

PROGRESSING TOWARDS NET ZERO

This year's Sustainability Report puts the spotlight on IOI Group's current roadmap towards Net-Zero greenhouse gas (GHG) emissions. The design features a projected lowering of the GHG emissions level meter, akin to a speedometer. Within the segments, images of IOI's sustainability initiatives that involved our workforce and local communities, together with sustainable operational practices and circular activities which have helped contribute largely towards IOI's GHG emissions reduction, are being featured to directly outline IOI's current groundwork towards achieving its Net-Zero goal covering Scopes 1,2 & 3 by 2040 with minimal carbon offsets, ahead of the global target of 2050.

The needle's present position indicates the progress being made on executing the roadmap thus far.



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This Sustainability Report 2022 is printed on environmentally friendly paper.



IOI GROUP



**PROGRESSING TOWARDS
NET ZERO**

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SAFEGUARDING THE WELLBEING OF OUR WORKFORCE

FEEDBACK AND COMMENTS

IOI Group is open and committed to listening to our stakeholder's opinions and ideas. Aside from making this report accessible online on our corporate website at <https://www.ioigroup.com>, the Group also encourages feedback from our readers. Any comments pertaining to our sustainability performance and management approach, as well as other matters regarding the report can be addressed to:

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ABOUT THIS REPORT

THE FOCUS OF THIS REPORT

IOI Corporation Berhad ("IOI", or "the Group") is fully cognisant of the impact climate change has towards our businesses and operations and how imperative it is for IOI to manage and mitigate potential climate-related risks while not neglecting the possible opportunities arising when handled in a timely manner. Having expanded our green footprint by introducing more climate resilient activities and emphasising on our 7Rs of circularity, this year's theme, *"Progressing Towards Net-Zero"* further demonstrates our determination towards achieving Net-Zero. This year's report gives further evidence on our alignment with the recommendations on the Taskforce on Climate Related Financial Disclosure ("TCFD"). We will also be highlighting our increased efforts towards the practice of regenerative agriculture in our operations as part of our Climate Change Action ("CCA") initiative. This report will also reveal the Group's efforts in upholding the health and wellbeing of our workforce and the welfare of the communities we operate in. These topics will be discussed in line with our Environment, Social and Governance ("ESG") considerations together with the subsequent progress and results in addressing these matters along with the advancement that we have made with the goals and targets of the six adopted United Nations Sustainable Development Goals ("UNSDG").

REPORTING PERIOD AND SCOPE

IOI has prepared this report based on national and global standards. This report contains the Group's sustainability management approach, performance data as well as risks and opportunities for our identified Environment, Social and Governance/Economic material matters for the reporting period of 1 July 2021 to 30 June 2022, in line with IOI's 2022 financial year ("FY2022"). We publish our Sustainability Report 2022 together with the Annual Report 2022 and Financial Report 2022 as part of Integrated Reporting. This Integrated Report is published annually, whereby the most recent publication was in September 2021. There are no significant changes to IOI's size, or supply chain during this reporting and any changes in structure and ownership can be found in Annual Report 2022 and Financial Report 2022.

The report was prepared with reference to the Bursa Malaysia Sustainability Reporting Guide (2nd Edition) which sets out the sustainability-related disclosure obligations prescribed in the Main Market Listing Requirements of Bursa Malaysia Berhad and reporting framework recommendations. In line with Bursa Malaysia's recommendations, this report has been prepared with reference to the Global Reporting Initiative Sustainability Reporting Standards ("GRI") 2021 and adopted the content elements of the International Integrated Reporting Framework. Additionally, we continue to report our climate related disclosures in line with the TCFD recommendations, and with reference to International Sustainability Standards Board ("ISSB") reporting framework.

Information and figures reported represent the latest available data as of the reporting period unless noted upon in the text. In some instances, information and data stated in the reports may differ from other reporting such as Roundtable on Sustainable Palm Oil ("RSPO") Annual Communication of Progress ("ACOP") on the basis of different reporting periods (yearly assessment period from January 2021 to December 2021). Where noted upon, such data and information have been used in this report. In some cases, figures reported in previous year's Sustainability Reports are restated in correspondence with improvements made to our data collection and analysis.



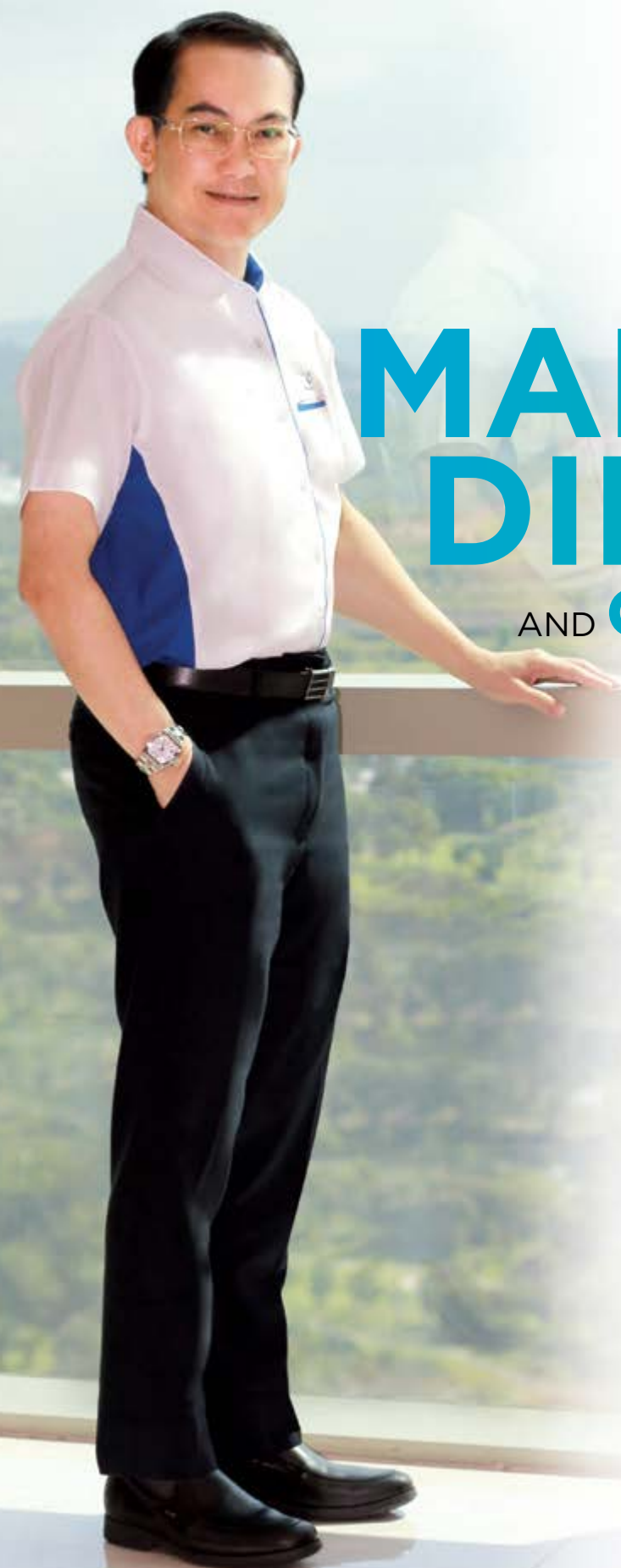
The scope of this report covers entities included in our consolidated financial statements. These entities are our headquarters in Putrajaya, Malaysia and core businesses including IOI Plantation (estates and mills) and Resource-Based Manufacturing refineries ("IOI Refinery") and IOI Oleochemical Industries Berhad ("IOI Oleo") operation activities in Malaysia, Indonesia and Germany. This report also marks the first year of reporting for IOI Pan-Century Edible Oils refinery. This report excludes IOI Group Sales Offices and the Group's 30%-owned associate company, Bunge Loders Croklaan (formerly known as IOI Loders Croklaan).

This report is intended to be read together with our Annual Report 2022 and Financial Report 2022. Throughout this report, there are sustainability-related disclosures that are also or would be referred to in our website.

ASSURANCE AND FORWARD-LOOKING STATEMENT

This report has been reviewed by our Group Head of Sustainability, approved by the Group Managing Director and Chief Executive ("GMD"), and presented to the IOI Board of Directors. In connection with the audit of the financial statements of IOI Group contained in the IOI Corporation Berhad's Financial Report 2022, BDO PLT, the external auditors have read the other information in accordance with ISA 720 (revised) *The Auditor's Responsibilities Relating to Other Information*.

We endeavour to continuously improve our reporting disclosures, to be transparent regarding our operations and consider expanding the scope of assurance to full report verification in the future.



MESSAGE FROM OUR GROUP MANAGING DIRECTOR AND CHIEF EXECUTIVE

DEAR STAKEHOLDERS,

The 2021-2022 financial year continues to be a year full of challenges for IOI Corporation as a result of unusual wet weather, Covid-19 pandemic, workers shortage and the war in Ukraine causing energy and fertiliser price hikes. Nevertheless, we are determined as a company to adhere to our core values and face these adversities with commitment, team spirit, and innovative thinking.

The sustainable development priorities that we have embraced as evidenced by our materiality considerations (page 21) during our sustainable journey continue to be a foundational element of our Value Creation Model. Our Climate Change Action ("CCA") Initiative and initiatives in enhancing our social practices as well as environmental stewardship which are part of our overall Environmental, Social and Governance ("ESG") agenda, remain a strong focus in our ongoing engagements with both internal and external stakeholders.

DATO' LEE YEOW CHOR
Group Managing Director
and Chief Executive

“

We continue on our CCA initiative commitment, first made in 2019, by setting out progressive steps to reduce our Scopes 1 and 2 emissions, with a long-term target to become Net-Zero by the year 2040.”

CLIMATE CHANGE ACTION ("CCA") INITIATIVE

Meeting the climate change challenge is a global responsibility which many governments and companies have accepted by way of adopting Net-Zero targets. IOI Corporation, as a responsible business corporation with a global presence, intend to play a meaningful role in this vital challenge. Broadly, we do so by reducing

GHG emissions and water leakage from our business operations, strengthening business resilience through smart risk management, and creating economic opportunities from circular economy solutions.

As underlined by the theme of this year's Sustainability Report, “**Progressing towards Net Zero**”, we continue on our CCA initiative commitment, first made in 2019, by setting out progressive steps to reduce our Scopes 1 and 2 emissions, with a long-term target to become Net-Zero by the year 2040. These steps are:

- Reaffirming our initial **short-term target** based on Scopes 1 and 2 to reduce operational GHG emission intensity by 40% by 2025 based on a 2015 baseline through energy efficiency measures and the 7Rs (Rethink, Repurpose, Reduce, Reuse, Recycle, Repair and Recover) of circularity. The importance of circularity in our operation are exemplified by the effluent-based biogas plants in all our Malaysian palm oil mills with power turbines affixed to most of them,

effluent-based biogas plant at our German oleochemical facility and palm biomass-based energy plants at our Sandakan refinery.

- Using science-based methodologies such as RSPO PalmGHG and ISCC (International Sustainability and Carbon Certification) to calculate our GHG emissions, as well as adopting TCFD (Taskforce for Climate-related Financial Disclosure) as the framework for our CCA Initiative.
- Setting a medium-term target based on Scopes 1 and 2, to be carbon neutral by 2030 through additional sequestration from our palms which are above 25 years old, forested HCV areas, other conservation areas, and tree crops. We are constructing a palm wood factory which will convert felled oil palm trunks to high-performance wood blocks and panels.
- Committing to a long-term target to achieve Net Zero for carbon emissions by 2040 covering Scopes 1, 2 & 3 by focusing on working collaboratively with our suppliers to lower their emissions intensity.



Potential wildlife habitat at Laran trees planted area.

MESSAGE FROM OUR GROUP MANAGING DIRECTOR & CHIEF EXECUTIVE

IOI HAS EMBARKED ON A DIGITAL TRANSFORMATION JOURNEY TO DRIVE OPERATIONAL EFFICIENCY AND ENHANCE OUR LABOUR PRACTICE.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

As part of IOI's Value Creation Model, ESG is well entrenched within our organisation. In this year's report, aside from the CCA Initiative, activities that strengthen and enhance both social practices and environmental stewardship are also highlighted.

• Strengthening and enhancing Social Practices

IOI has embarked on a digital transformation journey to drive operational efficiency and enhance our labour practice. Our enterprise resource planning ("ERP") system enables integrated tracking of working hours and ensures prompt and fair wage disbursement. Other digital programmes include E-wallet salary crediting system for the payment of wages, direct online interview during recruitment process at the source country to counter forced labour indicators and mobile app for workers to report any grievance 24/7 in their native languages.

We also supported ILO's Pledge on Countering Child Labour through Education last year by providing full day zero-cost education for nearly three thousand of our Sabah plantation employees' children. I am proud to say that IOI has been awarded the 2022 ASEAN Tech for ESG Award which recognises organisations which have embarked on ESG projects with proven impact and results by utilising digital tools and innovative technologies.

• Environmental Stewardship

Our biodiversity management initiatives includes collaboration with Nestle to enrich biodiversity through reforestation of around 100 hectares of our conservation area in our Sabah plantations, participation in "Achieving Coexistence with Elephants" ("ACE") project with various parties such as *Wildlife Conservation Society*, and *Earthworm Foundation* to ensure elephants in Peninsular Malaysia can coexist peacefully with human activities, and collaboration with Indonesia's *Badan Konservasi Sumber Daya Alam* ("BKSDA") to protect Rare, Threatened and Endangered ("RTE") species within our concession areas in Ketapang. Our manufacturing plants have also undertaken intensive water management measures which managed to recycle more than 54% of our production waste water for secondary usage.



2022 ASEAN Tech for

ESG Awards



ZERO

Cost Educational Platform Access provided for around 3,000 of our Plantation employees' children in Sabah



MOVING FORWARD

I believe the initiatives outlined in this report will position IOI well to adapt to various geopolitical events and climatic conditions, and maintain our good performance across different business cycles. As expectations rise and challenges continue, we will continue to engage in constructive dialogues with our stakeholders to understand their concerns and where appropriate, form smart partnerships with them to tackle some of the important issues. Lastly, we are committed to implement our climate change and ESG initiatives to the best of our abilities and report on the progress transparently, in line with our core value of "integrity", simply explained as 'doing the right things in all circumstances'.

SUSTAINABILITY HIGHLIGHT

2 YEARS OF JOURNEYING THROUGH THE PANDEMIC

The Covid-19 pandemic that began in 2020 created a global turmoil that resulted in untold loss of lives and livelihoods unseen this past century. At IOI, we place the greatest value to our people, thus, ensuring our workforce and their families are protected from the virus became our top priority. Various health awareness and assistance as well as guidelines and preventive measures were introduced to prevent the spread of the virus on top of the numerous initiatives that involved protecting both their safety, health and mental well-being, not to mention their livelihood during this period.

2020

February

Launch of E-wallet in Collaboration with Merchantrade Asia Sdn Bhd on Digital Wallet Service

E-wallet services for workers to manage their wages and expenses in real time as well as to safely remit money to their families in their home country.

March

Covid-Awareness Presentations

A talk was given during our International Women's Day ("IWD") celebrations at our operating units by District Medical Officers to educate and raise awareness on Covid-19 and its prevention.

April

Community Face Mask Project

IOI Plantation initiated a community face mask project conducted by the Women Empowerment Committee ("WEC") to overcome surgical face masks shortages in the market during the pandemic and to provide additional income to our workers' families.



Precaution measures were taken to ensure good hygiene practices when making the face masks.

Taskforce for Prevention of Covid-19

PT SNA, Indonesia established an Information and Response Centre/ Pusat Informasi dan Pelaporan Mengenai Covid-19 ("POSKO") to provide assistance and response to the community on Covid-19 cases within the plantation communities.

IOI Reusable Face Masks for Plantations School Children

14K reusable masks were distributed to the children of our Humana schools and Community Learning Centres ("CLC") in Lahad Datu and Sandakan, Sabah.



Donating face masks to HUMANA school children.

Establishing Covid-19 Standard Operating Procedures ("SOP")

Introduced comprehensive guidelines and SOP on preventive measures such as body temperature monitoring, physical distancing measures, sanitisation of common areas, contact-tracing, etc.



Social distancing of 1 meter observed in all operating units.

Producing Hand-sanitizers for Employees

In-house hand sanitisers were made available to our employees at our IOI Edible Oils ("IOIEO") operations.



Enhancing Plant Your Own Food Initiative

The enhancement of our Plant Your Own Food Initiative launched in 2019 for our plantation employees and their dependants to ensure sufficient supply of fruits and vegetables during the Movement Control Order ("MCO").

Gratuity Payment for Plantation Foreign Workers

Due to the unusual stress and toll created by the pandemic to our workforce, IOI offered hardship allowance for eligible foreign workers in Peninsular Region as appreciation for their hardship and to share prosperity with them.

June

Covid-19 Care Across Boarders

Since mid-2020, IOI Oleo GmbH has been providing free face masks and Covid-19 test kits, work from home arrangements and air cleaning devices in office spaces to help contain the pandemic.



October

Supporting Frontliners

IOIEO donated spraying equipment to the Sandakan Fire and Rescue Department as well as bedsteads to the Sandakan Health Department as support to the frontliners.

December

Providing Full-day Zero Cost Educational Platform for Workers' Children

Prior school closures prompted IOI to further enhance our Child Education Initiative to enable our workers' children in Sabah to extend their learnings through after-school classes. The initiative also included free lunch, school supplies and school fees for eligible students.

2021

March

Haircut Initiative

IOI's Haircut Initiative was launched for our WEC members as part of our capacity building efforts to improve their livelihood impacted by Covid-19.

May

Vaccination Programme for IOI Group Workforce

A continuous vaccination outreach programme was conducted at all our business divisions in Malaysia, Indonesia and Germany in collaboration with local health services and the support of volunteers among our own staff.

June

Yayasan Donations to Sg Buloh Hospital

Yayasan Tan Sri Lee Shin Cheng ("TSLSC") donated life-saving medical equipment to Sungai Buloh Hospital to support the treatment of Covid-19 patients.

August

Donations to Schools

IOI Oleochemical Industries Berhad ("IOI Oleo") donated face masks and in-house hand sanitizers produced by the Quality Control Department to schools surrounding their operations.

November

Launch of IOI Well-Being Series

A series of talks conducted by various medical practitioners and subject matter experts were provided for IOI employees to help them achieve better mental health.

2022

February

Food Aid for Covid-19 Positive Employees

Essential items such as food and hand sanitisers were given to Covid-19 positive colleagues to aid them and their families during their mandatory quarantine.

March

Women and Digitalisation Initiative

Pandemic has increased our dependence on online transaction such as banking. So, IOI introduced the Women and Digitalisation initiative during the 2022 IWD celebration to ensure female employees and dependants are empowered by this digital literacy initiative.



ABOUT IOI CORPORATION



ORGANISATIONAL OVERVIEW

IOI Corporation Berhad (“IOI” or “the Group”) is a leading integrated and sustainable palm oil player listed on the Main Market of Bursa Malaysia Securities Berhad.

Headquartered in Malaysia, IOI has a global presence based on our operations and businesses in 8 countries and across 4 continents. The Group currently employs more than 24,000 people and is a leading global integrated and sustainable palm oil group with upstream (Plantation) and downstream (Resource-based Manufacturing) operations. Specifically, our business encompasses the entire palm oil value chain, from the Group’s upstream operations operated by the IOI Plantations division in Malaysia and Indonesia, to our resource-based manufacturing comprising of IOI Edible Oils (“IOI Refineries”) and IOI Oleochemical (“IOI Oleo Division”) situated in Malaysia and Germany¹.

The IOI Plantations operations include tissue culture, seed breeding, cultivation and milling. Our downstream operations, i.e., IOI Refineries and IOI Oleo, are involved in the refining of Crude Palm Oil (“CPO”) and Palm Kernel Oil (“PKO”), as well as the processing of CPO and PKO into oleochemical products such as fatty acids, glycerine, soap noodles, fatty esters and specialty downstream oleochemical derivatives² respectively.

Our value creation model demonstrates how the principle 7Rs of circularity (concept of “Cradle to Cradle”) is incorporated into our vertically-integrated business model through waste-to-energy processes generating renewable energy for our operations, increased eco-efficiency and innovation to create value to our by-products while minimising waste.

A full description of the Group’s integrated business model, financial outcomes, information on our global and local presence as well as risk management and internal controls can be found in pages 109 of our 2022 Annual Report.

Sustainability matters are well embedded within our business strategy, specifically the Five-Year Strategic Plan unveiled in the 2020 financial year, and implemented throughout our operations. The commitments made in IOI’s Group Sustainable Palm Oil Policy (“SPOP”) further emphasise the importance of Environment, Social, and Governance (“ESG”) matters to our businesses, operations and supply chains. Further details on our sustainability initiatives, challenges and achievements are documented throughout this report.



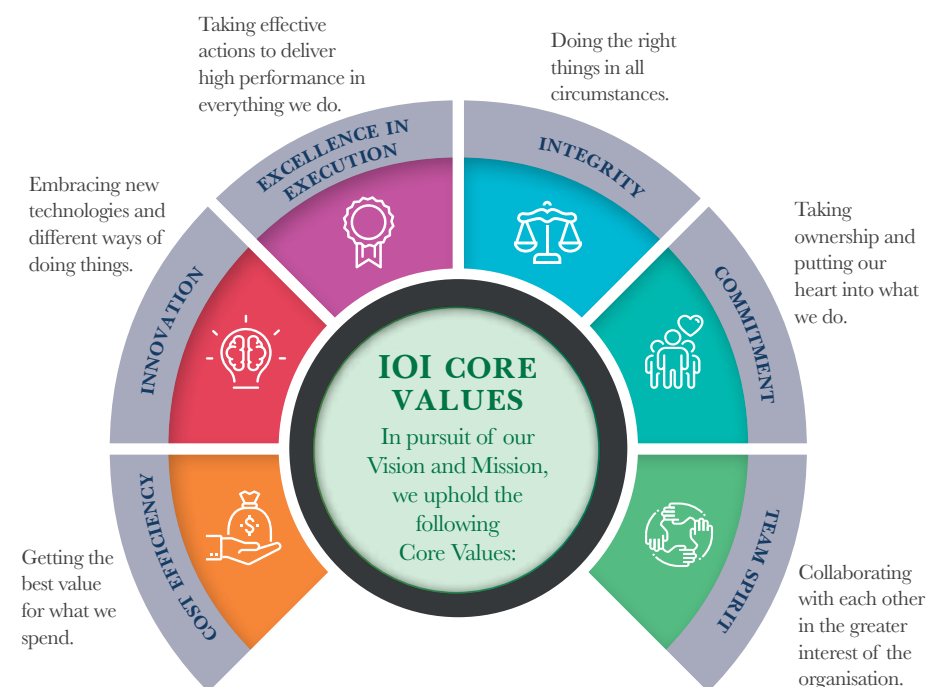
IOI VISION

Our Vision is to be a leading and sustainable Malaysian business corporation with global presence.



IOI MISSION

Our Mission is to achieve responsible and sustainable commercial success by addressing the interests of all our stakeholders, caring for the community and the environment, and adopting best practices to be globally competitive.



¹ Operating unit excluding sales/procurement/regional offices

² https://www.ioioleo.com/pro_prolist.html

PERFORMANCE IN GLOBAL ASSESSMENTS & INDICES AND OUR AWARDS

IOI continues to participate actively in leading ESG ratings and indices as a way to manage sustainability criteria that are both industry-specific and financially material and to communicate to all interested stakeholders such as customers and investors, our commitments in addressing their concerns. Latest updates on our performance and awards can also be referred further in our website¹.

S&P Global Corporate Sustainability Assessment

As of Nov 12, 2021, we improved our percentile ranking from the 71st percentile in 2020 to the 77th percentile in the FOA Food Products industry in the S&P Global Corporate Sustainability Assessment as selection process of constituents for the Dow Jones Sustainability Indices (“DJSI”).

CDP

IOI increased its scoring for Forest in 2021 to a score of B and remained the same for Water (B) and for Climate Change (C).

FTSE4Good Index Series

IOI continues to be a constituent of the FTSE4Good Index Series following the FTSE4Good Index Series June 2022 review. We improved our overall score from 3.1 to 3.4 due mainly in the area of supply chain.

Sustainalytics

As of November 2021, IOI received an ESG Risk Rating of 25 from Sustainalytics and was assessed to be at “Medium” risk of since we have high exposure to different material ESG issues but strong in managing its relevant issues.

MSCI

Morgan Stanley Capital International (“MSCI”) scoring improved to ‘BBB’ from ‘BB’ for its Environmental, Social and Governance (“ESG”) performance in the latest assessment by MSCI ESG Research LLC.

Asean Energy Awards

IOI Bio-Energy emerged as winner for its submission: Improved Steam Distribution to Reduce Steam Loss and Enhance Green Energy Generation, Winner of the Special Submission under Energy Management in Buildings and Industries of the ASEAN Energy Efficiency and Conservation Awards 2022.

IOI Edible Oils emerged as 1st runner up for its submission: - Energy Management Towards Efficient and Sustainable Process Operation, 1st Runner Up of the Large Industries under Industry - Energy Management in Buildings and Industries of the ASEAN Energy Efficiency and Conservation Awards 2022.

SPOTT Palm Oil Assessment

IOI has achieved a percentage score of 76.4% for 2021 with a rank of 17 amongst 100 palm oil producers, processors and traders.

EcoVadis

IOI Pan-Century Oleochemicals (“PCOC”) has been awarded with the Gold EcoVadis Medal Award. The EcoVadis Rating covers a broad range of non-financial management systems including Environmental, Labour & Human Rights, Ethics and Sustainable Procurement impacts.

ASEAN Innovation Business Platform (“AIBP”) Award

IOI was announced as one of the winners for the inaugural ASEAN Tech for Environmental, Social, Governance Awards hosted by AIBP. More information on this award can be found in page 65 of this report.

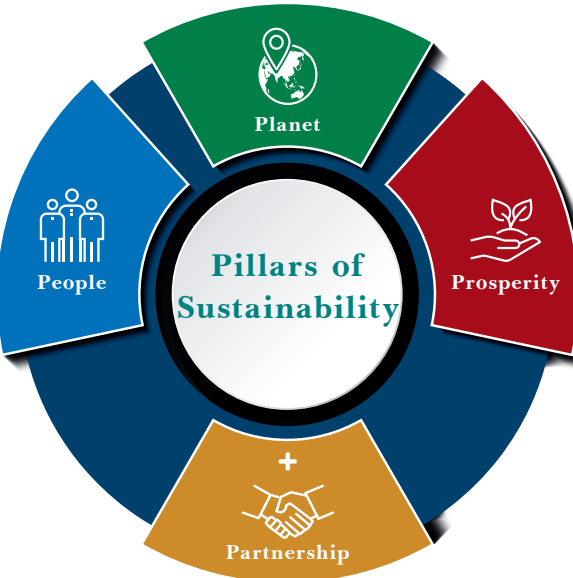


Our Biogas Plant at IOI Oleo GMBH, Wittenberge, Germany

¹ https://www.ioigroup.com/Content/S/S_Recognitions

OUR SUSTAINABILITY APPROACH

OUR SUSTAINABILITY COMMITMENT



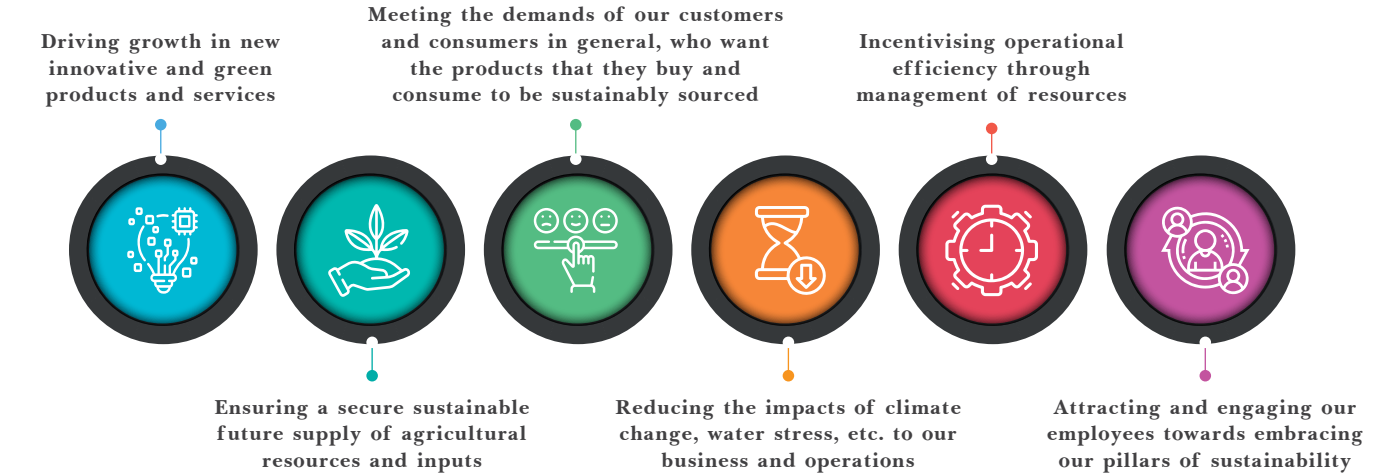
IOI’s commitment to embedding sustainability into our core business and operations is predicated on not only IOI’s Vision and Mission, but also by extension, on our Sustainability Vision, which is,

We believe we should meet the needs of the present without compromising that of the future generations by:

- Committing to protect, rehabilitate and preserve the environment where we live in.
- Ensuring that the economic, social wellbeing and health of our employees and families as well as the wider communities are safeguarded.
- Leading and innovating as well as embedding sustainability into our business.

This vision is further reflected in our sustainability pillars of “People, Planet and Prosperity plus Partnership” as we firmly believe that sustainability is a road that is best travelled together to have the greatest positive impact to the world at large and to humanity specifically.

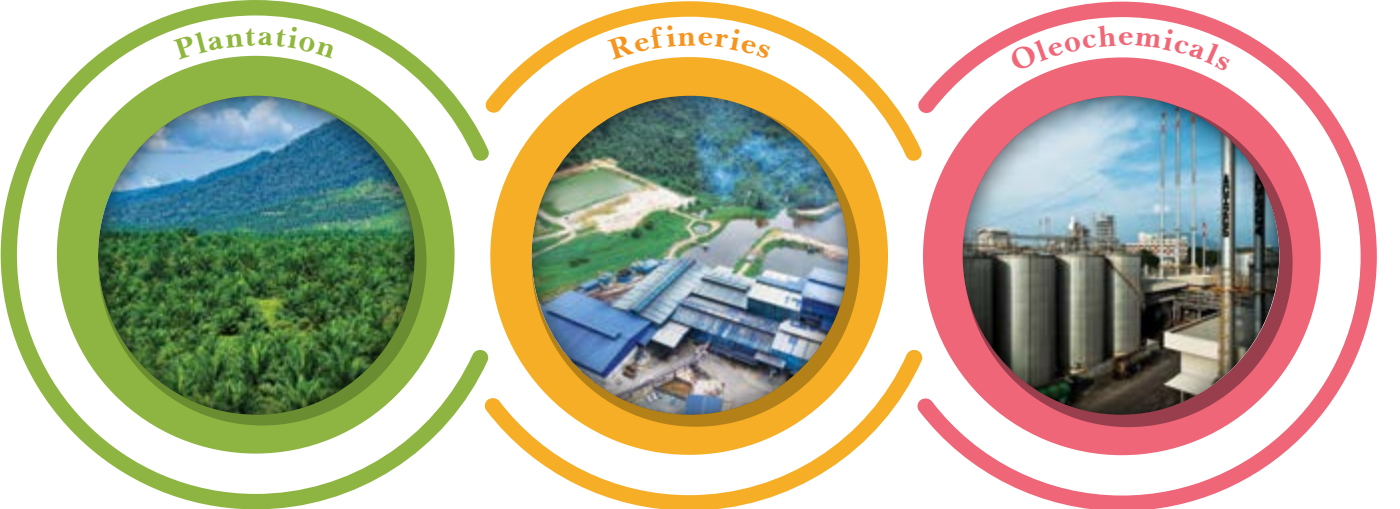
We maintain that sustainability performance drives business success and that sustainability is not just the right thing to do, it is a critical driver of value for our business:



IOI Group Sustainable Palm Oil Policy (“SPOP”) Key Commitments

- Continue to be an active supporter of certification schemes such as RSPO, MSPO, ISCC, and ISPO and work to strengthen their standards
- Mitigate climate change by progressively reducing Greenhouse Gas (“GHG”) emissions and enforcement of Zero Burning Policy.
- Eliminate all forms of illegal, forced, bonded, compulsory or child labour in our operations or supply chains and follow responsible recruitment practices including not charging recruitment related fees.
- Protection of High Conservation Value (“HCV”) and High Carbon Stock (“HCS”) areas in existing and new oil palm plantations.
- No Deforestation, No New Planting on Peat, No Social Exploitation (“NDPE”) and have maintain a moratorium on deforestation since 2016.
- Build a traceable and sustainable palm oil supply chain.
- Strive for the highest levels of transparency and stakeholder engagement.

Compliance to Sustainability Certifications



- More than 90% RSPO certified
- All Malaysian Estates and Mills are MSPO certified
- 33% of IOI oil palm mills are ISCC certified
- IOI Sandakan Edible Oils are ISCC certified since 2012
- Both refineries in Malaysia are RSPO SCCS certified
- All operations are certified ISO 45001:2018 Occupational Safety & Health Management Standards
- Progressing towards ISO14064-1:2018 Greenhouse gases - Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals
- All Malaysian operations are certified MSPO SCCS and RSPO SCCS.



ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

Environment

Climate Change

- Responsible land use
- No Deforestation, No New Planting on Peat including supply chain
- GHG emission management
- Risk and opportunity, strategy and target 7Rs of Circularity

Resource Management

- Water management
- Energy
- Other natural resource

Environmental Protection

- Biodiversity, Wildlife management and conservation
- Chemical and pest management
- Pollution and waste management
- Fire management

Social

Community Relations

- Free, Prior, Informed, Consent (“FPIC”)
- Social Impact Assessment (“SIA”)

Health & Safety

- Workplace safety
- Employee’s wellbeing

Human Rights

- Workers’ rights, labour practices and workplace condition
- Ethical Recruitment and responsible employment
- No Child Labour
- Equality and inclusivity

Supply Chain Management (Social)

- Fair and ethical grievance resolution
- Labour standards

Governance/Economic

Regulatory and Third-Party Compliances

- Ethical conduct and Business Ethics
- National Standard, laws and regulations
- International Standards and Certifications, Guidelines and Framework

Transparency, Accountability & Responsibility

- Stakeholder engagement
- Whistleblowing procedure
- Grievance mechanism and reporting
- Risk Management
- Responsible Sourcing

Communication & Reporting

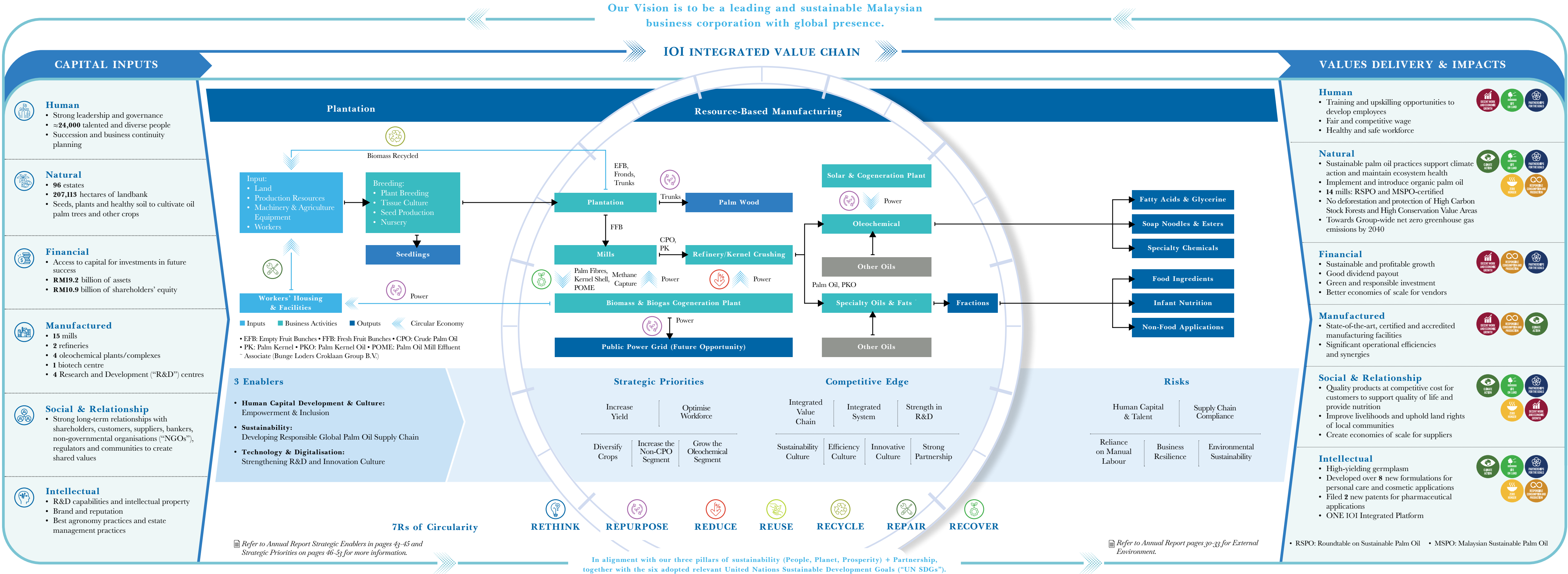
- Transparent communication of our own and supplier grievance
- Traceability updates
- Reporting on sustainability metrics, target and action plan

Technology

- Low Carbon Technology
- Palm Biotechnology & Product Innovation



VALUE CREATION MODEL



GOVERNANCE

SUSTAINABILITY GOVERNANCE

To ensure our sustainability commitments especially in matters relevant to our Environment ("E") and Social ("S") commitments are delivered, high standards of Governance ("G") which provides clear lines on accountability, roles and responsibility, are integral in running our business with integrity. As such, we have a Corporate Governance Framework (please refer to our Annual Report 2022, page 97, to view the Corporate Governance Structure) as well as a Sustainability Governance Framework in place to enable IOI to address these matters transparently.

Within the Sustainability Governance Framework, the Board holds ultimate responsibility for the management, general affairs, direction, performance and long-term success of the Group. In addition, the Board also has oversight on material sustainability issues such as human rights, force labour, biodiversity and climate change. Sustainability risks and opportunities of the Group are also presented at the board level by the Group Head of Sustainability ("GHS").

The Group Sustainability Steering Committee ("GSSC") was set up to ensure that the Group's sustainability agenda, commitments and issues are effectively discussed, approved and implemented. The GSSC is chaired by the Group Managing Director and Chief Executive ("GMD"), and is attended by Independent Non-Executive Director, Dr Nesadurai Kalanithi, heads of operating units, GHS and senior management from the Group's support functions. GSSC meetings are held at least once a year. The GSSC works directly with the Board.

The Group's daily sustainability matters are led by IOI's GHS. In this position, the GHS communicates and reports directly to the GMD to ensure all the Group's sustainability commitments, policies, guidelines, etc., are developed and implemented by Operations' personnel. Sustainability functions across the business operations are assisted by regional sustainability teams to ensure sustainable practices are fully embedded within every operating unit. Operating units together with regional sustainability teams are responsible to ensure regular internal sustainability audits, engagement with local and surrounding stakeholders and regular regional sustainability meetings.

As part of IOI's Stakeholder Engagement and Governance, IOI introduced the Sustainability Consultation Forum ("SCF") that is backed, advised and participated by IOI's Sustainability Advisory Panel ("SAP") as its core external panel members. Essentially, the SCF is a platform to discuss complex sustainability topics together with external stakeholders such as NGO's, subject matter experts, governmental departments, customers, etc., and to gather bottom-up feedback from IOI's management, operations and sustainability team. The discussion outcomes provide a blueprint for how IOI, as well as our stakeholders and other industry participants can move forward in addressing Environment, Social and Governance ("ESG") related issues and challenges.

Current ESG matters managed and addressed by IOI, based on current trends, internal and external audits, as well as sustainability indices and assessments are detailed as follows:



Second SCF was conducted on regenerative agriculture and Net-Zero in May 2022.



STAKEHOLDER ENGAGEMENT

Stakeholder engagement forms one of the important components in our sustainability approach. We continuously engage with various groups of stakeholders (IOI's internal workforce, regulatory and governmental bodies, civil societies and partners within our supply chain) throughout the 2022 financial year. Through these regular and proactive engagements with our key stakeholders, we manage to obtain trends and information, concerns and perspectives on what matters to our stakeholders, our business operations and sustainability performances. A full range of assessment on the value created through these stakeholder engagements is communicated transparently to illustrate our accountability in fulfilling these commitments. We believe that by effectively managing the expectations, needs and concerns of our key stakeholders and taking their feedback into consideration, our company can remain resilient and competitive. More information on our stakeholder engagements' can be found in our website¹.

Stakeholder	Activities FY2022	Output/Values Created
 Employees	<ul style="list-style-type: none">Conducted webinars on physical and mental health as well as surveys on employee wellbeingTraining, learning and development programmes via physical and virtual modes. Introduction of bite-sized e-learning content, IOI GrowDialogue with Group Managing Director and key panel members in a hybrid mode with Group-wide participation of IOI employeesCelebrate important events with our employees through programmes, engagements and initiatives such as IOI Earth Months and International Women's Day	<ul style="list-style-type: none">Ensure overall good health and wellbeing of employees are being taken care ofEnsure continuous development, capacity building and upskilling for our employeesTo gather questions, feedback and suggestions from IOI's employees for the continuous improvement of IOI's working environmentUplifting employee morale, promoting positive impacts towards social and environmental value, and encourage engagement amongst IOI's workforce
 Customers	<ul style="list-style-type: none">Participated in IOI's Sustainability Consultation Forum ("SCF")Responding to customer's request on Environment, Social, Governance ("ESG") performance submission via third party platforms such as CDP, etcExchange ideas via trade-shows and partnering with customers to host webinars on sustainability topics through collaborations with customersResponded to customers' sustainability-related updates and enquiriesPartnership with our customers, Nestle for project RELeaf, 3rd party due diligence on IOI's recruitment agents with NESTE, etc	<ul style="list-style-type: none">SCF enables IOI to gather feedback and perceptions on sustainability issues of concern from our customersBuild trust among our customers by demonstrating continuous improvement in our sustainability performancesCollaborations with other industry players to strengthen sustainability awareness and implementationTransparent communication of material issues and sharing of sustainability progress updates with our customersEnhance positive impact in our value chain to promote reforestation, carbon sequestration, biodiversity conservation, ethical recruitment, etc
 Communities	<ul style="list-style-type: none">IOI provides full day education to our workers' children in Sabah plantations after school hoursDonations to charity homes, hospitals and schools through our operating units as well as IOI's charity arm Yayasan Tan Sri Lee Shin Cheng ("YTSLSC")Support to our communities during the pandemic and disasters such as flood in 2021 etcEngagement with smallholders to assist them with achieving Malaysian Sustainable Palm Oil ("MSPO") and Roundtable on Sustainable Palm Oil ("RSPO") certification	<ul style="list-style-type: none">Encourages education for children within our operating units and protects them from potential risks of child labourSupport the wellbeing, medical welfare and education of our surrounding communitiesAssisting smallholders to improve sustainability practices as well as their yields and income help to ensure that IOI's supply chain are in line with our commitments
 Suppliers	<ul style="list-style-type: none">Webinar on Strengthening Child Protection in the Palm Oil Supply Chain for IOIEO and other capacity building activities on prevention of forced labourExecute monitoring and traceability and programmes as well as to provide training and solutions for preventing forest clearance and eliminating deforestation ("NDPE")Monitoring grievance and progress reporting	<ul style="list-style-type: none">Increasing supplier's awareness in addressing child labour and forced labourIncreased transparency and traceability of Fresh Fruit Bunches ("FFB") sources and able to assist our suppliers to improve and address gaps in the implementation of our No Deforestation, No New Planting on Peat, No Exploitation ("NDPE") commitmentsTransparent and regular communication on grievances reported and progress of time bound action plan against our suppliers in our website
 Regulations	<ul style="list-style-type: none">Maintaining industry association memberships such as Malaysian Palm Oil Association ("MPOA"), RSPO, High Carbon Stock Approach ("HCSA"), etcAdhering to relevant government and international policy and regulationsEngaged relevant regulators for discussion and forums on sustainability issues of concern such as via the SCF, webinars and forums	<ul style="list-style-type: none">Compliance with industry standards and regulationsEnsures compliance with relevant local and international policy and regulationsGather constructive feedback to address complex sustainability issues


¹ https://www.ioigroup.com/Content/S/S_Stakeholders


GOVERNANCE


Stakeholder	Activities FY2022	Output/Values Created
 Shareholders and Investors	<ul style="list-style-type: none">• IOI responded to Sustainability questionnaires from our shareholders and investors channeled to our Investor Relations department• Responded to ESG indices (CDP, FTSE4Good Index, S&P Global Corporate Sustainability Assessment, MSCI, Sustainalytics, SPOTT, and EcoVadis) and request of submission by investor groups for ESG disclosures and ratings including for CDP Climate, Water and Forest response	<ul style="list-style-type: none">• Provides accurate and nuanced information and understanding on IOI's ESG performances and practices• Increases confidence among investors and shareholders as well as enhances IOI's reputation through transparent disclosures and continuous improvement on our ratings
 Industry Association/Civil Society	<ul style="list-style-type: none">• IOI continues to be a corporate member of BSR since 2021• Partnership with Earthworms Foundation in supplier programmes• Activities with the Sustainability Palm oil Choice ("SPOC"), Malaysian Palm Oil Board ("MPOB"), Malaysian Oleochemical Manufacturers Group ("MOMG"), ASEAN Oleochemical Manufacturers Group ("AOMG"), Fire-Free Alliance ("FFA"), etc., to discuss sector's issues and concerns• Collaborations on elephant protection projects with HUTAN-Kinabatangan Orangutan Conservation Programme and Seratu Aatai in Sabah, as well as engaging in partnership for elephant coexistence project through Management & Ecology of Malaysian Elephants ("MEME") in Southern Peninsular Malaysia	<ul style="list-style-type: none">• Membership with Business for Social Responsibility ("BSR") provides access to the organisation's resources such as expertise, which can be leveraged to create lasting improvement to our sustainability practices• Traceability and monitoring to prevent forest clearance, hence, eliminating deforestation from our supply chain• Activities with Industry associations enable IOI to address concerns that are industry specific as a grouping• Enhances the protection of elephants and other biodiversity within our concession areas and conservation areas


SUSTAINABILITY TARGET & CONTRIBUTION TO UN SDG


IOI has committed to contributing towards the United Nations' Sustainable Development Goals ("UN SDGs") since 2018. We continue to monitor our performance in achieving the set KPIs for the 6 adopted UN SDGs most relevant to our operations. The clear targets and KPIs that we have set are monitored carefully, transparently shared and reported (refer SR 2020 and 2021) to ensure that all our initiatives are effectively implemented. Our performance for this reporting period is measured against the KPIs first set in 2020 as mapped in the table below:


 Zero Hunger


 Decent Work and Economic Growth



 Responsible Consumption and Production

 Climate Action





 Life on Land

 Partnerships for The Goals




Priority SDGs	IOI Contribution to SDGs	IOI Targets/ KPIs as stated in SR2020	Performance FY2022	Reference Page
 Target 2.4	<ul style="list-style-type: none">• Adopt circular economy model to ensure sustainable food production & ensure food security• Conduct R&D to produce high-yielding oil and crops with less chemical use, drought resistant, etc• Uses non-harmful agricultural methods to mitigate human-wildlife conflict; to ensure soil management to prevent soil erosion and degradation, etc• 'Plant Your Own Food' Initiative whereby plots of land, seedlings, etc., are allocated within our plantation to encourage fruits and vegetable plantings by our employees	<ul style="list-style-type: none">• In order to meet global food security for oil and fats, improved OER by at least 15% from our clonal palms compared to conventional seedlings will result in higher oil yield• Continuous optimisation of nutrient uptake by the oil palm tree through fertiliser management and soil microbe enhancement	<ul style="list-style-type: none">• IOI uses the high yielding clonal palms from our Biotech department for replanting in suitable areas and terrains• Achieved OER around 24% from our clonal palms• Implementation of Integrated Pest Management ("IPM") with biological controls to reduce use of chemical pesticides• Research by our agronomists to conserve soil fertility and practice precision agriculture via the use of drones which optimizes the use of fertilisers and enhances uptake of nutrients by palm trees• Adopting best agriculture practices such as application of palm waste by-products as organic fertiliser, which is also a part of circularity• Increased areas of lands utilised by our employees for the "Plant Your Own Food" Initiative	<ul style="list-style-type: none">• 70 (Annual Report)• 35• 47• 46• 47• 62

Priority SDGs	IOI Contribution to SDGs	IOI Targets/ KPIs as Stated in SR2020	Performance FY2022	Reference Page
 Target 8.2	<ul style="list-style-type: none">• Provide capacity building to IOI plantation workers to ensure our workforce is updated with new skills, efficient and productive• Invest in R&D on our crops to increase productivity and decrease dependence on natural resources• Introducing mechanisation, automation and digitalisation especially in the labour-intensive parts of our operations	<ul style="list-style-type: none">• Implementation of 'Coaching the Coach Programme' and 'Train the Trainer Programme' to cultivate employee potential• Use of technology to improve yields and productivity while contributing to upskilling workforce• IOI's five-year strategic blueprint as stated in our Annual Report	<ul style="list-style-type: none">• Continuous training and employee talent development conducted for employees and programmes to enhance capacity building through both physical and virtual platforms• Capacity building through IOI Grow to encourage continuous upskilling of employees• Implementation of mechanisation and digitalisation platforms in our operations to improve existing systems and processes; increase efficiency and productivity while at the same time upskill labour force with use of new technology• Progress and integration of IOI five-year strategic blueprint are reported throughout our Annual Report 2022	<ul style="list-style-type: none">• 60• 42 (Annual Report)
 Target 8.8	<ul style="list-style-type: none">• Operate in accordance with local and national laws, and adherence to international standards as stated in the SPOP• Collaborate with social, labour and human rights experts to continuously identify and adopt best practices in labour practices – case study on Respecting People, Retaining Workers by Earthworm Foundation• Conducted Fair and Decent Wage Study together with Monash University• Implement Occupational Health and Safety Management Systems that meet OHSAS 18001 Standard• Certifying IOI Oleo under ISO 45001 for Occupational Health and Safety systems and have policies, guidelines & procedures disseminated to all workers• Launched the Women and Empowerment Committee & have enhanced our guidelines on harassment at the workplace	<ul style="list-style-type: none">• Ensuring that all our workers are safe from Covid-19 by following all SOPs and guidelines provided by our government• IOI targeted earnings of more than the minimum wage for each worker during normal working hours in Malaysia• Support women's rights & empowerment	<ul style="list-style-type: none">• Programmes and measures such as vaccination programmes, masks, etc., were put in place to ensure the safety & wellbeing of our workforce. The Group had also extended contributions to our communities and frontliners in Malaysia and Indonesia. Adhering to control movement order and ensure our workforce including foreign workers and children vaccinated to prevent the spread of Covid-19• Despite the pandemic situation that affected both Malaysia and Indonesia, the Group continues to maintain our workforce in the plantation without affecting their ability to receive at the very least minimum wages• Various activities and programmes conducted by WEC to empower the women in plantation e.g. Introduction of multiple initiatives to increase skills and generate alternative income• Celebration to showcase the achievement of our women employees during the International Women's Day on 8th March 2022 at IOI HQ, joined virtually by plantation division in Peninsular, Sabah and Kalimantan, as well as IOI Refineries and IOI Oleochemicals• Socialisation of the Guideline for Handling Harassment at Workplace and monitoring on the implementation during internal and external sustainability audit• Lost Time Injury Frequency Rate ("LTIFR") for IOI Oleo in FY2022 increased compared to FY2021 while LTIFR for IOI Refinery and IOI Plantations has reduced• Training for Safety and Health at the workplace continues in all operating units despite the on-going pandemic• Collaboration with International Organization for Migration ("IOM") on matters concerning migrant workers• Sharing the best labour practices with International Labour Organisation ("ILO") and other growers• Engaging with &Wider to conduct assessment on working conditions and workers' wellbeing at regular intervals	<ul style="list-style-type: none">• 7• 61• 66




GOVERNANCE

Priority SDGs	IOI Contribution to SDGs	IOI Targets/ KPIs as stated in SR2020	Performance FY2022	Reference Page
 Target 12.4	<ul style="list-style-type: none">Adopts the circular economy model to minimise waste generation and maximise recycling in the plantation operations (refer to value creation model on page 12)Green initiatives in resource-based manufacturing to increase water recycling, reduce wastage and increase reprocessing waste material and energy efficiency	<ul style="list-style-type: none">Target to increase power generation from solid waste, fibre and EFB from plantation operations to be used for mill processing100% treated POME for upcycling use for oil palm plantation operationsMinimise pollution and waste generation	<ul style="list-style-type: none">Oil palm biomass waste such as PKS and EFB from plantation operations are not being disposed but are either utilised to generate power for the mill operations or sold for value added productsInstallation of more methane capture facilities and optimising further on those already installed to reduce GHG emission to atmosphere and the use of gas the usage of dieselTreated dried POME residues were being recycled and used as organic fertilisers in our oil palm plantation operations. Our upstream operations continue to achieved 99 % recycling from the upcycling of organic wastes including POMEIOI minimised pollution and waste generation by ensuring regulatory compliances and applications of 7R Circularity in our plantations and resource-based manufacturing facilitiesIn FY2022, IOI Plantation and IOI Refinery Division recycled and reused 92% and 97% of the waste produced respectively	<ul style="list-style-type: none">443134
 Target 12.6	<ul style="list-style-type: none">Publish Annual Sustainability Report based on GRI StandardsCollaborate with MPOB to support smallholders in attaining MSPO certificationSupport suppliers on their transformation towards NDPE policy commitmentsFrequent reporting from time to time in IOI website with regards to grievance list, third party supplier traceability, sustainability updates	<ul style="list-style-type: none">IOI Oleo to be fully ISO 50001: Energy Management certified100% MSPO and RSPO certification for estates and mills in Malaysia100% RSPO certification for all IOI plantations by 2023To publicly disclose sustainability implementation progress on a regular basis	<ul style="list-style-type: none">IOI Oleo carried out efficiency improvement projects via ISO 50001Achieved 100% RSPO certification and 100% MSPO for estates and mills including smallholders in MalaysiaCurrent progress in line with 100% RSPO certification for all IOI plantations in Malaysia and Indonesia by 2023Publicly disclose sustainability implementation progress and initiatives on a regular basisPublication and disclosures in the Annual Sustainability Report	<ul style="list-style-type: none">36
 Target 12.A	<ul style="list-style-type: none">Key Oil Palm player in Malaysia that is committed towards embedding sustainable approach in addressing our environmental and social footprint whilst also investing in R&D to improve our production and manufacturing capabilities	<ul style="list-style-type: none">Consistently achieve OER higher than the Malaysian average through palm biotechnologyR&D direction to improve oil-bearing characteristics and tree morphologyEco-friendly products developed by the oleochemical division	<ul style="list-style-type: none">Since 2019, OER of around 24% has been achieved in the mills receiving FFB crops supplied by estates planted with high-yielding clonal palms comprising between 35% to 53% of total hectareage which is higher than the Malaysian average OER 2021¹Our research facilities continue to innovate research and development programmes to create better planting materials through cutting-edge tissue culture technologyProducts with key applications in pharmaceutical, nutritional, cosmetic and personal care segments	<ul style="list-style-type: none">70 (Annual Report)3576 (Annual Report)
 Target 13.2	<ul style="list-style-type: none">Implement measures to reduce GHG emissionsUnder our NDPE commitment, no deforestation and no new planting on peat	<ul style="list-style-type: none">IOI is committed to a holistic approach in implementing its climate action strategy and to strive for reducing GHG emissions	<ul style="list-style-type: none">Implementation of climate action strategy from upstream to resource-based manufacturing operations.Application of TCFD guidelines and ISSB for climate reporting.Engagement with consultants to analyse climate risks i.e., physical and transition risks and implementing adaptation and mitigation measures for addressing climate change	<ul style="list-style-type: none">28

¹ <https://bepi.mpo.gov.my/index.php/en/oil-extraction-rate/oil-extraction-rate-2021/oil-extraction-rate-of-crude-palm-oil-2021>

Priority SDGs	IOI Contribution to SDGs	IOI Targets/ KPIs as Stated in SR2020	Performance FY2022	Reference Page
 Target 13.2	<ul style="list-style-type: none">New oil palm developments only after comprehensive stakeholder engagement and assessments (including ESIA, HCV and HCS assessment, LUC analysis, GHG assessment, soil suitability and topographic survey)Fire Management implemented	<ul style="list-style-type: none">Installation of 10 methane capture facilities at major mill operationsEmission reduction target of 41% by 2025	<ul style="list-style-type: none">The practice of circularity within our operations to reduce waste generation by, amongst others, repurposing for other value-added products, recovering and recycling.Installed 10 methane capture facilities at major mill operations and on-track to install another 4 in the coming yearsProgress to achieve emission reduction target for IOI Plantation, Refinery and IOI Oleo are reported hereNew Medium & Long-term target committed – Net Zero by 2040	<ul style="list-style-type: none">3431
 Target 15.1	<ul style="list-style-type: none">As stated in our SPOP, we have set aside peatland and conservation areas to be managed and protectedCommitted to NDPE commitmentsNew oil palm developments are permitted only after comprehensive stakeholder engagement and assessments (HCV, HCS & GHG assessment, ESIA; LUC analysis; soil suitability & topographic surveys) are conductedImplement collaborative & landscape approach, conservation & biodiversity projects	<ul style="list-style-type: none">Committed to protection of peatland and rehabilitation and conservation of land where we operateIdentification and protection of HCV areasFollowing best management practices in peatland management and biodiversity & conservation	<ul style="list-style-type: none">IOI has a moratorium on deforestation based on our commitment on No Deforestations, No New Planting on Peat, No Exploitation (“NDPE”) in all our operations and reported no deforestation or development on peat for the reporting yearA total of 3,655.24 hectares of HCV area and total conservation area of 6,396.38 hectares in Malaysia and Indonesia were identified to be protected in FY2022IOI utilises the application of High Conservation Value Network (“HCVN”) and High Carbon Stock Approach (“HCSA”) toolkit to help us identify and conserve HCV and HCS areas for land developments in all our operationsAdopted recognised best management practices including the Best Management Practices by RSPOStrengthening of our guidelines on biodiversityConducting reforestation and rehabilitation projects such as RELeaf project	<ul style="list-style-type: none">424849
 Target 15.2	<ul style="list-style-type: none">Rehabilitation of forest reserve through Mini Landscape Level Approach for Peatlands adjacent to our Bukit Leelau EstateCommitted to NDPE commitmentsSocialisation, dialogue and awareness programmes on fire prevention in forests to stakeholdersIdentification of High Carbon Stock (“HCS”) forestsUtilises Global Forest Watch platform to map our concession areas, obtain daily information about forest fires, and obtain longer-term climate trendsPartnered with Earthworm Foundation to establish a near real-time deforestation monitoring capacity where IOI’s suppliers are operating	<ul style="list-style-type: none">Identifying and protecting HCV and HCS areas in where we operatedUphold and promote NDPE throughout our third-party suppliersAdopting Landscape Level Approach (LLA) where applicable by working in partnership with communities	<ul style="list-style-type: none">Protection of HCV, HCS and conservation areas within our operating units based on our policy commitments and specific developed guidelines.Application of T4T assessments and collaboration with Earthworm Foundation on engagement programmes for suppliers and deforestation monitoring.Partnership with external stakeholders including communities, local authorities and neighbouring plantations for Ketapang landscape level programmes as well as the continuation of our Bukit Leelau mini-LLA	<ul style="list-style-type: none">4249

GOVERNANCE

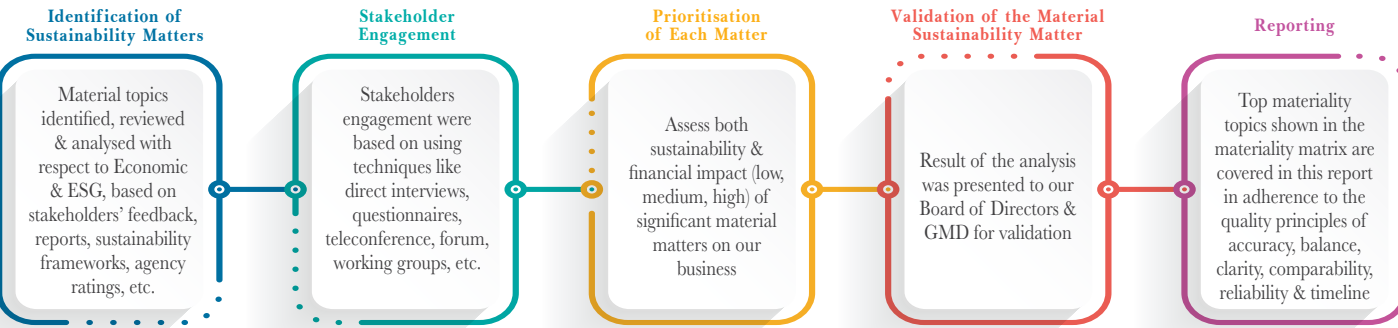
Priority SDGs	IOI Contribution to SDGs	IOI Targets/ KPIs as stated in SR2020	Performance FY2022	Reference Page
<div> Target 15.5</div>	<ul style="list-style-type: none">New oil palm developments are permitted only after comprehensive stakeholder engagement and assessmentsUses natural and non-harmful agricultural methods to mitigate human-wildlife conflictEmploys forest rangers and collaborates with local society and regulators to monitor RTE speciesCollaboration with HUTAN-PONGO for Ecological Study on Orangutan Population at Kinabatangan	<ul style="list-style-type: none">Strengthening our Environmental Management Guidelines by having clear specific stages in handling fire, peat and biodiversity within our operationsWorking with relevant authorities on biodiversity conservation and protection of RTE species	<ul style="list-style-type: none">Introduced Biodiversity Management Guideline which defined the steps that the management takes in conservation and biodiversity protection, especially within the estatesImplementation of the Peat Protection and Management guideline which provides general guidance on peatland protection and conservation, best management practices, rehabilitation of degraded peatland, fire prevention and control, as well as providing necessary trainings to internal and external stakeholders on the management of peatland within our plantationCollaborative projects with NGOs and local authorities in protections of RTE species including projects on elephant co-existence and orangutan rescue monitoring and missions	<ul style="list-style-type: none">• 48• 51
<div> Target 17.16</div>	<ul style="list-style-type: none">Collaborate with industry experts to share information and solve challenges in social and environmental projectsKey partnerships and associations include Proforest, Earthworm Foundation, Aidenvironment, Global Environment Centre, MPOA, Sustainable Palm Oil Choice Member, International Sustainability & Carbon Certification ("ISCC"), High Carbon Stock Approach ("HCSA") Steering Group Member and RSPO	<ul style="list-style-type: none">Collaborate with other palm oil producers, processors, food companies, NGOs and governmental bodies in improving industry-wide palm oil sustainability commitmentsCollaborate with various stakeholders including suppliers, customers, civil societies, governments and independent verification bodies in the implementation of our SPOP commitments	<ul style="list-style-type: none">IOI had collaborated with customers, food companies, civil societies, regulatory body, and local authorities in joint sustainability projects including, project REleaf and certification programmes for smallholdersIOI works in partnership with multi-stakeholders in different projects which are illustrated in every section of the focus areas discussed in this report. The projects cover the Environment, Social and Economic spectrumsIntroduction of SCF as a platform for IOI to gather expectation on selected sustainability issues from external stakeholders including those from international bodiesSharing our expertise with the industry and other external stakeholders (NGOs, Customers, Investors, etc.) through webinar, training or workshop. IOI has been actively involved in forums, discussions, working groups, taskforces in organisations such as RSPO, MSPO, HCSA, ILO, MPOA, etc., and other knowledge sharing platforms such as Securities Industry Development Corporation ("SIDC"), Business Council of Sustainable Development ("BCSD"), etc., virtually in communicating sustainability agenda and to improve perceptions towards sustainable palm oil	<ul style="list-style-type: none">• 49• 64• 33
<div> Target 17.17</div>	<ul style="list-style-type: none">New oil palm developments are only allowed following comprehensive stakeholder engagement and assessmentsCollaborate with industry experts to share information and solve challengesKey partnerships and associations include Civil societies, MPOA, ISCC, HCSA and RSPO	<ul style="list-style-type: none">Active collaboration for capacity building to create awareness on sustainability mattersActive collaboration with academia, industrial associations and working groups for information sharing and drive sustainability agenda	<ul style="list-style-type: none">We collaborated with different organisations to improve capacity building for our suppliers, smallholders and our own workforce which were discussed in all focus areas in this reportInvolvement in research on Climate Change, Environmental Degradation and Labour Migration in Asia: Exploring the Role of Business conducted by IOMCollaborations with HUTAN PONGO, Nottingham University, WCS & Nestle	<ul style="list-style-type: none">• 64• 65

OUR MATERIAL MATTERS

SUSTAINABILITY MATERIALITY MATTERS

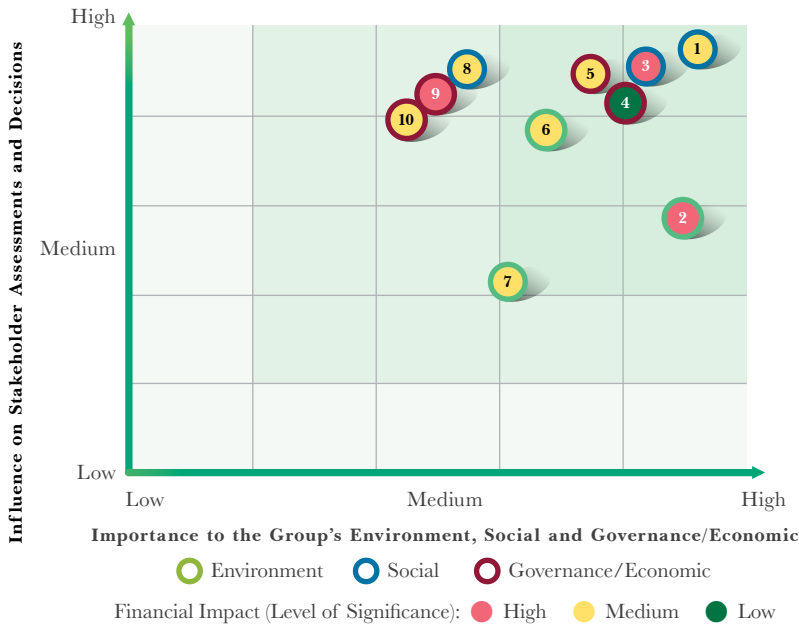
IOI conducts our annual material matters assessment based on material matters that are significant to our stakeholders and business on Environment, Social and Governance/Economic (“ESG”) topics. These material matters are determined from current global sustainability issues in the palm oil industry, stakeholders’ feedback, requirements from ESG rating and assessment as well as risks and opportunities relevant to IOI. The identified material matters will then be assimilated in company’s strategy, commitments and shared in the current reporting.

Our materiality assessment is guided by Bursa Malaysia’s Sustainability Reporting Guide and Bursa Malaysia’s Materiality Toolkit. The process of determining the material matters is as follows:



Based on the process above, we have identified ten top sustainability matters that have the most significant impact to our business and our stakeholders

Materiality Matrix



IOI's Sustainability Matters 2022 in Order of Significance

- 1 Safety & Health
- 2 Climate Change and Circular Economy
- 3 Labour Practices and Human Right
- 4 Transparent Grievance Resolution and Communication
- 5 Traceability & Responsible Sourcing: Policy & Practices
- 6 Water & Wastewater Management
- 7 Deforestation and Land Use
- 8 Ethical Recruitment and Responsible Employment
- 9 Supply Chain Management
- 10 Regulatory and Third Party Compliance

DOUBLE MATERIALITY

The concept of double materiality describes both the external impacts of the company’s operations have towards society, economy and surrounding environment (*sustainability materiality*), as well as the internal impact of each significant material matters identified towards a company’s financial performance and its ability to create economic value for investors and shareholders (*financial materiality*). This year, for the first time, IOI will incorporate a qualitative assessment of our financial risks and opportunities as related to the top 10 sustainability material matters identified in accordance to the process mentioned in above. The financial impact assessment for each of the identified material matter is categorised into significant low, medium and high, based on our ERM Framework for risk classification scoring.

The outcomes of the materiality matter analysis are plotted on a materiality matrix as shown in the graph - *Materiality Matrix*. The top 10 identified material matters are plotted based on the “Importance to the Group’s Economic/Governance, Environment and Social” Impacts (x-axis) against the “Influence on Stakeholder’s Assessments and Decisions” (y-axis). The significance of “Financial Impact” (low, medium or high) to our business is also considered for each of the identified material matter.

OUR MATERIAL MATTERS

MATERIALITY MATTERS AND OUR RESPONSES

Zero Hunger

Decent Work and Economic Growth

Responsible Consumption and Production

Climate Action

Life on Land

Partnerships for The Goals

Material Matter	Why this material matters to our business?	Why this material matter to environment and society?
<div></div> <div>Safety & Health</div>	<p>Our workforce is the backbone of our operations, thus ensuring the wellbeing of our workers ensures the highest productivity and a sustainable business.</p> <p>In addition, any hazardous incidence to our workforce or the surrounding communities can affect our reputation, result in legal liability and cause our business to halt.</p>	<p>Safety hazards within and around the workplace would potentially affect the livelihoods, health and wellbeing of our employees, their family members and the surrounding communities.</p> <p>Furthermore, a hazardous environment can result in a workforce that are not motivated to perform, high incidence of medical absenteeism and high turnover.</p>
<div></div> <div>Climate Change & Circular Economy</div>	<p>Assessing and mitigating risks of climate change is crucial for our medium and long-term impact to ensure that the impact of climate change towards our operations are safeguarded and to reduce the cost of doing business impacted by climate related incidences. Embedding 7Rs of circularity within our business helps to reduce our GHG emissions and the possible impact of carbon tax on GHG emissions.</p>	<p>Irresponsible business contributes to increasing GHG emissions and cause global warming and climate change (i.e., long-term shifts in weather patterns and temperatures) that poses risk due to extreme weather causing floods, droughts, wildfires, hurricanes, etc., not to mention impact our food security and job security.</p>
<div></div> <div>Labour Practices & Human Right</div>	<p>It is crucial to ensure a safe working environment to safeguard our workforce from illegal, forced, bonded, compulsory or child labour because these issues can lead to legal, financial and reputational risk which can ultimately affect our business negatively.</p> <p>Responsible labour practice can be translated through expanded market, higher productivity, reduced cost of compliance and reduced turnover.</p>	<p>Unfair labour practices and human rights violation would affect the wellbeing of our workforce, and create a poor work life balance that can ultimately lead to a poor moral within the workforce.</p>
<div></div> <div>Transparent Grievance Resolution & Communication</div>	<p>Failure to communicate grievances and complaints transparently can damage our company's reputation and affect the businesses negatively.</p>	<p>Being able to address grievances and complaints transparently will demonstrate accountability that help to build trust and respectful connection with the affected complainant (workers, communities and stakeholders of concern).</p>
<div></div> <div>Traceability & Responsible Sourcing: Policy & Practices</div>	<p>Sourcing from responsible and traceable third-party suppliers is a priority for IOI to ensure adherence to our policies, guidelines, etc as this enables IOI to have clear accountability and transparency within its supply chain.</p>	<p>Irresponsible sourcing can create issues such as forced or child labour along the supply chain, deforestation, illegal land seizure, etc.</p> <p>Non-transparent sourcing practices such as bribery and corruption can lead to legal problems and imprisonment.</p>

Human

Natural

Financial

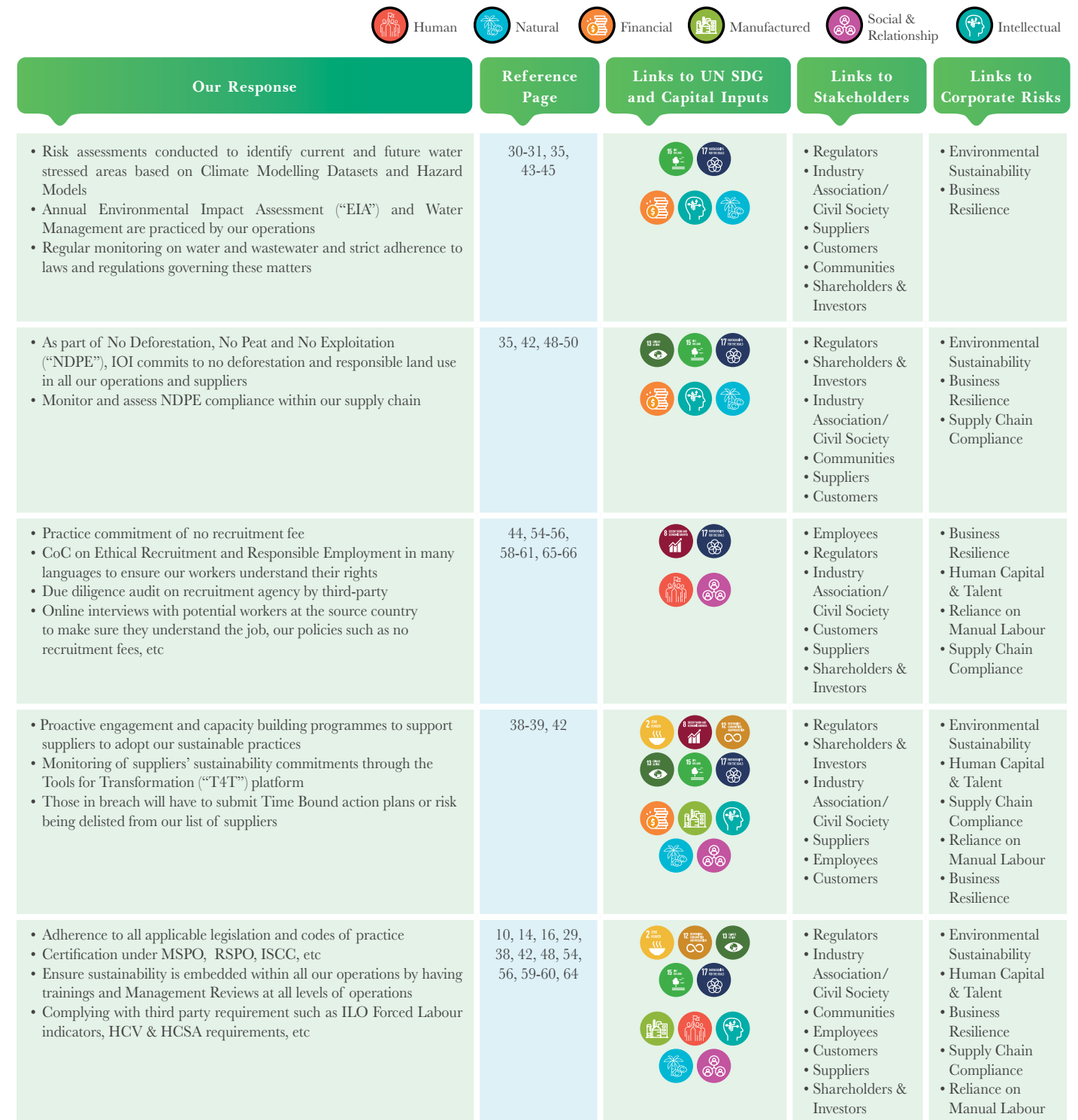
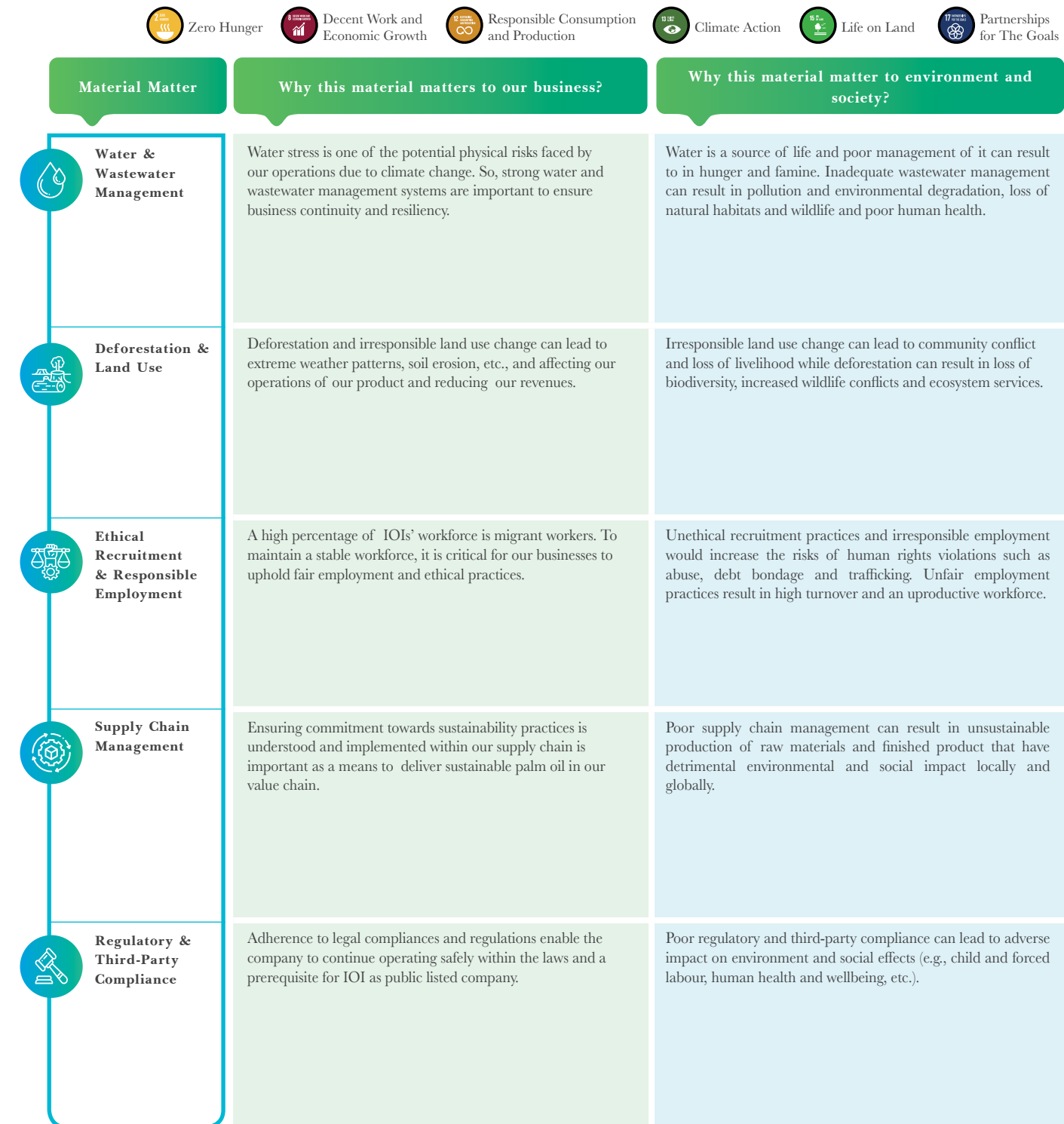
Manufactured

Social & Relationship

Intellectual

Our Response	Reference Page	Links to UN SDG and Capital Inputs	Links to Stakeholders	Links to Corporate Risks
<ul style="list-style-type: none">• Provide a safe and conducive healthy working environment with clear SOPs/ Guidelines and regular training on safety to maintain business continuity• Provide financial and health insurance to provide protection to our workforce, as well as the wellbeing of their immediate families• Regular monitoring on safety performance and proactive mitigation measure to maintain safety and health	56-58	<div></div>	<ul style="list-style-type: none">• Employees• Regulators• Suppliers• Communities• Customers	<ul style="list-style-type: none">• Human Capital & Talent• Reliance on Manual Labour• Environmental Sustainability• Business Resilience
<ul style="list-style-type: none">• Climate change action in alignment with TCFD• Climate risks evaluated either to be mitigated or adapted while opportunities are to be exploited to increase our business resiliencies• Initiatives, mitigation activities and implementation measures are being put in place to reduce GHG emissions• Investment in low carbon technology and innovation• Implementing automation, mechanisation and digitalisation• Practice responsible land use, zero deforestation and no new development on peat• Responsible water management• Maintaining & ensuring strong fire management systems	28-39, 42-47	<div></div>	<ul style="list-style-type: none">• Regulators• Customers• Shareholders & Investors• Industry Association/ Civil Society• Suppliers• Employees• Communities	<ul style="list-style-type: none">• Environmental Sustainability• Business Resilience
<ul style="list-style-type: none">• Enhancing policies, guidelines and practices that strengthens the rights of our workers• Clear accountability, implementation and practices on prevention of forced labour and child labour• Upholding workers' rights to collective bargaining• Commitment to pay all our workers according to or beyond the statutory minimum wages as per the national labour regulations• Assisted & participated in the independent fair and decent wage study together with industry players. Cooperated in third-party audit on labour practice and human right related issues	54-63, 65-66	<div></div>	<ul style="list-style-type: none">• Employees• Regulators• Industry Association/ Civil Society• Customers• Communities• Suppliers• Shareholders & Investors	<ul style="list-style-type: none">• Human Capital & Talent• Reliance on Manual Labour
<ul style="list-style-type: none">• Ensure clear accountability and transparency in response to grievances and complaints including updates in our website• Various means for grievances to be reported such our 24/7 IOI Mesra App, hotlines, etc	42, 54, 56, 58, 59, 64, 66	<div></div>	<ul style="list-style-type: none">• Employees• Regulators• Customers• Industry Association/ Civil Society• Communities• Suppliers• Shareholders & Investors	<ul style="list-style-type: none">• Human Capital & Talent• Reliance on Manual Labour
<ul style="list-style-type: none">• Due diligence and verification conducted to ensure both current and new suppliers meet IOI's Responsible Sourcing Guideline and SPOP requirement• Transparent reporting in IOI's sustainability dashboard• Engagement and monitoring of compliance of our policies and guidelines our by Responsible Sourcing team	38-39	<div></div>	<ul style="list-style-type: none">• Regulators• Customers• Industry Association/ Civil Society• Suppliers• Shareholders & Investors	<ul style="list-style-type: none">• Supply Chain Compliance• Business Resilience

OUR MATERIAL MATTERS





In line with the tag line above, IOI intends to forge forward with practical solutions that can feed the world while enriching biodiversity within our conservation areas and contributing positively towards reversing climate change.



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CLIMATE CHANGE ACTION ("CCA") INITIATIVE

MANAGEMENT APPROACH

Climate change is an undeniable threat to the agricultural sector as it is highly intertwined with the extremes events climate can wrought. IOI recognises the risks of climate change and has initiated the Climate Change Action (“CCA”) initiative since 2019 as part of our long-term action plan to manage climate-related risks and opportunities within our operations. One of the key objectives of the CCA initiative is to achieve Net-Zero within the Group, by incorporating circularity in our operations while exploring new technologies and innovations to reduce our GHG emissions and impact to the environment. These approaches which are very much in line with our 5 Strategic priorities AR (page 46-53), would enable us to adapt to new circumstances arising from climate change. The CCA initiatives is reported in alignment with the recommendations from the Task-force on Climate Related Financial Disclosure (“TCFD”) with reference to the International Sustainability Standards Board (“ISSB”) climate disclosures. The TCFD recommendations have four thematic areas that are represented as our core operational elements in implementing our CCA as shown:

Our Governance

The CCA initiative is spearheaded by the Group Managing Director (“GMD”) and is part of the Key Performance Index (“KPI”) for the GMD and top management as reported in the Annual Sustainability Report (“ASR”). All strategies, programmes and development of the CCA are overseen by IOI’s Group Sustainability Steering Committee (“GSSC”) and will be brought to the Board for approval. To ensure group-wide implementation, accountability and monitoring of the CCA, similar KPIs are applied to the rest of the organisation that will be managed and overseen by the Group Head of Sustainability (“GHS”) and assisted by sustainability units of each business division. Under double materiality assessment, climate change is recognised as a sustainability risk and have financial impact, therefore it is also being reviewed under the Group’s Enterprise Risk Management (“ERM”) framework.



Cogeneration Plant in Pasir Gudang, Johor, Malaysia.

Strategy

To achieve Net-Zero carbon emissions, IOI is committed to continuously improve our climate change action plans through mitigation and adaptation of our environmental performance within our operations to include:



Increasing resource efficiency for a low carbon economy to reduce GHG emissions



Improving operational efficiency and waste management through circularity



Investments in climate innovations and technology

To further enable IOI to strategise in a more holistic way in responding to the potential climate risks, IOI conducted a quantitative group-wide climate change assessment forecasting climate scenarios for climate impact valuation.

Risk Management

IOI conducted a quantitative group-wide climate change assessment with an expert TCFD consultant to help identify our climate-related transition and physical risks. Physical risks across all our operational sites in Malaysia, Indonesia and Germany were assessed and the resulting from climate change across different climate scenarios were assessed until 2050 to evaluate inherent economic risks with low-carbon transition. Summary of mitigation and adaptation solutions of the identified risks are listed in pages 30&31.

Metrics and Targets

The company group-wide GHG emission intensity baseline and short-term targets for Scope 1 and Scope 2 were published in 2020. Annually our GHG emission intensity reduction is estimated to be at least 4%. Therefore, IOI’s GHG emissions intensity is expected to be reduced by about 40% by 2025 based on a 2015 baseline. However, with improved low carbon technologies, intensified rehabilitation and regeneration efforts in our conservation areas as well as further activities in circularity to potentially remove or capture more CO₂ from the atmosphere than emitted, IOI is targeted to possibly achieve negative amounts of GHG emissions or at least carbon neutral for Scopes 1 and 2 by 2030 against our 2015 baseline. IOI has also announced its group-wide GHG emissions target to achieved Net-Zero emissions for Scopes 1, 2 and 3 by 2040. IOI’s current and targeted GHG emissions figures are available in pages 31-33.

OUR PERFORMANCE

Climate Related Risks and Opportunities

The climate-related transition and physical risks analyses are based on IOI’s specific sourced data, from recognised international climate organisations and relevant third-parties. The climate-related risk assessments are in alignment with TCFD and based on a moderate scenario (to reduce greenhouse gas emissions and limit climate change not exceeding 2°C).

Transition Risk

IOI’s carbon pricing risk exposure for 2050 could range between 9.1 - 37.2% based on the updated carbon pricing risk projections analysis under the low to high carbon pricing scenario in October 2021. The carbon pricing risk exposure can significantly reduce by as much as 17 - 25% and 19 - 28% when carbon sequestration from the plantation operations in GHG scenario 1¹ and 2² are taken into account, respectively. When IOI achieve Net-Zero (Scope 1 and 2) by 2030, carbon pricing risk exposure can further reduce by up to 30%.

Type of Transition Risk	Risk	Opportunities
Policy and Legal	<ul style="list-style-type: none">Negative financial consequences associated with GHG emission reduction policies (e.g., carbon pricing) due to higher cost of compliance and cost of doing businessAdditional costs due to carbon taxes imposed on fossil fuels (e.g., diesels)New legislations like the European Union regulation on deforestation-free products that are climate-related that can impact the way we do business	<ul style="list-style-type: none">Increased carbon price can constrain a company to adopting a low carbon operation that would significantly reduce operational costReduced dependency on non-renewable fuels would give IOI’s businesses competitive advantageCompanies who are well prepared would have first mover advantage to address and adapt the way businesses are conducted to any climate related legislations
Technology	<ul style="list-style-type: none">New or replacement of products that are perceived to be produced or derived from processes that can affect climate change negativelyOutdated systems that are energy intensive would significantly increase operating costs	<ul style="list-style-type: none">Producing products in a sustainable way via waste management and circularity like the use of methane capture, biomass that not only negate negative perception of our products but create value added products from wastesPromoting efficiency in energy usage and sustainable use of natural resources through innovation and technology
Market	<ul style="list-style-type: none">Loss of market positioning from buyers and customers when expectations for low carbon products are not metLoss of market due to high GHG emissions or perceived as laggard in reducing GHG emissionsLoss of Branding value when company’s climate change strategy and targets are not evident	<ul style="list-style-type: none">Gain competitive advantage in the marketplace for early adoption to low carbon emission operationsAbility to penetrate markets that have strict regulations on carbon emissionsPositive brand recognition as a climate friendly company
Reputation	<ul style="list-style-type: none">Reputation of a company is threatened when stakeholders perceived that the company is exposed to climate risks while there is no evidence of effective management and supervision of these climate-related risks	<ul style="list-style-type: none">Improved environmental scoring and reputation of the companySteps taken to introduce strategy and management of these climate related risk along with adaptation and mitigation measures that will help the company face these risks

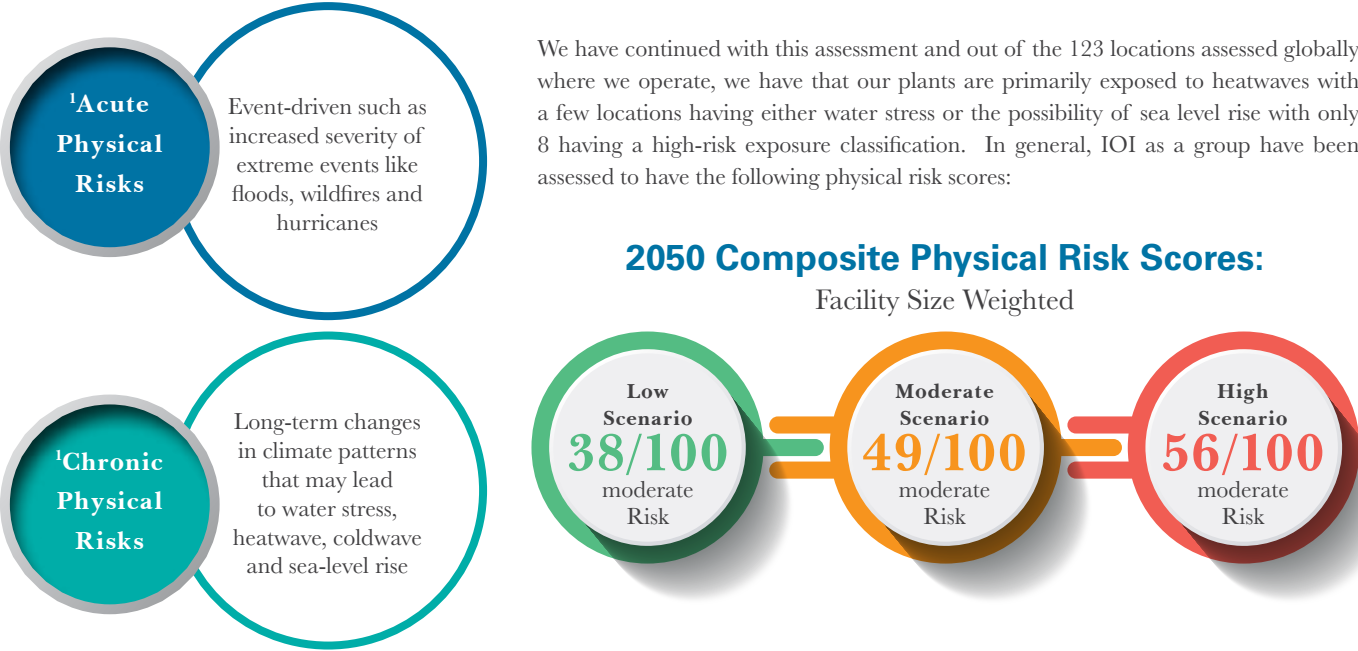
Note:

- 1. Scenario 1: Carbon sequestration from oil palms calculated until one cycle, 25 years (calculated based on RSPO PalmGHG calculator methodology)
- 2. Scenario 2: Carbon sequestration calculated from oil palms calculated more than 25 years

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Physical Risks

Globally, IOI’s operating units was first assessed quantitatively in 2020 by using relevant climate modelling datasets and hazard models from the low to high climate change scenarios until 2050. The physical risks have been categorized as:



Mitigation and Adaptation

As stated earlier, climate change could pose certain risks of various magnitudes to some of our facilities and landholdings. However, there are opportunities and competitive advantages for IOI when these risks are managed strategically. Our mitigation and adaptation solutions for the identified transition and physical risks in IOI operations are as follow:

Climate Related Risks	Risk Exposure Type	Mitigation Solutions	Adaptation Solutions
Transition risks	Carbon pricing	<ul style="list-style-type: none">Continuous exploration in innovation and low carbon technologies to effectively reduce our operational GHG emissionsEnhance supply chain engagement to form smart partnerships for collaborative projects involving low carbon alternatives and reducing scope 3Implementation of Internal Carbon Pricing to promote utilisation of energy efficiency processes	<ul style="list-style-type: none">Initiate carbon sequestration projects such as conservation and reforestation of set aside vegetation areas e.g., RELeaf projectContinuous improvement of the yield and planting materials of oil palm to resist climate change and maximise carbon sequestration within our estatesPractice Regenerative Agriculture in our estates to improve soil quality in maximising carbon sequestration and ecosystem services
Physical risks	Heatwave	<ul style="list-style-type: none">No new developments on peatlands and protection of the peatlands through water management and fire preventionInstallation of appropriate heat insulation in our buildings and facilitiesUtilise low energy cooling systems (e.g., vapor absorption chillers and Open Loop Cooling spray)	<ul style="list-style-type: none">Monitoring and improving workers’ health and productivity by making appropriate adjustments within our operations e.g., recommendation of suitable working hours and through innovation in Artificial Intelligence (“AI”)Install air ventilation system to reduce dependency on air conditioning in our buildingsApplication of green technology in heating (e.g., solar thermal power system)

¹ Refer to ASR 2021 pg.31

Climate Related Risks	Risk Exposure Type	Mitigation Solutions	Adaptation Solutions
Physical risks	Water stress	<ul style="list-style-type: none">Re-utilisation of reject reverse osmosis waterInstall rainwater harvesting and retention systemUtilisation of treated and recycled effluent and waste waterEnhanced Metering and Monitoring: Network enabled water use monitoring technologies to enable real-time feedback, control over water consumption, respond to water leaks and infrastructure damage	<ul style="list-style-type: none">Improvement of planting materials for oil palms that are water stress resistantInitiate projects and awareness engagement programme to promote responsible water usageIncrease efficiency of water use on key plantation/ refinery processesConstructing a silt pit perpendicular to slopes to collect surface water runoffConserve soil moisture by enhancing soil structure and its holding capacity
	Sea level rise	<ul style="list-style-type: none">Coastal Management: Implementation of beach nourishment, cliff stabilisation, coastal setbacks, dune rehabilitation and wetland restoration may reduce the extent of coastal floodingFlood Defenses. Infrastructure such as sea walls and storm surge barriers may aid in protecting key facilities from floodMinimise flooding in the estates through smart water management e.g., enlarge existing drainage for better flow, improve drainage system using water gate etc.	<ul style="list-style-type: none">Relocation of sensitive machinery or electrical instrument to higher level areaElevate the machine foundation, equipment footing, pump plinth and base frame of motorEnsure drainage passages are clear from dirt and foreign material accumulated by conducting routine maintenance

GHG Emissions Intensity and Target (Scope 1 and 2)

As reported in our 2020 Annual Sustainability Report, at the initial launch of our CCA Initiative, IOI established a GHG emissions reduction target of 40% by 2025 for Scopes 1 and 2 as a short-term target. This year, we further commit to a medium-term target for Scopes 1 and 2 to achieve Carbon Neutral with minimal offsetting by 2030.

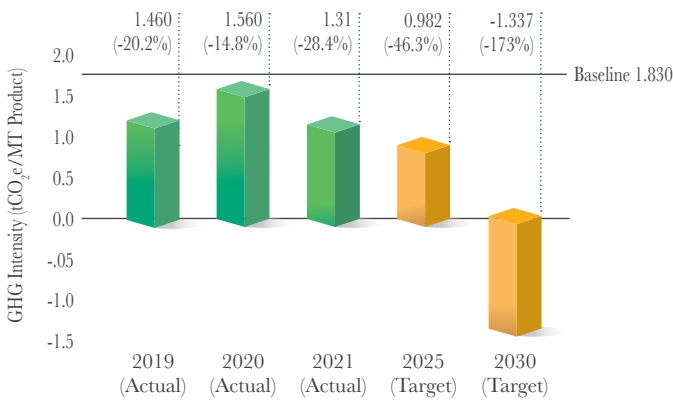
Plantation (Estate and Mills)

In 2021, GHG emissions intensity for plantations reduced significantly by nearly 20% from last year. Reduction of GHG emission intensity was due to reduced methane emissions from palm oil mill effluent (“POME”) and, increased utilisation of biogas from methane capture plant for boiler burners and electricity generation in the operations. IOI Plantation currently has 10 methane capture facilities and will be installing 4 additional plants in the coming years. On top of that, there are also plans to increase usage of biofuel at the plantations in the near future. Utilisation of biogas and biofuels allow the plantations to transition to greener energy sources as compared to fossil fuels usage.

IOI Plantation is expected to reduce emission intensity by about 46% for 2025 based on the current reduction trajectory. IOI Plantation can also be expected to remove or capture more CO₂ from the atmosphere than emitted by 2030 when additional sequestration from palm greater

than 25 years, other rehabilitated and reforested conservation areas and tree crops are taken into account. In addition, offsets from projects that creates value added products from our wastes or by-products such as oil palm trunk (“OPT”) used for wood product manufacturing, animal feeds, palm kernel shells, etc., can also be added to represent GHG emissions that have been captured.

Plantation (Estate and Mills) (Emissions intensity)

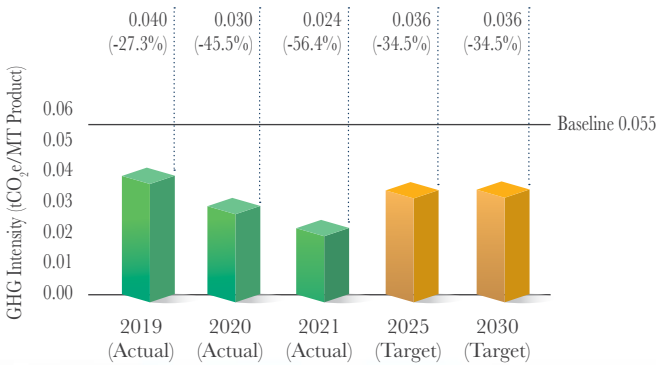


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Refinery

IOI Refineries (“IOIEO”) continues its excellent performance and surpassed the 2025 GHG reduction targets by ~20%. As of FY2022, IOI Refinery had recorded a 56% reduction in GHG emissions compared to the 2015 baseline, with an emissions intensity of 0.024 tCO₂e/MT product. The emissions reduction was largely contributed by the utilisation of renewable energy from IOI Bio Energy and LNG as alternative source of energy to fossil fuels. IOIEO is also making efforts to reduce their emissions by improving energy efficiency of its operational equipment and adoption of digitalisation and automation. Further GHG emission reductions are expected from IOIEO in the next couple of years when these initiatives are fully operationalised.

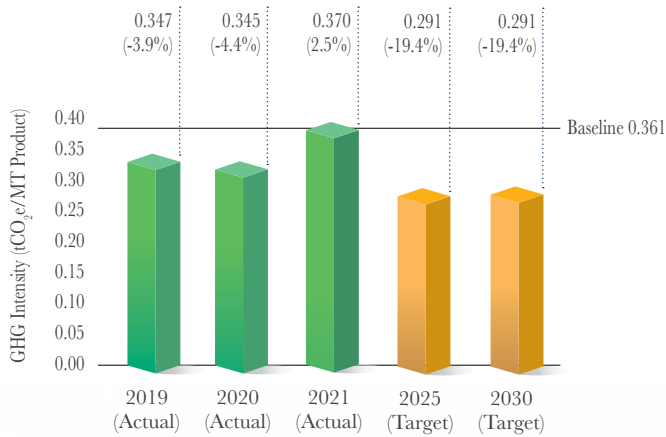
Refinery (Emissions Intensity)



Oleochemical

This year, IOI Oleo recorded an increase in GHG emission intensity by 6.9% compared to 2020 due to reduction in operational volume by nearly 13%. Although emission intensity was hovering between 0.345 and 0.370 tCO₂e/MT product over the last few years, the targeted emission reduction is expected to be achievable due to the implementation of energy efficiency initiatives and transition to greener energy in its operation (e.g, optimisation of solar energy system and biogas plant). Emission intensity would also be further reduced via implementation of digitalisation and automation as means to improve operational efficiency in achieving higher production output.

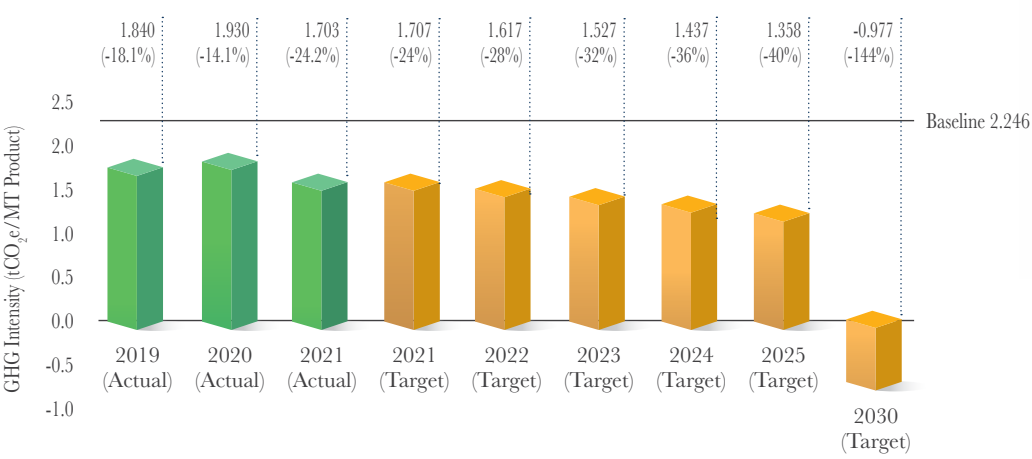
Oleochemical (Emissions Intensity)



Group

As of FY2022, IOI Group’s current emission intensity is recorded at 1.703 tCO₂e/MT and is on track towards achieving our GHG emissions intensity reduction targeted at ~40% by 2025. As mentioned earlier, IOI foresees the opportunity to remove or capture more CO₂ from the atmosphere than emitted by 2030 for Scopes 1 and 2 when sequestration of our palms greater than 25 years as well as other conservation and rehabilitation projects, including emission reduction initiatives such as biomass utilisation, increased adoption in renewable energy and energy efficiency technologies etc, are further accounted for.

Group (Emissions Intensity)



Internal Carbon Pricing

IOI is planning to use internal carbon pricing (“ICP”) to enable us to put monetary values on carbon emissions for internal decision-making process and risk analysis involving our investments in low-carbon technology that can help reduce our GHG emissions. An internal working group has been formed to established our ICP. The ICP will consider Scopes 1, 2 and 3 GHG emissions of the Group as well as the effects of future carbon regulations and costs associated to carbon emission.

IOI Sustainability Consultation Forum (“SCF”) on Climate Strategy and Net Zero

The second SCF was conducted on Climate Strategy and Net-Zero and facilitated by ERM on 19th May 2022 in a hybrid mode mix of in-person attendees at IOI HQ and virtually through Zoom. A total of 40 stakeholders which included representatives from Malaysian government agencies, certification bodies, customers, academia, assessment and indices agency, members of IOI’s Sustainability Advisory Panel as well as senior leadership and management team attended the forum. The key objective of this year’s SCF was to gather feedback and suggestions from experts and thought leaders on their concerns as well as best practices for enabling IOI to reach Net-Zero. Several key outcomes were identified during the SCF to address the challenges in achieving Net-Zero which revolved around 3 main themes: 1) Net-Zero target setting; 2) Scope 3 emissions; and, 3) Regenerative Agriculture. The SCF was held under the Chatham House Rule to enable participants to share their honest feedback and ideas openly in a trusted and safe environment.

Some of the key recommendations from the SCF are as follow:

- Develop Net-Zero roadmap consisting of a timebound emissions reduction plan and targets as well as the key GHG emission reduction initiatives
- Develop Scope 3 mitigation plan for Net-Zero target by
 - Initiating a more comprehensive Scope 3 hotspot screening assessment
 - Executing external verification of Scope 3 baseline calculations to ensure credibility and robustness
 - Setting up supplier engagement plans to impart suppliers with relevant GHG emission accounting and reporting information
- Assess and enhance current practices and approaches that align to Regenerative Agriculture, including management of our Peatland and other conservation area

IOI has begun having discussions with relevant parties to address some of the recommendations by our stakeholders during the SCF. Among the recommendations, IOI is planning to set up a Steering Committee to make directional decisions on risk management and opportunities particularly on financial aspects related to climate change to pare down our GHG emissions towards achieving Net-Zero by 2040.



RESILIENT & PROGRESSIVE

MITIGATION AND ADAPTATION
(PLANTATIONS)

MANAGEMENT APPROACH

Our approach on climate-related risks mitigation and adaptation emphasises the importance of the 7Rs of circularity (Rethink, Repurpose, Reduce, Reuse, Recycle, Repair, Recover) and the adoption and use of technologies and innovations within the plantation. For example, the 7Rs is practiced when we utilise by-products or optimise secondary raw materials use and reduce wastage from palm oil production that results in GHG emission reduction. Exploration of potential renewable energy is part of our circularity practices to reduce dependency on the non-renewable energy within the operations. Our plantations installed methane capture facilities to repurpose the methane gas captured from the Palm Oil Mill Effluent (“POME”) waste into biogas as alternative greener energy compared to fossil fuels.

We have conducted physical risks analysis on all of our operations and found that most sites are expected to experience moderate heatwave conditions in the near future. We are aware that heatwaves can affect our workforce and ultimately impact productivity at the plantations. One of the ways to handle the matter of high temperature is to introduce flexible working hours. Heatwaves may also exacerbate droughts. To counter this, our plantations had installed water gates and water collection systems as part of our water conservation activities. IOI continuously adopt appropriate technologies and innovations to curb the increasing risks of climate change. Our operations conducted R&D to develop high yielding and climate resilient planting materials to achieve yield improvement. Increased mechanisation has taken place to improve workers’ performance, at the same time, mitigating health hazards, upskilling their capabilities and increasing their income in plantation operations, which have been described in the IOI’s five strategic priorities.

OUR PERFORMANCE

Mitigation and Adaptation Measures at Plantation

Methane Capture


Emissions from POME mill emits methane which has a global warming potential 25 times stronger than carbon dioxide. To curb these methane emissions from POME, our plantations have initiated the installation of methane capture facilities since 2013. To date, IOI has 10 methane capture facilities that can generate around 45 million m³ of biogas in total, with an additional facility to be commissioned by the end of 2022. The biogas is being utilised as a cleaner fuel source for boiler and power generation through gas engine when compared to fossil fuels used in conventional diesel engines.

Our methane capture facility in Ladang Sabah Palm Oil Mill, for example, can potentially generate up to 3.9 million Nm³ methane (approximately 7.8 million kWh). However, the methane utilisation at that facility was only around 80% which was still not at full capacity for the financial year due to maintenance issues. The remainder was being flared but we expect the proportion of methane flaring to reduce as the facility’s methane boiler burner resumes operation.

Low utilisation of methane gas was due to delays, in part exacerbated by the pandemic its restriction, in maintenance and construction of gas engines and boiler burners. With most maintenance issues expected to be resolved by the end of FY2022, we expect an increase in biogas utilisation.



One of our methane capture facilities at Ladang Sabah Palm Oil Mill, Sandakan.



10

methane capture facilities

Bio-Fuel Usage in Indonesia

In line with our decarbonisation efforts, IOI is in the process of adopting biodiesel in our estate operations. Though diesel is widely used in heavy vehicles and machinery, its combustion is highly polluting, releasing large quantities of particulate matter which may impair lung function in addition to carbon emissions. The adoption not only aids in our journey towards Net-Zero, it also improves the working environment of workers as replacing diesel with biodiesel would also reduce our workers’ exposure and health risk from diesel exhaust. In FY2022, roughly 1.18 million liters of biodiesel was consumed in our Indonesian estates instead of conventional diesel, resulting in the reduction of approximately 43% GHG emissions compared to using conventional diesel.

Innovation and Technology

Bio-technology

In response to anthropogenic climate change, IOI Palm Biotech Sdn. Bhd. and IOI Research Centre are driving R&D on oil palm variants which can better tolerate stressful environmental conditions. R&D are crucial tools for climate adaptation as droughts and floods are expected to intensify. Currently, field trials of oil palm seedlings that can better withstand environmental stresses are underway at IOI Research Centre in Gemenchih. In addition, to adhere to our no deforestation commitment while maintaining financial growth, IOI Palm Biotech Sdn. Bhd. undertakes tissue culture research to produce clonal palms that are resilient to climate change and produce high yield. Since early 2019, our mills receiving FFB from estates with 35 - 53% clonal palm coverage researched by IOI, achieved an oil extraction rate of over 24% which is higher than the national average of 19.72% in 2022.

Mechanisation

As climate change increases the likelihood of extreme weather (heatwaves, floods, etc.), workers’ health and productivity are adversely impacted especially those workers doing labour intensive tasks and are exposed to these weather elements. To adapt to such risks while optimising our operational efficiencies, we have increased the use of mechanisation in our operations. Among the machineries that are currently in use are battery barrow, motorised crawler, battery cutter, mechanical fertiliser spreader and various mechanically-assisted in-field machines.

One such example is the Mainline Fresh Fruit Bunch (“FFB”) Evacuation system that has been introduced in 2019. The system managed to reduce labour usage by half which also served as a measure to address labour shortage issues in the long run. By using this system, the number of farm tractors used reduced by 67% while an increase in FFB evacuation efficiency by 113% are observed. This financial year, IOI Plantation transitioned to a 2-tier in-field FFB evacuation system that uses Mini Tractor Grabbers (“MTG”). The efficiency in crop evacuation not only reduces fuel usage and the associated carbon emission, it also improves the OER of our production. We continually review our mechanisation progress and adopt new initiatives to simplify labour intensive tasks. To date, average FFB evacuation efficiency in our Peninsular Malaysia estates increased by 74% as a result of our mechanisation efforts and led to higher income for workers. Moving forward, we aim to implement our mainline FFB evacuation system in about 50% of our estates and explore the option of using drones to apply pesticides. This would further reduce workers’ workload and minimise the exposure to climate change effects to our workers.



Research to produce high yielding palm clones are conducted at IOI Palm Biotech Sdn. Bhd. to increase OER.

Water Management

Water conservation is vital to build resilience against extreme weather brought about by climate change. IOI had installed water gates in vicinity or close to peatlands in our existing plantations to prevent excessive water loss from the peatlands. In addition, as vegetated areas have higher moisture retention potential, IOI delineates riparian areas and buffer zones and rehabilitate or restores them when required to increase moisture retention thereby reducing water usage. An example of such efforts is the RELeaf Project in Sabah (details of the project can be referred in page 49). Cover crops were also planted to increase moisture retention apart from other benefits like reduced soil runoff, increased water infiltration rates and more. As for areas susceptible to flooding, adaptation measures like planting crops on mounds and effective irrigation systems were taken to increase crop tolerance towards excessive water conditions. IOI’s performance on water management for FY2022 can be found in page 44.



Mechanical tractors used to transport FFB to mainline collection tractors.

RESILIENT & PROGRESSIVE

MITIGATION AND ADAPTATION
(RESOURCE-BASED)

MANAGEMENT APPROACH

Processing of palm oil can be energy-intensive and thus, it is crucial to explore alternative sources of energy which are more efficient and greener than non-renewable energy. In order to reduce this dependency on non-renewable energy, the operations are actively adopting green energy technologies like solar and heat harvesting panels which are being installed progressively, to meet the energy demand of the operations. To optimise energy consumption, energy-efficient equipment was installed at the facilities. Digitilisation and automation offer the potential to enhance our manufacturing efficiency. Integrating digitilisation and automation to our existing management systems has also improved energy efficiency, accuracy of critical process as well as automation of regular process in the manufacturing operations.

Aside from improving operational efficiency, adaptive water management measures are crucial for the manufacturing business to alleviate impacts of climate change. Further analyses on our physical risk (TCFD) show that some of our operations could experience increasing water stress risk in the coming years. Thus, our operations are constantly exploring appropriate measures to improve water efficiency to minimise negative environmental impacts and increase our resilience towards water stress.

OUR PERFORMANCE

IOI Oleo is proactively carrying out efficiency improvement projects via ISO 50001 and making transitions to renewable energy sources depending on the availability of appropriate technology. Our IOI Oleo GmbH plant in Germany has switched completely to green electricity in January 2021. Full adoption of green electricity at the facility has contributed to reducing GHG emissions by up to 7,500 MT annually. The transition of green energy at this facility exerts a positive influence on our manufacturing business and conserving the environment. In July 2021, IOI Oleo GmbH has undergone technical upgrades on the biogas plant which generates methane gas from waste water and aqueous organic solutions. The biogas is utilised for substituting natural gas in operating steam generators which subsequently reduce the GHG emissions and energy costs at the facility.

Over 600 solar panels have been installed at IOI Oleo's buildings (e.g., offices and canteen) and manufacturing plants rooftop. The solar energy system can generate up to 487,000 kW/h per annum while reducing over 300 tCO₂e emissions annually from the operations. Moving forward, IOI Oleo is planning to expand the solar panels installation on the rooftops of other buildings and facilities (e.g., weighbridge, warehouses and workshops) which will amount to 1074 pieces of solar panels and generate about 804,960 kW/h of solar



Solar panels installed at IOI Oleochemical, Pasir Gudang, Johor Malaysia.

energy annually. This project is expected to be completed by the end of 2022 and will potentially reduce GHG emissions by 470.9 tCO₂e per annum. On top of that, installation of thermal oil heater with air pre-heater system showed a 5% reduction in natural gas consumption for IOI Oleo. Combined Heat and Power ("Cogeneration") systems installed at IOI Oleo also contribute to reducing non-renewable energy usage and resulted in improving power plant efficiency by more than 90%.



Solar panels installed at the rooftop of office and warehouse.

IOIEO constantly makes effort to reduce its energy consumption through upgrades to its operational equipment. The compressed air system of Palm Kernel Dry Fractionation has been divided into two pressure systems (i.e., low (4.5 bar) and high (7.0 bar) pressure) to optimise operational efficiency in producing palm kernel olein. IOIEO Sandakan has upgraded its cooling system to have higher efficiency, a more compact in size with lower operation costs. The blowing time of reactor tanks and CPO washing process were also improved by 33% and 63% respectively to reduce electricity consumption. The operation at Sandakan also opted for cleaner energy usage at boilers by substituting diesel fuel with Liquefied Natural Gas ("LNG") and biomass waste (e.g., EFB fibres and palm kernel shells) as measure to reduce dependency on non-renewable fuels.

This year, a new thermal insulation system was also installed at our storage tanks in IOIEO Sandakan to reduce heat loss and thus, reduce energy consumption. For example, for a tank storing palm products that required heating prior to shipment or transfer such as refined palm stearin, we observed an average rate drop of 3.4°C/day after it is being heated up. The installation of 50mm, 100kg/m³ insulation resulted in an average temperature drop per day of 0.9°C. Total steam savings is estimated at 6.81 MT/day which is equivalent to RM1,090 daily expense saved.

The adoption of digitilisation and automation can contribute to the improvement of operational efficiency and consistency for the manufacturing business. For IOI Oleo, the implementation plan of the Realtime Prod Organiser Operation Management ("RPO-OM") which worked together with the Energy Management System could assist to monitor and optimise energy usage at the operation. For IOIEO Sandakan, the Kernel Crushing Plant ("KCP") plants are currently equipped with analogue equipment without any sensors and automations. Implementation of Industry 4.0 can help transition KCP into a digitalised plant through the use of the latest technologies such as LiDAR sensor, vibration sensor, power smart meter and in-house customised system that are equipped with Artificial Intelligence ("AI") through MyPalm system. This project is currently at the installation stage with the aim to not only optimise electricity usage but to improve yield as well when the project is completed in 2022.

Water is an essential ingredient for palm oil processing. Thus, extreme events such as prolonged drought creates water stress and negatively impact to our operations. To alleviate this impact, mitigation measure such as use of recycled water and rainwater have been initiated at the operation. For example, IOI Oleo had installed reverse osmosis ("RO") reject water recycling system to reduce the withdrawal of fresh water. The recycled water is used for general purposes and cooling towers. To further reduce freshwater withdrawal, IOI Oleo had also installed rainwater harvesting system and extended its effort to recycle water discharged from its effluent treatment plants for usage at the cooling towers.



Rain harvesting system at IOI Oleochemical, Prai, Pulau Pinang, Malaysia.

For IOIEO Sandakan who experienced several rounds of water disruptions or freshwater shortages especially during long periods of drought, the measures taken to mitigate these shortages were to construct water catchment ponds and rainwater harvesting system. This year, IOIEO has installed two rainwater harvesting systems to further reduce its dependency on freshwater withdrawal. The operation also installed RO reject water recycle system and used the treated water in cooling towers and for cleaning activities. Moving forward, IOIEO Sandakan is also implementing Industry 4.0 at the KCP to optimise consumption and reduce wastage of water through MyPalm system. The system is targeted to be completed by end of 2022.



Side view of IOI Edible Oil, Sandakan, Sabah, Malaysia.

RESILIENT & PROGRESSIVE

RESPONSIBLE SOURCING AND SUPPLY CHAIN MANAGEMENT

MANAGEMENT APPROACH

Responsible sourcing is one of the top materiality matters identified for IOI. It is a key priority for us to ensure that our products are produced in a sustainable manner and to deliver the produced goods to our customers in adherence to all our commitments stated in the Group Sustainable Palm Oil Policy (“SPOP”). In addition, all suppliers within our supply chain are also required to adhere and commit to our SPOP and Responsible Sourcing Guidelines (“RSG”).

Another key material matter identified for IOI is **Supply Chain Management**. This year, the role of supply chain management would be even more vital. Specifically, we will not only be tracing and identifying our supplier’s sustainability compliance and performances in adherence to our SPOP but we will also be tracking their GHG emissions. As has been our approach, suppliers that are not in compliance with our SPOP will be required to undertake corrective actions in accordance with a specific time bound action plans, failing which, IOI will re-consider our commercial relationship with the suppliers.

OUR PERFORMANCE

Responsible Sourcing

IOI continues to engage with our suppliers to improve their sustainability practices through various awareness programmes and initiatives. This year, with the easing of Covid-19 pandemic restrictions, we have resumed with some limited physical engagement as well as through virtual events with our suppliers to increase awareness in workers' and children's right.

On Feb 2022, IOI partnered with Earthworm Foundation ("EF") to undertake a pilot project at Bukit Senorang estate and mill, Pahang. This project is about capacity building regarding workers’ right and avoidance of human rights violations in their operations by using EF’s Ethical Recruitment & Human Rights Due Diligence Tool (“ERDD”). Output from this pilot project will be referenced for engagements with our suppliers to improve migrant recruitment practices.

IOI also collaborated with EF regarding environmental and social risks within our suppliers. In one of the engagement programmes, IOI partnered with EF to share with our suppliers a three-step process to develop interventions for children living in plantations. The steps included ways to turn policies into actions, how to conduct child-risk assessments and to develop a child-sensitive remediation mechanism.



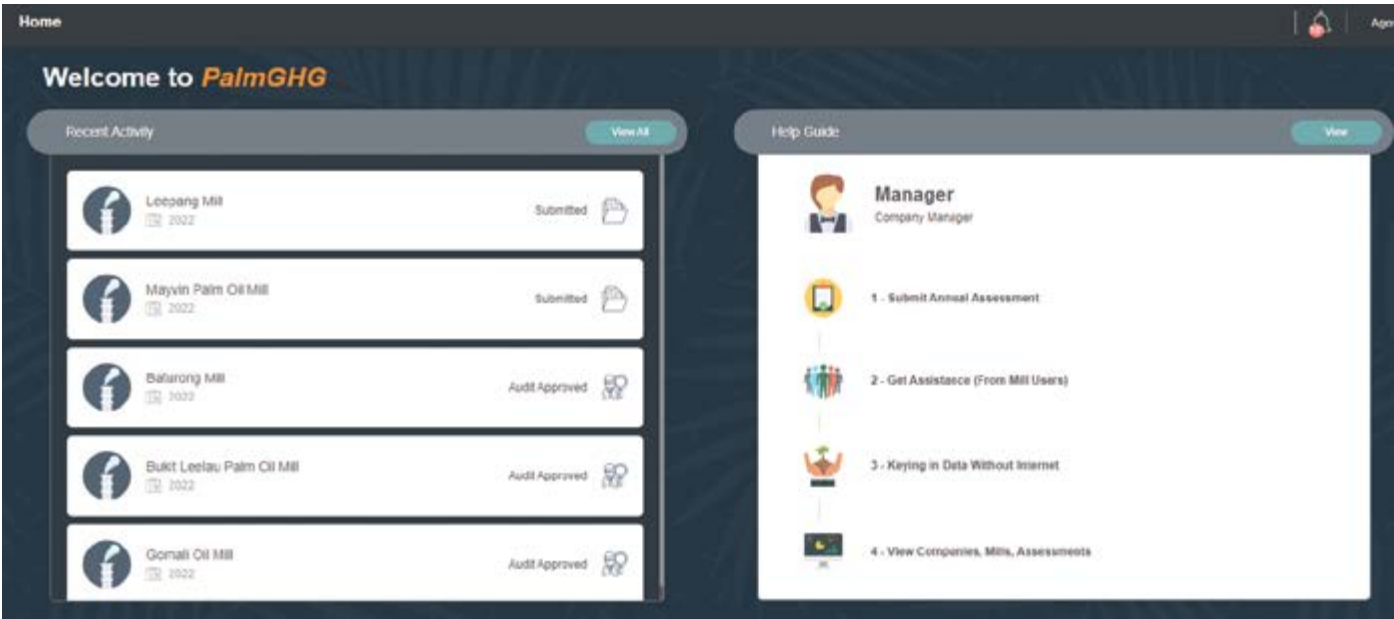
This year, IOI joined as a member of the Pharmaceutical Supply Chain Initiative ("PSCI") to build a responsible supply chain for our pharmaceutical products. The PSCI's Principles addresses five key areas of responsible business practices as follow: ethics, human rights & labour, health & safety, environment, and related management systems.

Supply Chain Management

Traceability

On March 2022, IOI in corporation with EF and Meridian Plantations Sdn. Bhd. organised an engagement event to enhance traceability and increase sustainability awareness within our supply base in Sabah. During the event, representatives from Malaysian Palm Oil Board (“MPOB”) and EF gave talks to smallholders on sustainability best practices. During the talk, MPOB stressed the importance of Oil Palm plantations and its processing facilities to comply with the new MSPO 2022 standards to ensure their traceability and the legality of their FFB sold and processed.

As of December 2021, palm oil sourced by IOI is fully traceable (i.e., 100%) to the supplying mill and 83% traceable to the plantation. Similarly, palm kernel oil (“PKO”) sourced by our company is also 100% traceable to the mills and around 71% of the PKO traceable to the plantation. Most of the palm oil and PKO we sourced are RSPO certified with 59% for palm oil and 67% of PKO.



Palm GHG calculator at RSPO website.

Scope 3 Emissions

For the Plantation Division, emissions from Scope 3 accounts for less than 5% of IOI’s total Plantation emissions. Also, based on available information, the most significant source of Scope 3 emissions is from Category 1 - Purchased goods and services, specifically the purchase of agrochemicals. Furthermore, for the plantation operations, the Scope 3 emissions has been taken into consideration under the PalmGHG calculation.

With our commitment to Net-Zero in place, IOI is extending our GHG emissions reporting to include Scope 3 emissions from our resource-based manufacturing supply chains this year. The current Scope 3 emissions are calculated using average-data method and spend-based method based on GHG Protocol, depending on the relevant categories and data availability.

Scope 3 emissions for our resourced-based divisions (Refineries and Oleochemicals) have been consistent over the past 3 years due to no significant changes to our supply chain. Scope 3 intensity of our manufacturing operations is as follow:

Operating Group	2019	2020	2021
Refinery Intensity (tCO ₂ e/MT Product)	3.00	3.03	3.13
Oleochemical Intensity (tCO ₂ e/MT Product)	5.31	4.62	5.54



One of our Methane Capture facilities.

Just as in the Plantation Division, the main contributing category for the Scope 3 emissions for both the Refinery and Oleochemicals divisions is from Category 1, specifically the purchase of PO, PKO, & their corresponding processed products, which makes up around 99% and 96% of Scope 3 emissions for IOI Refineries and IOI Oleochemicals, respectively.

This highlights how crucial it is for IOI to have a strong supply chain management framework, especially in terms of traceability and supplier engagement if we are to effectively manage and reduce our Scope 3 emissions.



IOI Edible Oils, Sandakan, Sabah Malaysia.

REHABILITATE & REGENERATE

We are further transforming sustainable agriculture with our 7Rs of circularity as the first line of defense and progressing more with regenerative practices that can safeguard natural resources, improve food security and reduce carbon footprint.

Compost soil from Palm Biomass



ZERO
HUNGER



DECENT
WORK AND
ECONOMIC
GROWTH



RESPONSIBLE
CONSUMPTION AND
PRODUCTION



CLIMATE
ACTION



LIFE ON
LAND



PARTNERSHIPS FOR
THE GOALS



REHABILITATE & REGENERATE

SAFEGUARDING NATURAL RESOURCES

MANAGEMENT APPROACH

IOI recognises the importance of safeguarding our environment. Our environmental management approaches are guided by the Sustainable Palm Oil Policy (“SPOP”) which encompasses the principle of No Deforestation, No New Planting on Peat, and No Social Exploitation (“NDPE”). Our commitment also includes no development of High Carbon Stock (“HCS”) forests and High Conservation Value (“HCV”) areas including other conservation areas (e.g., riparian buffers, steep incline slopes greater than 25 degrees, etc.). These conservation areas are actively monitored for potential disturbances via geospatial imagery by our ground team. IOI also remains committed to minimise and mitigate adverse impacts on the environment. This include the minimisation or eradication of fire occurrences based on our Fire Management Guidelines¹ which was developed in 2020. Our Fire Management Guidelines encompasses three main stages: (1) Fire prevention and monitoring, (2) Fire emergency response and (3) Post-fire analysis and programmes.

IOI views the pollution and eutrophication of water bodies from our operations seriously. Our mills and estates conduct Environmental Impact Assessments (“EIA”) based on our Group Environmental Impact Assessments (“GEIA”) to ascertain impacts of our water use to the environment annually. IOI is also mindful that responsible water use is essential in our operation. IOI works towards reducing our water withdrawal and consumption by improving operational efficiency and implementing circular economy e.g., use of recycled water within our operations. Apart from water management, IOI also takes its waste management seriously to avoid negative impacts to the environment. IOI continuously reduces our waste generation wherever possible through the implantation 7Rs of circularity within our operations.

IOI affirms our pledge towards no deforestation by the moratorium committed since 2016 at all our operating units. No deforestation nor deforestation-related grievances were received for our own operation since 2016.

¹ https://www.ioigroup.com/Content/S/pdf/Environment_Management_Guidelines.pdf
² <https://www.ioigroup.com/Content/MEDIA/NEWS/pdf/Supplier%20NDPE%20T4T%20Progress%20Update%20Year%20202%20No.1.pdf>

OUR PERFORMANCE

There were no significant fines or non-monetary sanctions for non-compliance with environmental regulations for FY2022 as reported in our operational units.

No Deforestation

IOI affirms our pledge towards no deforestation by the moratorium committed since 2016 at all our operating units. No deforestation nor deforestation-related grievances were received for our own operation since 2016. To ensure our no deforestation commitment is not breached, we utilise Starling remote sensing instruments, providing near real-time geospatial data of our concessions to supplement patrols on the ground. We also communicate our NDPE commitments to our third-party suppliers via Tools for Transformation (“T4T”), a platform designed through cooperation between IOI, Earthworm Foundation (“EF”) and other oil palm companies². To date, no cases of deforestation have been detected. All our third-party suppliers are required to adhere to our SPOP and repeated failure to meet designated targets within their time-bound plans will result in cessation of business relationship between the third-party supplier and IOI.

Fire Management

Wildfires increase the severity of transboundary haze as well as threaten biodiversity and livelihood. IOI regularly carry out fire prevention measures which adheres closely to the Fire Management Guidelines. Since the introduction of the guidelines in 2020, we saw vast reductions in fire incidences within and outside our concessions. This can be attributed to proactive identification of fire-prone areas, continuous monitoring using drones and consistent collaboration with the local communities, agencies and government.

This financial year, only one incidence of wildfire was recorded within our concessions while 19 were recorded occurring outside our concession boundaries. We will continue to monitor and to take more precautionary measures to prevent the wildfires especially those that might occur outside of our concessions.

Region	Fire Incidents Within IOI's Concessions		Fire Incidents Outside IOI's Concessions	
	FY2020/2021	FY2021/2022	FY2020/2021	FY2021/2022
Sabah	0	1	0	1
Sarawak	1	0	0	0
Peninsular Malaysia	0	0	4	3
Indonesia	2	0	41	16
Total	3	1	45	20

Water Management

IOI protects riparian areas and buffer zones to reduce the environmental impacts especially on the biodiversity and the surrounding communities where we operate. Water samples of the raw water source and treated water are routinely collected and analysed to ensure our water is safe and all operations conform to the requirements of the law. These measures allow us to detect early signs of environmental pollution and take remedial measures where necessary to avoid any further impacts to the water bodies.



Water sampling conducted by our Plantation personnel for water quality monitoring.

All estates and mills undergo annual environmental impact assessments as per our GEIA guidelines and sustainability certification requirements. Palm Oil Mill Effluent (“POME”) and Palm Oil Refinery Effluent (“PORE”) are treated in wastewater ponds to reduce its add Biological Oxygen Demand (“BOD”) and Chemical Oxygen Demand (“COD”). The limit for BOD discharge for our mills ranges between 20mg/l to 100 mg/l, depending on the

licence issued to the respective mill by the Department of Environment (“DOE”). This practice not only ensures effluent released meets the requirements of local environmental standards but also minimises potential damage to the environment. Other measures being undertaken include the installation of alert systems in IOI Refinery’s PORE treatment plants to provide malfunction warnings and optimise processes, minimising wastage and to prevent accidental discharges to the sea. POME and PORE by-products are recycled or repurposed whenever possible as explained in our waste management section (pages 44-45).

Apart from ensuring our operation does not cause water pollution, optimisation our water consumption is also a priority especially as impact of climate change is expected to intensify the issue of water shortage.

IOI as a group has been undertaking several initiatives to reduce the intensity of our water consumption since FY2020. Although the intensity of water consumption at our Oleochemical divisions showed no significant changes, the intensity of water consumption for our plantations and refineries had shown steady downwards trends. As a group, IOI is constantly seeking to improve the water efficiency of our operations through investment in technology and innovations to conserve our water resources.

Water Consumption Intensity (m³/MT Product)	FY2020	FY2021	FY2022
Plantation (mill operations)	1.70	1.55	1.25
Refinery	0.55	0.48	0.36
Oleochemical	2.15	1.85	2.09
Group	4.4	3.9	3.7



Water catchment in one of our plantations.

REHABILITATE & REGENERATE

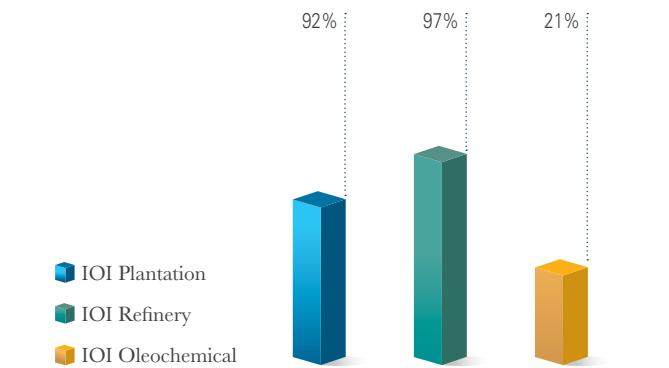
Waste Management

For FY2022, IOI produced a total of 8,031.21 MT hazardous waste and 17,607.82 MT non-hazardous waste. When averaged, the recycling rate for IOI Group stands at 86.2%. No fines or warnings were imposed as all our waste management as we adhered strictly to local environmental regulations and licenses.

	Waste Recycled (MT)	Non-Hazardous Waste Disposed (MT)	Hazardous Waste Disposed (MT)	Overall Waste Generated (MT)
IOI Plantation	174,624.18	13,727.04	466.95	188,818.17
IOI Refinery	10,352.65	118.20	192.71	10,663.56
IOI Oleochemical	2,891.56	3,831.45	7,342.63	14,065.63
Overall Group Total	187,868.39	17,676.69	8,002.29	213,547.36

In line with our 7Rs principles, IOI managed to maintain a recycling rate of above 90% for both IOI Plantation and refinery operations while IOI Oleochemical maintains a recycling rate of more than 20%.

Waste Recycling Rate



IOI Plantation

IOI Plantation regards the practice of 7Rs of circularity seriously in all their operations. As evidenced, for FY 2022, IOI Plantations recycled 92% of its generated waste. To prevent Empty Fruit Bunches ("EFB") being sent to landfills and its associated emissions, IOI Plantations mulches EFBs together with fibres, reusing them as fertilisers. Additionally, the palm kernel shells are being sold for value added purposes while the plantations' POME are being recovered for energy generation and converted into fertilisers. POME emit potent greenhouse gases - comprising roughly 268,186.77 tCO₂e of our plantation operation emissions. Realising the opportunity to play our role in reducing carbon emissions, IOI Plantation invests in methane capture facilities. These facilities enable us to harness heating and power from methane generated by POME. By harvesting these

gases and creating additional value to our waste, we play our role in conserving natural resources as we can now reduce our reliance on raw materials such as fossil fuels and reduce our contribution towards Scope 2 while optimising our operations and driving us towards our Net-Zero journey.



Methane capture and biogas plant at Morisem Palm Oil Mill, Sabah.

IOI Refinery

Compared to FY2021, IOI Refinery's recycling rate dipped slightly from 99% to 97%. Though disposed waste increased marginally for FY2022, the total waste generated decreased.

Minimising environmental degradation is at the core of our operations. In June 2022, one of our operating units in Sandakan, IOI Edible Oils ("IOIEO"), successfully lowered the level of COD in treated effluent by an average of 85ppm, even during the Crude Palm Oil ("CPO") washing process. Not only that, IOIEO achieved 92.3% wastewater recycling rate for FY21/22, including three consecutive months of



Mr Kalaiselvan from IOI Bio-Energy Sdn. Bhd. created a rotating toolbox with 3-compartments.

100% wastewater recycling rate. At the same time, urea consumption for bacteria used in the refinery operations halved to 10kg per batch, resulting in waste reductions and savings in chemical consumption.

To invigorate the core values of efficiency and good waste management practices, IOI Group organised a Trash to Treasure Programme in conjunction with Earth Month 2022. IOI Refinery's operating units swept the podium with their eco-furniture, multipurpose bucket scoop rack and three-compartment rotating toolbox, displaying creative ways to repurpose and repair substandard raw materials that would otherwise be sent to landfills.

IOI Oleochemical

IOI Oleochemical classifies its waste into scheduled waste, solid waste and wastewater. For FY21/22, IOI Oleo recorded a 12% reduction in the quantity of scheduled waste, 17% reduction in quantity of solid waste and a 13% increase in quantity of wastewater generated. Fluctuations between solid waste and scheduled waste were due to the reclassification of waste categories. IOI Oleo also underwent an expansion of their downstream operations which subsequently reflected the increase in product waste intensity.

	FY18/19	FY19/20	FY20/21	FY21/22
Scheduled waste (kg/MT product)	5.61	6.69	6.50	5.74
Solid waste (kg/MT product)	6.64	7.66	8.24	6.87
Wastewater (MT/MT product)	1.3	1.2	1.3	1.56

Though we did not achieve year-on-year reductions due to business expansion, we expect to meet our reduction targets despite the increase in production volume, as we increasingly align our downstream operations to our sustainability initiatives and targets.

Additionally, IOI believes that good waste management practices should go beyond company operations. Thus, IOI Oleochemicals promoted the adoption of a zero-waste lifestyle apart from encouraging the donation of pre-loved books and bags as part of IOI's Earth Month 2022.



Segregation of waste before going to landfill

REHABILITATE & REGENERATE

REGENERATIVE AGRICULTURE AND PRECISION AGRICULTURE

MANAGEMENT APPROACH

To further safeguard our environment, IOI employs Regenerative Agriculture (“RA”) practices to promote soil health that contribute to improved crop yield and productivity as well as enhanced carbon sequestration and biodiversity. IOI has also adopted Precision Agriculture (“PA”) techniques which has work hand-in-hand with RA to increase yield through the optimisation of resource use. PA integrates innovative solutions to pinpoint problems which may negatively affect crop or soil health with higher accuracy. By doing so, we are able to achieve higher crop yield through the avoidance of long-standing agricultural issues like nutrient leaching and runoff, under use or over use of fertilisers, eutrophication, etc. Our current application of PA includes monitoring of crop yield and health, using Geographical Information Systems (“GIS”) to outline areas suitable for planting, etc., Geospatial data are then verified using soil and foliar samples as ground truthing.

Additionally, IOI adopts biological control methods as part of our integrated pest management approach to reduce our reliance on chemical pesticides. Agrochemical trials are also conducted in parallel with our biological control practices in effort to produce more effective organic fertilisers with less impact to the environment. We also regularly update our Standard Operating Procedure (“SOP”) for estate operations based on the latest developments from our research centre.



Drone spraying demonstration in one of our operating units in Peninsular Malaysia.

Our oil yield per hectare is higher than the national average of

19.72%, which has a positive impact towards mitigating climate change as less land is required per ton in our palm oil production.

OUR PERFORMANCE

IOI implements sustainable agricultural practices¹ which contribute to effective and efficient plantation management to maximise beneficial results and minimise environmental impacts. As a result, our oil yield per hectare is higher than the national average of 19.72% which has a positive impact towards mitigating climate change as less land is required per ton in our palm oil production. Best agricultural practices and efficient land utilisation had not only led to higher productivity but also to reducing the usage of chemical fertilisers and pesticides, resulting in lower Greenhouse Gas ("GHG") emissions, specifically, Scope 1 of our GHG emission. Techniques that contribute to maximising yield include the precision use of chemicals (fertilisers, pesticides, etc) and controlling soil parameters which will be further discussed in page 47).

Increasing Productivity Through Technological Innovations

The innovations that were implemented by IOI are spearheaded by IOI Research Centre. This includes the application of geographical information systems (GIS) in PA practices. The GIS department at IOI Research Centre uses geospatial technology derived from images captured using Unmanned Aerial Vehicle (“UAV”) and Global Positioning System (“GPS”) tracking for this purpose. Other innovative technologies in the pipeline include Infrared Photoimaging using UAV for palm health screening; high accuracy palm counting/census using high spatial resolution imaging and Normalised Difference Vegetation Index (“NDVI”) analysis of spectral images to identify palms showing nutrient deficiency, moisture stress, and disease outbreak symptoms. This information is then used for the plantation management’s decision-making process.

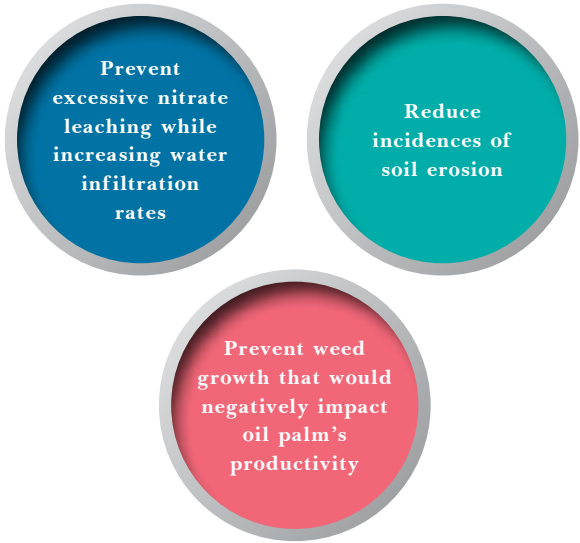
¹ https://www.ioigroup.com/Content/BUSINESS/B_Agricultural#:~:text=We%20have%20a%20zero%2Dburning,for%20biomass%20retention%20and%20recycling.

As the Group embraces digitalisation, we intensified the incorporation of latest technological advancements into current sustainable agricultural practices to alleviate impacts on the surrounding environment where it operates. The use of tools and software such as drones, Spatial Monitoring and Reporting Tool ("SMART") for patrolling, and online fire alert, improve the effectiveness of IOI’s ground team in monitoring fires, hotspots and HCV areas. Additionally, the tools enhanced efficiency in mitigating environmental risk for our plantation operation at the landscape level.

Best Agriculture Practices

Agronomists in the Group’s research centres work closely with plantation operations in order to address the advance good agricultural practices on improving crop yields as well as studying the crop production in order to discern the best ways to plant, harvest and cultivate the oil palms especially with possible impact brought about by climate change. As part of IOI’s effort in sustainable procurement, the Research Centre constantly conducts product evaluation trials to ensure that the procurement team is always informed on the benefits and drawbacks of the various available products sold in the market.

As part of RA, IOI looks at how to overcome the traditional intensive agriculture practices that generally heavily degrade the soil thus requiring large amounts of fertiliser. Therefore, as part of RA, IOI uses natural nutrient replenishment methods by planting leguminous cover crops like *Calopogonium Caereleum*, *Calopogonium Mucunoides*, *Pueraria Javanica*, etc., to prevent our soils from degradation. Leguminous cover crops naturally replenish soil nitrate content through the use of nitrogenous bacteria in the root nodules. In general, use of cover crops can:



Our scientist conducting laboratory procedure.

Spearheaded by IOI Palm Biotech Sdn. Bhd., tests involving Mycorrhizae for improved root establishment and development for clonal ramets are ongoing. If successful, the application could further reduce our usage of phosphorus fertilisers. Our estates also apply by-products like POME effluents and EFB around palms as fertiliser and soil cover particularly during heavy downpour.

Pairing Agriculture and Pest Management with Nature-Based Solutions

Pests are the bane of agriculture. Typical solution to manage pests is to use chemical pesticides that may impact the soil detrimentally. IOI minimises this impact by adopting integrated pest management practices, incorporating biological controls like the use of barn owls for rat population control and the planting of nectariferous plants like *Tunerra Subulata* and *Antigonon Leptopus*. Chemical-based treatment will only be used as a last resort as overreliance on chemical pesticides may transfer drug-resistant strains to the surrounding environment and cause mutations that reduce the efficacy of similar chemical treatments in the future. Such drug-resistant mutations are notoriously hard to trace and costly to control.



Tunerra Subulata



Antigonon Leptopus

REHABILITATE & REGENERATE

To identify gaps and improve our biodiversity and conservation efforts, we constantly engage with external stakeholders, taking part in working groups and task forces.

STEWARDSHIP OF BIODIVERSITY AND CARBON SEQUESTRATION

MANAGEMENT APPROACH

IOI believes ecosystem services, especially carbon sequestration and conservation of biodiversity within our operations, needs to be protected, maintained and when required, enhanced. Our efforts toward achieving this include identifying and maintaining environmentally sensitive areas such as HCV as well as other conservation areas.

Understanding the importance of biodiversity and we have set two key objectives for the conservation and protection of biodiversity: 1) achieve co-existence with wildlife and 2) encourage biodiversity to flourish within our operations. In order to achieve these objectives, we strongly supported the banning of hunting within our plantations especially Rare, Threatened and Endangered (“RTE”) species included in national and international red books and lists International Union for Conservation Nature (including "IUCN"). We also established partnerships with both governmental and non-governmental organisations such as Department of Wildlife and National Parks Peninsular Malaysia (“PERHILITAN”), Sabah Wildlife Department (“SWD”), Indonesia’s *Balai Konservasi Sumber Daya Alam* (“BKSDA”), Seratu Aatai, Wildlife Conservation Society (“WCS”), Nottingham University’s Research team, Management and Ecology of Malaysian Elephants (“MEME”), HUTAN-PONGO Alliance, etc., to manage human-wildlife conflicts and to monitor biodiversity and wildlife within our operations.

To identify gaps and improve our biodiversity and conservation efforts, we constantly engage with external stakeholders, taking part in working groups, task forces and related schemes like the High Carbon Stock Approach (“HCSA”), HCV Malaysia Steering Committee, RSPO and MSPO Working Groups. IOI also assesses our progress and performance on biodiversity through organisations and rating agencies such as CDP, SPOTT, DJSI, FTSE4Good, Sustainalytics, etc.,

OUR PERFORMANCE

Enhancing Sequestration and Biodiversity in Our Conservation Areas

Our commitment to maintain and protect High Conservation Areas (“HCV”) as well as our other conservation areas contributed to biodiversity preservation and to the maintenance of ecosystem services such as water filtration, nutrient cycling and more importantly carbon sequestration. To date, total HCV and our other conservation areas increased by 3% compared to FY2021.

Land Use	Malaysia	Indonesia	Total
Total HCV area (Ha)	1,303.17	2,352.07	3,655.24
Other conservation areas, excluding HCV areas (Ha)	3,498.54	2,906.44	6,396.38
Total area set aside for conservation			10,051.62

* As reported in ACOP 2021

Peatland Protection

Adhering to our NDPE commitment, we continue to manage about 3,767 Ha of peatland within our existing plantations. The peatlands are being managed according to RSPO’s best management practices as defined in their Manual on Best Management Practices for Existing Cultivation on Peat. These practices have contributed to reduction in peat subsistence rate and carbon emissions whilst preventing peatland fires within our peatlands. Though peatlands were found throughout our estates in Malaysia and Indonesia, our largest peatland area (approximately 4,536 Ha) is in Ketapang, Indonesia.



Peat land rehabilitation in Ketapang, Indonesia



Monitoring of biodiversity in conservation areas.

South Ketapang Landscape Initiative

One of the way IOI approaches holistic landscape-scale conservation like the South Ketapang Landscape Initiative is by enhancing the resilience of ecosystems which also involved activities such as biodiversity protection, fire prevention as well as community livelihood development. FY2022 marks the third year of the project and PT SNA, our concession in Ketapang, committed to continue with this project by renewing its cooperation agreement with the Natural Resources Conservation Agency (“BKSDA”), a local conservation agency. This included the continuation of Spatial Monitoring and Reporting Tool (“SMART”) Patrol training with BKSDA at all PT SNA concessions to assist local fire brigades implement wildfire prevention measures and conduct wildlife monitoring within the conservation areas. Additionally, capacity building programmes and training were given to workers, enabling them to better identify habitats and populations of RTE wildlife within conservation areas. Joint patrols around the concessions and within the *Cagar Alam Muara Kendawangan* buffer zone were also carried out using drones, patrol cars and motorcycles. To prevent potential forest encroachment and slash-and-burn practices, IOI works with local government, villages and PT SNA to supplement villagers’ income by assisting in their agricultural activities.



Protected peat areas at SKS, Indonesia.

All seedlings in

RELeaf Project

are sourced from local communities

3,767

Ha protected area of plantations on peatland

RELeaf project

In addition to protecting HCV and other conservation areas, we took a step further by collaborating with Nestlé to rehabilitate degraded forest and riparian buffers through the RELeaf project in Sabah. The aim of the project is to enhance the forest quality within our estates around Kinabatangan River. Enhancing forest quality can contribute to maximising the intrinsic value of biodiversity as well as ecosystem services e.g, increased water infiltration, reduced soil erosion rate while improving nutrient retention, not to mention contribute towards carbon sequestration. On top of that, high quality forests include enriched biodiversity which could also contribute to higher resilience against pest and disease outbreaks.

The project will use native species as recommended by Forestry Consultance (“FC”) to promote natural regeneration in forests and riparian buffers at IOI Beluran estates. All seedlings will be sourced from the local communities, allowing them to generate additional income for their family. This project started in June 2022, jointly supervised by Nestlé and IOI. Upon completion, we expect to achieve our objectives of improved biodiversity and ecosystem services including increased carbon sequestration.



Site assessment for RELeaf Project.

REHABILITATE & REGENERATE

Laran Tree Planting Project

The Laran Tree project was suggested by SFD to adopt the concept of Agroforestry within our operations in 2016. Laran (*Neolamarckia cadamba*) is a fast-growing species that is suited for flood-prone areas and as such was introduced to the flood-prone areas in Syarimo 4 estate. Fast forward to 2022, this introduction had shown positive impact to enriching biodiversity. It was reported that the area contained species such as the Long-Tail Macaque, Samba Deer and Bornean Bearded Pig within the oil palm landscape. On top of supporting biodiversity and wildlife, this area has the potential to contributing carbon sequestration within our operations.

Managing Biodiversity and Wildlife in Our Estates

While native habitats are being restored, IOI strives to protect biodiversity within and around our conservation areas, particularly Rare, Threatened and Endangered (“RTE”) species such as orangutans and elephants.

All our estates undergo regular patrols to track wildlife sightings, wildfires and illegal activities such as hunting and poaching as well as deforestation as measures to safeguard our biodiversity and wildlife. These activities were carried out by Honorary Forest Rangers, Honorary Wildlife Wardens trained and appointed by Sabah Forestry Department and Sabah Wildlife Warden. In Indonesia, patrols are supported by the SMART Patrol system.

This year, for example, Mr. Felix Francis, a Sustainable Palm Oil Executive from IOI Plantation Services Sdn Bhd (Lahad Datu region) had engaged Unico 6 estate employees in a training on RTE species, forest buffer and riparian reserve, pond management and waste management. The training was also open to external fresh fruit bunch suppliers from neighbouring estates.

We use citizen science methodologies to survey species and abundance of wildlife. The surveys were carried out by the ground staff on a monthly basis whereby any signs or evidence of wildlife as footprints, droppings, species abundance within and around our estates will be recorded.



Nepenthes found in one of our biodiversity areas.



IOI collaborates closely with wildlife conservation organisations like MEME, Seratu Aatai, and KOC-PONGO Alliance to help catalyse wildlife research and work towards reducing human-wildlife conflicts. Current animal conservation projects that IOI is undertaking are elaborated below:

Achieving Coexistence with Elephants Project

IOI collaborated with the Management and Ecology of Malaysian Elephants (“MEME”), Earthworm Foundation (“EF”), Wildlife Conservation Society and the University of Nottingham Malaysia to implement the Achieving Coexistence with Elephants (“ACE”) project. This project aims to create a SOP for human-elephant conflicts applicable to estates around Peninsular Malaysia. Among the suggestions raised are the installation of electric fences to reduce crop loss during replanting and implementing wildlife training for workers on staff. The ACE project was formalised via a signatory event in June 2022 that complement Malaysia’s National Elephant Conservation Action Plan (“NECAP”) and Central Forest Spine (“CFS”) masterplan.



Night-time wildlife patrolling.



June 2022

Formalisation of ACE Elephant Project

IOI collaborates closely with wildlife conservation organisations like MEME, Seratu Aatai, and KOC-PONGO Alliance to help catalyse wildlife research and work towards reducing human-wildlife conflicts.



IOI Plantation Controller Encik Zakaria Arshad receiving a token of appreciation from MEME.

IOI-Seratu Aatai Elephant Collaring Programme

Since 2020, IOI has continued to engage and collaborate with Seratu Aatai, SWD and HUTAN-KOCP to conduct regular elephant behaviour monitoring. Apart from monitoring and tracking, the collaboration seeks to spread awareness on elephant behaviour among the local communities to reduce human-elephant conflicts around our estates. Throughout the second half of 2021, we conducted briefings, knowledge-sharing sessions, field visits and night patrols at our estates. This includes IOI’s participation in seminars like the *Sembang Santai Hidupan Liar* on 5th July and 12 August 2021 as part of Sabah Wildlife Department’s Environmental Education Initiative.



Radio tracking of collared elephants.



Elephant collaring programme.

The results of ecological Orangutan studies under the IOI-KOCP-PONGO alliance would supplement our knowledge regarding human-animal confrontations and facilitate peaceful coexistence between humans and orangutans.

IOI-KOCP-PONGO Alliance ongoing Collaboration

Our estates and mills are often located close to primary forests and other conservation areas. Hence, IOI works closely with HUTAN-Kinabatangan Orangutan Conservation Programme (“KOCP”) and the Palm Oil & NGO (“PONGO”) Alliance to conduct an ecological study on Kinabatangan’s orangutan population. During May 2022, several orangutan nests were spotted during routine wildlife monitoring patrols. Cameras were then set up near nests and orangutan hotspots, allowing us to better understand their behaviour. The results of the study would enhance our knowledge regarding human-orangutan encounters to help facilitate and strengthen peaceful coexistence between humans and orangutans.



SAFEGUARD & UPLIFT

Uplifting our workforce, providing for the wellbeing of our people, and sharing prosperity with our stakeholders are key priorities at IOI as we seek to ensure the sustainability and viability of palm oil.



PEOPLE



PLANET



PROSPERITY

+



PARTNERSHIP

SAFEGUARD & UPLIFT

PROTECTING OUR WORKFORCE

MANAGEMENT APPROACH

Agriculture, as a labour-intensive industry, employs millions of workers which provide the means for them to improve their livelihood and fight poverty. The oil palm sector, for example, plays a crucial role in boosting the economy and livelihoods of local communities by contributing towards poverty reduction and food security.

At IOI, we not only hire local workers but also workers from diverse backgrounds and nationalities from countries such as Indonesia, Bangladesh, Philippines, India and Nepal, to work in our Plantations. We are committed to respect and uphold the rights of our workers in accordance with the Universal Declaration of Human Right, the International Labour Organization's ("ILO") core convention, United Nation Global Compact ("UNGC") on human rights etc. as stated in our SPOP. In addition, IOI adopted several UN SDGs including SDG 2, 8 and 12 which are related very strongly to the rights and well-being of our workforce. ESG risks including human rights related risks are overseen by the GSSC and divisional Risk Management Committee and are reviewed twice a year. We have developed several guidelines to support our commitment in our SPOP and to assist our business units in implementing human rights practices including no recruitment fee within our operation.

Human Rights due diligence was developed and conducted through collaboration and engagement with internal and external organisations. As an RSPO and MSPO certified company, our plantations are being inspected and verified annually by external certification bodies. Any non-compliance detected are addressed and corrective actions and preventive measures will be taken and communicated.

IOI also protects the rights of our workforce by ensuring that their voices are heard through various channels without fear of any repercussions and by monitoring that their grievances and complaints are being addressed in a timely manner.

Annual review of staff performance which comprise of their Key Performance Index ("KPI") are conducted to ensure there are clear career development pathways for systematic growth within the IOI. All these efforts are taken to bring our people closer together as happy and fulfilled employees that makes for a productive organisation. We remain committed to achieving our objective of being a responsible and exemplary company in respecting our people as well as providing a well-balanced working environment to them.



IOI personnel conducting online interviews with potential worker.

IOI also protects the rights of our workforce by ensuring that their voices are heard through various channels without fear of any repercussions and by monitoring that their grievances and complaints are being addressed in a timely manner.

OUR PERFORMANCE

Ethical Recruitment

IOI introduced the Code of Conduct ("COC") on Ethical Recruitment and Responsible Employment in mid-2021. The COC had also been translated to other languages namely Bahasa Malaysia, Indonesia, Bengali, Hindi as well as Nepali. We began socialising the translated COC, developed as part of our efforts to improve and enhance our foreign workers' understanding on human rights and awareness on forced labour based on ILO's 11 Forced Labour Indicators, by November, 2021.

Another initiative, arisen from one of the action plans from our first SCF, involved our recruitment process. Essentially, we had developed a "Toolkit for Conducting Due Diligence ("DD")" on our Recruitment Agents and agencies. This toolkit, developed with the assistance of ILO's technical assistance and based on ILO's Global Business Network DD Toolkit, serves as a guideline to ensure our recruitment agents are in compliance with IOI's commitments, policies and guidelines.



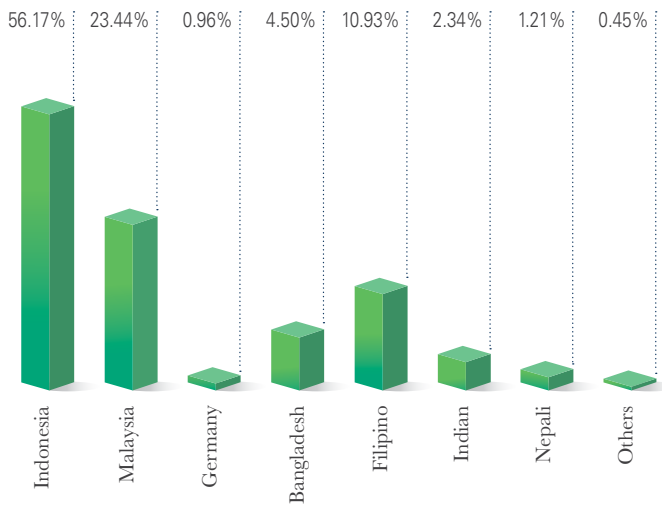
IOI personnel with recruitment agents recruiting workers at Nepal this year.

As of June 2022, IOI has collaborated with Neste to conduct a third-party audit on our Recruitment Agents based on our DD toolkit. The audit covers two main countries that we are currently recruiting which are Nepal and Indonesia. The findings of the audits by the 3rd party auditor will be shared and corrective action will be discussed with IOI and the respective Recruitment agents when the audits are completed.

Additional related outcome from the 1st SCF involving the issue of recruitment and forced labour was our participation in August 2021, on the Malaysian "National Action Plan on Forced Labour" ("NAPFL") 2021 -2025. At this platform, IOI provided our feedback on the challenges and the needed action at the governmental level

The Covid-19 pandemic has significantly changed and affected how we implement our recruitment process. For example, as enhancement of our interviewing process, IOI is now conducting online interviews directly with workers in their home country to verify their understanding of our "Zero Recruitment Fee" process, policies and guidelines together with their contracts and job scopes. Previously, this briefing was just done by the recruitment agents only. This practice helps to enables IOI to verify in-person rather than to travel to the source country for every recruitment process and help substantially to reduce our carbon footprints.

Workforce Nationality Breakdown



Total Workforce 24,247

Total Workers 20,498

Total employees (exclude workers) 3,749

SAFEGUARD & UPLIFT

UPHOLDING EMPLOYEES RIGHT

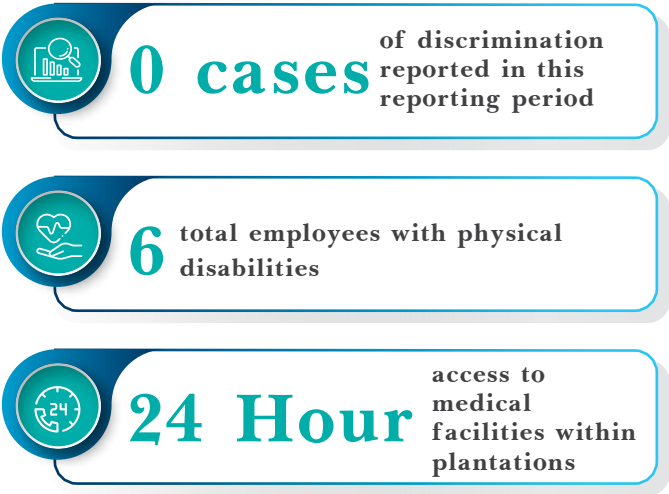
All our workers are being informed of their human rights which cover worker’s benefit, labour laws and forced labour indicators. The training material consist of ILO’s Forced Labour indicators, IOI’s CoC on Ethical Recruitment and Responsible Employment as well as related company’s policies and guidelines. Having good living condition with basic necessities is a labour right. IOI Oleochemical provides housing to their foreign workers by renting out a hostel unit equipped with the required amenities under the law. IOI also continuously improves and monitors workers’ accommodations and basic necessities at the plantation level based on periodic inspections by sustainability staff or upon employees’ request to respective operating units through the available channels such as *Borang Pembaikan/Kerosakan Rumah*, Employee Consultative Committee (“ECC”) meetings, Grievance Book and Internal Stakeholder Meetings. To further ensure worker’s understanding of our guidelines, we have translated most of the social related guidelines to other native language such as Bahasa Malaysia, Myanmar, Nepali, Indonesia, Bengali and Hindi.



Housing area for workers in Moynod, Sandakan.

On matters of harassment, another Forced Labour Indicator, the training department from IOI HQ conducted a training on “Understanding & Preventing Harassment at The Workplace” and “Understanding & Preliminary Investigation on Sexual Harassment at The Workplace”. There were 34 management personnel from all plantations’ operating units who participated in the zoom meeting that was held on 15 October 2021. This training will be embedded into the annual training programme at all of our plantation operating units as part of capacity building on increasing workers’ awareness on the 11 ILO Indicators on Forced Labour.

Where discrimination is concerned, we are happy to report zero cases of discrimination during this reporting period. All of our plantation workers are members of the ECC and have been made aware of the mechanisms for collective bargaining. Meetings with the management or Joint Consultative Committee (“JCC”) meetings are conducted 6 times a year. Furthermore, Trade Unions such as National Union of Plantation Workers (“NUPW”) in Peninsular site, have access to our workers as part of our Freedom of Association policy. Annual Social Impact Assessment (“SIA”) are also conducted during our internal



stakeholder meetings between management representatives and workers’ representative at the respective operating units covering all our employees in order to identify the impacts that our business made to our employees. Any impacts raised by workers are evaluated and time bound action plan developed to address the matter in a timely manner. The same approach is applied for external stakeholders at respective operating units.

The benefits entitled for employees for our staff level and above are covered within IOI employee’s handbook. Employees entitlements on leave allocations on matrimonial, maternity and paternity leaves, benefits, reimbursement, performance management, etc., are available for all employees with supporting documentary evidence. Our workers have benefits such as annual leaves, public holidays, maternity leaves based on labour laws as well as those cited in our sustainability certification like RSPO, MSPO, ISCC, etc. We also promote inclusivity to all employees regardless of gender, nationality and vulnerable groups such as workers with disabilities. In 2022, we recorded six staff including a manager at a mill with physical disabilities who are all treated equally in terms of opportunities and career development.

Safety and health benefits are provided to all levels of employment including our foreign workers. All our employees are provided with medical insurance and protected under Social Security Organization (“SOCISO”). For workers in our manufacturing divisions, a panel of medical clinics are provided to all employees. For our Plantation division, medical facilities and registered medical practitioners are located within our operating units, especially convenient for those units in remote areas as they can be accessed 24 hours/day. Visiting medical officers (“VMO”) also visit clinics in plantation every two weeks to check the cleanliness of housing areas, health of children at child care facilities and also monitoring on contagious disease. Transportation is provided when workers need to receive further medical treatment at clinics or hospitals located outside the plantations.

At the plantation division, the Human Resources Department had introduced the Employee Engagement Programme since 2020. Due to Covid-19, the HR team from Sabah was able to start the engagement only in March 2022. They completed the first phase of the employee engagement which covered all 29 operating units in Sabah in June 2022. At least 645 workers were interviewed during on-site visits by the HR team. The purpose of this engagement is to determine the workers’ understanding of the forced labours indicators.

In January 2022, the IOI Corporate Headquarter conducted two Dialogues sessions led by IOIC Group Managing Director (“GMD”) & Chief Executive, Dato’ Lee Yeow Chor together with the Plantation Director, Head of Group Commodity Marketing and Head of Human Resource. This hybrid session where more than 350 of IOI Family members participated, formed part of IOI’s employee engagement activities to better understand our employees needs and perspectives.



Safety and Health

IOI has implemented health and safety management systems across our operations. Our manufacturing operations at IOI Oleochemicals and IOI Refineries are certified to ISO 45001:2018 Occupational Safety and Health Management Standard (“OSHMS”) and our plantation division is progressing to be certified under the same standard. Currently, the plantation OSH management system is based on OSHMS-1722 and are in the process of migrating to ISO45001:2018 by revising the Occupational Safety and Health manual accordingly.

All employees including contract workers, contractors, suppliers, customers or any other stakeholders as well as activities carried out in the company premises are covered by ISO45001. The process to identify, report and investigate work-related hazards is based on Hazard Identification Risk Assessment and Risk Control (“HIRARC”) and periodic Health Safety Environment Risk Assessment exercises.

At our plantations, potential hazards and impacts from agrochemical-related activities and other operation are identified and mitigated according to HIRARC and Chemical Health Risk Assessment (“CHRA”) procedures as per outlined in the Standard Operating Procedures (“SOP”) on Safety & Health. Control measures are

taken based on the HIRARC and audit results to mitigate or prevent accidents. If at all an accident happens, it is thoroughly investigated and control and preventive measures are taken to avoid recurrence.

There is an established Safety and Health Committee at all of our operating units including in manufacturing, which comprise of the management, employees, and union representatives. The meetings are conducted bi-monthly where issues on workplace safety and health, accident trends, near miss accidents, occupational diseases etc. are discussed. Annual training programmes are available and cover all workers and job scopes including standard operating procedures and safe operating procedures, first aid, emergency response plan, safety campaign and etc. Trainings on SOPs and Safe Operating Procedures are conducted in languages easily understood by the workers and a translator will be present if necessary.

The effectiveness of the trainings is evaluated by using a standard evaluation form and training needs assessment was conducted as scheduled as and when needed. These training were conducted at zero cost to workers and conducted during working hours.

IOI also engages with our contractors and provide briefing on company policies on sustainability matters, safety related training and issues regarding the Safety and Health Contractor Contract. All contractors are required to sign the contracts for service which includes compliance to OSH requirements and have to strictly follow our safety procedures when carrying out work within the operation. Accidents related with contractors operating within our operations are also monitored and reported.

Annual training programmes are available and cover all workers and job scopes including standard operating procedures and safe operating procedures, first aid, emergency response plan, safety campaign, and others.



SAFEGUARD & UPLIFT

	Plantation Segment	Resource-Based Manufacturing Segment	
	IOI Plantation	IOI Refinery	IOI Oleochemical
Injury Rate per Million Hours	25.97	3.03	7.15
Occupational Disease Rate per Million Hours	0.16	0.00	0.29
Lost time injury frequency rate for contractor	0.00	4.2	10.83



Fire drill at Bahau Estate, Negeri Sembilan Malaysia.

GRIEVANCE ANALYSIS AND DIGITAL TRANSFORMATION

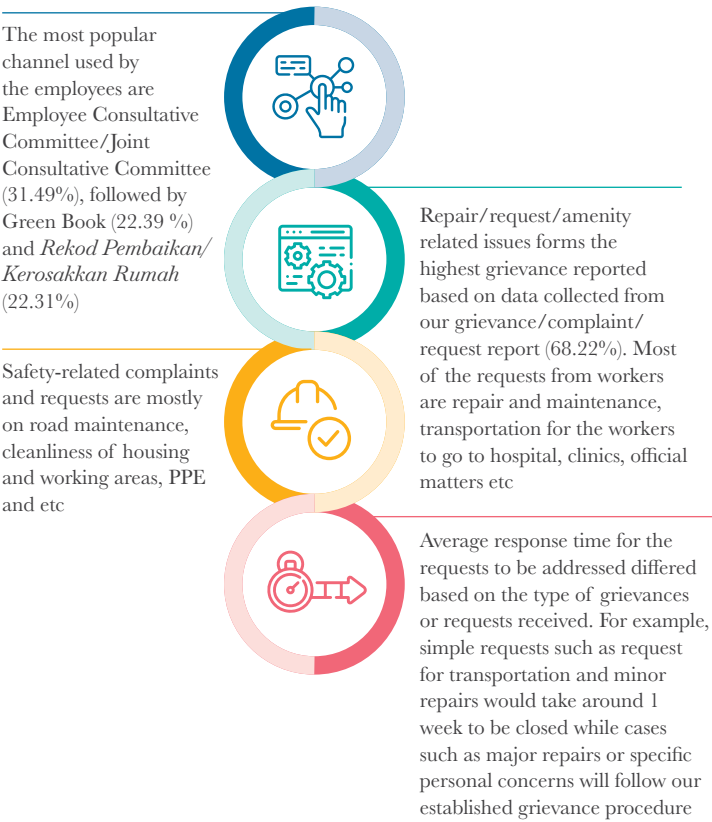
Grievance Resolution and Process

IOI commits to ensure that the rights and well-being of our employees are being taken care of. We have established various platforms for grievances to be addressed within IOI operations. Our Grievance Mechanism platforms includes on-site and digital platforms where stakeholders concerned, especially our employees, neighbouring committees, and authorities may raise up their issues or problems to IOI. The grievances are handled and addressed by designated personnel at different levels based on the types of issues received.

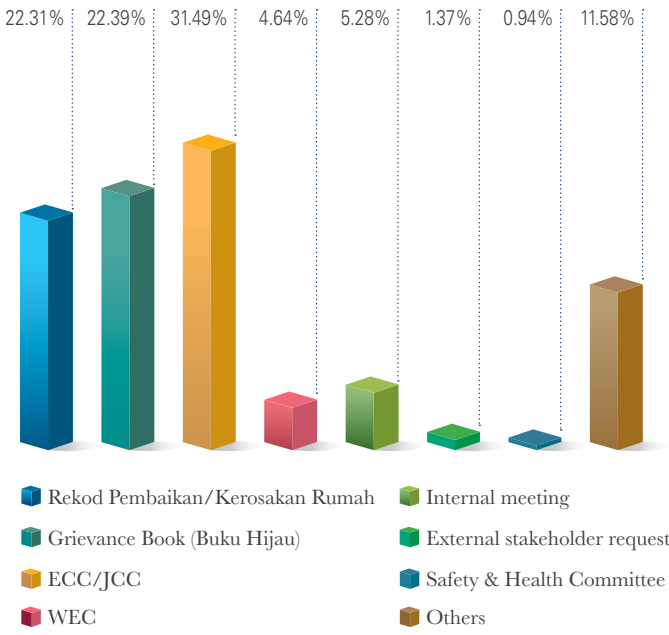
In May 2022, we launched a real-time grievance reporting application called ‘IOI Mesra’ where our people on the ground can submit complaints or highlight issues in the form of photos, videos and/or voice messages while getting notified on progress for dispute resolution on real-time basis. The applications can be installed in individual smart phones which enables an additional avenue for the employees to raise issues directly to the Corporate Human Resource Department anonymously, at their own convenience in their own languages. It is pre-installed with eight built-in multi-language translator including Bahasa Malaysia, Bengali, Burmese, English, Hindi, Indonesian, Nepali and Tagalog.

We have also conducted annual analysis on reported grievances, requests and responses from our employees including workers, staff, management, and external stakeholders including neighbouring communities within our plantations in Malaysia. There are several channels available within our operations for reporting grievances. The types of grievance issues reported and details of respondents including categories of employment, nationality, gender and the status of the cases were also recorded.

The total number of grievances and request reported within our plantation in Malaysia from July 2021 until June 2022 was 6,190 reports. The number of issues reported is lower than previous year (7,280). The findings of the analysis are tabulated as below:

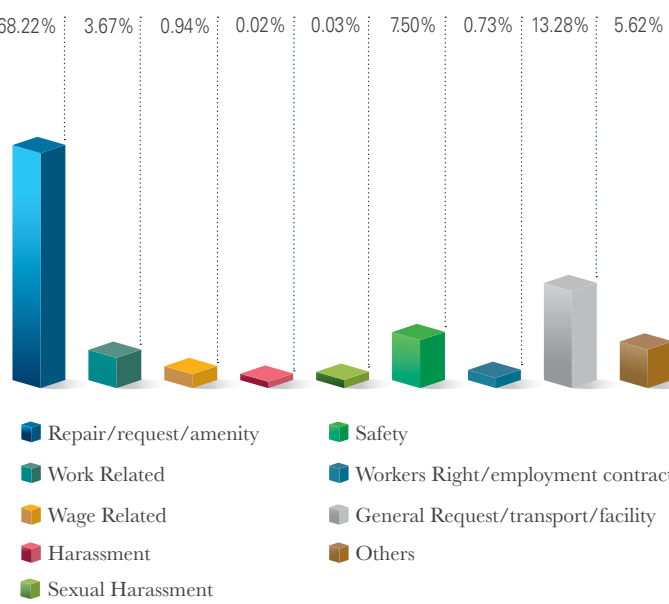


Grievance Channel



Percentage of Grievance Channel used by Plantation

Type of Grievance



Percentage of Grievance Type Report used by Plantation

As an update on RSPO’s grievance case related to Mekassar Estate, on September 2021, aside from the annual RSPO surveillance audit, a special audit in which the sample size of the estate was increased to 100% was conducted at the Bukit Leelau Mill Grouping (of which Mekassar estate is part of), to verify the implementation of the social aspects as highlighted in the RSPO complaint tracker (askRSPO.force.com). IOI has continuously and actively engaged with both the RSPO Secretariat and RSPO Complaints Panel (“CP”) by consistently updating our progress and ensuring that all issues within the complaint are being addressed. As of this time, IOI is waiting for the CP to revert with their decision.



Housing areas at our plantation, Malaysia.

SAFEGUARD & UPLIFT

Third Party Audit

Social requirements involving respecting human rights, no discrimination, equal opportunity, safe working environment and more, remain major areas of concern and indicators of compliance. As both a RSPO and MSPO certified company, human rights formed one of the major Compliance and all our 14 mills and their corresponding supply based had received at least two rounds of external audit in a year. Aside from environmental, governance and economic compliance, elements of forced labour indicators such as discrimination, harassment, freedom of association, working hours, etc., are closely assessed and compliance report are made publicly available by respective certification body.

In addition, other than the third-party audit from sustainability certification body, we also received compliance audit request by other stakeholders such as our customers. In early 2021, we proactively collaborated with one of our customers to conduct an independent third-party audit on ILO’s 11 Indicators Forced Labour and our governance in order for us to identify if there are any gaps or areas of concern with respect to Forced Labour. The audit was conducted by using established and internationally-recognised social audit methodology, SMETA. 5% of total operating unit from estates in Peninsular and Sabah being selected as audit samples. The audit was conducted from September - October 2021 by two international audit firms that have been appointed by the customer. The full audit findings together with corrective action plans were reported in December 2021. IOI undertook the report’s suggestion for improvement and proceeded to enhance some of the policies and guidelines concerned to ensure more robust human rights and labour management within our company. Subsequently, a verification audit was conducted in June 2022 to verify these corrective action plans.

As IOI views and value our people, these efforts are made to bring us closer together as happy and fulfilled employees make for a productive organisation. While we continue to progress towards a culture of true inclusion for our people, there are still many areas to delve into. We remain committed to achieving our objective of being a responsible and compassionate company especially in respecting our people and providing a good working environment for them.



External auditors conducting site assesment.



UPLIFTING OUR PEOPLE

MANAGEMENT APPROACH

By protecting the rights of our people, IOI firmly believes that our people can be uplifted further to reach greater heights which ultimately contributes to a company’s resiliency. One of the most important approach to achieving this is through training and development for our employees as it leads to upgrading of employees’ skills and ensure they achieve their potential. The annual performance review for our staff for example, highlights areas requiring improvement and identify the development needs of our staff to address any competency gaps. Furthermore, IOI is also strongly committed to uplifting our employees by promoting diversity, inclusion and women empowerment.

OUR PERFORMANCE

Capacity Building and Talent Development

IOI Group has a structured capacity building programme in place from the time employees first join the company, all throughout the employment stage to equip our employees with talent and capability. All new permanent employees attend an onboarding programme as introduction to the company’s practices such as IOI Core values, IOI Code of Business Conduct, employees’ rights and etc, whereas, induction training is given to newly recruited workers to make sure they know their rights as workers, company policies, terms and conditions on their employment including understanding on no recruitment fee etc.

IOI has implemented performance management to retain talents to work and continue their career growth with the company. Total Performance Management System (“TPMS”) takes place before the end of each financial year where heads of department (“HOD”) will give due recognition for staff achievement and highlight any shortcomings or achievements during the appraisal, based on KPIs set and agreed earlier. In the 2022 financial year, all IOI staff received regular performance and career development reviews.

To fulfil various requirements, we equipped our employees with competency training and certification training. Corporate Learning & Organisational Development recorded 120 training sessions were arranged to our employees internally and externally. Thirty-four trainings covering 1,285 participants were conducted at management level internally. These covered matters on ESG related training such as climate change, grievances handling, harassments, leadership training, safety and health, regulation obligation and many more.



Male and female OSH officers under going SOP training.



A female HSE officer undergoing Working at Height competency training.



Mother's Day & Hari Raya Aidilfitri celebration organised by WEC in Moynod Estate, Sandakan, Sabah.

Gender Equality and Women Empowerment

Gender bias has no place in IOI. We have three exceptionally accomplished and successful female leaders who sit on our Board of Directors (refer AR22 page 83) which represent 38% of our Board composition.

We recognise the contribution and importance of women within our operations by providing job opportunity and career development. There is a Women Empowerment Committee (“WEC”) which is participated by women employees in each plantation operating unit. The WEC regularly discusses issues related to women employees and their dependents including women’s rights, harassment, as well as capacity building initiatives.

Activities for women empowerment consist of courses and recreational programmes to enhance the employees’ knowledge and life skills. Team building events, baking classes, sports day events and tournaments are incorporated within WEC's annual programme.

SAFEGUARD & UPLIFT

We celebrated the International Women’s Day (“IWD”) with the theme 'Break the Bias' this year in hybrid mode, which was hosted by IOI HQ and live streamed with our plantations at Sandakan and Lahad Datu and joined virtually by our plantation in Ketapang, Indonesia, our oleochemical and refinery divisions in Penang, Johor and Sabah. All in all, over 500 participants from IOI HQ, plantation, and manufacturing celebrated the event through both physical and virtual platforms. The event was attended by our GMD who also delivered his remarks, accompanied by IOI’s two Independent Non-Executive Directors, Dr Nesadurai Kalanithi and Dato’ Kong Sooi Lin as well as Yayasan Tan Sri Lee Shin Cheng (“YTSLSC”) Executive Director, Datin Joanne Wong. An initiative called Women and Digitalisation was introduced during IWD in order to encourage our female employees, especially those who are based at the oil palm plantations to embrace the digital revolution.



IWD celebration in IOI HQ together with our Board of Directors, Dr Nesadurai Kalanithi (third from the right) and Dato’ Kong Sooi Lin (fourth from the right).

Digitalisation (E-Wallet)

IOI Plantation has successfully launched the e-wallet salary crediting system on 1 February 2020 where we collaborated with Merchant Trade Asia Sdn Bhd as reported in our Annual Sustainability Report 2020, Page 52.

Apart from having the function of an international Visa prepaid card, workers had also used their e-wallet to withdraw cash anytime at local ATMs in Malaysia or their home country and Merchant Trade branches, enabling them to adopt digital financial services. This was especially helpful and crucial during the Covid-19 pandemic when the MCO was in place and there was widespread closure of physical premises and access to financial institutions are limited.

As of June 2022, our operations have currently achieved 93% implementation on the usage of e-wallet while the remaining 7% are still in progress due to circumstances such as poor internet connections and remote area’s location.



A worker using e-wallet application at a sundry shop in Moynod Estate, Sandakan.

Plant Your Own Food

In order to monitor the success of this initiative, continuous monitoring was done and information was collected for this year which covered all operating units in Malaysia and Indonesia. Since the initiative was first introduced in December 2019 (refer to our Annual Sustainability Report 2020, Page 49), around 15,000 employees and their families from the plantation division have benefited from this initiative. Total area planted with food crops in Malaysia and Indonesia is almost 110 Ha. The biggest area planted is in Lahad Datu Region (76 Ha) followed by Sandakan (24 Ha), Peninsular (6 Ha) and Indonesia (4 Ha).

Most of the planted areas are located close to our workers' quarters and at vacant areas within the estates. Around 86% of workers harvested their yields for their own consumption, 13% shared their yields with their neighbours while the remaining 1% managed to earn additional income from selling their planted crops such as vegetables and fruits to others. Other than contributing to basic necessities (fresh fruits and vegetables), this initiative indirectly reduced the carbon footprint of our workers as they do not need to travel far to get their food source. Since some of the estates are located in remote areas, growing their own food has made their lives easier especially during the pandemic.



A worker selling their produce from the "Plant Your Own Foods" initiative at a sundry shop, generating side-income during the pandemic.

Eradicating Child Labour through Education (HUMANA and CLC)

IOI recognises the right to education for all children and are involved in various efforts to make sure this right is exercised. Additionally, IOI recognizes that providing education and ensuring their time are filled with school activities, aids in eradicating child labour as the children would not be in the estates during working hours.

To enhance our current education services for our workers' children in Sabah, we made a pledge to ILO during ILO’s International Year for the Elimination of Child Labour in 2021¹, by launching a child education initiative, To Counter Child Labour via Education Post-Covid: Providing Full-Day Zero Cost Educational Platform Access to our Employees’ Children. In this initiative, the children attending the HUMANA schools are provided with tuition fees, school uniforms, school bags & stationeries, nutritious lunch on every school day and transportation to school. In addition, after school programmes such as tuition classes, extra-curricular and recreational activities are also provided. These programmes are conducted by the teachers and caretakers in each respective Humana schools. The schools will also be subsidised with used computers from IOI’s operations (part of 7Rs circularity - Reuse) to be used by teachers during the classes.

To-date, we have many successful stories where our children, after being educated in HUMANA schools and Community Learning Centres, went on to become clerical and supervisory staff at IOI and other companies’ plantations and even continued their studies at a higher level¹.



Humana students at their housing area.



Sustainability Initiatives - IOI Group.

¹ <https://www.ioigroup.com/content/MEDIA/PDF/BeritaIOI/Issue89.pdf>

SAFEGUARD & UPLIFT

EXPANDING OUR IMPACT

MANAGEMENT APPROACH

As a leading global sustainable integrated palm oil player, we believe in the importance of a strong positive impact to not only our employees but also to all our external stakeholders such as our customers, local communities, smallholders, suppliers, NGOs, etc. One of the approaches that we have in order to extend our impact positively at several levels is through transparent communication and direct engagement. As stated in the SPOP, we respect the land tenure rights of local communities, drive positive socio-economic impact to local communities and contribute to the quality of life and well-being of the communities in which we operate. We also support the inclusion of smallholders and assist them to comply with our sustainability commitments.

OUR PERFORMANCE

Closure of IOI Pelita Land Dispute Complaint

The IOI Pelita Plantation Sdn Bhd (“IOI Pelita”) land dispute is a complicated case that was inherited by IOI and it involves many stakeholders, overlapping land claims and internal disputes within the communities itself. This issue was raised as a complaint to RSPO by a local community of Long Teran Kanan and 11 local and international NGOs back in 2010 (for historical detail, please refer to ASR 2018 - 2021). Fast forward to 2022, after approximately 12 years, the RSPO Complaint Panel (“CP”) finally announced their decision to close the complaint on this long-standing land dispute. This took place after the Final Settlement Agreement on 30th May 2020 in Miri Sarawak, which was also attended and witnessed by members of the Grievance Unit, the CP, the eight local communities from the Tinjar area of

Sarawak, Sarawak State Government, and community leaders. The negotiation between IOI Pelita and the communities was facilitated by Dr Ramy Bulan, a renowned scholar, and expert on indigenous people’s customary rights. IOI Pelita will relinquish or excise 4,615 hectares out of 8,998 hectares of land that was granted under Provisional Lease to IOI. The Sarawak State Government will then, subsequently, gazette the excised land as a Native Communal Reserve for agricultural use.

Community Outreach and Initiatives

IOI Oleochemicals had carried out several community service projects involving schools, charity homes, as well as IOI employees. In in February and March 2022 under the *Project Kasih*, IOI Oleochemical’s Community Service Committee (“CSC”) introduced a food aid programme for employees tested positive for Covid-19. Other community outreach programme that the CSC was involved in included cash donations to ten charity homes in Penang, donation of reams of A4 papers and in-house mix hand sanitizers to five schools within Prai area where the plant is located. In Germany, IOI Oleo GmbH had also carried out several community service projects involving schools, IOI employees and small farmers. For example, old company handphones were sold and the proceeds generated were donated to charitable projects in three different locations in Germany.

The refinery in Sandakan, IOIEO had collaborated with Earthworm Foundation to present an online webinar entitled ‘Strengthening Child Protection in the Palm Oil Supply Chain’ with suppliers in August 2021. The webinar was conducted for their suppliers in Sabah and Sarawak, and comprised of training, breakout sessions and group activities. 40 participants from various mills and plantations from operations, sustainability and management level staff benefited from this webinar.



Signatories to the IOI Pelita Land Dispute Resolution.

Unico Group in Lahad Datu had a long-standing engagement with the communities from Kg Sri Ganda since 2015. In January 2022, an official visit from the village chief delegates to Unico 1 Estate had been conducted to further discuss the enhancement of strategic engagements between both parties on matters regarding awareness of IOI’s policies and guidelines, potential contribution to Humana school, and mitigation measures for facilities improvement within Unico 1 and Kg Sri Ganda area.



Stakeholder engagement with delegates of Kampung Sri Ganda.

Plasma and Smallholder

Since 2014, our plantations in Indonesia have started a plasma scheme with smallholders who supply FFB to our mill in PT SKS, Kalimantan. To date, there are 3,000 smallholders from seven groups who were allocated 20% of our total planted area in PT SNA. This plasma scheme has benefited the local smallholders by equipping them with knowledge and skills on initial preparation for land development and good agriculture practices.

An annual assessment programme called *Penilaian Fisik Kebun Kemitraan* was conducted in each plasma group by authorized personnel from Dinas Perkebunan Provinsi Kalimantan Timur Indonesia. During the programme, the authority conducted checking and verifications of the good agriculture practices by the plasma members in their planted area.



Site visit by the personnel from Dinas Perkebunan Indonesia to PT BSS.

There are 30 smallholders and 19 out growers in Lahad Datu from Unico Group and Unico Desa Group who participated in our Smallholders Engagement Programmes and they all have been MSPO certified. Throughout the year, several activities have been conducted by the sustainability team from IOI Lahad Datu regional office which involved engagement visits, meetings, capacity building and empowerment programmes. For example, through the capacity and empowerment programmes, the smallholders and out growers were provided with trainings mostly related to environmental management such as on Rare, Threatened and Endangered (“RTE”) species, water management on peat, waste management, conservation of forest buffer and riparian reserves. Operational trainings on FFB grading were also conducted with the smallholders by our designated personnel on the ground. These programmes have generated positive impacts to the stakeholders including neighbouring communities in estates and villages.



Smallholders and out-growers participating on RTE species and peatland management.

External engagement (IOM, ILO, &wider, AIBP, Migrant Care)

Continuous collaboration between with the International Labour Organization (“ILO”) has resulted in a stronger engagement with ILO that provided us with better understanding on global labour practices. In May 2022, IOI was invited by ILO to speak at ILO’s Workshop on “Good Practices for Developing Company’s Action Plans on Forced Labour and Child Labour” which was funded by the US Department of State (DoS). At this workshop, IOI presented our labour best practices entitled “Strengthening and Enhancing Best Labour Practices Through Digital Transformation” which showcases our initiatives of using digital platforms to enhance our recruitment and employment process, our data collection systems as well as to provide education to our plantation workers’ children in Sabah.

SAFEGUARD & UPLIFT

In January 2022, we engaged &Wider, an independent human rights due diligence service provider to conduct monitoring on our workers’ wellbeing through online surveys for our workers across our operating units in Peninsular Malaysia. The assessment is conducted in four cycles, with the first cycle having started in May 2022. The key indicators measures considered are on workers satisfaction towards our recruitment and employment process, living conditions and facilities provided at the operating units, safety and health measures, and last but not least, grievance mechanism.

During the survey, &Wider was directly in contact with our workers and the workers are allowed to answer all the questions independently without interference from the management. This engagement can help assist IOI to verify the absence of any elements of forced labour, deepen the understanding on workers issues and to enable us to identify strategic solutions that can help to bring positive impact to our workers across the plantation.

IOI has been invited by Migrant Care, a labour rights NGO from Indonesia to join a webinar and share good labour practices and its implementation within our operations. The webinar was held in June 2022 attended by the various stakeholder who have been working on labour rights practice throughout this region such as representatives from the Indonesian embassy, United Nations International Organization for Migration ("IOM") representatives from Indonesia, Nepal, etc., and Ministry of Human Resource Malaysia.

In June 2022, IOI’s journey on digital transformation to drive social inclusion and operational efficiency in our operations was recognised when we were awarded the 2022 ASEAN Tech for Environmental, Social, Governance (“ESG”) Award by the ASEAN Innovative Business Platform (“AIBP”). Our digital transformation journey started in 2018 when we first implemented the SAP Enterprise Resource Planning (“ERP”) system across all our business operations. We then started to established strategic partnerships with various stakeholders to accelerate the use of digital innovation to implement some aspects of the ethical recruitments process, a 24/7 grievance app, platform to give virtual access to our workers' children in Sabah, etc. We were fortunate that we had started this journey prior to the movement restrictions caused by the pandemic in 2020, as it enabled us to easily transition to working from home (“WFH”) in some cases as well as gave our workers access to conduct their financial transactions online.



Dr Surina Ismail presented IOI's sustainability journey during a webinar organised by Migrant Care in June 2022.



ASEAN Tech for ESG Awards Winners Banner.

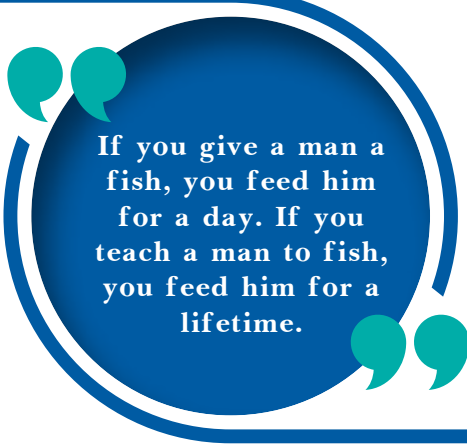
SHARING PROSPERITY

MANAGEMENT APPROACH

IOI’s charity arm, Yayasan Tan Sri Lee Shin Cheng (“YTSLSC”) serves as a platform to share our prosperity with the larger community. In line with our SPOP, we are committed to drive positive socio-economic impact for our local communities and contribute to the quality of life and wellbeing of the communities where we operate.



YTSLSC Director Datin Joanne Wong and IOI GMD Dato Lee Yew Chor presenting a cheque to SJK (C) Shin Cheng (Harcroft).



We strongly believe it is more important that our engagements empower and equip the people we help to achieve a better standard of living in the long run than to provide short or temporary relief. Our approach to corporate social responsibility via educational, medical and community initiatives are based on 5 pillars which are:

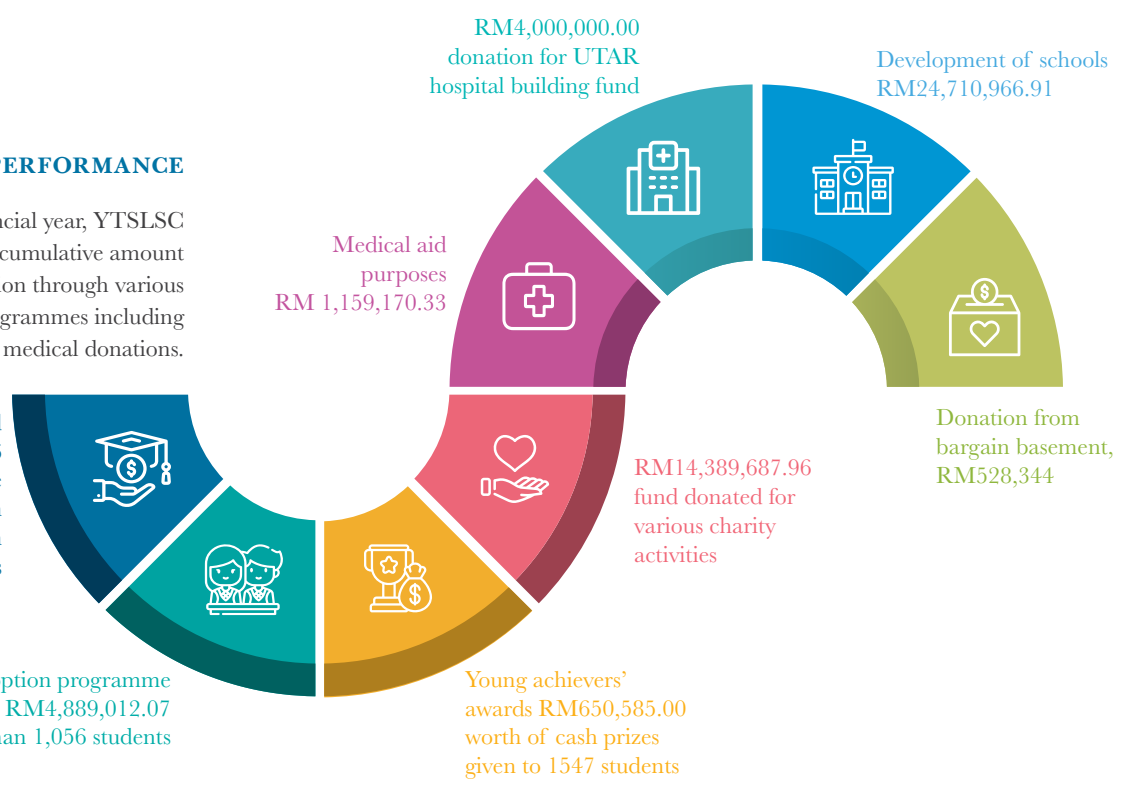


OUR PERFORMANCE

As of the 2022 financial year, YTSLSC has contributed a cumulative amount of RM60.731 million through various activities and programmes including education and medical donations.

YTSLSC has awarded more than 316 students with more than RM10 million (RM10,403,309.00) in educational scholarships

Student adoption programme RM4,889,012.07 to more than 1,056 students



APPENDIX

SUSTAINABILITY PERFORMANCE METRICS

ECONOMIC PERFORMANCE DATA

In RM million unless otherwise stated	2022 MFRS	2021 MFRS	2020 MFRS	2019 MFRS	2018 MFRS
FINANCIAL					
Profit before interest and taxation	2,494.2	1,747.5	1,137.9	1,076.8	1,380.6
Profit attributable to owners of the parent	1,725.3	1,394.3	600.9	631.7	3,060.5
Equity attributable to owners of the parent	10,943.7	10,005.4	9,296.2	9,299.6	9,156.3
Return on average shareholders’ equity (%)	16.47	14.45	6.46	6.85	36.84
Basic earnings per share (sen)	27.74	22.26	9.57	10.05	48.70
Dividend per share (sen)	14.0	10.5	8.0	8.0	20.5
PLANTATION					
FFB production (MT)	2,726,516	2,917,621	3,097,262	3,398,847	3,514,857
Total oil palm area (Ha)	175,192	176,926	176,909	176,156	174,234
MANUFACTURING					
Oleochemical (include soap noodles)					
Plant utilisation (%)	67	76	77	82	83
Sales (MT)	573,942	648,130	669,854	714,131	714,024
REFINERY					
Plant utilisation (%)	61	63	69	65	69
Sales (MT)	1,868,099	2,217,093	1,973,792	1,917,195	2,152,800 ¹

Note:
¹ 1 The sales (MT) of FY2018 includes eight (8) months' results of discontinued operations.
Source : IOI Corporation Berhad Annual Report 2022

WORKPLACE PERFORMANCE

NUMBER OF EMPLOYEES AND DIVERSITY

GRI 2-7 Number of Employees, GRI 405-1 Diversity of Employees

Number of Employee by Employment Level

Gender	Management	Executive	Non-executive	Workers	Total
Male	221	655	1,500	15,091	17,467
Female	58	310	1,005	5,407	6,780

Employee Nationality Breakdown

Nationality	Employee Nationality (%)
Indonesian	56.17%
Malaysian	23.44%
German	0.96%
Bangladeshi	4.50%
Filipino	10.93%
Indian	2.34%
Nepali	1.21%
Other	0.45%
Total	100%

Note:
Total Turnover : 5782
Total New Employees : 3969

GRI 404-I: Employee Training Hours

Employee Traning Hours by Employment Level (Hours/ Year)

Gender	Employment Level				
	Senior Management	Middle Management	Executive	Non-Executive	Workers
Male	348.25	6,372.23	12,909.87	19,335.30	576,766.03
Female	37.00	722.11	1,435.04	44,269.39	711,542.43

Average Training Hours by Employment Level (Hours/Person/Year)

	Employment Level				
	Senior Management	Middle Management	Executive	Non-executive	Workers
Average Training Hours by Employment Level (Hours/Person/Year)	7.0	50.7	17.8	26.1	62.9

Note:
Figures for Employee Training Hours exclude training for IOI HQ

OCCUPATIONAL HEALTH AND SAFETY PERFORMANCE DATA

GRI 403-9 & GRI 403-10: Occupational Health & Safety Data

Man-hours	Units	IOI Corporation Division		
		IOI Plantation	IOI Refinery	IOI Oleochemical
Employees	Hours	68,889,248.64	1,321,652.00	3,217,123.00
Non-employees Workers ¹	Hours	32,288.00	237,848.00	277,070.00

Note:
¹ An individual who performs work for entity which provide services to IOI

Health & Safety Performance-Employee ¹	Units	IOI Corporation Division		
		IOI Plantation	IOI Refinery	IOI Oleochemical
Injury ²				
Total number of injuries	Number	1,789.00	4.00	25.00
Total recordable injury frequency rate	Number/Million Hours	25.97	3.03	7.15
Total number of fatalities	Number	2.00	0.00	0.00
Fatality rate	Number/Million Hours	0.03	0.00	0.00
Total number of high consequences injuries (excluding fatalities)	Number	19.00	0.00	4.00
High consequence injuries rate (excluding fatalities)	Number/Million Hours	0.28	0.00	1.14
Total number of lost time injuries	Number	1,881.00	4.00	25.00
Lost time injury frequency rate	Number/Million Hours	27.30	3.03	7.15
Disease				
Total cases of recordable work-related ill health	Number	11.00	0.00	1.00
Total fatalities as a result of ill health	Number	0.00	0.00	0.00
Occupational disease rate	Number/Million Hours	0.16	0.00	0.29

Note:
¹ Figures include consideration of both employees and workers unless otherwise stated
² Injuries reported include both minor injuries (first aid level) and major injuries

APPENDIX

ENVIRONMENTAL PERFORMANCE DATA

ENERGY

GRI 302-1 & GRI 302-3: Energy Production and Consumption

Performance Indicator	Units	IOI Corporation Divisions		
		IOI Plantation	IOI Refinery	IOI Oleochemical
Non-renewable fuels purchased and consumed.	GJ	850,289.16	409,376.44	3,315,630.39
Non-renewable electricity purchased	GJ	15,919.04	28,447.78	69,127.78
Steam /heating /cooling and other energy (non-renewable) purchased and consumed	GJ	0.00	0.00	370,976.29
Total renewable fuels purchased and consumed	GJ	1,728,417.47	2,579.19	26,139.51
Total renewable energy purchased or generated	GJ	0.00	0.00	67,105.92
Total Electricity Sold	GJ	1,319.04	0.00	2,354.79
Total Energy Consumption	GJ	2,593,306.63	439,113.81	3,846,625.10
Energy Intensity	GJ/MT	-	0.25	6.90

Significant changes to IOI Refinery data from FY21 are due to the inclusion of IOI Pan-Century Edible Oils this financial year.

EMISSIONS

GRI 305-1 & GRI 305-4: GHG Emission

Performance Indicator	Units	IOI Corporation Divisions (Plantation)		
		2021	2020	2019
Total direct GHG (scope 1) emissions	tCO ₂ e	2,370,037.86	2,710,423.28	2,814,910.05
Total indirect GHG (scope 2) emissions	tCO ₂ e	7,434.55	1,580.16	3,634.51
Total GHG emission reduction (carbon sequestration)	tCO ₂ e	-1,519,027.52	-1,594,076.73	-1,721,148.09
Net GHG emission	tCO ₂ e	851,010.34	1,117,926.71	1,097,396.47
Emission Intensity	tCO ₂ e/MT Product	1.31	1.56	1.46

Performance Indicator	Units	IOI Corporation Divisions (Refinery)		
		2021	2020	2019
Total direct GHG (scope 1) emissions	tCO ₂ e	23,170.98	9,505.66	9,504.04
Total indirect GHG (scope 2) emissions	tCO ₂ e	4,910.85	33,164.07	14,347.86
Total GHG emission reduction (carbon sequestration)	tCO ₂ e	0.00	0.00	0.00
Net GHG emission	tCO ₂ e	28,081.83	42,669.73	23,851.90
Emission Intensity	tCO ₂ e/MT Product	0.02	0.03	0.04

Performance Indicator	Units	IOI Corporation Divisions (Oleochemical)		
		2021	2020	2019
Total direct GHG (scope 1) emissions	tCO ₂ e	182,955.41	188,538.28	189,320.97
Total indirect GHG (scope 2) emissions	tCO ₂ e	23,256.08	26,404.29	33,079.14
Total GHG emission reduction (carbon sequestration)	tCO ₂ e	0.00	0.00	0.00
Net GHG emission	tCO ₂ e	206,211.49	214,942.57	222,400.11
Emission Intensity	tCO ₂ e/MT Product	0.37	0.34	0.34

Note:
GHG emissions calculation for IOI Plantation is based on RSPO PalmGHG, calculations for refinery are based on ISCC methodology, calculations for oleochemical are based on the Intergovernmental Panel on Climate Change's (IPCC) and the Institute for Global Environmental Strategies (IGES).

SCOPE 3 EMISSIONS

Performance Indicator	Units	IOI Corporation Divisions (Refinery)		
		2021	2020	2019
Absolute Emissions	tCO ₂ e	5,509,699.78	5,664,784.14	6,132,509.042
Emission Intensity	tCO ₂ e/MT Product	3.13	3.03	3.00

Performance Indicator	Units	IOI Corporation Divisions (Oleochemical)		
		2021	2020	2019
Absolute Emissions	tCO ₂ e	3,088,681.61	2,996,271.43	3,083,594.32
Emission Intensity	tCO ₂ e/MT Product	5.54	4.62	5.31

IOI is currently in the midst of calculating the Scope 3 emissions for our Plantations divisions. More details on our Scope 3 emissions can be found in page 39 of this report.

WATER

GRI 303-3, GRI303-4 & GRI303-5: Water Withdrawal & Water Discharged

Water Consumption & Discharged by Source	Units	IOI Corporation Divisions		
		IOI Plantation	IOI Refinery	IOI Oleochemical
Total Freshwater Withdrawal (≤ 1,000 mg/L Total Dissolved Solids)	m ³	12,020,727.62	766,725.80	1,935,256.00
Total Other Water Withdrawal (≥ 1,000 mg/L Total Dissolved Solids)	m ³	1,890,646.00	0.00	22,210.00
Total Water Withdrawal	m ³	13,911,373.62	766,725.80	1,957,466.00
Total Water Consumption	m ³	11,047,193.05	640,569.80	1,090,477.00
Total Water Discharge	m ³	2,864,180.57	126,156.00	867,019.00

APPENDIX

WASTE

Waste Disposal - GRI 306-2

Performance Indicator	Units	IOI Corporation Divisions		
		IOI Plantation	IOI Refinery	IOI Oleochemical
Total Hazardous Waste	MT	466.95	192.71	7,342.63
Scheduled Waste	MT	464.52	18.28	3,199.87
Recycling/Reuse	MT	-	-	-
Incineration	MT	0.13	0.00	25.97
Landfill	MT	0.00	174.43	565.29
Other Disposed Waste	MT	2.30	0.00	3,551.50
Total Non-hazardous Waste Disposed	MT	13,727.04	118.20	3,831.45
Incineration	MT	0.05	0.00	181.90
Landfill	MT	3,210.74	45.70	1,671.42
Other Disposed Waste	MT	10,516.25	72.50	1,978.13
Total Non-hazardous Waste Reuse/Recycled	MT	174,624.18	10,352.65	2,891.56
Reuse	MT	78,722.99	0.00	28.12
Recycle	MT	322.06	178.90	2,845.78
Composting (Self-fertiliser)	MT	13,012.93	0.00	0.00
Recovery, including energy recovery	MT	53,363.94	10,173.75	17.66
Other Reuse/Recycle Waste	MT	29,202.26	0.00	0.00
Total Waste Generated	MT	188,818.17	10,663.56	14,065.64
Total Disposed Waste	MT	14,194	310.91	7,974.21
% Waste Reuse/ Recycled -change formulation to include hazardous recycling	%	92.48	97.08	43.31

SOCIAL CONTRIBUTION

GRI 413-1: Operations with local community engagement, impact assessments, and development programmes

% of site with Local Community Engagement	% of site with Impact Assessments	% of site with Development Programmes	% of site with Engagements Conducted
60.9%	93.6%	64.5%	95.5%

GRI CONTENT INDEX

Material topic	Disclosure	GRI standard	Section	Page number	Additional information
GRI 2: General Disclosure 2021					
Organisational Profile	2-1	Organizational details	About This Report	1	
	2-2	Entities included in the organization’s sustainability reporting	About This Report	1	
	2-3	Reporting period, frequency and contact point	About This Report	1	
	2-4	Restatements of information	About This Report	1	There are no restatements of information
Activities and workers	2-5	External assurance	Assurance	1	This report is not externally assured.
	2-6	Activities, value chain and other business relationships	About IOI Value Creation Model	12	
	2-7	Employees	Appendix	69	
Governance	2-9	Governance structure and composition	-		AR 2022: page 82-87
	2-10	Nomination and selection of the highest governance body	-		AR 2022: page 104-105
	2-11	Chair of the highest governance body	-		AR 2022: page 82-87
	2-12	Role of the highest governance body in overseeing the management of impacts	Governance: Sustainability Governance	14	AR 2022: page 109-114 In line with TCFD/ISSB reporting
	2-13	Delegation of responsibility for managing impacts	Governance: Sustainability Governance	14	AR 2022: page 109-114 In line with TCFD/ISSB reporting
	2-14	Role of the highest governance body in sustainability reporting	Governance: Sustainability Governance	14	
	2-15	Conflict of interest	-		AR 2022: page 99,109
	2-16	Communication of critical concerns	Governance: ESG	11	AR 2022: page 119
	2-17	Collective knowledge of the highest governance body	-		AR 2022: page 82-93 In line with TCFD/ISSB reporting
	2-18	Evaluation of the performance of the highest governance body	-		AR 2022: page 101
	2-20	Process to determine remuneration	-		AR 2022: page 106
	2-22	Statement on sustainable development strategy	Management Key Messages: Message from our Group Managing Director and Chief Executive	2	In line with TCFD/ISSB reporting
	2-23	Policy commitments	Our Sustainability Approach: Our Sustainability Commitment	10	In line with TCFD/ISSB reporting
	2-24	Embedding policy commitments	Governance: Sustainability governance	14	In line with TCFD/ISSB reporting
Strategy, policies and practices	2-25	Process to remediate negative impacts	Our sustainability approach Resilient and Progressive Safeguard & Uplift	28-39 64	In line with TCFD/ISSB reporting
	2-26	Mechanisms for seeking advice and raising concerns	Environmental, Social and Governance (ESG)	11	AR 2022: page 107
	2-27	Compliance with laws and regulations	Environmental, Social and Governance (ESG)	11	AR 2022: page 118
	2-28	Membership associations	Governance: Stakeholder engagment	15	

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Material topic	Disclosure	GRI standard	Section	Page number	Additional information
Stakeholder engagement	2-29	Approach to stakeholder engagement	Governance: Stakeholder engagement	15-16, 38-39	In line with TCFD/ISSB reporting
	2-30	Collective bargaining agreements	Pull-out, Safeguard and Uplift: Upholding employee	56	
Management Approach Disclosure					
Material Topics 2021	3-1	Process to determine material topics	Our material matters	21	
	3-2	List of material topics	Our material matters	21	
Safety and Health	3-3	Management of material topics	Materiality matters and our response	22-25	
			Safety & Health	57	
Climate change and circular economy	3-3	Management of material topics	Materiality matters and our response	22-25	In line with TCFD/ISSB reporting
			Mitigation and adaptation (Plantations)	34	
			Mitigation and adaptation (Resource-Based)	36	
			Responsible sourcing and supply chain management	38	
			Climate change action initiative	28	
Labour practices and human right	3-3	Management of material topics	Materiality matters and our response	22-25	
			Protecting our workforce	54	
Transparent grievance resolution and communication	3-3	Management of material topics	Materiality matters and our response	22-25	
			Expanding our impact	64	
Traceability and responsible sourcing: Policy and practices	3-3	Management of material topics	Materiality matters and our response	22-25	
			Responsible sourcing and supply chain management	38	
Water and wastewater management	3-3	Management of material topics	Materiality matters and our response	22-25	
			Mitigation and adaptation (Plantations)	35	
Deforestation and land use	3-3	Management of material topics	Materiality matters and our response	22-25	
			Safeguarding natural resources	42	
Ethical recruitment and responsible employment	3-3	Management of material topics	Materiality matters and our response	22-25	
			Protecting our workforce	54	
Supply chain management	3-3	Management of material topics	Materiality matters and our response	22-25	In line with TCFD/ISSB reporting
			Responsible sourcing and supply chain management	38	
Regulatory and third-party compliance	3-3	Management of material topics	Materiality matters and our response	22-25	
			Environmental social & governance ("ESG")	11	
			Protecting our workforce	54	

Material topic	Disclosure	GRI standard	Section	Page number	Additional information
Economic Disclosures					
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	Safeguard and Uplift: Expanding Our Impact, Sharing Prosperity	64, 67	
	201-2	Financial implications and other risks and opportunities due to climate change	Resilient and Progressive	28-31	In line with TCFD/ISSB reporting
Environmental Disclosures					
Materials 2016	301-2	Recycled input materials used	Resilient and Progressive: Mitigation and Adaptation	34-37	AR 2022: page 26-27, 38 In line with TCFD/ISSB reporting
Energy 2016	302-1	Energy consumption within the organization	Resilient and Progressive: Mitigation and Adaptation	34-37	AR 2022: page 30-31, 42, 50-52, 78-79 In line with TCFD/ISSB reporting
		Energy intensity	Appendix	70	AR 2022: page 38,44,47,71,78 In line with TCFD/ISSB reporting
			Resilient and Progressive: Mitigation and Adaptation	34-37	
Water and Effluents 2018	303-1	Interactions with water as a shared resource	Rehabilitate and Regenerate Safeguarding natural resources	43	AR 2022: page 38, 50, 70 In line with TCFD/ISSB reporting
	303-2	Management of water discharge-related impacts	Rehabilitate and Regenerate Safeguarding natural resources	43	
	303-3	Water withdrawal	Appendix	71	
	303-4	Water discharge	Appendix	71	
	303-5	Water consumption	Appendix	71	
Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Appendix	70	In line with TCFD/ISSB reporting
	305-2	Energy indirect (Scope 2) GHG emissions	Appendix	70	In line with TCFD/ISSB reporting
	305-3	Other indirect (Scope 3) GHG emissions	Appendix	71	In line with TCFD/ISSB reporting
	305-4	GHG emissions intensity	Resilient and Progressive GHG Emission Intensity & Targets (Scope 1 & Scope 2)	31-33	In line with TCFD/ISSB reporting
Waste 2020	306-2	Waste by type and disposal method	Rehabilitate & Regenerate Waste Management	44	AR 2022: page 21, 38, 42, 44, 50 In line with TCFD/ISSB reporting
Social Disclosures					
Employment 2016	401-1	New employee hires and employee turnover	Appendix	68	
	401-3	Parental leave	Protecting Our Workforce: Upholding Employees' Rights	56	
Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Protecting Our Workforce: Safety and Health	57	
	403-2	Hazard identification, risk assessment, and incident	Protecting Our Workforce: Safety and Health	57	
	403-3	Occupational health services	Protecting Our Workforce: Safety and Health	57	
	403-4	Worker participation, consultation, and communication on occupational health and safety	Protecting Our Workforce: Safety and Health	57	

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Material topic	Disclosure	GRI standard	Section	Page number	Additional information
Occupational Health and Safety 2018	403-5	Worker training on occupational health and safety	Protecting Our Workforce: Safety and Health	57	
	403-6	Promotion of worker health	Protecting Our Workforce: Safety and Health	57	
Training and Education 2016	404-1	Average hours of training per year per employee	Appendix	69	
	404-2	Programs for upgrading employee skills and transition assistance programs	Uplifting Our People: Capacity Building and Talent Development	60	
	404-3	Percentage employees receiving regular performance and career development reviews	Uplifting Our People: Capacity Building and Talent Development	60	
Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	Appendix	68	AR 2022: page 82-87
Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Protecting Our Workforce: Upholding Employees' Rights	56	
Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Protecting Our Workforce: Upholding Employees' Rights	56	
Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	Uplifting Our People: Eradicating Child Labour through Education	63	
Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	Expanding Our Impact: Closure of IOI Pelita Land Dispute Complaint	64	

GLOSSARY

Biological Oxygen Demand (“BOD”)	BOD is the amount of dissolved oxygen needed by aerobic biological organism to break down organic material present in a given water sample at certain temperature over a specific time period.
Business Council of Sustainable Development (“BCSD”)	BCSD is an independent membership organisation, formed by a group of committed people to create a sustainable future for business, society and the environment.
Business for Social Responsibility (“BSR”)	BSR is a mission-driven non-profit organisation focusing on innovation, impact, and long-term positive change particularly on climate change, human rights, inclusive economy, supply chain sustainability, sustainability management, and women’s empowerment.
Carbon Dioxide Equivalents (“CO ₂ e”)	CO ₂ e is a measure used to compare the emissions from various greenhouse gases based upon their global warming potential.
Carbon Disclosure Project (“CDP”)	CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.
Chemical Oxygen Demand (“COD”)	COD is an indicative measure of the amount of oxygen that can be consumed by reactions in a measured solution. It is commonly expressed in mass of oxygen consumed over volume of solution which in SI units is milligrams liter (mg/l).
Climate Change Action (“CCA”) Initiatives	IOI’s CCA Initiative is IOI’s long-term action-plans to mitigate and reduce GHG emissions from our diverse operations. The ultimate aim of this initiative is to achieve carbon neutral as a group.
Carbon Neutral	Carbon Neutral is balancing between the greenhouse gas ("GHG") that emitted into the environment and capturing the carbon dioxide with various approaches.
Crude Palm Oil (“CPO”)	First stage palm oil product produced from fresh fruit bunches ("FFB") at a mill.
EcoVadis Survey	EcoVadis provides reliable CSR Ratings and Scorecards covering 21 CSR Indicators, 190 commodities, and 150 countries, built on 3 Pillars: People, Process, and Platform.
Environmental Impact Assessment (“EIA”)	EIA is a tool used to assess the significant effects of a project or development proposal on the environment.
Enterprise Resource Planning ("ERP") system	ERP is referring to a type of software that organisations use to manage business activities, accounting and resource management.
Empty Fruit Bunch (“EFB”)	Remains of the fresh fruit bunches after the fruit has been removed for oil pressing.
Free, Prior and Informed Consent (“FPIC”) principle	FPIC is a specific right that pertains to indigenous peoples and is recognised in the United Nations Declaration on the Rights of Indigenous Peoples ("UNDRIP"). It allows them to give or withhold consent to a project that may affect them or their territories.
Fresh Fruit Bunch ("FFB")	Bunch harvested from the oil palm tree.
Geographical Information Systems ("GIS")	A GIS is a computer system for capturing, storing, checking and displaying data related to positions on Earth’s surface.
Global Forest Watch ("CFW")	GFW is an interactive online forest monitoring and alert system designed to empower people everywhere with the information they need to better manage and conserve forest landscapes.
Global Reporting Initiative ("GRI")	GRI is an international independent organisation that helps businesses, governments and other organisations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others.

APPENDIX


Group Environmental Impact Assessment (“GEIA”)	GEIA is a guideline within IOI Group that use for assessing the environmental impact on projects.
Group Sustainability Steering Committee (“GSSC”)	The GSSC, chaired by the GMD, heads of the operating divisions, Group Head of Sustainability and senior management from group support functions. The GSSC assures that the Group’s sustainability agenda, commitments and issues are discussed, approved and implemented.
High Carbon Stock Approach ("HCSA")	The HCSA is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed. The methodology was developed with the aim to ensure a practical, transparent, robust, and scientifically credible approach that is widely accepted to implement commitments to halt deforestation in the tropics, while ensuring the rights and livelihoods of local peoples are respected.
High Conservation Values ("HCV")	As defined by the HCV Resource Network, HCVs are biological, ecological, social or cultural values which are outstandingly significant or critically important at the national, regional or global level.
Integrated Pest Management ("IPM")	IPM is the careful consideration of all available pest control techniques and subsequent integration of appropriate measures that discourage the development of pest populations and keep pesticides and other interventions to levels that are economically justified and reduce or minimise risks to human health and the environment. IPM emphasises the growth of a healthy crop with the least possible disruption to agro-ecosystems and encourages natural pest control mechanisms.
International Labour Organisation ("ILO")	ILO is the United Nations agency for the world of work. It sets international labour standards, promotes rights at work and encourages decent employment opportunities, the enhancement of social protection and the strengthening of dialogue on work-related issues.
International Sustainability & Carbon Certification ("ISCC")	ISCC is an independent multi-stakeholder organisation providing a globally applicable certification system for the sustainability of raw materials and products.
International Sustainability Standards Board ("ISSB")	The ISSB is a standard-setting body under IFRS Foundation, whose mandate is the creation and development of sustainability-related financial reporting standards to meet investors’ needs for sustainability reporting.
International Organisation for Migration ("IOM")	The IOM is a United Nations agency that provides services and advice concerning migration to governments and migrants, including internally displaced persons, refugees and migrant workers.
Kernel Crushing Plant ("KCP")	KCP is a processing plant which to process and crushing palm kernel oil for different industrial usages.
Liquified Natural Gas ("LNG")	LNG is a natural gas that has been cooled down to liquid form for ease and safety of non-pressurised storage or transport.
Lost Time Injury Frequency Rate ("LTIFR")	LTIFR is the amount or number of lost time injuries that occurred in a workplace per 1 million hours worked.
Malaysian Palm Oil Association ("MPOA")	Established in 1999 and supported by the government, its mission is to ensure the long-term profitability and growth of the Malaysian palm oil industry and other plantation crops.
Malaysian Palm Oil Board ("MPOB")	Incorporated by an Act of Parliament (Act 582) and established on 1 May 2000 to supersede the functions of the Palm Oil Research Institute of Malaysia ("PORIM") and the Palm Oil Registration and Licensing Authority ("PORLA"). Its main role is to promote and develop national objectives, policies and priorities for the wellbeing of the Malaysian oil palm industry.
Malaysian Sustainable Palm Oil Certificate ("MSPO")	The MSPO Certification Scheme is the national scheme in Malaysia for oil palm plantations, independent and organised smallholdings, and palm oil processing facilities to be certified against the requirements of the MSPO Standards.

Movement Control Order (“MCO”)	The MCO is a cordon sanitaire implemented as a preventive measure by the federal government of Malaysia in response to the Covid-19 pandemic in the country on 18 March 2020. The order was commonly referred to in local and international media as a “lockdown” or “partial lockdown”.
National Union of Plantation Workers (“NUPW”)	The NUPW is the largest union in Malaysia and one of the largest in Asia.
Net-Zero	Net-Zero is a commitment to reduce greenhouse gas ("GHG") emissions by achieving a balance between emissions produced and emissions removed from the atmosphere.
No Deforestation, No Peat, No Exploitation (“NDPE”)	‘No Deforestation’ is achieved by protecting High Conservation Value ("HCV") and High Carbon Stock ("HCS") areas, ‘No Peat’ is achieved by avoiding planting on peat and ‘No Exploitation’ is achieved by protecting human rights, workers’ rights and the rights of local communities and indigenous peoples.
Normalised Difference Vegetation Index (“NDVI”)	The NDVI is a dimensionless index that described the difference between visible and near-infrared reflectance of vegetation cover and can be used to estimate the density of green on an area of land.
Oil Extraction Rate (“OER”)	OER is the quantity of oil that the mill can get out of the fruit bunches.
Oleochemical	A chemical compound derived industrially from animal or vegetable oils or fats.
Palm Kernel ("PK")	PK is the seed of any palm that yields palm-kernel oil.
Palm Kernel Oil (“PKO”)	PKO is a plant oil derived from the kernel of the oil palm.
Palm Oil Mill Effluent ("POME")	By-product of processed fresh fruit bunch ("FFB").
Palm Oil Refinery Effluent (“PORE”)	By-product from the refining of crude palm oil.
Precision Agriculture (“PA”)	PA is an approach to farm management that uses information technology to ensure that crops and soil receive exactly what they need for optimum health and productivity.
Reverse Osmosis (“RO”)	RO is a water purification process that uses a partially permeable membrane to remove ions, unwanted molecules and larger particles from drinking water.
Regenerative Agriculture (“RA”)	RA is a conservation and rehabilitation approach to farming systems which it focuses on improving soil health and biodiversity by protecting soil from erosion and improve water infiltration, water retention and others.
Roundtable on Sustainable Palm Oil (“RSPO”)	A multi-stakeholder organisation based in Kuala Lumpur, Malaysia. The organisation has developed a certification scheme for sustainable palm oil.
RSPO Annual Communications of Progress ("ACOP")	The ACOPs are reports submitted by RSPO members to gauge their progress towards 100% RSPO-certified sustainable palm oil. Those reports are mandatory for Ordinary and Affiliate members, and are submitted each year.
Scope 1 Emissions	All direct GHGs emissions.
Scope 2 Emissions	Indirect GHGs emissions for consumption of purchased electricity, heat or steam.
Scope 3 Emissions	The result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly impacts in its value chain.
Sustainability Advisory Panel (“SAP”)	The IOI SAP was formed in January 2017 and tasked with overseeing the application of IOI Group’s Sustainability Implementation Plan ("SIP"). The SAP also advises on sustainability issues raised by multi-stakeholders including NGOs and the RSPO.

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Sustainability Consultation Forum ("SCF")	The SCF was set up by IOI with the SAP as its core members, to gather feedback and perceptions from external stakeholders on selected, complex sustainability issues, as well as bottom-up feedback from IOI's management and sustainability team.
Sustainability Policy Transparency Toolkit ("SPOTT")	SPOTT is an online platform supporting sustainable commodity production and trade. By tracking transparency, SPOTT incentivises the implementation of corporate best practice.
Social Impact Assessment ("SIA")	SIA is a methodology to review the social effects of infrastructure projects and other development interventions.
Sustainable Palm Oil Policy ("SPOP")	The IOI SPOP is the keystone policy to maintain the Group's commitment to the sustainable management of oil palm plantations and to the implementation of responsible, global palm oil supply chains.
Spatial Monitoring and Reporting Tool ("SMART")	SMART is a platform that consists of a set of software and analysis tools which designed to help conservationist manage and protect wildlife and wild places.
Task Force on Climate-Related Financial Disclosure ("TCFD")	TCFD was created by the FSB to develop consistent climate-related financial risk disclosure for use by companies, banks and investors in providing information to stakeholders.
Tools for Transformation ("T4T")	T4T is an online platform intended to help the industry adopt responsible practices that support businesses, ecosystems and people to thrive.
Total Performance Management System ("TPMS")	TPM is a management tool that help to track staff's achievements and their performance based on the KPIs target.
United Nation Global Compact ("UNGC")	The UNGC is a non-binding United Nations pact to encourage businesses and firms worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.
United Nations Sustainable Development Goals ("UN SDGs")	The 17 SDGs by the UN are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice.
Women Empowerment Committee ("WEC")	The WEC is built to be a platform for female employees to discuss any issues that may affect women workers, explore opportunities in empowering women in workplace and also social activities.
Yayasan Tan Sri Lee Shin Cheng ("YTLSLC")	YTLSLC was established under the patronage of the IOI Group and the Foundation serves as a platform for the Group to fulfil its corporate social responsibility via educational, medical and community initiatives that enrich the lives of the less fortunate.

SAFEGUARDING THE WELLBEING OF OUR WORKFORCE



Ensuring the wellbeing and protecting the rights of our workers are of paramount importance to IOI. Since the 2019 SR (IOI Labor Factsheet)¹, was shared, further efforts have been made to ensure the implementation of human rights are in place and that the living and working environment of our workers are constantly improved. Through consultation with various stakeholders including the workers themselves, many initiatives have been introduced that have helped improve our employees' working conditions such as *Flexi Working Hours* ("FWH"), *Working from Home* ("WFH"), etc. while having strategic partnerships with key stakeholders helped to ensure checks and balances within our operations. One key initiative involved working with an independent human rights due diligence service provider to conduct monitoring on our workers' wellbeing through online surveys for our workers across our operating units (details in page 66).

UPHOLDING HUMAN RIGHTS

During the past few years, IOI has engaged various stakeholders to identify areas of improvement to fortify our labour practices especially pertaining to their recruitment, wages and their amenities. Since then, IOI has introduced many guidelines related to labour to provide clarity and accountability through systematic monitoring of workers' rights under some of the guidelines as follows:



¹ <https://www.ioigroup.com/Content/S/pdf/IOI%20Labour%20Fact%20Sheet.pdf>
² <https://www.ioigroup.com/Content/S/pdf/Code%20of%20Conduct.pdf>



WAGE AND IN-KIND BENEFITS

IOI's "Guidelines for Minimum Wage and Leave Pay (Malaysia)" has been implemented across our operations in Malaysia and complies with the Minimum Wage Order set by the government. The SAP ERP system was introduced to monitor and standardise all salary payments which are controlled and centralised by IOI HQ. The system generates a minimum wage monitoring report to monitor the wages of our workers which consecutively enforces our commitment towards minimum wage.

The plantation workers are also provided with in-kind benefits including;

- Access to in-house medical facility
- Clean water and electricity
- Housing accommodations
- Insurance benefits
- Creche, community hall, places of worship (e.g. Surau, Temple, Chapel)
- Social/recreational activities such as annual dinner, sports days, festival celebrations etc



COLLECTIVE BARGAINING & FREEDOM OF ASSOCIATION

The Employee Consultative Committee (“ECC”) and Joint Consultative Committee (“JCC”) in our plantations are examples of collective bargaining mechanisms that we have established for our workforce to raise their requests, discuss suggestions and thoughts as well as report grievances directly to the management.

IOI has also signed three collective agreements with the National Union of Plantation Workers (“NUPW”)¹ to set the baseline of employees' wages and employment conditions. Under our Freedom of Association policy, our workers are free to be members of the union.

WOMEN’S EMPOWERMENT

Recognising the important role women play in our business, IOI has included new commitments into our SPOP;

To uphold the reproductive rights of female employees

Promote women empowerment

In 2020, we transformed the former Gender Consultative Committee (“GCC”) into the Women’s Empowerment Committee (“WEC”) in our plantation. The WEC aims to provide a platform for women employees to discuss any issues that may affect them, such as harassment, gender discrimination, etc., and explore career advancement by empowering women at the workplace. Some of the initiatives introduced through WEC are Haircut Initiative and Women and Digitalisation.



OSH officer undergoing competence training at Morisem Palm Oil Mill, Sabah.

SOCIAL TRANSFORMATION THROUGH DIGITALISATION

Digitalisation has become an increasing necessity in this era. As such, IOI has moved forward rapidly to embrace this technology by introducing strategic projects that involved digital platforms. This early embrace of digitalisation enabled IOI to continue working with relative little interruptions during the restrictions imposed due to the COVID-19 pandemic (page 66). Other digital transformations which we have embarked on include the *IOI Mesra* grievance reporting mobile application and the use of Merchantrade e-wallet (page 58 and 62) in our Plantations.



EXPANDING ENGAGEMENT TO BUILD STRONG FRAMEWORK

In 2021, IOI conducted its first Sustainability Consultation Forum (“SCF”)² on responsible recruitment practices specifically in Peninsular Malaysia workers and legalisation issues in Sabah to address any systemic labour challenges faced by the palm oil sector in Malaysia. Based on the SCF, several outcomes³ have been identified that can enhance our practices including;

Development of the “Toolkit for Conducting Due Diligence to Recruitment Agents”

Involved in consultation to develop a comprehensive paperwork on combatting the issues of forced labour, namely National Action Plan on Forced Labour (“NAPFL”) 2021-2025

Development of Terms of Reference (“TOR”) for a standard ethical recruitment practice for the oil palm growers

Development of “Gap Analysis - RSPO Standards for Palm Oil producers & ILO Guidelines - Recruitment Fees, Forced Labour and Related Costs”

We further expanded our engagements with stakeholders such as local NGOs and authorities including Migrant Care, International Organization for Migration (“IOM”), and Malaysian Labour Department for consultation on the best way forward especially on matters related to Forced Labour. Strong engagement with at the local community and authority has led to the final settlement of the long-standing IOI Pelita (Sarawak) land dispute case⁴ (page 64).

¹ Issue84.pdf (ioigroup.com) (page 13)

² <https://www.ioigroup.com/Content/MEDIA/NEWS/pdf/IOI SCF - Executive Summary JULY 20210719.pdf>

³ <https://www.ioigroup.com/Content/S/pdf/Outcomes%20and%20Action%20Plans%20on%20Responsible%20Recruitment%20Practices%20and%20Legalization.pdf>

⁴ https://www.ioigroup.com/Content/S/S_Progress