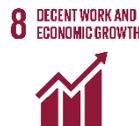


Sustainability Progress Update (January - April 2019)



SUSTAINABLE DEVELOPMENT GOALS
adopted by IOI



HIGHLIGHTS

- ❖ **Proforest completed Phase 2** of the external verification for the implementation of IOI's policy commitments in Q1 2019.
- ❖ **RSPO's** official announcement stated that the **monitoring of the implementation of the Complaints Panel directives for "PT SKS, PT BNS, PT BSS subsidiary of PT SNA - Case No: GR-000882 "** is now **officially closed**.
- ❖ The first **Plantation Management Review Meeting** of Peninsular region was held on 14 February 2019 in Gomali estate, Johor.
- ❖ On 7 March 2019, IOI reached an important milestone where **all nine of the affected communities** participating in the IOI-Pelita dispute resolution process gave their consent for the implementation of Resolution Plan.
- ❖ In Q4 2018, Monash University started a collaboration with IOI to conduct a **Fair and Decent Wage Study** for workers in oil palm plantations. By Q1 2019, the collaboration was extended to include three more industry players to be part of the study.
- ❖ IOI achieved the **Most Improved Performance in Hong Kong and Southeast Asia Award** under the Forest (Palm Oil) segment in the Carbon Disclosure Programme (CDP) 2018 survey.
 - ❖ IOI and Aidenvironment entered into an agreement to work together on the **group-level risk assessment of IOI's third-party suppliers**.



1. **Proforest Verification on IOI's Sustainability Implementation Plan (SIP)**

Proforest completed Phase 2 of the external verification for the implementation of IOI Corporation Berhad (IOI)'s policy commitments in Q1 2019. This phase involved a number of field verification visits to IOI operations in order to verify implementation and current performance of IOI's sustainability commitments. It commenced in November 2018 with a visit to IOI's estates in Gomali, Johor and stakeholder engagement in Pontianak, Indonesia, followed by Lahad Datu, Sabah in December 2018.

The full report on Phase 2 verification is expected to be released in Q2 2019.

2. **Malaysian Sustainable Palm Oil (MSPO) Certification**

Both IOI's Bukit Leelau grouping and Unico Desa grouping are now MSPO-certified. Currently, only two groupings are still undergoing the MSPO certification process. The two groupings are Unico grouping where the Stage 2 assessment was conducted in March 2019 and IOI-Pelita where the Stage 1 audit was conducted in April 2019

3. **Fair and Decent Wage Study**

In Q4 2018, Monash University started a collaboration with IOI to conduct a **Fair and Decent Wage Study** for workers in oil palm plantations. The project is supported by the Ministry of Primary Industries, and the Malaysian Palm Oil Council (MPOC) with the International Labour Organisation (ILO) providing technical advice for this project.

The project will be fully funded by Monash University and the participants are to provide all necessary cooperation required for this project such as transportation, access to the estates, mills, interview arrangement with workers, documentations, etc., to ensure the success of the study.

In Q1 2019, industry players such as Sime Darby Plantation Berhad, Kuala Lumpur Kepong Berhad, and Genting Plantations Berhad also joined the project. The preparatory background research and confirmation of participants will continue through June 2019. The first pilot visit to estates and mills is expected to begin from July onwards. The whole project is target to be finalised by Q4 2019.

4. **Labour and Social**

a. **IOI-Pelita Land Dispute Resolution Process**

On 7 March, IOI obtained the last remaining consent and secured free, prior and informed consent (FPIC) from all the nine affected communities to go ahead with the most important task under the Stage I of the Resolution Plan: Community Capacity Building. This activity was launched on 18 March and is being conducted by a coalition of local NGOs named CICOM (Communities Information and Communication Centre).

5. **Environment**

a. **South Ketapang Landscape Initiative**

Aidenvironment and Global Environmental Centre (GEC) continue to engage with the main concessionaires in the South Ketapang area and are getting closer to having a preliminary agreement with them on the way forward.

On 12 March 2019, Aidenvironment met with Asia Pulp and Paper (APP) in Jakarta to discuss partnership. The parties agreed to sign a letter of intent. From 15 – 17 March 2019, Aidenvironment and GEC visited the northern part of the landscape, met with Cargill, and inspected the northern tip of Cagar Alam (150,000 ha conservation area). The partnership with Cargill on protection of Cagar Alam is being successfully pursued.

b. **Bukit Leelau Mini Landscape Project**

The Bukit Leelau Mini Landscape project involved overcoming the drainage problem and rehabilitating the degraded area at the forest reserve and its buffer zone which is adjacent to Bukit Leelau, activities to prevent future fires as well as empowerment program for the Orang Asli community in the area.

According to the latest report by GEC, IOI's partner in this project, key stakeholders have given positive support as well as feedback for steps to be taken for fire prevention and rehabilitation. In addition, there will be additional funding support by Bursa Bull Charge that will provide more support in activities related to peat rehabilitation and community empowerment.

c. Peat Drainability Study

As part of the IOI's efforts in enhancing its Best Management Practices (BMPs) for existing oil palm cultivation on peat, IOI conducted a soil and peat drainability study for its estates in Sabah. This initiative is also part of its efforts in supporting RSPO P&C #7: Protect, Conserve and Enhance Ecosystems and the Environment.

The findings from the study is to be used to set a time-bound plan for further replanting, or phasing out of old oil palm cultivation before reaching the natural gravity drainability limit for peat. The phasing out of oil palm will be replaced with crops suitable for a higher water table or rehabilitated with natural vegetation.

d. Closure of RSPO IMU post-complaints monitoring for PT SKS, PT BNS and PT BSS case

RSPO's official announcement stated "that the monitoring of the implementation of the Complaints Panel directives for "PT Sukses Karya Sawit (SKS), PT Berkat Nabati Sawit (PT BNS), PT Bumi Sawit Sejahtera (PT BSS) - Subsidiary of PT Sawit Nabati Agro (PT SNA), IOI GROUP (a subsidiary of IOI Corporation Berhad) - Case No: GR-000882 " is now officially closed."

IOI received an email from RSPO that "the Investigation & Monitoring Unit (IMU) of the RSPO Secretariat had finalized the internal review of the action plan and progress reports submitted by IOI against the Complaints Panel's directives and the IMU concluded that IOI has successfully met all the requirements set by the Complaints Panel."

6. Transparency and Wider Engagement

a. Plantation Management Review Meeting (2019) of Peninsular Region



Discussion conducted on addressing gaps in implementation.

The first **Plantation Management Review Meeting (2019)** of Peninsular region was held on 14 February in Gomali estate, Johor. The meeting was attended by the Plantation Director, Group Head of Sustainability, senior Plantation management team and other key employees from the headquarters, mills, and estates.

Amongst matters discussed were the social and environmental issues related to Operations, Proforest verification exercise, etc.

The meeting also served as a platform for Ground operation to provide feedback to the headquarters team, and vice versa, to identify gaps in implementation and ways to improve IOI's sustainability practices and operations. Moving forward, such meeting will be held every six months.

b. IOI's Improved Performance in Carbon Disclosure Programme

In January 2019, IOI has achieved another important milestone in its sustainability performance by making good progress in the Carbon Disclosure Programme (CDP) 2018 survey, organised by CDP, a not-for-profit organisation that promotes corporate transparency and the measurement of environmental action.

Over 7,000 companies responded to the CDP's 2018 survey, IOI was among the few companies in Malaysia to submit full responses in three segments, namely Climate Change, Water Security and Forest (Palm Oil). In the Water Security and Forest (Palm Oil) segments, IOI scored B- and B respectively.

According to CDP, both scores are within the MANAGEMENT band. This is higher than the Food, Beverage and Tobacco average of C, and higher than the Asia regional average of C. The full results can be viewed on CDP's website (<https://www.cdp.net/en>). IOI also made major progress in the Forest (Palm Oil) segment for 2018, resulting in IOI receiving the Most Improved Performance in Hong Kong and Southeast Asia award for this segment's disclosure.



Award for the Most Improved Performance in Hong Kong and Southeast Asia award for Forest (Palm Oil) segment 2018.

c. IOI and Aidenvironment Launch Collaboration in Group-Level Risk Assessment of IOI's Third-Party Suppliers

IOI and Aidenvironment entered into an agreement to work together on **the Group-Level Risk Assessment of IOI's Suppliers** (direct and third-party suppliers) as well as IOI's own plantations and mills.

In terms of IOI's direct and third-party suppliers, Aidenvironment who specialises in screening palm oil suppliers for deforestation and peat planting by mapping areas within the palm oil supply chain and monitoring landscape via satellite images, will be partnering with IOI in ensuring compliance with IOI's No Deforestation, No Peat, No Exploitation (NDPE) sourcing policy.

The main purpose of this partnership is to establish a near real-time deforestation monitoring capacity throughout geographies in Indonesia, Malaysia and Papua New Guinea where IOI's suppliers are operating, with the ultimate goal of ensuring that IOI's supply chain is deforestation-free.

d. IOI Supply Chain Compliance Workshop by Aidenvironment



Aidenvironment explaining the traceability of companies at group level.

A two-day **Supply Chain Compliance Workshop** conducted by Aidenvironment was held at IOI headquarters on 28 and 29 March 2019. Participants of the workshop were representatives from IOI headquarters, IOI Edible Oils and IOI Oleochemical as well as several suppliers who are the important stakeholders in IOI's supply chain compliance.

This workshop highlighted the importance of utilising a public grievance log to register and document complaints and the importance of a monitoring systems to check on changes of forest and peat. Please click [here](#) for the full report.