

# CONTRIBUTING TO A VIBRANT MARKETPLACE

As an organisation with diverse business operations, IJM's drive for sustainable growth is achieved not only through shared values and synergies across the Group, but also by creating and enhancing shareholder value. We recognise that in order to succeed in today's global marketplace, embedding sustainability into our business is key to our Company's reputation and long-term success. In this section, we review IJM's approach and contribution as a responsible business Group and outline key marketplace relationships for FY2018.

## OUR CODE OF ETHICS AND CONDUCT

We are committed to creating a Group corporate culture to operate our businesses in an ethical manner while upholding the highest standards of professionalism. Our business principles commit us to comply with all laws, rules and regulations of each country in which we operate. Our Code of Ethics and Conduct provides the principles and standards of business ethics and conduct of the Group. Beyond strict adherence to local laws and regulations, the code spells out the expectations of employee behaviour and conduct at work. The Code of Ethics and Conduct is made available to all employees and can be accessed from our Company website.

## ANTI-CORRUPTION AND BRIBERY

At IJM, the Code of Ethics and Conduct affirms expectations on employees to understand and comply with laws, rules and regulations applicable to their position and/or work including the relevant provisions of the Malaysian Anti-Corruption Commission Act 2009 and Anti-Money Laundering and Anti-Terrorism Financing Act 2001. The Code of Ethics and Conduct states, among other things, that employees will not accept nor provide personal gifts, favours, entertainment or services, in cash or in-kind, that will or will appear to influence objective and fair business decisions.

Our Whistle Blowing Policy spells out the policy and procedure for reporting corruption and other wrongdoings. IJM Group ensures the anonymity of employees, associates or any third party who report their concerns on suspected and/or known instances of misconduct, wrongdoing, corruption, fraud, wastage and/or abuse. Whistle blowers will also be protected against reprisals and/or retaliations in response to their disclosures. IJM Group treats all disclosures as sensitive and will only reveal information on a 'need to know' basis or if required by law, court or authority. The Whistle Blowing Policy can be accessed from our Company website.

## CORPORATE GOVERNANCE AND COMPLIANCE

We are guided by the Malaysian Code on Corporate Governance 2017 in ensuring the principles and best practices of good corporate governance is applied throughout the Group. IJM has been accorded awards recognising our good corporate governance practices including induction into the MSWG-ASEAN Corporate Governance Recognition 2017 list of Top 100 Companies with Good Disclosures and Top 100 Companies for Overall Corporate Governance and Performance. The Top 100 Malaysian public-listed companies listing is based on disclosures from 900 companies assessed using the ASEAN Corporate Governance Scorecard.

Details of our corporate governance framework and practices are elaborated in the Corporate Governance Overview Statement on pages 100 to 110 of the Annual Report.

Our commitment to advocate higher standards in business and financial reporting by promoting transparency and accountability was again recognised at the National Annual Corporate Report Awards ("NACRA") 2017. IJM received the Industry Excellence Award in the category of Construction and Infrastructure.

IJM Group has established effective standard operating policies and procedures, defined levels of authority and guidelines for recruitment and human capital development in our effort to ensure compliance with internal controls, laws and regulations. These policies, procedures and guidelines are subjected to regular reviews and improvements; and have been communicated to all employees.



### INTEGRITY

We act with professionalism in everything we do and with everyone we deal with, always delivering on our promise.

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Sustainability Statement

## VALUING NON-FINANCIAL PERFORMANCE

Mainstream investors increasingly use Environment, Social and Governance (“ESG”) factors to help them determine the long-term value of a company. On 1 March 2018, Bursa Malaysia visited our corporate

office and gave an overview of the FTSE4Good Bursa Malaysia Index framework to the Sustainability Steering Teams of IJM Group and our business Divisions. The briefing provided us a detailed understanding of the FTSE methodology and assessment on IJM as well as investors’ expectations of companies on sustainability issues.

## ENGAGING STAKEHOLDERS

Proactive stakeholder engagement ensures our business activities are viable, strategic and relevant. We engage with a diverse group of stakeholders as shown in the following table.

STAKEHOLDERS	WHY WE ENGAGE	METHOD AND FREQUENCY OF ENGAGEMENT	KEY TOPICS RAISED
Shareholders, investors and lenders	Investors and lenders provide us with the financial capacity to sustain our growth. We work to ensure our investors and lenders have a strong understanding of our strategy, performance and business fundamentals.	<ul style="list-style-type: none"> <li>• Annual general meetings</li> <li>• Bi-annual analyst briefings</li> <li>• Investor conferences and regular meetings</li> <li>• Company website</li> <li>• Annual reports</li> <li>• Site visits</li> </ul>	<ul style="list-style-type: none"> <li>• Business strategy and impacts</li> <li>• Financial and operational performance</li> <li>• Socio-environmental practices and commitments</li> </ul>
Clients/customers	Focusing on customers’ needs is part and parcel of our core value. We engage with our customers to understand their needs and identify opportunities to improve.	<ul style="list-style-type: none"> <li>• Customer service platforms e.g. phone calls, email, social media</li> <li>• Customer satisfaction surveys</li> <li>• Events and site visits</li> <li>• Health, Safety and Environment (“HSE”) surveys</li> </ul>	<ul style="list-style-type: none"> <li>• Product and service quality</li> <li>• Timely delivery of projects/products</li> <li>• Sustainability management i.e. certification, best management practices</li> </ul>
Subcontractors and suppliers	Our broad range of subcontractors and suppliers support many aspects of our business. We encourage them to adhere to high standards of professionalism and collaborate with us to ensure we can continually improve our operations and deliver mutual benefits.	<ul style="list-style-type: none"> <li>• Tender sessions</li> <li>• Subcontractor/supplier HSE performance evaluations</li> <li>• Site visits</li> <li>• Events, briefings and trainings</li> </ul>	<ul style="list-style-type: none"> <li>• Product and service delivery</li> <li>• Payment terms and timeliness</li> <li>• Subcontractors/suppliers’ compliance, capabilities and commitment</li> <li>• Legal and HSE compliance</li> <li>• Human rights</li> <li>• Product innovation</li> </ul>

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STAKEHOLDERS	WHY WE ENGAGE	METHOD AND FREQUENCY OF ENGAGEMENT	KEY TOPICS RAISED
Regulators and Government authorities	Regulators and the Government set the legal framework where we operate. We engage with them to ensure we comply with existing legislations.	<ul style="list-style-type: none"> <li>• Compliance and certification exercises</li> <li>• Periodic site visits and audits</li> <li>• Company representation at initiative/technical working groups</li> <li>• Briefings and trainings</li> <li>• Annual report</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Certifications/awards</li> <li>• Industry best practices and updates</li> </ul>
Media	The Media is our primary channel of communication across a wide variety of key stakeholders. They disseminate information such as our Company's financial performance and provide us with valuable feedback and insights about the sectors where we operate.	<ul style="list-style-type: none"> <li>• Press releases and interviews</li> <li>• Annual reports</li> <li>• Company website</li> <li>• Events e.g. media appreciation events, project launches</li> </ul>	<ul style="list-style-type: none"> <li>• Business performance and direction</li> <li>• Industry outlook</li> <li>• Company events and activities</li> </ul>
Employees	We work to create a diverse and inclusive workplace where we support every employee to reach their full potential. Employee satisfaction is important and we continuously strive to ensure we are delivering to their expectations and supporting their wellbeing. This enables us to retain and develop the best talents.	<ul style="list-style-type: none"> <li>• Workplace by Facebook</li> <li>• Intranet</li> <li>• Annual performance appraisals</li> <li>• Triennial MyVoice employee engagement surveys</li> <li>• Annual townhall meetings</li> <li>• Forums, trainings and workshops</li> <li>• Sports club i.e. Kelab Sukan IJM</li> <li>• Employee events e.g. festive celebrations, annual dinners, IJM Games</li> </ul>	<ul style="list-style-type: none"> <li>• Business performance and direction</li> <li>• Career development</li> <li>• Learning and development</li> <li>• Employee welfare and benefits</li> <li>• Employee wellness</li> <li>• Health and safety</li> </ul>
Local community, industry associations, academia and Non-Governmental Organisations ("NGOs")	We work in partnership with the local community, industry associations, academia and NGOs to build positive relationships and ensure that we can deliver mutual benefits.	<ul style="list-style-type: none"> <li>• Community outreach and development programmes e.g. Give Day Out, sports programmes</li> <li>• Events e.g. product launches, festive celebrations</li> <li>• Company website and advertisements</li> <li>• Annual reports and social media</li> <li>• Educational site visits</li> <li>• Briefings and trainings</li> </ul>	<ul style="list-style-type: none"> <li>• Company reputation and branding</li> <li>• Good corporate citizenship</li> <li>• Project development plans</li> <li>• Best management practices and industry-related research</li> <li>• Partnerships</li> </ul>

## CONTRIBUTING TO THE INDUSTRY

We actively participate in industrial association activities to learn, develop and contribute to a collective voice towards best practices for the industries where we are involved in. Below is a list of associations where our Group and Divisions are members and active partners:

GROUP/DIVISIONS	LIST OF ASSOCIATIONS
<b>Group</b>	Minority Shareholder Watchdog Group (“MSWG”) Malaysian Indian Business Council (“MIBC”) Malaysia South-South Association (“MASSA”) Malaysia-Japan Economic Association (“MAJECA”)
<b>Construction</b>	Construction Industry Development Board (“CIDB”) Master Builders Association Malaysia (“MBAM”) National Institute of Occupational Safety and Health (“NIOSH”) Royal Institution of Surveyors Malaysia (“RISM”)
<b>Property</b>	FIABCI Malaysia Real Estate and Housing Developers’ Association Malaysia (“REHDA”) REHDA Penang REHDA Negeri Sembilan REHDA Selangor REHDA Wilayah Persekutuan REHDA Johor Sarawak Housing and Real Estate Developer Association (“SHEDA”) Sabah Housing and Real Estate Developers Association (“SHAREDA”)
<b>Industry</b>	Federation of Malaysian Manufacturers (“FMM”) Malaysian Employers Federation (“MEF”) Malaysian Institute of Human Resource Management (“MIHRM”) Malaysian Institute of Management (“MIM”)
<b>Plantation</b>	Malaysian Estate Owners’ Association (“MEOA”)
<b>Port</b>	ASEAN Ports Association Malaysia (“MAPA”) Malaysian Employers Federation (“MEF”) Gebeng Emergency Mutual Aid (“GEMA”) Federation of Malaysian Manufacturers (“FMM”) Malaysian Oil and Gas Services Council (“MOGSC”)
<b>Toll</b>	Persatuan Syarikat-Syarikat Konsesi Lebuhraya Malaysia (“PSKLM”)

### ADVANCING CONSTRUCTION AND PROPERTY DEVELOPMENT THROUGH COLLABORATIONS AND SITE VISITS

We work closely with the Construction Industry Development Board (“CIDB”) and Master Builders Association Malaysia (“MBAM”) to drive the transformation of the construction industry in Malaysia.

Representatives from IJM are part of working groups to advance sustainability rating tools in areas of environmental management and green technology. We participate in CIDB’s Malaysian Carbon Reduction and Environmental Sustainability Tool (“MyCREST”), in partnership with the Real Estate and Housing Developers’ Association Malaysia (“REHDA”), to promote low-carbon and sustainable practices among developers and construction industry players in Malaysia. IJM also shares knowledge by collaborating with these associations on key issues such as affordable housing and the adoption of the Industrialised Building System (“IBS”).

Our Construction Division has regular engagements with the Department of Occupational Safety and Health (“DOSH”) to understand and comply with national and industry benchmarks. In conjunction with IJM HSE Day on 27 July 2017, DOSH Putrajaya visited our corporate office to brief us on the Guidelines of Occupational Safety and Health in the Construction Industry (Management) 2017. The session provided details on the latest operational compliance requirements by the authority and management of safety, health and welfare.

We hosted DOSH Putrajaya and State DOSH (Perak and Selangor) on a site visit to the West Coast Expressway Project. During this visit, we showcased HSE management and mitigation measures implemented at the site. We also collaborated with DOSH in the Third Country HSE Training Programme, where IJM hosted 28 delegates from Cambodia, Laos and Myanmar at Menara Prudential, our on-going construction project in Kuala Lumpur, on 26 September 2017.



*Our Construction Division regularly engage with the Department of Occupational Safety and Health (“DOSH”) to understand and comply with national and industry benchmarks*



*Our Industry Division was invited by CIDB Negeri Sembilan to conduct introductory training on the Spun Pile process on 2 October 2017*

### PROMOTING AND PROTECTING PALM OIL INTERESTS THROUGH FORUMS

Our Plantation Division is an active member of the Malaysian Estate Owners’ Association (“MEOA”). We contribute operational knowledge and expertise to the industry fraternity consisting of other small and medium plantation companies, independent estate owners, researchers and investment analysts. One such platform is via an annual oil palm seminar which addresses topics ranging from best management practices to oil palm nutritional requirements, physiology and yield components.

We also have exchanges at various national forums on topics such as industry trends and competitiveness, plantation inputs and sustainable initiatives. These efforts are aimed at raising the industry standard and managing challenges and opportunities impacting the plantation industry.



*Dato’ Soam Heng Choon, in his capacity as REHDA Deputy President at the World Urban Forum on 8 February 2018*

## INCREASE HIGHWAY PROFESSIONALISM THROUGH STAKEHOLDER COORDINATION

Our toll highways entities are members of the Association of Highway Concessionaires Malaysia (“PSKLM”), a mediating platform between concessionaires, authorities and the public to address issues on highway operations in Malaysia. This platform provides a conducive environment to discuss about increasing the professionalism amongst highway operators as well as promoting standardisation of facilities and services at the highways. Feedback from road users obtained through the Highway Customer Satisfaction Index were shared with PSKLM and the Malaysian Highway Authority (“MHA”) to help them strategise policies and organise community engagement activities, plan and coordinate future projects.



PSKLM Annual General Meeting on 28 March 2018

## COMMITMENT TO QUALITY

Our business strategy addresses the quality of our products and services, including our processes and people.

Our Construction, Property and Industry Divisions have transitioned to the latest ISO 9001:2015 whilst our Port and Toll operations are in the midst of securing compliance. The latest ISO 9001:2015 combines the process approach with a new core concept of risk-based thinking to prioritise processes, employs the Plan-Do-Check-Act (“PDCA”) cycle in the organisation to manage the processes and system as a whole, and drive improvements.

As the quality of construction work and materials used are amongst the main concerns of property buyers, CIDB established a system called Quality Assessment System in Construction (“QLASSIC”) in 2001. It measures and evaluates the workmanship quality of a building construction based on the Construction Industry Standard, through a scoring system. This financial year, the Property Division attained a QLASSIC score of over 80% for a number of its developments, namely, The Light Collection III, Seri Riana Residence, De’Bunga Residensi, Saujana Duta and the Fairway Golf Villas at Seban Cove. The De’Bunga Residensi was awarded the highest accolade achievable for quality in the form of Best QLASSIC Achievement Awards 2017 for the small (less than RM20 million) residential category.



Dato' Hoo Kim See receiving the Best QLASSIC Achievement Awards on 21 August 2017

Our Plantation Division’s focus on quality and sustainability is substantiated by national and international certification standards such as International Sustainability and Carbon Certification (“ISCC”), Malaysian Sustainable Palm Oil (“MSPO”) and Indonesia Sustainable Palm Oil (“ISPO”).

## ENSURING CUSTOMER SATISFACTION

At IJM, ‘Customer Focus’ is one of our core values and is reflected in how we do business with the overarching goals of fulfilling and improving customer experience. This year, customer engagement and satisfaction remained a material topic across all our Divisions. We are focused on understanding and responding to the different and constantly evolving needs of our customers via customer satisfaction surveys, market surveys and brand audits.

In our efforts to connect with customers, we are mindful of our responsibility to protect individual privacy and personal data. IJM Group has a formal Privacy Policy, in English and Bahasa Malaysia, and is compliant with the requirements of the Personal Data Protection Act 2010. The policy can be accessed from the Company’s website.



### Enhancing IJM Land's Customer Experience at all touch points

As part of our continuous efforts to enhance customer experience, IJM Land launched the VIP Principles in May 2016, thereby establishing a guide for all IJM Land employees across functions to treat all our stakeholders with warmth, respect, dedication and care.



We recognise that each stakeholder has different needs; it is our duty to offer knowledgeable opinions and solutions. In doing so, we keep to our promises and are timely in our responses, actions and deliverables. These principles are aimed at delivering a consistent customer experience across various touch points – our sales galleries, sales administration, property management and maintenance.

In FY2018, robust measurement systems were introduced throughout our Malaysian operations, namely Net Promoter Score (“NPS”) and Customer Satisfaction Score. Measurement benchmarks were set during the year from the results of surveys conducted with our recent purchasers. The Division recorded an NPS of +10.2, indicating that IJM Land retains a positive level of customer loyalty that generates word-of-mouth referrals. This was corroborated through our Customer Satisfaction Score where the average satisfaction level among all homebuyers was at 80%, with 95% of them likely to recommend our properties to their family and friends.

Our Property Division launched the Mystery Shopper Programme in November 2017 to gauge our service standards. The results were satisfactory and the programme also enabled us to identify areas for improvement to maintain high service standards at various customer touchpoints.

The Division's sales galleries, amenities and facilities are designed to provide homebuyers with an authentic experience of their prospective purchases. Some of our galleries are equipped with cutting edge technologies such as guided virtual tours. Online interactive tours are available to potential homebuyers to experience a Google Street view of the actual property development, surrounding areas, access roads and environmental features.

### Client survey conducted by Construction and Industry

Our Construction Division conducts annual customer satisfaction surveys with an aim to achieve an overall rating of at least 75% for all projects. The surveys focus on the Division demonstrating our ability for on time delivery, project management, technical competency, effective problem solving and risk mitigation. In this reporting period, the Division was rated with an average score of 78%.

In FY2018, Industrial Concrete Products Sdn Bhd (“ICP”) achieved an average customer satisfaction score of 94.5% as compared to 95.9% achieved in FY2017, still exceeding their target of 80%. The annual customer feedback exercise focuses on product quality and performance, communication, product delivery and after sales service.

### Improving highway user experience

Our Toll operations received 205 complaints in FY2018 (FY2017: 111 complaints), all of which have since been resolved. The most common complaints were regarding collisions with the Automatic Lane Barriers (“ALB”) at toll booths which damaged the road users' cars. As a preventive measure, we are looking into installing safety sensors and optical barriers at the tolls.

In the Highway Users Satisfaction Survey, our highways continued to exceed the service rating of 82% set by the Malaysian Highway Authority. The survey evaluates performances on various criteria including highway and toll plaza management, patrol services as well as rest and service areas.

## BRANDING AND REPUTATION

At IJM, we are committed to building a positive reputation with stakeholders across our footprint. Our tagline ‘We Deliver’ is an integral part of the IJM brand, representing our commitment towards delivery, performance, efficiency and quality.

Our stakeholders recognise IJM's track record of consistently creating value over the long-term. We are known for our deep industry knowledge, excellence in product and service delivery, integrity and professionalism across the industries we operate in. The IJM brand and reputation are important aspects that our business partners and new talents consider.

We are enhancing our brand equity through the implementation of a comprehensive branding programme which is supported by positioning our brand strategy, messaging and identity across all communication channels. Initiated in September 2017, this branding programme aims to drive a unified and consistent identity across all operations, while strengthening the awareness and perception of the IJM brand.

## RECOGNITION FOR BEST PRACTICES IN CONSTRUCTION

Our Construction Division was recognised at the launch of the International Construction Week 2018 for achieving the 5-star CIDB Competitive Rating for Enhancement Programme (“SCORE”). The SCORE assessment is based on business and financial performance, technical capabilities, project and procurement management as well as best practices.

We also received the National Council for Occupational Safety and Health (“NCOSH”) award 2017 for the Puteri Cove Residences construction project in Johor. The award is the highest level of recognition for Occupational Safety and Health (“OSH”) excellence at the workplace in Malaysia, giving national acclaim to employers, media and organisations from various industries for their commitment towards OSH at workplaces. This marks the third time our Construction Division has received this prestigious accolade.

## EXCELLENCE IN PROPERTY DEVELOPMENT

In FY2018, IJM Land was again ranked among the Top 10 – Property Developers in Malaysia at both The Edge Malaysia Property Excellence Awards and Property Insight Prestigious Developers Awards. At the Starproperty.my Awards 2018, we were awarded the All-Star Award for Top Ranked Developer of the Year. The Excellence Winner for the Poseidon Award (Best Waterfront Development) was accorded to The Light Waterfront Penang.

Our Bandar Rimbau township won ‘World Gold’ in the Master Plan category at the FIABCI Prix d’Excellence Awards 2017. The international competition for real estate developers showcases excellence in all aspects of development. IJM Land was also voted as one of Malaysia’s well-loved brands in the ‘Property Development’ category of the Putra Brand Awards 2017.



*The Edge Malaysia Property Excellence Awards 2017*



*Awarded the All-Star Award for Top Ranked Developer of the Year at the Starproperty.my Awards 2018*

## PROMOTING GREEN HIGHWAY

Apart from implementing the Environmental Management System for proper management of disposed items, the installation of nature-friendly LED lamps at our highways have shown durability, increased energy efficiency and cost savings. In recognition of this, our Besraya Highway was awarded the Gold Award at the Malaysia Green Highway Index (“MyGHI”) Awards. The award was given upon assessing five core areas; sustainable design and construction activities, energy efficiency, environmental and water management, material and technology as well as social and safety.



*Besraya received the Gold Award at the MyGreen Highway Index Awards on 24 October 2017*

## SUPPLY CHAIN MANAGEMENT

We are committed to supporting business opportunities and capacity building in relation to the local and diverse suppliers in our operations and supply chain. Our commitment to our core values of ‘Integrity, Teamwork, Innovation and Customer Focus’ extends beyond our own activities. It is essential that our suppliers are aligned to these values to ensure operational excellence. To achieve this, we are currently working on a Group Supply Chain Policy that we aim to communicate to our suppliers and subcontractors in FY2019. The policy intends to supplement our contracts with suppliers and subcontractors by communicating our expectations in these areas: compliance with laws; integrity; labour and human rights; workplace health, safety and environment; as well as quality assurance and management.