



**Climate Change Policy
Ancom Nylex Berhad Group**

CONFIDENTIAL



Change Log
Climate Change Policy
Ancom Nylex Berhad Group

Version	Responsible Department	Description	Reviewer	Approver	Date of approval
1	Environmental Social and Governance	Added Climate Risk Assessment	Kathleen Teh		
2					

Notification: This page is meant for internal use exclusively.

Climate Change Policy

1. Introduction

Ancom Nylex Berhad (“**the Company**”) and our subsidiaries (collectively “**ANB**” or “**the Group**”) understand that climate change brings with it risks and opportunities that impact the Group and our business operations. These include the risks and impacts that would affect business operations within the direct control of the Group.

As such, adopting this Climate Change Policy (“**the Policy**”) enhances both regulatory disclosure compliance and also reflects our efforts to mitigate the various physical and transitional risks posed by climate change. ANB is committed to integrating climate change mitigation measures into our business strategies to achieve optimal risk management of the Group’s upstream and downstream operations. This, in turn, yields economic benefits through proactive risk mitigation, while capitalising on potential opportunities arising from climate change.

This Policy clearly expresses the commitment of the Group’s Board of Directors (“Board”) and Senior Management based on the following:

- i. To acknowledge climate change as a material topic;
- ii. To establish the necessary oversight and governance structures to enable effective implementation of climate change-related frameworks, such as the National Sustainability Reporting Framework (“NSRF”), International Financial Reporting Standards (“IFRS”) S2 Climate-related Disclosures, and Taskforce for Climate-related Financial Disclosures (“TCFD”); and
- iii. To guide the development and implementation of appropriate management strategies to mitigate the impacts of climate change on ANB’s business operations.

The Board and Senior Management of ANB also recognise that in the interim, carbon emissions and related environmental impacts from ANB’s operations cannot be fully removed. However, the Group remains committed to progressively reducing its carbon footprint.

This Policy serves as a structured set of guidelines applicable to all Group subsidiaries. If required, the Policy is to be adapted by each subsidiary to adhere to its exact nature of business.

This Policy shall be read together with the Group’s Sustainability Policy & Framework. This and all other existing Group policies can be referred to at https://www.ancomnylex.com/corporate_governance.php

1.1 Scope

- 1.1.1 The Policy applies to ANB’s entire business operations, covering the eight core business segments: Agricultural Chemicals, Public Health & Hygiene, Animal Health, Industrial Chemicals/ Polymers, Logistics & Warehousing, Information Technology, Media & Advertising, and Health Care. The Policy also extends to international subsidiaries and encompasses all operations within Malaysia and in other countries where the Group operates.

1.2 Objectives

The main objectives of this Policy are to ensure:

- i. The Group's climate change commitments and expectations retain adequate focus and allocation of sufficient resources;
- ii. The alignment of all climate change-related initiatives with the main pillars of IFRS S2, which are:
 - a. **Governance**
To understand the governance processes, controls, and procedures used to monitor, manage, and oversee climate-related risks and opportunities
 - b. **Strategy**
To understand the Group's strategies for managing climate-related risks and opportunities
 - c. **Risk Management**
To understand the processes used to identify, assess, prioritise, and monitor climate-related risks and opportunities, including if and how those processes are integrated into and inform the Group's overall risk management process
 - d. **Metrics and Targets**
To understand ANB's performance concerning our climate-related risks and opportunities, including our progress towards any climate-related targets we have set or are required to meet by law or regulation
- iii. Compliance with all applicable climate change-related laws and regulations in the countries where the Group operates;
- iv. Continuous ongoing improvement of climate change monitoring, management, and oversight across the Group's operations;
- v. Effective identification, mitigation, and management of physical and transitional climate risks;
- vi. Identification of new opportunities brought forth by climate change, in terms of business/products/services;
- vii. Development of a comprehensive, periodic reporting mechanism for regular monitoring of performance data and information relevant to climate change from the Group's operations;
- viii. Comprehensive greenhouse gas ("GHG") inventory, including Scope 1, Scope 2, and selected Scope 3 emissions, and with a commitment to progressively reducing carbon footprint and GHG emissions;
- ix. Implementation of scenario planning and progressively developing calculation of embodied carbon measurements for the Group's products and services; and
- x. Development of a comprehensive strategic roadmap showcasing defined milestones to achieve optimal decarbonisation.

2.. Roles & Responsibilities

The Group is committed to ensuring effective climate management through the implementation of this Policy. As such, the following entities will play critical roles in the Policy's administration:

2.1 Board of Directors (“Board”)

- 2.1.1 Provide strategic oversight to ensure the Policy aligns with the Group’s values, commitments, and long-term business objectives;
- 2.1.2 Review and approve the Policy and any significant update, amendment, or revision to ensure it aligns with local laws, regulations, and policies, as well as corporate governance and sustainability standards; and
- 2.1.3 Guide the Group’s strategic assessment of climate-related risks and opportunities as well as the corresponding management efforts

2.2 Risk Management Committee (“RMC”)

- 2.2.1 Review the Policy and any significant update, amendment, or revision before it is sent for Board approval;
- 2.2.2 Periodically review the Policy to ensure it remains up to date with relevant identified risks and frameworks;
- 2.2.3 Provide regular updates to the Board on the effectiveness of the Policy and any identified gaps in implementation; and
- 2.2.4 Work with the Board on strategic assessments of climate-related risks and opportunities, as well as the corresponding management efforts

2.3 Risk Management Working Group (“RMWG”)

- 2.3.1 Periodically review the Policy to ensure it remains up to date with relevant identified sustainability and corporate governance risks;
- 2.3.2 Provide regular updates to the Board on the effectiveness of the Policy and any identified gaps in implementation
- 2.3.3 Assist the Board and RMC in the identification of key climate-related risks and opportunities throughout the Group’s business operations; and
- 2.3.4 Implement the Board and RMC’s management efforts and provide regular updates on their effectiveness.

2.4 Management/ Heads of Departments

Group-level

- 2.4.1 Ensure consistent implementation of the Policy across all relevant business segments and subsidiaries;
- 2.4.2 Integrate the Policy’s objectives with the Group’s overall sustainability strategies and targets; and
- 2.4.3 Provide periodic updates to the RMWG on climate-related risk assessments and the effectiveness of Board and RMC-recommended management measures.

Subsidiary-level

- 2.4.4 Track operational performance against subsidiary-level and overall Group-level sustainability strategies and targets; and

- 2.4.5 Provide periodic updates to the RMWG on specific climate-related risk assessments and the effectiveness of Board and RMC-recommended management measures.

3. Climate Change Commitments

The Policy outlines the Group's expectations regarding our business operations concerning the material climate change matters prioritised as part of ANB's general sustainability strategy, as well as key recommendations by IFRS S2.

ANB's main strategies in addressing climate change shall include the following:

- i. Establish a comprehensive greenhouse gas ("GHG") inventory function as the Group's baseline. This shall include Scope 1, Scope 2, and relevant Scope 3 emissions.
- ii. Identify relevant Group-level targets for emission reduction with defined metrics to showcase ANB's commitment to reducing our carbon footprint. This may include the establishment of relevant KPIs and targets for driving performance.
- iii. Where relevant, incorporate climate-related risks and opportunity considerations into business and operational planning and decision-making processes (refer to **Appendix A** for ANB's assessed climate-related risks and opportunities).
- iv. Develop a carbon management approach that can be adopted by the Group's various subsidiaries based on their respective business nature. This shall mainly focus on energy saving/ efficiency approaches, including progressive adoption of renewable energy sources. If feasible, other means of carbon reduction, such as the utilisation of carbon credits or carbon capture, utilisation, and storage ("CCUS") initiatives, may be explored.
- v. Collaborate with key stakeholders to increase awareness and identify opportunities that may drive the Group's climate commitments.

4. Communication and Training

- 4.1.1 The parties (as outlined in **Section 2**) shall ensure that this Policy is effectively communicated to all external and internal personnel.
- 4.1.2 The Policy is accessible on the Group's corporate website (at: https://www.ancomnylex.com/corporate_governance.php). It will also be disseminated internally to all personnel and included as part of our personnel training process to develop climate change awareness and urgency in our organisational culture.
- 4.1.3 To further reinforce the Policy, the Group shall deliver training programmes, conduct information-sharing sessions, and utilise other relevant channels to inform and update internal stakeholders and employees of the details and updates to the Policy and to provide training and awareness initiatives for climate change. These training and communication initiatives will be regularly evaluated for their effectiveness, ensuring a consistent and thorough understanding of the Policy's commitments across all relevant parties.

- 4.1.5 Employees and internal stakeholders are highly encouraged to document their management approaches, methodologies, and strategies, as well as results achieved on an annual basis, as evidence of their commitment to climate change practices and possible alignment with the Policy.

5. Policy Review

- 5.1.1 This Policy shall be reviewed periodically to ensure it remains relevant and effective. The Group reserves the right to make necessary updates and amendments to the Policy without prior notice to ensure it reflects changes in regulatory requirements, industry standards, or business priorities.
- 5.1.2 This Policy has been reviewed and approved for adoption by the Board on 16-January-2025.

Appendix A: Climate Risk Assessment: Alignment with Global Standards

In fulfilment of the Group's commitment to effective climate risk governance and disclosure, Ancom Nylex Berhad ("ANB") conducted a comprehensive Climate Risk Assessment ("CRA") workshop in October 2025. This assessment is formally aligned with the disclosure recommendations established by the Task Force on Climate-Related Financial Disclosures ("TCFD") and the International Financial Reporting Standard ("IFRS") S2 Climate-related Disclosures.

The CRA process facilitated the systematic identification and analysis of both physical and transition climate risks that have the potential to impact the Group's operational and financial stability. Concurrently, the assessment explored strategic opportunities arising from climate adaptation measures and evolving regulatory landscapes.

Strategy

To ensure the Group's operations remain resilient against climate risks, the Group has developed a climate strategy that outlines our approach to mitigating climate risks and enhancing operational efficiency. Through this strategy, we demonstrate our commitment to supporting Malaysia's goal of achieving net-zero carbon emissions by 2050 ("NZCE 2050") and contributing to a safer and cleaner environment for both ANB and the surrounding communities.



Beyond the Group's overarching climate strategy, ANB conducted a CRA workshop that identified key risks, including their likelihood of occurrence and the severity of their impact, allowing the Group to evaluate and adapt its strategy to material climate risks. The likelihood was divided over the short-term ("S"), which is estimated to occur over the next two years, the medium-term ("M"), which is anticipated to occur within two to ten years, and the long-term ("L"), which encapsulates all risks beyond a 10-year timeframe. Mitigation measures are proposed to combat the identified climate risks, strengthening ANB's resilience against climate-related physical and transition risks.

Physical Risks





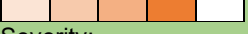


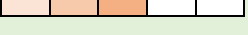

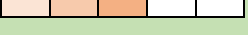
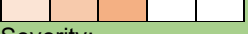



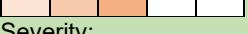


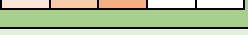


Climate Risk	Risk Severity and Timeframe	Identified Risks	Mitigation Measures
Increased Rainfall & Flood Frequency	(S) Likelihood: Severity: 	<ul style="list-style-type: none"> Operational shutdowns & facility damage Inventory damage Supply chain disruptions & blocked commuting routes Heightened disease propagation 	<ul style="list-style-type: none"> Drainage cleaning and upgrades Relocation to a low-flood-risk area Inventory waterproofing and storage in a high shelf Expansion of insurance premiums Routine fogging and flood training Development of flood-related Emergency Response Plans ("ERPs")
	(M) Likelihood: Severity: 		
	(L) Likelihood: Severity: 		
Elevated Ambient Temperature	(S) Likelihood: Severity: 	<ul style="list-style-type: none"> Reduced efficiency from overheated equipment Heat-related illnesses and increased OSH incidents Reduced worker productivity Increased energy and cooling demand 	<ul style="list-style-type: none"> Upgrade cooling infrastructure Provide more hydration and break rooms Upgrade personal protective equipment ("PPE") Invest in more temperature monitoring Train employees on heat issues Develop ERPs Allow flexible working for certain operations
	(M) Likelihood: Severity: 		
	(L) Likelihood: Severity: 		
Water Scarcity & Drought	(S) Likelihood: Severity: 	<ul style="list-style-type: none"> Operational disruptions due to water shortage Manufacturing and production delays Higher costs for alternative water sourcing 	<ul style="list-style-type: none"> Prepare alternate water sources Implement rainwater harvesting Implement more water-saving fixtures Conduct water audits to identify inefficiencies Develop water management plans Increase employee awareness of drought risks and water-saving practices
	(M) Likelihood: Severity: 		
	(L) Likelihood: Severity: 		

*Under Risk Severity and Timeframe, S = short-term (<2 years); M = medium-term (2-10 years); and L = long-term (>10 years).

**Likelihood levels of: (1) Very unlikely, (2) Unlikely, (3) Possible, (4) Likely, (5) Very likely.

**Severity levels of: (1) Negligible, (2) Minor, (3) Moderate, (4) Significant, (5) Extreme.

Transition Risks

Climate Risk	Risk Severity and Timeframe	Identified Risks	Mitigation Measures
Environment & Energy Policy Shifts	<p>(S) Likelihood:  Severity: </p> <p>(M) Likelihood:  Severity: </p> <p>(L) Likelihood:  Severity: </p>	<ul style="list-style-type: none"> Increased requirements for green certified products Carbon tax implementation Increased requirements for waste recycling Removal of fuel subsidies and increased energy tariffs 	<ul style="list-style-type: none"> Optimise energy efficiency via LED retrofits Utilise renewables (biogas facilities and solar panels) Optimise fuel use (electric vehicles ("EVs") and hybrid vehicles) Improve the waste recycling rate Prioritise green suppliers
Compliance & Legal Risks	<p>(S) Likelihood:  Severity: </p> <p>(M) Likelihood:  Severity: </p> <p>(L) Likelihood:  Severity: </p>	<ul style="list-style-type: none"> Increasing stringency of climate and environmental laws Harsher penalties for non-compliance Increasing disclosure requirements Future Scope 3 decarbonisation requirements 	<ul style="list-style-type: none"> Minimise fossil fuel use & carbon emissions Comply with potential carbon ceilings Diversify & create more green products Decarbonise the supply chain to reduce Scope 3 GHG Improve risk management, data systems, and training for compliance
Market & Reputation	<p>(S) Likelihood:  Severity: </p> <p>(M) Likelihood:  Severity: </p> <p>(L) Likelihood:  Severity: </p>	<ul style="list-style-type: none"> Increased requirements or interest rates for financing Higher thresholds for achieving good ESG scores Shift in consumer preference towards green products 	<ul style="list-style-type: none"> Prepare to accommodate higher demand for green products Build more partnerships with ESG suppliers Increase employee training on ESG products Collaborate with partners for decarbonisation research and development ("R&D") Allocate more funding to prepare for ESG-related regulatory developments
Low Carbon Business Transition	<p>(S) Likelihood:  Severity: </p>	<ul style="list-style-type: none"> Opportunity costs for implementing Scope 1, 2, and 3 decarbonisation initiatives 	<ul style="list-style-type: none"> Capitalise on ESG financing to spearhead decarbonisation Acquire renewable energy certification

Climate Risk	Risk Severity and Timeframe	Identified Risks	Mitigation Measures
	<div><div>(M) Likelihood:</div><div><div></div><div></div><div></div><div></div><div></div><div></div></div><div>Severity:</div><div><div></div><div></div><div></div><div></div><div></div><div></div></div></div> <div><div>(L) Likelihood:</div><div><div></div><div></div><div></div><div></div><div></div><div></div></div><div>Severity:</div><div><div></div><div></div><div></div><div></div><div></div><div></div></div></div>	<ul style="list-style-type: none">The majority of operations are categorised as hard-to-abate due to the nature of the industry	<ul style="list-style-type: none">Prioritise investment in energy-efficient equipmentTransition to EVsIncrease stringency on the supplier carbon portfolio





*Under Risk Severity and Timeframe, S = short-term (<2 years); M = medium-term (2-10 years); and L = long-term (>10 years)

**Likelihood levels of: (1) Very unlikely, (2) Unlikely, (3) Possible, (4) Likely, (5) Very likely.

**Severity levels of: (1) Negligible, (2) Minor, (3) Moderate, (4) Significant, (5) Extreme.

Climate-Adaptation Opportunities

While climate change has negative impacts on ANB's operations and the greater community, the transition into a carbon-friendly organisation presents several opportunities that can be capitalised on:

 <p>Adoption of Renewable Energy Solutions</p> <ul style="list-style-type: none"> Saves energy costs Improves resilience against power outages Decarbonises product GHG footprint 	 <p>Purchase of Carbon Credits</p> <ul style="list-style-type: none"> Helps meet potential carbon ceilings Improves ESG ratings and access to financing Surplus credits can be sold in carbon markets for additional revenue
 <p>Integration of Circular Economy Principles</p> <ul style="list-style-type: none"> Additional revenue from waste recycling Reduces procurement and disposal costs Improves compliance controls 	 <p>Transition to Low-Carbon Logistics</p> <ul style="list-style-type: none"> Reduces Scope 1 and 3 emissions Improves fuel efficiency and cost savings from transitioning to hybrid/ electric vehicles and route optimisation New revenue from premium eco-certified services

Risk Management

As part of ANB's approach to climate risk identification and management, the Group's CRA workshop included the participation of key operational and management figures from ANB and our subsidiaries, including those in Indonesia and Vietnam. The Group also enlisted the help of external consultants to identify areas that were potentially overlooked and to formulate mitigation measures that can effectively enhance ANB's climate resilience against physical and transition risks.

The workshop covered historical occurrences of climate risks, such as flooding, to assess their short-term impact, while scenario analysis was conducted to identify medium- and long-term risks. The chosen scenarios were tailored under two assumptions:

Shared Socioeconomic Pathway ("SSP") 2 – 4.5	Network for Greening the Financial System ("NGFS") Net Zero 2050
Physical Risk Scenario A scenario developed by the Intergovernmental Panel on Climate Change ("IPCC") that assumes moderate government intervention in driving national climate change initiatives, leading to a reduced, but moderate continuation of climate change impacts with a global temperature increase of 2.5 – 3.0°C by 2100.	Transition Risk Scenario A scenario developed by central banks, including Bank Negara, from various countries that aim to achieve global net zero carbon by 2050, effectively limiting global temperature increase to 1.5°C. This scenario assumes that stringent policies, controls, and advanced technologies are used worldwide to limit GHG emissions around 2050.

After identifying climate risks and formulating mitigation strategies, the Group integrates these findings into our overarching risk management processes. This integration ensures that climate risks and concerns are accounted for and prepared for, minimising potential damages while simultaneously reducing the Group's environmental footprint. In the future, we plan to expand this assessment to include more detailed financial quantification. This solidifies ANB's commitment to fortifying our climate resilience and incorporating climate awareness as part of the Group's culture and priorities.

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