang Elevated Expressway (SUKE) construction projects in 2022.

Another important achievement in 2021 was MRCB's acquisition of George Kent (Malaysia) Berhad's 50% equity interest in the LRT3 project joint venture company, Setia Utama LRT3 Sdn Bhd (SULSB) (formerly known as MRCB George Kent Sdn Bhd), thus taking our ownership to 100%, and allowing us to recognise 100% of the revenues and profits from the construction of this iconic RM11.4 billion infrastructure project. This acquisition will allow us to leverage on our existing resources and harness the economies of scale arising out of owning 100% of the project company, leading to a leaner structure that should improve the margins from the project. In 2021, the LRT3 project managed to achieve 67% physical construction progress and is on track for completion in 2024.

Beyond this, our strategy going forward is to reduce our overall concentration risk, given that the bulk of our projects are in Malaysia. This is why we have penetrated the New Zealand market, as we continue to look for other opportunities in Australia, where we are already well-established.

CREATING VALUE FOR OUR PEOPLE AND FOR COMMUNITIES

In our bid to build a sustainable future, we prioritise the development and the wellness of our people to ensure a strong workforce as one of our cornerstones. In the year under review, we continued to focus on the key areas for our employees to improve their health and well-being. This included providing professional and social support such as mental health counselling, which we started well before the pandemic hit and was extremely useful during lockdowns to help our people cope with additional mental stress.

SDG3

Ensure healthy lives and promote well-being for all at all ages

As a caring employer, we constantly engage with our employees to meet their needs and reach out to them during challenging times, such as during the floods in December 2021. In developing competent and empathic leaders, we also launched the People Transformation Programme to equip our employees with the mindset and behaviours to accelerate and sustain organisational transformation. This programme, which involved 348 employees in 2021, is set to continue into 2022, along with our other ongoing learning and development programmes. We also introduced new e-learning platforms, namely e-LATiH and an e-learning platform under the UN Global Compact (UNGC) Academy, to promote self-directed learning and encourage a learning culture.

Fundamentally, supporting the local communities in which we operate is equally important in ensuring no one is left behind. In 2021, we contributed approximately RM2.9 million to the underprivileged in cash and in kind via Yayasan MRCB and through MRCB's corporate social responsibility initiatives to various community development programmes, which included efforts to alleviate the negative impacts of the pandemic as well as the devastating floods.

LEADING WITH GOOD GOVERNANCE

The corporate governance landscape continues to advance and evolve in Malaysia, as evidenced by the introduction of the latest edition of the Malaysian Code on Corporate Governance 2021 (MCCG 2021) in April 2021. MRCB is fully supportive of these efforts, and has successfully complied with 39 out of the 43 Practices prescribed in MCCG 2021, together with 3 out of the 5 optional Step-Up Practices that aim to raise the bar well beyond existing regulatory requirements.

SDG16

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

A view of KL Sentral CBD at night

In light of the continuously changing operational landscape, particularly due to the pandemic and growing concerns on climate change, in 2021 MRCB restructured its Board line-up to better guide the Group through the challenges that lie ahead. As a result, we now have a nine-member strong team that possesses a diverse set of skills, experiences, and know-how that will stand MRCB in good stead. As a direct consequence of this, however, we will fall short in achieving the 30% women participation at the Board-level, with

CHAIRMAN'S REFLECTIONS

a representation of only 22%. Nevertheless, we are actively sourcing for new female directors, and plans are underway to close the remaining MCCG 2021 departures that will be reflected within our end-2022 MCCG results.

We first implemented our ISO 37001:2016-certified Anti-Bribery Management System (ABMS) in 2019, and in 2021, we continued to educate our workforce by conducting 10 ABMS workshops for 1,124 employees. In cultivating a "speak-up" culture that encourages the fight against corruption, a whistleblowing webinar was also conducted and attended by 443 employees.

In 2021, the Group was awarded the Industry Excellence Award for the Property Sector in the 2020 MSWG-ASEAN Corporate Governance Scorecard Assessment. The Scorecard covers 146 areas related to good corporate governance practices, 25 areas on bad practices that result in penalties, and 13 bonus areas that identify practices that go above and beyond good corporate governance. We also received a Gold Award at the 2021 Australasian Reporting Awards (ARA) in Melbourne, Australia for the third time. The Gold Award benchmarks and recognises the world's best practices in transparent and accountable reporting. Both these independent awards recognised and validated our efforts over the years in upholding the highest standards of corporate governance, transparency and quality of disclosures.

GOING FORWARD

On behalf of the Board of Directors, I would like to extend our appreciation to our employees who have continued to demonstrate dedication and resilience within the most challenging of times. We also thank the authorities, relevant Ministries and regulators for their support. To our shareholders, customers and business partners, thank you for your loyalty and continued trust as we look ahead to a better year in 2022.

To my fellow Board members, your support and insights have provided the Group and its Management with the fortitude to navigate the pandemic. I would like to take this opportunity to thank our former Board members, Puan Rohaya Mohammad Yusof, Encik Hasman Yusri Yusoff, and To' Puan Janet Looi Lai Heng, who have provided wise counsel during these trying times. I wish them all the very best in all their future endeavours.

I am also proud to welcome our new Board members, Tan Sri Mohamad Salim Fateh Din, Datuk Seri Amir Hamzah Azizan, Encik Mohamad Hafiz Kassim, Dato' Dr Junaidah Kamarruddin and Puan Lim Fen Nee. We are excited to welcome you on board, and look forward to your wisdom and guidance.

We are also grateful to the Group Managing Director, Encik Imran Salim and his Management team for steadying the ship through difficult times and creating a strong platform to rebound as economic recovery gets underway in 2022.

AZLAN ZAINOL
Chairman

GROUP MANAGING DIRECTOR'S REVIEW

YEAR IN REVIEW

The year 2021 has proven to be as challenging, if not more so than the previous year, as the pandemic and its subsequent waves of infections once again disrupted economies and threatened livelihoods. The way the year turned out had also run counter to the narrative that the ongoing global vaccination drive would tame the pandemic to a point where a solid economic recovery could take root as normalcy returned. This was due to the emergence of more transmissible variants, which slowed the recovery momentum as many countries, including Malaysia, went into lockdowns to contain the spread of the virus. The discovery of the Omicron variant in late 2021 also threatened to send many countries into further restrictions in 2022.

In Malaysia, strict COVID-19 movement restrictions were reinstated between the months of June and August 2021 and were more severe than those which took place in 2020, resulting in the closure of whole swathes of the economy, including the construction sector. The impact from the closure of construction sites was fully felt in the third quarter of 2021, which saw a 21% contraction in construction activity despite the low base recorded the year before. At MRCB, while we were better prepared to manage the disruptions to our business considering the pandemic was no longer an "unprecedented" event, it was nevertheless very challenging as movement restrictions prevented us from operating our construction sites for almost 10 weeks. Even when our project sites were reopened, we were impacted by lower productivity in order to comply with Government-mandated restrictions.

In addition to these challenges, the construction sector continued to be impacted by supply chain related issues that resulted in delays in obtaining building materials, rising prices of materials that impacted costs, as well as shortage of workers due to border restrictions - all of which posed a threat to MRCB's business. However, we prepared for the reopening of our construction sites by organising a Vaccination Drive to fully vaccinate 1,000 of our employees, and closely monitoring the vaccination status of our remaining employees, resulting in a 100% vaccination rate by the end of 2021. A Booster Drive was also organised for 177 employees, to ensure continued protection against the virus and its variants. We further ensured the safety of our employees by

The pandemic control measures and supply chain disruptions contributed to a slowdown of the operations and derailed business plans across most industries and sectors.

Key Highlights of the Year

URBAN LAND BANK

2020: 323 acres

2021 **1,008 acres**

GROSS DEVELOPMENT VALUE

2020: RM32 billion

2021 **RM33 Billion**

EXTERNAL CLIENT CONSTRUCTION ORDER BOOK

2020: RM21.7 billion

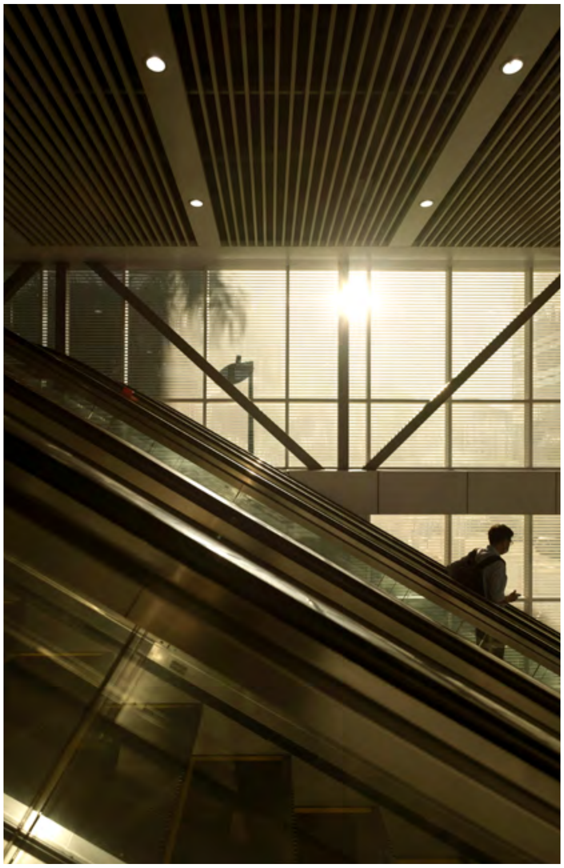
2021 **RM27.3 Billion**

adhering to the Standard Operating Procedures (SOPs), conducting audits at our work sites, and running regular health screenings by distributing Antigen Rapid Test Kits (RTKs) to employees.

Amidst managing the challenges brought on by the pandemic, the world was also gravely reminded of the urgent need for climate action as a slew of extreme weather disasters hit several countries, leaving many displaced and destitute. In Malaysia, we saw floods destroy towns normally invulnerable to such disasters, with scientists predicting more changes in the size and frequency of heavy precipitation events in the future. We reached out to some of the flood victims, including our employees who were affected, by donating more than RM180,000 in cash and essential items in kind, and sending 150 employees as volunteers to assist in food distribution and cleaning efforts, which involved the mobilisation of lorries, backhoes and water jets to the Johan Setia and Taman Sri Muda areas.

Apart from efforts to assist flood victims, we also continued to help the poor and the vulnerable hit by the pandemic by contributing approximately RM2.9 million through our charitable arm Yayasan MRCB and MRCB's corporate social responsibility initiatives to various community development programmes in the year under review.

During 2021, we continued to push forward our sustainability agenda and set in motion more systemic changes to ensure the Group is driven by transformational change towards creating sustainable value to all stakeholders in the future. This is not only aligned to new requirements introduced in the Malaysian Code on Corporate Governance 2021 (MCCG 2021), but also aligned to the Glasgow Climate Pact announced at the 26th UN Climate Change Conference (COP26), which aims to turn the 2020s into a decade of climate action and support, and which Malaysia has committed to.



KL Sentral CBD features seamless connectivity through its integrated transportation hub

KEY BUSINESS HIGHLIGHTS

In 2021, the Group delivered revenue of RM1.4 billion and a profit before tax of RM61 million compared to a revenue of RM1.2 billion and a loss before tax of RM154 million recorded in 2020. While the year saw a generally weaker operational performance compared to 2020 due to longer mandated construction site closures and restrictions, the higher revenue and profit was largely due to the consolidation of Setia Utama LRT3 Sdn Bhd (SULSB) (formerly known as MRCB George Kent Sdn Bhd), which allowed the Group to recognise 100% of the revenues and profits from the project in the fourth quarter of 2021. In addition, we also saw contributions recorded under other operating income of RM123.7 million in relation to 661.3 acres of land injected into Seri Iskandar Development Corporation Sdn Bhd (SIDEC) as part of a settlement with Perbadanan Kemajuan Negeri Perak, and RM9.9 million, being the net impact arising from the remeasurement of the investment in the LRT3 joint venture and provisional negative goodwill in relation to the acquisition of SULSB.

Our acquisition of SULSB on 13 October 2021 was a noteworthy achievement, and will allow us to continue to recognise all revenues and profits for the remainder of the project, which is scheduled to be completed in 2024. In 2021, LRT3 contributed profits of RM14.0 million on a consolidated basis in the fourth quarter of 2021 and RM18.8 million in aggregate on an equity accounting basis in the first three quarters of 2021 when it was only 50% owned, and managed to achieve 67% physical construction progress as at 31 December 2021.

Despite the promising progress of our LRT3 project, our construction sites experienced sporadic closures due to various movement restrictions within the first nine months of 2021, resulting in a complete halt in construction activity. Even when the construction sites were eventually reopened, our Engineering, Construction & Environment Division could only operate at sub-optimal levels due to a lower cap imposed on workforce capacity. Nevertheless, we are targeting to complete the Mass Rapid Transit Line 2 (MRT2) Package V210, Sungai Besi-Ulu Kelang Elevated Expressway (SUKE) and Damansara-Shah Alam Elevated Expressway (DASH) projects in 2022.

Artist's impression of the LRT3 project

These ongoing restrictions and the general market sentiment have also led to softening prices, and as the property market goes through this market correction we will continue to monitor the situation before any large scale launches are undertaken. This has led us to focus on marketing our portfolio of existing completed unsold units of RM536 million and unsold units under construction from our ongoing projects of RM1 billion as at 31 December 2021. Nevertheless, as the economy continued to suffer in 2021, we continued to see high sales cancellation rates resulting from the negative wealth effect brought about by the uncertainties of COVID-19 and its growing number of variants. This was exacerbated by the banks taking a more stringent approach to credit approvals, leading to many buyers being unable to secure the margin of financing they required. As a counter-measure, we continued to repurpose our marketing budget into assistance packages to assist buyers in becoming homeowners.

Our ongoing residential developments such as Sentral Suites in KL Sentral, the 9 Seputeh mixed development in Jalan Klang Lama, and Alstonia in Bukit Rahman Putra continued to contribute to our revenue and profit in 2021. We also continued to recognise revenue and profit from our 1060 Carnegie development in Melbourne, Australia, albeit at a much lower rate as the bulk of the units were sold and financially settled in 2020. While our sales galleries were affected by the Government-mandated closures, we continued our strategy of reaching potential customers through our virtual gallery, which saw approximately 9,500 visits, as well as a digital media campaign that leveraged on live webinars and social media. We also continued to engage with our other various stakeholders, managing to reach over 100,000 stakeholders via digital platforms as well as through controlled physical meetings.

Overall, while 2021 presented us with many challenges, we believe that MRCB is in a good position to move forward, backed not only by a strong balance sheet with a net gearing of 0.28 times, but immediate plans to enhance cashflow by monetising our unsold completed units from our property developments and focusing on construction projects in hand. To date, MRCB continues to have a strong pipeline of property projects with a GDV of RM33 billion across 1,008 acres, and unrecognised future revenue (unbilled sales) worth RM923.0 million that will be recognised in tandem with construction progress of our ongoing property development projects. Our long-term external client construction order book has also expanded by RM5.6 billion following the acquisition of the LRT3 project joint venture company SULB to RM27.3 billion, in which more than 70%, or almost RM20 billion, remains unbilled.

EXPANDING OUR REACH

An important growth principle in our value creation journey is Diversification & Operational Expansion. After years of setting the groundwork to diversify away from the Malaysian market and expanding further into the Australasian market, in March 2021 MRCB was successfully awarded the tender to develop a Transit Oriented Development (TOD) in New Zealand. With a GDV of NZ$452 million, the development comprises a mixture of retail, commercial and residential space that will be built above the City Rail Link Aotea Station in Auckland. This iconic and prestigious project located in a very prime location in Auckland will enable MRCB to leverage its strengths and expertise gained from developing TODs in Malaysia to benefit more than 40,000 residents and the 130,000 people who live and work in the area. Development is set to commence after the completion of the railway station in 2024, and we expect this project to catalyse further growth opportunities for MRCB in New Zealand.

In further expanding our existing presence in Australia, the Group purchased a 0.766-acre piece of prime land for AUD17 million on the Gold Coast in Brisbane, Queensland with plans to develop a 45-storey high-rise residential apartment development with 280 units. With a GDV of AUD296 million, the development is targeted to commence in the first quarter of 2023 and to be completed in 2025, subject to receipt of all development consents.

As part of our strategy to move towards sustainable business and leveraging on opportunities brought about by climate change, much research and effort has been put into seeking new markets within the renewable energy space. With the expected growth in household waste and a minimal number of sanitary landfills in Malaysia, which currently only has 21 sanitary landfills, there is an urgent need for alternative ways to treat waste, in an environmentally-friendly manner, and slowly eliminate landfills completely. Waste-to-energy allows us to not only process waste in an efficient and sustainable manner, it also converts waste into a fuel source which is used to generate energy. With landfills requiring large areas of land and releasing methane gas that traps 72 times more heat than CO_2, MRCB has earmarked waste-to-energy as a priority area to venture into. As part of our efforts to realise this strategy, we have already identified a suitable project. To date, the technology, which is sourced from Europe and adapted for the higher moisture content in Malaysia's household waste, has been approved by the Government, and we are awaiting for the service agreement to be finalised.

In efforts to diversify away from the premium commercial and residential developments we are so synonymous with, we also acquired 22.02 acres of land in Simpang Pulai, Perak, which is 14 km from the city of Ipoh and located next to the Simpang Pulai Rest & Recreation stop along the North-South Expressway. Additionally, 661.3 acres of land was injected into SIDEC on 21 December 2021 as part of a settlement with Perbadanan Kemajuan Negeri Perak (PKNP), bringing the total land size in Simpang Pulai to 683.32 acres. SIDEC was set up in 1997 as a joint venture company between MRCB's wholly-owned subsidiary, Malaysian Resources Development Sdn Bhd (MRD), and PKNP, with MRD owning 70% equity and PKNP owning the remaining 30%. Subsequently, MRD acquired the 30% equity stake in SIDEC owned by PKNP, making SIDEC a wholly-owned subsidiary of the Group. This land will lay the groundwork for our entry into the industrial and logistics development segment moving forward, a segment of the market where we believe there will be much demand over the next few years from multinational corporations looking for large, strategically located, bespoke developments meeting their sustainability requirements.

With a rapidly increasing aging population and need for aged-care solutions, MRCB also continues to study building affordable, customised high-rise units specially built to assist the elderly - from safety features to proximity to healthcare and other essential amenities. To date, we have identified sites to pursue this initiative and will continue to work towards developing partnerships to materialise this strategy targeted at this important and growing demographic.

TOWARDS CLIMATE ACTION

In our 2020 Integrated Annual Report, we announced our resolve to ensure Environmental, Social, and Governance (ESG) matters would be at the forefront of our conversations. We reaffirm this commitment and have worked hard in 2021 to better integrate sustainability into our business. We maintained our standing as a member and active contributor to the United Nations Global Compact (UNGC) CFO Taskforce for the Sustainability Development Goals which is a worldwide body, and expect to play an active part in the forthcoming Malaysian CFO Taskforce which is due to be set up by the UN Global Compact Network Malaysia & Brunei. MRCB also became a member of the CEO Action Network, a closed-door peer-to-peer informal network of CEOs of leading Malaysian businesses focused on sustainability advocacy, capacity building, action and performance. These national and global-level initiatives have aided MRCB in developing its own sustainability strategy by providing insights into best practices from other companies in similar and different industries across the world.

In ensuring our stakeholders are informed of our ESG initiatives, we also undertook a massive ESG communication plan, in which ESG-specific meetings were arranged for over 500 investors and professionals, and an ESG Brief was made available to the public on our corporate website. These sessions also helped MRCB become more accountable for its sustainability efforts, in that our ESG performance is transparently disclosed to all.

As part of our commitment to address climate change, in 2021 we embarked on an assessment of the climate risks and opportunities in relation to our assets in line with the Task Force on Climate-related Financial Disclosures (TCFD) framework.

For years now, MRCB has been a strong advocate of modular construction given its many tangible sustainability benefits that helps improve efficiency, reduce costs, reduce wastage and lessen the construction industry's unsustainable dependency on unskilled foreign labour, while increasing productivity and quality, and improving the health and safety of workers. In the year under review, we used our proprietary modular construction technology, MRCB Building System (MBS), to great effect by completing our first MBS project in Malaysia awarded by the Ministry of Education, involving the construction of 35 classrooms for five schools in approximately three months, despite considerable disruptions caused by the pandemic. Indicating the attractions of our proprietary technology, to date, we have already licensed it to two international companies for the construction of a 19-storey student residential development and temporary quarantine facility in Hong Kong, as well as a 12-storey nursing home and senior care centre in Singapore.

We also continued our role as a responsible and sustainable urban developer of our TODs and Green buildings, which places us at an important nexus between development and sustainability. In 2020, we announced our goal to achieve Net Zero Carbon in our Scope 1 & Scope 2 emissions by 2040 and began to disclose and set targets for these emissions. In 2021, we began to lay the groundwork to start addressing Scope 3 emissions, which includes indirect carbon emissions from our supply chain. As measuring Scope 3 emissions involves external parties, many of whom are at a very nascent stage of their sustainability journeys, it will take some time before we are able to begin measuring and reporting these emissions. Nevertheless, we have communicated to our top suppliers our intent to transition to more stringent sustainable procurement criteria. As part of this sustainable procurement strategy, we are embedding human and worker rights into our standard contracts and pre-qualification criteria. We will also enhance existing policies to ensure sustainability principles are embedded at the

GROUP MANAGING DIRECTOR'S REVIEW

design stage, and specify the types of materials that can be used and procured to ensure they meet sustainability specifications. Moving forward, we will intensify our engagements with our suppliers in 2022, to work towards developing joint strategies that can help both parties measure and monitor their emissions for greater shared accountability.

TRANSFORMING CULTURE

Our people remain our most coveted asset and a major priority, and as part of our plan to ensure they grow and excel, a programme was launched to equip our employees with the mindset and behaviours to accelerate and sustain organisational transformation. The need for employees to adapt, collaborate, be agile, evolve and thrive in an ever-changing environment have gained in importance after the pandemic and the growing threat of climate change. In 2021, we conducted 10 one-day interactive workshops called the "People Transformation Accelerator Programme" for 348 employees to equip them with practical skills and behaviours that create an open and transparent culture and a working environment that is more purpose driven. The response has been positive and pulse checks continue to be conducted to ensure these behaviours are consistently practiced by our employees. We plan to roll-out the programme to the rest of our employees and will conduct 22 more workshops for our remaining employees in 2022.

We also subscribe to the belief that a positive work culture can be fostered through open and frequent communication. While the newly launched People Transformation Programme greatly promotes this, MRCB has continued to leverage on electronic digital media (EDM) to share key messages with our employees. Such EDMs are shared not only to announce the publication of new policies and share administrative matters, but also used to educate and remind employees of everyday affairs such as internal COVID-19 SOPs and ways to prevent infection; educating on cybersecurity threats and our zero tolerance of bribery and corruption, and speaking out if they encounter anything which is ethically wrong; and promoting a culture of integrity, accountability and safety in the workplace.

ACKNOWLEDGEMENTS

The COVID-19 pandemic has definitely changed how we approach our business, challenging us to push boundaries and turning risks into opportunities. It has also made clearer the importance of ESG and working to build a sustainable business. It is with this philosophy that our strategies are built upon, with the hopes to create sustainable value for all our stakeholders well into the future.

With promising times ahead, I look forward to continuing working closely with all my colleagues. I would like to thank our Board for their wisdom, and the regulators for guiding us to manoeuvre through the difficult pandemic period. Thanks also go to the Senior Management team and all staff for their resilience and strong support. To our business partners and suppliers, we thank you for your support and we look forward to working closely to build a more sustainable tomorrow, together.

IMRAN SALIM
Group Managing Director

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.

Build Liveable and Resilient Communities, Care for Environment, Drive Sustainable Growth

Embedded ESG into Our Business

- Develop green-certified buildings and sustainable TODs that integrate living and working spaces around transportation hubs
- Build world-class infrastructure to improve connectivity
- Engage and develop long-term partnerships with internal and external stakeholders
- Create value for all

Alignment to UNSDGs, Global Standards and Goals

Sustainable and Resilient Business

- Net Zero Carbon by 2040 (Scope 1 & Scope 2)
- Sustainable Procurement
- Industry Leader

ACHIEVED

2017

- Sustainability Report aligned to GRI Standards
- Alignment to 2 SDGs

2018

- Alignment to 6 more SDGs

2019

- Publication of inaugural Integrated Annual Report in accordance with the International Integrated Reporting Framework
- Launched our proprietary modular construction technology, MRCB Building System (MBS)

2020

- Signatory of the Ten Principles of the UNGC
- Member of the UNGC CFO Taskforce
- Alignment to 4 more SDGs
- Obtained external assurance for selected sustainability data

2021

- Embarked on Task Force on Climate-related Financial Disclosures (TCFD) Reporting
- Member of the CEO Action Network
- Expanded reporting on Scope 3 carbon emissions
- Established science-based targets for Scope 1 & Scope 2 carbon emissions
- Alignment to 2 more SDGs

TARGET

2022

- Sustainable Procurement
- Apply for Science-Based Targets initiatives (SBTi) validation
- Embedding of sustainability in Management's KPIs
- Expand measurement of Scope 3 carbon emissions to suppliers
- Enhance Diversity, Equity & Inclusion Programmes

2023-2040

- Expand measurement of Scope 3 carbon emissions to 50% of suppliers by 2025 and 100% of suppliers by 2030
- Net Zero Carbon (Scope 1 & Scope 2) by 2040

OUR APPROACH
TO SUSTAINABILITY

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

People	Peace	Prosperity	Planet	Partnership
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. 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 — Climate Action Strategy — 2040

Phase 1	Phase 2		Phase 3
Completed Initiatives Developed Climate Change Statement Developed Biodiversity Statement Climate Risk Assessment (CRA) integrated into existing enterprise risk management system Established Scope 1 & Scope 2 carbon emissions baseline Achieved an average 8% reduction in carbon emission intensity for Scope 1 & Scope 2 in 2021 Developed and marketed MRCB Building System (MBS) to reduce carbon footprint and mitigate other sustainability issues in the construction industry	**Ongoing Initiatives** Conduct capacity building workshops to build awareness on climate change Ongoing development and maintenance of our Board and Management's climate capability Implement reduction strategy for eco-efficiency (energy, water, waste and carbon) Adopt and identify gaps against the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) Commit to Science-Based Targets initiatives (SBTi) by getting validation of our Scope 1 & Scope 2 science-based carbon emission reduction targets Identification of new opportunities within the renewable energy space	Expand capacity and expertise in waste-to-energy, solar and wind farms and water projects Refine MRCB's Green Building Policy and increase the adoption of modular construction Enhance Responsible Procurement by establishing new policies and guidelines for sustainable procurement Expand reporting on Scope 3 carbon emissions Enhance energy reduction initiatives through District Cooling System Plant optimisation, LED retrofitting, and digitalisation	Further identification of Scope 3 emissions Expand into clean energy such as solar and hydrogen power, and source for low and/or zero carbon fuels Transition to electric-powered equipment and machinery Increase acceptable off-set initiatives and develop a Carbon Sequestration Strategy

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
1 NO POVERTY	• 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.
2 ZERO HUNGER	• 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.
3 GOOD HEALTH AND WELL-BEING	• 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. • 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. • We promote healthy lifestyles by organising programmes that focus on our employees' physical and mental well-being. • We developed our Human Rights Statement which articulates our commitment in this area.
4 QUALITY EDUCATION	• We have been involved in renovating and upgrading dilapidated schools and libraries. • We provided lunches, books, and uniforms for underprivileged children. • We leveraged on our skills and expertise to complete the construction of 35 classrooms for the Ministry of Education in approximately three months.
5 GENDER EQUALITY	• 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.
8 DECENT WORK AND ECONOMIC GROWTH	• 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. • We provide competitive remuneration packages to our employees in addition to training opportunities for career growth and development.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• We develop and construct green buildings, and where possible make efforts to incorporate sustainable features in our infrastructure projects.

OUR APPROACH
TO SUSTAINABILITY

SDG	Description
10 REDUCED INEQUALITIES	• 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. • 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. • We provide employment to prisoners/offenders through our PEKA@MRCB Programme.
11 SUSTAINABLE CITIES AND COMMUNITIES	• 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. • 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.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• We implement our QESH Policy at project sites, which includes the practice of the 3Rs (Reduce, Reuse, and Recycle). • 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. • 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.
13 CLIMATE ACTION	• We developed a Climate Change Statement articulating our commitments to tackling climate change. • We measure and disclose our carbon dioxide (CO_2) emissions (Scope 1 & Scope 2) and will validate our science-based reduction targets. • 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. • We have embarked on conducting TCFD assessments to measure the risks of climate change to our business and develop strategies to overcome them.
15 LIFE ON LAND	• 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.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	• We believe strong corporate governance is the foundation of building a resilient and sustainable business, as well as providing us with a competitive advantage. • We commit to upholding peace, justice and strong institutions.
17 PARTNERSHIPS FOR THE GOALS	• We engage with our stakeholders and create trusting and beneficial partnerships that drive the SDG goals further. • 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. • 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.

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:

i. Establishing and overseeing the implementation of a sustainability framework in support of the Group's vision, with clear strategies, priorities, and targets;

ii. Incorporating sustainability considerations when exercising its duties, including among others, the development and implementation of business plans, major plans of action, and risk management;

iii. Reviewing and approving sustainability policies and procedures in support of the Group's sustainability framework and strategy; and

iv. Overseeing the institutionalisation of sustainability within the Group.

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.

Sustainability Governance Structure

BOARD OF DIRECTORS

SUSTAINABILITY MANAGEMENT COMMITTEE (SMC)
Chaired by Chief Corporate Officer

Support Functions	Sustainability Department	Core Operational Divisions
Heads of Departments at Corporate level	Secretariat of SMC and driver of sustainability initiatives	Heads of Divisions for MRCB's key business segments

OUR APPROACH
TO SUSTAINABILITY

ROLES & RESPONSIBILITIES OF THE BOARD

The Board is entrusted with the overall governance of MRCB, setting a clear tone from the top by focusing on strategy, governance, and compliance in all aspects of our operations.

In discharging its functions, the main roles and responsibilities of the Board are as follows:

- To set the overall strategy for the Group;
- To oversee and evaluate the conduct and performance of the Group's businesses;
- To deliberate Management's proposals for the Company, which includes the overall corporate strategy, business plan, and budget, and to monitor its implementation by Management;
- To promote good corporate governance culture within the Group to reinforce ethical, prudent and professional behaviour;
- To promote sustainability through appropriate environmental, economic, social and governance considerations in the Group's business strategies, which includes amongst others the following:
  i. Establishing and overseeing the implementation of a sustainability framework in support of the Group's vision, with clear strategies, priorities, and targets;
  ii. Incorporating sustainability considerations when exercising its duties, including among others, the development and implementation of business plans, major plans of action, and risk management;
  iii. Reviewing and approving sustainability policies and procedures in support of the Group's sustainability framework and strategy; and
  iv. Overseeing the institutionalisation of sustainability within the Group.
- To take climate change risks and opportunities into account in the delivery of the Group's sustainable business growth, ensuring compliance with all laws, regulations, and other disclosure requirements relating to environmental matters, as well as having regard for the needs of all its stakeholders in its pursuit of generating long-term returns for its shareholders;
- To assess and identify principal risks and ensuring implementation of a proper risk management system in recognition that business decisions involve the taking of appropriate risks;
- To ensure the establishment of an appropriate succession plan for members of the Board and Senior Management, emphasising diversity and incorporating a broad range of sourcing strategies;
- To oversee the development and implementation of a shareholder communication policy for the Group and Company;
- To review the adequacy and the integrity of the management information and internal controls system of the Group and Company;
- To establish, review, and together with the Management, implement policies and procedures on whistleblowing;
- To establish and review policies and procedures to determine the remuneration of Directors and Senior Management taking into account the demands, complexities and performance of the Company, as well as skills and experience required;
- To commit itself and its Directors to ethical business and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members and in the discharging of their fiduciary duties; and
- To provide and ensure accountability to shareholders and to the extent possible, towards a wider range of stakeholders impacted by MRCB's decisions, such as employees, customers, and the local community in areas where MRCB operates.

MRCB Sustainability Framework

OUR SUSTAINABILITY PURPOSE

Build Liveable and Resilient Communities, Care for Environment, Drive Sustainable Growth

Our Sustainability Key Action Plans

- Internal Action
- Sustainable Impact/ Business
- Risk and Governance
- Corporate Social Responsibility (CSR)
- Stakeholder Engagement

Aligned to UN Sustainable Development Goals

5-YEAR ROADMAP & KPIs

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

Focuses on how MRCB creates positive impact internally while minimising the negative impacts from our operations. These include strategies to improve eco-efficency 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.

SUSTAINABLE IMPACT/BUSINESS

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.

RISK & GOVERNANCE

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).

CORPORATE SOCIAL RESPONSIBILITY (CSR)

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).

STAKEHOLDER ENGAGEMENT

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).

HOW WE DETERMINE OUR MATERIAL ISSUES

MRCB understands the need to focus efforts on material matters that are most significant to the business and to its stakeholders. We regularly analyse our performance to identify gaps and further evolve our strategy to fit our and our stakeholders' needs in a bid to enhance our business operations.

Following a research and planning stage, we decided to maintain the previous year's material matters which were based on a materiality assessment conducted at the end of 2020, as we felt they still best represented our impact on the economy, the environment and society as our business activities are unchanged. We did however conduct another materiality assessment in 2021 to re-evaluate the priority of each material matter in terms of their importance to the business and the influence they have on stakeholder decision-making given the increasing concerns regarding ESG matters since 2020, both in Malaysia and internationally.

The step-by-step methodology of our materiality assessment which we undertook in 2021 is illustrated below:

1

Evaluation of Past Report
We reviewed our past reports to determine if our material matters were still relevant and if prioritisation had changed

2

Comparative Analysis
We benchmarked against industry peers and other international standards to ensure our material matters were relevant

3

Input From Stakeholders
We gathered feedback from our stakeholders to better understand their expectations on performance for material matters

4

Prioritisation
We conducted a materiality assessment where we ranked the list of material matters based on importance to our stakeholders and our business operations

5

Analyse Results
A materiality matrix was generated based on the importance of each material matter to each stakeholder, and benchmarked against industry peers to ensure its reasonableness

OUR MATERIAL ISSUES AND DEFINITIONS

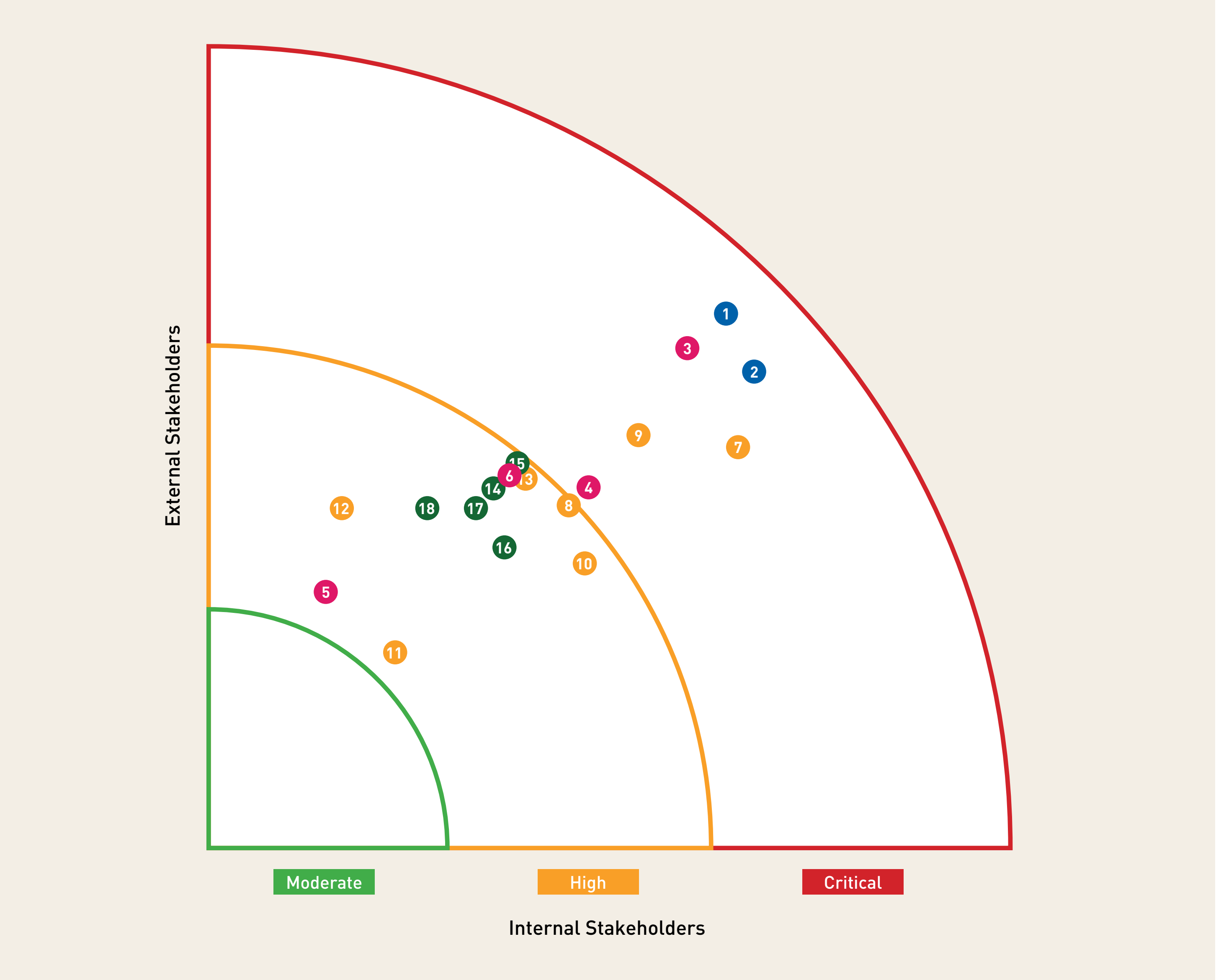
In 2021, we maintained the same 18 material matters that were identified in the previous reporting period. We used weighted ranking to allow stakeholders to identify which material matters were most important to them. There are six material matters located in the Critical area of the materiality matrix from our 2021 assessment. Four material matters that we identified as Critical in 2020, continue to be listed as Critical in 2021. These are 1: Ethics & Principles, 2: Governance & Compliance, 3: Product Quality & Responsibility and 7: Health & Safety. The remaining two material matters that were identified as Critical in 2020, 8: Employee Engagement & Well-Being and 13: Human Rights, have now been listed as High. In 2021, 9: Customer Engagement and 4: Economic & Business Performance have moved into the Critical area, reflecting concerns on business performance amid the pandemic.

The identification of the material issues and definitions are summarised in the following table:

Theme	Ranking	Materiality	Description
Governance	1	Ethics & Principles	An organisation's values, principles, standards and norms that include due diligence carried out in order to uphold human rights principles, prevent bribery, corruption and anti-competition practices within its operations or through its relationships with others (i.e. suppliers, customers).
	2	Governance & Compliance	Compliance with applicable laws and regulations, as well as environmental and socioeconomic standards that provide us with the license to operate.
Economic	3	Product Quality & Responsibility	Quality of products and services that directly affect stakeholders and customers in particular.
	4	Economic & Business Performance	Economic value generated and distributed to stakeholders. Also, describes the contribution of the organisation's significant infrastructure investments and developments that improve community welfare and local economies.
	5	Indirect Economic Impacts	An organisation's additional contribution (monetary or non-monetary) to improve local communities and regional economies.
	6	Responsible Procurement & Supplier Assessment	Meeting the organisation's needs for materials, goods, utilities, and services in an environmentally friendly, responsible and ethical way.
Social	7	Health & Safety	Integrating principles of health and safety throughout our business operations and in the lifecycle of our products.
	8	Employee Engagement & Well-Being	Engaging with our employees to ensure talent attraction and retention for a skilled workforce. This entails providing training and development, benefits, and a healthy work environment.
	9	Customer Engagement	Enhancing our products and services by understanding clients' and customers' preferences and providing an overall positive customer experience to retain customers and maintain our reputation.
	10	Diversity & Equal Opportunity	Providing equal opportunities to all employees. Diversity pushes innovation through exchange of ideas and perspectives and strengthens the organisation.
	11	Labour	Carrying out efforts to improve labour related processes, including hiring of local and foreign labour, and participating in initiatives that alleviate socioeconomic issues.
	12	Local Community Engagement	Carrying out efforts to manage impacts on people in the communities surrounding project construction sites.
	13	Human Rights	Integrating human rights principles in the organisation, preventing infringement of the rights of others and addressing any negative human rights impacts related to the business.
Environment	14	Materials	Carrying out efforts to reduce resource consumption to mitigate environmental impact. How we track and monitor consumption to reduce operational costs.
	15	Sustainable Construction	Reducing negative environmental impact in building design and delivery. Such efforts include adhering to relevant green building standards, managing energy and water consumption, integrating sustainable designs and sustainable practices in the construction and operation of buildings.
	16	Waste	Proper waste management throughout the organisation's business operations including 3R practices (Reduce, Reuse, Recycle).
	17	Climate Change	An organisation's risk and exposure to climate change (i.e. extreme catastrophic events such as floods and droughts), water security, supply chain and impact on workers' productivity.
	18	Biodiversity	Our efforts in minimising harm to nature and biodiversity.

TO DETERMINE
OUR MATERIAL ISSUES

MATERIALITY MAPPING



To further strengthen our commitment to sustainability, we have translated and embedded these materiality issues into MRCB's Enterprise Risk Management system (Key Enterprise Risks (KERs) and the Group Enterprise Risks (GERs)) which are also in alignment with the GRI indicators. This has also been mapped to the corresponding UNSDGs to reflect MRCB's commitment to championing universal and shared values.

MATERIALITY ANALYSES AND DISCUSSION

Materiality	Key Enterprise Risk (KER)	Group Enterprise Risk (GER)	Relevant Stakeholders	Corresponding GRI Indicators	SDGs
Governance					
Ethics & Principles	KER 006– Regulatory Risk	GER 011– Bribery Risk		102: General Disclosure 103: Management Approach 205: Anti-corruption 206: Anti-competitive Behaviour	8 DECENT WORK AND ECONOMIC GROWTH 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Governance & Compliance	KER 006– Regulatory Risk	GER 010– Governance & Compliance Risk		307: Environmental Compliance 419: Socioeconomic Compliance	
Economic					
Product Quality & Responsibility	KER 008– Quality Risk	GER 015– Quality Non-conformance Risk		103: Management Approach 201: Economic Performance	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Economic & Business Performance	KER 001– Project Delivery Risk KER 002– Liquidity Risk KER 004– Business Continuity Risk	GER 001– Construction Risk GER 004– Credit Risk GER 008– Climate Change Risk		201: Economic Performance	
Indirect Economic Impacts	KER 009– Concentration Risk	GER 017– Investment Risk		203: Indirect Economic Impacts	
Responsible Procurement & Supplier Assessment	KER 001– Project Delivery Risk	GER 002– Procurement & Contractual Risk		204: Procurement Practices 308: Supplier Environmental Assessment 414: Supplier Social Assessment	8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Social					
Health & Safety	KER 007– Safety, Health & Environment Risk	GER 013– Safety & Health Risk		403: Occupational Health & Safety	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH
Employee Engagement & Well-Being	KER 004– Business Continuity Risk	GER 006– Human Resources Risk		401: Employment 404: Training and Education	3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH
Customer Engagement	KER 003– Marketing Risk KER 008– Quality Risk	GER 005– High Inventories Risk GER 016– Communication & Reputation Risk		418: Customer Privacy	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Diversity & Equal Opportunity	KER 005– Environmental, Social and Governance (ESG) Risk	GER 009– Sustainability Risk		405: Diversity and Equal Opportunity	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Labour	KER 001– Project Delivery Risk KER 004– Business Continuity Risk	GER 002– Procurement & Contractual Risk GER 006– Human Resources Risk		G4 Sector Specific – Construction and Real Estate Sector Disclosures	8 DECENT WORK AND ECONOMIC GROWTH

TO DETERMINE
OUR MATERIAL ISSUES

Materiality	Key Enterprise Risk (KER)	Group Enterprise Risk (GER)	Relevant Stakeholders	Corresponding GRI Indicators	SDGs
Social					
Local Community Engagement	KER 008– Quality Risk KER 005– Environmental, Social and Governance (ESG) Risk	GER 016– Communication & Reputation Risk GER 009– Sustainability Risk		413: Local Communities	3 Good Health and Well-Being 4 Quality Education 11 Sustainable Cities and Communities 16 Peace, Justice and Strong Institutions
Human Rights	KER 005– Environmental, Social and Governance (ESG) Risk	GER 009– Sustainability Risk		400: Social	3 Good Health and Well-Being 10 Reduced Inequalities 11 Sustainable Cities and Communities 16 Peace, Justice and Strong Institutions
Environment					
Materials	KER 001– Project Delivery Risk	GER 001– Construction Risk GER 002– Procurement & Contractual Risk		301: Materials	11 Sustainable Cities and Communities 12 Responsible Consumption and Production
Sustainable Construction	KER 001– Project Delivery Risk	GER 001– Construction Risk GER 002– Procurement & Contractual Risk	$	302: Energy 303: Water and Effluents 305: Emissions	11 Sustainable Cities and Communities 12 Responsible Consumption and Production 13 Climate Action
Waste	KER 005– Environmental, Social and Governance (ESG) Risk KER 007– Safety, Health & Environment Risk	GER 009– Sustainability Risk GER 012– Environment Risk		306: Effluents and Waste	11 Sustainable Cities and Communities 12 Responsible Consumption and Production 13 Climate Action
Climate Change	KER 005– Environmental, Social and Governance (ESG) Risk	GER 008– Climate Change Risk	$	300: Environmental	13 Climate Action
Biodiversity	KER 005– Environmental, Social and Governance (ESG) Risk	GER 009– Sustainability Risk		304: Biodiversity	15 Life on Land

OUR PERFORMANCE
ENVIRONMENTAL

OUR COMMITMENT TOWARDS NET ZERO CARBON BY 2040 THROUGH SCIENCE-BASED TARGETS

SDG13 SDG15

Average Carbon Emissions Intensity Reduction in 2021

▼ **8%**

By segment

Building Projects (tCO_2e/m^2)

▼ **29%**

Infrastructure (tCO_2e/RM mil)

▲ **21%**

Headquarters (tCO_2e/m^2)

▼ **15%**

In 2020, we announced our commitment to achieving Net Zero Carbon by 2040 (in Scope 1 & Scope 2 emissions). This means systematically and diligently measuring, monitoring, and implementing short and medium-term strategies to reduce our Greenhouse Gas (GHG) emission rate, as well as water consumption and waste generated in our operating environment.

Our Net Zero Carbon journey began by measuring and monitoring our Scope 1 & Scope 2 carbon emissions. This includes measuring carbon emissions from diesel and petrol consumption at MRCB's project sites (Scope 1) and measuring indirect carbon emissions from the generation of purchased electricity for operating our Headquarters and core business areas (Scope 2). The Group's carbon emissions are calculated in accordance with the World Business Council for Sustainable Development (WBCSD) and World Resources Institute's (WRI) GHG Protocol, a corporate accounting and reporting standard. This protocol is considered the global best practice for corporate emissions reporting.

We continued to expand our scope of reporting to include Scope 3 emissions in 2021 on employee commuting and downstream leased assets. We also conducted a Supplier Assessment Survey with our largest suppliers to assess their readiness level. Moving forward, we will implement more rigorous sustainable procurement strategies, by implementing policies and processes that embed sustainability at the project design stage, to ensure only locally sourced materials are specified and materials that meet sustainability specifications are procured. This process will be undertaken in stages, with a realistic and pragmatic timeline.

MRCB is in the process of developing science-based targets for Scope 1 & Scope 2 emissions and will soon be proceeding with the validation process. Using the latest version of the SBTi Tool (version 2.0) and through the absolute contraction approach (ACA), we will be setting an absolute Scope 1 & Scope 2 emission reduction target of 4.2% annually (42% by 2032), aligned to the 1.5°C scenario.

Our commitment towards this goal is further strengthened by a thorough qualitative assessment of the exposure of our assets to climate risks, guided by the Task Force on Climate-related Financial Disclosures (TCFD). This initiative is ongoing and is targeted to be completed by mid-2022 and will focus on: i) climate strategy, ii) governance iii) risks and opportunities and iv) metrics and targets. We have conducted a TCFD assessment to assess our gaps in implementing its recommendations and developed a high-level strategy to address them.

Electricity and Water Consumption Reduction Initiatives in 2021

Headquarters

Reviewing and approving sustainability policies and procedures in support of the Group's sustainability framework and strategy.

Parking facilities

We retrofitted LED lightings at Q Sentral and PJ Sentral parking areas managed by our subsidiary, Semasa Parking.

Construction sites

We are continuously trying to increase rainwater catchment to be reused for cleaning and plant watering purposes. We are also trying to improve on our waste management practices by improving our waste segregation, monitoring, and recording activities.

MRCB'S CLIMATE RISKS & OPPORTUNITIES
GUIDED BY THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) FRAMEWORK

As a responsible leader in the property and construction sector in Malaysia, we recognise the need to accelerate our actions to address the climate crisis. A robust climate action plan will contribute to global efforts in limiting the global temperature increase to below 1.5°C, and improve the Group's resilience to potential climate impacts. In 2021, we embarked on our TCFD journey to assess the impact of climate change on our assets and business operations, as well as allow us to disclose our climate risks and opportunities under the TCFD framework. This is our first disclosure of climate-related financial risks.

GOVERNANCE

In order to address our climate-related risks and opportunities, the Sustainability Management Committee (SMC), which comprises Heads from core operational Divisions and support functions, the Sustainability Department, and chaired by the Chief Corporate Officer (CCO), was established with the approval of the Board to oversee the development and adoption of the Group Sustainability Strategy, and its related policies and risk mitigation plans.

STRATEGY & RISK MANAGEMENT

We recognise that TCFD recommends organisations to describe the resilience of their business strategies to climate-related risks and opportunities, taking into consideration the physical impacts of climate change and a transition to a lower-carbon economy. As a foundational step, we have conducted a hotspot analysis of our physical and transition risks, incorporating scenario analysis as recommended by TCFD.

Climate Related Risks and Opportunities Assessment

We have used climate-related scenario analysis to explore and develop an understanding of how the physical risks and transition risks of climate change might impact the business over the time horizons of 2030 (baseline) and 2050 (future):

- Representative Concentration Pathway (RCP) 4.5 was selected as it is comparable to Malaysia's Nationally Determined Contributions (NDC), and
- RCP 8.5 was selected to represent the Business as Usual (BAU) scenario, which is considered as the worst case scenario where no efforts are actively taken to reduce GHG emissions.

As a next step, we will adopt the IEA Sustainable Development Scenario (SDS) approach to align with our Net Zero commitment.

The following methodology was adopted for screening high level physical risks:

- A review of the regional & country level data and literature helped us identify the key risks our businesses may be exposed to, as well as those that may require further validation in the respective areas of interests.
- The key hazards and risks identified were then evaluated in further detail with respect to the specific MRCB asset locations. Baseline natural hazard data and climate change projections for key climate indicators were extracted using geospatial information for each asset location. The baseline natural hazards were then defined via High, Medium, Low categories, with the climate change projection data evaluated and qualitatively superimposed on the baseline hazard data to estimate future hazards under RCP 4.5 and 8.5, with respect to our business units. Following that, high level implications of each natural hazard on our business units were identified along with feasible mitigation measures for adaptation.
- During the next phase of this assessment, a robust risk validation & qualification exercise will be conducted which will involve asset specific risk validation and high level financial analysis.

Preliminary Physical Risk Assessment Results

Our ability to forecast each hazard with reasonable certainty is limited, and it becomes less precise over a longer period. Physical risks are multidimensional and complex requiring assessment on each component – hazards, exposure and vulnerability. As our initial approach, our assessment covered selected hazards for discovery of acute and chronic risks.

At this stage, it is more useful for us to understand which hazards are most pressing and to have the assessment more concretely focused on specific short-term impacts at the asset level. This will help us to build a reasonable understanding and to improve certainty on our initial models. Therefore, the physical risks are indicative at the moment.

With regards to extreme heat, there is a moderate risk of increased financial costs due to resource availability and damages caused to assets. Damages include an increased rate of deterioration of construction materials and existing assets requiring frequent maintenance. Water scarcity which was also identified as a risk may lead to increases in expenditure on water efficient technologies and water treatment systems; while properties in water stressed areas may experience a loss of value.

Criteria or Identification of Physical Risks	
Acute	Under the baseline scenario, many of the selected hazards were found to be event-driven, including increased severity of extreme weather events: • **Urban Floods** 0-5 years (high risk baseline and future scenarios) • **Riverine Floods** 0-5 years (high risk baseline and future scenarios) • **Landslides** 0-5 years (Based on average number of precipitations triggered landslides per year per square kilometer during 1980-2018) • **Water Stress** 5-10 years (low water stress at present, however high water stress is projected by 2030) • **Cyclones** >10 years (although cyclones are seldom reported in this region, BAU climate change projections indicate an increase in intensity and frequency of cyclones in Pacific Ocean basin, therefore some of the asset locations may be affected in future)
Chronic	Longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise or chronic heat waves: • **Coastal Floods** >10 years (low risk of cyclones leading to storm surge at present) • **Heat Waves** >10 years (Hazard classification is based on the daily maximum Wet Bulb Globe Temperature, which is provided as frequency-severity data in the raster format)

Our assessment under the baseline and future scenarios demonstrates that the exposure of the built environment to climate-related disturbances increases over time. All assets will experience some vulnerability to climate hazards particularly due to their dependence on infrastructure such as electricity, water, communications, road connectivity and other essential services. Under the baseline scenario, urban floods and landslides pose a high-risk hazard, while extreme heat and water stress categorised as medium risk and low risk respectively.

We considered cyclones, coastal and riverine floods as non-material hazards at this point of time as these events are difficult to forecast with limited historical evidence locally. Given that climate science is evolving, we will continuously build our capacity to monitor and update the projection for all hazards within major climate models.

Preliminary Transition Risk Assessment

Transition risks assessments are qualitative rather than quantitative and are based on analysis of emerging trends. We conducted scenario analysis for transition risks and opportunities against two scenarios from World Energy Outlook 2021, published by International Energy Agency – Annual Pledge Scenario (APS) and Sustainable Development Scenario (SDS). Our methodology assigned each identified climate risk and opportunity to a 'scenario indicator' to allow for the evolution of risks to be tracked under the base case (APS ~2.1°C) and low carbon (SDS ~1.8°C) scenarios, over a long - term time horizon. The analysis covers our 3 core business activities, namely Property Development and Investment (PDI), Engineering, Construction & Environment (ECE), Facilities Management (FM) and Semasa Parking. These scenarios represent the range of events that are reasonably forseeable and which are common across the segments. The assigning of probabilities are still preliminary and are subject to a consultative risk asessment process.

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No	Category	Preliminary Scenario	Property Development & Investment		Engineering, Construction & Environment		Facilities Management & Parking		Financial Driver
			Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	
1	Policy & Legal	**Green Building Index:** Growing interest and adoption of green building practices in Malaysia could affect MRCB's costs and demand.							REVENUE
2		**Emissions Reductions and Energy Efficiency Policy:** Possibility of increased capital and operational costs due to new infrastructure and technology adoption due to related regulatory compliance.							CAPEX, OPEX, REVENUE
3		**Carbon Pricing:** Malaysia will be likely to apply the carbon pricing mechanism which will affect MRCB's operational costs.							CAPEX, OPEX, REVENUE
4	Market	**Niche Market:** Increasing corporate and consumer demand for sustainable product and service.							REVENUE
5		**Stranded Assets:** Real estate assets may lose their value prematurely due to transition to low-carbon economy.							OPEX, REVENUE
6	Technology	**Renewable Energy Implementation:** The steady decline of renewable energy implementation costs and improvements in efficiency will create external pressure on MRCB to adopt RE infrastructure in its projects.							CAPEX
7		**Green Construction Materials:** Requirements for the use of low carbon building materials will continue to grow, which will increase capital costs.							CAPEX
8		**Electric Vehicle (EV) and Infrastructure:** Expected growth for EVs in Malaysia require supporting infrastructure to be established in real assets which affect MRCB's strategy to mitigate the risk and capture this as an opportunity.							CAPEX

Legend for Scenario Indicator

- Short Term 0-3 years
- Medium Term 3-10 years
- Long Term >10 years

Scale for Likelihood

- Low
- Medium
- High

Scale for Impact

- Neutral
- Positive
- Adverse

Our preliminary findings indicate that regulations driven by the transition to a low carbon economy may pose a higher risk to our businesses, resulting in either an increase in operating costs from taxes, raw material costs, R&D costs, labour costs, or an increase in capital expenditure for deploying lower energy technologies. Contrarily, our proprietary modular construction technology, MRCB Building System (MBS) is Malaysia's first Prefabricated Prefinished Volumetric Construction (PPVC) system, and we believe that there is significant potential for our businesses to profit from the low carbon economy transition. Due to the rising demand in green buildings and infrastructure, we are strongly positioned to differentiate ourselves from the other carbon intensive products and services currently offered in the market, which should further improve our market share.

As our understanding develops further, we will undertake a more robust integrated physical and transition risk assessment. In addition, we will separate the analysis for FM into two separate entities to improve the accuracy of reporting.

RISK MANAGEMENT

Through our Enterprise Risk Management process and Environmental Resources Management's proprietary risk assessment tools, we continue to integrate climate related risks and opportunities into our overall business strategy, value chain, and operations to drive continued improvement and to enhance climate resilience.

METRICS AND TARGETS

In 2021, we measured and began reporting our carbon emissions including Scope 3 emissions in accordance with the World Business Council for Sustainable Development (WBCSD) and World Resources Institute's (WRI) GHG Protocol. A third party limited assurance engagement was carried out by SIRIM QAS International Sdn Bhd, covering emissions performance data. We will continue to improve reporting on other climate-related metrics and targets related to waste and water management.

As a next step, we will look to further define our climate risks management related metrics and targets and subsequently integrate more climate risk and opportunity analysis within our strategic planning and enterprise risk management.

TCFD JOURNEY: Next Steps

We intend to continue updating our climate related risks and opportunities disclosures annually and applying the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) in our reporting to our stakeholders to ensure full transparency. Following this initial assessment, subsequent steps in the future will include integration of the identified climate related risks and opportunities into our business strategy and identifying the material financial impacts to our business. MRCB has started developing a climate strategy and will continue the journey by verifying its GHG inventory (including Scope 3 emissions), developing a strategic decarbonisation roadmap (including GHG mitigation / offsetting actions for our businesses), and conducting a quantitative / site-specific risks and opportunities assessment alongside an adaptation plan.

MANAGING OUR ENVIRONMENTAL IMPACT

MRCB's Greenhouse Gas (GHG) Inventory

MRCB sets its GHG Inventory in accordance with the GHG Protocol, and therefore we report on Scope 1 (direct emissions) & Scope 2 (indirect emissions) separately. This inventory forms part of MRCB's commitment to measure, monitor, report and set targets to reduce its emissions.

Our calculation methodology of GHG emission is in accordance with the World Business Council for Sustainable Development (WBCSD) and World Resources Institute's (WRI) GHG Protocol. An organisational boundary was set using the operational control approach for Scope 1 & Scope 2. In addition, our calculation references include the 2006 IPCC Guidelines for National GHG Inventories and the IPCC 5th Assessment report. The calculation refers to the appropriate authorities where locally determined emissions factors are used such as the yearly National Energy Balance Report published by the Energy Commission and thematic reports such as the 2017 CDM Electricity Baseline for Malaysia by Malaysia Green Technology and Climate Change Corporation (MGTC).

The process involves assessing, identifying and categorising the source of emissions by their occurrence throughout our value chain. To allow near real-time review of our emissions, activity data was collected on a monthly basis by a designated officer. Our method of calculating carbon emissions for 2020 has also been adjusted accordingly. Below is a summary of our GHG inventory.

MRCB's GHG Inventory

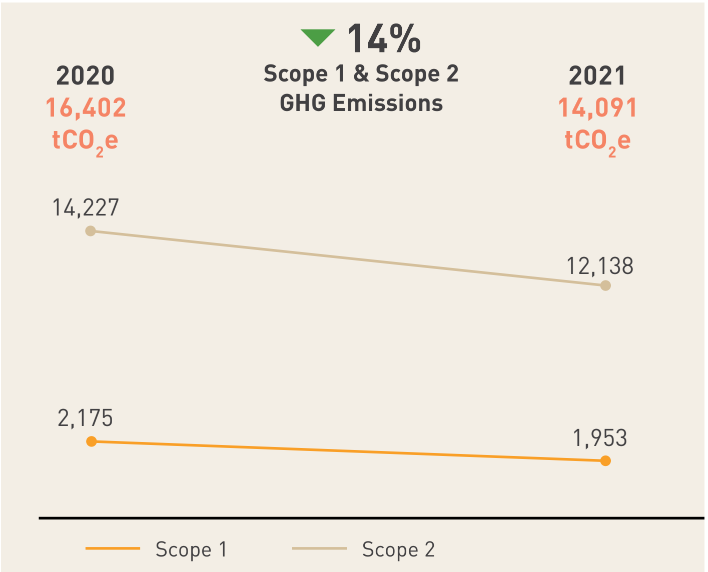
SCOPE 1: DIRECT EMISSIONS		SCOPE 2: INDIRECT EMISSIONS						SCOPE 3	
Boundary: 100% operational control of construction sites		N/A	Boundary: 100% operational control of construction sites and satellite locations			Boundary: 100% operational control on building and parking management (Semasa Parking) considered		Activities beyond MRCB's operational controls	
Diesel & Petrol Consumption		**Electricity Consumption**						**Selected Categories**	
Building Projects	**Infrastructure Projects**	**Head-quarters**	**Satellite Locations**	**Building Projects**	**Infrastructure Projects**	**Facilities Management**	**Semasa Parking**	**Employee Commuting**	**Downstream Leased Assets**
• Sentral Suites • PJ Sentral • PR1MA Brickfields • KWASA C8 • TRIA 9 Seputeh • FINAS • KWASA Sentral (MX-1, Plot H) • Alstonia • SIDEC 2D3	• KVMRT2 V210 & S210 • SUKE CA2 • DASH CB2		• Sentral Suites • Alstonia • 9 Seputeh	• Sentral Suites • PJ Sentral • PR1MA Brickfields • KWASA C8 • TRIA 9 Seputeh • Alstonia • SIDEC 2D3	• KVMRT2 V210 & S210 • SUKE CA2 • DASH CB2	• Celcom Tower • Plaza Alam Sentral • Sentral Stesen Kuala Lumpur • Penang Sentral	• Plaza Sentral • Plaza Alam Sentral • Stesen Sentral KL • Level 2, Bangunan MIDA • Lot J, Motorcycle Open Parking, KL Sentral • Q Sentral • Lot F, KL Sentral • PJ Sentral	• Employees' Petrol Card	• Celcom Tower • Plaza Alam Sentral • Stesen Sentral Kuala Lumpur

Note - Satellite Locations in 2021 refers to Sales & Marketing Galleries

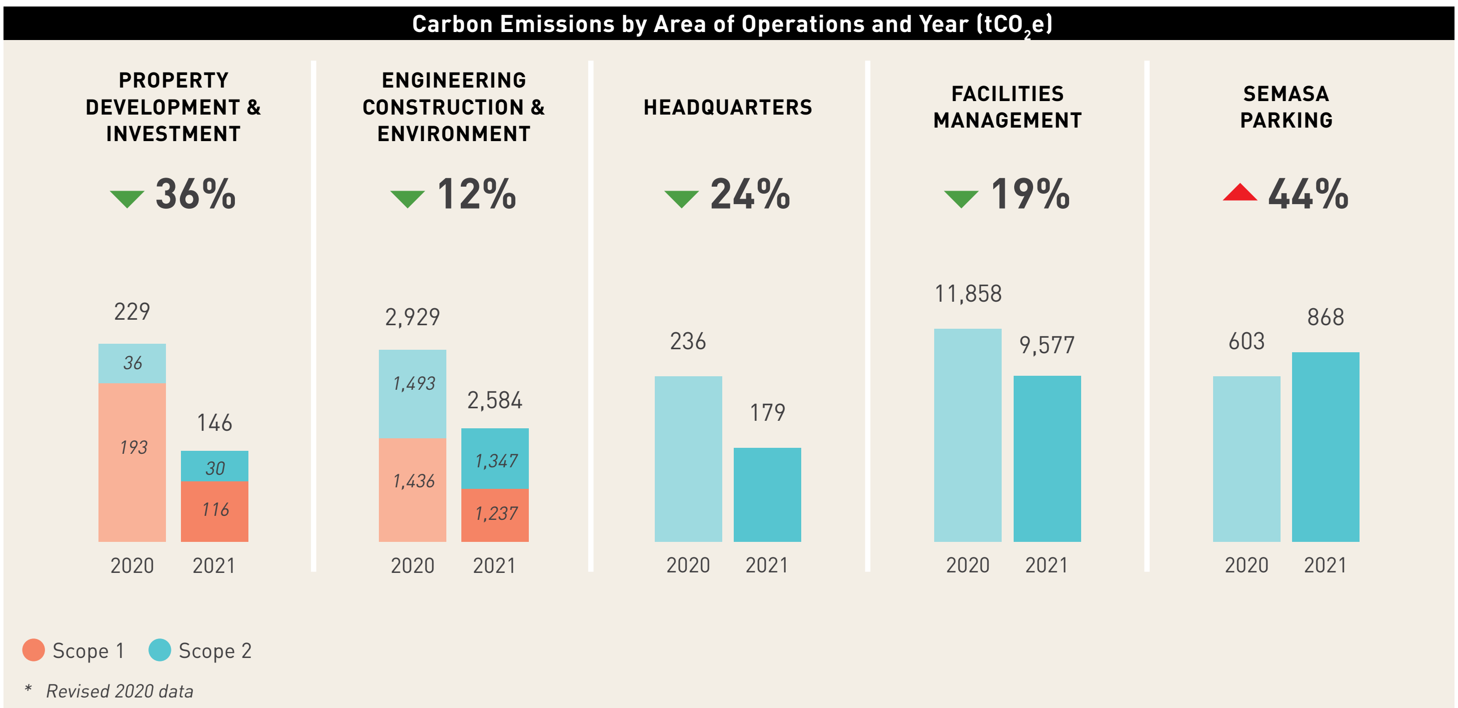
GHG Emissions

We started our journey on GHG emission disclosure in 2020, and although last year's emissions were partially audited and assured by an independent third party, amendments have been made to the 2020 emissions due to a new method of calculating emission factors recommended by MGTC.

Below are the updated figures for 2020 and 2021.



An exterior shot of MRCB's first green office project, Platinum Sentral in KL Sentral CBD



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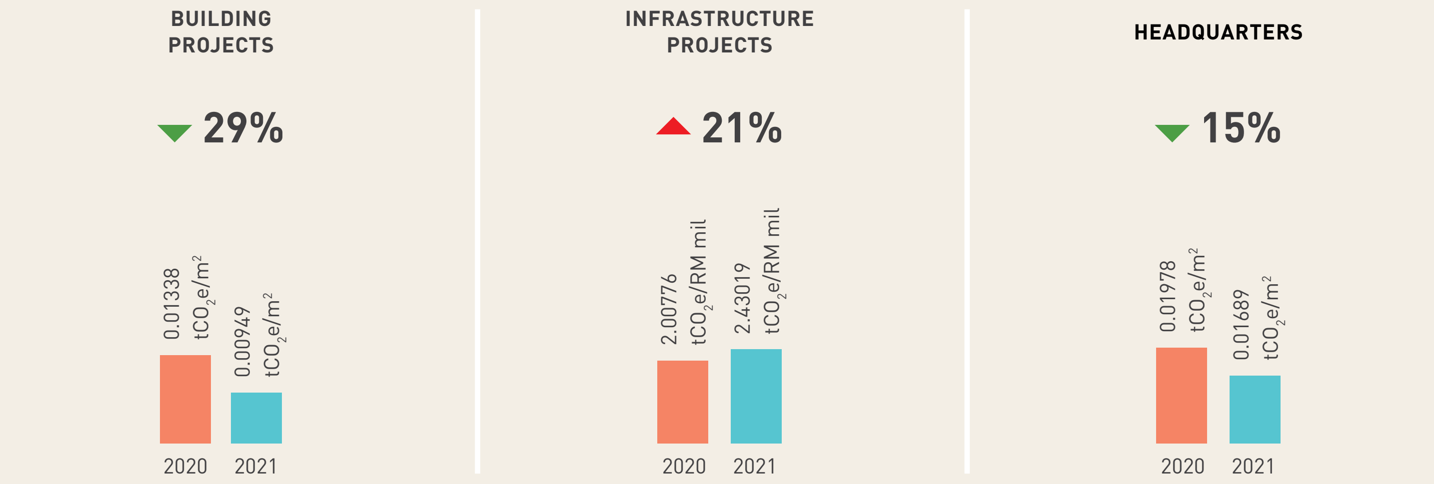
We set a 1% intensity reduction target in 2021 for our Scope 1 & Scope 2 emissions across the three segments of our operations, and we were able to achieve these targets with the exception of our Infrastructure Projects. The increase from our Infrastructure Projects was mainly due to projects being at the final phase of construction with progress not fully certified to be recognised as revenue.

Carbon Emissions Intensity by Segments of Operations



	2020		2021		2020 vs 2021
	Absolute	Intensity	Absolute	Intensity	% Intensity Reduction
Building Projects (Scope 1 & Scope 2)	2,704.17 tCO_2e	0.01338 tCO_2e/m^2	**2,450.42 tCO_2e**	**0.00949 tCO_2e/m^2**	▼ 29%
Infrastructure Projects (Scope 1 & Scope 2)	453.28 tCO_2e	2.00776 tCO_2e/RM mil	**278.86 tCO_2e**	**2.43019 tCO_2e/RM mil**	▲ 21%
Headquarters (Scope 2)	236.24 tCO_2e	0.01978 tCO_2e/m^2	**178.48 tCO_2e**	**0.01689 tCO_2e/m^2**	▼ 15%

Note: The coverage on intensity for Building Projects covers all developments except Alstonia and SIDEC 2D3

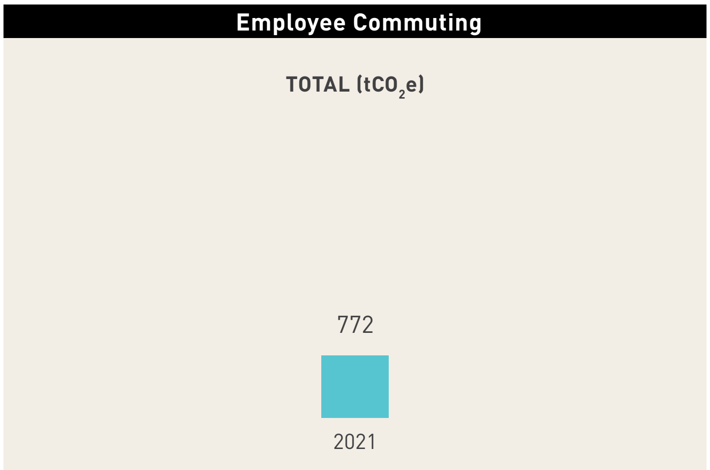
We expanded our emission reporting coverage in 2021 by tracking and defining Scope 1 & Scope 2 emissions for our Facilities Management and Semasa Parking's areas of operation. Both areas' intensity would be measured based on emission over gross floor area (tCO_2e/m^2) as shown in the following table. We will continue to update our monitoring and improvement initiatives for all our operating areas, as we continue to embark on our Net Zero Carbon journey.

	2020		2021	
	Absolute	Intensity	Absolute	Intensity
Facilities Management (Scope 2)	11,858.40 tCO_2e	N/A	**9,576.94 tCO_2e**	**0.05464 tCO_2e/m^2**
Semasa Parking (Scope 2)	603.06 tCO_2e	N/A	**868.02 tCO_2e**	**0.00333 tCO_2e/m^2**

We also recognised that Scope 3 emissions, which are the emissions along our value chain represents our biggest GHG impacts. MRCB adopts the Corporate Value Chain (Scope 3) Standards of the GHG Protocol to identify GHG reduction opportunities, track performance, and engage suppliers at the corporate level. MRCB has initiated reporting of 2 categories of Scope 3 emissions that covers Employee Commuting and Downstream Leased Assets.

Employee Commuting refers to emissions from the transportation of employees from their homes to their worksites. We adopt the fuel-based method which involves determining the amount of fuel consumed and applying the appropriate emission factor for that fuel. For 2021, the coverage for employee travel applies only to middle management and above based on their petrol card entitlement and usage.

Downstream leased assets refer to emissions from the operation of assets that are owned by MRCB and leased to other entities that are not already included in Scope 1 & Scope 2 reporting. For 2021, the assets refer to leased buildings and offices. The emissions are determined based on the total electricity consumption attributed to the leased entities and applying the appropriate emission factor.



Electricity & Water Consumption and Waste Generated

The complex nature of our business presents challenges in compiling and normalising certain environmental data sets. For example, electricity and water consumption tend to vary depending on the nature, number, stage of construction and scale of projects during the year. Projects at the beginning and end stages of work tend to be less electricity - intensive compared to other phases of construction where more electricity is required.

The recording and timely reporting of all environmental data is critical. For all project sites, the respective Environmental Officers (EO) submit the consumption billing on a monthly basis, while Headquarters and each location under Facilities Management and Semasa Parking submit all environmental data on a quarterly basis.

In 2020 we included intensity figures along with the absolute figures when tracking and representing consumption data for a more realistic analysis of our year-on-year performance for all our construction project sites. The intensity figures in 2020 were set as the baseline figures for our 1% reduction target in 2021.

The intensity figures for our project sites are divided into two categories, which are Building Projects for projects such as Sentral Suites, PJ Sentral, TRIA 9 Seputeh and PR1MA Brickfields, and Infrastructure Projects for projects such as KVMRT2 V210 & S210, DASH CB2 and SUKE CA2. The difference between these two intensity categories is that for Building Projects the intensity figure is consumption data against built-up area (m^2) and for Infrastructure Projects it is consumption data against progress revenue/claims (RM Million).

In 2021, we expanded the intensity figures to include the Facilities Management and Semasa Parking. The intensity figures for this Division are its consumption data against built-up area (m^2) for all its areas of operation.

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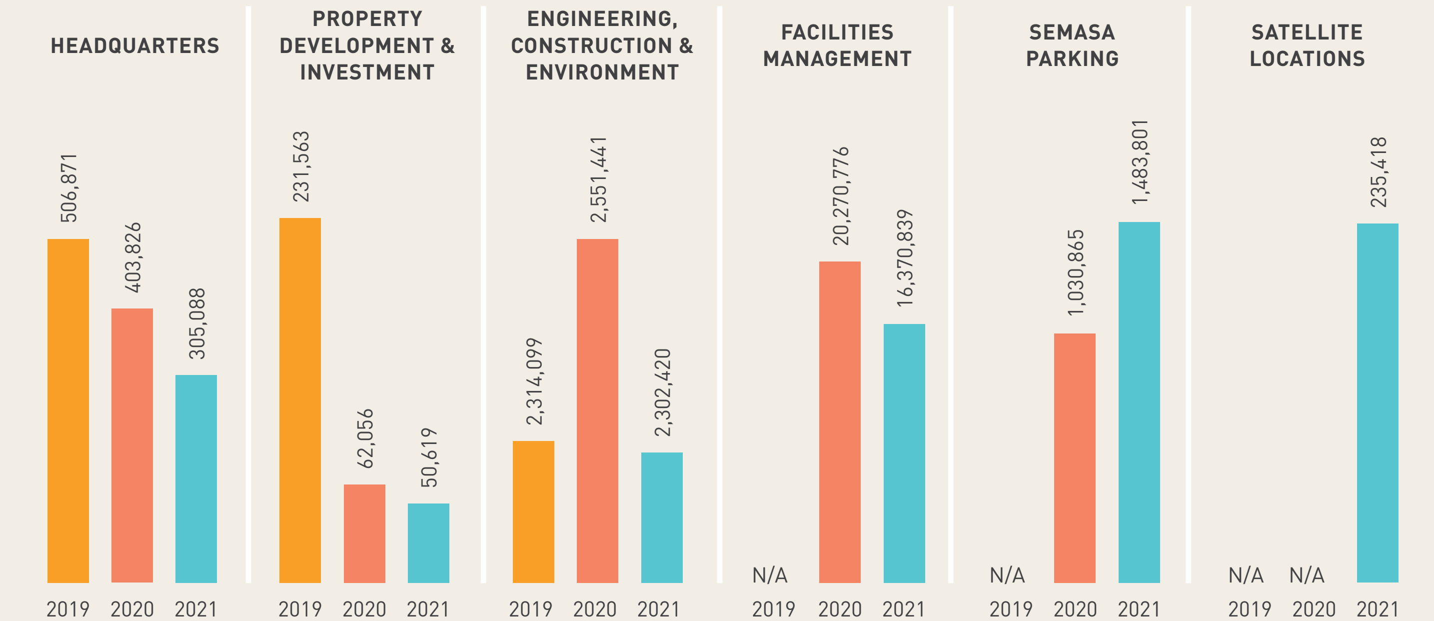
Electricity Consumption

In 2021, we noted electricity consumption reductions in almost all MRCB's areas of operations due to the Movement Control Order (MCO) where some of our project sites had to stop work on a few occasions while office-based employees were working from home on a rotational basis throughout the year. Only Semasa Parking recorded an increase, mainly due to the high electricity consumption from the use of mechanical parking bays located at PJ Sentral which began its operation in 2021, as well as more utilisation at their parking sites due to the reopening of more economic activities post-MCOs.

Electricity Consumption by Area of Operations and Year (kWh)

Electricity consumption reduction of **15%**



Area of operations	2019	2020	2021
Headquarters	506,871	403,826	**305,088**
Property Development & Investment	231,563	62,056	**50,619**
Engineering, Construction & Environment	2,314,099	2,551,441	**2,302,420**
Facilities Management	12,906,952	20,270,776	**16,370,839**
Semasa Parking		1,030,865	**1,483,801**
Satellite Locations	N/A	N/A	**235,418**
Total (kWh)	**15,959,485**	**24,318,964***	**20,748,184**

* The grand total for electricity consumption for 2020 was revised to improve data accuracy. The restated amount is 9% higher than previously reported.

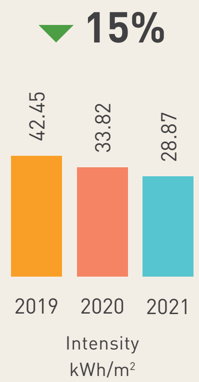
Electricity Intensity

Headquarters

In 2021, we have managed to significantly reduce our electricity consumption and electricity intensity. While this was mainly due to the COVID-19 pandemic and work from home scheme, we continued to identify areas of improvement. In 2021, we have managed to achieve an electricity intensity reduction of 14.64% for Headquarters. The intensity is calculated based on the gross floor area (m²) to improve accuracy in reporting.

Headquarters

	Headquarters	
	Consumption	Intensity
Year	(kWh)	(kWh/m²)
2019	506,871	42.45
2020	403,826	33.82
2021	305,088	28.87
Reduction 2020 vs 2021 (%)	▼ 24%	▼ 15%



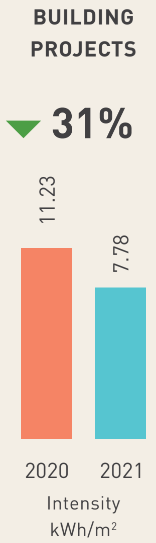
Building and Infrastructure Projects

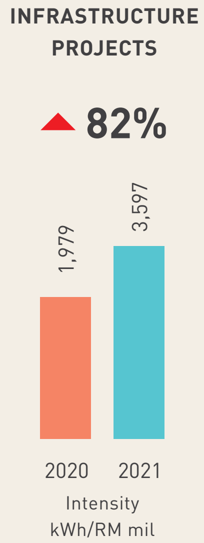
In 2021, we managed to record a 30.73% electricity intensity reduction for our Building Projects, while a 81.74% increase was recorded for Infrastructure Projects. Despite the lower consumption, the increase in intensity from our Infrastructure Projects was mainly due to projects being at the final phase of construction with progress not fully certified to be recognised as revenue.

Building and Infrastructure Projects

Year	Building Projects	
	Consumption	Intensity
	kWh	kWh/m²
2020	2,166,722	11.23
2021	1,940,344	7.78
Reduction (%)	▼ 10%	▼ 31%

Year	Infrastructure Projects	
	Consumption	Intensity
	kWh	kWh/RM mil
2020	446,775	1,979
2021	412,695	3,597
Reduction (%)	▼ 8%	▲ 82%





Note: The coverage on intensity for Building Projects covers all developments except Alstonia and SIDEC 2D3

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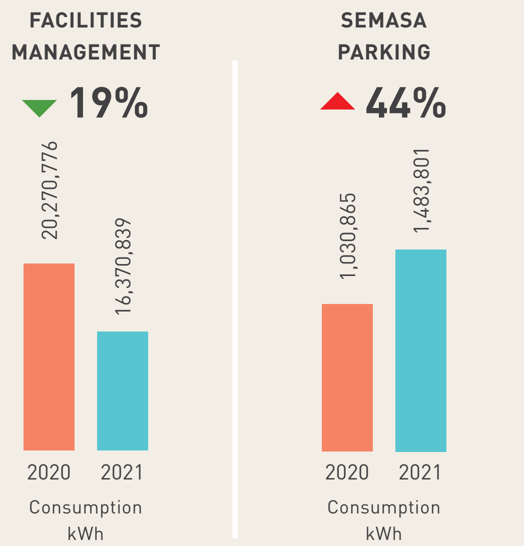
Facilities Management and Semasa Parking

In 2021, from the Division's electricity optimisation efforts, we achieved a 19.24% reduction in electricity consumption in Facilities Management, whereas Semasa Parking recorded an increase of 43.94% for the same period, measured against 2020. The increase from Semasa Parking was mainly due to the high electricity consumption from the use of mechanical parking bays located at PJ Sentral which began its operation in 2021, as well as a higher utilisation rate at its parking sites due to the reopening of more economic activities post-MCOs.

Facilities Management and Semasa Parking

Year	Facilities Management	
	Consumption	Intensity
	kWh	kWh/m²
2020	20,270,776	N/A
2021	16,370,839	93.40
Reduction (%)	**19%**	**N/A**

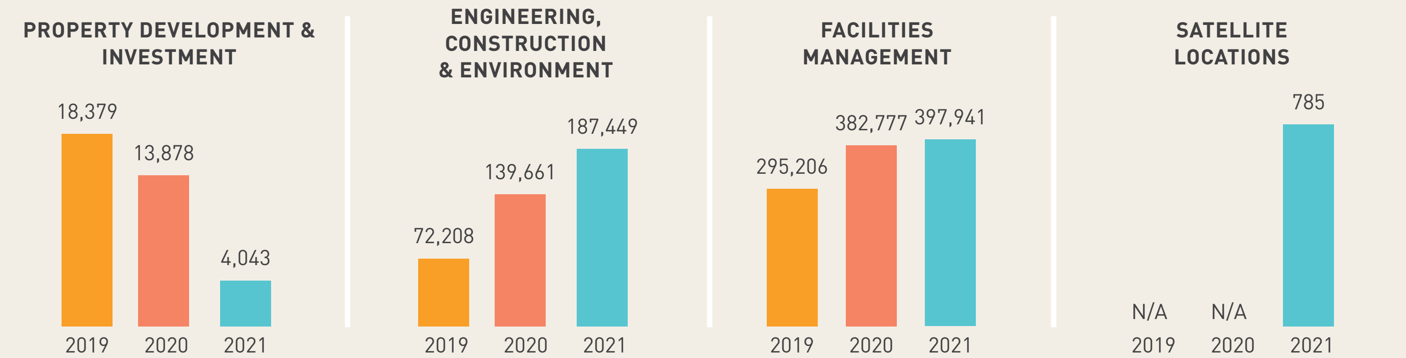
Year	Semasa Parking	
	Consumption	Intensity
	kWh	kWh/RM mil
2020	1,030,865	N/A
2021	1,483,801	5.693
Reduction (%)	**44%**	**N/A**



Water Consumption

In terms of water, we have noted an increase in consumption across our areas of operations with the exception of Property Development & Investment Division. Headquarters' water consumption and billing are included in the monthly rental and therefore, difficult to track as it is a fixed payment to the building management. We continue to identify areas in which we can improve our performance on water consumption to avoid unnecessary wastage.

Water Consumption by Area of Operations and Year (m^3)



Area of operations	2019	2020	2021
Property Development & Investment	18,379	13,878	**4,043**
Engineering, Construction & Environment	72,208	139,661	**187,449**
Facilities Management	295,206	382,777	**397,941**
Satellite Locations	N/A	N/A	**785**
Total (m^3)	**385,793**	**536,316**	**590,218**

Water Intensity

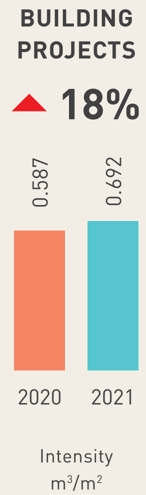
Building and Infrastructure Projects

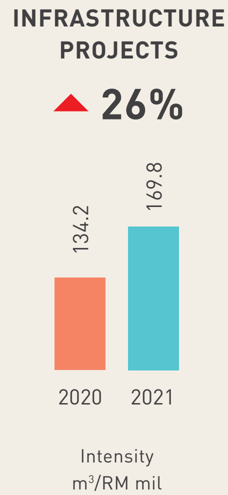
As shown in the table below, in 2021, we recorded a 17.77% increase in water intensity for Building Projects, and a 26.49% increase in Infrastructure Projects. Despite the lower consumption, the increase in intensity from our Infrastructure Projects was mainly due to projects being at the final phase of construction with progress not fully certified to be recognised as revenue.

Building and Infrastructure Projects

Year	Building Projects	
	Consumption	Intensity
	m^3	m^3/m^2
2020	123,233	0.587
2021	172,009	0.692
Reduction (%)	▲ 40%	▲ 18%

Year	Infrastructure Projects	
	Consumption	Intensity
	m^3	m^3/RM mil
2020	30,306	134.2
2021	19,483	169.8
Reduction (%)	▼ 36%	▲ 26%





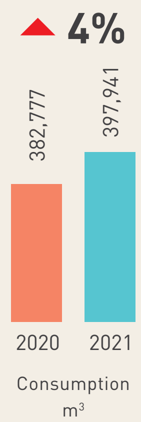
Note: The coverage on intensity for Building Projects covers all developments except Alstonia and SIDEC 2D3

Facilities Management

We recorded a 3.96% increase in water consumption for our Facilities Management Division, as the daily footfall began recovering in our facilities, resulting in higher consumption.

Facilities Management

Year	Facilities Projects	
	Consumption	Intensity
	m^3	m^3/m^2
2020	382,777	N/A
2021	397,941	1.866
Reduction (%)	▲ 4%	N/A



OUR PERFORMANCE
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Waste Generated

MRCB's business operations generate solid waste mainly from construction activities and requires disposal in landfills. To address this issue and align ourselves to SDG 12 on waste management, MRCB aims to minimise the generation of our construction waste wherever possible.

At our project sites, we practice the 3Rs (Reduce, Reuse and Recycle) approach where we segregate recyclables including reusable waste. This allows us to reduce a substantial amount of the waste sent to the inert waste landfill. To facilitate waste segregation at project sites, we provide several bin types for different wastes such as scrap metal, timber, concrete, and recyclable waste comprising paper, plastics and glass.

Scrap metal, timber and recyclable waste are sent for recycling to reduce the use of virgin resources in the future. Concrete waste is reused as crusher runs for access roads and to cover potholes within project sites, in order to minimise potential hazards and accidents. In cases where concrete waste is not suitable for reuse, it is sent to a licensed landfill for disposal.

We also ensure wooden pallets that come with the bricks supplied to us are safely stored at sites before returning them to suppliers for reuse.

Other than construction waste, our projects generate scheduled waste, which is managed in accordance with the Environmental Quality (Scheduled Wastes) Regulations 2005. Scheduled waste generated is properly stored and labelled at our project sites and disposed when it reaches a certain quantity or duration. We only appoint contractors who are licensed by the Department of Environment (DOE) to collect and transport the scheduled waste for treatment prior to disposal.

The total amount of overall waste generated in 2021 was 5,702 MT, compared to 8,014 MT in 2020. The decrease was due in part to the lower construction activity resulting from site closures due to COVID-19 and some projects nearing completion. The waste generated figures below are the combination of domestic waste, construction waste and scheduled waste generated from our project sites.

Waste Generated by Area of Operations and Year (MT)

Area of operations	2019	2020	2021
Property Development & Investment	32.340	77.934	84.618
Engineering, Construction & Environment	9,340.050	7,936.522	5,616.907
Total (MT)	**9,372.390**	**8,014.456**	**5,701.525**

Waste Intensity

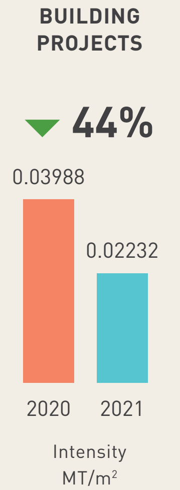
Building and Infrastructure Projects

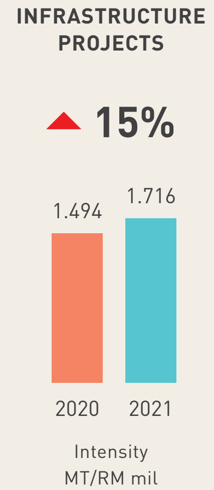
In terms of waste intensity, in 2021, we recorded a 44.05% reduction and 14.89% increase for Building Projects and Infrastructure Projects, respectively. Despite the lower disposal, the increase in intensity from our Infrastructure Projects was mainly due to projects being at the final phase of construction with progress not fully certified to be recognised as revenue.

Building Projects and Infrastructure Projects

Year	Building Projects	
	Generated	Intensity
	MT	MT/m^2
2020	7,677.2	0.03988
2021	5,504.6	0.02232
Reduction (%)	▼ 28%	▼ 44%

Year	Infrastructure Projects	
	Generated	Intensity
	MT	MT/RM mil
2020	337.2	1.494
2021	196.9	1.716
Reduction (%)	▼ 42%	▲ 15%





Note: The coverage on intensity for Building Projects covers all developments except Alstonia and SIDEC 2D3

RESPONSIBLE CONSTRUCTION

Green Building

Our built environment is responsible for a large amount of energy and water use, and emission of greenhouse gases. However, the use of green buildings has led to increased resource efficiency with a multitude of benefits to owners and occupants, as well as the environment. MRCB adopts Green Building Certification criteria for projects that require the construction of green buildings. The four (4) green building rating systems adopted are:

- Malaysia's Green Building Index (GBI);
- Malaysia's Green Real Estate (GreenRE);
- Malaysian Carbon Reduction and Environmental Sustainability Tool (MyCrest);
- US Green Building Council's Leadership in Energy and Environmental Design (LEED)

For a list of MRCB's green building and infrastructures development, please refer to our https://www.mrcb.com.my/sustainability/sustainability-statements.html.

Green Infrastructure

We also strive to embed sustainability considerations into our infrastructure design. The Construction Industry Development Board (CIDB) of Malaysia has conferred the design phase of the LRT3 project with a 5-Star Sustainable INFRASTAR certification, the first rail project in Malaysia to achieve this highest level of certification. Sustainable INFRASTAR is an objective and evidence-based evaluation system which assesses infrastructure projects on key sustainability factors such as land use, impact of equipment uses, resource and waste management at construction sites.

Biodiversity

Our Biodiversity Statement sets out our commitment to minimise environmental harm through our activities and where possible seeks to identify, assess and (when identified) manage environmental and biodiversity impacts within our operations. We have conducted Environmental Impact Assessments (EIA) in high biological diversity areas such as our projects in Desaru, Johor and taken necessary actions to minimise environmental harm in these areas. Moving forward, where there are gaps, we will strive to address them as far as practicable and review and update company relevant policies (as deemed fit). MRCB will continue to report its biodiversity practices in our Integrated Annual Report based on the Global Reporting Initiative framework and be involved in multi-stakeholder efforts that support strong ecological principles.

Sustainable Construction Materials

Sustainable construction materials require minimal use of natural resources and have greater reusability, which in turn is cost-effective and improves overall operational efficiency. We monitor the amount of building materials used in every project to maintain sustainable sourcing and reduce costs in each project. We ensure a balance of innovative construction practices without affecting the quality and durability of building materials.

In addition, with the implementation of Building Information Modelling (BIM) software for clash detection, we are able to resolve constructability issues and coordinate across all disciplines before construction begins, thereby reducing overall construction costs, and waste in a project.

The implementation of Industrialised Building Systems (IBS) at project sites uses criteria from CIDB IBS to meet the CIDB IBS assessment score of related projects. The objective of the CIDB IBS assessment is to provide a systematic and structured assessment system to measure the use of IBS in a consistent manner. CIDB is driving the adoption of IBS via private sector projects and are targeting for new developmental projects within Klang Valley worth RM50 million and above to achieve a minimum IBS Score of 50. In 2020, our TRIA 9 Seputeh Project and Sentral Suites were assessed, and the scores exceeded the minimum IBS Score, reflecting our high productivity level, reduced wastages and site labor, and higher overall quality as listed under CIDB's guideline. No IBS scoring was conducted in 2021.

Project	CIDB IBS Score
TRIA 9 Seputeh	51.1
Sentral Suites	51.4

As recognition for our efforts within this area, we are proud to announce that we were awarded the United Nations Global Compact Malaysia and Brunei (UNGCMYB) Sustainability Performance Award 2021 for SDG Ambition Benchmark 6.

This award is in recognition of our innovation of MRCB Building System (MBS), our proprietary modular construction system, which is aligned to five (5) UNSDGs. MBS allows us to deliver higher-quality buildings much more efficiently, reducing the waste going to landfills and lowering energy used during construction.

MRCB's modular construction technology, MRCB Building System (MBS), aligns with the UNSDGs

Improved Site Safety
90% of works done off-site at ground level in a controlled environment, reducing risk of injuries from working at height

SDG3

Skilled Local Labour
Less dependency on unskilled foreign labor and attracts more skilled workers to the industry

SDG8

Faster Construction Time
Fabrication of building components off-site run concurrently with on-site activities, reducing construction time by up to 50%

SDG8

High Quality Assurance & Control
Higher quality control at the point of construction due to controlled environment

SDG9

Lower Material Wastage
Shift towards manufacturing approach with streamlined processes and effective, "just in time" inventory management reduces waste going to landfills

SDG12

Lower Environmental Impact
Less noise, dust, truck movement & pollution from site activities and more efficient construction method, which reduces energy consumption compared to traditional construction

SDG13

INDEPENDENT SUSTAINABILITY REPORT ASSURANCE

for Malaysian Resources Corporation Berhad (MRCB)

SCOPE AND OBJECTIVE

SIRIM QAS International Sdn. Bhd., a Conformity Assessment Body in Malaysia, with extensive expertise and experience in the provision of sustainability-related assurance services, was engaged by Malaysian Resources Corporation Berhad (hereafter referred to as MRCB) to perform an independent verification and provide assurance of selected sustainability-related topics for MRCB Sustainability Report 2021. The main objective of the verification process is to provide assurance to MRCB, and its stakeholders of the accuracy and reliability of the information presented in the report. This was established through checking and verifying claims made in the selected sustainability-related topics. Further details provided in Appendix 1 of this statement. The management of MRCB was responsible for the preparation of the Sustainability Report. The objectivity and impartiality of this assurance statement is assured as no member of the verification team and no other employee of SIRIM QAS International was involved in the preparation of any part of the MRCB Integrated Annual Report 2021.

VERIFICATION TEAM

The verification team from SIRIM QAS International consists of:

1) Ms. Aernida Abdul Kadir : Team Leader
2) Ms. Kamini Sooriamoorthy : Team Member

METHODOLOGY

The verification process was carried out by SIRIM QAS International in March 2022. It involved the following activities:

- Reviewing and verifying the accuracy of data collected from various sources and that are presented in the selected sustainability-related topics;
- Reviewing relevant internal and external documentation;
- Interviewing of key personnel responsible for collating information and writing various parts of the content in order to substantiate the veracity of the claims;
- Evaluating the adequacy of the selected sustainability-related topics against the GRI Standards requirement.

During the verification process, issues were raised, and clarifications were sought from MRCB's working team relating to the accuracy of some of the data and contents contained in the report. The content was subsequently reviewed and revised by MRCB in response to the findings of the verification team. It can be confirmed that changes that have been incorporated into the final version of the selected sustainability-related topics and satisfactorily addressed the issues that had been raised.

LIMITATION

The verification process was subjected to the following limitations:

- Specifically, to the selected sustainability-related topics with limited raw data samples;
- The scope of work did not involve verification of information reported in MRCB's Sustainability Report and Integrated Annual Report 2020;
- The verification was designed to provide limited assurance in reference to International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, irrespective of the organization's ability to achieve its objectives, targets or expectations on sustainability-related issues;
- The verification has been remotely carried out as prevention against the COVID-19 infection during the assessment period; and,
- The verification team did not verify any contractor or third-party data.

CONCLUSION

Based on the scope of the assessment process and evidence obtained, the following represents SIRIM QAS International's opinion:

- The level of accuracy of data included in MRCB selected sustainability-related topics is fairly stated;
- The content was prepared in reference to the GRI Standards disclosures;
- The level of sustainability performance information presented in the report was found to be properly prepared;
- The personnel responsible were able to demonstrate the origin(s) and interpretation of data contained in the report.

INDEPENDENT SUSTAINABILITY
REPORT ASSURANCE
for Malaysian Resources Corporation Berhad (MRCB)

Statement Prepared by:

AERNIDA ABDUL KADIR

Team Leader
Management System Certification Department
SIRIM QAS International Sdn. Bhd.
Date : 23 March 2022

Statement Approved by:

MOHD HAMIM BIN IMAM MUSTAIN

Senior General Manager
Management System Certification Department
SIRIM QAS International Sdn. Bhd.
Date : 29 March 2022

Note 1:
This Independent Assurance Statement has been issued based on the content verified prior to the approval date.
SIRIM QAS International Sdn Bhd shall not be responsible for any changes or additions made after the referred date (23 March 2022).

Appendix 1 The topics and information covered in this assessment is tabulated below: Data reviewed for period between January 2021 to December 2021, unless stated otherwise.	**CLASSIFICATION OF DATA**		
	HIGH	**MEDIUM**	**LOW**
Emissions			
GRI 305-1 Scope 1: Fuel consumption from stationary combustion (with assumptions as reported and defined boundary)			/
GRI 305-1 Scope 1: Fuel consumption from mobile combustion i.e., company-owned vehicle (with assumptions as reported and defined boundary)	/		
GRI 305-2 Scope 2: Electricity consumption (owned and managed assets)	/		
GRI 305-3 Scope 3: Electricity consumption (leased assets)	/		
Health and Safety Data			
GRI 403-9 Injury Rate (January 2021 to December 2021)	/		
GRI 403-9 Incident Rate (September 2020 to August 2021)	/		
Employment			
GRI 401-3 Parental leave	/		
Diversity and Equal Opportunity			
GRI 405-2 Gender Gap	/		

Note 2:
Definition of LOW, MEDIUM and HIGH
LOW – Data and information reviewed has been based on information endorsed by the data owners. Verifiers did not have the access to the source of the data origin. It has been identified as one of the limitations during the conduct of the assessment.
MEDIUM – Data and information has been confirmed with the direct owners. However, the source of the data origin has been based on secondary data which is not accessible by the verifiers during the conduct of the assessment.
HIGH – Data and information reviewed has been confirmed with the direct owners. The source of the data origin was provided during the conduct of the assessment.