



Mapping the Origin of Our Palm Oil

IOI Group traceability update 2015-2016



IOI GROUP

IOI on track to meet 100 percent traceability to mill by end 2016

Following IOI's Sustainability Implementation Plan, announced on August 8 this year, we have moved fast to meet one of our primary objectives, which is to build a traceable, transparent and sustainable Palm Oil supply chain. We have developed a 3-step-approach to do this, which will enable us to know the exact origin of all our oil, the imposition of a regular risk analysis for all mills and a continuous process of mill monitoring and verification.

Step 1: Traceability, know the origin of the oil

At IOI Loders Croklaan we started to map our palm oil supply chain back in 2012. Today at Group level, IOI is well on track to meet its target of 100% traceability for the Palm Oil (PO) stream (end 2016) as well as the Palm Kernel Oil (PKO) stream (end 2018). IOI Group reports its traceability numbers at refinery / oleo chemical plant level.

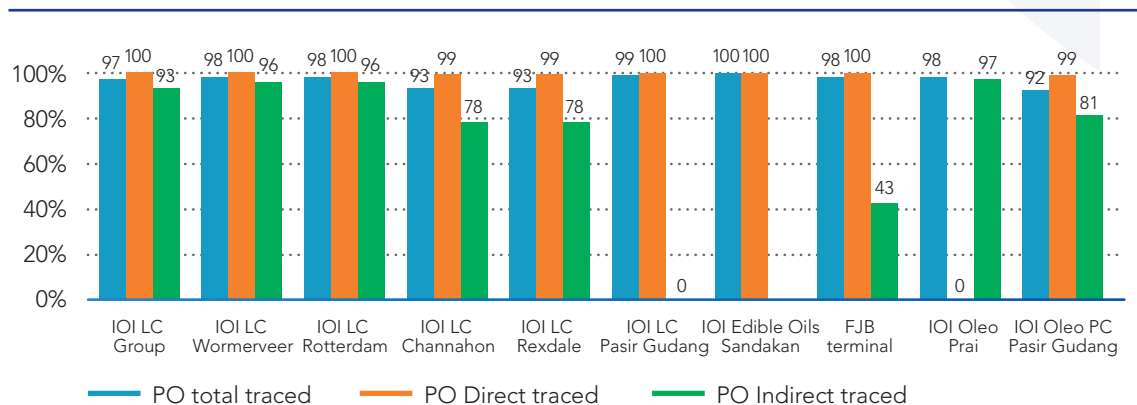
Sourced volumes will qualify as traced volumes if the following information is available:

1. Mill name
2. GPS coordinates of the mill
3. Name of parent company of the mill

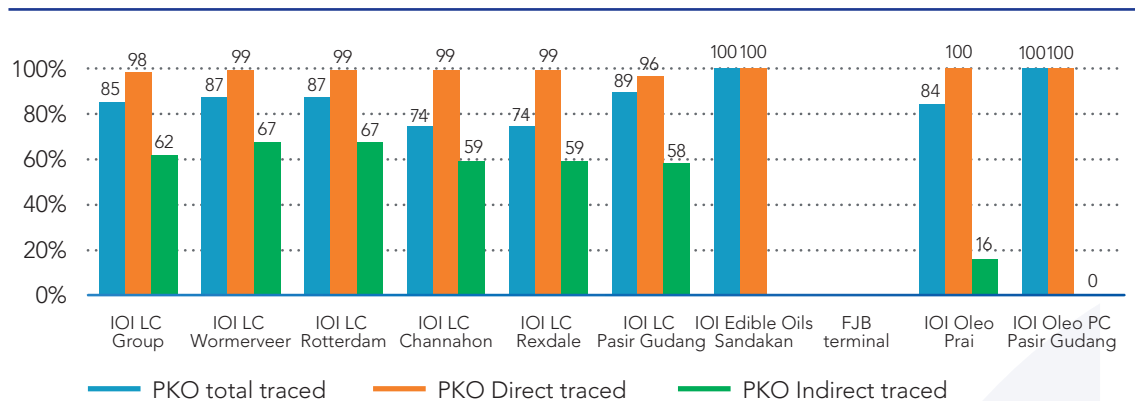
We have also made a split between directly sourced volumes and indirectly sourced volumes.

- **Direct sourcing:** IOI purchases volumes directly from either a CPO mill (own IOI mills or third party mills) or a PK crushing plant
- **Indirect sourcing:** IOI purchases volumes from other refiners, processors and/or traders (third party suppliers)

Traceability to mill for PO stream per IOI location FY15/16 (%)



Traceability to mill for PKO stream per location FY15/16 (%)



Note: IOI Lodgers Croklaan Group data refers to the five IOI Lodgers Croklaan locations in the Netherlands (Wormerveer and Rotterdam), the US (Channahon), Canada (Rexdale) and Malaysia (Pasir Gudang).

The IOI Lodgers Croklaan refineries predominantly received directly sourced material of which the majority originated at IOI owned mills. The volumes from **IOI owned mills** are **traceable to plantation** level. Twelve (12) IOI mills are RSPO certified. We are preparing the remaining two (2) mills for RSPO certification by end 2018.

PO stream		Directly sourced				Indirectly sourced	
		from IOI owned mills		from 3rd party mills		from 3rd party suppliers	
		Volume %	# of mills	Volume %	# of mills	Volume %	# of mills
IOI LC Group	total	30%	14	26%	135	44%	1050
IOI LC Wormerveer	refinery	39%	12	4%	85	57%	797
IOI LC Rotterdam	refinery	39%	12	4%	42	57%	797
IOI LC Channahon	refinery	20%	10	49%	106	31%	758
IOI LC Rexdale	refinery	20%	10	49%	119	31%	1010
IOI LC Pasir Gudang	refinery	1%	1	98%	67	1%	0
IOI Edible Oils Sandakan	refinery	59%	10	41%	51	0%	0
FJB terminal	terminal	79%	4	18%	34	3%	11

PKO stream		Directly sourced				Indirectly sourced	
		from IOI owned mills		from 3rd party mills and crushers		from 3rd party suppliers	
		Volume %	# of mills	Volume %	# of mills	Volume %	# of mills
IOI LC Group	total	23%	12	46%	145	31%	999
IOI LC Wormerveer	refinery	46%	12	15%	132	39%	319
IOI LC Rotterdam	refinery	46%	12	15%	132	39%	319
IOI LC Channahon	refinery	14%	10	23%	51	63%	349
IOI LC Rexdale	refinery	14%	10	23%	84	63%	999
IOI LC Pasir Gudang	refinery	10%	10	80%	89	10%	0
IOI Edible Oils Sandakan	refinery	47%	10	53%	51	0%	0
FJB terminal	terminal	0	0	0	0	0	0

Step 2: Risk assessment, prioritize the supplying mills

We conduct a desktop analysis (remote sensing) on our supplying mills in order to categorize each mill's level of risk, and therefore its priority for greater scrutiny. A classification of high priority signifies the respective mill operates in a high-risk area. However, it does not necessarily signify that the mill is sourcing from origins where there are unacceptable sustainability impacts. Our risk assessment program not only looks at spatial parameters, but we also monitor non-spatial parameters on a regular basis. Spatial parameters include data like key biodiversity areas, percentage of peatland and forest cover change within a 50 km radius of a particular mill. The non-spatial parameters include reported incidents in relation to the mill or its supply base, policy commitments and implementation and RSPO certification. We run a **weekly mill alert system** to update the risk level per individual mill.

Every two years we will conduct a full risk assessment on our entire supply base. Late 2014 we completed the first full risk assessment on 632 mills within our supply chain. Out of these mills, we sourced directly from 136 mills. The directly sourced mills are all located in Malaysia. Indirectly we source from mills located predominantly in Indonesia and Latin America. Our sustainability implementation partner will complete the next full assessment, using the WRI Global Forest Watch tool, by October 2016.

In addition to our on-site mill verification program (see step 3), we are taking a number of risk mitigation actions.

Risk mitigation actions

Firstly, we have requested third party suppliers to the group to confirm their commitment to our new IOI Group Sustainable Palm Oil Policy. All third party suppliers already confirmed their commitment to the previous IOI Lodders Crokiaan Sustainable Palm Oil Sourcing Policy.

Secondly, we take direct responsibility for ensuring that directly sourced mills are compliant to our Sustainable Palm Oil Policy by direct engagement with these mills. Initially we focused on the high priority mills (see step 3) supplying large volumes to the group. We will also pro-actively contact all supplying mills to inform them of our policy and ask for compliance. During 2016, we have commenced a series of workshops with groups of mills to explain IOI's policy requirements.

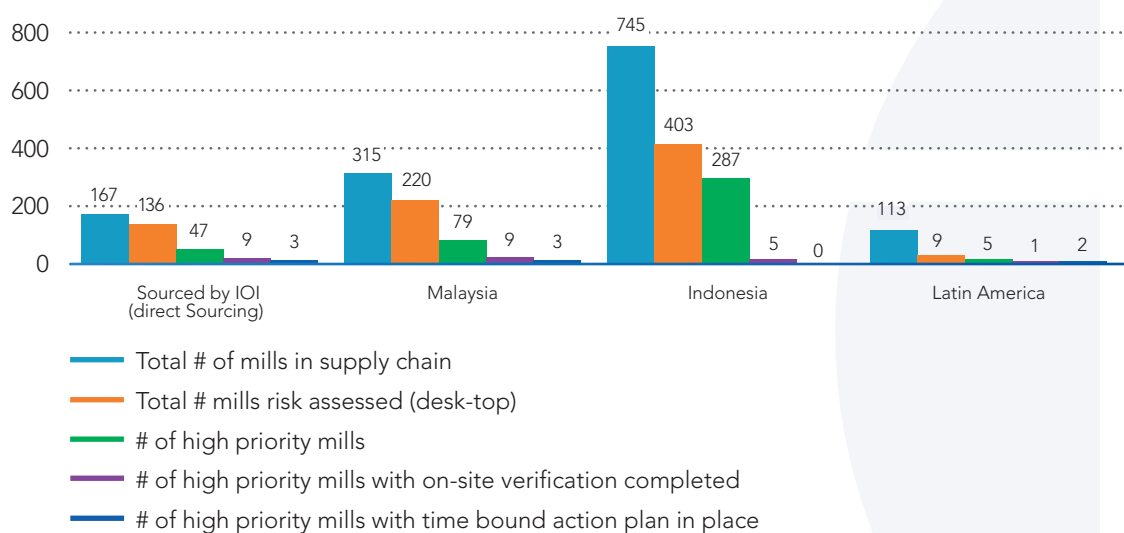
We continuously monitor our third party suppliers and the indirectly sourced mills. If issues arise, we will regularly contact the relevant third party supplier and monitor the actions they take to address these issues.

Thirdly, we are now engaging with suppliers at group level. Based on further research (including stakeholder reports, grievance procedures of third party suppliers and the IOI weekly alert system) we have identified a number of mills in our supply chain with reported issues. Although these mills are part of our indirectly sourced supply chain however, some of them belong to parent companies connected to our direct supply chain. Since we have a direct relationship with these parent companies, we will engage with them directly to resolve the reported issues.

Step 3: On-site mill verification and monitoring

In 2015 together with Proforest, IOI started its on-site mill verification program. Because our directly sourced mills are all located in Malaysia, we have decided to focus our on-site mill verification predominantly on the high priority Malaysian mills. Together with Proforest we have developed a checklist based on our Sustainable Palm Oil Policy to verify their compliance with our policy. The IOI-Proforest team has verified nine mills, located in Malaysia, against our Sustainable Palm Oil Policy. Three mills have submitted a time bound action plan to address the gaps identified during the on-site verification. Another six mills in Indonesia and Latin America have been verified of which two have submitted a time bound action plan.

Number of high priority mills in supply chain FY15/16



We have targeted another ten to fifteen (10-15) mills for on-site verification in this financial year. The mill verification team will also push those mills verified by IOI-Proforest to submit their time bound action plans within the requested timing.

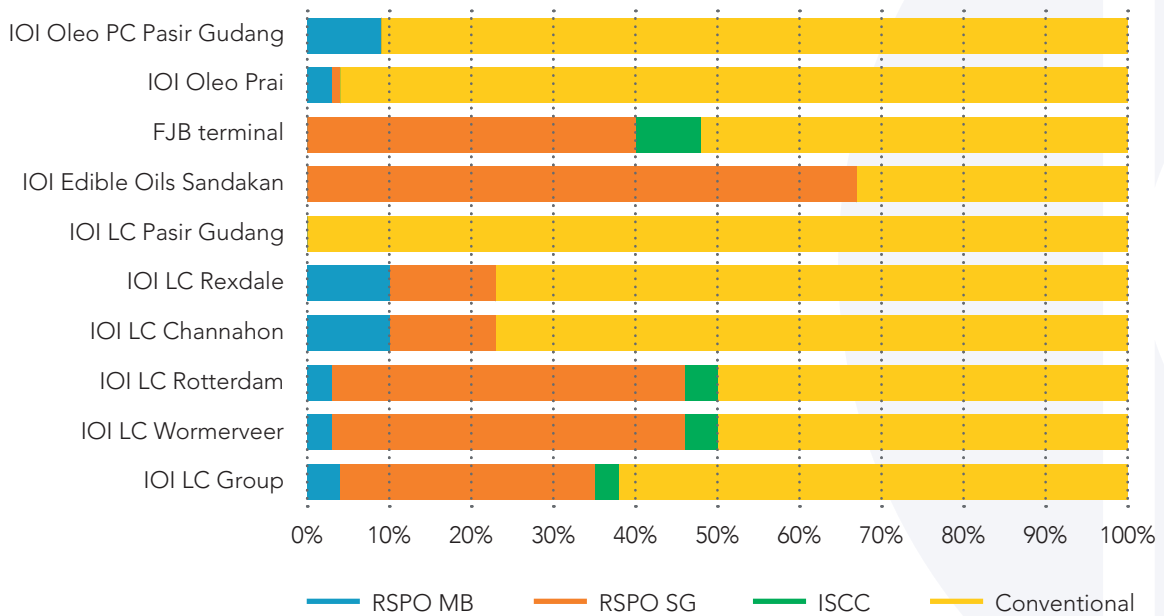
IOI is part of various industry groups (e.g. a partner of WRI Global Forest Watch, the Traceability Working Group) and we actively seek collaboration with other refiners at landscape level to drive change on the ground.

For the IOI Ketapang concessions, we have asked **Satelligence** (based in the Netherlands) to **pro-actively monitor the Ketapang concessions** and neighboring areas for forest clearance including forest fires. Multiple satellites (Landsat 7/8, Sentinel-1 radar ESA and ASTER) make one to three (1-3) observations of the area per week. The change detection system detects vegetation conversion to bare areas with a specific focus on deforestation. Satelligence will provide coordinates for each alert so we can actively follow up on these alerts. Ultimately, we want to use this technique in larger landscapes to pro-actively monitor our direct supply chain (Sabah, Peninsular Malaysia). This technique is complementary to WRI's Global Forest Watch tool. We will seek collaboration with other suppliers operating in the same landscape.

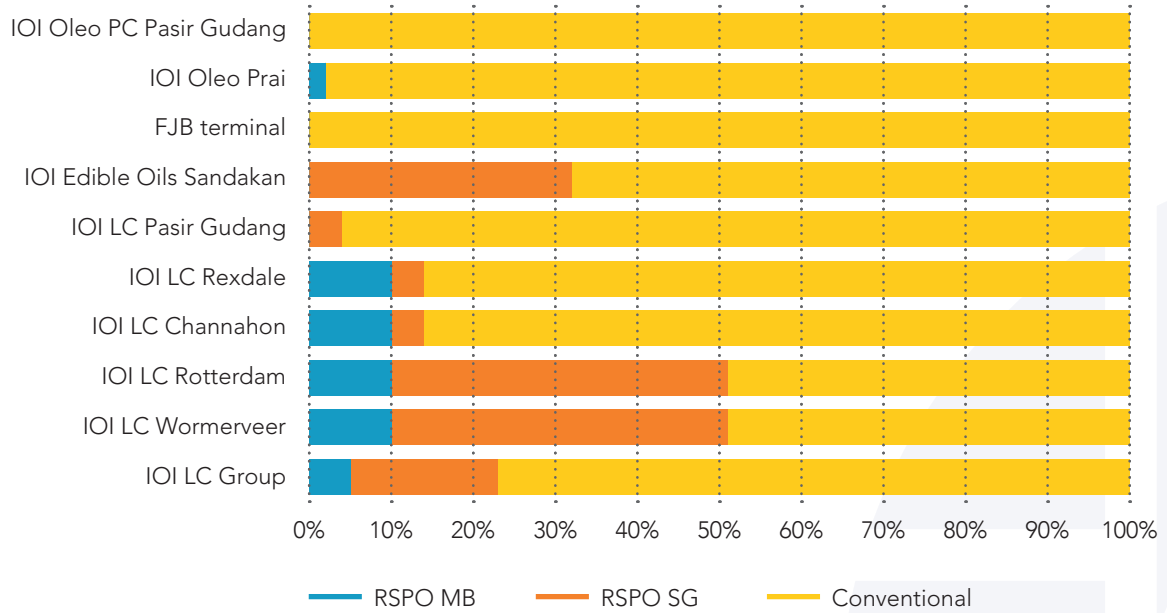
IOI operations source significant volumes of RSPO certified Palm Oil and Palm Kernel Oil

IOI Group continues to source large volumes of RSPO certified Palm Oil and Palm Kernel Oil during financial year 2015 – 2016.

Certified PO volumes per refinery FY15/16



Certified PKO volumes per refinery FY15/16





IOI GROUP