The sustainability aspect pertaining to Bursa’s CR on Marketplace is in line with the Group’s ‘Productivity and Innovations’ initiatives. The Group is committed to operating professionally, with integrity and responsibility in our business to continue delivering value to our shareholders. The emphasis is on improving productivity through process and performance excellence while inspiring continuous improvement throughout the supply chain. It recognises the research and development imperatives along with harnessing functional innovations towards achieving higher oil yields and balancing growth with positive social environmental footprints. The Group is committed to adhere to all relevant and legal requirements, support fair and ethical business practices and apply best industry standards and practices. Effective control and monitoring systems such as in risk management, finance, budgetary system, tendering procedures and administration are also in place to manage risk and compliances as well as ensure long term economic viability of the Group. The Group recognises the importance of addressing sustainability-related issues relating to the production of palm oil products vis-à-vis other edible oils on a level playing field. Over the last few years, the Group has been driving capacity building, analysing gaps, establishing baselines and creating awareness in preparation for a phased approach towards sustainability certifications set against the Group’s priorities and resources of a mid-sized organisation, whilst engaging proactively with its stakeholders.
1.1 VALUE ADDING AND DISTRIBUTION

The Group’s Statement of Value Added and Distribution on page 25 for the financial year ended 31 March 2016 depicts the principle of shared destiny in the distribution of value addition or wealth creation arising from the Group’s overall business.

Against the backdrop of a challenging year confronted with demanding operating environment, the Group was significantly affected by declines in crop production, sales volumes and lower CPO prices. The Group was still able to generate value addition totaling RM263.2 mil from the business in the financial year ended 31 March 2016. This was shared and distributed to the Group’s beneficiaries namely to 9,602 employees (RM111.6 mil or 43%), to the Government through taxes and cess (RM53.7 mil or 20%), providers of capital, including dividend pay out (RM72.0 mil or 27%) and the balance as retention for reinvestment (RM25.8 mil of 10%). There was also a total of RM294.5 mil from the total revenue of RM557.6 mil which were channeled for the purchase of goods and services for the business operations and this facilitated in the generation of spin-offs and multiplier effects benefiting local economies and other service providers.

1.2 INVESTOR RELATIONS

The role of investor relations is central in providing an effective two-way communication channel between the Group and its stakeholders. The Group continues to provide accurate information in a timely manner to the shareholders and the investing community. The Annual General Meeting remains an important platform for dialogue between the Group and its shareholders. Quarterly announcements to Bursa Malaysia, annual reports, regular analyst briefings and visits were also carried out. In addition, the Group maintains a corporate website which is updated and improved from time to time. For additional details, refer to the Statement on Corporate Governance in pages 44 and 45.

In September 2015, the Group was recognised by Asiamoney in September 2015 as Malaysia’s Best Managed Company 2015-Small Cap. The Group was also ranked by the Minority Shareholders Watchdog Group (“MSWG”) in December 2015 to be among the top 10 companies with good disclosures from a total of 870 companies in Malaysia under the MSWG-ASEAN Corporate Governance Transparency Index – The Malaysian Chapter. In addition, the Group was also ranked top 10 by the Malaysian Investor Relations Association (MIRA) in June 2015 under the categories of the Best Company, Best CEO, Best CFO and Best IR Website in the Malaysian Mid-cap PLCs.

1.3 STAKEHOLDER ENGAGEMENTS

The Group recognises the need to address the increasing expectations of many relevant stakeholders. It believes in engaging with the stakeholders to strengthen partnerships through appropriate dialogues. The Group has identified key stakeholder groups for engagement on various aspects of our business activities. The Group has been actively involved with stakeholders, including NGOs, governmental bodies and private organisations, which led to many constructive collaborations and partnerships. Figure below summarises the different groups of stakeholders and the key issues deliberated during the engagement process.
In the financial year ended 31 March 2016, emphasis was placed in engaging with the local masyarakat or communities together with the governmental bodies. Key infrastructure for better accessibilities such as roads and bridges in and around the surrounding villages in areas where we operate, continued to be improved and maintained by the Group. Ongoing and new partnership projects with stakeholders were established and pursued covering various aspects of sustainability. Table below depicts the engagement processes and key issues discussed with the various stakeholders.

### Relevant stakeholders
- **Industry Fraternity & Suppliers**
  - Regular open engagements including *IJM Oil Palm Seminar* and annual “Walk with CEO”
  - Maintaining good relationships with the stakeholders pre and post engagements
  - Hosted site visits and briefings
  - Fraternity involvement and leadership roles

- **Customers**
  - Correspondence, structured meetings and direct engagements
  - Corporate website
  - Maintaining good relationships
  - Site and operational visits

- **Government Authorities & Regulators**
  - Two-way meetings, dialogues and engagements
  - Site and operational visits
  - Seminars and conferences
  - Fraternity associations

- **Investors & Analysts**
  - Correspondences and telecommunication addressing queries
  - Networking and engagements
  - Site and operational visits
  - Corporate website

- **Local Communities, Academia and NGOs**
  - Community outreach and other sustainability programmes e.g. sports, education, health, technical sharing
  - Regular dialogues and engagement meetings
  - Strategic collaborations and partnerships with NGOs and governmental bodies
  - Site and operational visits

### Engagement processes
- **Discussion on key issues**
  - Supply chain aspects
  - Present and new best practices
  - Group sustainability updates covering environmental management, best practices, and certifications
  - Socio-environmental practices and requirements

  - Supply-demand updates
  - Supply chain aspects including logistics and trend monitoring
  - Product quality and productivity
  - Group sustainability updates covering environmental management, best practices, and certifications
  - Socio-environmental practices

  - Relevant issues and updates of the industry
  - Updates on regulatory changes in the policies and procedures
  - Governance and compliance with new statutes and regulations

  - Business strategies and road-map for growth
  - Market, production and price outlook
  - Operational and financial performances
  - Overall sustainability updates including social environmental practices

  - Socio-environmental practices and requirements
  - Exchange of views and know-hows regarding mutual focus areas of interest and industry-per-se
  - Cost-benefit assessments and exploring partnership opportunities
  - Sustainability and supply chain aspects
1.4 CONSTRUCTIVE PARTNERSHIPS

The Group is keenly involved in several collaborations with NGOs, governmental bodies and private organisations. Some of these partnerships have been established and sustained for a number of years and continued in the reporting year. The following are some of the partnerships: the Group’s engagement with Humana Child Aid Society Sabah in educating guest workers’ children in Sabah since 2007, Sabah Rugby Union/Eagles Rugby Club and Education Department in sports development using rugby as the platform since 2002, Sandakan-Kinabalu Pink Ribbon in grass-root breast health awareness since 2006, Borneo Bird Club Sandakan in avian fauna surveys and awareness programmes in Sandakan since 2011. Operations in Sabah have also engaged with the Sabah Wildlife Department in several relocation of animals since 2014 and with the Sabah Forestry Department in environmental education and exchange of information since 2011. In addition, various engagements were also initiated with the Duchess of Kent hospital in blood donation campaigns and support of several health related activities along with the MPOC in an inaugural palm oil boot-camp for tertiary students in the reporting year and recently with The Forest Trust (TFT) in a smallholders Rurality project in our Desa Talisai operations.

The Group is engaged in ongoing collaboration with ACGT Sdn Bhd and Genting Green Tech Sdn Bhd to undertake research and development trials in relation to use genomics-based solutions to increase productivity. This involves oil palm material transfer for marker validation and a high yield biomarker screening project. The Group has been collaborating with the International Plant Nutrition Institute (IPNI) on best management practices in an oil palm project “Seed to Peak” and plantation intelligence since 2012, and also with MPOB in oil palm breeding and sharing of operational imageries. The Group is confident that the ongoing engagements with our partners and the new initiatives in the pipeline will continue to deliver positive operational and social environmental footprints in the creation of shared values with the relevant stakeholders.

THE GROUP AND ITS PARTNERS IN CORPORATE RESPONSIBILITY AND SUSTAINABILITY-RELATED COLLABORATIONS

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1 ACGT (Asiatric Centre for Genomic Technology Sdn Bhd) @ www.acgt.asia
2 Borneo Bird Club @ borneobirdclub.blogspot.my
3 DOK (Duchess of Kent hospital) @ hdk.moh.gov.my
4 ERC (Eagles Rugby Club) @ www.borneoeagles.com
5 Facebook at Work @ work.facebook.com
6 IPNI (International Plant Nutrition Institute ) @ www.ipni.net
7 KPR (Sandakan-Kinabalu Pink Ribbon) @ www.facebook.com/kinabalupinkribbon
8 MPOB (Malaysian Palm Oil Board) @ www.mpob.gov.my
9 MPOC (Malaysian Palm Oil Council) @ www.mpoc.org.my
10 Sabah Education Department @ jpsabah.moe.gov.my
11 SRU (Sabah Rugby Union) @ www.facebook.com/SabahRugbyUnion
12 SWD (Sabah Wildlife Department) @ www.wildlife.sabah.gov.my
13 TFT (Total Forest Trust) @ http://rurality.org/project/sabah/
14 UMS (Universiti Malaysia Sabah) @ www.ums.edu.my
1.5 ASSURANCE AND CERTIFICATIONS

The Group’s palm oil products and processes have been certified under quality management systems such as Good Manufacturing Practice (GMP), Good Agricultural Practice (GAP) and Hazard Analysis Critical Control Point (HACCP) since year 2004. The Group then embarked on its journey towards sustainability-related certifications beginning with the MPOB Code of Practices (CoPs) in year 2009.

Subsequent preparations for phased approaches to sustainable palm oil certification entailed capacity building, gap analysis, establishing base-lines and pursuing with continuous awareness programmes throughout the Group. The Group recognises the importance of obtaining buy-in from all involved and aspires for a sustained journey beyond certifications. The Group’s sustainability team studied all the varying requirements for the different certification schemes. The choice of certifications set against the Group’s priorities and resources of a mid-size organisation was to focus and pursue with a staged certification in its Malaysian operations with the Malaysian Sustainable Palm Oil (MSPO) and then the International Sustainability & Carbon Certification (ISCC); and the Indonesian Sustainable Palm Oil (ISPO) mandatory certification requirement in the Indonesian operations. The Group’s involvement in the above certifications is deemed adequate to provide the required assurance on sustainable palm oil production. While not compromising on all the ongoing sustainability collaborations and continuity in embracing the many principles and criteria for sustainable palm oil production, the pathway adopted also takes into recognition of financial prudence in managing cost containment measures.

In the Malaysian operations, the Group’s total supply chain of a nursery, 11 estates, 4 palm oil mills and the kernel crushing plant were re-certified under the MPOB CoPs for quality, food safety and sustainability. In the reporting year, Desa Talisai palm oil mill and its supplying internal estates were certified with the national MSPO certification and also re-certified under the ISCC certification. Premiums were received in selling ISCC palm oil.

The Group achieved a milestone in the reporting year by successfully having its entire operations within the Sugut region certified under ISCC. This comprised both the two palm oil mills namely Sabang Palm Oil Mill-1 and 2 together with their supplying internal supply base in Sugut. All ISCC certifications cover both the ISCC-EU and ISCC-Plus certificates, for biodiesel and food respectively. Across in the Indonesian operations, working requirements continued and were geared towards the implementation of the mandatory Indonesian ISPO certification. Three estates in the Indonesian operations namely Binai, Sajau and Pertama were successfully audited under ISPO certification in the reporting year.

# ISCC certification covering sustainability requirements for the production of biomass. Http://www.iscc-system.org/uploads/media/ISCC_EU_202_Sustainability_Requirements-Requirements_for_theProduction_of_Biomasse_2.3.pdf

"Walk with CEO" stakeholder engagement activities
1.6 R&D AND INNOVATIONS

The Group’s research unit, QTRC, is testimony that a mid-size organisation like ours recognises the importance of research and development in order to contribute towards productivity while endeavouring to balance growth with environmental stewardship. The Group also continues to inspire and inculcate the culture of innovation and continuous improvement among its people in the operations. The technical personnel in QTRC are custodians to the knowledge gathering of the Group. Main areas of focus include oil palm breeding and seed production, IPM, training and the provision of agronomy and technical advisory services. The Group is also collaborating with other organisations to undertake research and development projects in relation to oil palm biotechnology and on best management practices and plantation intelligence in oil palm management. The estate operations continue to explore and harness the implementation of site-specific agro-management practices and attention is also placed on enhancing mechanisation in improving in-field crop evacuation while the mill operations continue to fine-tune and test innovative ideas. For additional details, refer to the CEO’s Review of Operations on pages 26 to 33. The Group has also embarked on the Blue Ocean Strategy in search of business diversification and synergistic opportunities. The strategic thrusts identified involve exploring non palm-based products, value-add and sustainability related propositions.

KEY EVENTS RELATING TO MARKETPLACE IN THIS REPORTING YEAR
KEY EVENTS

MARKETPLACE

PRODUCTIVITY & INNOVATIONS

...enhancing productivity through process and performance excellence while promoting continuous improvement

9-11 JUN '15
Engagement with European students on sustainability

15 APR '16
IJMP Palm Oil Outlook Seminar 2016 with Mr Thomas Mielke and Ms Ivy Ng

30 MAR '16
Signing of Kemitraan (Partnership) Project with local communities in Kutim Bupati for the oil palm development project

16-17 APR '16
Stakeholders engagement activity – “Walk with CEO 2016”

FY2016
Crop quality day with smallholders
**7 SEP ’15**
Technical exchange with MEOA members on oil palm pest and diseases

**27 OCT ’15**
Smallholders outreach focused on oil palm planting material

**DEC ’15**
Successfully completed the Indonesian Sustainable Palm Oil (ISPO), a mandatory sustainability certification scheme in Indonesia for Bina Estate, Sajau Estate and Pertama Estate

**21-26 MAR ’16**
Successful ISCC certifications for Malaysian operations

**4-6 JAN ’16**
Surveillance audit for MSPO certification

**JAN ’16**
Pursuit of Blue Ocean Strategy (BOS) projects

**FY2016**
Moving on with ‘Seed to Peak’ best management practices in collaboration with IPNI

**FY2016**
Accolades from Asiamoney and MSWG

**FY2016**
Plantation fraternity leadership and involvement in MEOA