ATTAINING BALANCE

SUSTAINABILITY REPORT 2018
OUR FRONT COVER
Within a challenging and evolving environment, IOI Corporation Berhad (“IOI” or “the Group”) has focused on “Attaining Balance” to strengthen the potential and value of its businesses. IOI believes that by aligning its long-standing commitment to the three pillars (People, Planet, Prosperity) of its sustainability philosophy with that of the United Nations Sustainable Development Goals (UN SDGs) most relevant to IOI’s operations, it can attain a harmonious balance and contribute to a winning combination for all. Thus, the four UN SDGs identified on the front cover best personifies all that IOI strives to achieve at this point of its sustainability journey.

FEEDBACK & COMMENTS
IOI is open and committed to listening to our stakeholder’s opinions and ideas. The Group welcome any feedback on this sustainability report, its management approach and performance. Please send your comments to:

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AIMS AND PURPOSE OF THIS REPORT

IOI’s second Annual Sustainability Report focuses on IOI’s commitment to Attaining Balance throughout its operations. This Sustainability Report 2018 is divided into sections which correlate to the three pillars of IOI’s sustainability philosophy: People, Planet, and Prosperity. In line with these three pillars IOI outline its contributions to the UN SDGs. IOI also highlight the cornerstones of its sustainability strategy as set out in the Group’s Sustainable Palm Oil Policy (SPOP) and other relevant policies.

REPORTING PERIOD AND SCOPE

This report contains performance data for the financial year ended 30 June 2018. It has been prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards): Core Option. This report also adheres to the sustainability-related disclosure obligations prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia). As such, information on the management of the Group’s material economic, environmental and social (EES) risk and opportunities are presented in this report.

Moreover, we have reviewed other palm oil sustainability initiatives during the preparation of this report, including: Zoological Society of London’s (ZSL) Sustainability Policy Transparency Toolkit (SPOTT), CDP, and the Free and Fair Labour Principles for Palm Oil Production.

The scope of this report covers IOI businesses including: IOI Plantation (estates and mills), and Resource-Based Manufacturing (refineries and IOI Oleochemical operations). This report also includes Commodity Marketing activities and excludes Sales Offices. IOI Loders Croklaan (now known as Bunge Loders Croklaan) has not been fully included in the scope of this report because they split from the parent company, IOI Corporation Berhad, within the reporting period. To avoid repetition, some of the information is reported in the IOI Annual Report 2018. Beyond this report, the Group will regularly share relevant sustainability updates publicly on its website.

MATERIALITY IDENTIFICATION

During the Group’s first stand-alone sustainability reporting last year, the key aspects of the topics discussed were emphasised based on specific business sector across IOI. In this reporting, topics discussed for Sustainability Report 2018 will be more focused and narrated as a whole. The direction on key topic discussion for this year’s reporting remain anchored to IOI’s sustainability commitments and performance throughout the Group’s SPOP and Sustainability Implementation Plan (SIP).

The topics presented in this report have taken into account the responses from various stakeholders of the Group. IOI have reviewed industry related environmental, social, governance (ESG) standards and ratings system, frameworks and sustainability initiatives. Subsequently, IOI have included responses and priorities from external stakeholders including NGOs and key coalitions as well as internal stakeholders. IOI reviewed the feedbacks through engagements, forum and email enquiries. Combining those qualitative survey results with quantitative analysis, IOI have been able to update its set of materiality topics.
MESSAGE FROM OUR CEO

DEAR STAKEHOLDERS,

Throughout this financial year, IOI continues to encounter many challenges, risks and opportunities in our sustainability journey. We embrace the diligence required to dig into our processes to ensure that the momentum we have generated across our sustainability pursuits will enable us to face them.

Furthermore, with our “Approach to Sustainability”, together with our “3 Pillars of Sustainability” comprising People, Planet & Prosperity and the adoption of 4 specific United Nations’ Sustainable Development Goals (SDGs), we will accelerate our drive to materialise our sustainability priorities.

It is our belief that helping to resolve these sustainability issues through business has a great impact to the community and the country at large. We will accordingly endeavour to enhance our businesses and management by addressing and attaining the crucial balance between the People, Planet and Prosperity perspectives.

DATO’ LEE YEOW CHOR
Chief Executive Officer
In accordance with IOI’s Sustainability Vision, economic sustainability is about “leading and innovating as well as embedding sustainability into our business”. Our approach to sustainability which promotes the utilisation of socio-economic resources to their best advantage has resulted in a positive economic sustainability. Such social initiatives like increased transparency via our traceable supply chain, the palm oil dashboard and certifications under RSPO, RSPO NEXT, MSPO, ISCC, etc. as well as wider engagements with stakeholders have engendered more trust by our stakeholders and impacted positively on company performance. Meanwhile innovative research that focused on improving FFB yields and oil extraction rates through oil palm breeding and digital imaging technology have directly translated to higher oil yields per hectare of land used and better land utilisation. This enables us to share our economic success with our shareholders, employees, and the surrounding communities with programs such as scholarships for outstanding students, “School Adoption Program” to improve students’ learning environment, medical treatment assistance and food donations. The higher returns also enable us to invest in new processing technologies and continue research into higher-yielding planting materials which help to reduce the carbon footprint of our operations.

Moving Forward

To further emphasise the alignment of IOI’s core values with our sustainability strategic priorities, the specific sustainability targets will be discussed in greater detail in this report together with the progress we have made towards their attainment. We will continue to address our stakeholders’ concerns regarding the implementation of our sustainability initiatives to ensure that our sustainability journey leave a positive impact on both the present and future generations.
IOI Corporation Berhad ("IOI" or "the Group") is a Malaysia-based conglomerate listed on the Main Market of Bursa Malaysia. IOI is one of the world’s largest palm oil producers. The Group’s vertically integrated business model, which is backed by a workforce of over 28,000 people, covers the entire palm oil value chain from upstream plantations to downstream resource-based manufacturing.

The Group’s plantation operations comprises of 90 estates and 15 mills. For FY2018, the total FFB production for the Group is 3.51 million MT. This is 11% higher than the previous year due mainly to higher yield. IOI continuously explores new planting and milling technology to increase its FFB output and oil yield to sustain business growth. The plantation operation is also driving mechanisation initiatives to improve overall productivity.

The Group’s global resource-based manufacturing business fortifies its integrated palm value chain. It consists of downstream activities such as refining of crude palm oil and palm kernel oil, and the processing of refined palm oil and palm kernel oil into oleochemical and specialty oils and fats products. IOI has 6 manufacturing facilities in Malaysia and Germany with combined annual refining capacity of 1.8 million MT. The principal activities of the oleochemical sub-segment are the manufacturing and sales of fatty acids, glycerine, soap noodles and fatty esters. The oleochemical products are exported to more than 60 countries worldwide mainly to Japan, China, Europe and USA.

A full description of the Group’s integrated business model can be found in our Annual Report 2018.
ABOUT IOI CORPORATION

LOCATIONS

GLOBAL PRESENCE

North America
- IOI Corporation, USA
- New Jersey, USA
- Toronto, Canada

South America
- Sao Paulo, Brazil
- Toronto, Canada
- Channahon, USA

Africa
- Cairo, Egypt
- Tema, Ghana
- Munich, Italy

Asia
- Malaysia
- Korea
- Thailand
- Manila, The Philippines

Europe
- Rotterdam, The Netherlands
- Worthersee, The Netherlands
- Wilten, Germany
- Wittenberg, Germany
- Warsaw, Poland
- Moscow, Russia

* Associate company after the completion of divestment of 70% equity interest in Loders Croklaan Group B.V.

Plantation & Mill
- Palm Oil Mill
- Resource-Based Manufacturing
- Sales/Procurement

Resource-Based Manufacturing
- Kernel Crushing Plant
- Lipid Enzymtec Plant

Sustainability Report 2018

IOI CORPORATION BERHAD

RESOURCES

Resource Based Manufacturing
- BOS Development Operations
- BOS Pan-Century Oleochemical & Refinery Operations
- Liquid Engineering Plant
- Palm Oil Refinery & Specialty Fats Operations
- BOS Fats Oil Refinery & Kernel Crushing Plant

Sustainabilty Report 2018
Policies revised for human rights at workplace:
- Foreign workers recruitment guideline & procedure in Malaysia
- Minimum wage & leave pay policy
- Equal opportunity employment & freedom of association policy
- Policy on harassment at workplace

24 Humana Learning Centres
Benefited about 3,035 children

Sustainability certification
13 Mills RSPO certified
6 Mills MSPO certified
RSPO next audit commenced

Completion of passport returning programs and installation of passport lockers in Q4 2017

Fire management
- Signing of MOU on fire prevention
- Spatial monitoring and reporting tool (SMART) patrolling
- Member of fire free alliance
- Introduction of zero burning policy

Landscape level approach in pipeline:
- Ketapang landscape approach
- Mini Leelau landscape approach

Product and innovation
- Palmsurf® MCT 60/40
- Palmsurf® MCT 70/30
Approved by eCOcert greenlife

Improvement in energy efficiency in manufacturing facility through eco-productivity and green energy

Sustainability governance
IOI sustainability advisory panels established

Progress in IOI Pelita:
- Community socialisation and visits
- Partnership with NGOs
- CSR activities
- Draft resolution plan in progress

PT KPAM governance development
- Completion of public review for new planting procedure (NPP) and management plan
- Completion of high carbon stock assessment review

About IOI Corporation

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172,521 ha of certified estates

At a glance

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A YEAR IN SUMMARY

**July 2017**
- IOI published key milestones for the implementation of IOI’s commitments as identified by NGOs such as Greenpeace, Grassroots, Rainforest Action Network, Finnwatch and Forest Peoples Programme.
- Completion of Grassroots and IOI’s joint field verification visit to Long Teran Kanan with RSPO as observers, from 3 to 7 July 2017. A follow up meeting was held between IOI, Grassroots and RSPO on 18 July to discuss Grassroots’ recommendations, RSPO’s roles and the development of a corresponding IOI action plan.

**August 2017**
- IOI published key milestones for the implementation of IOI’s commitments as identified by NGOs such as Greenpeace, Grassroots, Rainforest Action Network, Finnwatch and Forest Peoples Programme.
- IOI introduced revised policies on human rights at workplace.

**September 2017**
- The HCV assessment report for PT KPRM was submitted to HCV Resource Network (HCVRN) on 20 November 2017. IOI received a letter of satisfactory from HCVRN four days later.

**October 2017**
- IOI’s Sustainable Palm Oil Policy (SPOP) was revised to include the Group’s commitment towards MSPO certification.
- A joint site visit to IOI Pelita plantation and the local communities was conducted.

**November 2017**
- IOI introduced revised policies on human rights at workplace.
- Independent field verification visits by RSPO’s Verification Officers was conducted in PT SKS, PT BSS and PT BNS. The purpose of the visit was to verify progress for the implementation of RSPO Complaints Panel’s (CP) recommendation as delivered on 26 May 2017, specifically those cited in the original complaint submitted by Aidenvironment.

**December 2017**
- IOI Loders Croklaan (now known as Bunge Loders Croklaan) won sustainability Champion Award at Fi Europe.
- IOI’s Sustainable Palm Oil Policy (SPOP) was revised to include the Group’s commitment towards MSPO certification.

**January 2018**
- IOI’s Sustainable Palm Oil Policy (SPOP) was revised to include the Group’s commitment towards MSPO certification.

**February 2018**
- IOI Loders Croklaan (now known as Bunge Loders Croklaan) won sustainability Champion Award at Fi Europe.

**March 2018**
- IOI employees attended the Sepilok Orangutan Outreach Conservation (SOCO) Program that aimed to raise awareness on protected animal species.

**April 2018**
- Second Management Sustainability Review meeting to discuss the progress and challenges in the implementation of IOI’s sustainability commitments.

**May 2018**
- IOI visited the communities affected in May 2018 to update and to continue the dialogues with them on the IOI’s progress with RSPO in finalising the draft resolution plan.

**June 2018**
- Independent field verification visits by RSPO’s Verification Officers was conducted in PT SKS, PT BSS and PT BNS. The purpose of the visit was to verify progress for the implementation of RSPO Complaints Panel’s (CP) recommendation as delivered on 26 May 2017, specifically those cited in the original complaint submitted by Aidenvironment.
- The SAP meeting on 24 June 2018 in Paris, France. Some of the issues discussed were on the progress update on IOI Pelita, RSPO’s final field verification in Ketapang, suppliers compliance and SIP external verification.
- Finnwatch released a report titled “Working Conditions at IOI Group’s Oil Palm Estates in Sabah, Malaysia” Generally, Finnwatch’s response was positive, noting on the Group’s continuous improvement on working conditions at its oil palm estates.
- IOI, Grassroots and RSPO representatives conducted a socialisation session with each community individually to brief and consult them regarding the draft Resolution Plan in Miri, Sarawak.
SUSTAINABILITY & CORPORATE RESPONSIBILITY

SUSTAINABILITY AT IOI

IOI is committed to fully integrating sustainability into its core businesses. The Group believes that by attaining balance between development and conservation, it is better able to safeguard the wellbeing of the communities, protection of the environment, and prosperity of stakeholders. During the past year, IOI had been diligently improving upon its sustainability policies and tackling key concern areas such as human rights, climate change, and land use. The Group’s revised SPOP and SIP have played vital roles in helping to address these key concerns.

IOI aims to not only integrate sustainable approaches into the core businesses and operations, it also strives to be the sustainability benchmark for other plantation companies. The Group believe this is evident from the industry-leading initiatives which it has embedded into the SPOP and SIP.

MANAGEMENT AND GOVERNANCE STRUCTURE

To progress and respond to future challenges, the Group have developed and continuously improve upon a systemic approach to sustainability which is cascaded through its Sustainability Governance structure. Sustainability Governance at IOI comprises Board of Directors, Group Sustainability Steering Committee, Sustainability Team, and an external Sustainability Advisory Panel.

Roles of each team in the sustainability governance structure

<table>
<thead>
<tr>
<th>Team</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>Approves and monitors the overall strategies and direction of the Group to ensure long-term value creation.</td>
</tr>
<tr>
<td>Group Sustainability Steering Committee</td>
<td>Ensures that IOI embeds all its sustainability commitments within the economic, environmental, and social considerations underpinning the Group’s operations.</td>
</tr>
<tr>
<td>Sustainability Team</td>
<td>Promote transparent and effective implementation of the Group’s sustainability policies. The team is led by IOI Group Head of Sustainability and comprises of IOI Plantation, IOI Oleochemical, Corporate, Stakeholder Engagement, and Commodity Marketing.</td>
</tr>
<tr>
<td>Sustainability Advisory Panel</td>
<td>Advice, review and challenge the Group on its sustainability commitments and ambitions, as set out in the SPOP and SIP. This panel is comprised of external stakeholders who have access to all relevant data and documentation.</td>
</tr>
</tbody>
</table>

Figure 1: Sustainability Governance Structure

SUSTAINABLE PALM OIL POLICY

Published in August 2016, IOI’s Sustainable Palm Oil Policy (SPOP) serves as the focal guiding document for the Group’s sustainability practices. The SPOP has been updated in February 2017 to include the Annex on implementation of policy commitment by third-party suppliers as well as the Group’s commitment in applying the newly revised High Carbon Stock Approach (HCSA) methodology and its associated social requirements.

In addition, IOI has made further enhanced commitments in the area of Human Rights at Workplace. (For more details, please refer to Human Rights at Workplace section in this report).

The provisions in the SPOP apply to all IOI’s operations worldwide, including the subsidiary companies, joint ventures and companies in which it has management control.

New commitments published in the latest SPOP in March 2018 include ensuring that all of IOI’s Malaysian plantations are Malaysian Sustainable Palm Oil (MSPO) certified by the end of 2018.

The development of SPOP is based upon the following core principles:

- To comply with all applicable legislation and codes of practice.
- To implement leading sustainability standards laid out in the policy for environmental management, human rights and workplace conditions, community development and social impact.
- To build traceable supply chains such that all suppliers are also in compliance with our commitments as contained in our Sustainability Policy on Environmental Management, Human Rights and Workplace as well as Community Development and Social Impact.
- To strive for the highest levels of transparency and stakeholder engagement.

Moving forward, in consultation with the stakeholders, IOI will review, adjust and improve its policy and implementation. Any update on the SPOP will be announced on the Group’s website. The most up-to-date SPOP is available for download on IOI’s website.

EXTERNAL VERIFICATION ON SIP

IOI has appointed Proforest, a non-profit organisation with substantial experience in the palm oil sector and a track record in second-party verification, to undertake an external verification of the implementation of IOI’s Sustainable Palm Oil Policy (SPOP) and its related documents and commitments.

This verification will assess IOI’s level of compliance against its public policy commitments, including SPOP SIP and additional public commitments announced by IOI in April 2017.

The scope of the verification will mainly be on the Group’s palm oil operations, including plantations and crude palm oil (CPO) mills, processing facilities and global third-party supplier.

The verification process will be performed through a combination of external and internal stakeholders consultation, desk-based analysis and fieldwork. The verification process has commenced since May 2018, and a full report will be publicly available in Q3 2018. 

Statement from Neil Judd, Proforest Co-founder, and Director:

“Proforest is pleased to be undertaking this important assessment of IOI Group. Numerous companies have made deforestation commitments but few have externally verified the implementation of those commitments. Proforest’s extensive experience in the sector, and in verification at various levels, positions us well to undertake this work, but consultation with stakeholders will be a critical element of the process.”

Sustainability Implementation Plan (SIP)

The SIP is a practical working document that details the progress of IOI’s sustainability commitments as stated in the SPOP. The SIP details the activities, milestones, and timelines for each subject area outlined in the SPOP. The SIP is updated quarterly to reflect IOI’s current progress and add in new activities or commitments as part of IOI’s ongoing sustainable journey.

Moving forward, IOI is going to update the SIP bi-annually in 2019 with a well-defined milestones and targets. The current document and previous SIP documents will be archived and will still be publicly available in IOI’s website in the future.
CONTRIBUTION TO UN SDGs

INTRODUCTION

As a company with global operations, IOI recognises the importance of its role in this global initiative. As such, the Group identified four UN SDGs with their specific targets that are most relevant to its business and are in alignment with the pillars of sustainability and SPOP.

The identified SDGs are as follows:

SDG 8: Decent Work & Economic Growth
- 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading, and innovation, including through a focus on high-value added and labour-intensive sectors.
- 8.8 Protect labour rights and promote safe and secure working environments of all workers including migrant workers, particularly women migrant, and those in precarious employment.

SDG 12: Responsible Consumption & Production
- 12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment.
- 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

SDG 13: Climate Action
- 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
- 13.2 Integrate climate change measures into national policies, strategies and planning.

SDG 15: Life On Land
- 15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystem and services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.
- 15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.

CONCLUSION

IOI will continue to challenge ourselves on our sustainability journey. We will do so by further strengthening and expanding the targets found within the chosen SDGs (UN SDGs 8, 12, 13 and 15) and to weave them into our sustainable strategy and model. We will also continue to seek our stakeholder’s concerns regarding the implementation of new sustainable related initiatives in order to meet the 3Ps (People, Planet and Prosperity) of sustainable development.

PRIORITY SDGS

People

Our People philosophy can be seen through our efforts in human rights at workplace, health and safety and community development & social impact.

Planet

Our Planet philosophy can be seen through our efforts in land use plan, rehabilitation and biodiversity, fire prevention, operation eco-efficiency and climate strategy.

ALIGNMENT WITH THE UN SDG

SDG 8: Targets 8.8 and 8.2

Pillars of Sustainability

People

Prosperity

Planet

Economic Growth

Decent Work &
Our Prosperity philosophy can be seen through our efforts in corporate governance, stakeholder engagement, sustainability certifications and traceable supply chain.

### Policies

**Risk assessment**
- Risk assess all palm oil supplier mills using spatial data and remote sensing information from the World Resource Institute’s (WRI) Global Forest Watch (GFW) platform, and stakeholder alerts. In order to facilitate monitoring of the palm oil supply chain to establish priorities for conducting mill-level verification assessments.

**Mill Verification and Monitoring**
- Independent verification of IOI’s sustainability commitments.

**Sustainability Advisory Panel (SAP)**
- Follow a multi-stakeholder approach as the right way forward to transform the palm oil sector.

**Sustainability Public Reporting**
- Online information update to improve navigation and accessibility to the mass public, including the update of the Palm Oil Dashboard.
Empowering People to deliver a sustainable balance

At IOI, we believe that our people are the drivers of our vision. IOI commits to safeguard the welfare of its workers by creating a fair and safe working environment. Beyond this, we seek to empower our employees and their families, as well as the wider communities with education, training, and awareness for sustainable development.
HUMAN RIGHTS AT WORKPLACE

OUR MANAGEMENT APPROACH

IOI have introduced three major policies on labour practices and human rights. These policies are (i) Equal Opportunity Employment & Freedom of Association Policy, (ii) Minimum Wages & Leave Pay Policies in Malaysia, and (iii) Foreign Workers Recruitment Guideline & Procedures in Malaysia.

Among the key highlights and commitments made in these policies are no recruitment fee policy, no retention of workers’ passports, paying the workers statutory minimum wage, freedom of association for the workers, robust grievance mechanisms and procedures, and no discrimination of workers and procedures for workers’ recruitment process.

IOI strive to ensure that its workers are fully aware of their rights, and the Group’s policies and benefits, by providing comprehensive orientation and induction training. Robust training and evaluation programs are also provided to build workers’ job competency. The Group’s management continuously monitor the workers’ understanding of their rights. The monitoring of workers’ pay is an important element in IOI’s labour rights monitoring program. IOI will always ensure that the workers achieve the statutory minimum wage pay.

Implementation of the above policies is monitored via scheduled internal sustainability audits at all of IOI’s operating units. Standardised audits are undertaken against the SIP and relevant policies. Any gaps and findings are reported to the higher management, and authorities if necessary, and addressed by respective operating unit’s management team to ensure workers’ rights are protected. Annual audit program consists of internal regional sustainability team audit, HQ sustainability team audit and external audit certification.

In line with the Group’s SPOP, IOI’s workers are provided with various channels to voice out their grievances and the management will then plan the investigation and address any grievances. The Group is committed to an open and transparent approach to resolve outstanding grievances with the involvement of affected stakeholders. IOI also has Gender Consultative Committee in place to address specific issues related to gender such as sexual harassment.

In June 2018, IOI introduced new “Policy on Harassment at Workplace” to further amplify its commitments in promoting a safe and healthy working environment. IOI views any form of harassment, including sexual harassment as a serious violation and against the Group’s values and principles.

Employees development programs were implemented in all levels of the workforce. Internal and external trainings are conducted to enhance operational and working skills, reduce workplace risks, and adapting to ever changing business environment. The Coaching the Coach program was one of the programs implemented to cultivate a coaching culture for employees to deliver their best and be motivated at the workplace. Other trainings conducted during FY2018 including business model innovation program, senior management development program, human resource skills for non-human resource personnel, talks on smart parenting and workshop on Enterprise Risk Management (ERM) process.

All the policies on labour and human rights at workplace are available on IOI’s website for public viewing.

OUR COMMITMENTS

Migrant workers are often subject to vulnerabilities and risks during recruitment and employment processes. Challenges faced by them include high recruitment fees, deceptive information on job scopes and functions, passport retention, discrimination and violation of human rights, as well as ineffective grievance mechanisms.

IOI has been tackling these issues by committing to respect and uphold the rights of all its workers in accordance with the Universal Declaration of Human Rights, the International Labour Organisation’s Core Conventions, United Nations Guiding Principles on Business and Human Rights and the Principles of Free and Fair Labour in Palm Oil Production. The Group is also committed to an open, transparent, and collaborative approach to resolving its workers’ and stakeholders’ grievances.

GRIEVANCE CHANNELS (FOR INTERNAL STAKEHOLDERS)

Online
- Email
- Website

Hotline
- Company hotline
- Social Media platform (Whatsapp and SMS)

Offline
- Grievance form
- Formal complaint writing

Committee
- Employee Consultative Committee (ECC)
- Joint Consultative Committee (JCC)
- Gender Consultative Committee

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All the policies on labour and human rights at workplace are available on IOI’s website for public viewing.

OUR COMMITMENTS

Migrant workers are often subject to vulnerabilities and risks during recruitment and employment processes. Challenges faced by them include high recruitment fees, deceptive information on job scopes and functions, passport retention, discrimination and violation of human rights, as well as ineffective grievance mechanisms.

IOI has been tackling these issues by committing to respect and uphold the rights of all its workers in accordance with the Universal Declaration of Human Rights, the International Labour Organisation’s Core Conventions, United Nations Guiding Principles on Business and Human Rights and the Principles of Free and Fair Labour in Palm Oil Production. The Group is also committed to an open, transparent, and collaborative approach to resolving its workers’ and stakeholders’ grievances.

GRIEVANCE CHANNELS (FOR INTERNAL STAKEHOLDERS)

Online
- Email
- Website

Hotline
- Company hotline
- Social Media platform (Whatsapp and SMS)

Offline
- Grievance form
- Formal complaint writing

Committee
- Employee Consultative Committee (ECC)
- Joint Consultative Committee (JCC)
- Gender Consultative Committee

In line with the Group’s SPOP, IOI’s workers are provided with various channels to voice out their grievances and the management will then plan the investigation and address any grievances. The Group is committed to an open and transparent approach to resolve outstanding grievances with the involvement of affected stakeholders. IOI also has Gender Consultative Committee in place to address specific issues related to gender such as sexual harassment.

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Finnwatch conducted an assessment of working conditions at IOI’s oil palm estates in Sabah, Malaysia, which produces 67% of IOI’s palm oil and employs 75% of IOI’s total estate workers. In December 2017, Finnwatch undertook field research in three IOI estates (Moynod, Luangmanis, and Baturong) and discovered no blatant human rights violations. The 30 interviewed workers were largely satisfied with their salaries as well as their working and living conditions (every worker has their own house where they can live with their family).

HUMAN RIGHTS AND LABOUR PRACTICES AT IOI

No Child Labour
IOI upholds strict child labour restrictions in all operating units. IOI’s Human Resource team follows a strict screening process during recruitment to ensure that no child labour are hired. Moreover, IOI field staff, assistant managers and supervisors frequently monitor operations to ensure that child labour is not present in estates. To ensure that children and minors are not involved in plantation operations and obtain a quality education, IOI have partnered with HUMANA to build schools for the children of workers. The Group is also taking initiatives to upgrade schools as well as to improve transportation and ease of access for the children in and around our estates to attend school.

Ethical Recruitment Including No Recruitment Fee
IOI collaborated with several NGOs to develop a more comprehensive recruitment procedures for foreign workers which was published in October 2017. Foreign workers at IOI’s plantations are generally recruited from Indonesia, the Philippines, India, Nepal, and Bangladesh. The “No Recruitment Fee” policy states that the Group will cover official recruitment fees for foreign workers.

Joint Consultative Committee meeting.

Equal Opportunity Employment & Freedom of Association
In October 2017, IOI published a revised version of Equal Opportunity Employment & Freedom of Association Policy which state that the workers will receive equal treatment based on their relevant merits and competency regardless of gender, race, caste, nationality, religion, age, physical condition, sexual orientation, marital status, union membership/affiliation/activity, employment status or political affiliation, etc. Any form of discrimination based on factors aforementioned is prohibited, and any union membership/activity will not lead to disciplinary measures or punitive actions. Moreover, as part of IOI’s commitment to support the fair and equitable treatment of its workers, the Group will not refuse any genuine opportunity to collectively bargain with workers who want to do so.
Orientation and Induction Training

Orientation and induction training will be conducted by the Estate Manager or Assistant Manager, as well as estate's personnel in charge of Safety, Health, and Sustainability with assistance of an interpreter. Training material is currently available in English, Bahasa Malaysia and Bahasa Indonesia. The translation of the training material into other languages such as Bangladesh and Tagalog is ongoing. IOI is also having “Train the Trainer” program where the senior workers are trained to provide briefing of the Group’s policies and benefits to new workers.

Compensation and benefits

IOI is committed to paying all workers the statutory monthly minimum wage and overtime compensation in accordance with the current national labour regulations. Estate Managers take proactive measures to increase the workers’ productivity, with target earnings of at least 20% more than the minimum wage for each worker during normal working hours.

No retention of workers’ passport

The implementation of the Group’s “Passport Safekeeping Guideline” commenced in August 2017. Currently, 100% of passports have been returned to the workers. The workers can access their passports freely and have them kept in a centralised locker provided by the Operating Centres.

Human capital development

Internal training initiatives are upgraded annually. Capacity building includes best practice training for agriculture, environmental management, pest management, health and safety, and fire prevention techniques. Trainings are generally delivered by the Training Department and Human Resource department throughout the Group’s operations.

Orientation and Induction Training

Ongoing training initiatives are updated annually. Capacity building includes best practice training for agriculture, environmental management, pest management, health and safety, and fire prevention techniques. Trainings are generally delivered by the Training Department and Human Resource department throughout the Group’s operations.

HEALTH AND SAFETY

OUR COMMITMENT

IOI place top priority on the health and safety of its employees and contractors, as well as visitors to facilities. The key health and safety commitments include:

- Reduce accidents, occupational diseases and occupational poisoning by at least 10% as compared to previous year;
- 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.

OUR MANAGEMENT APPROACH

A comprehensive Occupational Safety and Health (OSH) Policy which covers all aspects of IOI’s business operations is in place. In line with the International Labour Organisation (ILO), the Group’s OSH policy promotes best practices to ensure the health safety of the workers. It is embedded in the SPIOP and is enforced by an OSH management system that meets world-class standards, particularly OHSAS 18001. Workers are also encouraged to voice their health and safety concerns via grievance channels available. Grievances are channeled to Safety and Health Committees, which comprises employees and management representatives.

Plantation Operations

IOI ensure that Good Agriculture Practices is carried out throughout its estates operation. To ensure that OSH at the plantation operation is adhered to, scheduled inspections are carried out for all workplaces, machinery, vehicles and equipment. IOI also provide Standard Operating Procedures (SOPs) for specific risk activities which include chemical storage, fertiliser and pesticide application, tractor handling, and the usage of proper Personal Protective Equipment (PPE), amongst others.

The Group’s Plantation division constantly conducts trainings in estates and mills to educate its employees to improve their work operation and instil safety excellence culture. Trainings on OSH were conducted based on yearly training agenda. Programs were organised to enhance awareness on OSH, develop product knowledge, improve operational efficiency and effectiveness as well as to be updated of latest requirement and compliances.

Safety and Health Committee meetings at operating centres are conducted at least once every 3 months. In addition to this, management meetings are frequently held to resolve any OSH issue that may arise.
Resource-based Manufacturing Facilities

To ensure cohesive and consistent implementation of the OSH policy at IOI’s refineries and oleochemical manufacturing plants, safety audits are conducted regularly by employees and Head of Departments. The equipment are inspected at least once every quarter and calibrated annually to promote safe and eco-efficient operations. To further safeguard the health of the workers, health checks such as audiometric tests are conducted periodically.

IOI Oleochemical’s (IOI Oleo) facilities are certified and accredited by globally recognised bodies in various aspects of quality and international standards compliance. On top of the ISO 9001, ISO 14001, OHSAS 18001 and ISO 50001 certifications, IOI Oleo’s Penang and Johor sites have the Food Safety System Certification (FSSC) 22000 on food safety management, and IOI Oleo’s Witten, Germany site has the European Union-Good Manufacturing Practice (“EU-GMP”) certified production for Active Pharmaceutical Ingredients (“API”). The Group’s refinery manufacturing premises are ISO 9001/ISO 14001, OHSAS 18001 and HACCP/GMP accredited. IOI Oleo’s Pasir Gudang refinery is also ISO 50001 certified.

External and internal training are provided to the workers to enhance OSH skills and awareness. Production staff are given daily briefings regarding general issues and job specific requirements. A Training Needs Analysis is conducted every six months to identify training and education programs. Week-long safety, health and environment campaigns are held annually to promote safety, health and environment awareness.

To encourage OSH transparency and dialogue, departments conduct monthly meetings to discuss topics pertaining to safety, health, job requirements, and welfare.

AWARDS AND RECOGNITION

Responsible Care Recognition

IOI Oleo continues to lead with exemplary industry-leading responsible care practices as two of its subsidiaries were honoured yet again at the 14th Chemical Industries Council of Malaysia (CICM) Responsible Care Awards 2016/2017. IOI Pan-Century Oleochemicals Sdn Bhd (IOI Pan-Cen) and IOI Aciddex Sdn Bhd (IOI Acidchem) were honoured under the Responsible Care’s Six Codes of Management Practices in Malaysia.

Prime Minister Hibiscus Award

IOI Pan-Cen has received a momentous recognition at the Prime Minister Hibiscus Award (PMHA) 2016/2017. IOI Pan-Cen bagged the award as a result of the top management’s commitment in building a greener operational environment through various environmental programs including having collaborations with external research institutions such as the United Nations Industrial Development Organisation (UNIDO), initiating corporate social responsibility programs with local authorities and communities, involvement in green environmental projects like rain water harvesting, biogas capturing and utilisation, flue gas heat recovery, and efficient resource management through Energy Management System and Total Productive Maintenance.

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IOI Oleo honoured with the 14th Chemical Industries Council of Malaysia (CICM) Responsible Care Awards 2016/2017.

Prime Minister’s Hibiscus Award 2016/2017.

IOI Pan-Cen received recognition at the Prime Minister’s Hibiscus Award (PMHA) 2016/2017 with “Exceptional Achievement”. 
IOI strive to drive positive socio-economic impact and enhance the wellbeing of the communities in which it operates. Recognising the necessity of effective stakeholder consultation to truly make positive social impact, IOI is diligently increasing its efforts to actively engage with the communities surrounding its operations.

OUR MANAGEMENT APPROACH

At the core of IOI’s community development and social impact approach is a respect for local communities to hold legal, communal or customary rights on any project that might affect their way of life or occurs in their territories. The Group follow a Free, Prior and Informed Consent (FPIC) process to ensure that such rights are upheld. An example of how IOI implement FPIC, and how active stakeholder engagement has fostered improved relationships between IOI and local communities is detailed in the IOI Pelita case study.

Other core approaches that safeguard the health and safety of the Group’s local communities include eliminating all form of illegal, forced, bonded, compulsory or child labour; collaborative fire prevention initiatives; and upholding all other environmental and social commitments detailed throughout this report.

Going beyond ensuring that the rights, health, and safety of stakeholders are not impacted by its operations, IOI have been implementing a wide range of initiatives to enhance community wellbeing. The Group is actively engaging and assisting local communities through activities such as school field repairs, blood donation drives, road repairs and fencing, wildlife conservation, and hosting community building activities (e.g. game tournaments, family day, etc).

To further drive positive social impact, the Yayasan Tan Sri Lee Shin Cheng (Yayasan TSLSC) was established in 1994 under the patronage of IOI Group. Yayasan TSLSC serves as a platform to implement initiatives that fall under five pillars as follows:

- **Community Welfare**: Scholarships
- **Education**: Medical Assistance
- **Social Enterprises**: The Promotion of Science, Technology, Engineering, and Mathematics
- **Enterprises**: Student Adoption Program
- **Welfare**: Bargain Basement

*5 PILLARS OF Yayasan TSLSC*

**OUR PERFORMANCE**

**Investments towards Health and the Environment**

A total of 55 employees registered for a blood screening test on 25 September 2017 in another initiative by the Community Services Committee of IOI Oleo to boost employees’ wellbeing. It was conducted by Clinipath (Malaysia) Sdn Bhd and the results were given to the employees on 6 October 2017 after a briefing on the readings, possible causes and corrective actions.

In line with IOI Oleo’s commitment to employee welfare, the Community Services Committee has initiated a flood relief aid to help employees who were affected by the recent devastating flood in Penang which damaged their homes and properties last December 2017. A total of 51 employees received cash aid ranging from RM700 to RM1,000 that was contributed by Yayasan TSLSC.

Celebrating Women’s Day, a free health screening was organised by the Community Services Committee team in collaboration with the National Population and Family Development Board (LPPKN). Held at IOI Acidchem, the health screening received a good turnout of 60 attendees.

IOI through its Plantation Division had been providing health facility in where its operating. The facility is not only available for IOI employees, benefit of the facility is also being shared together with the surrounding communities. One of the examples is in Bukit Lesiau, where free medical treatment is available for the indigenous people living nearby to where IOI operates.

IOI strive to promote environmental awareness through initiatives such as Sustainability Awareness Drives. These efforts have also been seen in the Group’s operation in Sandakan, Sabah by the sustainability workshops organised by them.

In September 2017, IOI Oleo collaborated with Siararan Perai Municipal Council (MPSP) and the Penang State Forestry Department to undertake a hiking and ‘forest bathing’ project. This entailed the repair of hiking amenities with the involvement of external parties such as the Penang Chief Minister, State Forestry Department, Village Heads, MPSP and general public.
Scholarship Awards

Yayasan TSLSC places high importance on investing in human capital development. Scholarships and career opportunities have been presented to academically outstanding students and also to those who are pursuing their full-time undergraduate studies relating to the Group’s core businesses. To date, Yayasan TSLSC has awarded more than 260 students with more than RM8.5 million worth of scholarships.

Student Adoption Program

The Student Adoption Program was launched in 2008 by then Deputy Minister of Education, YB Datuk Seri Ir. Dr. Wai Ka Soong to provide underprivileged children with equal access to good basic education as a platform to a brighter future. The adopted students will receive financial assistance and school bags from Yayasan TSLSC until he or she completes his or her primary and/or secondary education. Since its inception, the Program has benefited more than 1,000 students from over 200 schools in Peninsular Malaysia and Sabah. To date, the program has funded more than RM1.1 million in the form of sponsorship.

Young Achievers’ Awards

The Young Achievers’ Awards (YAA) was introduced by Yayasan TSLSC in 1999 to motivate young students in striving for excellence in their education. Cash awards, plaques and certificates of achievement are handed out annually to young achievers who are academically outstanding students and also to those who are pursuing their full-time undergraduate studies relating to the Group’s core businesses. To date, Yayasan TSLSC has awarded more than 260 students with more than RM8.5 million worth of scholarships.

Social Procurement Initiative

IOI is supporting social procurement through the Impact Driven Enterprise Accreditation (IDEA) platform to help generate growth from within the country and power a more people-centric economy. Officially launched on 5 September 2017, the IDEA platform, a branchchild of the Malaysian Global Innovation & Creativity Centre (MaGIC), allows IOI to scale to new heights by becoming part of a systemic change that drives the nation towards an inclusive, economy. The platform also assists IOI to create positive social change and address community issues.

Partnership with HUMANA

IOI has partnered with Borneo Child Aid Society, Sabah (HUMANA) to provide basic education and financial aid to plantation workers’ children who are unable to enrol into national schools in Malaysia. IOI’s contribution has amounted to over RM1.5 million and to date, the Group has built 24 HUMANA learning centres in Sabah which has benefited about 3,035 children annually. Aside from bearing the operating cost of these centres and providing accommodation to its teachers, IOI also sponsored computers, projectors, sound systems, school bags, socks and stationeries to these learning centres and their students.

Bargain Basement

Bargain Basement is an innovative social enterprise, initiated and managed by Yayasan TSLSC to encourage the public to donate pre-loved or unused items which will then be sold at affordable prices. The net proceeds from the sale will then be channelled back to the community in need. Bargain Basement has been recognised as one of the 40 Impact Driven Enterprises under MaGIC since 5 September last year. The success of its first shop prompted the opening of a second branch at IOI Mall Puchong on 30 September 2017.

To date, Bargain Basement has contributed a total of RM62,544 to eight beneficiaries.

Community Outreach

Besides education and social investment programs, the Group also encouraged and provided ample opportunities to employees to volunteer their time and actively participate in various CR activities organised by Yayasan TSLSC. Some of the memorable activities included bringing cheer to residents at old folks’ homes and organising outdoor team-building sessions for children from orphans. The Group’s numerous CSR efforts are highlighted in the Corporate Responsibility section.

Apart from the above initiatives, there have been much more social and community events that were store across IOI operations. The Group had been communicating its initiatives and activities for employees and communities through its quarterly Berita IOI and Quarterly Sustainability Update.

Latest issues of Berita IOI are available in both hardcopy and softcopy (viewable on IOI’s website).

People

Case Study – Supporting medical research and treatment of genetic disease

Felix Theissen was born on 18 October 2017. Sadly, he suffered from cardiac irregularity, weakness and syncope for unknown reasons, and was brought to University Children’s Hospital of Münster in Germany under the care of Professor Marquardt, an expert on metabolic diseases.

After complete characterisation and sequencing of Felix’s genome, a specific genetic defect was identified which seriously affected the infant’s fat metabolism. Fat is essential for newborn babies.

However, Felix’s genetic defect (probability of occurrence is 1:137 billion) prevents him from metabolising the long-chain fatty acids from his mother’s milk. Felix is the world’s only second patient to be diagnosed with this genetic defect, and there is no treatment available yet as the first patient only lived a few days after birth.

A miracle occurred when Professor Marquardt’s search led him to IOI Oleo Germany’s MIGLYOL® 812N (MCT Oil in API quality).

Felix showed the first signs of recovery as his mitochondria were able to metabolise the MCT oil, and his system could source energy from the oil. Yet, long-term treatment with MIGLYOL® 812N was not viable as the metabolism caused acidosis in his body. Professor Marquardt’s next solution – a triglyceride with a shorter fatty acid chain length, i.e. a monoacid C6 triglyceride – led to its manufacturing in IOI Oleo Germany’s Witten plant as it is not commercially available.

Dr Sebastien Reyen and his team did a great job and swiftly produced a 99% pure C-6 triglyceride according to the active pharmaceutical ingredient (API) standards. Since Felix started on the treatment that was contributed by IOI Oleo Germany, he has responded well.

HUMANA Learning Centres at the plantations provide basic education to plantation workers’ children who are unable to enrol into national schools in Malaysia.

Tan Si Lee Shin Cheng attending a Curriculum Day at SJRC Shin Cheng (Harcroft) which was fully funded and built by Yayasan TSLSC in 2007.

New school bags and stationeries are donated yearly to motivate school children under the Yayasan TSLSC’s Student Adoption Programme.

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Nurturing our Planet through balanced development

While IOI rely on agriculture as an important economic resource and means of development, we are mindful that terrestrial ecosystems need to be conserved and protected. IOI is taking steps to mitigate risks to natural habitats and biodiversity by empowering our people with knowledge and resources to preserve, care and rehabilitate our environment where necessary.
OUR COMMITMENTS

IOI have been diligently implementing policies to protect communities and the environment from the impacts associated with land use change. For the Group’s existing plantations, it applies the sustainability commitments as detailed in the SPOP and other sections of this report.

In addition to fulfilling the existing plantation sustainability commitments as a member of the High Carbon Stock Approach (HCSA), the following are applicable to any new oil palm plantations by IOI and its third-party suppliers:

- No deforestation and protection of High Conservation Value (HCV) areas;
- No deforestation of High Carbon Stock (HCS) forests, using the revised HCS Approach; and
- No development of peatland regardless of depth, and protection of peatlands through water management and fire prevention.

IOI is also fully committed to respecting the land tenure rights of indigenous and local communities, including their right to give or withhold their Free, Prior and Informed Consent (FPIC) to operations on land over which they hold legal, communal or customary rights in accordance with the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and the social requirements for conserving HCS forests.

OUR MANAGEMENT APPROACH

Increasing Palm Oil Yield

As arable land in Malaysia is becoming scarce for the expansion of oil palm plantation, the industry can no longer rely on acreage expansion to raise production. The best way forward is to increase yield of the palms significantly.

Over the years, the clonal ramets produced by IOI’s Palm Biotech Centre had been planted progressively, with initially planted in smaller scale replicated clonal evaluation trials, before moving towards semi-commercial field planting, and subsequently, large scale commercial field planting. Millions of high yielding clonal palms has been produced and planted in various IOI’s estates to date.

At any time, the palm in field trials in Peninsular Malaysia and Sabah are evaluated with detailed records being collected not only of fruit yield, but more importantly, oil-bearing characteristics and tree morphology, so that each new generation of seed is more efficient in converting solar energy into product i.e. oil, and the grower obtains a higher yield of oil per unit area area of land used.

Adapting to New Planting Procedure

The New Planting Procedure (NPP) requires IOI to publicly announce its expansion plans. Only after verification by the RSPO accredited certification body that the social and environment requirements have been met can the new planting operation commence.

Preparation work for NPP (such as Land Use Change Analyses, Environment Impact Assessment, Social Impact Assessment, High Conservation Value Assessment, High Carbon Stock Assessment and GHG Emission Assessment) was started back in 2015. Notification was placed on the RSPO website as part of the FPIC process.

This FPIC process provided an opportunity for local organisations, government authorities and communities to discuss with the company all related issues before the start of new operations. It also gave local communities a chance to participate in planning the land use for example to become part of the smallholder schemes.

Adapting to HCS Approach

The High Carbon Stock (HCS) Approach is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed. It puts No Deforestation into practice.

This Approach has been used for new development in PT KRAM, Indonesia.

OUR PERFORMANCE

Clonal Oil Extraction Rates (OER) Evaluation Test

A series of clonal Oil Extraction Rates (OER) Evaluation tests were conducted at IOI’s oil mill in Peninsular Malaysia over the period of 2010 to 2015. The result shows OER of more than 27% from fresh fruit bunch (FFB) crops derived from pure stands of clonal palms, compared to an average of 22% to 23% OER from FFB crops of palms derived from the conventional DxP seedlings, confirming the higher oil yield production capabilities of clonal palm. This resulted in increase of oil yield per hectare.

<table>
<thead>
<tr>
<th>HCV Area (in ha)</th>
<th>FY2017</th>
<th>FY2018**</th>
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<tbody>
<tr>
<td></td>
<td>4,735.79</td>
<td>5,232.72</td>
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<table>
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<tr>
<th>Other Conservation Area (in ha)</th>
<th>FY2017</th>
<th>FY2018**</th>
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<tr>
<td></td>
<td>2,922.29</td>
<td>9,236.75</td>
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** As reported in RSPO Annual Communications of Progress (ACP) 2017
**Area Statement**

<table>
<thead>
<tr>
<th>Area Type</th>
<th>Mature</th>
<th>Immature</th>
<th>Total</th>
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<tbody>
<tr>
<td><strong>OIL PALM</strong></td>
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<tr>
<td>Mature</td>
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<tr>
<td>Immature</td>
<td>19,468</td>
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<td><strong>RUBBER</strong></td>
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<tr>
<td>Mature</td>
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<tr>
<td>Immature</td>
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<td></td>
<td>50</td>
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<td><strong>Others</strong></td>
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<tr>
<td>Nursery</td>
<td>455</td>
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<tr>
<td>Estate under development</td>
<td>581</td>
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<td>581</td>
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<tr>
<td>Building sites, labour lines, roads and others</td>
<td>33,601</td>
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<td>33,601</td>
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<tr>
<td><strong>Total planted area</strong></td>
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<td>Nursery</td>
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<tr>
<td>Estate under development</td>
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<tr>
<td>Building sites, labour lines, roads and others</td>
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<tr>
<td><strong>Total area</strong></td>
<td></td>
<td></td>
<td>217,329</td>
</tr>
</tbody>
</table>

*Excludes area owned by associate companies.

Full statement of area statement can be found in Annual report 2018

**REHABILITATION AND BIODIVERSITY**

**OUR COMMITMENT**

IOI is keenly aware of its important role in protecting, conserving and rehabilitating the ecosystems in and around its estates. IOI commit to strictly adhering to all relevant laws, RSPO, RSPO NEXT, MSPO, and ISCC certification principles regarding biodiversity protection and enhancement.

Biodiversity conservation commitments that have been integrated into the Group’s SPOP include: no deforestation, protection of High Conservation Value (HCV), High Carbon Stock (HCS) and no new development on peatland.

**OUR MANAGEMENT APPROACH**

IOI, as one of the founding members of RSPO, is fully committed to safeguarding HCV sites within its concessions. IOI use HCV Resource Network (HCVRN) licensed assessors during the preparation of its New Planting Procedures and pre-development planning. Moreover, the Group’s conducts yearly internal re-assessments of all existing HCV areas and initiate management and monitoring plans for its operations to ensure a systematic approach towards the conservation, maintenance and protection of these sites.

IOI’s commitments to protect HCV areas and improve the ecological function of degraded HCVs are contained in site-specific Environmental Impact Assessments and associated Environmental Management Plans. The Group believe that significant collaboration is needed to promote biodiversity protection and enhancement. As such, IOI’s management plans entail the creation of platforms to bring stakeholders (including local communities) together and assigning roles to successfully manage HCV areas.

Recognising the ecological importance of peatland, IOI is implementing strategies to rehabilitate the natural function of peat. Peat management strategies are site-specific given the various challenges that may exist depending on the location. Strategies generally include enhancing the capacity of local communities to prevent fire and rehabilitate peatlands. Moreover, IOI is working with RSPO Peatland to develop a standard vulnerability assessment study and best management practices for smallholders to enhance contributions to peatland protection.
Both photos above show that the planted tree species dominating the secondary vegetation.

**OUR PERFORMANCE**

**Activities along FY2018**

**Malaysia**
- Participated in Sepilok Orangutan Outreach Conservation (SOC) Program organised by Sabah Wildlife Department that aims to raise awareness on protected animal species, in conjunction with World Wildlife Day 2018.
- Consultation with external expert in HCV management and monitoring was carried out to discuss the HCV mitigation measures and monitoring program.
- Rescuing of orangutan in Sinarmon 9 estate.
- HCV awareness training was conducted on several estates in Lahad Datu to highlight the protection of animals, plants and birds and to equip the workers with knowledge to identify species that need to be protected.
- Completion of soil drainability assessment and soil distribution study for FY2018.
- Establishment of the Mini Leelau Landscape Approach to manage peat, hence fire prevention, and community development.

**Indonesia**
- Mapping the current peat distribution, types and properties in PT Bumi Sawit Sejahtera (PT BSS), PT Berkat Nabati Sejahtera (PT BNS) and PT Sukses Karya Sawit (PT SKS).
- Technical training on peat and best management practice on peatland management as well as integrated Spatial Monitoring and Reporting Tool (SMART) patrol methodology was conducted by Global Environmental Center (GEC) to SINA Group.
- Series of training on the Standard of Procedures (SOPs) for water management, forest plant seeds and rehabilitation conservation area were conducted across IOI’s estates in SINA Group.
- Active monitoring is being continuously carried out by fire patrol team and Environment Team (Boundary Buffer Monitoring) in PT SKS estates buffer boundaries (neighbouring to Hutan Lindung Cagar Alam, Kuala Kendawangan).
- Implementation of Integrated Management Plan for rehabilitation in PT BSS, PT BNS and PT SKS.
- All HCV areas in PT SKS, PT BNS and PT BSS demarcated on the ground, and their coordinates updated in the GIS map.
- Establishment of an arboretum park in an HCV area of PT BSS to foster ecotourism and community empowerment.

**CASE STUDY**

**Ketapang Landscape Approach to Managing Peatland, Protecting Orangutan Habitat, and Preventing Fires**

A landscape approach has been adapted to foster integrated peatland management and rehabilitation, orangutan habitat protection, and fire prevention in and around four IOI’s plantations in Ketapang, West Kalimantan. The approach has been developed in association with affected stakeholders in Ketapang, which is replete with biodiversity-rich forest landscapes.

**Peat Management**

IOI have implemented a Peat Management strategy which focuses on the management, protection and rehabilitation of peatland at a landscape-level. This entails (i) monthly water-level monitoring which is submitted to relevant authorities, (ii) ground-truthing to verify peat status in the plantations landscapes, (iii) peat tree rehabilitation program, and (iv) monitoring and protection from fire and encroachment through a systematic patrol system.

**Orangutan and Silver Langur Population Mapping**

A preliminary survey has been conducted through a joint effort with Indonesia’s Natural Resources Conservation Agency (BKSDA) to determine the orangutan population status at PT BSS’ landscape near Gelinggang Lake. Some isolated orangutan were identified and may be translocated to more viable orangutan population habitat within the plantation landscape. Silver Langur were also made observed and their population distribution will be mapped within the plantation landscape.

**Stakeholder Collaboration**

In collaboration with the BKSDA, local police and armed forces, IOI have organised an awareness program to highlight the presence of HCV areas and orangutan in nearby forests as well as the importance of the fire prevention and control program. The Group also conducted joint patrol programs with the police and armed forces in the areas around Gelinggang lake that is prone to encroachment and illegal hunting. IOI is currently developing fire prevention partnership programs with local communities, NGOs and other stakeholders in line with the FPIC process.

**Rehabilitation Progress**

The progress of IOI’s tree planting and rehabilitation activities in the peat areas are progressing well. Approximately 70% of the trees planted in early 2017 are still surviving and most have already begun flowering. Orangutan nests have also been spotted in the HCV areas, and are suspected to have migrated from the nearby Cagar Alam forest.

**MOVING FORWARD**

IOI plan to plant various tree species in the rehabilitation areas, aligned with its tree planting SOP, and conduct mortality monitoring training to launch a monitoring program this upcoming year. The output of this program is being documented as part of IOI’s learning platform to enhance biodiversity conservation in the plantation ecosystems.
FIRE PREVENTION

OUR COMMITMENT: ZERO BURNING

IOI acknowledge that the impacts of fires can be catastrophic to communities and biodiversity, and may pose significant long term commercial risks. In May 2018, IOI further amplifies its no burning commitment stated in the Group’s SPOP by introducing “Zero Burning Policy”. The Policy forbids any open burning across IOI’s concessions, unless under absolutely necessary circumstances, through permitted by local laws and guidelines.

OUR MANAGEMENT APPROACH

Emergency Response Program

IOI have established fire management teams across its plantations and concessions to provide immediate response to fire occurrences. To ensure the effectiveness of its fire management team, IOI provide a full range of equipment, in-house annual training on fire prevention techniques and safety guidelines as detailed in its Standard Operating Procedures of Emergency-Response Program.

Fire Monitoring System

Fire Alert Information Systems have been implemented in IOI's plantations to provide the Fire Prevention and Control team with real-time monitoring. Once an alert is received by the team, they will communicate with nearby communities and work together to control and extinguish the fire.

Peatland Fire Risk Management

IOI recognise that peatland management is an important factor in mitigating fire risk. The Group’s peatland fire management plan monitor and prevent the peat areas from fire and encroachment through systematic patrol system.

The plan include fire patrolling using UAV, constructing fire towers, and working closely with the adjacent stakeholders and local fire brigades. Fire hotspots are received and monitored via IOI Fire Alert Information System. Additionally, IOI is working closely with NGOs and local authorities in conducting awareness and fire prevention training sessions throughout the estates and local communities.

Capacity building

Building capacity and raising awareness either for our internal or external stakeholders is crucial to ensure successful implementation of our fire management plan. IOI’s internal training on fire prevention and management were conducted across all our estates. IOI reported training and fire program in its quarterly update. Additionally, IOI also provided training and awareness program for the local community as part of our effort for a more efficient and comprehensive fire protection well as to help in mitigating fire risk at landscape level.

Fire-Free Alliance

The Government of Indonesia has intensified efforts to protect the environment by strengthening the country’s fire-fighting response and its prevention. Supporting the Government’s leadership on fire prevention is a voluntary multi-stakeholder group called Fire-Free Alliance (FFA) of which IOI is a member since 15 March 2017.

IOI’s Fire Prevention and Monitoring Program

As a member of FFA, IOI’s efforts include the following four key strategies:

1. Establishment of Fire Monitoring System
2. Fire Alert Information System
3. Fire Towers & Drones
4. Emergency Response Program (ERP)

One of the fire towers in IOI’s concessions in Indonesia.

Training Programs on Fire Emergency & Simulation (Prevention and Control) to respond to the fire occurrences.

Socialisation, Dialogue and Awareness program in forest and land fire prevention to encourage the participation of relevant stakeholders, eg. communities, neighboring companies, etc.

In 2018, IOI reached its target to fully implement Fire Monitoring System and Emergency Response Program in all of the estates in Indonesia.

In Kalimantan, the Group collaborated with 6 companies and 3 villages in fire prevention and control programme for year 2017. With the support and involvement of relevant government authorities in its landscape in Kecamatan Kendawangan, IOI believes that it is able to establish strong partnership with one of the key communities and at the same time identify potential livelihood programme for them. IOI will attempt to develop partnership with at least 7 villages in order to raise awareness and empower the local community for them to be part of the fire prevention program in the near future.

IOI has organised Fire Awareness Training (FAT) for 60 people in 2017 through Manggala Agni (forest fire team) Pontianak to improve the fire prevention and patrolling program in its concessions. Another 2 awareness programs were organised this year, supported by BKSDA and POLHUT (Forest Ranger) in Desa Dusun Air Hitam and Desa Jambi.

In Sabah, Malaysia, IOI is integrating the Forest Fire Management Plan (developed by Sabah Forestry Department-SFD) with its Fire Alert Information System, in order to strengthen the rapid response procedure on forest fire. SFD expected that there were signs of the El Nino phenomenon again in 2018-2019, which will lead to the hot weather and prolonged drought. A series of training on forest fire-fighting and prevention was conducted in Sabah by the SFD. The objectives of the training were to enhance knowledge and awareness on dealing with forest fire and enforcement on fire prevention in forest reserves including preventing fire outbreak in peat area from happening.

Previous severe forest fires that have been experienced in 1997-1998 which destroyed more than 130,000 ha of permanent forest reserve. IOI has taken the prevention measures to ensure that there is zero incident of fire in the plantations by implementing “Zero Burning Policy” recently.

In 2018, a socialisation on fire prevention and fire-fighting techniques was carried out to the surrounding communities in PT SKS, together with Indonesia POLHUT and BKSDA. Further similar initiative between IOI and Manggala Agni was carried out with the communities around Cagar Alam, Muara Kendawangan. In addition, IOI also had a meeting with Manggala Agni in May 2018 to discuss plans for more fire prevention training programs for 2018 and innovation in fire prevention.

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Mini Leelau Landscape Approach to manage Peat, Fire Prevention and Community Development

IOI has initiated a fire prevention and control program in one of its estates in Peninsular Malaysia. The program is a collaboration program, supported by NGO and working closely with the government and the nearby local orang asli community.

The program aims to (i) assess the status of peatland area that is affected by previous fire incidents (ii) bring relevant stakeholders together to support the community development in the pilot project, (iii) provide platform to empower the orang asli community in fire prevention and rehabilitating the degraded peatland areas due to previous fire incidents, and indirectly provide alternative livelihood options for a better living environment.

Operational Eco-efficiency

IOI endeavour to achieve sustainable consumption and production in line with the UN SDG 12 targets. As such, the Group is implementing operational eco-efficiency strategies aimed at creating more product using fewer resources and generating less waste and pollution.

GHGs Emissions Reduction

Our Management Approach

IOI has adopted ISCC and RSPO PalmGHG methodologies to proactively monitor GHGs emissions and have taken practical steps to reduce GHGs emissions in its palm oil production.

Moreover, IOI Oleo has also established a group-wide energy policy in June 2018 that set short term targets and long term visionary goals for its direct operations. IOI Oleo is working towards full ISO 50001 energy management certification, currently 80% of the manufacturing sites are certified to ISO 50001 or the EU Eco-Management and Audit Scheme.

IOI is implementing several other GHGs reduction strategies, as discussed in more detail in Climate Strategy section, including: no developments on peat, sustainable cultivation and processing, green energy initiatives, methane capture facilities, and engagement and advocacy activities.

Our Performance

<table>
<thead>
<tr>
<th>Plantation Segment</th>
<th>Total GHGs Emissions</th>
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<tbody>
<tr>
<td>IOI Plantation</td>
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<tr>
<td>Scope 1:</td>
<td>Total GHGs Emissions</td>
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<td>54,307 MT CO₂e</td>
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<td>Scope 2:</td>
<td>Total GHGs Emissions</td>
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<tr>
<th>Resource-Based Manufacturing Segment</th>
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<tr>
<td>Refinery</td>
<td>Total GHGs Emissions</td>
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<tr>
<td></td>
<td>65,494 MT CO₂e</td>
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<tr>
<td></td>
<td>6,400 MT CO₂e</td>
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<td>59,094 MT CO₂e</td>
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<tr>
<th>IOI Oleochemical Total GHGs Emissions per MT product</th>
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<tbody>
<tr>
<td>FY2018 Total GHGs Emissions per MT product</td>
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<tr>
<td>0.31 MT CO₂e Reduction of 9.6% from previous reporting year</td>
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<tr>
<td>FY2017 Total GHGs Emissions per MT product</td>
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<td>0.34 MT CO₂e</td>
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SUSTAINABLE AGROCHEMICAL MANAGEMENT

Our Commitment
There are a variety of pests which threaten the productivity of the Group’s oil palm plantations. IOI is continuously improving upon its sustainable pest control methods to alleviate pesticide dependency. However, pesticide is still needed to maintain high palm oil yields. To safeguard the health of its workers, surrounding local communities and the environment against the risks of pesticides, the Group is committed to no use of Paraquat and pesticides that are categorised by World Health Organisation as Class 1A or 1B.

Our Management Approach
Guided by the Group’s agricultural policy and SOP, IOI’s Pest Management Team have been implementing Integrated Pest Management solutions to sustainably control pests. For example, IOI’s plantations have introduced plant species that act as hosts for predators that feed on commonly encountered pests (i.e. bagworm and nettle caterpillar larvae). Barn owls are also used as a natural pest control measure.

The Group’s in-house agronomists work closely with the plantation operation team in developing sustainable methods in controlling weeds and pests to keep crops disease-free. Effective fertiliser dosages are recommended as the research team bases their formulation on carefully studied and published critical nutrient levels. Therefore, effects of oxygen depletion on water body is minimised.

One of the agronomic efforts emphasised on restoring the soil fertility in the Group’s plantations. IOI’s Pest Management Team have also been implementing Integrated Pest Management solutions to sustainably control pests. For example, IOI’s plantations have introduced plant species that act as hosts for predators that feed on commonly encountered pests (i.e. bagworm and nettle caterpillar larvae). Barn owls are also used as a natural pest control measure.

WASTE MANAGEMENT

Our Commitment
Palm oil waste management is often a challenge for the industry due to the large quantities of waste generated during production, however sustainable waste management solutions offer opportunities to boost eco-efficiency.

Our Management Approach
IOI apply sustainable waste management strategies to handle the large amount of biomass by-products generated during operations._month long operations that include oil and palm kernel and treated palm oil mill effluent (POME) are recycled back to the soil as natural fertilisers. Other forms of biomass such as fibres and empty fruit bunch (EFB) are used as renewable energy source to generate steam and electricity for mill processing. This green energy sustains up to 98% of the Group’s mills’ energy requirement.

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Climate change presents risks, as well as opportunities for us to take part in positive change. IOI’s climate change responses are in the form of (i) mitigation initiatives to reduce and curb greenhouse gases (GHGs) emissions, and (ii) adaption initiatives to reduce the Group’s vulnerability to the consequences of climate change.

Our Commitments
Climate change, particularly the conversion of peatland, IOI is committed to no development of peatland as stated in the Group’s SOP. Specifically, no new developments are allowed on peatland regardless of depth (Malaysia) and below 50 cm (Indonesia). IOI is also committed to further protecting our peatlands through water management and fire prevention initiatives.

Sustainable Cultivation
Sustainable agronomic practices are implemented throughout the Group’s operations from high-yielding oil palm clonal, applying Best Management Practices in the plantation and implementation of NDPE policy. These are part of the Group’s climate change mitigation efforts.

Focus in IOI’s research including to increase productivity, adapting to climate change, improving the efficiency level of resource use while integrating the sustainability value within the Groups’ value chain. High productivity improves land use efficiency and which increase energy efficiency and resulted in lower GHGs emissions. Further reading on IOI’s effort in water and waste management can be found under section of Operational Eco-efficiency and on the high-yielding cloning can be found under section of Innovation and Technology.

Our Performance
Green Energy
98% of the Group’s mills’ energy needs are sourced from biomass (i.e., shells and EFBs) from plantation operations. Moreover, IOI have a 15 MW biomass co-gen power plant at IOI Corporation Berhad, Sandakan, Sabah that uses kernel shells and EFBs to generate 1100kWh for air conditioning purposes. IOI Oleochemicals (‘IOI Oleo’) in Prai, Penang are embracing the concept of green energy by harnessing solar energy for electricity generation. Initiated in 2017, the solar panel system at IOI Oleo Prai generates more than 750,000 kWh of electricity annually.

This translates to a savings of almost 450 MT of CO₂, a year, or the equivalent of planting 40,000 trees. Moving forward, IOI Oleo plans to supply solar renewable energy to offices in IOI Oleo Prai, with an estimated generation of 90-100kWh for air conditioning purposes.

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IOI’s employees in the HQ in preparation for the shifting. Boxes of used papers to be recycled.

Engagement and Advocacy
IOI’s operations and quality assurance teams are in constant collaboration with external researchers and consultants to explore alternative and innovative means to reduce GHG emissions.

IOI Oleo has been coordinating with the United Nations Industrial Development Organisation (UNIDO) to deliver energy saving programs. IOI Oleo has also participated in the Carbon Disclosure Project (CDP) climate change module and supply chain climate change questionnaire which drives the companies to measure and disclose the carbon footprint data. Beginning with reporting, we are now on the track to integrating CDP as part of our performance indicators to enhance our energy management, with aims to reduce the greenhouse gas (GHG) emission and mitigate climate change risk.

In August 2017, IOI Acicichem commissioned a low energy, high efficiency system in their facility comprising of hot water vapour absorption chiller, centralised chilled water system and thermal oil heater economisers. Implementation of the systems significantly reduced electricity consumption per ton of throughput of the packing plant by around 25%. The technological upgrades also resulted in a half of ozone depleting refrigerants such as CFC and HCFC during cooling operations.

The Group’s refinery facility had also carried out energy efficiency initiatives that reduces their energy consumption. Installation and modification of process system and devices had enabled the facility to perform efficiently and sustainably. One of the examples is in IOI Edible Oil facility in Sandakan. Though the initiatives, energy savings can reach up to 68,000KWH monthly. The facility being amongst the first to use integrated unmanned weighing system in East Malaysia which enable faster unloading resulted in significantly reduced oil tanker receiving time on average by 24 minutes per oil tanker with total reduction of 6,355,2 hours/year of vehicle turnaround time in 2017. This improvement reduced air pollution and vehicle fuel consumption. Improvement made for hot water system in IOI Oleo refinery has tremendously reduced the steam consumption in Palm Kernel Dry Fractionation to 50% and thus decreasing the release of hot vapour to the environment. Currently the facility use biomass boiler to generate steam for refinery use which replaces the use of fossil fuel (diesel or MFO) to generate steam. Additionally, the construction of new biomass boiler for steam and power supply to refinery will further reduce use of electricity from utility board.

Methane Capture Facilities
Methane emission from the treatment of POME is a large contributor to the Group’s total operational emissions. IOI has successfully commissioned two biogas plants in Pulau Pinang Mill, Johor and Ladang Sabah Mill, Sandakan to capture methane gas and mitigate GHGs emissions from POME. They are expected to contribute an estimated GHGs reduction of 120,000 MT of CO₂ per year. By 2018, the Group expect to commission two more biogas plants for a further reduction of 140,000 MT of CO₂ per year.

In addition, this Annual Sustainability Report 2018 is printed on environment-friendly papers. The Group has also reduced the printing of physical report and we encourage our readers to read this report through our website.
We can reduce our ecological footprint by changing the way we produce and consume goods and resources. Managing waste responsibly, minimising water usage, being innovative in recycling and enhancing efficiency in production and traceability in our supply chains are some of the ways we can ensure food security, and shift towards a more balanced, resource-efficient economy.
IOI Corporation Berhad Sustainability Report 2018

PROSPERITY

CORPORATE GOVERNANCE

IOI maintains strong leadership through sound governance and ethical business conduct. IOI believes in achieving responsible commercial success while balancing the interests of its stakeholders, as the Group fervently uphold sustainability practices in its businesses as well as regulatory laws imposed in the countries where we operate.

The Group's corporate culture and Core Values, which are instilled in all its employees, serve as a moral compass to fulfill its commitments to conduct business with integrity and achieve sustainable value creation. A more detailed explanation of IOI's Corporate Governance is provided in the Group’s Annual Report 2018.

Corporate Responsibility

The Group's Corporate Responsibility Policy reflects its long-standing commitments to its employees, surrounding communities and the environment. IOI has implemented a number of workplace policies related to: occupational health and safety; no recruitment fee for foreign workers; no harassment at the workplace; no child labour policy; and equal opportunity employment and freedom of association, amongst others.

Anti-corruption

The Group's Code of Business Conduct and Ethics sets the standard for our commitment to working with integrity and adhering to fair and ethical practices.

Grievance and Whistleblowing Policy

In the event of a suspected violation of IOI’s Code of Conduct, stakeholders and employees are welcome to utilise the Group's whistleblowing channels to raise their concerns. Sustainability related risks associated with the Group’s operations include: health and safety, human rights, local community grievances, climate change, deforestation, biodiversity, fire, RSPO, and peatland management. These risks are managed at the business unit level and are guided by approved Standard Operating Procedures.

Risk Management

Risks and audit oversight for the Group is coordinated via an Enterprise Risk Management (ERM) framework which is maintained by the board-level Audit and Risk Management Committee (ARMC). A more detailed explanation of IOI's risk management process and internal controls is provided in the Group’s Annual Report 2018.

The Group’s efforts in strengthening sustainability can be seen through the appointment of a new Head of Stakeholder Engagement. Engagement is important to IOI, and it strives to practice the following key principles with matters relating to stakeholders:

- IOI has strong partnerships in the making
- IOI believes that these difficult issues can be best solved through a collaborative effort involving all stakeholders. By working side by side, all parties can better understand the issues at play and contribute their individual strengths. These difficult cases and partnerships built around them often lead to the development of new approaches, practices and solutions which are subsequently applied throughout the Group’s operations and sometimes also industry-wide.

IOI has made significant strides in ensuring transparency on all sustainability issues. Open and regular communication on these issues has been shared with communities, NGOs, clients and other stakeholders, via IOI’s website (e.g. BP Grease List and News Updates) as well as direct interaction through face-to-face dialogue, visits to IOI's operations.

STAKEHOLDER ENGAGEMENT

OUR COMMITMENT

Over the last couple of years, the stakeholder engagement function at IOI has been increased in importance and value. IOI is now engaging more actively with stakeholders via multiple channels. Collaborations and partnerships are at the core of the Group’s stakeholder engagement approach. Although still in the early stages, IOI have strong partnerships in the making and it is strongly committed to continuing on a path of open and transparent stakeholder engagement.

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Engagement among IOI’s internal stakeholders is vital to effectively disseminate the Group’s sustainability commitments throughout its operations. Management Review meeting are one of the platforms that bring together relevant personnel to discuss various sustainability issues especially in the Plantation segment, such as certification, compliances as well as monitoring and progress of implementation of revised policies. Apart from this, Management Review meetings were also held in the regional level (Peninsular Malaysia, Sabah and Indonesia).

STAKEHOLDER ENGAGEMENT APPROACH AT IOI

Stakeholders

- Employees
- Customers
- Suppliers
- NGOs

Engagement method

- Meetings and conference calls
- Customer's survey
- Meetings, and conference calls
- Field visits to IOI's estates
- Formal engagement at major forums and conferences
- Discussions with NGOs, clients and other stakeholders, via press releases and conferences
- CSR activities
- Third-Party supplier program
- Workshops and socialisation of sustainability policies
- Engagement meetings
- Meetings and conference calls
- Field visits to plantations
- Collaborations and partnership
- Policy and documentation reviews
- Training and workshop

OUR MANAGEMENT APPROACH

The importance of stakeholder engagement is permeating IOI’s corporate culture. The function is an integral part of the Group’s sustainability strategy and is viewed as a long-term and strategic channel for relationship building, risk mitigation and continuous improvement. Consequently, more resources have been allocated to this function and new approaches and forms of engagement have been pursued.

A priority for the Stakeholder Engagement team is to address remaining grievances, namely the IOI Pelita land dispute in Sarawak, Malaysia and the peatland management issues encountered at PT SNA in South Ketapang, West Kalimantan, Indonesia.

IOI believes that these difficult issues can be best solved through a collaborative effort involving all stakeholders. By working side by side, all parties can better understand the issues at play and contribute their individual strengths. These difficult cases and partnerships built around them often lead to the development of new approaches, practices and solutions which are subsequently applied throughout the Group’s operations and sometimes also industry-wide.

IOI has made significant strides in ensuring transparency on all sustainability issues. Open and regular communication on these issues has been shared with communities, NGOs, clients and other stakeholders, via IOI’s website (e.g. BP Grease List and News Updates) as well as direct interaction through face-to-face dialogue, visits to IOI's operations.

Engagement among IOI’s internal stakeholders is vital to effectively disseminate the Group’s sustainability commitments throughout its operations. Management Review meeting are one of the platforms that bring together relevant personnel to discuss various sustainability issues especially in the Plantation segment, such as certification, compliances as well as monitoring and progress of implementation of revised policies. Apart from this, Management Review meetings were also held in the regional level (Peninsular Malaysia, Sabah and Indonesia).
PROSPERITY

OUR PERFORMANCE

IOI Pelita Case

The IOI Pelita land dispute represents the most challenging issue for IOI. This case is complicated as it involves many stakeholders, overlapping land claims, and internal disputes among various ethnic groups. It is now being managed by the RSPO-Complaints Panel (CP) which, together with IOI, ensures that the resolution process strictly follow the FPIC process and RSPO Principles and Criteria (P&C) on conflict resolution.

The draft Resolution Plan was developed with input from stakeholders, including the CP, affected communities, and Grassroots, a local NGO which has been active on this case for the last 8 years. The Draft Resolution Plan received a conditional endorsement from the CP at the end of June 2018, thus allowing its subsequent socialisation among all affected communities. Upon receipt of communities’ consent, IOI will launch the Resolution Plan implementation.

The IOI Pelita land dispute initially involved two communities, Long Teran Karan A and Long Teran Karan B. However, at this stage, all 11 communities living in the vicinity of IOI Pelita’s Provisional Lease and who are affected in one way or another by the project, are now included in the resolution process.

The draft Resolution Plan calls for a comprehensive capacity building program to be made available to all affected communities and the associated cost to be borne by IOI. The capacity building will focus on explaining communities’ rights as well as enhancing their governance and negotiating skills so that they can represent their interests effectively. A participatory mapping exercise will play a critical role in identifying, mapping and validating communities claims and concerns. A grievance mechanism for the communities and other stakeholders, to be used in case of any disagreement, has been established. Communication with stakeholders has been enhanced and has been playing an important role in ensuring effective coordination and implementation of the resolution process. Updates on IOI Pelita land dispute have been conducted regularly and through various channels such as IOI’s website, direct email communication, and direct engagement. IOI Pelita’s community liaison team has been engaging with all affected communities on a regular basis, at least once a month. IOI’s CSR activities have intensified as well. As a result, the relationship between the company and the affected communities has improved significantly.

The Group is optimistically looking into the future and believes that through a concerted effort of all stakeholders and effective communication this long-standing dispute will be resolved in a lasting and fair manner.

The flowchart below explains how IOI conducts the FPIC process. The photos showcase the FPIC process currently underway at IOI Pelita.

STAKEHOLDERS ENGAGEMENT THROUGHOUT THE YEAR

Stakeholder visits to IOI’s Estate

In April 2018, Palmol Timur Estate hosted a visit for our customers, provided a guided tour and hands-on demonstration to the visitors on IOI’s estate operations. During the tour, the visitors learnt the Group’s oil palm plantation management and sustainability practices.

A half-day guided tour was arranged in July 2017 for our customers to visit Palmol Estate and Palmol Mill. The visitors learnt about IOI’s oil palm plantation practices and processes and was introduced to IOI’s various sustainable measures.

Customer Visits to IOI Oleo

IOI Oleo welcomed several guests from around the world in the first quarter of 2018 to strengthen business relationship. The visits covering tours to the fatty acid plant, soap noodle plant as well as the warehousing and packing facilities.

In March 2018, IOI Oleo welcomed its European guests for its Palm Sabun range of soap noodles to its facility. In February 2018, a team from a multi-national company (MNC) visited IOI Oleo to team and explore new specialty formulations of soap noodles for future collaboration involving sustainable products.

Besides this, IOI Oleo had been receiving other guests along the year which IOI communicate through its bulletin.

Management Sustainability Review Meeting

The first Management Sustainability Review meeting, attended by management and sustainability team from the Corporate and Plantation division, was held in October 2017. Throughout the meeting, various issues were discussed, including new and revised policies related to IOI’s sustainability commitments. The feedback from the management team were taken into consideration before the Group officially announce the revised policies and guidelines on human rights at the workplace. The second Management Sustainability Review meeting was held in March 2018. Issues discussed during the meeting including compliances on certification, sustainability projects updates, and implementation progress of the revised policies on the ground.
Supplier Engagement Program in Sabah

On 10 July 2017, IOI conducted its Third-party supplier technical workshop in Sandakan for 70 participants representing 40 different mills throughout Sabah. The fundamental focus was IOI’s recently-published Third-Party Supplier annex to the IOI’s SPOP, which details the requirements and specific mechanisms for the implementation of the SPOP by IOI’s third-party suppliers.

Supplier Engagement Program consisting of a series of Supplier Technical Workshops facilitated by Proforest was initiated by IOI as part of its efforts to support the transformation of the palm oil supply chain through supplier engagement. Some of the topics that have been covered include pest management, peatland practices, national and international certification schemes, High Carbon Stock (HCS) and High Conservation Value (HCV) areas.

18th EERace at IOI Pamol Group

IOI Plantation operating unit, Pamol Group was selected once again as one of the main pit stops for the 18th Environmental Educational Race (EERace) due to the active engagement of the Sustainable Palm Oil (SPO) Department of IOI Sandakan Region and the Rainforest Discovery Centre (RDC). The EERace is an environmental education programme held annually in the heart of Borneo districts of Sabah. Organised by the RDC under the Sabah Forestry Department together with various government and private organisations, the race is targeted at enhancing the environmental knowledge of school principals (around East Sabah).

POC Breakfast Meeting

IOI Loders Croklaan (now known as Bunge Loders Croklaan) organised a Sustainability Update Breakfast Meeting at Kuala Lumpur on 6 March 2018 to update customers on their sustainability progress. With an attendance of 50 customers from Bunge Loders Croklaan and IOI Oleo, the speakers deliver various topics such as updates on the sustainability journey, labour policy implementation, third-party supplier programme and more. A Q&A session also provided the opportunity to facilitate an effective platform to build trust and transparency.

GRIEVANCE MECHANISM

IOI has implemented an open and transparent approach to resolve grievances from its stakeholders. The Group has established a Grievance Procedure for stakeholders to identify potential issues or incidents that do not adhere to IOI’s principles as outlined in the SPOP. A number of channels are available for the submission of grievances, all of which can be found on IOI’s website. The Group is committed to dealing with all grievances in a fair, timely and transparent manner. A grievance list is made publicly available on IOI’s Group’s website. All issues that have been raised will be disclosed in this list.
PROSPERITY

SUSTAINABILITY CERTIFICATIONS

OUR COMMITMENT

IOI is committed to be at the forefront of sustainable palm oil development. To achieve this, IOI has been aligning its operations with international best practice initiatives and certification schemes including Roundtable on Sustainable Palm Oil (RSPO), RSPO NEXT, Malaysian Sustainable Palm Oil (MSPO) and International Sustainability & Carbon Certification (ISCC). IOI have embedded environmental, social, and governance principles from these schemes in the Group’s SPOP and are steadily progressing with the time-bound certification plans published in the SIP.

OUR MANAGEMENT APPROACH

As a founding member of RSPO, the Group has been playing an active role in promoting sustainable practices. Currently, about 97% of IOI’s estates and 90% of mills in Malaysia are RSPO certified. The Group is committed to achieving 100% RSPO certification for its remaining estates. To achieve RSPO certification, IOI’s estates must be assessed by a third-party RSPO-accredited with re-certification every five years and annual audit every year.

RSPO NEXT was developed to recognise the efforts of those whom exceed the requirements of the RSPO criteria. The voluntary commitment contains more stringent criteria regarding deforestation, peat, GHGs, landscape approaches, human rights and transparency. IOI is in the process of implementing RSPO NEXT certification at its Malaysian estates. The Group’s RSPO NEXT commitment demonstrates its readiness to adopt stronger sustainability criteria for the Group’s operations.

IOI is committed to having all of its Malaysian plantations MSPO certified by the end of 2018. In addition to ensuring IOI’s operations align with Malaysian laws and regulations, the MSPO standards foster continuous improvements within the themes of social equity, environmental protection and economic progress.

IOI have been actively pursuing ISCC for its palm oil mills and estates in Malaysia. Currently, IOI of the Group’s estates have been awarded ISCC certification. 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.

For IOI’s resource-based operation, its Sandakan refinery has also attained its ISCC. In line with the Group’s commitment to RSPO, IOI’s refineries are all RSPO certified to handle segregated RSPO oil on a large scale.

CERTIFICATION FOR OUTSTANDING PLANTATION OPERATION

Preparation for certifications is ongoing for the outstanding units both in Malaysia and Indonesia. For MSPO certification, IOI is committed to certify all its Malaysian plantation by the end of 2018. Currently, audit plan had been scheduled for the outstanding operation in Sabah and Peninsular Malaysia. For the Group operating units in Sarawak, IOI has submitted a time-bound commitment to Malaysian Palm Oil Certification Council (MPOCC), and the Group is committed to get the operating units to be certified after the land dispute case have successfully resolved.

As IOI achieved further RSPO certification for its operation in Peninsular Malaysia and Sabah, the Group will identify additional operation to undergo RSPO Next Certification. RSPO certification time-bound plan or IOI’s Indonesian operations is 2020 as stated in RSPO ACOP report submitted by the Group. Currently, IOI is in the midst of preparation for RSPO and Indonesian Sustainable Palm Oil (ISPO) certification for the Group’s concessions in Indonesia, which include conducting gap assessment.

The time-bound plan and progress update for certifying IOI’s outstanding operations is communicate through the Group’s SIP and Palm Oil Dashboard.

IOI CORPORATION BERHAD  
SUSTAINABILITY REPORT 2018

Page 66

174,081 ha Planted Oil Palm Area
172,521 ha Certified
All Mills (14 in Malaysia, 1 in Indonesia)
100% Traceable to Plantation
13 Mills RSPO Certified
6 Mills MSPO Certified
1 Refinery 8 Mills ISCC Certified

View up of palm trees in IOI’s estates.

<table>
<thead>
<tr>
<th>Estates in Malaysia</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 20 40 60 80 100</td>
<td>97% certified</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mills in Malaysia</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 20 40 60 80 100</td>
<td>92% certified</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Estates in Malaysia</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 20 40 60 80 100</td>
<td>47% certified</td>
</tr>
</tbody>
</table>

— Lading Sabah Mill —
Stage 2 audit successfully conducted in May 2018
Main Assessment Audit to be conducted in August 2018

— Pukin Mill —
Main Assessment Audit to be conducted in August 2018

— Syarimo Mill —
Main Assessment Audit to be conducted in July 2018

— Leepang Mill —
Main Assessment Audit to be conducted in August 2018

<table>
<thead>
<tr>
<th>Refinery and Mills in Malaysia</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 20 40 60 80 100</td>
<td>53% certified</td>
</tr>
</tbody>
</table>
**Palm Oil Dashboard**

**Step 1: Know the Origin of Our Oil**

**Volumes Sources**
- Sabah (Malaysia): 50%
- Peninsular (Malaysia): 45%
- Sarawak (Malaysia): 2%
- Other: 3%

**Traceability Numbers**
- IOI Group Total: Palm Oil 36%, Palm Kernel Oil 26%, Traceability palm oil to mill 100%
- IOI Edible Oils Sandakan: Palm Oil 55%, Palm Kernel Oil 44%, Traceability palm oil to mill 100%
- IOI Oleo: Palm Oil 3%, Palm Kernel Oil 1%, Traceability palm oil to mill 100%
- FJB Terminal: Palm Oil 81%, Traceability palm oil to mill 100%

**Certified Volumes Sourced (market driven)**
- Conventional
  - IOI Edible Oils Sandakan: 93%
  - IOI Oleo: 81%
  - FJB Terminal: 83%
- Certified
  - IOI Edible Oils Sandakan: 17%
  - IOI Oleo: 19%

**Step 2 & 3: Risk Assessment and Supplier Verification & Consultation**

- April 2017: Peat roadshow Terengganu
- November 2017: Supplier technical workshop and peat roadshow Kinabatangan
- November 2017: Supplier round-table Batu Pahat

**2018 Supplier Engagement**
- 478 Supplying Mills
- 171 Direct Sourcing
- 419 Indirect Sourcing
- 419 Direct Sourcing
- 100% of mills risk assessed
- 100% of mills with on-site verification completed
- 98% of mills with time bound action plan in place

**Report**
- Proforest Overarching Risk Assessment Sabah
- Numbers from April 2017 - March 2018
- Assessment from January 2017 - December 2017, including Bunge Loders Croklaan mills
PROSPERITY

TRACEABLE SUPPLY CHAIN

OUR COMMITMENT

At IOI, we are building a traceable, transparent, and sustainable palm oil supply chain. IOI’s commitments and targets are articulated in the Group’s SPOP and SIP, which are rooted in best practice and informed by stakeholders input. Additionally, IOI’s traceability goals and commitments are addressed in the Internal Traceability Protocol (ITP) and IOI’s three-step mill verification approach.

OUR MANAGEMENT APPROACH

Traceability fosters sustainability in the palm oil supply chain. Tracing the origins of our oil allows us to monitor and engage with our suppliers to ensure a more transparent and sustainable supply chain. IOI’s three-step palm oil verification approach requires that all mills and refiners in the supply chain disclose information such as GPS coordinates and ownership groups. To prioritise engagements, IOI employs multiple tools such as remote sensing, satellite imaging, and on the ground intelligence.

To ensure continuous compliance with its policies, IOI conducts regular engagement visits and workshops for mills within its direct supply chain. For third-party suppliers, IOI has implemented and communicated a proactive mill-level monitoring program. The Third-Party Supplier (TPS) Program support third-party mills, smallholders, and supplier companies to adopt sustainable practices that adhere with IOI’s SPOP commitments.

IOI’s Sustainability Team coordinates the implementation of the TPS Program, which is monitored by the Group Sustainability Steering Committee and the Sustainability Advisory Panel (SAP). When a breach of policy commitment is identified, the party in question will be subjected to oversight by the independent SAP. Failure or refusal to meet IOI’s three-step mill verification process will result in business suspension.

When there is a need to engage new suppliers, IOI follows the pre-assessment and screening process as articulated here to ensure the new suppliers meet IOI’s sustainability requirements. In addition, SPOTT gaps are used as criteria for supplier suspension/exclusion, as well as assessments and summaries of corrective action plans.

IOI believes that achieving a sustainable and traceable supply chain requires continuous supplier engagement to enhance the relationship and build synergy understanding towards compliance with IOI’s commitments in its policies. Suppliers’ grievances and conflicts are being monitored and continuous engagement to encourage suppliers to resolve their grievances is in progress.

OUR PERFORMANCE

Peat Roadshows

Bunge Loders Croklaan delivered peat roadshows to help suppliers become compliant with the new development on peatland’s policy and Best Management Practices for existing plantations on peat. During the roadshows, step-by-step peat management support was provided by leveraging existing relationships between growers and millers. International environmental NGO Global (GEC) conducted in-field learning to demonstrate the various degrees of peat decomposition. GEC also emphasised the importance of water management for existing plantations on peat and provided practical solutions to ensure a good water table.

Bunge Loders Croklaan and Kerry Group initiated a Socialisation project as part of the Small-Growers Support Program. The program supports the inclusion of smallholders into the supply chain and boost small farmers’ productivity by helping them implement sustainable agricultural practices.

The results of the questionnaire will feed into a gap analysis which will lay the future direction of the project. On July 13th, 2018, over 80 smallholders attended a socialisation event led by Fortuna Palm Oil Mill sustainability team in Sugut District, an area where Fortuna has a collection centre that purchases fresh fruit bunches (FFB) from over 350 smallholders.
TECHNOLOGY AND INNOVATION

OUR COMMITMENT

IOI is committed to strengthening and growing its business through innovation and further improvements in the operations. Research and development initiatives at IOI begin from seed production to product manufacturing.

MANAGEMENT APPROACH

IOI Research and Development in palm

The Group have a dedicated research team focused on improving FFB yields and oil extraction rates through oil palm breeding technology. IOI’s breeding and agronomy developments are spearheaded by two centres of excellence – IOI Research Centre and IOI Palm Biotech Centre – which focus on developing agronomy best practices and introducing high yielding planting materials.

IOI Palm Biotech Centre conducted molecular and genomic research to produce superior high yielding oil palm clones using its cutting-edge tissue culture technology. Current molecular researches including study on oil palm genetic diversity, DNA fingerprinting and Molecular Marker development has been conducted in IOI Palm Biotech Centre’s Research Laboratory. The discoveries made at IOI Palm Biotech Centre’s is incorporated into the breeding program of IOI Research Centre.

The high yielding clonal palm did not only produce high yields from the earliest years of production, it is also widely adaptable to different planting environments. The fruits contain more oil, a fact proven not only in IOI’s own experiences through increase in oil extraction rate (OER) but also in field trials conducted by 3rd parties, including the Malaysian Palm Oil Board (MPOB).

Technology in plantation operations

The Group’s sustainable agricultural practices are increasingly incorporating technology to alleviate impacts on surrounding environments where it operates. The use of tools and software such as drones, Spatial Monitoring and Reporting Tool (SMART) patrolling, and online fire alert improve effectiveness of IOI’s ground team in monitoring fires, hotspots and HCV areas. Additionally, the tools enhanced efficiency in mitigating environmental risk in plantation operation at landscape level. IOI’s Geographical Information System (GIS) Department uses geospatial technology derived from images captured using Unmanned Aerial Vehicles (UAVs), Global Positioning System (GPS) and GIS for precision agriculture. The geospatial data enable estate operation to obtained information to make well-informed decision in plantation management, amongst others.

Agronomists in the Group’s Research Centres also work closely with plantation operations in order to address the difficulties in complying to good agronomic practices on improving crop yields as well as studying the crop production in order to discern the best ways to plant, harvest and cultivate the oil palms regardless of the climate.

As part of IOI’s effort in sustainable procurement, the Research Centre constantly conduct product evaluation trials to ensure that the procurement team is always informed on the benefits and drawbacks of the various available products sold in market.

Research and innovation at play in IOI.

System (GPS) and GIS for precision agriculture. The geospatial data enable estate operation to obtained information to make well-informed decision in plantation management, amongst others.

IOI Edible Oil’s facilities.

OUR PERFORMANCE

Eco-friendly Manufacturing Processes & Products

Progress in innovation continue towards the Group’s downstream business segment. IOI fortifies its eco-friendly efforts through technological development and innovation in the manufacturing processes and products for refining and oleochemicals.

Initiatives and innovation in refinery facilities in Pasir Gudang, Johor and Sandakan, Sabah had contributed to energy savings, increased process efficiency, and improvement in general operations and yield. IOI Edible Oil in Sandakan for example had started initiatives which include modifications of process system in its facility that resulted in reduction of steam and electricity consumption, better cooling system, improved yields and increase facilities life span. Currently the facility had also conducted R&D to reduce chloride content in its CPO which will improve the quality of final product.

IOI Oleo is increasingly moving towards chemical-free technology. This has been demonstrated through the commission of a dry fractionation plant which replaces conventional wet fractionation process and the use surfactants with crystallisation technology.

IOI Oleo is also developing eco-friendly products such as soaps that are made without traditional chelates (e.g., EDTA) which degrade slowly in the environment. In February 2018, IOI Oleo’s product, Palmur® MCT 60/40 and Palmur® MCT 70/30 are approved by ECOCERT GREENLIFE conform to the COSMOS standard as chemically processed Agro-ingredients.

In addition to R&D for product enhancement, the Group’s research have reach the community. IOI Oleo Germany had been contributing supply of MIGLYOL® 812N and triglyceride of Oi fatty acid to Professor Margarido to support medical research and treatment of genetic disease. Further reading on this can be found under the section of Community Development and Social Impact.

Climate strategies

A number of innovations and initiatives performed by the Group including generating green energy, energy efficiency in processing facilities and commissions of methane capture is correlated with IOI’s climate strategy. Details on the Group’s implementation of GHGs reduction strategies can be found in Climate Strategies section.

The Group’s technology and innovation has resulted in the increase of efficiency and effectiveness throughout the business operations. Further reading on the performance can be found in the sections of Health and Safety, Land Use Plan, Fire Prevention, Operational Eco-efficiency and Climate Strategy.
APPENDIX: SUSTAINABILITY PERFORMANCE METRICS

ECONOMIC PERFORMANCE DATA

<table>
<thead>
<tr>
<th>In RM million unless otherwise stated</th>
<th>2018 MFRS</th>
<th>2017 MFRS</th>
<th>2016 MFRS</th>
<th>2015 MFRS</th>
<th>2014 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 from continuing operations</td>
<td>1,380.6</td>
<td>1,401.4</td>
<td>1,459.6</td>
<td>1,237.6</td>
<td>1,921.5</td>
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<tr>
<td>Profit attributable to owners of the parent</td>
<td>3,060.5</td>
<td>743.2</td>
<td>629.7</td>
<td>51.9</td>
<td>1,931.0</td>
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<tr>
<td>Equity attributable to owners of the parent</td>
<td>9,156.3</td>
<td>7,457.4</td>
<td>7,138.1</td>
<td>7,069.0</td>
<td>6,036.8</td>
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<tr>
<td>Return on average shareholders’ equity (%)</td>
<td>36.84</td>
<td>10.18</td>
<td>8.86</td>
<td>0.68</td>
<td>34.27</td>
</tr>
<tr>
<td>Basic earnings per share (sen)</td>
<td>48.70</td>
<td>11.82</td>
<td>9.99</td>
<td>0.82</td>
<td>52.93</td>
</tr>
<tr>
<td>Dividend per share (sen)</td>
<td>20.5</td>
<td>9.5</td>
<td>8.0</td>
<td>9.0</td>
<td>20.0</td>
</tr>
<tr>
<td><strong>PLANTATION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FFB production (MT)</td>
<td>3,514,857</td>
<td>3,155,628</td>
<td>3,145,317</td>
<td>3,542,222</td>
<td>3,506,706</td>
</tr>
<tr>
<td>Total oil palm area (Ha)</td>
<td>174,081</td>
<td>174,396</td>
<td>179,271</td>
<td>178,768</td>
<td>174,061</td>
</tr>
<tr>
<td><strong>MANUFACTURING</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oleochemical</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant utilisation (%)</td>
<td>83</td>
<td>80</td>
<td>82</td>
<td>85</td>
<td>84</td>
</tr>
<tr>
<td>Sales (MT)</td>
<td>573,005</td>
<td>582,458</td>
<td>595,820</td>
<td>586,076</td>
<td>583,555</td>
</tr>
<tr>
<td>Refinery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant utilisation (%)</td>
<td>69</td>
<td>63</td>
<td>62</td>
<td>66</td>
<td>68</td>
</tr>
<tr>
<td>Sales (MT)</td>
<td>2,152,800</td>
<td>2,414,773</td>
<td>2,427,326</td>
<td>2,591,197</td>
<td>2,706,786</td>
</tr>
<tr>
<td>Specialty oils and fats</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant utilisation (%)</td>
<td>54</td>
<td>57</td>
<td>47</td>
<td>52</td>
<td>50</td>
</tr>
<tr>
<td>Sales (MT)</td>
<td>579,665</td>
<td>796,188</td>
<td>782,972</td>
<td>773,767</td>
<td>735,099</td>
</tr>
</tbody>
</table>

Note: The sales (MT) of FY2018 includes eight (8) months’ results of discontinued operations.

In conjunction with the adoption of Malaysian Financial Reporting Standards (MFRS) framework by the Group, the above information from FY2015 to FY2018 have been prepared in accordance with MFRS, whereas information of FY2014 has been prepared in accordance with Financial Reporting Standards (FRS).

* Source: IOI Corporation Annual Report 2018

MANAGEMENT AND DIRECTORS DISCLOSURE

ETHNICITY DISCLOSURE

WORKPLACE PERFORMANCE

Workplace Performance FY2018 | Total headcount
---|---
Total employees | 28,203
By Gender |
Male | 20,803
Female | 7,400
By Location |
Malaysia | 24,520
Indonesia | 3,443
Germany | 240

* Numbers including foreign workers in the estates and mills.

* The data is as reported in Annual Report 2018. Data of employee headcounts excluding foreign workers in the plantation workforce Indonesia and Germany.

Employee Ethnicity

- Bumiputra: 20%
- Chinese: 15%
- Indian: 12%
- Others: 14%

In management position (Manager & above)

- Male: 69%
- Female: 31%

Management position (Manager & above) of IOI

- Male: 74%
- Female: 26%

* The data is as reported in Annual Report 2018. Data of employee headcounts excluding foreign workers in the plantation workforce Indonesia and Germany.
### APPENDIX: SUSTAINABILITY PERFORMANCE METRICS

#### OCCUPATIONAL HEALTH & SAFETY PERFORMANCE

<table>
<thead>
<tr>
<th>Units</th>
<th>Plantation Segment</th>
<th>Resource-Based Manufacturing Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>IOI Plantation</td>
<td>IOI Refinery</td>
</tr>
<tr>
<td>Employees</td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>Data</td>
<td>Million Hours</td>
<td>1,338</td>
</tr>
<tr>
<td>Injuries</td>
<td>Number</td>
<td>1,698</td>
</tr>
<tr>
<td>Injury rate</td>
<td>Per Million Hours</td>
<td>2.1754</td>
</tr>
<tr>
<td>Fatalities</td>
<td>Number</td>
<td>0</td>
</tr>
<tr>
<td>Fatalities rate</td>
<td>Million hours</td>
<td>0.0000</td>
</tr>
<tr>
<td>Lost days</td>
<td>Number</td>
<td>4,109</td>
</tr>
<tr>
<td>Lost days rate</td>
<td>Per Million Hours</td>
<td>3.0703</td>
</tr>
<tr>
<td>Absentees</td>
<td>Number</td>
<td>577</td>
</tr>
<tr>
<td>Absentees rate</td>
<td>Per Million Hours</td>
<td>0.4311</td>
</tr>
</tbody>
</table>

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

#### ENVIRONMENTAL PERFORMANCE DATA

<table>
<thead>
<tr>
<th>Energy consumption</th>
<th>Units</th>
<th>Plantation Segment</th>
<th>Resource-Based Manufacturing Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>IOI Plantation</td>
<td>IOI Refinery</td>
</tr>
<tr>
<td>Electricity generated</td>
<td>kWh</td>
<td>171,603,454.00</td>
<td>92,322.00</td>
</tr>
<tr>
<td>Electricity purchased</td>
<td>kWh</td>
<td>7,324,639.00</td>
<td>81,874,107.00</td>
</tr>
<tr>
<td>Total electricity consumption through internal generation</td>
<td>GJ</td>
<td>100,452.00</td>
<td>130.40</td>
</tr>
<tr>
<td>Total electricity purchased for consumption</td>
<td>GJ</td>
<td>26,369.00</td>
<td>294,746.79</td>
</tr>
<tr>
<td>Total heating consumption</td>
<td>GJ</td>
<td>0.00</td>
<td>270,247.00</td>
</tr>
<tr>
<td>Total cooling consumption</td>
<td>GJ</td>
<td>0.00</td>
<td>23,377.00</td>
</tr>
<tr>
<td>Total steam consumption</td>
<td>GJ</td>
<td>249.00</td>
<td>828.00</td>
</tr>
<tr>
<td>Total pressurised air consumption</td>
<td>GJ</td>
<td>0.00</td>
<td>1,696.00</td>
</tr>
<tr>
<td>Natural gas</td>
<td>GJ</td>
<td>74,470.00</td>
<td>113.00</td>
</tr>
<tr>
<td>Petrol</td>
<td>GJ</td>
<td>159,013.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Diesel</td>
<td>GJ</td>
<td>660,190.00</td>
<td>764.00</td>
</tr>
<tr>
<td>Total non-renewable fuel consumption</td>
<td>GJ</td>
<td>789,701.00</td>
<td>877.00</td>
</tr>
<tr>
<td>Bio gas</td>
<td>GJ</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Vegetable oils</td>
<td>GJ</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Bio-gasoline</td>
<td>GJ</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Palm Kernel Shell</td>
<td>GJ</td>
<td>84,290.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total renewable fuel consumption</td>
<td>GJ</td>
<td>84,290.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>


#### Greenhouse Gas Emissions

<table>
<thead>
<tr>
<th>Units</th>
<th>Plantation Segment</th>
<th>Resource-Based Manufacturing Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenhouse Gas emissions</td>
<td>ktonCO2e</td>
<td>IOI Plantation</td>
</tr>
<tr>
<td>Direct (Scope 1) emissions</td>
<td>187.77</td>
<td>43.97</td>
</tr>
<tr>
<td>• Electricity generation</td>
<td>6.40</td>
<td></td>
</tr>
<tr>
<td>• Combustion</td>
<td>6.40</td>
<td></td>
</tr>
<tr>
<td>• Bio-genic</td>
<td>6.40</td>
<td></td>
</tr>
<tr>
<td>Indirect (Scope 2) emissions</td>
<td>54.65</td>
<td></td>
</tr>
<tr>
<td>• Purchased electricity</td>
<td>5.29</td>
<td></td>
</tr>
<tr>
<td>• Purchased steam</td>
<td>5.29</td>
<td></td>
</tr>
<tr>
<td>• Pressurised air</td>
<td>5.29</td>
<td></td>
</tr>
<tr>
<td>Biomass</td>
<td>0.45</td>
<td></td>
</tr>
<tr>
<td>• Bio gas</td>
<td>0.45</td>
<td></td>
</tr>
<tr>
<td>• Vegetable oil</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>• Bio gasoline</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>• Palm Kernel Shell</td>
<td>0.00</td>
<td></td>
</tr>
</tbody>
</table>


#### Hazardous Waste Management

<table>
<thead>
<tr>
<th>Hazardous Waste Management</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>Plantation Segment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scheduled Waste</td>
<td>17,830.72</td>
<td>na</td>
<td>na</td>
<td>Disposal Through Licensed Contractor</td>
</tr>
<tr>
<td>Resource-Based Manufacturing Segment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IOI Refinery</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scheduled waste (SW102, SW110, SW301, SW307, SW410, SW429, SW430, SW439)</td>
<td>22.76</td>
<td>na</td>
<td>na</td>
<td>Waste diverted from landfill is either Recycle or Recovery; Information provided by the waste disposal contractor; Recovery by DOE licensed facility</td>
</tr>
<tr>
<td>Sludges containing one or several metals including chromium, copper, nickel, zinc, lead, cadmium, aluminium, tin, vanadium and beryllium (SW204)</td>
<td>77.56</td>
<td>93.00</td>
<td>0.00</td>
<td>Information provided by the waste disposal contractor</td>
</tr>
<tr>
<td>IOI Oleochemical</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scheduled waste (SW110, SW202, SW301, SW305, SW322, SW410, SW429, SW430, SW4327, SW429)</td>
<td>245.23</td>
<td>1.60</td>
<td>98.40</td>
<td>Waste diverted from landfill is either Recycle or Recovery</td>
</tr>
<tr>
<td>Sludges containing one or several metals including chromium, copper, nickel, zinc, lead, cadmium, aluminium, tin, vanadium and beryllium (SW204)</td>
<td>268.53</td>
<td>100.00</td>
<td>0.00</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Germany</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-chlorinated engine, transmission and lubricating oils based on mineral oil</td>
<td>0.69</td>
<td>0.00</td>
<td>100.00</td>
<td>Exchange of wastes for submission to operations</td>
</tr>
<tr>
<td>Other organic solvents, washing liquids and mother liquors</td>
<td>454.02</td>
<td>0.00</td>
<td>100.00</td>
<td>Storage of wastes pending</td>
</tr>
</tbody>
</table>
### APPENDIX: SUSTAINABILITY PERFORMANCE METRICS

#### Hazardous Waste Management

<table>
<thead>
<tr>
<th>Compound Description</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>Other halogenated solvents and solvent mixtures</td>
<td>0.73</td>
<td>0.00</td>
<td>100.00</td>
<td>Incineration on land</td>
</tr>
<tr>
<td>Other solvents and solvent mixtures</td>
<td>0.70</td>
<td>0.00</td>
<td>100.00</td>
<td>Incineration on land</td>
</tr>
<tr>
<td>Absorbent and filter materials, wipes and protective clothing</td>
<td>153.95</td>
<td>0.00</td>
<td>100.00</td>
<td>Use principally as a fuel</td>
</tr>
<tr>
<td>Packaging containing residues of or contaminated by hazardous substances</td>
<td>30.15</td>
<td>0.00</td>
<td>100.00</td>
<td>Blending or mixing prior to submission; Use principally as a fuel</td>
</tr>
<tr>
<td>Laboratory chemicals, consisting of or containing hazardous substances, including mixtures of laboratory chemicals</td>
<td>0.08</td>
<td>0.00</td>
<td>100.00</td>
<td>Physico-chemical treatment</td>
</tr>
<tr>
<td>Discarded inorganic chemicals consisting of or containing hazardous substances</td>
<td>0.07</td>
<td>0.00</td>
<td>100.00</td>
<td>Physico-chemical treatment</td>
</tr>
<tr>
<td>Sludges containing hazardous substances from other treatment of industrial waste water</td>
<td>36.30</td>
<td>0.00</td>
<td>100.00</td>
<td>Incineration on land</td>
</tr>
<tr>
<td>Other reaction and distillation residues</td>
<td>3,769.40</td>
<td>0.00</td>
<td>100.00</td>
<td>Storage pending; Blending or mixing prior to submission to operation; Recycling/reclamation of organic substances; Energy recycling thermal utilization</td>
</tr>
</tbody>
</table>

#### Non-Hazardous Waste Management

<table>
<thead>
<tr>
<th>Category</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>Plantation Segment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Social Performance Data

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social contributions</td>
<td>RM</td>
<td>Yayasan Tan Sri Lee Shin Cheng</td>
</tr>
</tbody>
</table>

---

1. Scheduled waste using standard prepared by the national legislator, Department of Environment Malaysia. Detail of code can be found in the “Code of Scheduled Waste” by Department of Environment Malaysia.

2. Data not available/provided.
### APPENDIX: GRI CONTENT INDEX: CORE OPTION

#### MATERIAL TOPIC | GRI STANDARD | OUR RESPONSE / REFERENCE
--- | --- | ---
Organizational Profile | 102-1 Name of the organization | About this Report, p. 2
| 102-2 Activities, brands, products and services | About IOI Corporation, p. 8
| 102-3 Location of headquarters | Locations, p. 10
| 102-4 Location of operations | Locations, p. 10
| 102-5 Ownership and legal form | About IOI Corporation, p. 8
| 102-6 Markets served | About IOI Corporation, p. 8
| 102-7 Scale of the organization | About IOI Corporation, p. 8
| 102-8 Information on employees and other workers | About IOI Corporation, p. 8
| 102-9 Supply chain | Palm Oil Business Stream, p. 9
| 102-10 Significant changes to the organization and its supply chain | About this Report, p. 2
| 102-11 Precautionary Principle or approach | Risk Management, p. 54
| 102-12 External initiatives | Community Development and Social Impact, p. 32-35
| 102-13 Membership of associations | Fire Prevention, p. 44
| 102-14 Statement from senior decision-maker | Message from our CEO, p. 4-7
| 102-15 Codes of conduct, policies and procedures | Sustainability and Corporate Responsibility, p. 16-17
| 102-16 Values, principles, standards and norms of behavior | Stakeholder Engagement, p. 55-58
| 102-17 Ethics and Integrity | Land Use Plan, p. 38
| 102-18 Environmental, social, economic performance and achievements | Traceable Supply Chain, p. 64
| 102-19 Materiality | Stakeholder Engagement, p. 55-59
| 102-20 Commitment to GRI principles and approach | Corporate Governance, p. 54
| 102-21 Adopting the GRI methodology | IOI Corporation Berhad’s Annual Report 2018
| 102-22 Area covered by the report | IOI Corporation Berhad’s Annual Report 2018
| 102-23 Reporting Practice | IOI Corporation Berhad’s Annual Report 2018
| 102-24 Reporting period | IOI Corporation Berhad’s Annual Report 2018
| 102-25 Reporting cycle | IOI Corporation Berhad’s Annual Report 2018
| 102-26 Contact point for questions regarding the report | Feedback & Comments, inside cover
| 102-27 Claims of reporting in accordance with the GRI Standards | Reporting Period and Scope, p. 2
| 102-28 Changes in reporting | Reporting Period and Scope, p. 2

#### MATERIAL TOPIC | GRI STANDARD | OUR RESPONSE / REFERENCE
--- | --- | ---
Stakeholder Engagement | 102-49 Changes in reporting | Reporting Period and Scope, p. 2
| 102-50 Reporting period | Reporting Period and Scope, p. 2
| 102-51 Date of most recent report | Latest report is Sustainability Report 2017 published in September 2017
| 102-52 Reporting cycle | Reporting Period and Scope, p. 2
| 102-53 Contact point for questions regarding the report | Reporting Period and Scope, p. 2
| 102-54 Claims of reporting in accordance with the GRI Standards | Reporting Period and Scope, p. 2
| 102-55 GRI content index | GRI Content Index, p. 72

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  - 103-1 Management Approach: Explanation of the material topic and its boundary | Human Rights at Workplace, p. 24-25
  - 103-2 Management Approach: The management approach and its components | Human Rights at Workplace, p. 25
  - 103-3 Management Approach: Evaluation of the management approach | Human Rights at Workplace, p. 24-28
  - 404-2 Programs for upgrading employee skills and transition assistance programs | Human Rights and Labour Practices, p. 28
  - 405-1 Diversity of governance bodies and employees | Appendix: Sustainability Performance Metrics, p. 69
  - 406-1 Incidents of discrimination and corrective actions taken | IOI Corporation Berhad’s Annual Report 2018
  - 408-1 Operations and suppliers at significant risk for incidents of child labor | Human Rights at Workplace, p. 26
  - 412-1 Operations that have been subject to human rights reviews or impact assessments | Human Rights at Workplace, p. 26
  - 412-2 Employee training on human rights policies or procedures | Human Rights at Workplace, p. 26
  - 413-1 Subject to social impact assessment and human rights due diligence | Human Rights at Workplace, p. 26
  - 414-1 Participation in development of human rights policy | Human Rights at Workplace, p. 26
  - 415-1 Inclusion of human rights policies in material decisions | Human Rights at Workplace, p. 26
  - 416-1 Involvement of third-party organizations in implementing human rights policies | Human Rights at Workplace, p. 26
  - 417-1 Compliance with human rights standards | Human Rights at Workplace, p. 26
  - 418-1 Human rights risks and opportunities | Human Rights at Workplace, p. 26
  - 419-1 Human rights policy and procedures | Human Rights at Workplace, p. 26
  - 420-1 Risk assessment and management | Human Rights at Workplace, p. 26

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- 103-2 Management Approach: The management approach and its components | Health and Safety, p. 29-30
<table>
<thead>
<tr>
<th>MATERIAL TOPIC</th>
<th>GRI STANDARD</th>
<th>OUR RESPONSE / REFERENCE</th>
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</thead>
<tbody>
<tr>
<td>103-3 Management Approach: Evaluation of the management approach</td>
<td>GHG Emissions Reduction, p. 24</td>
<td>GHG Emissions Reduction, p. 47</td>
</tr>
<tr>
<td>403-2 Types of injury and rate of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities</td>
<td>Appendix: Sustainability Performance Metrics, p. 70</td>
<td>Appendix: Sustainability Performance Metrics, p. 70-71</td>
</tr>
<tr>
<td>403-3 Workers with high Incidence or high risk of diseases related to their occupation</td>
<td>Community Development and Social Impact, p. 32</td>
<td>Community Development and Social Impact, p. 32</td>
</tr>
<tr>
<td>Community Development and Social Impact</td>
<td>Rehabilitation and Biodiversity</td>
<td>Rehabilitation and Biodiversity, p. 41</td>
</tr>
<tr>
<td>103-1 Management Approach: Explanation of the material topic and its boundary</td>
<td>Land Use Plan, p. 38</td>
<td>Land Use Plan, p. 38</td>
</tr>
<tr>
<td>103-2 Management Approach: The management approach and its components</td>
<td>Land Use Plan, p. 38</td>
<td>Land Use Plan, p. 38</td>
</tr>
<tr>
<td>103-3 Management Approach: Evaluation of the management approach</td>
<td>Land Use Plan, p. 38-40</td>
<td>Land Use Plan, p. 38-40</td>
</tr>
<tr>
<td>103-3 Management Approach: Evaluation of the management approach</td>
<td>IUCN Group Metric: statement of planted areas</td>
<td>IUCN Group Metric: statement of planted areas, p. 40</td>
</tr>
<tr>
<td>Rehabilitation and Biodiversity</td>
<td>Rehabilitation and Biodiversity, p. 41</td>
<td>Rehabilitation and Biodiversity, p. 41-44</td>
</tr>
<tr>
<td>103-1 Management Approach: Evaluation of the material topic and its boundary</td>
<td>Rehabilitation and Biodiversity, p. 41-43</td>
<td>Rehabilitation and Biodiversity, p. 41-43</td>
</tr>
<tr>
<td>103-2 Management Approach: The management approach and its components</td>
<td>Rehabilitation and Biodiversity, p. 41-43</td>
<td>Rehabilitation and Biodiversity, p. 41-43</td>
</tr>
<tr>
<td>103-3 Management Approach: Evaluation of the management approach</td>
<td>Rehabilitation and Biodiversity, p. 41-43</td>
<td>Rehabilitation and Biodiversity, p. 41-43</td>
</tr>
<tr>
<td>304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas</td>
<td>Rehabilitation and Biodiversity, p. 41-43</td>
<td>Rehabilitation and Biodiversity, p. 41-43</td>
</tr>
<tr>
<td>304-2 Significant impacts of activities, products, and services on biodiversity</td>
<td>Rehabilitation and Biodiversity, p. 41-43</td>
<td>Rehabilitation and Biodiversity, p. 41-43</td>
</tr>
<tr>
<td>304-3 Habitats protected or restored</td>
<td>Rehabilitation and Biodiversity, p. 41-43</td>
<td>Rehabilitation and Biodiversity, p. 41-43</td>
</tr>
<tr>
<td>304-4 IUCN Red List species and national list species with habitats in areas affected by operations</td>
<td>We are focused on protecting nationally protected flora and fauna and those endemic to the areas in which we operate. We do not list these species to the IUCN Red List status.</td>
<td>We are focused on protecting nationally protected flora and fauna and those endemic to the areas in which we operate. We do not list these species to the IUCN Red List status.</td>
</tr>
<tr>
<td>Fire Prevention</td>
<td>Fire Prevention, p. 44</td>
<td>Fire Prevention, p. 44</td>
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<tr>
<td>103-1 Management Approach: Evaluation of the material topic and its boundary</td>
<td>Fire Prevention, p. 44</td>
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<td>103-2 Management Approach: The management approach and its components</td>
<td>Fire Prevention, p. 44</td>
<td>Fire Prevention, p. 44-46</td>
</tr>
<tr>
<td>103-3 Management Approach: Evaluation of the management approach</td>
<td>Fire Prevention, p. 44-46</td>
<td>Fire Prevention, p. 44-46</td>
</tr>
<tr>
<td>Operational Eco-Efficiency: GHG Emissions Reduction</td>
<td>Climate Strategy</td>
<td>Climate Strategy, p. 50</td>
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<td>103-1 Management Approach: Explanation of the material topic and its boundary</td>
<td>Climate Strategy, p. 50</td>
<td>Climate Strategy, p. 50-51</td>
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<tr>
<td>103-2 Management Approach: The management approach and its components</td>
<td>Climate Strategy, p. 50-51</td>
<td>Climate Strategy, p. 50-51</td>
</tr>
<tr>
<td>103-3 Management Approach: Evaluation of the management approach</td>
<td>Climate Strategy, p. 50-51</td>
<td>Climate Strategy, p. 50-51</td>
</tr>
<tr>
<td>302-4 Reduction of energy consumption</td>
<td>Climate Strategy, p. 50-51</td>
<td>Climate Strategy, p. 50-51</td>
</tr>
<tr>
<td>Climate Strategy</td>
<td>Operational Eco-Efficiency: Waste Management</td>
<td>Waste Management, p. 48</td>
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<td>103-1 Management Approach: Explanation of the material topic and its boundary</td>
<td>Waste Management, p. 48</td>
<td>Waste Management, p. 48</td>
</tr>
<tr>
<td>103-2 Management Approach: The management approach and its components</td>
<td>Waste Management, p. 48</td>
<td>Waste Management, p. 48</td>
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<tr>
<td>103-3 Management Approach: Evaluation of the management approach</td>
<td>Waste Management, p. 48</td>
<td>Waste Management, p. 48</td>
</tr>
<tr>
<td>306-2 Waste by type and disposal method</td>
<td>Waste by type and disposal method</td>
<td>Waste by type and disposal method</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MATERIAL TOPIC</th>
<th>GRI STANDARD</th>
<th>OUR RESPONSE / REFERENCE</th>
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<tbody>
<tr>
<td>302-1 Energy consumption within the organization</td>
<td>GHG Emissions Reduction, p. 47</td>
<td>GHG Emissions Reduction, p. 47</td>
</tr>
<tr>
<td>302-3 Energy intensity</td>
<td>Operational Eco-Efficiency: Sustainable Agrochemical Management</td>
<td>Operational Eco-Efficiency: Sustainable Agrochemical Management, p. 48</td>
</tr>
<tr>
<td>103-1 Management Approach: Explanation of the material topic and its boundary</td>
<td>Operational Eco-Efficiency: Sustainable Agrochemical Management, p. 48</td>
<td>Operational Eco-Efficiency: Sustainable Agrochemical Management, p. 48</td>
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<td>Operational Eco-Efficiency: Sustainable Agrochemical Management, p. 48</td>
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<tr>
<td>Operational Eco-Efficiency: Waste Management</td>
<td>Climate Strategy, p. 50</td>
<td>Climate Strategy, p. 50-51</td>
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<td>103-1 Management Approach: Explanation of the material topic and its boundary</td>
<td>Climate Strategy, p. 50-51</td>
<td>Climate Strategy, p. 50-51</td>
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<tr>
<td>103-2 Management Approach: The management approach and its components</td>
<td>Climate Strategy, p. 50-51</td>
<td>Climate Strategy, p. 50-51</td>
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<tr>
<td>103-3 Management Approach: Evaluation of the management approach</td>
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**Glossary**

**Carbon Dioxide Equivalents (CO₂e)**
- CO₂e is a measure used to compare the emissions from various greenhouse gases based upon their global warming potential.
- First stage palm oil product produced from fresh fruit bunches (FFB) at a mill.

**Crude Palm Oil (CPO)**
- Remains of the fresh fruit bunches after the fruit has been removed for oil pressing.

**Empty Fruit Bunch (EFB)**
- FFA is a voluntary multi-stakeholder group made up of forestry and agriculture companies, with NGOs and other concerned partners keen to resolve Indonesia’s persistent fires and haze problems arising from land burning.

**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 organisations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others.

**Greenhouse Gas (GrI)**
- As defined by the HCV Resource Network, HCVs are biological, ecological, social or cultural values which are outstandingly significant or critically important at the national, regional or global level.

**High Conservation Values (HCV)**
- The HCS Approach is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed. The methodology was developed with the aim to ensure a practical, transparent, robust, and scientifically credible approach that is widely accepted to implement commitments to halt deforestation in the tropics, while ensuring the rights and livelihoods of local peoples are respected.

**Integrated Pest Management (IPM)**
- IPM is the careful consideration of all available pest control techniques and subsequent integration of appropriate measures that discourage the development of pest populations and keep pesticides and other interventions to levels that are economically justified and reduce or minimise risks to human health and the environment. IPM emphasises the growth of a healthy crop with the least possible disruption to agro-ecosystems and encourages natural pest control mechanisms.

**International Labor Organisation (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.

**Malaysian Palm Oil Certificate (MSPO)**
- The MSPO Certification Scheme is the national scheme in Malaysia for oil palm plantations, independent and organised smallholdings, and palm oil processing facilities to be certified against the requirements of the MSPO Standards.

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

**Oleochemical**
- A chemical compound derived industrially from animal or vegetable oils or fats.

**Palm Kernel (PK)**
- PK is the seed of any palm that yields palm-kernel oil.

**Palm Kernel Oil (PKO)**
- PKO is a plant oil derived from the kernel of the oil palm.

**Palm oil mill effluent (POME)**
- by-product of processed fresh fruit bunch (FFB).

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

| **Roundtable on Sustainable Palm Oil Segregated (RSPO SG)** | Sustainable palm oil from different certified sources is kept separate from ordinary palm oil throughout supply chain. |
| **RSPO NEXT** | RSPO NEXT is a voluntary initiative for RSPO members with company-wide policies that exceed current RSPO Principles & Criteria (P&C) requirements in these and other key areas. |
| **Supply Chain Certification System (SCCS)** | Downstream processors or users of RSPO certified oil palm products can claim the use of (or support of) RSPO certified oil palm products when they adhere to the RSPO Supply Chain Certification Systems and where this is independently verified by an accredited certification body. |
| **Sustainability Advisory Panel (SAP)** | The IOI Sustainability Advisory Panel (SAP) was formed in January 2017 and tasked with overseeing the application of IOI Group’s Sustainability Implementation Plan (SIP). The SAP also advises on sustainability issues raised by multi-stakeholders including NGOs and the RSPO. |
| **Sustainability Policy Transparency Toolkit (SPOTT)** | SPOTT is an online platform supporting sustainable commodity production and trade. By tracking transparency, SPOTT incentivises the implementation of corporate best practice. |
| **Sustainability Implementation Plan (SIP)** | IOI’s SIP serves as a practical working document that puts into practice the goals and commitments stated in the IOI Sustainable Palm Oil Policy. |
| **Sustainable Palm Oil Policy (SPOP)** | The IOI SPOP is the keystone policy to maintain the Group’s commitment to the sustainable management of oil palm plantations and to the implementation of responsible, global palm oil supply chains. |
| **Scope 1 Emissions** | All direct GHGs emissions. |
| **Scope 2 Emissions** | Indirect GHGs emissions for consumption of purchased electricity, heat or steam. |
| **Third-Party Supplier (TPS)** | IOI’s TPS program ensures that suppliers are committed to implementing the SPOP commitments. |
| **United Nations Sustainable Development Goals (UN SDGs)** | The 17 SDGs by the UN are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice. |