IJM Corporation Berhad

The Future of ESG: Trends, Regulations, and Best Practices

14th September 2023

Reduce to net-zero
Resilience in a net-zero world

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Content

IJM at a Glance

Formed in 1983, IJM is one of Malaysia's leading construction groups with an international footprint forged by its four interlinked core businesses. Our business divisions are market leaders, giving us a competitive advantage with an integrated supply chain.

IJM's growth is direct result of our delivery capabilities, strong leadership, good corporate governance and a drive for excellence, resulting in a business model that has delivered one inspired solutions after another.

Construction

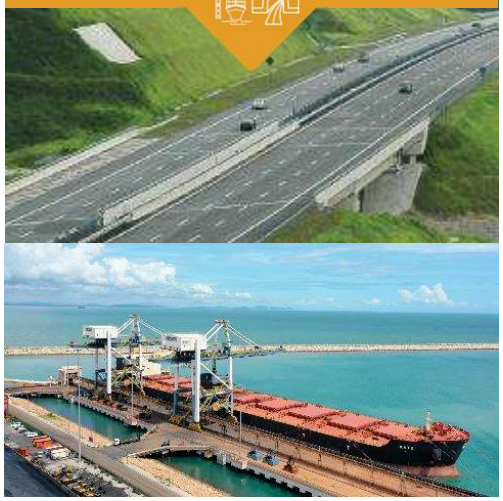
Builder of choice

Property

One of Malaysia's top property developers

Industry

An essential industry partner



Infrastructure: Tolls and Port

Inspired connections and mobility

Our Sustainability Journey

Listing requirements of Bursa Malaysia

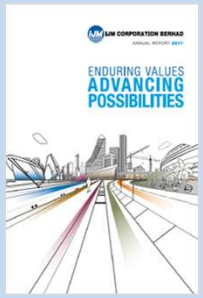
- Mandate PLCs with a market cap exceeding RM2billion (by FYE 31 Dec '16) to prepare sustainability reporting
- Formed IJM's Group sustainability steering team

2015/16

IJM published its first Sustainability Statement

- Established sustainability governance framework
- Identified divisional/ group materiality matrix
- Reported scope: Malaysia and Indonesia operations only

2016/17



IJM published its second Sustainability Statement

- Mapped material topics to the UN SDGs
- Incorporated the LBG framework into community investment disclosure

2017/18

IJM published its third Sustainability Statement

- Growing pressure from stakeholders and Bursa Malaysia on climate-related disclosures

2018/19

IJM published its fourth Sustainability Statement

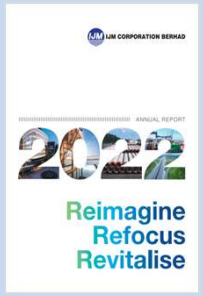
- Conducted internal audit on data sets
- Committed to building internal capacity for Task Force on Climate-related Financial Disclosures (TCFD)

2019/20

IJM published its fifth Sustainability Statement

- Aligned with GRI Standards: Core Option
- Referenced SASB's Engineering & Construction Services sector disclosure
- Enhanced structure and layout

2020/21



IJM published its sixth Sustainability Statement

- Introduced IJM Sustainability Framework
- Aligned climate disclosures to TCFD framework
- Enhanced GHG data disclosures covering Scope 1 & 2 and 6 categories of Scope 3 for Malaysian operations

2021/22

IJM published its seventh Sustainability Statement

- Enhanced TCFD disclosures
- Introduced IJM Group Climate Strategy (R_2O)
- Introduced People Strategy
- Refreshed Community Investment Framework and Strategy

2022/23

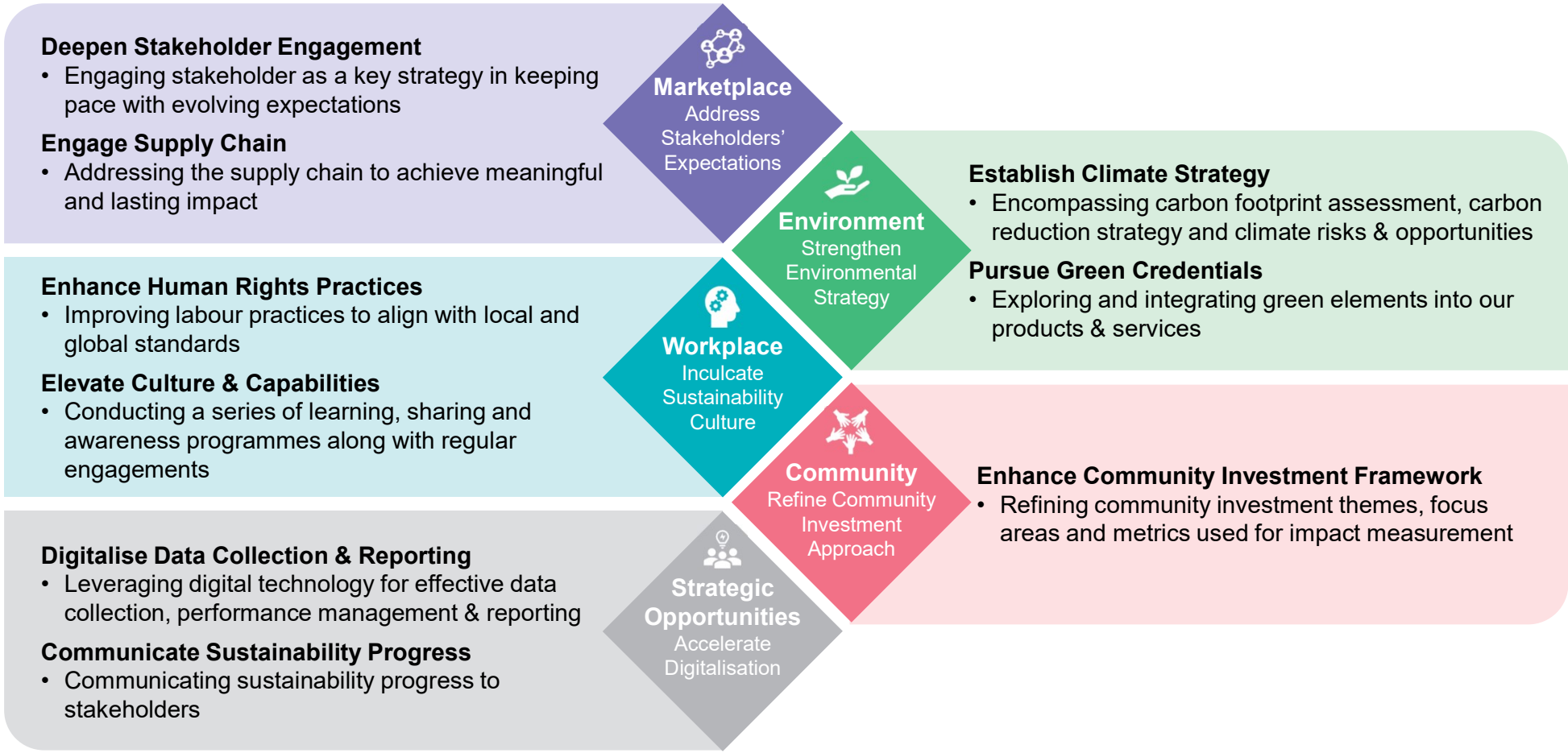
Developed framework, aligned with global standards, addressed reporting gaps

Address market expectations

IJM Group Sustainability Framework

- Comprised of four sustainability pillars; **Marketplace**, **Environment**, **Workplace** and **Community**; the framework defines IJM's strategic focus areas
- Governed by our **Sustainability Governance Framework** led by the Board and supported by the Operating Committee, Group Sustainability Steering Team, Business Division Sustainability Steering Teams and Business Division Sustainability Working Teams
- Aligned with the **UN Sustainable Development Goals (SDGs)** and the **Ten Principles of the UN Global Compact**

Group Sustainability Roadmap FY2023 – FY2025



What has changed in recent years

Increasing prominence of sustainability as a measure of corporate performance in addition to financial metrics

- Significance of data to measure sustainability performance
- Conformance to global standards of reporting and global frameworks of practice

Recognition of the causality relationship between internal and external drivers

- How the environment impacts our business vs only the reverse previously

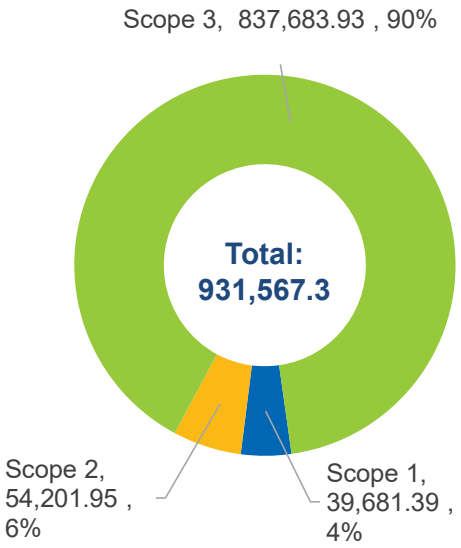
All of these have an increasing bearing on strategy

- Investments into energy efficiency, renewable and supply chain strategy

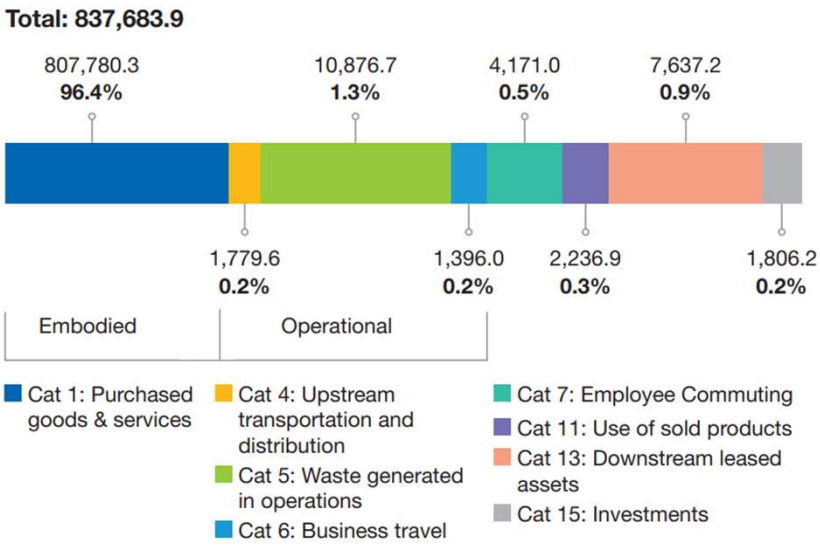
Reduce to net-zero
Resilience in a net-zero world

Our FY2023 GHG emissions baseline[1]

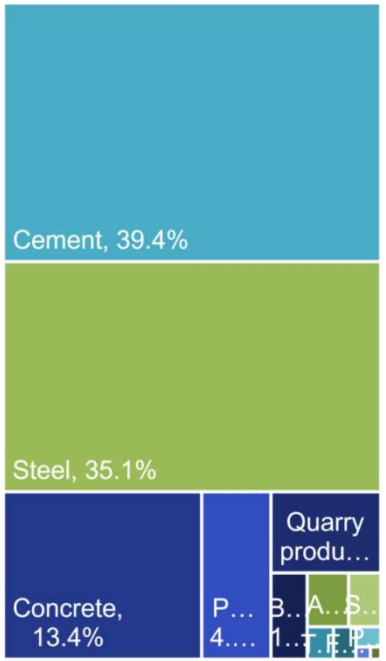
Total emissions by Scope (tCO_2e)



Scope 3 Emissions by Category (tCO_2e)



Scope 3 Category 1 by Material Type



Results:

- Scope 3 makes up 90% of total emissions
- Category 1 makes up 96% of total Scope 3
- Cement, steel and concrete constitute 87.9% of Category 1 emissions

[1] Data has been independently verified according to ISO 14064-1 by BSI Malaysia

Net-zero targets referenced SBTi's minimum ambition

Our targets in comparison to SBTi's minimum ambition for net-zero:

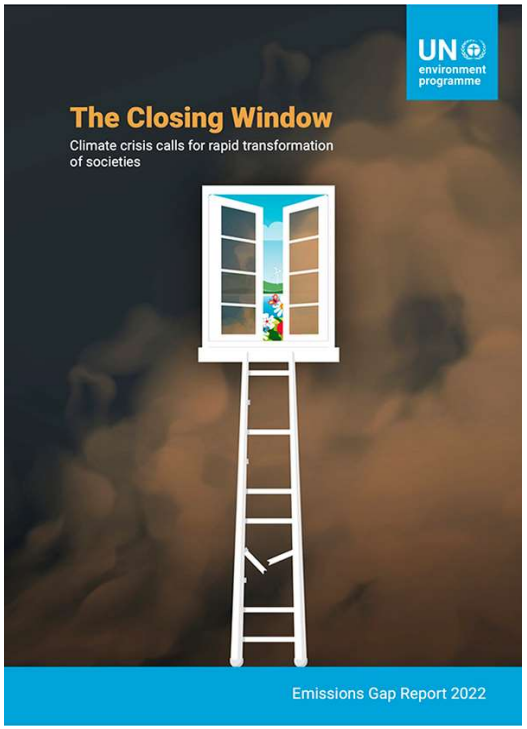
Scope	SBTi's minimum ambition[1]		Our targets (Long-term)
	Near-term [2]	Long-term	
Scope 1	• 4.2% reduction annually	• 90% absolute reduction by 2050	Net-zero by 2050
Scope 2	• 4.2% reduction annually • 100% renewable electricity by 2030	• 90% absolute reduction by 2050	Net-zero by 2035 via 100% renewable electricity
Scope 3	• 2.5% reduction annually • Suppliers and customers to set targets consistent with well-below 2°C ambition, covering at least 67% of Scope 3 emissions	• 90% absolute reduction by 2050 • 97% physical and economic intensity reduction	Operational (Category 4, 5 and 6): Net-zero by 2050
			Embodied (Category 1): Engage with supply chain for low carbon plans by 2027, covering the remainder of the 67% of Scope 3 emissions

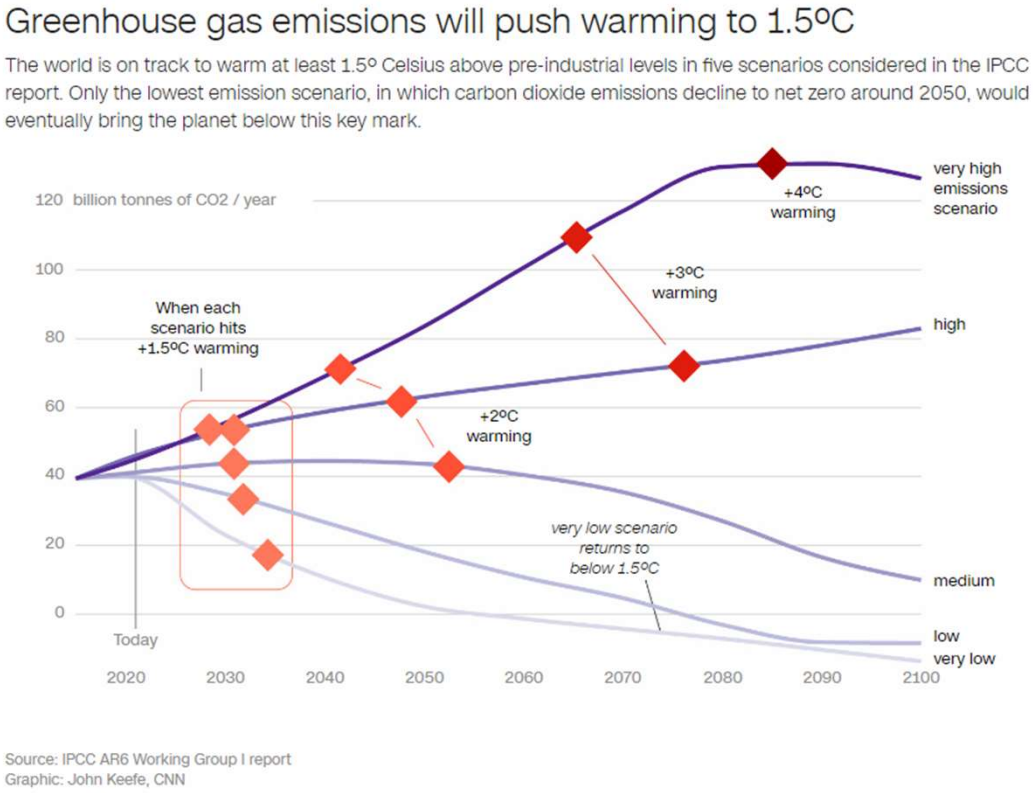
[1] Based on the Science Based Target Initiative Corporate Net-Zero Standard (v1.1), 2023
[2] Up to 2033, following the 10-year timeframe by SBTi to meet near-term targets based on FY2023 baseline

Conformance to global standards and frameworks

1. Convergence of governance and standards
   - Bursa Malaysia mandates TCFD-aligned disclosures by 2025
   - IFRS S1 and S2 publication to streamline sustainability reporting globally
   - Upcoming publication of the TNFD framework signals integration of nature-related risks into financial planning and risk management
2. Global standards and frameworks provided structured guidance on climate assessments
   - TCFD framework provided guidance for data-driven assessment
   - Scenario analysis used to inform ERM discussions
   - SBTi Net-Zero Standards used as a reference in determining our long-term target

Causality relationship of internal and external drivers





UNEP:

- There is “no credible pathway to 1.5ºC in place” today
- The world is on track for a temperature rise of between **2.4ºC and 2.6ºC by the end of this century**

Impacts of climate change to our business

A case study on heat stress:

Location	SSP	2020	2030	2040	2050	2060	2070
Malaysia	**SSP5-8.5**	**2**	**7**	**30**	**64**	**100**	**148**
	SSP2-4.5	**1**	**6**	**12**	**25**	**48**	**50**
Kuala Lumpur	SSP5-8.5	12	44	137	190	290	322
	SSP2-4.5	1	36	75	129	177	220
Selangor	SSP5-8.5	33	76	169	219	302	330
	SSP2-4.5	18	60	111	167	211	241
Perak	SSP5-8.5	9	26	78	118	188	234
	SSP2-4.5	3	21	35	68	109	120
Penang	SSP5-8.5	47	95	176	226	296	305
	SSP2-4.5	23	67	98	174	216	244
Pahang	SSP5-8.5	3	10	51	91	146	215
	SSP2-4.5	1	10	19	37	74	89
Johor	SSP5-8.5	36	80	185	242	303	330
	SSP2-4.5	31	65	121	186	224	251
India	**SSP5-8.5**	**72**	**83**	**104**	**109**	**121**	**140**
	SSP2-4.5	**71**	**78**	**93**	**103**	**107**	**110**
Karnataka	SSP5-8.5	13	25	48	69	95	131
	SSP2-4.5	12	20	32	50	58	64
Maharashtra	SSP5-8.5	43	60	93	100	119	157
	SSP2-4.5	44	51	69	90	93	99

Mean projections (CMIP6) of number of days where HI>35°C based on multi-model ensemble for SSP2-4.5 and SSP5-8.5 scenarios[1]

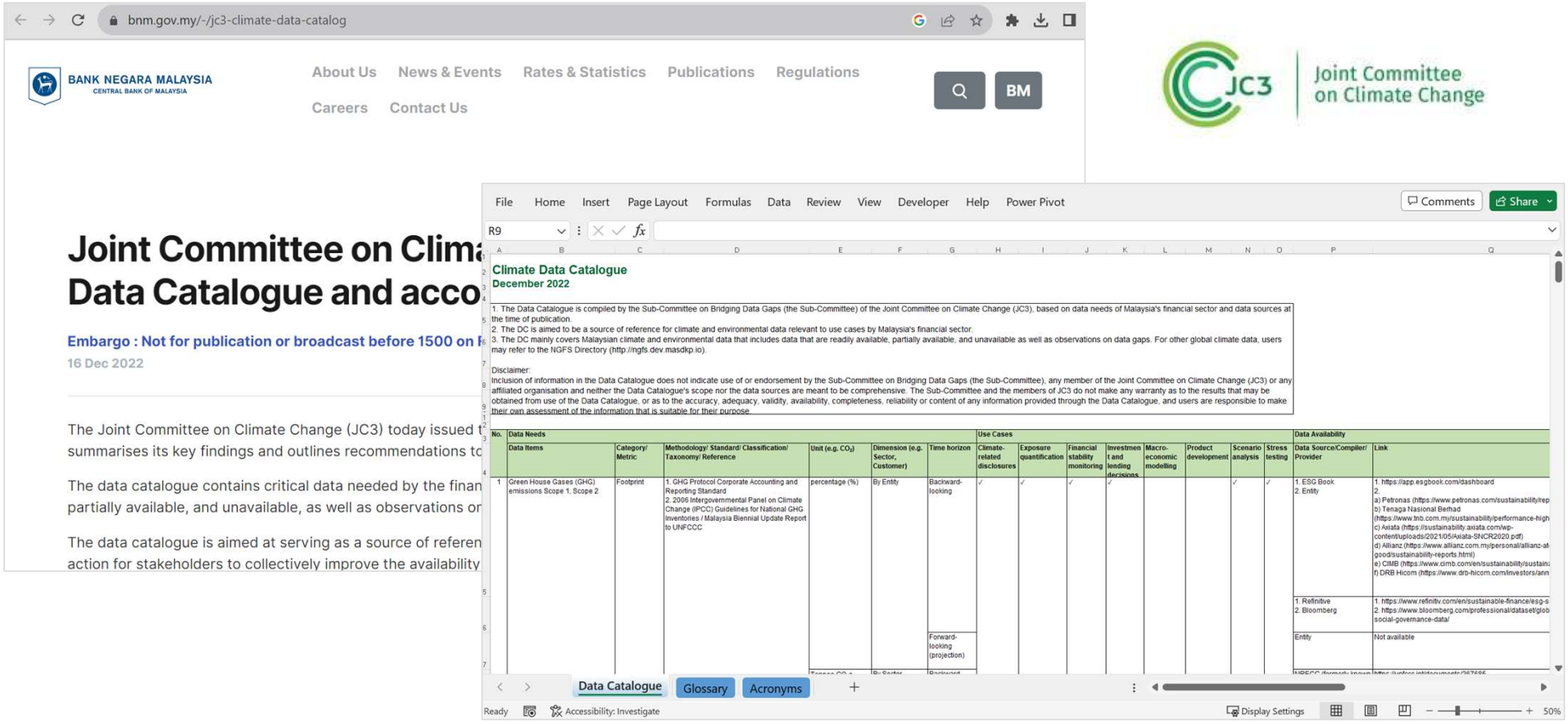
Apparent temperature (heat index) according to air temperature and relative humidity[2]

Key findings

- Locations in Malaysia will experience higher no. of days of heat stress compared to India, which are exposed to more acute occurrences during summer months
- In Malaysia, no. of days where HI>35°C in 2070 is projected to be 148 and 50 days under RCP8.5 and RCP4.5, respectively
- Impact areas identified include reduced operational outdoor productivity and increased demand for energy-efficient products

[1] The World Bank Climate Change Knowledge Portal
[2] Time and Place as Modifiers of Personal UV Exposure - Scientific Figure on ResearchGate

Climate Data Catalogue by JC3



The climate data catalogue can be accessed via https://www.bnm.gov.my/-/jc3-climate-data-catalog

Tackling both sides of the climate coin

Reduction

Energy optimisation

- Explore alternative fuels
- Electrification
- Improve energy efficiency
- Utilise alternative methods and input materials
- Increase renewable energy adoption
- Adopt low carbon transportation

Supply chain advocacy

- Reduce waste via material and operational efficiency
- Adopt circular economy approach
- Provide complimentary training to major suppliers
- Enhance procurement strategies

Industry engagement

- Work with industry associations and peers to align decarbonisation goals
- Advocate whole of industry transition towards low carbon and climate resilience

Product stewardship

- Incorporate sustainable design principles
- Use of current and emerging technologies such as BIM and IBS
- Prioritise low carbon raw materials

Resilience

Climate risk integration with ERM

- Incorporate climate risk into ERM
- Build internal capacity and understanding
- Active partnerships with industry associations and likeminded stakeholders, particularly for systemic climate risks

Asset and business adaptation

- Continuously assess physical qualitative climate risk assessment, based on available scientific data
- Conduct quantitative assessment for projects and assets with higher exposure
- Build supply chain resilience

TCFD alignment

- Perform benchmarking and disclose climate risks and opportunities
- On-going review, monitoring and reporting

Thank you

Scan the QR code to view our FY2023 Sustainability Statement