Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))
(Incorporated in Malaysia)

# Task Force on Climate-related Financial Disclosures (TCFD) Report for the year ended 31 December 2024

# Contents

# Introduction

In 2024, we continue to advance our commitment to addressing climate-related risks and opportunities. This document presents our disclosures for the year ending 31 December 2024, in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").

## Our Commitment

We are committed to managing our business in a sustainable and responsible manner in order to achieve long-term sustainable growth and value for our stakeholders.

## Overview

This report covers our climate-related financial disclosures, including:

**Governance**: Our Board of Directors' oversight of climate-related risks and opportunities.

**Strategy**: The impact of climate-related risks and opportunities on our business, strategy and financial planning.

**Risk Management**: Our processes for identifying, assessing, and managing climate-related risks.

**Metrics and Targets**: The metrics we use to assess climate-related risks and opportunities, and our performance against these targets.

# Governance

Strong governance is essential for advancing our efforts in fostering a low-carbon and climate-resilient global economy. We have established clear structures, processes, and responsibilities to ensure the continued relevance of our climate commitments. Our governance framework leverages cross-functional expertise and ensures strong oversight from Senior Management, the Risk Management Committee (RMC), and the Board of Directors (Board), guaranteeing clarity, transparency, and accountability in decision-making.

## Board of Directors

The Board is responsible for promoting the sustainable growth and financial soundness of the Company, ensuring fair dealing standards free from undue influence. It approves the risk appetite, business plans, sustainability policy, and other initiatives that could materially impact the Company's risk profile, financial soundness, reputation, or key operational controls. The Board oversees the selection, performance, remuneration, and succession planning of the CEO, control function heads, and other senior management members, ensuring their collective competence. Additionally, the Board incorporates environmental, social, and governance (ESG) considerations into the Company's business strategies and oversees the implementation of governance and internal control frameworks.

The Board also endorses the overall Sustainability Policy and strategy, evaluating climate-related risks and opportunities when assessing and approving MLRe's strategies and business plans. The Nomination & Remuneration Committee (NRC) evaluates new directors' ESG knowledge and competencies, ensuring they possess the necessary proficiency in ESG-related matters.

## Board Committees

The Risk Management Committee (RMC), a committee of the Board, oversees risk management and sustainability governance. It reviews and recommends strategies, policies, and risk tolerance levels for the Board's approval, ensuring the risk management framework effectively identifies, measures, monitors, and controls risks. The RMC ensures adequate infrastructure, resources, and systems for effective risk management and reviews regular reports on risk exposure and management activities.

In addition to risk management, the RMC oversees the sustainability governance structure, principles, priorities, and targets, managing climate-related risks and ensuring organizational resilience. The RMC communicates climate-related risk management responsibilities to Management, ensuring an integrated view of all risks.

The Audit Committee, supported by Internal Audit, provides an independent assessment of the adequacy and reliability of risk management processes, internal controls, and compliance with policies, laws, and regulations.

The Investment Committee formulates policies and strategies and reviews matters related to the Company’s investment of surplus funds.

## Senior Management

Senior Management is dedicated to enhancing climate resilience and promoting a just transition for customers and business partners. They manage daily climate-related risks and opportunities while integrating sustainability initiatives into operations. They continuously review MLRe's organizational structure to ensure clear roles and responsibilities within key business and risk functions. Regular updates on material climate-related risks and opportunities are provided to the Board, focusing on strengthening MLRe’s ability to address climate-related challenges through capacity-building initiatives and tailored training programs.

The Chief Executive Officer’s remuneration is directly tied to performance targets related to sustainability and climate-focused initiatives, ensuring proactive management of climate-related risks and minimizing vulnerabilities.

# Strategy

To address climate change, which poses significant risks to global economic growth and the Company's long-term financial stability, the Company developed its Sustainability Strategy in 2023. This strategy focuses on net zero, people and community, and sustainable operations, reflecting our commitment to sustainability. Supported by a robust climate-related risk management framework, fully integrated into the Company's overall Risk Management Framework, it underscores our dedication to achieving net-zero GHG emissions by 2030 and ensures effective management of climate-related risks.

A key component of this framework is the annual review, which guarantees the continued relevance and effectiveness of the strategy in addressing risks arising from market dynamics and regulatory changes.

Climate-related risks are classified into three main categories:

**Physical risk** – associated with economic costs and financial losses resulting from the increasing severity and frequency of climate change-related events. These are further break into acute physical risks and chronic physical risks.

**Transition risk** – associated with the process of adjustment made towards a low carbon economy.

**Liability risk** – associated with legal risks and claim damages and losses incurred arising from physical and transition risks, such as non-compliance to policies or regulations.

The table below provides an overview of the climate-related risks in the Company's risk taxonomy.

| Climate-related risk | Examples | Area of Impact on the Company | Risk Management |
|---|---|---|---|
| ***1. Physical risk*** | | | |
| ***(a) Acute risk*** | | | |
| - ***Loss or impaired lives*** | Climate-related events or natural disasters such as hurricanes and floods leading to higher mortality and increased illnesses. | Higher life and medical claims, pandemic, catastrophic | Manage under:<br>(i) Insurance/Takaful Risk - Reserving risk, Claims risk, Medical risk, Pricing risk |
| - ***Disrupted trade or reduced productivity*** | Climate-related events or natural disasters leading to operation disruption. | Business disruption, human capital shortage, illiquidity | Manage under:<br>(i) Operational Risk- Business Disruption and System Failures risk, Human Capital risk, Liquidity risk |

| Climate-related risk | Examples | Area of Impact on the Company | Risk Management |
|---|---|---|---|
| - ***Damaged assets*** | Climate-related events or natural disasters leading to physical damage to the Company's assets or increased operating costs. | Operational losses | Manage under:<br>(i) Operational Risk - Expense Operational Losses risk |
| *(b) Chronic risk* | | | |
| - ***Change of mortality profiles and demographic trends*** | Climate change could lead to change of mortality profiles and demographic trends in the long term, leading to changing of risk profiles in terms of pricing and underwriting. | Change of risk profiles in terms of pricing and underwriting | Manage under:<br>(i) Insurance/Takaful Risk - Pricing risk, Underwriting risk |
| - ***Investment*** | Longer-term gradual shifts of the climate affect the profitability and cost of business, leading to impacts on financial assets. | Reduction in investment value | Manage under:<br>(i) Market Risk - Interest Rate risk, profit rate, CIS risk<br>(ii) Credit Risk - Investment Default risk, Investment Concentration risk |
| - ***Loss or lowered revenue*** | Longer-term gradual shifts of the climate affect the economy and household income, leading to impacts on revenue. | Lapsation, unfavourable foreign exchange rate, insolvency counterparty | Manage under:<br>(i) Insurance/Takaful Risk - Pricing risk,<br>(ii) Market Risk - Foreign Exchange Rate risk<br>(iii) Credit Risk - Insolvency of Cedant/Retrocessionaire risk |
| ***2. Transition risk*** | | | |
| **(a) Public policy and regulation** | New policies and regulations related to climate change could be expected from regulators. | Compliance issue | Manage under:<br>(i) Operational Risk - Compliance risk |
| **(b) Strategic** | Changing in business trends, i.e., products and services demanded by customers. | Changes in business strategies | Manage under<br>(i) Strategic Risk<br>(ii) Insurance/Takaful Risk - Retention risk<br>(iii) Operational Risk - Expenses Operational Losses risk |
| **(c) Investment** | Market, policy, technological, and social changes affect the profitability and cost of business for firms and sectors related to climate change, leading to impacts on investment strategy. | Changes in investment strategies | Manage under:<br>(i) Market Risk - Interest Rate risk, profit rate, CIS risk<br>(ii) Credit Risk - Investment Default risk, Investment Concentration risk |

| Climate-related risk | Examples | Area of Impact on the Company | Risk Management |
|---|---|---|---|
| **(d) Reputation** | Social activism against the Company's inability to manage climate risk. | Reputation | Manage under:<br>(i) Operational Risk-Compliance risk |
| **3. *Liability risk*** | Entails legal risks and claims on damages and losses incurred from the effects of physical and transition risks. Generally, liability risk is assessed as part of physical and transition risks. | Legal issue, compliance issue | Manage under:<br>(i) Operational Risk - Compliance risk, Legal risk |

In line with the Company's Sustainability Strategy, its climate-related strategy focuses on two main areas, i.e., Investment and Operations.

## ❖ Investment

Climate change is reshaping the investment landscape, presenting both risks and opportunities. Understanding these dynamics is crucial for making informed and sustainable investment decisions. The Company has integrated Environmental, Social, and Governance (ESG) factors into its investment processes, carefully considering ESG risks and impacts to strengthen sustainability commitments without compromising investment and financial objectives. Additionally, the Company will continue engaging with external fund managers to gain better insights into climate risks and opportunities within its investment portfolio.

## ❖ Operations

To assess the impact of climate-related physical risks on business operations, the Company has integrated climate risk considerations into its business continuity management. The risk of adverse weather disasters (e.g., floods, heatwaves) is deemed manageable, with the office location not expected to face risk levels that undermine economic viability. A robust, regularly tested business continuity plan is in place to mitigate climate-related risks. As the office is on a rental basis, the Company, to an extent, has the flexibility to adjust its office location if needed.

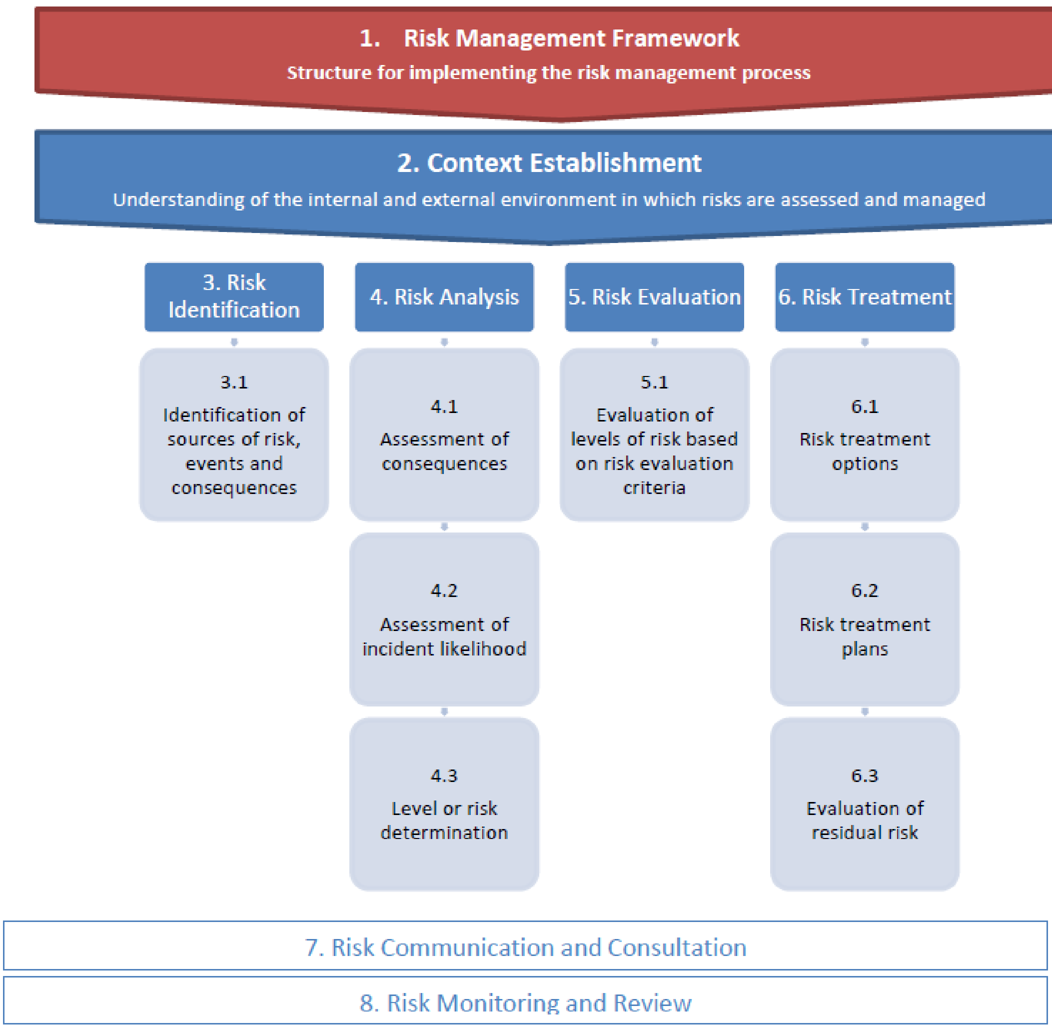
Climate change also presents opportunities to minimize environmental impact and support sustainable operations. The Company aims to neutralize emissions by adopting cleaner technologies, renewable energy sources, and energy-efficient practices. Effective waste management is emphasized through waste reduction strategies, recycling initiatives, and responsible disposal methods. Additionally, the Company promotes sustainability awareness through programs like tree planting, blood donation drives, and recycling campaigns, encouraging employee participation at all levels. These initiatives underscore the Company's dedication to environmental stewardship and building a sustainable future.

# Risk Management

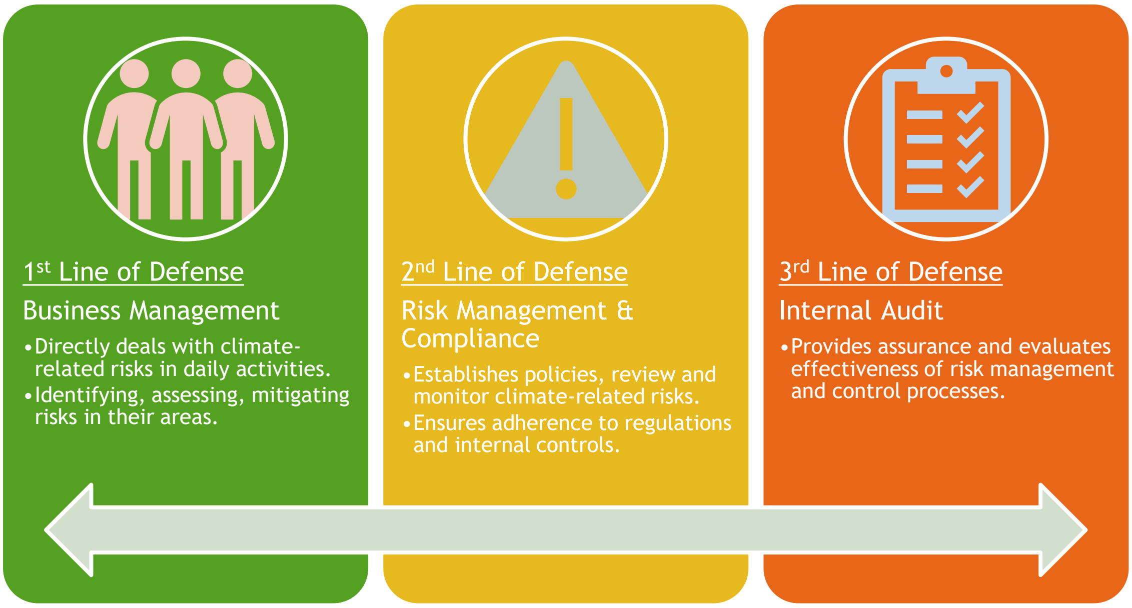
The identification, assessment, and management of climate-related risks are integrated into the Company's overall Risk Management Framework (RMF), reflecting our commitment to sustainability. The RMF provides a standardized approach for comprehensively identifying and assessing climate-related risks using both qualitative and quantitative methods. These risks are not standalone but are incorporated into the Company's existing risk taxonomy (refer to the Strategy section of this Report).

The Company also monitors relevant regulatory climate risk management developments in the jurisdiction where it operates, such as Bank Negara Malaysia. Policies and procedures are reviewed annually to ensure they remain effective in managing risks arising from market and regulatory changes.

Below is an overview of the risk management process:



The "Three Lines of Defense" model is practiced by the Company for its overall risk management processes.




Heads of Departments are primarily accountable for managing risks within their respective business areas.

The Risk and Compliance (RC) Department oversees the Company's Risk Management and Compliance functions, identifying and communicating key climate-related risks, exposures, and potential impacts to the Risk Management Committee (RMC), along with action plans to manage these risks. The RC Department actively identifies, assesses, and monitors risks, submitting quarterly risk management reports to the RMC and the Board, detailing the status of key risks and other relevant matters.

The Internal Audit (IA) reviews the Company's compliance program and assesses the effectiveness of internal control systems. Findings from internal audits are presented at Audit Committee (AC) meetings for deliberation and review, with corrective measures communicated to the relevant Heads of Departments.

# Metrics and Targets

In November 2024, the Company established climate-related targets to achieve net-zero Greenhouse Gas (GHG) emissions by 2030. These targets focus on reducing the carbon footprint of our operations and are summarized in the table below.

| Key Focuses | Metrics | Targets |
|---|---|---|
| **Neutralize Emissions** | GHG emissions - Scope 1 and 2 | Net zero by 2030 |

## Operations metrics

The Company is committed to managing its business sustainably and responsibly to achieve long-term growth and value for stakeholders. We strive to reduce operational GHG emissions to minimize the environmental impact of our business operations.

In 2024, the total absolute operational GHG emissions was 256.75 tonnes of $CO_2e$[1]. Total energy consumption across the Company was 244,975 kWh. The Company has incorporated climate-related and sustainability considerations into its third-party risk assessment process to better identify and address significant sustainability risks and opportunities. We will continue to engage with stakeholders to strengthen our overall approach to climate change.

| Metrics | Unit | 2024 |
|---|---|---|
| Water consumption | $m^3$ | 670 |
| Energy consumption | kWh | 244,975 |
| GHG emissions (absolute) | | |
| Scope 1: Direct | tonnes $CO_2e$ | 4.95 |
| Scope 2: Electricity | tonnes $CO_2e$ | 133.88 |
| Scope 3[2]: Other indirect GHG emissions | tonnes $CO_2e$ | 117.93 |
| *Category 6 - Business travelling* | tonnes $CO_2e$ | *5.08* |
| *Category 7 - Employee commuting* | tonnes $CO_2e$ | *112.85* |
| **Total GHG emissions (Scope 1, 2 & 3)** | **tonnes $CO_2e$** | **256.75** |
| | | |
| Disposal of E-Waste[3] | unit | 143 |

The Company's Scope 1 emission accounts for direct GHG emissions that occur from sources that are owned or controlled by the company such as vehicles owned. Scope 2 emission accounts for GHG emissions from the generation of purchased electricity

[1] Carbon Dioxide Equivalent
[2] Includes category 6 - business travelling, and category 7 - employee commuting.
[3] In 2024, the Company engaged with a certified recycling partner to degauss and dispose of the used electronic equipment (e.g. laptop, monitor, hard disk, personal computers, etc.) in an environmental and responsible manner.

consumed by the Company. Scope 3 emissions are a consequence of the activities of the Company but occur from sources not owned or controlled by the Company. Emissions from Scope 3 currently cover categories 6 – business travelling, and category 7 – employee commuting. The Company strives to continuously improve its GHG emissions calculation methodology as the Company navigates measurement of upstream and downstream Scope 3 categories.

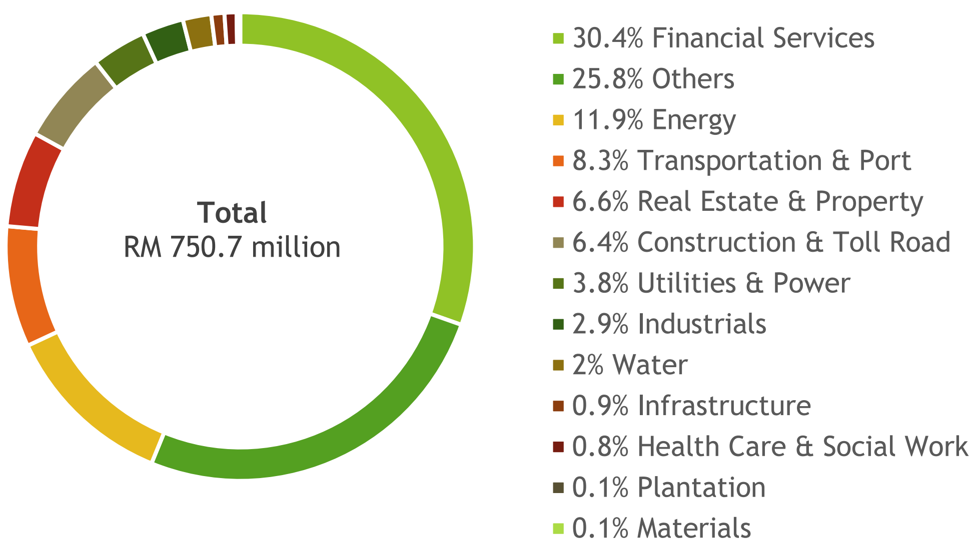
The Company calculates its GHG emissions according to the GHG Protocol guidelines. The emission factors on GHG emissions (Scope 1, 2 and 3) are based on the Greenhouse Gas Protocol database, sustainability report of utility company, and the List of Emission Factors published by the United States Environmental Protection Agency. Employee commuting figures are estimated based on the information collected through an annual employee commute survey, of which 86% of the Company employees participated.

## Investment metrics

The Company has integrated the consideration of environmental, social and corporate governance impacts in its investment processes. The table and graph below outline the Company's climate-related investment metrics. The Company will continue to explore climate-related opportunities in its investment portfolio, such as low-carbon assets and investees that align with climate transition objectives.

| Metrics | Unit | 2024 |
|---|---|---|
| Qualified sustainable and responsible investment fund under Securities Commission ("SC") Malaysia | RM mil | 35.73 |

**Proportion of Fixed Income CIS investment portfolio by sector**



# Conclusion

In 2024, Malaysian Life Reinsurance Group Berhad has made significant strides in addressing climate-related risks and opportunities, integrating climate considerations into various aspects of our operations. As we move forward, we will continue to engage with stakeholders, enhance our methodologies, and adapt to the evolving regulatory landscapes to ensure the effectiveness of our efforts in securing long-term sustainable value for our stakeholders.

*End.*