



**TASK FORCE ON
CLIMATE-RELATED FINANCIAL
DISCLOSURES REPORT**

2025



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SECTION 01

INTRODUCTION



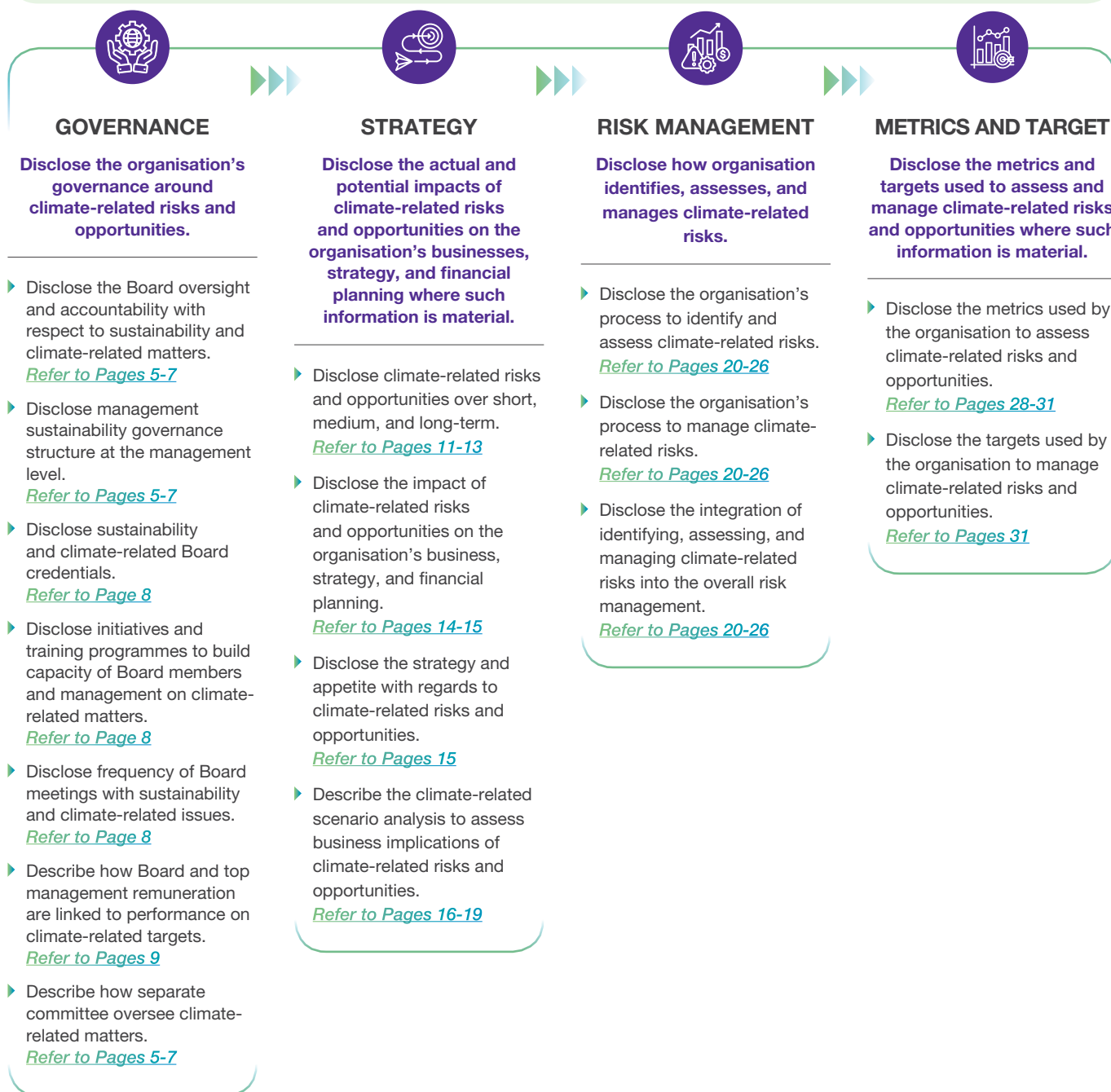
- ▶ The Task Force on Climate-related Financial Disclosures (“TCFD”) framework provides a globally recognised approach for organisations to assess, manage and disclose climate-related risks and opportunities. For the life insurance industry, climate change presents evolving implications for long-term financial stability, investment portfolios, underwriting practices and operational resilience.





Introduction

This report outlines the MCIS Life’s approach to identifying, assessing and managing climate-related risks and opportunities in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures. It reflects our commitment to transparency and responsible stewardship as we integrate climate considerations into governance, strategy, risk management and metrics and targets. By strengthening our climate-related disclosures, we aim to enhance stakeholder confidence while supporting the global transition towards a low-carbon and climate-resilient economy.



SECTION 02

GOVERNANCE



- ▶ This section provides an overview of MCIS Life governance framework and the roles of various departments in addressing climate-related risks and opportunities. MCIS Life upholds the importance of robust and effective governance of climate-related risks to safeguard the Company's resilience against the adverse impact of climate change.





Governance

2.1. Board and Management Oversight

MCIS Life Board of Directors (“Board”) and senior management shall oversight the process to identify, assess, and integrate climate-related risks and opportunities for the Company, with the governance reporting structure below.



| Figure 2.1: Climate Risk Governance Reporting Structure

▶ The Board shall have the following responsibilities:

- ▶ Safeguard MCIS Life resilience against the adverse impacts of climate change.
- ▶ Evaluate climate-related risks and opportunities on a periodic basis.
- ▶ Take into consideration climate-related risks and opportunities when assessing / approving MCIS Life strategies and business plans.
- ▶ Assign clear roles and responsibilities to the senior management to manage climate-related risks.
- ▶ Actively discuss and remain up to date on climate-related developments.
- ▶ Ensure sufficient resources and capabilities in managing climate related risks and implementing strategies to build climate resilience.

The Board has delegated its responsibilities to the Board Risk Management Committee (“BRMC”) to advise and assist the Board in fulfilling its oversight responsibilities to other sustainability activities of MCIS Life, over and above technology, including but not limited to monitoring and measurement of the impact and its sustainability activities. It will ensure that MCIS Life activities align with the overall business strategy, comply with regulatory requirements, support sustainability objectives, and position for long-term growth and financial and operational resilience, and will monitor the outcomes of these. In fulfilling this role, the Committee shall evaluate the risks and opportunities arising from climate change on a periodic basis and consider these risks and opportunities in assessing and approving the strategies and business plan.

The Social, Ethics & Sustainability (“SES”) Committee which comprises of senior management, was established to assist the Board, BRMC and EMC in articulating and developing sustainability strategy while providing oversight on sustainability initiatives across the Company. This includes monitoring of contents and completeness of MCIS Life disclosures as well as Environmental, Social and Governance (“ESG”) reporting matters that also includes climate actions.



Governance

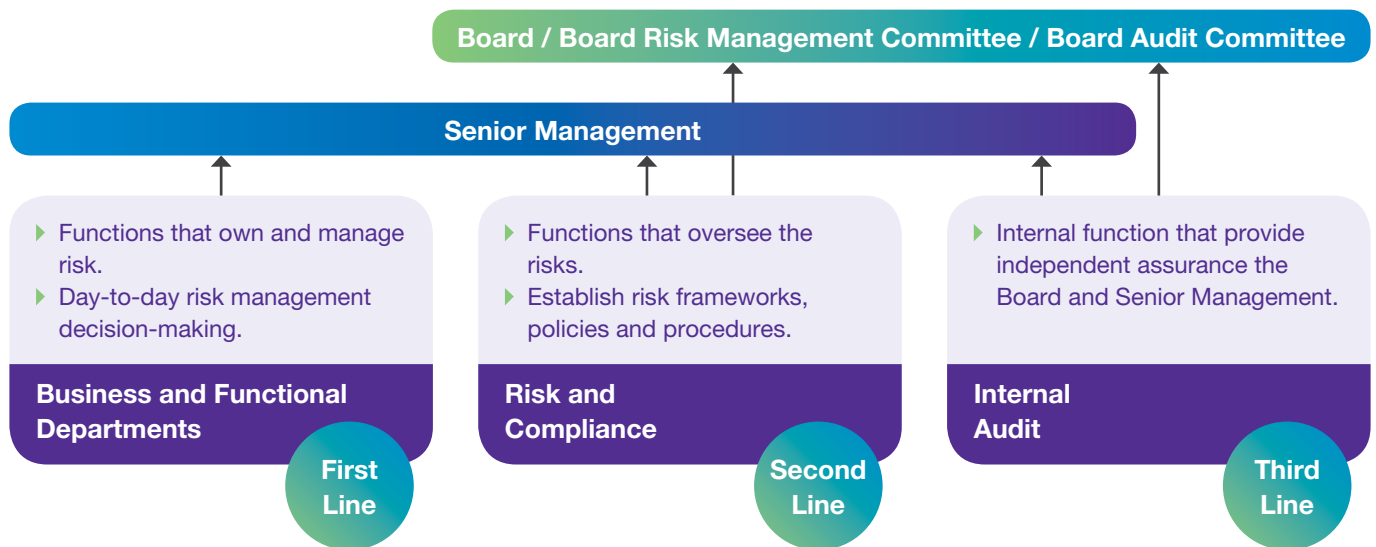
▶ SES shall have the following responsibilities:



- ▶ Implement policies and procedures to build and support climate resilience.
- ▶ Day-to-day management of climate-related risks and opportunities.
- ▶ Review the effectiveness of MCIS Life’s organisational structure and appropriately define the roles and responsibilities of key business and risk functions in supporting the Company’s strategies to build climate resilience and manage climate-related risks.
- ▶ Provide regular and timely updates to the Board with material information on climate-related risks and opportunities.
- ▶ Develop appropriate capacity building and training plans for the board, senior management, and all relevant staff.

A dedicated Sustainability Department (“SD”) which is under the Company’s Chief Strategy Officer Division, has been established to drive and collaborate with respective stakeholders in managing climate-related risks.

Three Line of Defense



| Figure 2.1.2: Three Line of Defense

To ensure the responsibilities of climate risk management are across the Company, MCIS Life implements three lines of defense so that the ownership and accountability are clear and coordinated.

As defined under the MCIS Enterprise Risk Management (“ERM”) Policy and Plan document, each business / operational / support department including Sustainability Department is the first line of defense. The Risk Champion in each department is to drive climate risk management

and compliance activities including adhering to climate risk frameworks and policies.

The Company’s Risk Management Department (“RMD”) is the second line of defense providing risk oversight of the climate risk frameworks and policies.

The Internal Audit Department (“IAD”) shall play the role of third line of defense, providing independent reasonable assurance.



Governance

2.2. Climate Expertise and Experience

The Board of Directors collectively possesses a diverse range of expertise and professional experience that supports effective oversight of sustainability and climate-related risks and opportunities. Board members bring extensive backgrounds in areas including risk management, financial services, insurance operations, investment management, regulatory compliance and corporate governance. These competencies are particularly relevant to the oversight of climate-related risks that may impact the Company's investment strategy, asset-liability management and long-term business resilience.

To further strengthen climate-related governance, the Board receives periodic briefings and updates from Management on emerging sustainability and climate-related developments, including regulatory expectations, evolving industry practices and the potential financial implications of climate-related risks and opportunities. These updates support the Board in incorporating climate considerations into strategic planning, enterprise risk management and capital allocation decisions.

The Board is supported by Management-level governance structures, including BRMC, which provide regular reporting on climate-related risk assessments, scenario analysis and sustainability initiatives. Where appropriate, the Company also leverages external expertise and industry guidance to enhance its understanding of climate-related developments and best practices.

2.3. Climate-Related Training

In line with MCIS Life's commitment to addressing climate-related risks and opportunities, the Board understands the importance of continuous training and is encouraged to keep abreast of the latest developments, trends, insights, and regulatory requirements on climate-related matters. The Company encourages the Board to engage in ongoing climate-related training programs to ensure they are well-prepared to make informed decisions and contribute effectively to the Company's climate strategy. As of 31 December 2025, the Board members have attended training on "Climate Risk Governance & Disclosure Requirements" provided by KPMG Management and Risk Consulting.

2.4. Stakeholder Engagement

- ▶ **The BRMC Board Meeting serves as a key platform for climate-related discussions which will be held four times a year in matters such as:**



- ▶ Endorse of frameworks, strategy, etc.
- ▶ Update on progress of BNM compliance in relation to climate change.
- ▶ Endorse of Sustainability Report.
- ▶ Update on progress of MCIS Life Net Zero pathway.
- ▶ Summary of key-climate-related issues and initiatives deliberated.
- ▶ Update on sustainability or climate initiatives.

This will enable the Company to address climate risks and opportunities on an ongoing basis, ensuring effective communication, collaboration, and well-preparedness to navigate on the evolving landscape.





Governance

2.5. Remuneration and Performance Incentives

MCIS Life acknowledges regulatory expectations on the alignment of remuneration practices with sustainability and climate-related considerations. During the financial year, we have initiated preliminary efforts to assess and progressively incorporate relevant sustainability and climate-related factors into the remuneration framework for its Board of Directors (excluding Independent Directors) and Senior Management, taking into consideration the availability of appropriate, measurable, and reliable performance indicators.

This position reflects our current level of maturity in operationalising climate-related risk management and integrating climate considerations into enterprise-wide performance measurement frameworks. MCIS Life has prioritised the establishment of foundational elements, including governance structures, climate risk identification and assessment processes, and the development of internal capabilities to support climate-related data measurement and monitoring. These efforts are considered critical to ensure that any future remuneration linkage is supported by robust, reliable, and decision useful metrics.

Notwithstanding the absence of explicit climate-linked remuneration, accountability for climate-related risks and

opportunities resides with the Board and Senior Management through existing governance and oversight mechanisms. Climate-related considerations are embedded within risk management and strategic deliberations, and management performance is assessed holistically, including responsibilities relating to prudent risk management, long-term financial resilience, and stewardship of policyholders' and shareholders' interests.

MCIS Life is currently undertaking an internal review to assess the feasibility of incorporating sustainability and climate-related Key Performance Indicators ("KPIs") into remuneration structures. We intend to adopt a phased approach in introducing climate-linked remuneration elements, with a target timeline from the 2026 performance year onwards, subject to the readiness of internal frameworks, availability of consistent data, and alignment with regulatory expectations. This approach is intended to ensure that remuneration structures remain prudent, risk-sensitive, and aligned with the long-term interests of the Company.



SECTION 03

STRATEGY



- ▶ Climate change presents both risks and opportunities for the life insurance industry, influencing mortality and morbidity trends, investment performance, and the long-term sustainability of insurance portfolios. Recognising these potential impacts, MCIS Life integrates climate-related considerations into its strategic planning and business decision-making processes. This includes assessing the implications of physical and transition risks on our operations, products, and investment activities, while identifying opportunities to support the transition to a low-carbon and climate-resilient economy. Through this approach, we aim to strengthen our long-term resilience, safeguard policyholder interests, and ensure that climate-related risks and opportunities are appropriately reflected in our business strategy.





Strategy

3.1. Climate-Related Risks and Opportunities

MCIS Life systematically identifies climate-related risks and opportunities that may impact our business, operations, and investment activities. This assessment considers physical, transition and liability risks across relevant time horizons, enabling us to better understand potential implications for the business and incorporate climate considerations into strategic decision-making. In line with our strategic planning and risk management processes, MCIS Life has defined the following time horizons to assess and report on climate-related risks and opportunities. Short-Term: 1-3 Years, Medium-Term: 3-10 Years and Long-Term: Over 10 Years.

A list of climate-related risks has been identified. The list is non-exhaustive and will be subjected to periodic review.

Risk Categories	Climate Risk Type	Risk Description	Time Frame
Capital and Solvency	Physical / Transition	Exposure to financial risks from climate-related stress tests and capital requirements.	Medium to Long-Term
Market	Physical / Transition	Impact on investment portfolios from climate-related financial market volatility.	Medium to Long-Term
Strategic	Transition	Transition risks from the shift to a low-carbon economy impacting business models.	Medium to Long-Term
		Exposure to investment risks from stranded fossil fuel assets.	Medium to Long-Term
	Liability	Failure to design policies and guidelines to control financing to companies whose activities have negative environmental effects.	Medium to Long-Term
Life Insurance	Physical / Transition	Pricing risks from uncertainty and volatility associated with climate-related risks.	Medium to Long-Term
		Challenges in accurately modelling and assessing complex climate-related risks.	Medium to Long-Term
		Risks associated with underwriting long-term policies in uncertain climate scenarios.	Medium to Long-Term
		Reserving risks.	Medium to Long-Term
	Physical	Climate-induced economic recessions or downturns impacting insurance demand and profitability.	Long-Term
		Increasing mortality and morbidity rates from climate risk related events.	Long-Term
		Increased costs of reinsurance due to climate-related risks and volatility, or reinsurance market hardening impacting reinsurers participation, causing reduced underwriting capacity for the company.	Medium to Long-Term



Strategy

Risk Categories	Climate Risk Type	Risk Description	Time Frame
Operational	Physical / Transition	Exposure to cyber risks from climate-related disruptions impacting digital infrastructure.	Medium to Long-Term
		Reputational risks from inadequate response to climate-related challenges.	Medium to Long-Term
		Regulatory risks from evolving climate-related policies and regulations.	Short to Long-Term
	Transition	Loss of new business due to the products are not considered as green / sustainable investment.	Medium to Long-Term
	Physical	Increased operational risks due to disruptions from climate-related events.	Short to Long-Term
		Disruption in supply chains and increased costs due to climate-related events.	Short to Long-Term
	Liability	Failure to disclose climate-related vulnerabilities, causing economic loss to customer.	Short to Long-Term
		Increase environmental liability claims.	Medium to Long-Term
Credit	Physical / Transition	Economic loss from the default of counterparties.	Medium to Long-Term
Liquidity	Physical / Transition	Risk of not being able to timely meet payment obligations due in full as a result of risks arising from business activities, investment activities or (re)-financing activities.	Medium to Long-Term
Regulatory Compliance	Transition	Regulatory risks from evolving climate-related policies and regulations.	Short to Long-Term

 | *Table 3.1.1: Climate-Related Risks*

All the risk identified will be assessed with control measures, mitigation action plan with targeted timeline and captured in the risk register for continuous monitoring and update.





Strategy

A list of climate related opportunities has been identified. The list is non-exhaustive and will be subjected to periodic review.



Physical



PRODUCTS AND SERVICES

Increased demand for health and protection solutions

- Climate-related health risks such as heatwaves and disease outbreaks may increase demand for life, health, and critical illness coverage.



MARKET

Expansion of wellness and healthcare programmes

- Develop wellness programmes that help policyholders manage climate-related health risks, improving customer engagement and reducing claims.



RESILIENCE

Enhanced risk analytics and actuarial modelling

- Leveraging climate and health data to better assess mortality and morbidity trends and improve underwriting and pricing strategies.



Transition



PRODUCTS AND SERVICES

Development of sustainability and climate-linked investment fund

- Opportunities to introduce sustainability investment fund that promote sustainable behaviours, such as policies linked to wellness.



MARKET

Growth in sustainable investment opportunities

- The transition to a low-carbon economy creates opportunities to invest in green bonds, renewable energy projects, and climate-resilient infrastructure.



RESOURCE EFFICIENCY

Digitalisation

- Adoption of digital platforms reduces operational emissions while improving operational efficiency and customer experience.



Physical / Transition



RESILIENCE

Strengthening long-term business resilience

- Integrating climate considerations into strategy and risk management enhances the ability to adapt to climate-related disruptions and regulatory developments.



MARKET

Strategic partnerships

- Collaboration with healthcare providers and sustainability partners to develop health protection and prevention solutions.



Strategy

3.2. Impact of Climate-Related Risks and Opportunities

The impact of the climate risks, grouped by risk type, are as follows.

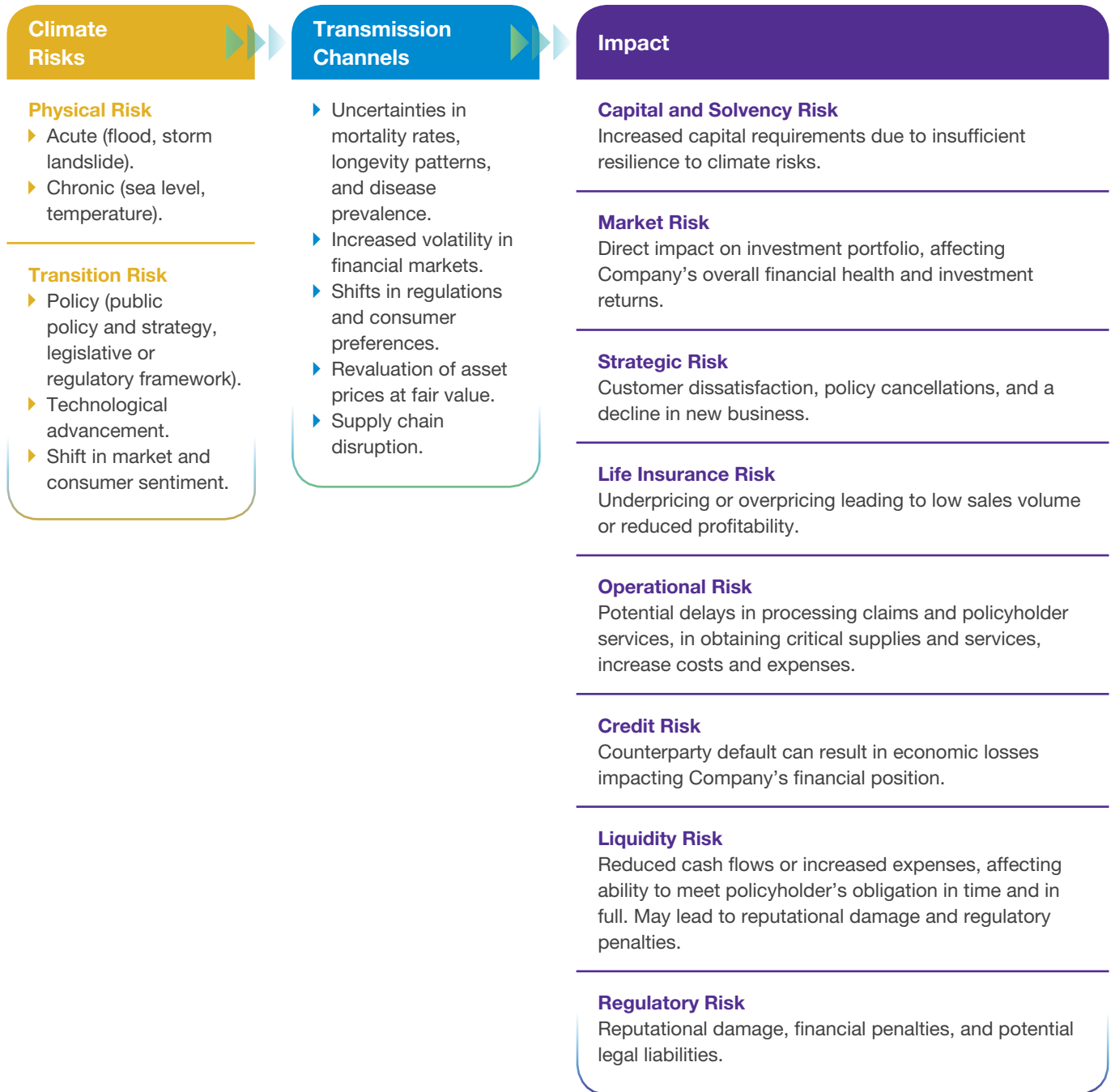


Figure 3.2.1: Impact of Climate-Related Risks





Strategy

MCIS Life manages its climate-related risks in a manner that is proportionate to the materiality of climate-related risks, taking into consideration the size, nature and complexity of its business model.

Asset portfolio and liabilities materiality assessment are performed to understand the geographical exposure and risk levels in relation to climate risk evolution over different scenarios will be carried out.

For hazards applicable to the Company, MCIS Life will utilise available data on climate change perils, severity and frequency to develop heatmap and qualitative assessment of materiality for its portfolio.

3.3. Strategy and Risk Appetite

MCIS Life aims to reduce carbon emissions over time and achieve net-zero carbon emissions by 2050 by integrating climate risk considerations into our overall business strategy and core business operations to protect the long-term interests of our policyholders and shareholders. Further details of this are under Section 5 Metrics & Target for GHG Emissions.

Our comprehensive roadmap / framework aligns our climate risk strategy with sustainability goals and is supported by

climate risk targets and actions plans. It identifies potential climate-related risks and opportunities that impact our business strategy, product innovation, underwriting and investment decisions.

We aim to lead the practice for sustainable insurance products, by maintaining a resilient and sustainable life insurance portfolio via active management and mitigation of climate-related risks through informed risk assessments and scenario planning.

MCIS Life recognises that climate change presents emerging risks and opportunities that may impact its operations, insurance portfolio, and investment activities over the short, medium, and long-term. As part of its enterprise risk management framework, we have established a climate risk appetite to guide the identification, assessment, and management of climate-related risks. This risk appetite supports informed decision-making by defining the level of climate-related risk the Company is willing to accept while safeguarding financial resilience, protecting policyholder interests, and supporting the transition towards a more sustainable and climate-resilient economy.

Climate-related risks is captured as one of the Company's Top Key Risk ("TKR") and MCIS Life shall clearly address climate-related risks within its risk appetite statement ("RAS") as shown below.

No.	Risk Appetite Statement	Measurement Indicator
1	MCIS Life target to achieve net zero carbon by 2050	Tonnes of CO ₂ equivalent
2	MCIS Life to limit its investment exposure to industry sectors with high levels of climate risk and decrease this exposure over time	Maximum 10% of non-ESG business activities from the total AUM
3	MCIS Life to decarbonise its investment portfolio by a) Reviewing current portfolios with high carbon emissions b) Evaluating the carbon emissions of any new investment	% of investment portfolio carbon emission
4	MCIS Life aims to reduce the carbon emissions from its own operations	% of carbon emissions



Table 3.1.1: Climate-related Risk Appetite Statement



Strategy

3.4. Scenario Analysis

Scenario analysis is a key tool used to assess the potential financial implications of climate-related risks and opportunities under different future climate pathways. MCIS Life has conducted qualitative and quantitative scenario analysis using reference pathways developed by the Network for Greening the Financial System (“NGFS”). These scenarios provide a structured framework for assessing how varying levels of climate policy ambition, transition speed and physical climate impacts may influence the economic and financial system.

The analysis focuses on understanding how different climate trajectories could affect MCIS Life’s business model, including insurance demand, investment performance and long-term financial resilience. Three climate scenarios were considered namely **Net Zero 2050**, **Divergent Net Zero 2050**, and **Nationally Determined Contributions**. Each scenario reflects different levels of climate policy coordination and transition progress, which may influence the extent of both transition and physical climate risks. The analysis was conducted in Q2 2025.



3.4.1 Net Zero 2050

The **Net Zero 2050** scenario assumes that governments globally implement immediate and coordinated climate

policies to limit global warming to approximately 1.5°C. Rapid decarbonisation occurs across major sectors, supported by strong policy intervention, technological innovation and significant capital reallocation towards low-carbon investments.



Under this scenario, transition risks are expected to be more pronounced in the near term due to accelerated policy implementation, carbon pricing mechanisms and shifts in investment portfolios. For MCIS Life, this may affect the valuation of carbon-intensive investment assets and require adjustments to investment strategies to align with evolving sustainability standards. At the same time, the transition towards a low-carbon economy may create opportunities to expand sustainable investment portfolios.

Physical climate risks are expected to remain relatively limited over the long-term as global mitigation efforts reduce the severity of climate impacts. Improved environmental outcomes may contribute to greater economic stability and potentially lower long-term mortality and health risks associated with climate-related environmental factors. Below is the summary of assumptions and quantitative impact projected based on this scenario.

 Physical Risk 	Assumptions	Insurance Stress Parameters	Impact Per Year
	<ul style="list-style-type: none"> ▶ Stable increase in temperature ▶ Improved air quality ▶ Reduction in climate-sensitive illnesses ▶ Lower exposure to health risks ▶ Stable claims experience ▶ Stable consumer behavior 	Nil	Nil



Strategy

 Transition Risk 	Assumptions	Expense Parameter	Impact Per Year (average)
	<ul style="list-style-type: none"> ▶ Coordinated policy implementation ▶ Transition to low-carbon business model ▶ Higher fossil fuel prices ▶ New carbon reduction technologies ▶ Higher operating costs across industries ▶ Strategic and regulatory risk exposure 	<ul style="list-style-type: none"> ▶ Management Expense +15% to 20% 	<ul style="list-style-type: none"> ▶ MYR 26 million
		Market Parameters (prescribed by BNW)	Unrealised Gain / Loss
		<ul style="list-style-type: none"> ▶ 10-year MGS yield +76bps in 2024, followed by gradual decline till 2050 ▶ Corporate bond yield +88bps in 2024, followed by gradual decline till 2050 ▶ Unrealised gain in equity investment for all years 	<ul style="list-style-type: none"> ▶ Loss of MYR 98 million in 2024, followed by gain in each year till 2050



3.4.2 Divergent Net Zero 2050

The **Divergent Net Zero 2050** scenario assumes delayed and uneven climate policy implementation across regions, resulting in a more disorderly transition toward net zero emissions. Governments initially adopt limited climate action, followed by more abrupt and stringent policies introduced later to meet global climate objectives.

This scenario may generate heightened transition risks for financial institutions due to sudden regulatory shifts, rapid repricing of high-emission assets and increased market volatility. For MCIS Life, investment portfolios may


experience valuation fluctuations as markets adjust to abrupt policy changes and sectoral transitions. Companies with significant exposure to carbon-intensive sectors may face increased transition risk within their asset portfolios.

Physical risks are expected to remain relatively limited due to effective global mitigation efforts that limit overall temperature rise. While progress toward net zero is uneven across regions, major economies implement sufficiently strong emissions reductions to curb the severity and frequency of climate-related impacts. Below is the summary of assumptions and quantitative impact projected based on this scenario.

 Physical Risk 	Assumptions	Insurance Stress Parameters	Impact Per Year
	<ul style="list-style-type: none"> ▶ Stable increase in temperature ▶ Improved air quality ▶ Controlled physical risk ▶ Stable claims trend 	Nil	Nil



Strategy


 <p>Transition Risk</p> <p>Risk Level: High</p>	Assumptions	Expense Parameter	Impact Per Year (average)
	<ul style="list-style-type: none"> ▶ Uncoordinated transition policies ▶ Inconsistent targets and framework ▶ Higher operating costs across industries ▶ Higher operating costs ▶ Increased investment uncertainty 	<ul style="list-style-type: none"> ▶ Management Expense +34% to 40% 	<p>▶ MYR 56 million</p>
	Market Parameters (prescribed by BNW)		Unrealised Gain / Loss
	<ul style="list-style-type: none"> ▶ 10-year MGS yield +68bps in 2024, followed by gradual decline till 2050 ▶ Corporate bond yield +180bps in 2024, followed by gradual decline till 2050 ▶ Unrealised loss of 8% in equity investment in 2024, followed by gain in each year till 2050 	<p>▶ Loss of MYR 251 million in 2024, followed by gain in each year till 2050</p>	

3.4.3 Nationally Determined Contributions (“NDC”)

The **Nationally Determined Contributions** scenario assumes that countries only implement climate policies that are currently pledged under the Paris Agreement, without significant strengthening of commitments over time. As a result, global emissions decline more slowly, leading to higher long-term temperature increases.

Under this scenario, transition risks are relatively limited in the near term due to slower policy implementation and reduced regulatory pressure on carbon-intensive industries. However, the lack of stronger climate mitigation measures results in significantly higher physical climate risks over the longer-term.



For MCIS Life, increased physical climate impacts may contribute to heightened health and mortality risks associated with extreme heat, air pollution and the spread of climate-sensitive diseases. Economic disruptions resulting from severe climate events may also affect household income stability and consumer spending patterns, potentially influencing insurance demand and policy persistency. In addition, climate-related economic disruptions could affect financial markets and investment portfolio performance over time. Below is the summary of assumptions and quantitative impact projected based on this scenario.

 <p>Physical Risk</p> <p>Risk Level: High</p>	Assumptions	Insurance Stress Parameters	Impact Per Year (average)
	<ul style="list-style-type: none"> ▶ Delayed policy response ▶ Rising global temperatures ▶ Increase in heat-related illness ▶ Poor air quality from heatwaves ▶ Increased frequency of floods ▶ Declining economic output 	<ul style="list-style-type: none"> ▶ Mortality rate at +5%* ▶ Medical loss ratio increases gradually to +20% by 2050 ▶ Lapse rate increases gradually to +30% by 2050 ▶ New business reduces gradually to -20% by 2050 	<p>▶ MYR 16 million</p>





Strategy

 <p>Transition Risk</p>  <p>Risk Level: Low</p>	Assumptions	Expense Parameter	Impact Per Year (average)
	<ul style="list-style-type: none"> ▶ Carbon reduction commitments set based on national priorities ▶ Gradual implementation of climate policies ▶ Higher economic certainty and stability compared to NZ2050 and DNZ2050 	<ul style="list-style-type: none"> ▶ Management Expense +5% to 10% 	<ul style="list-style-type: none"> ▶ MYR 11 million
	Market Parameters (prescribed by BNW)		Unrealised Gain / Loss
	<ul style="list-style-type: none"> ▶ 10-year MGS yield +32bps in 2024, followed by gradual decline till 2050 ▶ Corporate bond yield +44bps in 2024, followed by gradual decline till 2050 ▶ Unrealised gain in equity investment for all years 	<ul style="list-style-type: none"> ▶ Loss of MYR 3 million in 2024, followed by gain in each year till 2050 	

SECTION 04

RISK MANAGEMENT



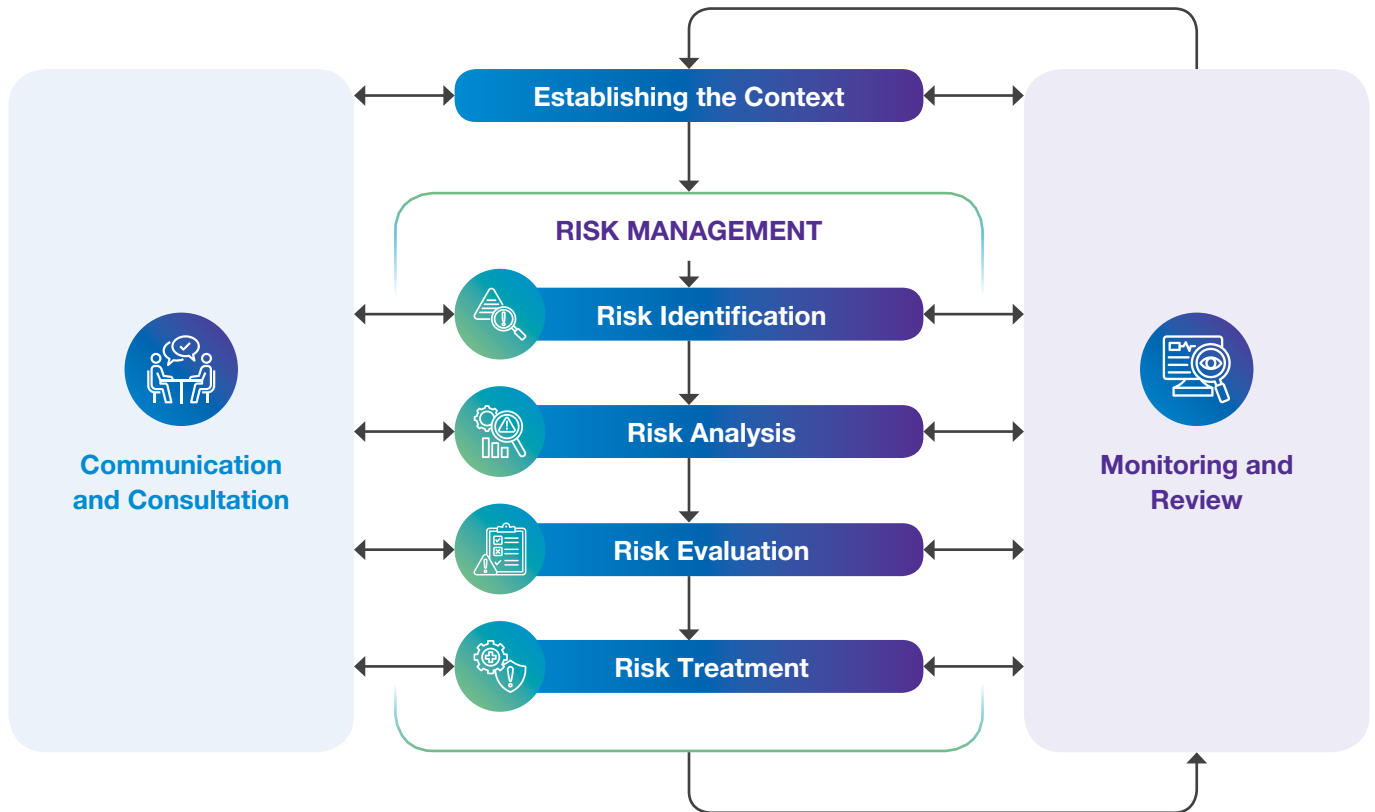
- ▶ This section provides an overview of MCIS Life’s approach in identifying, assessing, and managing climate-related risks. MCIS Life is fully committed to the transition to a low carbon economy and fully supports the regulatory initiatives and requirements to achieve this sustainable and climate-resilient economy. It is also in MCIS Life’s best interest to mitigate potential disruptions from climate-related risks and to protect its policyholders and stakeholders.





Risk Management

The climate risk management process as per Company's ERM Policy are as shown in the diagram below.



 | Figure 4.0: Risk Management Process

► MCIS Life has also taken steps to enhance climate risk management awareness and preparedness through the following:



- **Employee Training & Capacity Building.** The Company has worked with a consultant that has conducted training sessions for the actuarial, operations, product, and investment teams to strengthen internal climate risk expertise.
- **Customer Engagement on Climate Risks.** At this stage, MCIS Life is in the early phases of assessing how climate-related factors may influence customer needs, expectations, and risk profiles within the life insurance sector. While formal customer engagement initiatives on climate risks have not yet been implemented, we acknowledge the role of transparent communication and awareness-building in supporting informed decision-making among policyholders. In parallel, we will explore opportunities to enhance customer engagement through targeted awareness campaigns and digital platforms, with the aim of fostering greater understanding of sustainability and climate resilience.



Risk Management

4.1. Changes in Risk Management Processes

The processes for identifying, assessing, prioritising, and monitoring climate-related risks, as per Company's Enterprise Risk Management ("ERM") Policy, have not materially changed from the previous reporting period. We continue to undertake continuous review of our risk management policies and procedures to ensure relevance and compliance with regulatory requirements.

4.2. Integration

Climate risk management adopts the Company's ERM Policy i.e., Risk Management Process and Risk Escalation Process. It forms part of the existing risk management cycle of risk identification, risk measurement, risk monitoring and risk controls.

Continuous review and improvement to risk management policy will be undertaken to ensure compliance with regulatory requirements and relevance in line with latest developments on climate change.

4.3. Process for Managing Climate Related Risk

MCIS Life acknowledges the importance of establishing sound processes to manage climate-related risks. Climate-related risks are considered, where relevant and appropriate, within the Company's broader enterprise risk management ("ERM") framework.

Potential climate-related risk drivers, including both physical and transition risks, may be considered qualitatively as part of periodic risk assessments. These assessments are supported by relevant control functions, which evaluate emerging risks and determine their applicability to the Company's, investment portfolio, and overall business operations.

MCIS Life acknowledges the growing importance of sustainable financing in supporting the transition to a low-carbon economy. At present, MCIS Life has not established a formal sustainable financing framework and does not classify any portion of its insurance or investment portfolio as sustainable financing.

Notwithstanding this, we have begun to explore the integration of ESG considerations into our investment processes. In particular, MCIS Life is in the early stages of evaluating opportunities within sustainable investment instruments, including green bonds and other ESG-aligned assets. These considerations remain exploratory in nature and have not yet resulted in formal allocations or defined targets.

4.3.1 Roles and Responsibilities

Oversight of climate-related risks is currently undertaken through existing governance structures. Primary responsibility resides within the Sustainability Department and will be reviewed by Risk Management where appropriate, which is responsible for coordinating risk identification, assessment, and monitoring activities across the organisation. This function works in conjunction with other key business and control functions, including Actuarial, Investment, Finance and Operations, to assess potential implications of climate-related risks on their respective areas.

Periodic updates are provided to senior management, relevant management committees and the Board as part of the broader risk reporting process.

MCIS Life will continue to review and enhance the clarity of roles and responsibilities relating to climate-related risks over time, taking into account evolving regulatory expectations, industry practices, and internal readiness.





Risk Management

4.4. Risk Identification and Analysis

Once MCIS Life established a clear and well-defined risk management context, the next risk management process is risk identification. The TCFD categorises climate-related risks into two emerging risks: (i) physical risks, which refers to the risks relating to direct impact of climate change, and (ii) transition risks, which refers to the risks during the transition to a low-carbon economy.

MCIS Life’s risk identification process includes defining a logical and practical framework or policies that ensures significant climate-related risks are not overlooked. Each relevant business, operational, or support department needs to put in place processes to ensure that risks are timeously managed.

Where possible, all identified risks are to be quantified by its qualitative impact. Risks identified shall be analysed which involves the consideration of the impact, and the likelihood of these consequences occurring. The climate-related emerging risks may overlap and can be categorised into MCIS Life’s existing key risk categories, as tabulated under Table 4.3.1: Climate-Related Risks.

Below are the identified climate-related risk impact and controls on existing categories of risk.

Risk Categories	Climate Risk Type	Impact	Controls
Capital and Solvency	Physical / Transition	<p>Physical risks may lead to shifts in mortality and morbidity patterns, making it difficult to forecast future claim payouts accurately.</p> <p>This also leads to transition risks relating to regulators and central banks that are increasingly conducting stress tests to assess the resilience of financial institutions, including insurers, to climate-related risks.</p> <p>Companies found to be insufficiently resilient to climate risks may face increased capital requirements or other regulatory actions. Inadequate reserving can result in financial instability leading to potential shortfalls in covering policyholder benefits.</p>	<p>Conduct internal climate stress tests and integrate climate risk metrics into risk models.</p> <p>Assess and address exposure to climate-related financial risks to better align with regulatory expectations and ensure capital adequacy.</p> <p>Incorporate climate-related data and scenario analysis into actuarial models to better assess the potential impacts and establish appropriate financial reserves.</p>



Risk Management

Risk Categories	Climate Risk Type	Impact	Controls
Market / ALM	Physical / Transition	<p>Chronic physical events, regulatory changes, and shifts in market sentiment related to climate-change, may lead to financial markets experiencing increased volatility, potential shifts in asset valuations and investment performance, as well as increased likelihood of defaults among counterparties.</p> <p>The company’s overall financial health and investment returns, as well as ability to fulfill policyholder claims and obligations on time and in full can be impacted. Failure to meet payment obligations could erode policyholder confidence, lead to reputational damage, and result in regulatory penalties.</p>	<p>Develop climate-sensitive investment strategies which include:</p> <ul style="list-style-type: none"> Incorporate climate risk assessments into investment decision-making process <p>Adopt climate risk management practices.</p> <p>Conduct thorough due diligence on their counterparties and assess their climate risk exposure.</p>
	Transition	<p>As the world moves towards renewable energy sources and governments implement climate policies aimed at reducing GHG emissions, fossil fuel assets may lose value or become stranded as they are no longer economically viable or face regulatory restrictions.</p> <p>Companies with significant investments in fossil fuel-related assets may face financial losses and a decrease in investment returns.</p>	<p>Diversifying investments to include more climate-resilient and sustainable options to help reduce exposure to stranded asset risks and improve long-term investment performance.</p>





Risk Management

Risk Categories	Climate Risk Type	Impact	Controls
Strategic	Physical	As physical events become more prevalent and severe, MCIS Life may adjust their pricing to account for the heightened exposure to climate-related losses. This can lead to higher reinsurance costs, affecting overall underwriting capacity and profitability.	Carefully assess reinsurance needs and negotiate favorable terms with reinsurers.
	Transition	<p>As climate change becomes a pressing global issue, regulators may implement stricter requirements on insurers to assess, disclose, and manage climate-related risks in their operations and investments. Failure to comply with these regulations can result in reputational damage, financial penalties, and potential legal liabilities.</p> <p>Aside from that, as awareness of climate change and environmental issues grows, consumers and businesses increasingly seek and value sustainable business practices.</p>	<p>Embrace sustainable business practices, and integrate climate risk considerations into investment strategies.</p> <p>Support and advance programmes and strategic initiatives aligned with sustainability and ESG (Environmental, Social, and Governance) principles. By championing green and sustainable efforts, MCIS Life positions itself as a responsible and forward-thinking provider in the industry.</p> <p>Closely monitor and adapt to changing regulatory landscapes.</p>
Operational	Physical / Transition	<p>Physical risk events can damage or compromise digital infrastructure, including data centers, communication networks and cloud services, as well as cause damage to physical infrastructure and logistical challenges in servicing policyholders. Such disruptions can lead to data breaches, service interruptions, cyber-attacks, increase expenses, potential delays and consequences for insurers, policyholders and stakeholders.</p> <p>As climate change becomes a growing concern for consumers, investors, and other stakeholders, there is an increasing expectation for companies to demonstrate their commitment to sustainability and climate action. Failure to proactively address climate-related risks, implement environmentally responsible practices or disclose climate-related efforts can lead to reputational damage and loss of trust from customers and investors.</p>	<p>Develop comprehensive business continuity plans in relevant to physical risk events.</p> <p>Adopt remote work arrangements to ensure continuity during climate-related disruptions.</p> <p>Incorporate climate risk assessments and climate disclosure practices to demonstrate commitment to sustainability and build and maintain a positive reputation among stakeholders.</p>
Market / ALM and Strategic	Physical	Economic instability, reduced consumer spending, and changes in market dynamics will affect insurance demand and sales. In times of economic stress, consumers may prioritise essential expenses over insurance premiums, leading to potential declines in new policies and policy renewals.	Diversify product offerings to meet changing customer needs during economic fluctuations.



Risk Management

Risk Categories	Climate Risk Type	Impact	Controls
Operational and Strategic	Physical	Extreme weather events and environmental changes disrupt supply chains and increase operating costs. Supply chain disruptions can lead to delays in obtaining critical supplies and services, causing operational challenges. Additionally, increased costs due to climate-related events can strain the Company’s financial resources and affect profitability.	Diversify supply chains, work with climate-resilient vendors and implement risk management strategies to buffer against the impacts of climate-related disruptions.
Life Insurance and Strategic	Physical	<p>Extreme weather events and environmental changes influenced by climate change such as heatwaves, floods, and other natural disasters.</p> <p>Increased life insurance claims and liabilities for insurers, affecting their financial stability and profitability.</p>	<p>Assess and quantify exposure to climate-related mortality and morbidity risks.</p> <p>Exploring climate-sensitive underwriting practices and incorporating climate projections into risk modeling to help price policies more accurately and manage potential increases in claims.</p>



Table 4.3.1: Identified climate-related risks impact and controls on existing risk categories.



SECTION 05

METRICS AND TARGETS



- ▶ MCIS Life has established a suite of climate-related metrics to assess, monitor, and manage exposures to climate-related risks and opportunities across its operations and investment portfolio. These metrics are aligned with regulatory expectations and evolving industry practices, and are reviewed periodically to ensure consistency, comparability, and relevance. These metrics and targets are selected in such a way that they would help in scoping priorities and providing a more holistic view of MCIS Life's long-term, strategic action plan.





Metrics and Targets

5.1. Climate Related Metrics

Emissions are reported in metric tonnes of carbon dioxide equivalent (“MTCO₂e”) and are calculated using internationally recognised methodologies, including the GHG Protocol. The reporting boundary covers operational control for Scope 1 and Scope 2 emissions, while Scope 3 emissions include selected categories relevant to the life insurance industry.

5.1.1 Greenhouse Gas (“GHG”) Emission

MCIS Life tracks its carbon footprint across Scope 1, Scope 2, and selected Scope 3 categories. This metric shall be assessed by historical and current emission by financial year. The emission calculation method and results for each scope for 2025 is as follows.

Scope	Category	MCIS Life Emissions
SCOPE 1	Mobile Combustion	24.16 tCO ₂ e
	Stationary Combustion	N/A
	Fugitive Emission	N/A
Total SCOPE 1		24.16 tCO ₂ e
SCOPE 2	Purchased Electricity	759.92 tCO ₂ e
Total SCOPE 2		759.92 tCO ₂ e
SCOPE 3	Purchased Goods and Services	In the process of quantifying. Target to disclose by 2027
	Capital Goods	N/A
	Fuel and Energy Related Activities	N/A
	Upstream Transportation and Distribution	N/A
	Waste Generated in Operations	N/A
	Business Travel	64.81 tCO ₂ e
	Employee Commuting	359.13 tCO ₂ e
	Upstream Leased Assets	N/A
	Downstream Transportation and Distribution	N/A
	Processing of Sold Products	N/A
	Use of Sold Products	N/A
	End of Life Treatment of Sold Products	N/A
	Downstream Leased Assets	N/A
	Franchises	N/A
Investment	In the process of quantifying. Target to disclose by 2028	
Total SCOPE 3		423.94 tCO ₂ e





Metrics and Targets

Scope	Category	MCIS Life Emissions
Total Scope 1, 2 and 3		1208.02 tCO₂e
Total Emissions		1208.02 tCO₂e



Table 5.1: GHG Emissions Data

Scope	Category	Data Collection Source	Methodology	Source of Emission Factors
1	Company Vehicles	Internal records	Based on distance travelled in km depending on type / size of car	DEFRA
2	Purchased Electricity	Tenaga Nasional Berhad (“TNB”) monthly bills	Based on electricity usage in kWh	Suruhanjaya Tenaga Malaysia
3	Business Travel	Internal records	Based on distance travelled in km depending on type / method of travel	DEFRA
	Employee Commuting	Internal records (from survey)	Based on distance travelled in km depending on mode of transport	DEFRA



Table 5.2: GHG Emissions Calculation Methodology

Our largest emissions source arises from Scope 2 electricity consumption, reflecting office-based nature of operations. Historical GHG emissions are as per table below:

Category / Year	2023	2024	2025
Scope 1 emissions (MTCO ₂ e)	7.93	22.58	24.16
Scope 2 emissions (MTCO ₂ e)	726.2	763.89	759.92
Scope 3 emissions (MTCO ₂ e)	492.25	413.73	423.94
Total GHG Emissions (MTCO₂e)	1226.37	1200.2	1208.02



Table 5.3: Historical GHG Emissions



Metrics and Targets

5.1.2 Transition Risks

As mandated in Investment Policy, Section 5.8 Environmental, Social and Governance (“ESG”), MCIS Life has limited the investment exposure into all non-ESG business activities up to a maximum of 10% of the total AUM (Assets Under Management) under the Company. Such investment exposures include all the investment assets, predominantly in Fixed Income, Equity and Money Market segments.

▶ The non-ESG business activities as defined by MCIS Life is listed below:



- ▶ Power plant, which is not generated by renewable energy.
- ▶ Oil and Gas industry.
- ▶ Mining and quarrying industry.
- ▶ Weapon and arms industry.
- ▶ Gaming business, including lottery and gambling-related gambling related.
- ▶ Tobacco business, including vape and e-cigarette related.
- ▶ Alcohol business, including liquor and beer-related beer related.
- ▶ Cement manufacturing.
- ▶ Metal processing business, including steel, aluminium, iron, silver, gold, etc.
- ▶ Plantation upstream industry without sustainability certification (e.g., Roundtable on Sustainable Palm Oil (“RSPO”) for more than 70% of its production.
- ▶ Forestry and logging industry without sustainability certification for more than 70% of its production.

As for transition risk, MCIS Life assesses its exposure primarily through its investment portfolio. Portfolio are classified according to Bank Negara Malaysia’s (BNM) Climate Change and Principle-based Taxonomy (“CCPT”) categories (C1 – C5). These exposures are identified using the Due Diligence Questions (“DDQ”) assessments, sectoral proxies and publicly available disclosures. Approximately 15.7% of our portfolio classified under C3–C5a are high transition risk categories. Key sectors in these categories are energy, transportation & logistics and property & real estate.

5.1.3 Physical Risks

The selected metric to represent MCIS Life’s physical risks is the proportion of our physical assets that are vulnerable to physical risks. In this case, it shall be the proportion of our branch offices that are vulnerable to flood.

As per Section 4 Risk Management, on the sub-section Risk Analysis, as of 2025, there are 2 out of 16 branches (12.5% of total) with acute flood risk.

MCIS Life is committed to managing the physical risk of flooding in its branch office locations. MCIS Life will perform flood risk analysis to track the proportion of branches in high-risk areas. This analysis will consider factors like rising sea levels, historical occurrences of floods, and projected precipitation changes to assess the risk of inundation. Additionally, a flood emergency plan has been developed to ensure business continuity in case of flooding.

5.1.4 Climate-Related Opportunities and Capital Deployment

As part of our commitment to integrating climate considerations into investment decision-making, MCIS Life continues to progressively align our asset portfolio with climate-related opportunities. MCIS Life has limited the non-ESG investment to a maximum of 10% of AUM. For 2025, MCIS Life is proud to see a very ESG-driven investment portfolio, a merely 2.86% non-ESG exposures. These non-ESG exposures are largely related to the Power Plant Sector and Utility Sector, which are typically energy intensive industries.

As at the reporting date, approximately 84.3% of MCIS Life’s total investment portfolio has been classified as green or supporting climate transition, based on the CCPT classification framework. These investments primarily comprise exposures to sectors and activities that contribute to climate change mitigation and adaptation, including but not limited to renewable energy, green infrastructure, and low-carbon technologies.





Metrics and Targets

This strategic allocation reflects recognition of the long-term financial benefits arising from the transition to a low-carbon economy, as well as the importance of managing climate-related risks within the investment portfolio. As a long-term institutional investor, MCIS Life is well-positioned to support sustainable economic development while delivering resilient returns to policyholders.

While MCIS Life has not established a fixed quantitative target for green investments at this stage, we remain committed to progressively increasing the proportion of climate-aligned assets over time, taking into account market developments, asset availability, and risk-return considerations.

Looking ahead, we will continue to enhance our capabilities in climate-related data, assessment methodologies, and portfolio steering. This includes exploring opportunities in sustainable finance instruments where appropriate, to further support the transition towards a low-carbon and climate-resilient economy.

5.1.5 Client Engagement

Given the nature of the life insurance industry, MCIS Life direct interaction with clients is primarily focused on the provision of protection, savings, and long-term financial planning solutions. Unlike lending-based financial institutions, MCIS Life does not typically engage clients in activities that directly influence climate-related outcomes, such as financing or underwriting of carbon-intensive projects. As such, the scope for structured client engagement specifically targeting climate-related risks and opportunities remains limited at this stage.

Accordingly, MCIS Life has not established specific metrics or quantitative targets for climate-focused client engagement. This reflects the current assessment that such disclosures are not material or not directly applicable to our core business operations. Nevertheless, MCIS Life recognises the broader importance of sustainability and continues to engage clients on environmental, social, and governance (ESG) matters through general awareness initiatives, product features, and responsible business practices.

5.1.6 Remuneration

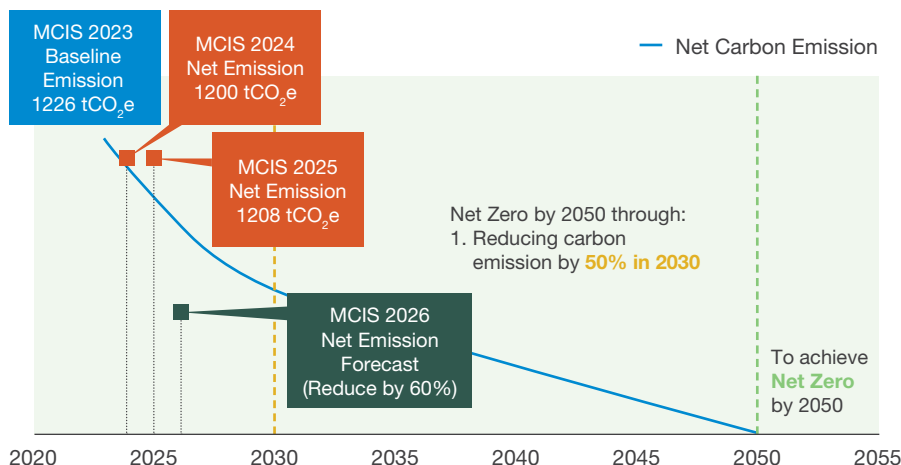
At present, the MCIS Life remuneration framework does not include specific performance metrics or incentives directly linked to climate-related or broader sustainability objectives. This reflects the Company's current stage of maturity in embedding climate considerations into enterprise-wide performance management systems.

Notwithstanding this, MCIS Life acknowledges that integrating climate-related considerations into remuneration structures is an important enabler in reinforcing accountability across the organisation.

Hence, as part of this ongoing effort, MCIS Life is in the process of developing targeted key performance indicators ("KPIs") to incorporate relevant sustainability-linked KPIs for implementation from the 2026 performance cycle onwards. These KPIs are expected to progressively incorporate climate-related considerations where relevant, taking into account the Company's business model, risk profile, and regulatory expectations. The intention is to ensure that remuneration outcomes are increasingly aligned with our long-term sustainability aspirations.

5.2. Climate Related Targets

MCIS Life targets to achieve net zero by 2050 as illustrated in the figure below.



Our key aspirations and plans are commitment on achieving carbon net-zero emissions by 2050, with an interim target of 50% reduction of operational emission by 2030. Having secured renewable energy sources in 2025, we expect to fully offset our **Scope 2 emissions from 2026 onwards**, marking a significant milestone in our decarbonisation journey.

Figure 5.4: MCIS Life Net Zero Pathway





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