Enhancing Reach & Engagement

Transparency

Disclosure

Engagement
IOI Corporation Berhad (“IOI Group” or “IOI”) has made continued progress on its sustainability endeavours and reinforced its good agricultural practices and management measures in all its divisions, at the same time increasing its community development initiatives. The linework image on the cover shows a hand holding a robust sapling with three leaves, representing the three pillars of IOI Group’s commitments to its stakeholders: transparency, disclosure and engagement.

REPORTING SCOPE & BOUNDARIES
This report accompanies the Group’s Annual Report 2017, and covers the financial year ending 30 June 2017. This report has been prepared in accordance with the Global Reporting Index (GRI) Sustainability Standards: Core Option. The scope covers our core businesses including: IOI Plantation (estates, mills and refineries), IOI Loders Croklaan and IOI Oleochemical operations. This report also includes IOI Commodity Marketing activities, however excludes IOI Group Sales Offices. There have been no significant changes to the Group during the reporting period.

This report also contains information on the management of the Group’s material economic, environmental and social (“EES”) risks and opportunities in line with the sustainability-related disclosure obligations prescribed in the amended Main Market Listing Requirements of Bursa Malaysia Berhad. To avoid repetition, some of the information is reported in the IOI Corporation Berhad’s Annual Report 2017.
Over the last year it has been a priority for IOI Group to engage more fully with its stakeholders and further enhance transparency and communication. The Group have committed to regularly share and communicate on its policies, practices and initiatives, and provide opportunities for everyone to give their feedback and response. This is fundamental to assure our stakeholders that we are keeping our commitments and making constant progress.

Following IOI Group’s certification suspension from the Roundtable on Sustainable Palm Oil (RSPO) last April 2016, the Group refocused its approach to stakeholder engagement and communication and paved the way for a cultural change in the organisation. The suspension was successfully lifted after only 4 months in August 2016 following the creation of our Group Sustainability Steering Committee (GSSC) and a number of concrete measures ensuring further guidance on the action plans and sustainability initiatives required going forward. Further details of the case are available on the RSPO website.

Over the last year IOI Group has also appointed a Group Head of Sustainability and built up its sustainability teams across all Group companies to strengthen its internal capabilities. A Sustainability Advisory Panel (SAP) composed of both internal and external sustainability experts was also established.

This report is IOI Group’s first stand-alone annual sustainability report and it reflects the Group’s commitment to a stronger stakeholder engagement and more open communication. It provides a detailed view on IOI Group’s sustainability efforts and updates on performance and progress to date. Beyond this report, the Group will regularly share relevant sustainability updates publicly on its website.
We believe that with strong leadership and Board oversight, as well as linking our peoples’ values and support for sustainability with their daily work and the company’s operations, sustainability can be successfully embedded within our organisation. IOI’s major drivers in implementing our sustainability commitment are from our employees, customers, suppliers, surrounding communities and the environment.

OUR EMPLOYEES
They form the backbone of our success. To further strengthen our commitment towards the care and wellbeing of our workers, we do not only subscribe to the Universal Declaration of Human Rights and the International Labour Organisation’s core conventions, but also to the United Nations Guiding Principles on Business and Human Rights and the Principles of Free and Fair Labour in Palm Oil Production. We have recently enhanced our Sustainable Palm Oil Policy (SPOP) on Human Rights and Workplace by introducing strong policies on no recruitment fees for foreign workers, no retention of passport, freedom of association and ensuring above minimum wage payment. We have also conducted our labor rights monitoring project with a labour consultant as part of IOI’s overall efforts to strengthen our management systems and tools. In the area of workplace safety, we continuously provide relevant training to our employees and monitor the Lost Time Incident Frequency Rates as an important safety measure.

DEAR STAKEHOLDERS,
As IOI embarks on the journey of corporate sustainability, we have encountered many challenges, risks and opportunities. We recognise that while corporate growth and profitability are pivotal to our business, the pursuit of societal goals specifically those relating to sustainable development – environmental protection, social equity, and economic development, are fundamental to our responsibilities as citizens of this world.

MESSAGE FROM OUR CEO

DATO’ LEE YEOW CHOR
Chief Executive Officer
OUR SUPPLIERS
In the last few years, responsible sourcing has become a priority for both IOI and our customers. Subsequently, we have added, as an Annex to our SPOP, a more rigorous supply chain policy commitment that applies to our third-party suppliers. In order to communicate and engage with our suppliers regarding this commitment, we have conducted many workshops, trainings and meetings facilitated by industry experts, government agencies, and NGOs.

THE SURROUNDING COMMUNITIES
We have a longstanding involvement with the surrounding communities. Among the corporate social responsibility activities that we have carried out are awareness campaigns to empower women workforce in the estates, awarding of scholarships to students from the surrounding communities to pursue education at all levels, raising money to help fight diseases like Multiple Sclerosis and Zika, and working with the communities to rehabilitate and conserve their natural environment. Additionally, as a plantation-based company with over 23,000 employees, we have helped to improve the income level and well-being of many rural communities by providing jobs to the local people, building infrastructures such as roads and bridges and providing business for local enterprise.

THE ENVIRONMENT
We are now a member of the High Carbon Stock Approach Steering Group after agreement was reached at the High Carbon Stock (HCS) Convergence meetings. We are also developing a landscape level approach in our Ketapang concession in Indonesia where we collaborate with both the federal and provincial government agencies, local communities, NGOs and other plantation companies to promote sustainable management of the landscape. Part of the implementation of this approach includes continuous buffer zone monitoring to ensure the effectiveness of fire prevention, pest management and biodiversity conservation. We also practice Zero Burning Policy during new planting and recycling of felled palm trees for biomass retention during replanting.

MOVING FORWARD
IOI has done a lot in the area of sustainability throughout its operations and in promoting sustainable development in the palm oil industry. We recognise that the journey of sustainability is a long and arduous one. We are prepared and committed to undertake this journey by holding fast to our IOI Core Values, in line with our Vision IOI.
As one of the world’s largest and vertically-integrated palm oil producers, IOI Group’s business comprises the upstream plantation and downstream resource-based manufacturing. IOI Corporation Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad. The Group have employed more than 23,000 employees, of which 71% are male employees and the rest 29% are female employees.

The Group’s plantation business covers Malaysia and Indonesia with a land bank of more than 230,000 hectares, and is one of the largest plantation owners in the industry. With our hands-on management approach and good agronomic practices, IOI Group is ranked highly among the most efficient major plantation owners with one of the highest oil yields in the industry. A substantial portion of the Group’s plantation produce - crude palm oil and palm kernel - is utilised in the resource-based manufacturing operations.

IOI Group’s downstream businesses are operated by IOI Loders Croklaan and IOI Oleochemical. IOI Group have manufacturing facilities in Malaysia, the Netherlands, USA, Canada, Germany and China. Currently, our downstream products are exported to more than 85 countries worldwide.

A full description of the Group’s integrated business model can be found in Palm Oil Business Stream in our Annual Report 2017.
**GLOBAL PRESENCE**

- Channahon, USA
- New Jersey, USA
- Toronto, Canada
- Sao Paulo, Brazil
- Rotterdam, The Netherlands
- Wormerveer, The Netherlands
- Witten, Germany
- Hamburg, Germany
- Wittenberge, Germany
- Milan, Italy
- Warsaw, Poland
- Moscow, Russia
- Malaysia
- Xiamen, The People's Republic of China
- Shanghai, The People's Republic of China
- Kalimantan, Indonesia
- Manila, The Philippines
- Bobo Dioulasso, Burkina Faso
- Tema, Ghana
- Cairo, Egypt

**LOCATIONS**

**LOCAL PRESENCE**

- Penang Port
- Penang International Airport
- Port Klang
- West Port
- Kuantan Airport
- Senai International Airport
- Pasir Gudang
- Port Tanjung Pelepas
- Kuantan Port
- KLIA
- Sultan Azlan Shah Airport
- Tawau Port
- Tawau Airport
- Lahad Datu Airport
- Kota Kinabalu Airport
- Lahad Datu Port
- Sandakan Port
- Sandakan Airport

**PLANTATION (PENINSULAR)**
1. Bukit Dinding Estate
2. Detas Estate
3. Bukit Lekiu Estate
4. Leppard A Estate & Laihun A Estate
5. Melaka Estate & Mentong Estate
6. Pulai Estate
7. Shabram S/I/I 1 Estate & Shabram S/I/I 2 Estate
8. Batu Estate & Kudat Jelei Estate
9. I/OI Research Centre & Regent Estate
10. Gomali Estate, Paya
11. Lang Estate & Tembong Estate
12. Bukit Serampang Estate
13. Sagai Estate
14. Segamat Estate
15. Kangar Estate
16. Paroi Estate, Tenir, Tenir Estate, Merrer Estate & Unjaya Estate

**PLANTATION (EAST MALAYSIA)**
11. Balung Estate
12. Carakawan Estate
13. Ulico 1 Estate
14. Pekan Estate
15. Ulico 1-5 Estates
16. Leppard 1-5 Estates
17. Permudian Estate
18. Syamso 1-9 Estates
19. Sembiring Estate
20. Mayin Estate & Tengku Estate
21. Lawin Estate
22. Lestang Sabah Estates, I/OI Labs & Sandakan Regional Office
23. Larub Estate
24. Sakan Estate
25. Paroi Sabah Estates
26. Sagai Estate
27. Sapp Estate & Tejam Estate

**RESOURCE-BASED MANUFACTURING**
1. I/OI Oleochemical Operations
2. I/OI Pan-Century Oleochemicals & Refinery Operations
3. I/OI Lipid Enzymes Plant
4. I/OI Loders Croklaan Refinery/Specialty Fats Operations
5. I/OI Palm Oil Refineries/Kernel Crushing Plant

**ABOUT IOI CORPORATION**

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CORPORATE GOVERNANCE AND ETHICS

RISK MANAGEMENT

The board-level Audit and Risk Management Committee (ARMC) maintains risk and audit oversight for IOI Group through the adopted Enterprise Risk Management (ERM) framework. A more detailed explanation on the risk management and internal control is explained in IOI Corporation Berhad’s Annual Report 2017.

Operational risks, including health and safety, quality, production, marketing and distribution, and statutory compliance, are managed at the business unit level and guided by approved Standard Operating Procedures. Operational risks relating to supply chain, environmental sustainability, integrated systems, transfer pricing and reputation, are coordinated centrally.

CORPORATE RESPONSIBILITY

IOI Group’s Corporate Responsibility Policy reflects our commitment to integrity and maintaining fair and ethical practices. The Code is communicated to all Directors and employees upon appointment or employment.

We encourage feedback with regards to the Group’s compliance or any suspected violations of the Code. IOI Group’s Whistle-blowing Policy provides an avenue for all Group employees, agents, vendors, contractors, suppliers, consultants and customers, along with members of the public, to raise concerns about any improper conduct in a transparent and confidential manner without fear of retaliation.

ANTI-CORRUPTION

IOI Group’s Code of Business Conduct and Ethics sets our commitment to integrity and maintaining fair and ethical practices. The Code is communicated to all Directors and employees upon appointment or employment.

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SUSTAINABILITY HIGHLIGHTS 2016/2017

ENSURING OUR COMMITMENTS

- Launch of IOI Group’s revised Sustainable Palm Oil Policy (SPOP) and Sustainable Implementation Plan (SIP).
- Review of Assessments and Procedures on KPAM - our last wholly unplanted concession - by Proforest.
- The independent labour rights verification assessment work completed by international consultant BSR.

Read more on p.17,36

STRENGTHENING OUR SUSTAINABLE PALM OIL POLICY (SPOP)

- Further revision to IOI Group’s SPOP in February 2017 was made to enhance our commitment in regards to third-party suppliers.
- Latest update made in June 2017 to reflect the Group’s commitments toward human rights and workplace.
- IOI Group is also committed to apply the newly revised High Carbon Stock Approach methodology and its associated social requirements in its operations.

Read more on p.14,18,19,23,30,36,39,45

ENHANCING CONSERVATION AND BIODIVERSITY

- Actions such as training communities in fire-fighting taken to empower communities.
- Tangible progress made in the development of Ketapang Landscape Level Approach.
- Various initiatives such as wildlife protection in collaboration with Indonesia’s Natural Resource Conservation Agency (BKSDA) undertaken to save orangutans.
- Commitment to the High Carbon Stock Approach and a member of High Carbon Stock Approach Steering Group.
- Commitment to implement global best-practice peatland management.

Read more on p.26,42,43,45

REDUCING GHG EMISSIONS

- Development of methane capture facility in Ketapang Plantation.
- Mitigation of biogas emission from palm oil mill effluent (POME).
- 2 biogas plants commissioned to capture methane and mitigate emissions, contributing to GHG reduction of 120,000 MT of CO2 per year.

Read more on p.42
AUGUST 2016 TO JUNE 2017
IN SUMMARY

5 AUGUST 2016
The RSPO lifted the suspension of RSPO certification for entire IOI Group based on the detailed action plan proposed by IOI to mitigate issues at hand.

8 AUGUST 2016
Updated IOI Group’s Sustainable Palm Oil Policy (SPOP) was published following stakeholder outreach and engagement with Proforest. The SPOP brought together relevant commitments from across the Group, and defined clear actions going forward. The Sustainability Implementation Plan (SIP) was also published, setting the activities, milestones and timelines to realise the goals and commitments established in the SPOP.

31 AUGUST 2016
IOI Group, Global Environment Centre (GEC) and Aidenvironment visited Ketapang, Indonesia concession to assess progress of implementation of action plan suggested by GEC on the ground.

2 SEPTEMBER 2016
IOI Group and RSPO verification auditors, visited PT BSS (SNA Group) in Ketapang, Indonesia to verify the progress made by IOI.

OCTOBER 2016
IOI Group’s new Grievance Mechanism was published and developed with input from stakeholders and is being implemented since October.

5 DECEMBER 2016
IOI Group’s new Grievance Mechanism was published and developed with input from stakeholders and is being implemented since October.

20 DECEMBER 2016
A meeting was held to discuss further the terms of the settlement agreement with the affected communities in IOI-Pelita concessions. During the meeting, the community requested some additional terms be put into the third settlement agreement.

22 DECEMBER 2016
IOI Group’s Palm Oil Dashboard was published online.

1 DECEMBER 2016
Aidenvironment issued a joint statement with IOI Group regarding their satisfaction on the ground progress at the Ketapang concession, and the closure of the case where they are concerned. A draft settlement agreement which gives the native community land use rights was presented to the affected communities for consideration.

3 FEBRUARY 2017
IOI Pan-Century was certified with the new ISO 14001:2015 Environmental Management System, the first oleochemical company in Malaysia to do so.

15 MARCH 2017
IOI Group joined the Fire Free Alliance (FFA), a voluntary multi-stakeholder group consists of 8 companies including IOI, that aids in the resolution of land forest fires in Indonesia, to further strengthen its fire prevention and management efforts in the Republic.

28 APRIL 2017
Greenpeace suspended its campaign against IOI Group in light of its action plan and commitments to the environment, labour rights and third party suppliers assessments taken.

19 MAY 2017
The first meeting was held for the independent IOI Group Sustainability Advisory Panel (SAP), which consists of customers, NGOs and industry experts.

12 JUNE 2017
SPOP was further revised following consultation with NGOs to incorporate enhanced application of the High Carbon Stock Approach (HCSA) methodology and its social requirements, and to address labour rights issues, commitments on Principles of Free and Fair Labour in Palm Oil Production as well as UN Guiding Principles on Business & Human Rights.

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Field verification visit by RSPO was conducted along with independent experts at IOI’s plantations in Ketapang - PT Sukses Karya Sawit (PT SKS), PT Barkat Nabati Sawit (PT BNS) and PT Bumi Sawit Sejahtera (PT BSS).

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A series of workshops for employees was initiated. The workshops covered topics from third party sourcing to High Conservation Value (HCV), High Carbon Stock (HCS), peatland, and third-party supplier’s engagement to ensure compliance with our commitments stated in the SPOP.

January 2017
Engagement with international labour rights monitoring consultant BBR on fair and proper labour practices across our plantations in Malaysia. This system will support the Group’s operations in addressing the concerns raised by Finnwatch, as well as to review migrant workers’ management practices in Sabah, where the majority of IOI’s plantation reside.

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SuSTAINABILITY VISION
The Group believes that 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

SuSTAINABILITY PRINCIPLES AND VALUES
IOI Group is working to further embed sustainability within its businesses, promoting the adoption of best practices across all operations, ensuring the wellbeing of our people and communities, as well as meeting our stakeholders’ expectations. Looking forward, this will help ensure mitigating critical concerns such as climate change and water scarcity are integrated into our long-term business strategy.

To support this process, the Group has developed a systematic approach which will be followed to manage its Corporate Responsibility and Sustainability policies, risk management approach, targets and goals, assurance, as well as commitments to the stakeholders.

To comply with all applicable legislation and codes of practice.

To implement leading sustainability standards laid out in the SPOP for environmental management, human rights and workplace conditions, community development and social impact.

To develop traceable supply chain where all suppliers are compliant with IOI Group’s commitments.

To strive for the highest levels of transparency and stakeholder engagement.

IOI GROUP SUSTAINABLE PALM OIL POLICY (SPOP)

IOI Group aims to be in the forefront in both sustainable palm oil production and sourcing, and is committed to the sustainable management of its oil palm plantations and the implementation of responsible, global palm oil supply chain.

The Sustainable Palm Oil Policy (SPOP) is based upon the following principles:

1. To comply with all applicable legislation and codes of practice.
2. To implement leading sustainability standards laid out in the SPOP for environmental management, human rights and workplace conditions, community development and social impact.
3. To develop traceable supply chain where all suppliers are compliant with IOI Group’s commitments.
4. To strive for the highest levels of transparency and stakeholder engagement.

The SPOP, which serves as the main guiding document for the Group’s sustainability practices, was first launched in March 2014, with the revised SPOP published in August 2016. The Group had further revised and published the policy following our engagement with stakeholders to reflect our serious intent towards sustainability and sustainability practices. Specifically, on top of the addition of the Annex on implementation of policy commitment by third-party suppliers in February this year, the Group is now also committed to apply the newly revised High Carbon Stock Approach (HCSA) methodology and its associated social requirements.

In addition, the Group has made further enhanced commitments in the area of Human Rights and Workplace which include no recruitment fees charged to workers at any stage in the recruitment process, in both receiving and sending countries, payment of monthly minimum wage in accordance with the current labour regulations, access of trade unions to workers and to adopt both the Free and Fair Labour Principles and UN Guiding Principles on Business and Human Rights, amongst others. IOI Group is also committed to no retention of passport of our migrant workers by year end.

The Group stands firmly committed to the implementation of its sustainability policies and believes that its progress in key areas, combined with these new commitments and measures, sends a strong signal to stakeholders on our desire for continued improvement. Any update on the SPOP will be announced on the Group’s website and the most up-to-date SPOP is available for download.

SOME KEY COMMITMENTS:

- RSPO Next in our Malaysia’s plantations
- Zero Burning Policy
- Eliminate all forms of illegal, forced, bonded, compulsory or child labor in operations or supply chain
- Protection of HCV and HCS areas in existing and new plantations
- No deforestation
- No development on peatland for new plantation
- No retention of passports
- No Recruitment Fee Policy

The Sustainability Implementation Plan (SIP) serves as a working document to meet our goals and commitments stated in the SPOP. Outlining our activities, timeline, key milestones, and ongoing progress. It is updated quarterly and is available for download on our website.

http://www.ioigroup.com/Content/S/PDF/SustainablePalmOilPolicy.pdf
SUSTAINABILITY FOR
IOI CORPORATION

SUSTAINABILITY GOVERNANCE

IOI Group's Board of Directors oversees the management and governance, ensuring an effective implementation of the Group’s sustainability plan. Aside from this we have set up a more systematic Sustainability Governance Structure which comprises of;

Sustainability Steering Committee - On the Governance aspect, to ensure that we keep our sustainability strategy and performance on track and support the Board in setting high level direction and focus,

- IOI Group set up a Sustainability Steering Committee that reports to the IOI Board of Directors. This committee comprises the Group CEO, Heads of the Operating Divisions, Group Head of Sustainability, and Senior Management from Group Support Functions.

Sustainability Team - In line with IOI Group's greater commitment towards a more transparent and effective execution of policy, we have recently put in place a new Sustainability Team structure where the Sustainability Teams at all operating divisions have a reporting line to the Group Head of Sustainability who reports directly to the Group CEO. This will ensure that the operations personnel strictly adhere to all sustainability policies, practices and commitments of the Group.

During this reporting period, IOI Group has more than doubled its staff of sustainability professionals. For further details on our corporate governance, please refer to the Corporate Governance Report included in the Group’s Annual Report 2017, or visit the Corporate Governance section of our website.

Sustainability Advisory Panel (SAP) - The Sustainability Advisory Panel (SAP) supports the roll-out of the Group’s SIP, and advises on specific issues raised by multi-stakeholders such as NGOs and RSPO. The SAP is composed of NGOs, customers and subject-matter experts and experienced professionals from various countries and sectors, including Oxfam, WWF and Mondelez, etc., as well as representatives from IOI Group senior management. Going forward, the Panel will advise and challenge the Group on delivering its sustainability commitments and ambition. It will provide a critical review and advisory function to the Group’s sustainability activities and help to review its progress in delivering its sustainability commitments as set out in the SPOP and SIP.

The Panel will also advise on an independent progress evaluation of IOI Group’s SIP in Q2 2018.

IOI PLANTATION 70 person
HQ: 3
Peninsular Malaysia: 6
East Malaysia: 50
Indonesia: 11

IOI LODERS 6 person
Europe: 3
America: 1
Asia: 2

IOI OLEOChemICAL 3 person

CORPORATE 3 person

COMMODITY MARKETING 2 person

GRIEVANCES

GRIEVANCE PROCEDURE

IOI Group is committed to resolve any grievance raised by our stakeholders. A Grievance Procedure is established for all stakeholders who might identify issues or incidents in our supply chain that are not in line with principles stated in the Group’s SPOP. Grievances can be submitted through a number of channels made available on our website, and are dealt with in a fair and timely manner. In view of transparency, a list of grievances received with progress updates is published and available to download from the Group’s website.

GRIEVANCE LIST

All issues raised are fully disclosed in our Grievance List. Outstanding grievances as of 30 June 2017 include environmental complaint in Ketapang, land dispute in Sarawak and labour issues highlighted by Fistwatch in Peninsular Malaysia. Details are further discussed under IOI Plantation section of this report.

Grievances can be submitted through the following channels:
- By email to: grievance@ioigroup.com
- By telephone to: +603 8947 8651; +31 (0)75 629 2482
- By sending text via SMS or Whatsapp to: +6019 612 9101
- In mailing to: IOI Corporation Berhad, Level II, Two IOI Square, IOI Resort, 63502 Putrajaya, Malaysia (Attn: Sustainability Coordinator)

1 http://www.signgroup.com/content/s/pdf/grievance/mechanism%20FINAL.pdf
2 http://www.signgroup.com/content/s/content/s_grievance
3 http://www.signgroup.com/content/s/pdf/grievancelist.pdf
IOI Oleochemical (formerly known as Acidchem International) is the current winner of the PMHA Challenge Trophy and the “Excellent Achievement” awards, the first palm oil company to do so, and retained the “Penang State Award” won previously.

IOI Oleochemical won the biennial Malaysian Palm Oil Board’s Palm Industry Award (Anugerah Industri Sawit) 2015/2016 for Best Oleochemical Producer in Malaysia for the 4th time since 2006.

Improving our level of engagement with stakeholders through ongoing communication with full transparency on our performance is a priority for IOI Group.
IOI Group’s outreach programs focus on education to empower the young to become leaders of tomorrow. The Group’s human capital development and corporate philanthropic initiatives are mainly undertaken by our charity arm, the Yayasan Tan Sri Lee Shin Cheng (“Yayasan TSLSC”).

**SCHOLARSHIP AWARDS**
- Offered for full time undergraduate studies in local higher learning institutions in Malaysia.
- Practical training/internships related to their future job, educational grants and interest-free educational loans offered to students, reducing the financial burden on families and reducing drop-out rates of students.
- Career opportunities within IOI Group provided after graduation, helping students to find a relevant job for their skills after completing studies and enabling the Group to hire new talent for the company.
- Awarded to more than 250 students.
- RM6,262,083.15 invested since 1998, of which RM424,000 invested during 2016/2017.

**STUDENT ADOPTION PROGRAM**
- Underprivileged students receive a school bag and cash assistance of RM800 for primary and RM1000 for secondary students each year.
- Provides equal access to **basic education** for students in need, and eases financial burden on their families resulting in less drop-outs.
- Over 984 students from 2014 schools have been ‘adopted’ since introduction in 2008.
- RM403,449 invested during 2016/2017, with in-kind contributions including school bags and stationery.

**SCHOOL BUILDING FUND**
- New school buildings funded to provide a comfortable study environment for students.
- Donations include:
  - RM 5,000,000 for Kuen Cheng High School
  - RM 20,000 for Lahad Datu Middle School
  - RM 10,000 for Yu Yuan High School
  - RM 10,000 for Lembaga Pengurus SRJK (C) Wu Teck
- SJK (C) Shin Cheng (Formally known as SJK (C) Harcroft) is our own funded school situated in IOI Group’s township of Bandar Puchong Jaya.

**YOUNG ACHIEVERS AWARDS**
- Annual ceremony rewarding children of IOI employees for excellence in studies, appreciating our staffs’ commitment to their children’s education and motivating the children to excel in their studies.
- 68 students received cash awards and certificates this year for their outstanding performance in major exams (e.g. A-levels, STPM, O-levels, SPM, etc.). They also received plaques, and Gold Achievers were given the opportunity to share their story and develop their public speaking skills.
- Motivational speakers to enhance students’ skills and support optimistic mind-frames.
- RM 33,400 invested for FY2017, with in-kind contributions including educational grants and interest-free educational loans.

**IOI – PUCHONG STEM PROGRAM**
Collaboration with Chumbaka Sdn Bhd (Chumbaka) and Agensi Inovasi Malaysia (AIM) to co-sponsor an after-school program focusing on Science, Technology, Engineering & Mathematics (STEM).

- Weekly 2-hour workshops conducted by Chumbaka to promote interest and provide opportunities to learn and innovate in areas such as digital marketing, coding and prototyping.

- 210 students from 10 schools participated: 5 primary schools & 5 secondary schools.
- On 8 July 2017, STEM students from 5 schools participated in **young Innovate Competition** organised by Cyberview Sdn Bhd, and won 4 Gold, 4 Silver and 3 Bronze trophies.

RM112,875 contributed to the program during 2016/2017, matching the funds donated by AIM.

**BARGAIN BASEMENT**
- Charity shop selling usable donated items at affordable prices. Run by Yayasan TSLSC and staffed by volunteers in their own time.
- IOI staff and the community donate pre-used items such as clothes, toys or books to sell in the shop.
- 100% of net proceeds go to charity, with RM58,000 cash assistance given to 6 beneficiaries to date.
- Two fund-raising events held for SJK (C) Khong Chee and Living Hope and have managed to collect combined total of RM3,890.
- Featured in The Star newspaper twice this year as a good community initiative.
- Set-up cost contributions include RM159,000 with software purchase of RM4,240.

A total of RM61,890 has been donated in FY2017.
IOI Group is committed to address climate change by monitoring and reducing potential contributions to greenhouse gas (GHG) emissions. The Group has already adopted both the ISCC and RSPO Palm GHG methodologies to proactively monitor GHG emissions and take practical steps to reduce GHG emissions from palm oil production. IOI Group is developing a group-wide reporting format for GHG emissions along with a reduction strategy that will include clear targets for the coming years. Further details on initiatives and programs please refer to each specific unit in page 34 for Plantation, page 50 for Loders Croklaan and page 56 for Oleochemical.

HIGH CARBON STOCK APPROACH (HCSA)

IOI Group is a member of the High Carbon Stock Approach (HCSA). Prior to this, IOI Group was a member of the High Carbon Stock Plus (HCS+) and participated in the convergence process of the HCSA and the HCS+ methodologies. In November 2016, the convergence process was successfully completed with the release of a new HCSA toolkit incorporating the elements of both process. The Group’s SPOP was updated in January 2017 to reflect this revised approach, with recommendations to be implemented and important remaining issues to be addressed through engagement with the HCSA Steering Group. Further report on HCSA can be found under Plantation in page 34.

SUPPLY CHAIN

IOI Group sources its palm oil products through direct supply, procuring directly from both the Group’s mills and third-party mills, and from indirect supply, procuring from trading partners. 1,401 mills are supplying IOI Group globally, with majority in Malaysia and Indonesia. Our suppliers are needed to comply with stringent quality and sustainability requirements and disclose traceability information. Though there has been no change to our supply chain during the reporting period, IOI Group had to temporary suspend third-party oil suppliers due to their non-compliance to our sustainability requirements. The latest updates are provided on our Grievance List online.

TRACEABILITY OF SUPPLY CHAIN

IOI Group is committed to building traceable supply chains. Phased supply chain traceability targets are communicated in the time-bound SIP, and progress reported quarterly. To date, IOI Group has achieved 100% traceability to mill level, including indirectly sourced volumes.
RESPONSIBLE SOURCING & TRACEABILITY

RESPONSIBLE SOURCING

IOI Group’s Third Party Supplier (TPS) program ensures suppliers are compliant with our commitments stated in the SPOP. Implementation of policy commitments for third party suppliers are incorporated in the SPOP through the Third Party Supplier Annex. In addition, the Group has developed and communicated to suppliers the new mechanisms to proactively monitor third party suppliers to ensure compliance to its policy commitments.

A total of 21 mill verification assessments were completed during the reporting period, representing 1.5% of our suppliers. In total 1 direct supplier and 2 indirect suppliers were found to be non-compliant during the reporting period. Appropriate measures were taken in line with the Group’s commitments laid in SPOP.

The names GPS coordinates and controlling groups of each mill and refinery in our supply chain are published on the IOI Group’s website.11

We have targeted another ten to fifteen (10-15) mills for on-site verification in this financial year. The mill verification team will also push those mills verified by IOI and Proforest to submit their time bound action plans within the requested timing. IOI Group is part of various industry groups (e.g. a partner of WRI Global Forest Watch, the Traceability Working Group) and we actively seek collaboration with other refiners at landscape level to drive changes on the ground.

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

MILL VERIFICATION

TRACE PALM OIL TO MILL
GPS coordinates
Mill name and parent company
Volume

PRIORITISE THE MILLS
Partnership with Proforest and Global Forest Watch
Remote sensing

ON-SITE MILL VERIFICATION
Visit high priority mills
Check progress: direct mills

STEP 1: TRACEABILITY

The traceability update for 2016/2017 is also available on IOI Group website.12 We mapped the Group’s palm oil supply chain in a yearly basis with the level of detail that has increased over the years.

ENGAGNG OUR SUPPLIER

Technical Workshop

IOI Group organised a two-day Supplier Technical Workshop in Sabah to address similar issues found in the supplier assessments conducted by Proforest. A total of 40 participants from 11 companies attended the capacity building workshop held in Sandakan on 5-6 December 2016. Speakers from Proforest, World Wildlife Fund (WWF), Sabah Environmental Protection Association (SEPA) and Malaysian Nature Society (MNS) provided technical expertise on HCV, palm oil, fire issue, and labour. SEPA covered topics on free, prior and informed consent (FPIC) principles, common labour issues and practices.

IOI Plantation also attended the workshop to share field experiences on the ground and highlight the importance of addressing the gaps found in supplier’s supply chain, and reiterated IOI’s continuous support to all suppliers.

Johor Roundtable Session

Johor Roundtable Session was organised by IOI Group’s implementation partner, Proforest in collaboration with AAK and Mewah Oils to engage with our suppliers while providing information on the Group’s Supplier Engagement Program. The session was held on 22 March 2017 in Kluang, Johor where the following issues were discussed:

1) Proforest’s responsible sourcing approach methodology
2) Introduction to IOI Group’s SPOP Mewah and AAK (which was presented by a representative from each company)
3) Briefing on the supplier verification visits by Proforest – the process, checklist used and expected outcomes
4) Introduction to the various certifications standards in the industry
5) Challenges faced by millers in adhering to sustainability requirements as well as the opportunities and solutions that could be provided to address the challenges (which were discussed within smaller groups in the breakout session)

At the end of the session, a total of 16 participants from eight mills in Johor were each presented with a certificate of attendance.

STEP 2: RISK ASSESSMENT

Mill risk assessments are proactively conducted for all mills in our supply chain, including direct and indirect supply. Each mill’s risk level is categorised by:

• Spatial data focusing on biodiversity rich areas and land use change from the World Resources Institute’s (WRI) Global Forest Watch (GFW) platform, and near real-time satellite monitoring information from IOI Group’s external partner, Satelligence.
• Stakeholder alerts such as complaints from NGOs, media publications and government sanctions.
• On the ground information from IOI Group’s intel partner, providing valuable insight on conditions.

Risk assessments have been conducted on the Group’s entire supply base every year since 2014. All new mills in our supply chain undergo a risk assessment every quarter.

STEP 3: ON-SITE MILL VERIFICATION

Engagement visits and compliance workshops are conducted for mills in the direct supply chain. Each trading partner in the indirect supply chain is also engaged to ensure a similar program for mill-level engagement is being implemented. Where non-compliance is identified, the mechanisms detailed in section 3.3 of the TPS Annex found in the IOI Group’s SPOP are initiated.
PALM OIL DASHBOARD

The IOI Group Palm Oil Dashboard\(^{13}\) was launched online in December 2016. The Dashboard presents key information relating to IOI’s operations and suppliers. Maps for refineries and mills as well as the latest news and relevant links are also available on the Dashboard.

THE ORIGIN OF OUR OIL

Traceability Numbers: July 2016 to June 2017

<table>
<thead>
<tr>
<th>Oil Type</th>
<th>IOI Group Total</th>
<th>IOI Edible Oils Sandakan</th>
<th>IOI Oleo</th>
<th>IOI Loders Croklaan Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palm Oil</td>
<td>29%</td>
<td>99%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Palm Kernel Oil</td>
<td>22%</td>
<td>99%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Traceability palm oil to mill

Certified Volumes Sourced: July 2016 to June 2017 (Market Driven)

- Palm Oil
  - IOI Loders Croklaan Group: 6%
  - IOI Edible Oils Sandakan: 25%
  - IOI Oleo: 66%
- Palm Kernel Oil
  - IOI Loders Croklaan Group: 15%
  - IOI Edible Oils Sandakan: 2%
  - IOI Oleo: 83%
- IOI Group Total
  - Total: 100%

Volumes Sourced: July 2016 to June 2017

- Peninsular Malaysia (Direct/Indirect sourcing): 40.64%
- Sabah, Malaysia (Direct/Indirect sourcing): 39.20%
- Sarawak, Malaysia (Indirect sourcing): 9.47%
- Indonesia: 7.12%
- Other: 3.57%

RISK ASSESSMENTS & SUPPLIER VERIFICATIONS

- Peninsular Malaysia (Direct/Indirect sourcing): Total # of mills in supply chain: 265, Total # of mills risk assessed: 95, # of mills with on-site verification completed: 105, # of mills with time bound action plan in place: 72
- Sabah, Malaysia (Direct/Indirect sourcing): Total # of mills in supply chain: 126, Total # of mills risk assessed: 110, # of mills with on-site verification completed: 9, # of mills with time bound action plan in place: 64
- Sarawak, Malaysia (Indirect sourcing): Total # of mills in supply chain: 72, Total # of mills risk assessed: 64, # of mills with time bound action plan in place: 0
- Indonesia (Indirect sourcing): Total # of mills in supply chain: 777, Total # of mills risk assessed: 685, # of mills with on-site verification completed: 1, # of mills with time bound action plan in place: 161
- Other (Indirect sourcing): Total # of mills in supply chain: 161, Total # of mills risk assessed: 106, # of mills with on-site verification completed: 5, # of mills with time bound action plan in place: 2

\(^{13}\) http://www.ioigroup.com/content/s/s_dashboard

Source: IOI Group Palm Oil Dashboard
Enhancing Reach & Engagement

IOI Plantation

In IOI Plantation, we see land as a community to which we belong to and to use it with respect. This is why we aim to always take responsibility for protecting and conserving the environment and habitat around it, as well as help to enrich the community in which we live in.

- NB Sudhakaran,
  Senior General Manager, IOI Plantation
**LOCATION OF IOI PLANTATION ESTATES AND MILLS**

**EAST MALAYSIA** (43,471 ha) 25%

**KALIMANTAN, INDONESIA** (16,465 ha) 9%

**SAFETY COMMITMENTS**

- **International Sustainability and Carbon Certification (ISCC)**
  IOI Group actively pursues the International Sustainability and Carbon Certification ("ISCC") for palm oil mills and estates in Malaysia. ISCC is the first international certification system that can be used to prove sustainability and greenhouse gas savings for all kinds of bio-mass and bio-energy. The current list of certified units is available on the ISCC website.

**AT A GLANCE**

- **SIGNING OF MoU WITH INDONESIA’S NATURAL RESOURCE CONSERVATION AGENCY (BKSDA)**
- **7,668.08 HA**
  - HCV AND CONSERVATION AREA

- **LIDAR MAPPING IN KETAPANG**
- **FIRE MANAGEMENT PROGRAMME FOR COMMUNITY IN KETAPANG**
- **LANDSCAPE LEVEL APPROACH IN PIPELINE**
- **2 BIOGAS PLANTS**

**PROTECTING THE ENVIRONMENT:**

- **17 HONORARY WILDLIFE RANGER**
- **12 HONORARY FOREST RANGER**

**SUSTAINABILITY REPORT 2017**

**SPONSORED 2,918 STUDENTS FOR HUMAN AND WITH OVER**

**RM1.5 MILLION**


**SUStAINABILITY COMMITMENTS**

- Roundtable on Sustainable Palm Oil (RSPO)
  IOI Group’s all palm oil mills and estates in Malaysia, except 2 newly-acquired mills, have successfully attained the RSPO certification. The final two mills will undergo certification by 2018. The current list of certified mills is available online from the IOI Group Palm Oil Dashboard.
Labour and social issues surrounding migrant and foreign workers on IOI Plantation estates were raised last year by Finnwatch. Specifically, concerns were voiced in a report published in November 2016 over the working conditions at estates in Peninsular Malaysia regarding minimum wages, problems related to retention of passports, and freedom of association.

In January 2017, IOI Group addressed these concerns and tasked an independent sustainability consultant BSR to assist in the implementation of fair and proper labor practices together with a labor rights monitoring system for plantations in Malaysia. BSR will also verify the corrective measures taken and recommend any additional actions needed. The full report is expected to be published in September of this year together with an action plan to address any gaps highlighted.

IOI Group’s SPOP was further revised in June 2017 in consultation with various NGOs to address labour rights issues including IOI Group’s No Recruitment Fee Policy, a freedom of association clause, no retention of workers’ passports by the end of 2017, a commitment on minimum wage for workers, and commitment on principles of Free and Fair Labour in Palm Oil Production as well as the UN Guiding Principles on Business & Human Rights. IOI Group also added additional personnel to the IOI Plantation Human Resource Department to ensure compliance in social and labour issues, especially in the recruitment processes.

A number of social and labour related policies are to be finalised by the end of 2017. These include:

- Minimum Wage Policy
- Foreign Workers Passport Safekeeping Guideline
- Centralised locker for passport in Bukit Lelau.
- Child care centre in one of the estate.
- briefing on the new passenger transporter.
- Workers equipped with personal protective equipment (PPE) for spraying works.
Workers donning PPE as part of safety measures when handling chemicals.

Continuous training and awareness programs such as PPE training, chemical handling training and hazard guidance are conducted for employees dealing with potential hazards such as chemical pesticides or machinery. Training and education programs are scheduled based on a Training Needs Analysis conducted every 6 months.

A grievance hotline number and whistle-blowing channels are open for the workers to voice out safety and health concerns. Issues are taken to the Safety and Health Committee, or other relevant parties to resolve the problem. The following targets and progress to date are tracked on a monthly basis:

- Reduce accidents, occupational diseases and occupational poisonings by at least 10% as compared to previous year;
- Based on the total number of man hours worked, ensure that an average of five man hours is allocated for each employee to undergo occupational safety and health-related trainings in a year;
- Investigate and find causes of all accidents, near misses, dangerous occurrences, occupational diseases and occupational poisoning, and take appropriate measures to prevent the recurrence of such incidents;
- Ensure that every worker who is assigned to a new task or machine is provided with Safe Operating Procedures and on-job training before they are allowed to commence work on their own.

**CAPACITY BUILDING**

Internal training is upgraded annually. Capacity building covers best practices for agriculture, environmental management, pest management, safety and health, and fire prevention techniques. Generally, such trainings are normally conducted by competent sustainability personnel.

**Capacity Building Initiatives**

1. Anti-pollution Training
2. Honorary wildlife warden course
3. Training on buffer zone area
4. Safety and RSPO requirements training

IOI Plantation sustainability initiatives include sending employees to undergo external sustainability training and courses such as ISCC Lead Auditor Course, RSPO Lead Auditor Course and HCV assessor training.

One of our engagement meeting with the Long Nias community in Miri, Sarawak.

**COMMUNITIES AND DISPUTES**

There was a dispute over land ownership in Tinjar Long Lapok, Miri, Sarawak between a Joint Venture Company (JVC), Himwood-Pelita Sdn Bhd since 1997. This lead to one of the community filing a writ of summons against the JVC & State Government claiming Native Customary Rights (NCR) over Lot 3 and Lot 8, DLH Land District. They won their lawsuit at Miri High Court in 2010 but after a motion of appeal, the Court of Appeal (CA) overturned the decision in 2013. Then the community filed an application to appeal against the decision of the CA in 2013, but the Federal Court dismissed the plaintiff application for leave to appeal and further affirmed the CA decision that the natives have no NCR.

In the interim, IOI Group acquired shares in the JVC in 2006 and inherited this community dispute. Then in 2010 a RSPO complaint was lodged against IOI Group by 11 international and local NGOs as well as the Long Teran Kanaan community.

One of the community filing a writ of summons against the Joint Venture Company (JVC) and the Miri Residents’ Office to reach an amicable settlement. In addition, IOI has proactively engaged further with Grassroots and RSPO to ensure free and informed consent process when discussion with community is taking place. To further enhance our engagement with the community, a Community Communications Officer has been appointed and is responsible to meet regularly with the wider community and individual households to communicate and disseminate information.

Due in part to the land rights issue in Miri, as well as IOI’s respect for the community, the Group have not undertaken any operation where involuntary resettlements either took place or are ongoing. No incidents of violations involving rights of indigenous people have been recorded.

**ENVIRONMENT & CONSERVATION**

IOI Plantation strictly adheres to all relevant laws, RSPO and ISCC certification principles and criteria to protect, conserve and rehabilitate the environment. Sustainable practices are adopted and incorporated including a no deforestation commitment, and protection of High Conservation Value (HCV), High Carbon Stock (HCS) and peat areas in new developments.

IOI Plantation is committed in ensuring minimum impact to the environment through our good agriculture practices. Our Environmental Impact Assessment (EIA) is being revised annually to align with environmental regulations set by the local authority. Environmental regulation for IOI Plantation’s concession in Indonesia is following the Indonesian Environmental Impact Assessment or Analysis Dampak Lingkungan (AMDAL).
The Group is also contributing to several conservation efforts, for example the Malua Wildlife Conservation Initiative, Orangutan Foundation International’s Care Centre and Quarantine Facility in Pangkalan Bun, Kalimantan and the Malaysian Palm Oil Wildlife Conservation Fund.

Biodiversity and Conservation Initiatives

- Rehabilitation and enrichment of degraded HCV area
- Signage for information of restricted areas
- Monitoring condition of conservation and buffer areas
- Monitoring wildlife

ACTIVITIES IN BIODIVERSITY CONSERVATION AND ENRICHMENT IN 2016/2017

Wildlife Management Training

A three-day training course was given to the staff in the Sandakan Region to enhance knowledge and skills in biodiversity management by conducting on-site patrolling primarily on bird and wildlife species identification which has been conducted by Sabah Forestry Department (SFD). Participants are now aware of the diverse bird and wildlife species in the plantation areas and are equipped with adequate knowledge to make sustainability a norm in their working lives.

After the engagement and awareness training with the local authority, our wildlife ranger have equipped with better understanding of endangered species and its handling. One of the examples was the rescuing of juvenile orangutan. A two-year-old orangutan, believed to have escaped from a nearby forest reserve in search of food and a new secondary habitat, was rescued by our workers in the Sugut Estate on 17 May 2017. The orangutan was handed over by the Estate Manager to the Sabah’s Wildlife Rescue Unit. It was then handed over to Sepilok Orang Utan Rehabilitation Centre (SOURC) Sandakan.

Biodiversity Enrichment in Buffer Zone.

More than 50 volunteers attended the Tree Planting Day on 20 August 2016 as part of IOI’s efforts to rehabilitate and conserve degraded forest buffer zones. More than 150 seedlings of various selected tree species such as Binuang, Gaharu, Pulai and Ketapang were supplied by the Komuniti Anak Pokok Kinabatangan (KAPOK) and planted based on the recommendation by the Sabah Forestry Department.

Following successful rehabilitation efforts at Terusan Baru 3 Estate, a further two Tree Planting Day events were held in September and October 2016 for the rehabilitation of degraded riparian areas in Mayvin Group and Parrol Groups, Sandakan.

GREEN HOUSE GAS (GHG) REDUCTION INITIATIVES

<table>
<thead>
<tr>
<th>SCOPE 1</th>
<th>SCOPE 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL GHG EMISSIONS</td>
<td>12,465 MT CO₂e</td>
</tr>
<tr>
<td>SCOPE 1</td>
<td>3,960 MT CO₂e</td>
</tr>
</tbody>
</table>

* Data for IOI Plantation’s estates and mills excluding Indonesia region.

Data on GHG emission for Indonesia will start reporting in the next financial year report. IOI Plantation is in the process of preparing GHG Reduction Plan as part of the Group sustainability initiative.
PEATLAND MANAGEMENT

Best Management Practices (BMPs) for Peatland Management are applied as defined in the RSPO Principles & Criteria documents and referred to RSPO manual on BMP for Existing Oil Palm Cultivation on Peat. Additionally, to identify soil profile in existing plantation on peat, an external consultant had been engaged to provide report on classification of soil.

Methane drainability study of the area will be done one year prior to any proposed replanting on management and fire prevention.

For new plantings, IOI Group is committed to no development of peatland regardless of its depth. A Peatland Protection Policy is currently in development, and will cover peatland management in existing IOI plantations, new concessions, and landscapes around IOI plantation. The policy is currently being reviewed by external stakeholders.

SUSTAINABLE CULTIVATION AND PROCESSING

IOI Group’s oil yield per hectare is approximately 50% higher than Malaysia’s average, mitigating climate change as less land is required in the production of palm oil. Best agronomic practices and efficient land utilisation also lead to higher productivity, reduced use of fertiliser and pesticide, improved energy efficiency and lower GHG emissions.

GREEN ENERGY

IOI Plantation’s operations produce a vast amount of biomass by-products. Palm biomass and treated POME are recycled back to the soil as natural fertiliser. Other biomass such as shells and empty fruit bunches (EFB) are used as a renewable energy source to generate steam and electricity for mill processing. For example, a 15 MW biomass co-generation power plant at the refinery complex in Sandakan, Sabah uses biomass from its own mills to satisfy almost all the steam and electricity requirements of the complex. Overall, green energy is able to sustain 98% of IOI Plantation’s milling energy needs.

INTEGRATED PEST MANAGEMENT

The Group’s Integrated Pest Management (IPM) has been in practice for over 10 years across all estates. IPM focuses on minimised use of pesticides and chemicals to control pests. Emphasis on the IPM practices in the Group’s plantations are by using biological control method. This method is highly beneficial in reducing GHG emissions and eliminating the release of pollutants into the soil and waterways.

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FERTILISER MANAGEMENT

Fertilisers application in the plantations are recommended by the agronomist through foliar analysis by the Group’s Research and Development. The application of fertiliser in the estate is guided by International Good Management Practice to optimise nutrient uptake of palm oil tree. The table shows the type and amount of fertilisers used in IOI’s plantation.

<table>
<thead>
<tr>
<th>Fertiliser use*</th>
<th>Total Amount Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic fertiliser</td>
<td>6,459,905.26 MT</td>
</tr>
<tr>
<td>Liquid fertiliser</td>
<td>298.00 litre</td>
</tr>
<tr>
<td>Solid Fertiliser</td>
<td>167,110.94 MT</td>
</tr>
</tbody>
</table>

* Data excluding Unijaya Estate, Parmil Kluang.

Water Management Initiative

On 16 March 2017 and 4 May 2017, training on drainage and irrigation was conducted in Sandakan and Lahad Datu, Sabah respectively. The training was attended by all Head of Departments of the estates. The speaker was the Head of Water Resources Management Section from Sabah Department of Irrigation and Drainage. The training highlighted the compliance requirements of the Sabah Water Resource Enactment according to law and regulation and it also covered issues such as management of riparian buffer zones and rights to water usage.

KETAPANG LANDSCAPE LEVEL APPROACH

IOI Plantation operates four concession areas within Ketapang, West Kalimantan. A Landscape Level Approach has been adopted for peatland management in these areas in partnership with various stakeholders.

The Ketapang Peatland Landscape Approach involves mapping of peatlands area within the concessions and implementing a plan for protection and rehabilitation. The Ketapang Peatland Landscape Plan has been prepared by Global Environment Center (GEC) and implementation plans have been prepared for stakeholders to review. Following the Ketapang Peatland Landscape Approach, some of the work and initiatives have commenced including engagement with multi-stakeholders on peatland rehabilitation and ULDAR mapping of the concessions.

As part of the commitment stated in the SPOP to HCSA, for the last wholly unplanted concession of PT Kalimantan Prima Agro Mandiri (PT. KPAM) in Kalimantan, an approved HCSA practitioner has been hired to help in preparing the assessment which will be later peer reviewed by a recommended HCSA panel. For the New Planting Procedure (NPP), a HCV report will be sent to the HCV Resource Network for final sign-off before submission to RSPO NPP panel, together with other NPP documents such as AMBDA report, FPG document, development plan before development of KPAM can commence.

Water Management

IOI Plantation practices water management throughout its operation. Water management is revised by the Sustainability Team annually in every plantation to ensure our water source is well managed and conserved. A number of measures are enforced to safeguard water resources:

- Water gates installed at strategic locations along drains to keep an optimum water table level.
- Optimum level of water maintained to counter potential shortfall in rain and risk of fire.
- Riparian reserves to minimise soil run-off and act as a filter to preserve quality of water entering the waterways.
- Legume cover crops planted to prevent run-off and conserve soils. Planting on steep terrain avoided.
- Monitoring and treating Palm Oil Mill Effluent (POME) and wastewater before discharge. Greentubes applied to remove solids in POMES, reducing BOD levels to within an acceptable limit as required by the Department of Environment.
- Water for domestic use is being monitored regularly and water sampling is done every 6 months to ensure it is safe to be used by the plantation workforce.

IOI Plantation’s mills consumed an average of 1.21m3 water to process each tonne of fresh fruit bunches (FFB). A review of operations is currently underway, and reduction targets will be set during our 2018 reporting cycle for the next five years.

Water consumption per tonne

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1.29</td>
<td>1.32</td>
<td>1.47</td>
<td>1.21</td>
</tr>
</tbody>
</table>

Fire Management

The Group’s peatland fire management plan and procedures include construction of fire towers, working closely with local fire brigades, and fire patrolling using drones. Hotspots are also monitored via fire optical and radar satellites. Besides that, a series of awareness and training on fire prevention awareness were done throughout the estate and local communities by the local authority.

In our Ketapang concession, joint patrols are organised in collaboration with BKSDA, communities and plantation workers to monitor illegal logging, hunting and potential fire hotspots. Patrols are carried out in the buffer boundaries of Cagar Alam Muara Kendawangan. The joint patrol is done once a week during dry season and twice a month during wet season.
IOI PLANTATION

PEATLAND REHABILITATION

Engagement with local government has started on biodiversity enrichment within 500m buffer area boundary by planting native tree species in collaboration with local communities. About 39,284 seedlings such as gelam, Astonia sp and Pulai sp. have been planted in the area. Continuous monitoring through the three years Integrated Management Plan is being done by our SNA Group Sustainability Team with a submission of monthly progress report. Mortality of the trees is being recorded and transplants are carried out as needed.

Case Study: Peat Management in Kalimantan

Standard Operating Procedure (SOP) on Cultivation is applied for existing plantations. This procedure consists of best practices, water level management, integrated pest management and soil conservation practices and serves as a guideline to all operation units in managing peatland in existing plantations.

GEC was appointed to review the SOP in 2017. Recommendations have been implemented, including 80 canal blocks installed in 35 locations and water gates installed to maintain water levels in peat areas. Rehabilitation of degraded peat areas is currently in progress. 2,948 native plants have been planted in the first quarter 2017 in HCV areas. Mapping of peatlands in Kalimantan concessions was initiated in March 2017. Using LIDAR technology, the analysis to be available later in 2017.

EMPOWERING COMMUNITY

Communities and local governments are engaged in jointly develop and implement landscape approaches contributing to effective fire prevention and biodiversity conservation in peatlands. Corporate and Social Responsible (CSR) carried out for the local communities including repair of bridges and roads, maintenance of a Mosque and church, and promotion of experimental agricultural programs that emphasize on no-burning as a method for land clearing. An example of this is the Farming Plots Project being implemented in Desa Natai Kuni in PT BSS.

COMMODITY MARKETING

BUILDING OUR REPUTATION

IOI Group is the second most valuable palm oil plantation company as well as the largest non-government-linked plantation company in Malaysia. Building and maintaining reputation are material to our business. While the suspension of IOI Group’s RSPO certification in March of 2016 affected our reputation and the stock price, it quickly rebounded after our RSPO certification was reinstated in August of the same year. This is mainly due to the measures related to the action plans on sustainability being put in place as well as IOI’s firm commitment to addressing sustainability throughout the Group.

In this instance, we seek to be proactive in building our brand and reputation by being receptive to market’s demand pertaining to sustainability especially in emphasising the need for us and our suppliers to be sustainably compliant along the supply chain. For this to work, continuous participation in extensive stakeholder engagements, particularly with customers, suppliers and civil societies are instigated and established. Further efforts are also introduced such as tracking grievances, responding and reporting the concerns voiced by our stakeholders which we hope, will relay to our stakeholders, our commitment to not only engagement and transparency but also to protecting and ensuring that the IOI brand stands for responsibility and sustainability.

Further Group Business Review for Plantation including Operation and Production review is reported in the IOI Corporation Berhad’s Annual Report.

Customer Engagement Program – Towards Enhancing Knowledge and Sustainability

On 6 March 2017, a group of 40 visitors comprising IOI Lodders Croklaan and IOI Oleochemical’s international customers visited Pukin Estate and Pukin Mill for a guided tour to learn more about IOI’s palm oil plantations and the palm oil processes. After a presentation on the mill processing system, the visitors were brought to the estate to witness a live demonstration on the harvesting of fresh fruit bunches (FFB) using the chisel and the sickle while collection of the FFB was done using the buffalo-assisted method.

The Estate Managers, accompanied by other Keratong Region Managers explained the whole process from harvesting till crude palm oil (CPO) production to the visitors. Barn owls were shown as the biological control to reduce rat population in Pukin Estate. The visit ended with a mill processing tour. The next day, some of the visitors departed for a Sustainability Update Breakfast Meeting that was held in conjunction with Palm and Lauric Oils Conference (POC) 2017 in Kuala Lumpur with the attendance of 75 customers from IOI.

CERTIFICATION & TRACEABILITY

RSPO and ISCC certifications as defined in the SIP enhance the sales and value of palm oil products. All mills in East Malaysia and Indonesia will be audited by RSPO in mid-2017 and early 2018 respectively.

IOI Plantation has one of the first mills to be certified RSPO RED. An additional 4 mills in Malaysia will undergo RSPO NEXT audit, of which one mill will be audited in the third quarter of 2017, two mills in 2018 and the remaining one mill in 2019.

Traceability goals and commitments are addressed in the SPOR, SIP, Sustainable Palm Oil Manifesto, Internal Traceability Protocol (ITP) and IOI Group’s 3-step mill verification approach. A full breakdown of traceability figures and certified volumes sourced is shown in the IOI Group.
At Loders Croklaan, we are on a continuous journey to create a truly sustainable supply chain in oil palm products. This has required us to completely rethink our approach to sourcing raw materials, knowing their source and acting accordingly. We will direct our resources into existing priority landscapes and use our supply chain leverage to incentivise, and support, valuable landscape conservation initiatives. We aspire to support the palm oil sector as a whole to benefit from the sustainability opportunities and create a positive message.

- Julian Veitch,
CEO, IOI Loders Croklaan
ACTIVITIES DURING THE YEAR

EARTH HOUR 2017

An IOI Group initiative. At IOILC, this included staff engagement to support more sustainable practices, focusing on recycling. All operations participated in the Earth Hour week through several events.

CUSTOMER PLANTATION VISIT

Organised by IOI Plantation for IOILC and IOI Oleochemical customers to promote palm oil sustainability perspectives. The 1-day visit to IOI plantation and mill allowed customers to better understand the palm oil supply chain and harvesting process. For more info please refer to Commodity Marketing section in this report.

SUSTAINABILITY UPDATE SEMINARS

Held during the Palm & Lauric Oils Conference & Exhibition 2017 in Kuala Lumpur and the global RSPO Roundtable meeting in 2016 in Bangkok, Thailand. Attendees included customers, Sustainability Managers and Directors, buyers and traders. Updates provided by IOILC and IOI Group included: status and progress of IOI's sustainability milestones and future initiatives, Kotoaping progress update, social and labour milestones, the recently published SPOP Annex with details of the new mechanisms through which IOI will monitor and ensure the compliance by IOI’s third party suppliers to its policy commitments and social and labour initiatives. Positive feedback was received for the interactive Q&A sessions. The seminar series will be continued going forward.

SUPPLY CHAIN TRACEABILITY

IOILC sourcing operations remain compliant to all relevant global treaties, national and international laws. Memberships include RSPO, ISCC, SEDEX, the European Palm Oil Alliance (EPOA), the Dutch Alliance for Sustainable Palm Oil, and a partner of World Resources Institute’s (WRI) Global Forest Watch (GSW).

Further information can be found in Responsible Sourcing and Traceability in page 27 of this report.

IOILC Croklaan (IOILC) take responsibility for building a traceable, transparent and sustainable global palm oil supply chain guided by the IOI Group’s SPOP and IOILC’s Responsible Operating Principles.

IOILC Group’s Sustainability Team is also in the lead for executing the TPS program for the entire IOI Group supply chain. Supplier verifications are conducted by the internal audit team in collaboration with an independent third-party consultant, Protorest.

Case Study: IOILC Croklaan’s Shea Supply Chain

Shea is an important raw material for IOILC. We have been sourcing shea for more than 50 years. Shea is a wild crop and its tree is very difficult to cultivate. It is generally only found in the wild. The geographical area in which the shea tree grows stretches for thousands of kilometres through numerous countries across West Africa. Millions of people in this part of the world, especially in rural areas, depend on shea for their daily livelihood. The collection of the shea nuts is done predominantly by women.

Our support to the local communities in West Africa

We have an obligation to develop a fair, sustainable and long-lasting relationship with the people and communities involved in the sourcing and processing of shea in West Africa. We transfer the shea butter locally. This plant will have an impact on the local communities.

Over the past years we planned to open a Solvent Fractionation laboratory in West Africa. Medio 2018 we plan to open a Solvent Fractionation plant in Ghana to process and distribute the shea butter locally. This plant will create approximately 80-90 jobs locally.

Part of the Shea Program

- On top of existing sustainability initiatives, IOILC believes it also has its own obligation to source, process and sell shea related products in a sustainable manner. We respect the environment, human rights and labour conditions, and understand the economic benefits and value that shea productions bring to the people and companies who operate in the industry. We are committed to build a fully traceable, transparent and sustainable shea supply chain by implementing measures from our Sustainable Shea program.

Sustainability efforts

- IOILC is a founding member of the Global Shea Alliance (GSA) and we hold a seat in the executive committee of the GSA. The GSA is a multi-stakeholder association promoting quality and sustainability in the shea industry.
- IOILC is also an active member of the Sustainability Working Group (WG) of the GSA. This WG facilitates social and environmental projects. The objective is to improve the profit and well-being of women collecting the shea and the processors and ensure healthy tree populations.
- In 2014, IOILC requested Rainforest Alliance (RFA) to audit our shea supply chain in West Africa. The RFA report concluded that there were no major sustainability issues in our supply chain.
- In 2015, we obtained official ISCC Plus Sustainability certification for our supply chain in Burkina Faso and Ghana.
- We transfer the shea butter locally. This plant will have an impact on the local communities.
- On top of existing sustainability initiatives, IOILC believes it also has its own obligation to source, process and sell shea related products in a sustainable manner. We respect the environment, human rights and labour conditions, and understand the economic benefits and value that shea productions bring to the people and companies who operate in the industry. We are committed to build a fully traceable, transparent and sustainable shea supply chain by implementing measures from our Sustainable Shea program.

http://europe.ioiloders.com/taking-responsibility/sheabutter/shea-supply-chain
Strong environmental management is fundamental in terms of both meeting stakeholder expectations as well as operating in compliance with national laws and regulations. IOILC has its own Reduce Re-use Recycle program where we strive to reduce, recycle and re-use natural sources at each refinery facility of IOILC. Our commitment can be found in the Responsible Operating Principles. A number of environmental programs are implemented to progressively reduce GHG emissions. IOILC is also minimising use of natural resources and waste produced limited with the goal of ‘zero waste to landfill’. Several projects are in place or will be initiated at each regional level to achieve targets set. The key environmental performance data is presented in theAppendix: EES Performance Data.

**PROTECTING THE ENVIRONMENT**

![Reduce Re-use Recycle](image)

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**CARBON MANAGEMENT**

GHG emissions data is currently being monitored and reported at individual operating unit level, with disclosures for IOILC Europe, North America and Asia reported to the internationally recognised CDP.

**MARKETPLACE**

A multi-stakeholder approach is being practised to increase uptake of Certified Sustainable Palm Oil (CSPO).

- **Case study: ComEd/Nicor Energy Savings Project**
  
  Starting as a way to look at reducing energy waste in a plant, IOILC Americas encouraged a 7-member team of engineering, maintenance and operations staff to take on 2 energy savings projects in 2014. After 2 years of planning and 6 months of execution more than 476,000 therms annually (or US$191,000) in natural gas was saved by December 2016. The projects received a rebate cheque from Nicor for US$128,000 in March 2017.

- **A multi-stakeholder approach is being practised to increase uptake of Certified Sustainable Palm Oil (CSPO).**
  
  Works with various stakeholders including suppliers, customers, NGOs, government bodies and independent certification bodies to implement IOI Group’s SPOP.

- **Conducts technical workshops and roundtable sessions with suppliers to promote implementation of the IOI Group’s SPOP.**

- **Continues to be an active partner of RSPO to strengthen standards and enforcement. IOILC actively participates in the RSPO Trade and Traceability Standing Committee (T&T SC) working group, Technical Working Group (TWG) for Sustainable Landscape, and the European Palm Oil Alliance (EPOA).**

  Collaborates with other palm oil producers and processors to improve industry-wide practices.
To the Oleo division, Sustainability means cultivating partnership with our valued stakeholders whilst enhancing the resultant value together.

- Tan Kean Hua, Executive Director, IOI Oleochemical Group
IOI OLEOCHEMICAL

AT A GLANCE

3 manufacturing sites, more than 1500 employees and close to 700,000 MT products sold worldwide per annum

MANAGEMENT STANDARDS
- QUALITY: ISO 9001
- ENVIRONMENT: ISO 14001
- OCCUPATIONAL HEALTH AND SAFETY: OHSAS 18001
- ENERGY: ISO 50001 & EMAS
- COSMETIC GMP: ISO 22716

PRODUCT QUALITY AND SAFETY STANDARD
- FOOD SAFETY SYSTEM CERTIFICATION: FSISc 22000
- ANIMAL FEED SAFETY STANDARD GMP+R2
- HAZARD ANALYSIS CRITICAL CONTROL POINTS (HACCP)
- MALAYSIAN STANDARD FOOD SAFETY: MS 1480
- KOSHER
- HALAL

SUSTAINABLE SUPPLY CHAIN
- RSPO SCCS-CERTIFIED

OTHERS:
- LABORATORY ACCREDITATION: ISO 17025
- RESPONSIBLE CARE PROGRAM SEDEX SUPPLIER B
- MEMBERSHIP

IOI WASTE MANAGEMENT AWARENESS

IOI Oleo is committed to develop a growing business relationship with all approved vendors and suppliers. This includes the commitment to help develop their skills and knowledge as well as ensure they comply with applicable environmental, legal and other requirements to protect the environment.

RELIEVING BUKIT JURU

A community service project to revive the inactive hiking trail of Bukit Juru was initiated by the Community Services (CS) committee of IOI Oleo Prai, Seberang Perai Municipal Council (MPSP) and the Forestry Department. The Relieving Bukit Juru project was undertaken to encourage the public to adopt a healthy lifestyle and to preserve the environment.

Some 80 volunteers consisting of IOI Oleo employees and their family members as well as MPSP workers gathered on the early morning of 25 February 2017 to restore the glory of Bukit Juru by cleaning up the hilly area and the hiking trail in addition to repairing and painting a resting hut.

REVITALISING NATURE THROUGH MUD BALLS

On 15 October 2016, about 100 primary school children and teachers from three different schools, namely SJK Tamil Perai, SK Khir Johari and SK St. Mark, gathered to participate in a mud ball-making event.

This community service project was initiated by IOI Oleo Prai’s Community Service team in collaboration with MPSP to purify the polluted monsoon drain. The environmental activity was aimed at educating the children on the effects of mud balls in treating the waterways and instilling awareness on the importance of preserving nature among the children.

The participants donned aprons and gloves to form pre-mixed soil with “friendly” bacteria into balls. An estimated 2,000 mud balls were released into the nearby monsoon drain to revitalise it.

IOI WASTE MANAGEMENT AWARENESS

A training on Waste Management Awareness was held on 30 March 2017 in Pasir Gudang, Johor. A total of 30 participants including 11 representatives from seven external companies attended the training which was conducted by IOI Pan-Century Oleochemicals Mechanical Engineer Mr Kinsbaharun, who is also a certified trainer from the Department of Environment.

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In June, a total of 75 reams of A4 papers were donated to SK Khir Johari, SJK Tamil Perai and SK St. Mark to benefit students from lower income families and assist them to make copies of additional revision materials.

A Motivational talk was held in June 2017 with a total of 45 students from SJK Tamil Perai benefited from a half-day course on “Techniques in Answering UPSR Examination Papers” conducted by established speaker cum teacher Mr Justin Jeevaprakash. Gift vouchers and certificates were also awarded to ex-students for their impressive UPSR results.

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SOURCING RESPONSIBLY

Responsible sourcing and traceability are essential to IOI Oleochemical (IOI Oleo Group) operations due to greater market demand and transparency requested by NGOs. Responsible sourcing primarily focuses on ensuring raw palm material used is from known and credible sources as well as tracking our supply chain to the mill level. This also applies for other non-palm products, which are assessed in line with sustainability commitments. Further information on palm traceability can be found in Responsible Sourcing and Traceability page 27 and Palm Oil Dashboard page 30 of this report.

All processing units are RSPO certified to the Supply Chain Certification System (SCCS). All products can be offered as RSPO certified Mass Balance (MB) and Segregated (SG) grades.

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Certification System (SCCS). All products can be offered as RSPO certified Mass Balance (MB) and Segregated (SG) grades. Besides complying with the RSPO Physical Transition rules for oleochemicals and derivatives, IOI Oleo Group is also a signatory to Supplier Ethical Data Exchange (SEDEX).

Traceability for oleochemicals and its derivatives is complicated. Challenges include vast processing steps leading to loss in timing accuracy, flexibility in production routes and relatively smaller product fraction volumes.

Oleo Group remains vigilant in its commitment to comply with all relevant laws, regulatory, procedures and practices which in turn protect its people, the public, its assets and the environment. There were no significant fines or non-monetary sanctions received by IOI Oleo Group over the reporting period for non-compliance with any environmental law and regulation.

IOI Oleo’s responsible sourcing approach and policy extend beyond RSPO requirements and in compliance with IOI Group’s SPOP which extends to third party suppliers:

• Main suppliers are required to complete the IOI Oleo Group Vendor CSR Questionnaire to gauge vendor’s corporate responsibility initiatives, with their sites subject to verification audits and risk assessments.
• Grievance mechanism systems allow for logging of complaints and follow up actions to be taken.
• Vendor audits applied to ensure compliance with policy. Any actions needed to address non-compliance are determined through Risk Management.
• All suppliers met criteria with no further assessment required over the reporting period.

PROTECTING THE ENVIRONMENT

Climate change, resource depletion, pollution and waste generation present challenges. A multi-faceted approach is taken to address such challenges and enhance energy efficiency through the efficient use of natural resources, waste reduction, innovation of environmentally friendly products and use of green technologies.

IOI Oleo Group is certified to ISO 50001 Energy Management System and the voluntary Eco-Management and Audit Scheme (EMAS). Life Cycle Assessments (LCA) are conducted for selected products together with the Advanced Oleochemical Technology Division (AOTD) of the Malaysian Palm Oil Board (MPOB). Energy Performance Indicators (EnPIs) are monitored and measured by Energy Managers at respective operating sites and reported at monthly Energy Management Meetings. Voluntary disclosure of GHG emissions are made under the CDP Climate Change Module.

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ENERGY EFFICIENCY & ECO-PRODUCTIVITY

Energy efficiency and eco-productivity ensure both operational and market success now and in the future.

2016/2017

Total GHG Emissions per MT product:

<table>
<thead>
<tr>
<th>Product</th>
<th>MT CO₂e</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016/2017</td>
<td></td>
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<tr>
<td>Scope 1</td>
<td>0.34</td>
</tr>
<tr>
<td>Scope 2</td>
<td>0.27</td>
</tr>
<tr>
<td>Total</td>
<td>0.07</td>
</tr>
</tbody>
</table>

3% increment from 2015/2016

2015/2016

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<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>2015/2016</td>
<td></td>
</tr>
<tr>
<td>Scope 1</td>
<td>0.33</td>
</tr>
<tr>
<td>Scope 2</td>
<td>0.24</td>
</tr>
<tr>
<td>Total</td>
<td>0.09</td>
</tr>
</tbody>
</table>

Energy management

IOI Oleo Pasir Gudang in Johor and IOI Oleo Germany in Wittenberge, Germany achieved ISO 50001 certification last year while IOI Oleo Prai in Penang achieved certification in June 2017. IOI Oleo Group is on track towards full ISO 50001 certification. Initiatives include:

• Solar panel system by IOI Oleo Prai generating more than 150,000 kWh of electricity annually since 2003, saving almost 450 MT of CO₂ a year, or equivalent to planting 40,000 trees.
• Improvements in operational efficiency achieved by applying latest green technologies. Examples at IOI Oleo Prai include low energy-high efficiency vapor absorption chillers, and co-generation heat and power plant which reduces GHG and other emissions including NOₓ and SO₂.
• Participation in the United Nations Industrial Development Organisation (UNIDO) on energy saving programs and hosting programs on Pump System Optimisation (PSO) and Compressed Air Optimisation (CAO).

Chemical-free technology

Selection and installation of processes is based on minimum negative impact on the environment. Various eco-friendly manufacturing processes are spearheaded, including:

• Physical separation for glycerine through ultrafiltration instead of chemical-treatment.
• Replacing use of detergent in the purification process of oleic acid by using crystallisation technology.
• Pioneering use of continuous reactive distillation technology in the fatty acid esterification process – proven to be more energy efficient and use less chemicals than conventional processes.

Eco-themed products

Optimising sustainable agriculture is a long-term solution to the challenge of gradually reducing dependency on petrochemicals. IOI Oleo Group works on research and development for eco-themed products produced solely from palm derivatives such as fatty acids and glycerine, natural products for personal care, and additive free and natural soap to meet customer requirements.

• PALMABUN® provides a range of additive-free soap noodles, offering quality ‘green’ base derived from natural sources and removing EDTA (Ethylenediamine Tetraacetic Acid) and DTPA (Dithylenetriamine Pentaaetic Acid). Many countries have banned or restricted the use of EDTA to curb potential environment problems. The natural soap base also has good foaming capability and so does not require additional foam boosters or preservative (chemical) systems.

• MIGLYOL® is a range of natural raw materials derived from natural sources and made in Germany in Wittenberge, Germany achieved ISO 50001 certification last year while IOI Oleo Germany has a large chemical-free technology

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• PALMABUN® provides a range of additive-free soap noodles, offering quality ‘green’ base derived from natural sources and removing EDTA (Ethylenediamine Tetraacetic Acid) and DTPA (Dithylenetriamine Pentaaetic Acid). Many countries have banned or restricted the use of EDTA to curb potential environment problems. The natural soap base also has good foaming capability and so does not require additional foam boosters or preservative (chemical) systems.

• MIGLYOL® provides a range of natural raw materials derived from natural sources and made in Germany in Wittenberge, Germany achieved ISO 50001 certification last year while IOI Oleo Germany has a large chemical-free technology

Selection and installation of processes is based on minimum negative impact on the environment. Various eco-friendly manufacturing processes are spearheaded, including:

• Physical separation for glycerine through ultrafiltration instead of chemical-treatment.
• Pioneering use of continuous reactive distillation technology in the fatty acid esterification process – proven to be more energy efficient and use less chemicals than conventional processes.

Eco-themed products

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• Physical separation for glycerine through ultrafiltration instead of chemical-treatment.
• Pioneering use of continuous reactive distillation technology in the fatty acid esterification process – proven to be more energy efficient and use less chemicals than conventional processes.
**Going Green Campaign**

IOI Oleo Group’s Going Green Campaign focuses on cultivating an environmentally conscious workforce where ‘Refuse-Reduce-Reuse-Recycle’ is encouraged. IOI Oleo Group also partners with Hewlett-Packard (HP) Malaysia to cut down printing, reducing the environmental footprint and increasing cost efficiency.

**PROCESS SAFETY**

Process safety is a top consideration for IOI Oleo Group manufacturing operations.

- Incorporated into the IOI Oleo Group Sustainability and Integrated Management System (IMS) Policy
- Regulatory safety inspection audits by the Department of Occupational Safety & Health (DOSH), district governments, and external certification bodies
- Any non-compliance discussed within respective departments and corrective and preventive counter measures are established and implemented
- Benchmark against industry peers through online SHE benchmarking exercise administered by the Malaysian Productivity Corporation (MPC)
- Signatory to the Responsible Care program of the Chemical Industries Council of Malaysia (CICM), and support for codes on Process Safety, Employee Health & Safety and Community Awareness & Emergency Response

During 2016/2017:

- Zero notifiable or major incidents of fires, explosions or accidental chemical releases
- No significant fines or non-monetary sanctions for non-compliance with social laws and regulations.

**MARKETPLACE**

IOI Oleo Group supports the market transformation towards sustainable palm oil by working with industry partners and associations. In addition, we chair the ASEAN Oleochemical Manufacturer’s Group (ACMG) on RSPO and lead discussions with major oleochemical producers on matters relating to RSPO-certified oleochemicals. IOI Oleo Group is a Steering Committee member of the RSPO Oleochemical and Derivatives Working Group which drafts the RSPO Rules on Oleochemicals and Derivatives, as well as a member of the RSPO Trade and Traceability Standing Committee (T&T SC) that contributes to the interest of trade, traceability and related matters with respect to RSPO-certified Oleochemicals and Derivatives.

<table>
<thead>
<tr>
<th>Certification and Promoting RSPO products</th>
<th>PALM OIL</th>
<th>PALM KERNEL OIL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.3%</td>
<td>2.8%</td>
</tr>
<tr>
<td></td>
<td>certified</td>
<td>certified</td>
</tr>
<tr>
<td></td>
<td>(1.3% MB &amp; 3.0% SG)</td>
<td>(MB only)</td>
</tr>
<tr>
<td>2016/2017</td>
<td>5.4%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>certified</td>
<td>certified</td>
</tr>
<tr>
<td></td>
<td>(SG only)</td>
<td></td>
</tr>
</tbody>
</table>

- In 2016/2017 financial year, we recorded a 26% increase in RSPO-certified palm oil volume but no certified palm kernel oil was sourced as the result of the Group-wide RSPO suspension, leading to high feedstock accumulation and reduced sale orders.
- We fully subscribe to and support RSPO-certified products. However, customers have yet to make substantial switch from conventional oleochemicals to RSPO-certified versions. IOI Oleo Group is working to buck this trend and promote RSPO-certified products by providing frequent updates to customers on changes in RSPO-certification requirements and training agents worldwide to support customers who purchase RSPO products.

**Certified volumes sourced by IOI Oleo Group**

- PALM OIL: 4.3% certified (1.3% MB & 3.0% SG)
- PALM KERNEL OIL: 2.8% certified (MB only)
- In 2016/2017, 5.4% certified (SG only)

**Achievements**

- One of the few Malaysian oleochemical companies that has shipped bulk RSPO SG products
- RSPO workshop for regional Certification Bodies and RSPO officials
- Jointly co-authoring presentations on RSPO Oleochemicals for MPOB International Palm Oil Congress and Exhibition (IPPOC) 2011, 2013 and 2015 Conferences

**Certified volumes sourced by IOI Oleo Group**

- PALM OIL: 4.3% certified (1.3% MB & 3.0% SG)
- PALM KERNEL OIL: 2.8% certified (MB only)
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### EES DATA

As this is our first stand-alone sustainability report in line with the GRI Standards, information presented in this appendix represents the annual reporting period of 1 July 2016 to 30 June 2017. Going forward we will collate data to show our year-on-year performance and progress toward our targets.

#### ECONOMIC PERFORMANCE DATA

<table>
<thead>
<tr>
<th>IN RM MILLION UNLESS OTHERWISE STATED</th>
<th>2017 MFRS</th>
<th>2016 MFRS</th>
<th>2015 MFRS</th>
<th>2014 MFRS</th>
<th>2013 MFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before interest and taxation</td>
<td>1,560.2</td>
<td>1,449.6</td>
<td>1,240.4</td>
<td>1,927.4</td>
<td>1,622.6</td>
</tr>
<tr>
<td>Profit attributable to owners of the parent</td>
<td>743.2</td>
<td>629.7</td>
<td>51.9</td>
<td>3,373.0</td>
<td>1,937.7</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent</td>
<td>7,457.4</td>
<td>7,136.1</td>
<td>7,059.0</td>
<td>6,036.4</td>
<td>13,850.5</td>
</tr>
<tr>
<td>Return on average shareholders’ equity (%)</td>
<td>10.18</td>
<td>8.86</td>
<td>0.68</td>
<td>34.27</td>
<td>15.03</td>
</tr>
<tr>
<td>Basic earnings per share (sen)</td>
<td>11.82</td>
<td>9.99</td>
<td>0.82</td>
<td>52.93</td>
<td>30.88</td>
</tr>
<tr>
<td>Gross dividend per share (sen)</td>
<td>5.5</td>
<td>8.0</td>
<td>9.0</td>
<td>20.0</td>
<td>15.5</td>
</tr>
<tr>
<td><strong>PLANTATION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FRB production (MT)</td>
<td>3,155,628</td>
<td>3,145,317</td>
<td>3,542,222</td>
<td>3,506,706</td>
<td>3,408,935</td>
</tr>
<tr>
<td>Total oil palm area (Ha)</td>
<td>174,396</td>
<td>179,271</td>
<td>178,768</td>
<td>174,061</td>
<td>160,626</td>
</tr>
<tr>
<td><strong>MANUFACTURING</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Oleochemical</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant utilisation (%)</td>
<td>80</td>
<td>82</td>
<td>85</td>
<td>84</td>
<td>80</td>
</tr>
<tr>
<td>Sales (MT)</td>
<td>582,458</td>
<td>595,620</td>
<td>596,076</td>
<td>583,555</td>
<td>561,001</td>
</tr>
<tr>
<td><strong>Refinery</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Plant utilisation (%)</td>
<td>63</td>
<td>62</td>
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<tr>
<td>Sales (MT)</td>
<td>2,414,773</td>
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<td>3,052,027</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Plant utilisation (%)</td>
<td>57</td>
<td>47</td>
<td>52</td>
<td>50</td>
<td>56</td>
</tr>
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<td>Sales (MT)</td>
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<td>782,972</td>
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Note: In conjunction with the adoption of Malaysian Financial Reporting Standards ("MFRS") framework by the Group, the above information from FY2015 to FY2017 have been prepared in accordance with MFRS, whereas information from FY2013 to FY2014 have been prepared in accordance with Financial Reporting Standards ("FRS").

Source: IOI Corporation Berhad’s Annual Report 2017

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Source: IOI Corporation Berhad’s Annual Report 2017

#### APPENDIX: CONTENT OF REPORT

**REVIEW & CONCLUSION**

The report has been reviewed by our Group Head of Sustainability, approved by the Group CEO, and presented to the IOI Board of Directors. This report marks our first stand-alone sustainability report and also our first published in accordance with GRI Standards, and so this will be built upon moving forward. We endeavor to continuously improve our reporting disclosures and build the transparency of our operations.

In connection with the audit of the financial statements of the IOI Group which will be reported in part, in the 2017 IOI Corporation Berhad’s Annual Report, BDO, the external auditors have the responsibility to read the other information. This includes the information in this report, in accordance with International Standards on Auditing ("ISA") 720 (Revised), The Auditor’s Responsibilities Relating to Other Information. In doing so, BDO is to consider whether the other information is materially inconsistent with the financial statements of the IOI Group or their knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work they have performed, they conclude that there is a material misstatement of this other information, they are required to report that fact. They have nothing to report in this regard in their independent auditors’ report of IOI Group for the financial year ended 30 June 2017.

**PRIORITYISATION OF MATERIAL TOPICS**

The report is focused on our medium and high priority material topics, as shown in the materiality matrix. The most critical sustainability issues to our stakeholders were determined through stakeholder engagement undertaken throughout the year as part of our Sustainability Implementation Plan. The topics most material to our business were determined through review by Senior Management and the sustainability teams across the IOI Plantation, IOI Loders Croklaan, IOI Oleochemical and Commodity Trading activities.

**APPENDIX: EES DATA**

As this is our first stand-alone sustainability report in line with the GRI Standards, information presented in this appendix represents the annual reporting period of 1 July 2016 to 30 June 2017. Going forward we will collate data to show our year-on-year performance and progress toward our targets.
Appendix:

EES Data

Workplace Performance 2016/2017

<table>
<thead>
<tr>
<th>Units</th>
<th>IOI Corporation*</th>
<th>IOI Plantation**</th>
<th>IOI Loders Croklaan+</th>
<th>IOI Oleochemical++</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>Number</td>
<td>NA</td>
<td>NA</td>
<td>-</td>
</tr>
<tr>
<td>Asia (other)</td>
<td>Number</td>
<td>NA</td>
<td>60</td>
<td>1</td>
</tr>
<tr>
<td>Europe</td>
<td>Number</td>
<td>NA</td>
<td>486</td>
<td>272</td>
</tr>
<tr>
<td>Americas</td>
<td>Number</td>
<td>NA</td>
<td>314</td>
<td>2</td>
</tr>
</tbody>
</table>

Proportion of total employees covered by collective bargaining agreements

| % | - | - | 79 to 96%[^] | 48%^[^] |

Number of employees by gender as at 30 June 2017

| Gender | Male: 16,701 | Female: 6,812 |

[^] Data collected by Human Resource Department, IOI Corporation Berhad

[^] Data based on records from main subsidiaries (not necessarily as of 30 June 2017), collected by Human Resource Department, IOI Plantation

[^] Data based on the headcounts per region, provided by the Financial department and used for Management Reporting

[^] Data based on employment records from main subsidiaries (not necessarily as of 30 June 2017)

[^] Excludes IOI Pan Century Oleochemical and IOI Pan Century Edible Oils (Pasir Gudang) employees as non-union companies

Management and Directors Disclosure

Tan Sri Datoo' Lee Shin Cheng

Datoo' Lee Yeow Chor

Lee Cheng Leang

Datoo' Lee Yeow Seng

Tan Sri Peter Chin Fah Kui

Tan Sri Dr Rahamat Bivi Binti Yusoff

Dato' Karunakaran @ Karunakaran A/L Ramasamy

Cheah Tek Kuang

Lim Tuang Ooi

Ethnicity Disclosure

| Gender | Male: 89% | Female: 11% |

| Ethnicity | Male: 89% | Female: 11% |

| 4-7 Years: 87% | 0-3 Years: 33% |

| Tenure of Non-Executive Directors as at 30 August 2017 |

| Board Composition as at 30 August 2017 |

| Ethnic Diversity as at 30 August 2017 |

Occupational Health & Safety Performance 2016/2017

<table>
<thead>
<tr>
<th>Units</th>
<th>IOI Plantation</th>
<th>IOI Loders Croklaan+</th>
<th>IOI Oleochemical++</th>
</tr>
</thead>
<tbody>
<tr>
<td>Injuries[^]</td>
<td>Number</td>
<td>M</td>
<td>F</td>
</tr>
<tr>
<td>Injury rate</td>
<td>Million hours</td>
<td>2,037</td>
<td>2,037</td>
</tr>
<tr>
<td>Fatalities</td>
<td>Number</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Fatality rate</td>
<td>Million hours</td>
<td>0.56</td>
<td>0</td>
</tr>
<tr>
<td>Lost days</td>
<td>Number</td>
<td>3,474</td>
<td>3,474</td>
</tr>
<tr>
<td>Lost day rate</td>
<td>Million hours</td>
<td>98.42</td>
<td>200.2+</td>
</tr>
<tr>
<td>Absentees</td>
<td>Number</td>
<td>336</td>
<td>7</td>
</tr>
<tr>
<td>Absentee rate</td>
<td>Million hours</td>
<td>3.64</td>
<td>5,029.7</td>
</tr>
<tr>
<td>Occupational disease rate</td>
<td>Million hours</td>
<td>0.37</td>
<td>1.6</td>
</tr>
</tbody>
</table>

[^] Figures include consideration of both employees and workers unless otherwise stated

[^] During the reporting period IOI Loders Croklaan – Europe (Wormerveer) received a fine of EUR9,600 relating to an occupational accident. No other fines relating to social issues were received during the reporting period for IOIC and group companies. No all group companies distinguishes between male and female in incident reporting, and so overall totals are presented where applicable

[^] Data is collated for both employees and workers as IOI Oleo Germany make no distinction between the two. Injuries reported include both minor injuries (first aid level) and major injuries

[^] Absentee numbers presented exclude IOI Oleo Germany as days of sick-leave are not monitored

[^] IOI Loders Croklaan Charnahen does not record absentee day and is therefore not included in the Group total

Source: IOI Corporation Berhad’s Annual Report 2017

Please refer to page 48-55 of the IOI Corporation Berhad’s Annual Report 2017 for their profile.
ENVIRONMENTAL PERFORMANCE DATA

ENERGY CONSUMPTION 2016/2017

<table>
<thead>
<tr>
<th></th>
<th>IOI PLANTATION</th>
<th>IOI LODERS CROKLAAN</th>
<th>IOI OLEOCHEMICAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total electricity consumption</td>
<td>63,316</td>
<td>438,678</td>
<td>215,403</td>
</tr>
<tr>
<td>• Electricity generated</td>
<td>000'kWh</td>
<td>12,102</td>
<td>-</td>
</tr>
<tr>
<td>• Electricity purchased</td>
<td>000'kWh</td>
<td>5,486</td>
<td>144,995</td>
</tr>
<tr>
<td>Total heating consumption</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total steam consumption</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total pressured air consumption</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total non-renewable fuel consumption</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>• Natural gas</td>
<td>-</td>
<td>2,529,386</td>
<td>-</td>
</tr>
<tr>
<td>• Diesel</td>
<td>L</td>
<td>10,022,242</td>
<td>22,680</td>
</tr>
<tr>
<td>• Petrol</td>
<td></td>
<td>93,676</td>
<td>13,608</td>
</tr>
<tr>
<td>Total renewable fuel consumption</td>
<td>-</td>
<td>-</td>
<td>33,341</td>
</tr>
<tr>
<td>• Biogas</td>
<td>-</td>
<td>-</td>
<td>1,594</td>
</tr>
<tr>
<td>• Vegetable oils</td>
<td>-</td>
<td>-</td>
<td>6,824</td>
</tr>
<tr>
<td>• Bio-gasoline</td>
<td>-</td>
<td>-</td>
<td>844</td>
</tr>
</tbody>
</table>
| * Conversion factors for fuels based on greenhouse gas reporting - Conversion factors 2016 (UK Department for Business, Energy & Industrial Strategy). The conversion factors are in line with the Intergovernmental Panel on Climate Change (IPCC)'s fourth assessment report which is consistent with reporting under the United Nations Framework Convention on Climate Change (UNFCCC).

GREENHOUSE GAS EMISSIONS 2016/2017

<table>
<thead>
<tr>
<th></th>
<th>IOI PLANTATION</th>
<th>IOI LODERS CROKLAAN</th>
<th>IOI OLEOCHEMICAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct (Scope 1) emissions</td>
<td>8.51</td>
<td>147.82</td>
<td>182.48</td>
</tr>
<tr>
<td>• Electricity generation</td>
<td>8.51</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>• Bio-genic</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Indirect (Scope 2) emissions</td>
<td>3.86</td>
<td>85.95</td>
<td>51.44</td>
</tr>
<tr>
<td>• Purchased electricity*</td>
<td>3.86</td>
<td>85.95</td>
<td>40.95</td>
</tr>
<tr>
<td>• Purchased steam*</td>
<td></td>
<td>10.20</td>
<td>-</td>
</tr>
<tr>
<td>• Pressurised air*</td>
<td></td>
<td>-</td>
<td>0.28</td>
</tr>
<tr>
<td>Biomass</td>
<td>0.03</td>
<td>0.43</td>
<td>-</td>
</tr>
<tr>
<td>• Biogas*</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>• Vegetable oils*</td>
<td></td>
<td>0.26</td>
<td>-</td>
</tr>
<tr>
<td>• Bio-gasoline*</td>
<td></td>
<td>0.07</td>
<td>-</td>
</tr>
</tbody>
</table>

2 Umwelt-Bundesamt: https://www.umweltbundesamt.de/themen/klima-energie/energieversorgung/strom-waermeversorgung-in-zahlen?sprungmarke=Strommix#textpart-1
3 Umrchnung
5 Data covered for all estates and mills except Indonesia region

HAZARDOUS WASTE MANAGEMENT 2016/2017

<table>
<thead>
<tr>
<th></th>
<th>WEIGHT GENERATED (MT)</th>
<th>DISPOSED TO LANDFILL (%)</th>
<th>DIVERTED FROM LANDFILL (%)</th>
<th>OTHER DISPOSAL METHOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>IOI PLANTATION</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scheduled Waste</td>
<td>31,061.03</td>
<td>0%</td>
<td>100%</td>
<td>Disposed by licensed contractor</td>
</tr>
<tr>
<td>Scrap iron</td>
<td>5,844.74</td>
<td>0%</td>
<td>100%</td>
<td>Sold to registered vendor</td>
</tr>
<tr>
<td>Clinical Waste</td>
<td>2.58</td>
<td>0%</td>
<td>100%</td>
<td>Clinical waste sent to Hospital, which will be further managed and disposed of registered vendor</td>
</tr>
<tr>
<td>IOI LODERS CROKLAAN</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spent nickel catalyst</td>
<td>48.4</td>
<td>0%</td>
<td>100%</td>
<td>Recycled. Disposal recorded by contractor</td>
</tr>
<tr>
<td>Spent lubricant oil</td>
<td>1.5</td>
<td>0%</td>
<td>100%</td>
<td>Recovered. Disposal recorded by contractor</td>
</tr>
<tr>
<td>Waste solvent</td>
<td>5.0</td>
<td>0%</td>
<td>100%</td>
<td>Incinerated. Disposal recorded by contractor</td>
</tr>
<tr>
<td>Contaminated containers/packaging</td>
<td>1.32</td>
<td>0%</td>
<td>100%</td>
<td>Incinerated. Disposal recorded by contractor</td>
</tr>
<tr>
<td>Laboratory chemicals</td>
<td>10.0</td>
<td>0%</td>
<td>100%</td>
<td>Incinerated or recovered. Disposal recorded by contractor.</td>
</tr>
</tbody>
</table>

IOI OLEOCHEMICAL

<table>
<thead>
<tr>
<th></th>
<th>WEIGHT GENERATED (MT)</th>
<th>DISPOSED TO LANDFILL (%)</th>
<th>DIVERTED FROM LANDFILL (%)</th>
<th>OTHER DISPOSAL METHOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spent batteries</td>
<td>0.6</td>
<td>100%</td>
<td>0%</td>
<td>-</td>
</tr>
<tr>
<td>Spent nickel catalyst</td>
<td>166.3</td>
<td>0%</td>
<td>100%</td>
<td>Recovered</td>
</tr>
<tr>
<td>Spent lubricant oil</td>
<td>18.3</td>
<td>0%</td>
<td>100%</td>
<td>Recycled</td>
</tr>
<tr>
<td>Spent solvent</td>
<td>653.7</td>
<td>0%</td>
<td>100%</td>
<td>Recycled, incineration, used as fuel, or storage for use in a biogas plant</td>
</tr>
<tr>
<td>Contaminated containers/packaging</td>
<td>40.1</td>
<td>0%</td>
<td>100%</td>
<td>Recycled, blending or mixing prior to submission, used as fuel</td>
</tr>
<tr>
<td>Chemicals and laboratory chemicals</td>
<td>2.4</td>
<td>0%</td>
<td>100%</td>
<td>Recycled, incineration, physico-chemical treatment</td>
</tr>
<tr>
<td>Florescent lights</td>
<td>0.1</td>
<td>0%</td>
<td>100%</td>
<td>Recycled</td>
</tr>
<tr>
<td>Contaminated rags and materials</td>
<td>13.7</td>
<td>12.4%</td>
<td>87.6%</td>
<td>Recycled, used as fuel</td>
</tr>
<tr>
<td>Contaminated metals</td>
<td>1.2</td>
<td>0%</td>
<td>100%</td>
<td>Blending or mixing prior to submission</td>
</tr>
<tr>
<td>Asbestos</td>
<td>4.8</td>
<td>0%</td>
<td>100%</td>
<td>Storage</td>
</tr>
<tr>
<td>Sludge and residues</td>
<td>3,420.7</td>
<td>0%</td>
<td>100%</td>
<td>Incineration, storage, blending, recycle</td>
</tr>
<tr>
<td>Synthetic oils</td>
<td>0.9</td>
<td>0%</td>
<td>100%</td>
<td>Blending or mixing prior to submission</td>
</tr>
<tr>
<td>Waste acid</td>
<td>16.3</td>
<td>0%</td>
<td>100%</td>
<td>Physico-chemical treatment</td>
</tr>
</tbody>
</table>

NON-HAZARDOUS WASTE MANAGEMENT 2016/2017

<table>
<thead>
<tr>
<th></th>
<th>TOTAL WEIGHT GENERATED (MT)</th>
<th>DISPOSED TO LANDFILL (%)</th>
<th>DIVERTED FROM LANDFILL (%)</th>
<th>OTHER DISPOSAL METHOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>IOI PLANTATION</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic waste</td>
<td>51,209.48</td>
<td>100%</td>
<td>0%</td>
<td>Disposed by licensed contractor</td>
</tr>
<tr>
<td>Recyclable waste</td>
<td>4,128.30</td>
<td>0%</td>
<td>100%</td>
<td>Recycled</td>
</tr>
</tbody>
</table>
Recycled and reused water includes use of rainwater and grey water such as wastewater.

Surface water includes water withdrawn from wetlands, rivers, lakes and oceans.

* Data presented for Lahad Datu region only.

** Non-Hazardous Waste Management 2016/2017**

<table>
<thead>
<tr>
<th>NON-HAZARDOUS WASTE MANAGEMENT 2016/2017</th>
<th>TOTAL WEIGHT GENERATED (MT)</th>
<th>DISPOSED TO LANDFILL (%)</th>
<th>DIVERTED FROM LANDFILL (%)</th>
<th>OTHER DISPOSAL METHOD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IOI LODERS CROKLAAN</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blazing earth/clay</td>
<td>46,812.8</td>
<td>6%</td>
<td>94%</td>
<td>Recovered</td>
</tr>
<tr>
<td>General waste and sludge</td>
<td>6,214.6</td>
<td>21%</td>
<td>79%</td>
<td>Composted</td>
</tr>
<tr>
<td>Plastic and stretch film</td>
<td>22.1</td>
<td>0%</td>
<td>100%</td>
<td>Recycled</td>
</tr>
<tr>
<td>Carton and cardboard</td>
<td>291.7</td>
<td>0%</td>
<td>100%</td>
<td>Recycled</td>
</tr>
<tr>
<td>Scrap metal</td>
<td>266.4</td>
<td>0%</td>
<td>100%</td>
<td>Recycled</td>
</tr>
<tr>
<td>Flexi bag</td>
<td>56.61</td>
<td>0%</td>
<td>100%</td>
<td>Recycled</td>
</tr>
<tr>
<td>Recycling collections</td>
<td>58.0</td>
<td>0%</td>
<td>100%</td>
<td>Recycled</td>
</tr>
<tr>
<td>Vegetable oil</td>
<td>1,609.0</td>
<td>0%</td>
<td>100%</td>
<td>Recovered</td>
</tr>
<tr>
<td><strong>IOI OLEOCHMICAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial/construction waste</td>
<td>3,000.1</td>
<td>72%</td>
<td>28%</td>
<td>Recycled, reclaimed, or used as fuel</td>
</tr>
<tr>
<td>Domestic waste</td>
<td>1,815.7</td>
<td>47%</td>
<td>53%</td>
<td>Recycled, storage, incineration</td>
</tr>
<tr>
<td>Metal scrap</td>
<td>321.1</td>
<td>0%</td>
<td>100%</td>
<td>Recycling or reclamation of metal</td>
</tr>
<tr>
<td>Plastic waste</td>
<td>94.9</td>
<td>0%</td>
<td>100%</td>
<td>Recycled, reclamation of organic substances</td>
</tr>
<tr>
<td>Other</td>
<td>2,822.4</td>
<td>0%</td>
<td>100%</td>
<td>Recycled, used as fuel, inorganic material reclaimed, or storage</td>
</tr>
</tbody>
</table>

**WATER WITHDRAWN BY SOURCE**

<table>
<thead>
<tr>
<th>WATER WITHDRAWN BY SOURCE</th>
<th>UNITS</th>
<th>IOI PLANTATION*</th>
<th>IOI LODERS CROKLAAN*</th>
<th>IOI OLEOCHMICAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total water withdrawn</td>
<td>m³</td>
<td>10,959,290</td>
<td>21,199,820</td>
<td>1,940,260</td>
</tr>
<tr>
<td>Municipal fresh water</td>
<td>m³</td>
<td>2,069,713</td>
<td>1,133,918</td>
<td>1,860,446</td>
</tr>
<tr>
<td>- Surface water¹</td>
<td>m³</td>
<td>8,778,023</td>
<td>19,768,969</td>
<td>57,105</td>
</tr>
<tr>
<td>- Ground water</td>
<td>m³</td>
<td>nil</td>
<td>D</td>
<td>nil</td>
</tr>
<tr>
<td>- Rainwater</td>
<td>m³</td>
<td>111,554</td>
<td>333</td>
<td>22,729</td>
</tr>
<tr>
<td>Waste water</td>
<td>m³</td>
<td>nil</td>
<td>296,600</td>
<td>nil</td>
</tr>
<tr>
<td>Total water recycled and reused²</td>
<td>m³</td>
<td>111,554</td>
<td>296,533</td>
<td>22,729</td>
</tr>
</tbody>
</table>

* Data collected for IOI Plantation for Malaysian mill operations only. Figures shown are direct values measured on site or taken from utilities statement.

¹ Water data includes water withdrawn from wetlands, rivers, lakes and oceans.

² Water data collected from metered usage. Rainwater figures obtained from harvesting project at PO Fractionation started in May 2017. Wastewater usage calculated from heatload plant discharge. LODERS CROKLAAN in Europe currently does not record use of recycled water.

**SOCIAL PERFORMANCE DATA**

**SOCIAL CONTRIBUTIONS**

<table>
<thead>
<tr>
<th>SOCIAL CONTRIBUTIONS</th>
<th>YAYASAN TAN SRI LEE SHIN CHENG</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Over RM 6.4mil</td>
</tr>
</tbody>
</table>

* Yayasan Tan Sri Lee Shin Cheng, a CSR Initiative of IOI Group

**GLOSSARY**

Carbon Dioxide Equivalents (CO₂e) - CO₂e is a measure used to compare the emissions from various greenhouse gases based upon their global warming potential.

Crude Palm Oil (CPO) - First stage palm oil product produced from fresh fruit bunches (FFB) at a mill.

Fresh Fruit Bunch (FFB) - Bunch harvested from the oil palm tree.

Global Forest Watch (GFW) - 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 organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others.

High Conservation Values (HCV) - As defined by the HQ/ Resource Network, HCVs are biological, ecological, social or cultural values which are outstandingly significant or critically important at the national, regional or global level.

High Carbon Stock Approach (HCS) - The HCS Approach is a methodology that distinguishes forest areas for protection from degraded lands with little 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.

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 pest damage low, 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 Labor Organization (ILO) - ILO is the United Nations agency for the world of work. It sets international Labor 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.

Non-Governmental Organisation (NGO) - NGO is used in this report to refer to grassroots and campaigning organisations focused on environmental or social issues.

Oleochmical - 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).

Peat - An accumulation of partially decayed vegetation matter. Peat forms in wetlands or peat lands, variously called bogs, moors, muskegs, pocosins, mires, and peat swamp forests.

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.

Roundtable on Sustainable Palm Oil Mass Balance (RSPO MB) - Sustainable palm oil from certified sources is mixed with ordinary palm oil throughout supply chain.

Roundtable on Sustainable Palm Oil Segregated (RSPO SIG) - Sustainable palm oil from different certified sources is kept separate from ordinary palm oil throughout supply chain.

Supply Chain Certification System (SCCS) - Downstream processors or users of RSPO certified palm oil products can claim the use of [support of] RSPO certified palm oil products when they adhere to the RSPO Supply Chain Certification System and where this is independently verified by an accredited certification body.

Sustainability Advisory Panel (SAP) - The IOI Group Sustainability Advisory Panel (SAP) was formed in January 2017 and tasked with overseeing the application of the IOI Group’s Sustainability Implementation Plan (SIP). The SAP also advises on sustainability issues raised by multi-stakeholders including NGOs and the RSPO.

Sustainability Implementation Plan (SIP) - The IOI Group SIP serves as a practical working document that puts into practice the goals and commitments stated in the IOI Group Sustainable Palm Oil Policy.

Sustainable Palm Oil Policy (SPOP) - The IOI Group 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 chain.

Scope 1 Emissions - All direct GHG emissions.

Scope 2 Emissions - Indirect GHG emissions for consumption of purchased electricity, heat or steam.

Third-Party Supplier (TPS) - IOI Group’s TPS program ensures that suppliers are committed to implementing the SPOP commitments.
GENERAL DISCLOSURES

<table>
<thead>
<tr>
<th>GRI STANDARD</th>
<th>DISCLOSURE</th>
<th>DESCRIPTION</th>
<th>REFERENCE OR IOI REPLY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ORGANISATIONAL PROFILE</strong></td>
<td></td>
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<td></td>
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<tr>
<td>102-1</td>
<td>Name of the organisation</td>
<td>• About This Report, p.2</td>
<td></td>
</tr>
<tr>
<td>102-2</td>
<td>Activities, brands, products, and services</td>
<td>• About IOI Corporation, p.8-9</td>
<td></td>
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<tr>
<td>102-3</td>
<td>Location of headquarters</td>
<td>• Locations, p.10-11</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• IOI Corporation Berhad is headquartered from Two IOI Square, IOI Resort, Putrajaya Malaysia</td>
<td></td>
</tr>
<tr>
<td>102-4</td>
<td>Location of operations</td>
<td>• Locations, p.10-11</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Location of IOI Plantation Estates and Mills, p.34</td>
<td></td>
</tr>
<tr>
<td>102-5</td>
<td>Ownership and legal form</td>
<td>• Reporting Scope &amp; Boundaries, inside front cover</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• About IOI Corporation, p.8-9</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• IOI Corporation Berhad’s Annual Report 2017, p.253-255</td>
<td></td>
</tr>
<tr>
<td>102-6</td>
<td>Markets served</td>
<td>• About IOI Corporation, p.8-9</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• IOI Corporation Berhad’s Annual Report 2017, p.21,32,37,149</td>
<td></td>
</tr>
<tr>
<td>102-7</td>
<td>Scale of the organisation</td>
<td>• About IOI Corporation, p.8-11</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Appendix: EES Data, p.62-65</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• IOI Corporation Berhad’s Annual Report 2017, p.12-17</td>
<td></td>
</tr>
<tr>
<td>102-8</td>
<td>Information on employees and other workers</td>
<td>• About IOI Corporation, p.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Appendix: EES Data, p.63-64</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• IOICs significant activities are undertaken by our employees. There are no seasonal variations in our workforce.</td>
<td></td>
</tr>
<tr>
<td>102-9</td>
<td>Supply chain</td>
<td>• Supply Chain, p.27</td>
<td></td>
</tr>
<tr>
<td>102-10</td>
<td>Significant changes to the organisation and its supply chain</td>
<td>• Reporting Scope &amp; Boundaries, inside front cover</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Responsible Sourcing &amp; Traceability, p.27-28</td>
<td></td>
</tr>
<tr>
<td>102-11</td>
<td>Precautionary principle and approach</td>
<td>• Risk Management, p.12</td>
<td></td>
</tr>
<tr>
<td>102-12</td>
<td>External initiatives</td>
<td>• Awards and Recognition, p.21</td>
<td></td>
</tr>
<tr>
<td>102-13</td>
<td>Membership of associations</td>
<td>• Memberships, p.20</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Awards and Recognition, p.21</td>
<td></td>
</tr>
</tbody>
</table>

**STRATEGY**

| GRI 102: General Disclosures 2016 |
| 102-14 | Statement from the most senior decision-maker of the organisation | • Message from Our CEO, p.4-7 |

**ETHICS AND INTEGRITY**

| GRI 102: General Disclosures 2016 |
| 102-16 | Values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics. | • Sustainability Principles and Values, p.16 |
| | | • Corporate Governance and Ethics, p.12 |

**GOVERNANCE**

| GRI 102: General Disclosures 2016 |
| 102-18 | Governance structure | • Sustainability Governance, p.18 |
| | | • IOI Corporation Berhad’s Annual Report 2017, p.80-112 |
| | | • Website: Corporate Governance |

**STAKEHOLDER ENGAGEMENT**

| GRI 102: General Disclosures 2016 |
| 102-40 | List of stakeholder groups | • Engaging with Stakeholders, p.22-23 |
| 102-41 | Collective bargaining agreements | • Appendix: EES Data, p.64 |
| 102-42 | Identifying and selecting stakeholders | • Engaging with Stakeholders, p.22-23 |
| | | • Appendix: Content of Report, p.62 |
| 102-43 | Approach to stakeholder engagement | • Engaging with Stakeholders, p.22-23 |
| 102-44 | Key topics and concerns raised | • Engaging with Stakeholders, p.22-23 |

**MATERIAL DISCLOSURES: IOI PLANTATION**

<table>
<thead>
<tr>
<th>GRI STANDARD</th>
<th>DISCLOSURE</th>
<th>DESCRIPTION</th>
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GRI 307: Environmental Compliance 2016
307-1 | Non-compliance with environmental laws and regulations | • IOILC received one small-value fine during the reporting period relating to environmental non-compliance for the Waste Water Treatment Plant (WWTP) at IOILC Loders Croklaan Wormerveer refinery in the Netherlands. The fine was for a value of RM12,148 relating to operation without an appropriate permit. There were no non-monetary sanctions relating to environmental management at IOILC facilities during the reporting period, and no environmental cases brought up through the grievance mechanism.
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