HARNESSING SUSTAINABLE PARTNERSHIPS

SUSTAINABILITY REPORT 2019
At IOI Corporation Berhad (“IOI” or “the Group”), we are addressing the problems of the present through innovative solutions and through harnessing the power of collaboration in driving our sustainable strategies. The theme of this report “Harnessing Sustainable Partnerships”, shows how our focus has shifted from trade limitations to harnessing prosperity through intelligent expertise built on trust and meaningful connections. The various coloured cords and the unification of the cords on the cover of this report represents the integration of corporate and sustainability goals in alignment with the identified UN Sustainable Development Goals (“SDGs”). The handshake within the word “Partnerships” also reflects the strong partnerships IOI has embarked on to help build a more dynamic and sustainable ecosystem and emphasises the message of working hand in hand in smart collaboration towards attaining sustainable solutions and results.

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

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2 ABOUT THIS REPORT
4 MESSAGE FROM OUR GROUP MANAGING DIRECTOR & CHIEF EXECUTIVE
8 ABOUT IOI CORPORATION
14 OUR YEAR IN SUMMARY
16 OUR SUSTAINABILITY APPROACH
22 CONTRIBUTION TO UN SDGs
24 HARNESING SUSTAINABLE PARTNERSHIPS
26 Stakeholder Relations
30 Collaboration with Governments and Civil Society
34 Academia Collaboration
35 Empowering Smallholders
36 Community Development and Social Impact
38 INNOVATING TO MAXIMISE YIELD
40 Land Use Plan
42 Palm Biotechnology

44 INNOVATING TO ENHANCE OPERATIONAL EFFICIENCY
46 Operational Eco-Efficiency
49 Climate Strategy
52 Rehabilitation and Biodiversity for Land Management
55 Fire Prevention and Response
57 Capacity Building
59 Human Rights at Our Workplace
62 Occupational Health and Safety

64 INNOVATING TO EXPAND VALUE DELIVERY
66 Innovation in Manufacturing Processes and Products
67 Digital Integration
68 Geospatial Technology
69 Sustainability Certifications
70 Traceable Supply Chain

72 APPENDIX
72 Sustainability Performance Metrics
76 GRI Content Index
81 Glossary
IOI Corporation Berhad
Sustainability Report 2019

About This Report

The focus of this report

Sustainability is a real-world business imperative that is woven into the culture of IOI. We actively seek solutions through harnessing sustainable partnerships and driving sustainable innovation to strengthen the potential and value of our business. Our third annual Sustainability Report (“Report”) presents our systemic, environmental, governance and social performance in the three pillars of our sustainability philosophy: People, Planet, Prosperity. IOI has committed to contributing to the United Nations Sustainable Development Goals (“UN SDGs”) in order to collectively achieve the 2030 Agenda and ensure a sustainable future for all. We also highlight the cornerstones of our sustainability strategy as set out in our Sustainable Palm Oil Policy (“SPOP”) and the Fair and Free Initiative during the preparation of this report, including the materiality approach, performance as formulated in the Sustainability Report (“Sustainbility Report”) and performance as formulated in the Sustainability Implementation Plan (“SIP”).

For our 2018 Sustainability Report, a long list of potential materiality topics was identified. This was done based on a review of peers, industry standards, environmental, social and governance (“ESG”) rating systems, and global initiatives such as the SDGs. From this long list, IOI consolidated the topics to represent the 12 most prominent sustainability issues for our business.

Materiality topics are not all equally important, steps involved assessment and prioritisation of the 12 topics. As shown in the Materiality Matrix, there are two dimensions of importance:

1. The Significance of the Group’s Economic, Environmental and Social Impacts (x-axis) and
2. The Influence on Stakeholder Assessment Decisions (y-axis).

The Group has also reviewed other palm oil sustainability initiatives during the preparation of this report, including policies.

The Group’s approach is to continuously review potential sustainability topics to ensure the best representation of our current sustainability endeavours. We also remain anchored to our sustainability commitments based on the Group’s Sustainable Palm Oil Policy (“SPOP”) and performance as formulated in the Sustainability Implementation Plan (“SIP”).

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A range of internal and external stakeholders were engaged using a variety of techniques, including direct engagement and email surveys, and results presented to the Group Sustainability Steering Committee (“GSSC”). IOI has reviewed industry related ESG standards and rating systems, frameworks, initiatives, and responses from external stakeholders. Further prioritisation of materiality matters was done through discussion with internal stakeholders. The set of materiality topics was prepared in combination of both qualitative and quantitative analysis. Each of the 12 issues shown in the materiality matrix is important and covered in this report, and we adhere to the quality principles of accuracy, balance, clarity, comparability, reliability and timeliness. The High materiality topics are IOI’s most material sustainability issues, with notable impacts and which are of high concern to stakeholders. For these topics, IOI tries to report more information about our approach, targets, performance and initiatives.

Our Material Sustainability Matters

IOI has adopted a holistic approach in identifying its sustainability matters as a Group instead of separate business units. Our approach is carried out by the Group’s 30%-owned associate company, Bunge Loders Croklaan.

Our Sustainability Approach

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Dear Stakeholders,

During this financial year, IOI’s sustainability journey has become increasingly affected by climate change and global market forces which require businesses to balance their planetary and societal responsibilities with the expectations of various stakeholders. At IOI, we understand that protection of the environment and responsibility to the community are key attributes of sustainability. However, we have also not forgotten about economic or business sustainability and have incorporated into our corporate governance and workplace practices, sustainability elements that will help us manage our performance to ensure our business continues to grow for generations to come.

We do this by embedding sustainability in our business objectives and operations, by subscribing closely to our Core Values and by focusing our efforts on addressing the most material issues based on our three pillars of sustainability (3Ps) namely People, Planet plus Prosperity. It cannot be denied that the challenges to overcome these global issues of protecting our environment while ensuring social obligations towards our people are complex. Understanding the urgency of the task before us, IOI realises that this journey cannot be travelled alone but with smart “Partnerships” to help create a more resilient, sustainable future.

The start of IOI digital transformation journey
Queries at the “3rd High Tea with CEO” event
At a site visit of one of IOI’s manufacturing facilities
Further evidence of our understanding of the interconnective nature of sustainability challenges and the recognition that a single party acting alone is not enough to achieve systemic change can be seen in the engagements and collaborations that we have undertaken. Some of the examples include: Working with Earthworm Foundation to engage, assess and support our supply chain towards meeting IOI’s sustainability commitments via the utilisation of the online platform “Tools for Transformation”; Partnership with Aidenvironment to establish a land-use change, deforestation, and peat clearance monitoring programme to ensure compliance of our third-party suppliers to IOI’s No Deforestation, No Peatland clearing, No Exploitation (‘NDPE’) commitments; Having an external party like Proforest verify IOI’s sustainability commitments which involved reaching out to many stakeholders such as Finnwatch, Grassroots, Neste, Roundtable on Sustainable Palm Oil (‘RSPO’), and the recruitment agencies; and Assisting the Sabah Wildlife Department in the operational process of the elephant translocation project.

An IOI’s practice that shows how innovation and technology are important in meeting our sustainability imperatives is the use of palm biotechnology to produce superior high yielding oil palm clones with oil extraction rate up to 15% higher than the conventional seedlings. Together with this cutting-edge tissue culture technology and genomics research, IOI is looking to produce seeds that are more efficient in converting solar energy into oil. This means higher productivity and yield as well as more efficient land use which is very much in line with the targets in SDG 2, 13 and 15. Other than the palm biotechnology, IOI’s Geographical Information System (GIS) Department uses geospatial technology to capture images using Unmanned Aerial Vehicles (‘UAV’), and Global Positioning System (‘GPS’) and builds a database of maps to enable us to identify areas which require management improvements within our oil palm plantations. This results in increased labour productivity, more precise planning and planting management, and better monitoring of flood-prone and HCV areas, and optimum utilisation of inputs such as pesticides and fertilisers.

Furthermore, with best management practices like minimising generation of wastes and maximising recycling, IOI has been integrating the circular economy model into the production of palm oil since we first ventured into the plantation business. This is exemplified by the utilisation of Non-wood like palm kernel shells & empty fruit bunches (‘EFB’) fibres for power generation in mills (approximately 98%) and EFB/POME as organic fertilisers for the plantations.

In manufacturing, IOI Oleo at Prai, through the smart utilisation of steam like palm kernel shells & empty fruit bunches (‘EFB’) fibres for power generation in mills (approximately 98%) and EFB/POME as organic fertilisers for the plantations.

New equipment viewing during a visit to IOI Palm-Century

Dedicated business system teams receiving the necessary support and training

While we continue on our journey, embedding sustainability into our DNA and reaping the economic and social benefits associated with this more holistic approach, we would like to strive for a net zero impact or even restorative effect on the environment. This report will discuss in greater detail the progress we have made towards ensuring that the specific sustainability targets and the implementation of our sustainability initiatives continue to meet our strategic sustainability priorities.

MESSAGE FROM OUR GROUP MANAGING DIRECTOR & CHIEF EXECUTIVE

In keeping with our sustainability philosophy of 3Ps plus “Partnership” and our embrace of the United Nations’ Sustainable Development Goals (‘SDGs’), we are accelerating our drive to help materialise our sustainability commitments because we believe that the economic wealth, social wellbeing and health of our employees and families as well as the wider communities are intertwined closely with our planet’s environmental health and ultimately defines our prosperity in this one world.

As such, I would like to highlight how, with the 3Ps plus Partnership, IOI is harnessing sustainable partnerships together with the power of innovation and technology to align itself with the specific targets of the 6 SDGs most relevant to our operations, i.e., SDG 2 – Zero Hunger; SDG 8 – Decent Work & Economic Growth; SDG 12 – Responsible Consumption & Production; SDG 13 – Climate Action; SDG 15 – Life on Land; SDG 17 – Partnership for the Goals.

The Mini Landscape Plan for Peatlands Adjacent to Bukit Lestari, Fasah is a perfect example illustrating our encompassing philosophy. This multi-stakeholder’s engagement between IOI’s estates and the communities of adjacent areas is in partnership with Government agencies like Department of Orang Asli Development (‘JAKOA’), Department of Health, together with civil societies and other stakeholders (SDG 17). The project includes empowerment programmes for the Orang Asli community for better livelihood options (SDG 2 & SDG 8), rehabilitation of forest reserves (SDG 13), assessment of the surrounding peatland ecosystem and fire prevention measures (SDG 13 & 15).

While we continue on our journey, embedding sustainability into our DNA and reaping the economic and social benefits associated with this more holistic approach, we would like to strive for a net zero impact or even restorative effect on the environment. This report will discuss in greater detail the progress we have made towards ensuring that the specific sustainability targets and the implementation of our sustainability initiatives continue to meet our strategic sustainability priorities.
IOI Corporation Berhad (“IOI” or “the Group”) is a leading global integrated and sustainable palm oil player listed on the Main Market of Bursa Malaysia Securities Berhad.

Since venturing into the plantation business in 1983, IOI Group has consistently been ranked as one of the most efficient major plantation owners producing one of the highest oil yields in the industry. Employing more than 28,000 people in several countries, our vertically-integrated business model covers the entire palm oil value chain from upstream plantations to downstream resource-based manufacturing.

The Group’s oil palm operations are operated by the IOI Plantation division which currently expands more than 90 estates and 15 mills on more than 176,000 hectares of planted areas in Malaysia and Indonesia, making us one of the largest plantation owners in the industry. We practice a sustainable production and consumption cycle through investing in research and development to maximise our yield, driving mechanisation and innovation in our production line, and recycling our waste products.

A total fresh fruit bunches (“FFB”) production of 3.4 million MT was produced in FY2019 as compared to 3.5 million MT for FY2018.

The Group’s global resource-based manufacturing business comprises 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 products. IOI has six manufacturing facilities in Malaysia and Germany. The principal activities of the oleochemical sub-segment are the manufacturing and sales of fatty acids, glycerine, soap noodles, and fatty esters and downstream oleochemical products such as fatty esters and specialty derivatives. These versatile products are used in a wide variety of applications from industrial sectors such as automotive, mining and plastic to food, nutrition, pharmaceutical and cosmetic. Our oleochemical products are exported to more than 80 countries worldwide. Our main customers are located in Japan, China, Europe and the United States, which include some of the world’s most esteemed and well-known multinational corporations.

1. HR Asia Awards
   Best Companies to Work for in Asia 2018
   October 2018

2. FTSE4Good Bursa Malaysia Index
   FTSE4Good Index
   December 2018

3. Carbon Disclosure Programme 2018
   Most Improved Performance in Hong Kong and Southeast Asia
   March 2019

4. Employer Branding Awards
   Malaysia Best Employer Brand Awards 2019
   April 2019

IOI Refinery
1. Winner of National Energy Awards 2018
   Category 1 – Energy Efficiency (Energy Management in Large Industry)
   October 2018

2. 2nd runner up of Energy Management in Buildings & Industries
   Large Industry Category in ASEAN
   October 2018

3. Winner of iChemE Malaysia Award Winner
   The Palm Oil Award
   October 2018

IOI Oleo Group
1. Anugerah Industri Sawit Malaysia (“AISM”)
   Best Oleochemical Company – Malaysian Palm Oil Board (“MPOB”)
   November 2018

2. Responsible Care Awards 2017/18 and Chemical Industries Council of Malaysia (“CICM”)
   April 2019
ABOUT IOI CORPORATION

AT A GLANCE

COMPLETION OF EXTERNAL VERIFICATION OF IOI COMMITMENTS IMPLEMENTATION

- Verification of the implementation of IOI’s Sustainable Palm Oil Policy (“SPOP”) and related commitments
- Completion and public report in June 2019

FIRE MANAGEMENT

- Emergency response programme (“ERP”)
- Establishment of fire monitoring system
  A. Fire alert information system
  B. Fire towers & drones
  C. Patrolling
- Training programmes on prevention and control to respond to fire incident
- Socialisation, dialogue and awareness programme in forest and land fire prevention to relevant stakeholders
- Member of Fire Free Alliance

GREEN INITIATIVES IN RESOURCE-BASED MANUFACTURING:

- Co-generation plant for energy saving
- Reverse osmosis plant for reuse of waste water

FAIR AND DECENT WAGE STUDY WITH MONASH UNIVERSITY MALAYSIA AND IN COLLABORATION WITH INDUSTRY PEERS

IMPLEMENTATION OF LANDSCAPE LEVEL APPROACH IN PROGRESS FOR KETAPANG, INDONESIA AND BUKIT LEELAU, MALAYSIA

FAIR AND DECENT WAGE STUDY WITH MONASH UNIVERSITY MALAYSIA AND IN COLLABORATION WITH INDUSTRY PEERS

IOI OLEO GROUP ACHIEVEMENT

- 1,500,000 accident-free hours in safety, health and environment (“SHE”)
- 11 awards at the prestigious chemical industries council of Malaysia (“CICM”) responsible care awards 2017/2018
- Successfully ISO 45001:2018 certified
IOI introduced a revised Agrochemical Management Policy and new Peatland Protection and Management Policy. The revised policy is available on IOI website.

August 2018

IOI and Aidenvironment finalised the design of the South Ketapang Landscape Initiative. This initiative addresses the most common and critical challenges facing the South Ketapang landscape such as peatland management and rehabilitation, biodiversity conservation, flood and fire prevention, and community livelihood development.

Safekeeping Guideline.

• Phase 1 (Document Review and Consultation) of the external verification of IOI’s implementation of its commitments by Proforest was completed.

• RSPO Complaints Panel (“CP”) officially closed the complaint case on IOI’s subsidiary companies (PT SNA Group) in Ketapang, Indonesia.

• IOI is now included in Bursa Malaysia Berhad’s FTSE4Good Bursa Malaysia Index (“FTSE4Good Index”), effective 24 December 2018. IOI is among four public-listed companies that are added to the constituents of the FTSE4Good Index practices.

• Concurrent with RSPO’s annual conference, RT16, IOI conducted a Hi-Tea with Stakeholders event at the Pacific Sutera Hotel, Kota Kinabalu.

• IOI’s overall scoring improved by 3.3% to 78.1% compared to the 2017 assessment, in the latest SPOTT assessment by the Zoological Society of London (“ZSL”).


• Social contribution following the national pollution crisis in Sungai Kim Kim, Pasir Gudang, Johor, Malaysia.

• IOI Plantation organised first Sustainability Outreach Programme together with relevant bodies to enhance awareness on environmental and wildlife management. Estate communities, HUMANA students, and IOI employees participated in the programme.

• IOI Corporation Berhad and Aidenvironment entered into an agreement today to work together on the group-level risk assessment of IOI’s third-party suppliers.

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

• The Phase 2 verification of IOI’s sustainability commitments implementation, which involved “Field Assessment” as well as some “Document Review and Consultation” activities, was completed with the publication of a report by Proforest.

• IOI conducted a two-day workshop held in Miri with all the community leaders.

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OUR SUSTAINABILITY APPROACH

IOI’s Sustainability Commitment

IOI is dedicated to integrate sustainability practices into the core operations since its establishment. The Group’s Vision of being a leading corporation in our core businesses means our commitment to provide products and services of superior value, and sustaining consistent long-term growth in volume and profitability.

IOI sets out a sustainability vision whereby we take actions and make efforts to uphold our belief that the needs of the present can be realised without compromising future generations.

Sustainability Vision

At IOI, we believe we should meet the needs of the present without compromising that of the future generations by:

- Promoting, pioneering and implementing innovative solutions
- Committing to protect, rehabilitate and preserve the environment where we live in
- Safeguarding the economic, social, welfare, health and safety of our employees and the wider communities

IOI Key Commitments

IOI is committed to the sustainable management of its oil palm plantations and to the implementation of responsible global palm oil supply chain. The scope of the SPOP applies to all IOI operations worldwide, including our subsidiary companies, joint venture companies in which we have management control.

We stay committed to:

- comply with all applicable legislation and codes of practice;
- implement leading sustainability standards laid out in the SPOP for environmental management, human rights, workplace conditions, community development and social impact; and
- build a traceable supply chain and to support supplier transformation towards meeting our SPOP requirements.

Sustainability Implementation Plan

To effectively meet our goals and commitments stated in the SPOP, we established a practical working document called the Sustainability Implementation Plan ("SIP") since August 2016 to showcase our ground implementation progress and reflect any changes and commitments.

Verification of SPOP

In April 2017, we publicly committed to the commissioning of an independent verification for the implementation of our SPOP. Profesoft was formally appointed to conduct the verification in May 2018 which applies to the palm oil operations of the IOI Group, including plantations and crude palm oil ("CPO") mills, and processing facilities, as well as our engagements with our third-party suppliers.

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The verification process has been divided into two phases whereby the first stage involves document review and interviews with internal and external stakeholders, whereas the second stage involves site visits to assess the current implementation and performance of IOI’s sustainability initiatives. It aims to evaluate IOI’s performance against the sustainability requirements defined in the SPOP and SIP as well as identify opportunities for improvement.

One of our key commitments which is to “ensure all of our Malaysian plantations are Malaysian Sustainable Palm Oil (MSPO) certified” include existing plantations, additional commitments for new plantations, traceable supply chains and transparency and wider engagement. From 2019 onwards, the SIP will be updated bi-annually. All SIP documents are archived and made available online on our website.

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As we progress further into our sustainability endeavours, we have developed a cohesive understanding of the ways in which our business activities transform inputs into outputs and outcomes to fulfill IOI’s strategic purpose and create value over the short, medium and long term.

With value creation as the foundation of our strategy and all stakeholders as our beneficiaries, we seek to balance growth in the business with investment in our people and the wider community. We seek to create value across palm oil plantation cycles. Value creation goes beyond consideration of financial capital, and also includes manufactured, intellectual, human, social and natural capital. The essential message being that stocks of all six types of capital must be protected and replenished to achieve long-term sustainability.
OUR SUSTAINABILITY APPROACH

CORPORATE GOVERNANCE

Sustainability Governance

The Board of Directors ("the Board") is our highest governing body, and they are our strategic lead, setting the direction for the rest of the Group. They work closely with management team to ensure that IOI's vision is achieved. Full details of IOI's organisational structure is provided in our Annual Report 2019, including the roles and responsibilities of our other main committees.

The Group's sustainability endeavours are organised as shown in figure below. IOI Sustainability Governance, which is headed by the Board at the apex. Working directly with the Board is the Group Sustainability Steering Committee ("SSC") and the Group Managing Director and Chief Executive ("GMD"). The SSC comprises the GMD, heads the operating divisions, Group Head of Sustainability and senior management from group support functions. During the reporting period, the SSC met once.

Day-to-day management of sustainability issues is led by IOI Group Head of Sustainability, who communicates and reports directly to the GMD to ensure that all of the Group's sustainability policies, commitments and practices are implemented and strictly adhered to by the operations personnel. The Group Head of Sustainability and advised by the Sustainability Advisory Panel ("SAP") on important issues raised by key stakeholders including the Roundtable on Sustainable Palm Oil ("RSPO") and other NGOs. As stated in the Terms of Reference ("TOR"), the SAP meet four times a year with a additional ad-hoc meetings when necessary. Their main role is to constructively critique and advise IOI Group, but it is not a decision-making body.

SUSTAINABILITY GOVERNANCE

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>GMD</td>
<td>Approves and monitors the overall sustainability strategy and direction of the Group to ensure long-term value creation</td>
</tr>
<tr>
<td>IOI Group Head of Sustainability</td>
<td>Ensures IOI meets all its sustainability commitments within the economic, environmental and social considerations underlying the Group's operations</td>
</tr>
<tr>
<td>Sustainability Advisory Panel</td>
<td>Advises, reviews and challenges the Group on its sustainability commitments and ambitions, as set out in the SOPP and SIR. This panel comprises external stakeholders who have access to all relevant data and documentation</td>
</tr>
</tbody>
</table>

IIOI Corporation Berhad, IOI City Tower Two, Lebuh IRC, IOI Resort City, 62502 Putrajaya, Malaysia

Any employee or member of the public who has knowledge or is aware that any improper conduct has been, is being, or is likely to be committed within the Group is encouraged to make disclosure by filling a prescribed Whistleblower Report Form and submitting it through any of the following reporting channels:

- whistleblowing@ioigroup.com
- online whistleblowing form: https://www.ioigroup.com/Content/G/G_whistleblowing
- +603 8947 8888 (general line)
- +603 8947 8958 (Whistleblowing Secretariat – Group Internal Audit)
- +603 8947 8888 (in person to the respective Head of Business/Operating Unit, or Head of Human Resources)

Issues raised are transparently disclosed in our website through the regularly updated and publicly available Grievance List. Grievances can be submitted verbally or via a letter or e-mail through the following channels:

- grievance@ioigroup.com
- +603 8947 8707

Code of Conduct, Anti-corruption and Whistleblowing

The Group commits to working with integrity and upholds the highest standard of work ethics in line with our Code of Business Conduct and Ethics ("the Code") and good corporate governance practices. The Code was established and approved by the Board. All new employees are communicated on the Code during their on-boarding training and the Code is available both in the employee's domain and at each operational unit. The Code provides guidance on the standards of behaviour expected of all employees of IOI Group, whereas the supplementary Code of Ethics for Directors is formulated for new on-boarding and existing directors to establish expected standards of corporate governance and corporate behaviour.

Our stance on anti-corruption is outlined in the Group's Business Ethics Compliance, Anti-Corruption and Anti-Money Laundering Policy. It provides guidance to our employees, directors and third-party partners on how to avoid the different types of corruption that may arise. Topics covered include kickbacks, gifts, hospitality and entertainment, protection money and political contribution. This policy is publicly available on our website and is communicated to all our employees through training/on-boarding sessions.

1. https://www.ioigroup.com/Content/G/PDF/IOI%20SAP%20TOR.pdf
We support the global initiative for a greener earth and sustainable future by responding to the United Nation’s call for setting our targets. UN SDGs contribution to two additional priority goals that we can contribute towards which are SDG 2: Zero Hunger and SDG 17: Partnerships for the Goals.

2.4 By 2020, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality

8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors

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

12.5 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

12.A Support developing countries to strengthen their scientific and technological capacity to move towards more sustainable patterns of consumption and production

13.2 Integrate climate change measures into national policies, strategies and planning

15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands and 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

15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species

17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries

17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships

### OUR SUSTAINABILITY FOCUS AREAS

<table>
<thead>
<tr>
<th>Topic</th>
<th>Material Sustainability Matter</th>
<th>SDG Contributions</th>
<th>Sustainability Pillar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palm Biotechnology</td>
<td>Technology and innovation</td>
<td>8.2, 12.4, 2.4</td>
<td>People, Planet, Prosperity</td>
</tr>
<tr>
<td>Innovation in Manufacturing Processes and Products</td>
<td>Technology and innovation</td>
<td>8.2, 17.16</td>
<td>People, Planet, Prosperity</td>
</tr>
<tr>
<td>Digital Integration</td>
<td>Technology and innovation</td>
<td>8.2, 17.16</td>
<td>People, Planet, Prosperity</td>
</tr>
<tr>
<td>Geospatial Technology</td>
<td>Technology and innovation</td>
<td>8.2, 17.16</td>
<td>People, Planet, Prosperity</td>
</tr>
<tr>
<td>Sustainability Certifications</td>
<td>Sustainability certification</td>
<td>2.4, 8.2, 12.6</td>
<td>People, Planet, Prosperity</td>
</tr>
<tr>
<td>Traceable Supply Chain</td>
<td>Responsible sourcing and traceability</td>
<td>12.6, 17.16, 17.17</td>
<td>People, Planet, Prosperity</td>
</tr>
<tr>
<td>Stakeholder Relations</td>
<td>Anti-corruption, governance and grievance; Community relations, corporate social responsibilities (“CSRs”) and land issue</td>
<td>12.6, 17.16, 17.17</td>
<td>People, Planet, Prosperity</td>
</tr>
<tr>
<td>Academia Collaboration</td>
<td>Community relations, corporate social responsibilities (“CSRs”)</td>
<td>12.6, 17.16, 17.17</td>
<td>People, Planet, Prosperity</td>
</tr>
<tr>
<td>Empowering Smallholders</td>
<td>Community relations, corporate social responsibilities (“CSRs”) and land issue</td>
<td>17.16, 17.17</td>
<td>People, Planet, Prosperity</td>
</tr>
<tr>
<td>Collaboration with Governments and Civil Society</td>
<td>Community relations, corporate social responsibilities (“CSRs”) and land issue</td>
<td>17.16, 17.17</td>
<td>People, Planet, Prosperity</td>
</tr>
<tr>
<td>Community Development and Social Impact</td>
<td>Community relations, corporate social responsibilities (“CSRs”) and land issue</td>
<td>2.4, 17.16, 17.17</td>
<td>People, Planet, Prosperity</td>
</tr>
<tr>
<td>Land Use Plan</td>
<td>Best management practices; waste, pest &amp; chemicals, water impact and fire; High Conservation Value (“HCV”) and High Carbon Stock (“HCS”)</td>
<td>15.1, 15.2, 15.5, 2.4</td>
<td>People, Planet, Prosperity</td>
</tr>
<tr>
<td>Rehabilitation and Biodiversity for Land Management</td>
<td>Pest; biodiversity and conservation; High Conservation Value (“HCV”) and High Carbon Stock (“HCS”)</td>
<td>15.1, 15.2, 15.5</td>
<td>People, Planet, Prosperity</td>
</tr>
<tr>
<td>Fire Prevention and Response</td>
<td>Best management practices; waste, pest &amp; chemicals, water impact and fire</td>
<td>13.2, 15.2</td>
<td>People, Planet, Prosperity</td>
</tr>
<tr>
<td>Operational Eco-Efficiency</td>
<td>Best management practices; waste, pest &amp; chemicals, water impact and fire; GHGs and energy efficiency; Regulatory compliance</td>
<td>12.4</td>
<td>People, Planet, Prosperity</td>
</tr>
<tr>
<td>Climate Strategy</td>
<td>GHGs and energy efficiency; Technology and innovation</td>
<td>13.2</td>
<td>People, Planet, Prosperity</td>
</tr>
<tr>
<td>Human Rights at Workplace</td>
<td>Workers’ rights and welfare; Anti-corruption, governance and grievance; Regulatory compliance</td>
<td>8.2, 8.8</td>
<td>People, Planet, Prosperity</td>
</tr>
<tr>
<td>Capacity Building</td>
<td>Workers’ rights and welfare</td>
<td>8.2, 8.8</td>
<td>People, Planet, Prosperity</td>
</tr>
<tr>
<td>Occupational Health and Safety</td>
<td>Occupational safety &amp; health and process safety</td>
<td>8.8</td>
<td>People, Planet, Prosperity</td>
</tr>
</tbody>
</table>
Harnessing Sustainable Partnerships

Sustainable strategies require collaboration and networking for effective results. We are strengthening engagement with nature societies and wildlife protection authorities in order to find positive solutions to protect the natural habitats we impact.

IOI has come a long way since embarking on its sustainability journey and partnership is an essential value to support our journey to further progress.

IOI believes that collaboration and engagement between different stakeholders are the most effective way to ensure successful implementation of sustainability initiatives.
IOI is highly ambitious in leveraging our unique approach to partnerships, as collaborations and partnerships are at the core of the Group’s stakeholder engagement approach. We see partners as fundamental to our success as a business, and we believe that they are critical to developing working solutions to the challenges that the SDGs present. As such, IOI holds an active membership and remains as an active participant in the following:

- Roundtable on Sustainable Palm Oil ("RPO")
- Malaysian Palm Oil Association ("MPOA")
- Responsible Care Programme under the Chemical Industries Council of Malaysia ("CICM")
- International Sustainability & Carbon Certification ("ISCC")
- Malaysian Palm Oil Board ("MPOB")
- Fair Chemical and Oil-Care Subordinations Federation of Malaysia ("FMM")
- High Carbon Stock Approach Steering Group Member ("HCSA")
- Malaysian Oleochemical Manufacturers Group ("MOMG")
- IEDX Supplier B-Membership
- CSR Asia Strategic Partnership
- Fire Free Alliance ("FFA")
- ASIAN Oleochemical Manufacturers Group ("AMOG")
- World Resources Institute ("WRI") Global Forest Watch portal
- Palm Oil Traceability Working Group
- Carbon Directives Project ("CDP")
- Encord Business Sustainability Ratings

Stakeholder prioritisation

Through our active participation in these associations, we are able to strengthen the means of implementation and revitalise the global partnership for sustainable development. IOI also adheres to the Free, Prior and Informed Consent ("FPIC") principle in support of UNDRIP to ensure the indigenous communities’ rights are protected. IOI's FPIC process is as follows:

1. Identify issues/ goals that could affect livelihood
2. Understand traditional governance and decision-making structure
3. Start engaging by identifying project’s benefits and risks
4. Include all affected communities and their members
5. Assess community's capacity gaps and provide necessary assistance, if needed
6. Conduct Community Participation Mapping, if needed
7. Obtain consent and reach agreement
8. Document lessons learned
9. If consent conditional on remedial actions to be undertaken by IOI, agencies deliverables, deadlines and monitoring mechanisms

IOI also adheres to the Free, Prior and Informed Consent ("FPIC") principle in support of UNDRIP to ensure the indigenous communities’ rights are protected. IOI's FPIC process is as follows:

IOI’s FPIC process is as follows:

- The United Nations Universal Declaration of Human Rights ("UDHR")
- International Labour Organisation’s Fundamental Conventions
- United Nations Guiding Principles on Business and Human Rights
- Principles of Free and Fair Labour in Palm Oil Production
- United Nations Declaration on the Rights of Indigenous Peoples ("UNDRIP")
- United Nations Sustainable Development Goals ("SDGs")

We also support:
- Roundtable on Sustainable Palm Oil ("RPO")
- Malaysian Palm Oil Association ("MPOA")
- Responsible Care Programme under the Chemical Industries Council of Malaysia ("CICM")
- International Sustainability & Carbon Certification ("ISCC")
- Malaysian Palm Oil Board ("MPOB")
- Fair Chemical and Oil-Care Subordinations Federation of Malaysian ("FMM")
- High Carbon Stock Approach Steering Group Member ("HCSA")
- Malaysian Oleochemical Manufacturers Group ("MOMG")
- IEDX Supplier B-Membership
- CSR Asia Strategic Partnership
- Fire Free Alliance ("FFA")
- ASIAN Oleochemical Manufacturers Group ("AMOG")
- World Resources Institute ("WRI") Global Forest Watch portal
- Palm Oil Traceability Working Group
- Carbon Directives Project ("CDP")
- Encord Business Sustainability Ratings

STAKEHOLDER RELATIONS

IOI defines key stakeholders as groups that our business may have a significant impact on or vice versa, and who have an interest in the way that we conduct business. We engage with stakeholders via multiple channels and follow these key principles with matters relating to stakeholders:

1. Responding to key stakeholder issues
2. Identifying engagement objectives and approach
3. Stakeholder prioritisation

How IOI conducts the FPIC process

To effectively manage stakeholder expectations and the relationships we have with them, the IOI Stakeholder Engagement team has been established to take the role of identifying stakeholders’ concerns and areas of interests. Pro-active engagement with stakeholders will continue to play an important role in enhancing our value creation strategy and thus create better prospects for our business in a long term.

STAKEHOLDER PRIORITISATION

We continuously engage with our key stakeholders ranging from our internal workforce to external parties such as communities, civil societies, regulatory and governmental bodies, as well as partners in our supply chain. Through these engagements, we are able to keep abreast of our stakeholders’ perceptions and expectations as well as the market trends in the area of sustainability, and act on this input to improve our practices.

Key stakeholders

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Why these stakeholders matter</th>
<th>Stakeholder’s concern or areas of interest</th>
</tr>
</thead>
</table>
| Employees         | They form the backbone of our success | • Fair remuneration  
|                   |                              | • Worker Health and Safety  |
|                   |                              | • Training and Development          |
| Customers         | Our company’s growth depends on the people that we serve | • Timely delivery  
|                   |                              | • Product quality  |
|                   |                              | • Good governance                   |
| Communities       | Communities are our neighbours, and it is vital to maintain harmonious and mutually beneficial relations with them | • Fair dispute settlement  
|                   |                              | • Responsible operational management  |
|                   |                              | • Livelihood improvement through shared benefits and CSR |
| Suppliers         | Part of the Group’s operational efficiency is attributable to the support we receive from suppliers | • Timely payment  
|                   |                              | • Fairness and transparency in our procurement practices  |
| Civil Societies   | Input on sustainability practices are enhanced through the support from civil societies | • Responsible social and environmental management  
|                   |                              | • Openness  
|                   |                              | • Inclusiveness  |
| Regulators        | Regulators establish the legal framework for our operations, with which we must comply | • Transparency  
|                   |                              | • Good governance                   |
| Shareholders      | Funds and other capital input are sourced from these individuals and organisations | • Compliance  
|                   |                              | • Reporting  |
| Industry Association | Co-producers having common interest areas and forming groups that can give a stronger voice for the industry. Both can liaise better with governmental agencies and share inter-regional matters for the betterment of the industry. | • Return on investment  
|                   |                              | • Common industry interest in areas of process safety, regulatory and quality matters  |
|                   |                              | • Benchmarking in the area of sustainability amongst industry members  |
HARNESSING SUSTAINABLE PARTNERSHIPS

Identifying engagement objectives and approach
Following the identification and prioritisation of our material issues, we then conducted open and active engagements with stakeholders on the issues identified as important to them. This process ensures that we effectively address the opportunities and risks which may affect our sustainability performance. Throughout the 2019 reporting period, we have conducted engagements with all IOI’s key stakeholders – the means through which we engaged them and the engagements frequency are disclosed as follows:

<table>
<thead>
<tr>
<th>Key engagements, objective and approach</th>
<th>Related stakeholders</th>
<th>Frequency of engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparent, comprehensive, regular and timely reporting</td>
<td>• Annual Report, Sustainability Report</td>
<td>Annually</td>
</tr>
<tr>
<td></td>
<td>• Website</td>
<td>Continuous</td>
</tr>
<tr>
<td></td>
<td>• SIP</td>
<td>Bi-annual publication</td>
</tr>
<tr>
<td></td>
<td>• Annual Communication of Progress (“ACP”) to RSPO</td>
<td>Annually</td>
</tr>
<tr>
<td></td>
<td>• Sustainability Progress Update</td>
<td>Every 4 months</td>
</tr>
<tr>
<td></td>
<td>• IOI Pelita (RSPO, Grassroots, Communities Information and Communications Centre (“CICOM”) (local NGOs), Forest Peoples Programme (“FPP”), communities, customers, local government)</td>
<td>More than 50 engagement sessions in FY2019</td>
</tr>
<tr>
<td></td>
<td>• South Ketapang Landscape Initiative (Aidenvironment, Global Environment Centre (“GEC”), customers, NGOs, companies, government)</td>
<td>More than 50 engagement sessions</td>
</tr>
<tr>
<td></td>
<td>• Third-party supply chain approaches: monitoring, workshops and focus sessions (Aidenvironment, Earthworm Foundation, Mighty Earth, Rapid Response, clients)</td>
<td>As when required</td>
</tr>
<tr>
<td></td>
<td>• Collaboration with academia in research and development, e.g. fair and decent wage study with Monash University</td>
<td>Regular &amp; as when required</td>
</tr>
<tr>
<td></td>
<td>• Earthworm Foundation’s Tools for Transformation Platform (a digital engagement tool with assessment function and a library of guidance materials on best practices)</td>
<td>Yearly and as often as supplier require guidance</td>
</tr>
<tr>
<td></td>
<td>• Proforest verification</td>
<td>Regular &amp; as when required</td>
</tr>
</tbody>
</table>

Targeted, project-based engagement focused on critical sustainability issues
| Client events | (Hi-Tea with IOI event at RT 16 in Kota Kinabalu, downstream-led events, etc.) |
| Participation in membership organisations, industry association, working groups and conferences | (Hi-Tea with IOI event at RT 16 in Kota Kinabalu) |
| Direct dialogue with individual and grouped stakeholders | (Downstream-led events) |
| Supplier engagement programme | Visits and meetings with individual customers, investors, communities, civil society organisations, targeted suppliers, industry association, industry peers and government representatives |

Stakeholders Engagement

Using these engagements, we have conducted engagements with all IOI’s key stakeholders – the means through which we engaged them and the engagements frequency are disclosed as follows:

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

OUR PERFORMANCE
We value collaborations and engagements with stakeholders to resolve complex issues concerning our business risks and opportunities. Our success to date is attributed to the collective efforts of IOI personnel and relevant stakeholders in effectively managing challenges and prioritising matters which are significant to our business operations. Below are some of the key activities we have undertaken in partnership with our stakeholders.

IOI Pelita Land Dispute
The IOI Pelita case witnessed an improvement in relations with the affected communities and other stakeholders through the appointment of IOI’s Head of Stakeholder Engagement in May 2018.

IOI worked with the RSPO Complaints Panel and other stakeholders including Grassroots and Pelita to develop a resolution plan that follows the FRC spirit and meets the RSPO Principles and Criteria (“P&C”) for conflict resolution. The IOI Pelita Land Dispute Resolution Plan (“Resolution Plan”) received a conditional endorsement from the Complaints Panel in late June 2018. There are 3 main stages in the Resolution Plan:

- **Stage 1** Awareness/capacity building of the local communities
- **Stage 2** 3D community participatory mapping for identification, validation and mapping of claims
- **Stage 3** Negotiation of settlement for fair and lasting resolution of the conflict (witnessed by stakeholders)

Full chronology of the development and implementation of the Resolution Plan can be found on our website. Following are the key events that occurred up to date on the resolution of the IOI Pelita case.

**Progress to date**

<table>
<thead>
<tr>
<th>Resolution Plan</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resolution Plan finalised with input from RSPO, Grassroots, communities and other stakeholders.</td>
<td>June 2018</td>
</tr>
<tr>
<td>Resolution Plan Socialisation Programme conducted by IOI and witnessed by RSPO and Grassroots.</td>
<td>July 2018</td>
</tr>
<tr>
<td>Free Prior Informed Consent for Resolution Plan implementation granted by all nine affected communities.</td>
<td>March 2019</td>
</tr>
<tr>
<td>Implementation of Stage 1 of Resolution Plan (Community Capacity Building) launched</td>
<td>Feb 2019</td>
</tr>
<tr>
<td>Community Capacity Building Programme completed by local NGOs (CICOM)</td>
<td>June 2019</td>
</tr>
<tr>
<td>Stage 1 of Resolution Plan completed</td>
<td>June 2019</td>
</tr>
<tr>
<td>Implementation of Stage 2 (Community Participatory Mapping)</td>
<td>Sep - Nov 2019</td>
</tr>
<tr>
<td>Implementation of Stage 3 (Negotiations for Final Settlement)</td>
<td>Jan - Jun 2020</td>
</tr>
</tbody>
</table>

1 [https://www.ioigroup.com/Content/S/S_Chronology](https://www.ioigroup.com/Content/S/S_Chronology)
Harvesting Sustainable Partnerships

Our Management Approach

Our stakeholders in assessing the overall performance of a company operating in the palm oil industry, are often lead by example of each obligations include in trade contracts, corporate policies, subcontract obligations and many others.

To maintain full compliance and understanding of our direct and indirect economic, environmental and social impacts, we continuously engage with civil society organisations to gather constructive feedback and work with governmental bodies who facilitate our operations through infrastructure provisions and other means of support.

The Group ensures consistency in delivering sustainability obligations through the adoption of best practices as outlined by the regulatory bodies and agencies. We collaborate with many different civil society organisations to obtain insights and awareness about palm oil.

Our engagements and collaborations include a series of technical workshops and roundtables covering topics such as peat, GHG emissions, labour, human rights, FPIC, traceability and certification requirements; training of staff on human-wildlife conflict; and efforts on fire prevention and mitigation; and many more.

Collaboration with Governments and Civil Society

Our Performance

Love MY Palm Oil Campaign

The Love MY Palm Oil campaign involves various activities held throughout 2019 by the Ministry of Primary Industries (“MPl”), Malaysian Palm Oil Council (“MPOC”) and palm oil industry players. Focusing on the five pillars (Country, Food, Health, People and Planet) that make Malaysian palm oil a five-star product, the Love MY Palm Oil campaign is aimed at different stakeholders such as schoolchildren, professionals and the public, industry members and the public.

IOI as a proactive member of the palm oil sector is involved in numerous engagements to communicate the positive message on palm oil and its benefit. We collaborated with MPOC and Malaysian in a short film contest to counter the anti-palm oil campaign and conduct workshops at colleges and universities in order to create awareness about palm oil.

Collaboration with Aid environment Asia and Global Environment Centre

IOI collaborated with Aid environment Asia (“Aid environment”) and Global Environment Centre (“GEC”) in several sustainability initiatives. IOI works in partnership with Aid environment Asia and GEC in a multi-stakeholder project, the South Ketapang Landscape Initiatives with an overall, long-term goal of promoting sustainable economic growth without negative environmental consequences. Further details on the initiatives can be found on page 33.

The second partnership project with EF is a case study on promoting good practices in retaining workers in plantation sectors. Further reading can be found in page 57 of this report.

Collaboration with Aid environment Asia and Global Environment Centre

IOI uses the online platform, Tools for Transformation (“T4T”) programme provided by the Earthworm Foundation (“EF”), to monitor our supply chain and adopt responsible practices. EF provided assistance and support to our direct suppliers to make satisfactory transformation progress on their NDPE policy commitments. Refer ‘Traceable Supply Chain’ to read further on their performance.

The second collaboration project with EF is a case study on promoting good practices in retaining workers in plantation sectors. Further reading can be found in page 57 of this report.

The Sustainable Palm Oil Choice

IOI is currently progressing to become a member of the Sustainable Palm Oil Choice, an initiative in partnership with Non-Governmental Organisations (“NGOs”), industry players, Fast-Moving Consumer Goods (“FMCG”) companies and other stakeholders in the European Union (“EU”) to promote sustainable palm oil.

The members of the initiative are committed to produce, use and support sustainable palm oil. The guiding principle to define sustainable palm oil is following RSPO, NDPE and High Carbon Stock Approach Toolkit.
Proforest

We have engaged Proforest, an independent mission-driven organisation working in the field of natural resource management and specialising in practical approaches to sustainability, to provide verification for the implementation of IOI’s SPOP. Proforest has previously provided us consulting services relating to third-party suppliers.

As our appointed assurer, Proforest has reached out to other stakeholders including Aidenvironment, Business for Social Responsibility, Finnwatch, Forest Peoples Programme (TPP), Global Environment Centre (GEC), Grassroots, IOI’s customers, Malaysian Palm Oil NGO Alliance (PONGO Alliance), Roundtable on Sustainable Palm Oil (“RSPO”), and recruitment agencies from source country (Indonesia, Nepal, India), as part of the verification process of our sustainability initiatives.

Commentary by Proforest

Proforest was formally appointed by IOI Group in May 2018 to conduct an external verification of the implementation of their Sustainable Palm Oil Policy (“SPOP”), and related commitments. The verification process aimed to assess IOI’s performance in terms of the implementation of its sustainability commitments, and in addition to identify opportunities for improvement. The process covered the palm oil operations of the IOI Group, including plantations and crude palm oil (“CPO”) mills, and processing facilities, as well as the global third-party supply base supplying to IOI.

The overall external verification process was undertaken in two stages. Firstly, the Proforest team carried out a comprehensive review of documents over a series of visits to IOI’s offices, and conducted interviews both with IOI personnel and a range of external stakeholders. A report of the interim findings from Stage 1 of the verification process was released in October 2018. Secondly, field visits were undertaken to a small number of IOI’s plantation operations to assess actual performance on the ground. The results from the field assessments are included in the final public summary of the verification report, released in June 2019, which describes the key findings at the conclusion of the process.

The final report details headline findings across the full range of policy commitments, including human rights and working conditions, HCV identification and management, IOI Pelita, Ketapang peatland management, third-party suppliers, and management systems. Overall, the findings demonstrate the progress made by IOI since first launching its SPOP in 2014, but also highlight the scope for improvement that remains in certain areas.

Neil Judd
Director of Proforest

South Ketapang Landscape Initiative

The South Ketapang Landscape Initiative, launched in October 2018 by IOI in partnership with Aidenvironment Asia and GEC, stems from IOI’s commitment to develop a collaborative way to handle critical issues such as peatland management, biodiversity and wildlife protection, flood and fire, and community livelihood development programme within the ecologically diverse South Ketapang landscape.

The Initiative was to bring together private companies, the government agencies and local communities and it will involve novel approaches and deliveries such as legally securing HCV and HCS areas, and capitalising on opportunities presented by the Indonesian Land Reform and Social Forestry Policy. As a result of multiple engagements with the local oil palm and timber concessionaires, companies have started to share information on HCV areas in their areas of operation, which allowed the partners to develop an indicative connectivity map for conservation areas in the landscape. The companies also started sharing best practices in managing environmental and social challenges, allowing for a faster learning curve in tackling common issues such as floods, fires and illegal hunting.

The Landscape partners are also in the process of establishing working groups, comprising various stakeholders, to lead specific, high priority, thematic activities.
SUSTAINABLE PARTNERSHIPS

areas of improvement (e.g. labour exploitation).

The study charts the various labour practices used by growers in Malaysia. The study is aligned with the RSPO decent living wage framework. It involves interviews with civil society organisations in this area, field visits to five palm plantations and two typical points of origin for foreign workers. Data collected are quantitative and qualitative in nature.

Research and development with University Malaya

IOI Group’s charity arm, Yayasan Tan Sri Lee Shin Cheng (‘Yayasan TSLSC’) and University of Malaya (‘UM’) represented by its Faculty of Science have entered into the signing of a Memorandum of Agreement (‘MoA’) which marks our collaborative efforts to further enhance research and development in the field of sustainable palm oil plantation management.

The first phase of the research and development effort will consist of a collaborative research project for the study of species diversity of rats in palm oil plantations in Peninsular Malaysia and its control strategies. This research collaboration enables both parties to share their existing know-hows and to tap the innovation potentials that could help unlock new commercial opportunities. With this MoA, we are able to combine our corporate objectives together with our educational welfare programmes in line with the government efforts in promoting Public Private Partnership (“PPP’s”) with Yayasan TSLSC and UM believe that this strategic collaboration will be of benefit to both parties in nurturing talent and in creating impactful innovative strategies in the palm oil industry.

Supporting HUMANA Learning Centre

IOI has contributed over RM2.0 million to 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. To date, IOI has supported about 25 HUMANA learning centres in Sabah which has benefited about 2,900 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 stationary to these learning centres and their students.

ACADEMIA COLLABORATION

UNESCO WASH Project

Unesco, through its WASH project, is promoting the education of children in Malaysia, while ensuring that their rights are not compromised and their needs safeguarded. As such, we proactively engage with educational institutions and disseminate awareness programmes to our internal stakeholders and the community as a whole.

As such, we proactively engage with educational institutions and disseminate awareness programmes to our internal stakeholders and the community as a whole.

Our Management Approach

We recognise that progress in our business requires constant learning and investing in good education and research, to assure that the well-being of the future generation is not compromised and their needs safeguarded. As such, we proactively engage with educational institutions and disseminate awareness programmes to our internal stakeholders and the community as a whole.

Our Performance

Collaboration with Monash University: Fair and Decent Wage Study

The Fair and Decent Wage Study funded and led by Monash University, will develop a pragmatic benchmarking on fair and decent wage for the worker in the Peninsular Malaysia plantation. The study is supported by the Ministry of Primary Industries (‘MPI’) and technical assistance is given by the International Labour Organisation (‘ILD’). Other than that, IOI together with other oil palm plantations and refineries are participating in this study.

The ‘Fair and Decent Wage’ Study adopts the Anker methodology in developing the practical fair and decent wage benchmarking for both local and foreign plantation workers in Malaysia. The study is aligned with the RSPO decent living wage framework. It involves interviews with civil society organisations in this area, field visits to five palm plantations and two typical points of origin for foreign workers. Data collected are quantitative and qualitative in nature.

The study charts the various labour practices used by growers in Peninsular Malaysia whilst noting best practices, gaps and compromised and their needs safeguarded. As such, we proactively engage with educational institutions and disseminate awareness programmes to our internal stakeholders and the community as a whole.

The study will:

- provide companies with estimations of ‘decent wages’ for plantation workers in Peninsular Malaysia; and
- provide an informed stakeholder discussion about the appropriate methodology for calculating a decent wage for foreign workers.

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Our Management Approach

Smallholders play a critical role in the palm oil supply chain, contributing up to 40% of the worldwide palm oil production. In Malaysia, all agricultural commodities, smallholders are significantly left behind compared to larger scale plantations, in terms of knowledge on how to increase their livelihoods in an environmentally friendly way.

IOI recognises our ability to empower smallholders and has made improvements in centralising our efforts for support programmes to aid in their business growth. We aim to deliver a positive impact to the communities and smallholders that we support.

By 2020, all smallholders will be required by the Malaysian government regulation to make MSPO certifications mandatory for all palm oil plantation areas. IOI has been engaging with the Malaysian Palm Oil Board (‘MPOB’) in providing MSPO-related trainings to the smallholders in our supply chain.

Our Management Approach

Smallholders play a critical role in the palm oil supply chain, contributing up to 40% of the worldwide palm oil production. In Malaysia, all agricultural commodities, smallholders are significantly left behind compared to larger scale plantations, in terms of knowledge on how to increase their livelihoods in an environmentally friendly way.

IOI recognises our ability to empower smallholders and has made improvements in centralising our efforts for support programmes to aid in their business growth. We aim to deliver a positive impact to the communities and smallholders that we support.

By 2020, all smallholders will be required by the Malaysian government regulation to make MSPO certifications mandatory for all palm oil plantation areas. IOI has been engaging with the Malaysian Palm Oil Board (‘MPOB’) in providing MSPO-related trainings to the smallholders in our supply chain.

Our Performance

Improvements in centralising efforts to empower smallholders

IOI initiated a collaborative smallholders’ programme called the Initiatif Lentari Untuk Haul Agricultur Manap (‘ILHAM’), at the central level together with the specific operating unit to provide agronomy support and agricultural advisory to the smallholders. The programme is run by the collaborative effort of Bunge Loders Croklaan, Kerry Group (“ILHAM”), at the central level together with the specific operating unit to provide agronomy support and agricultural advisory to the smallholders. The programme is run by the collaborative effort of Bunge Loders Croklaan, Kerry Group and the Fortuna mill.

Project ILHAM aims to support smallholder farmers to improve their yields, thereby increasing production, without the need for additional land and helping to improve the livelihoods of smallholders. IOI conducts best practices workshops and trainings of the smallholders during the engagement. IOI’s agronomist carried out extensive soil and foliar testing in Sugut, as this will allow us to make the final recommendation to the smallholders around the right quantity and quality of fertiliser to be used. In 2019, IOI will continue to co-organise Best Management Practice workshops to smallholders and training for Fortuna ground staff.

Unico Desa MSPO Awareness Programme

On 28 February 2019, IOI organised a training session to assist smallholders of Unico Desa in achieving MSPO certification. The training was given by Malaysian Palm Oil Board (‘MPOB’) officers, and content was based on Part 2 of the MSPO Standard for General Principles for Independent Smallholders. The training described the seven principles, 23 criteria and 33 indicators required by smallholders for MSPO compliance. It also covered the phases of audits that will be undertaken by MSPO as well as MPOB’s Good Agriculture Practices (‘GAP’) certificate.

Through the training programme, the Unico Desa smallholders are better aware of the procedures and requirements of the MSPO certification. This has led them to express interest in obtaining MSPO certification.

MPOB offers to provide adequate training for smallholders on safety aspects and implementation of best management practices. They will also provide a full (100%) incentive for smallholders to obtain the MSPO certification as individual or in group known as the Smallholder Palm Oil Cluster (‘SPOC’).

Empowering Smallholders

Unico Desa MSPO Awareness Programme

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HARNESSING SUSTAINABLE PARTNERSHIPS

OUR MANAGEMENT APPROACH

We have grown aware of the role we play as a leading palm oil producer to serve the surrounding community and protect the environment, whilst creating a sustainable value chain. Going beyond ensuring that the rights, health, and safety of stakeholders are not impacted by our operations, IOI have been implementing a wide range of initiatives to enhance community wellbeing.

IOI strives to drive positive socio-economic impact and enhance the wellbeing of the communities in which it operates. Recognising the necessity of effective stakeholder initiatives to enhance community wellbeing, the Yayasan Tan Sri Lee Shin Cheng (“Yayasan TSLSC”) was established in 1994 under the patronage of IOI Group.

OUR PERFORMANCE

Yayasan Tan Sri Lee Shin Cheng (“TSLSC”) has awarded top students with Young Achievers’ Awards (“YAA”) which brought together IOI employees and their high-achieving children from IOI Corporation Berhad’s subsidiaries in Perinsular Malaysia. The Student Adoption Programme launched in 2008 had enabled underprivileged students achieve a brighter future by providing equal access to good basic education. The adopted students will receive annual financial assistance as well as one-off school bags from Yayasan TSLSC until the completion of their primary and/or secondary education. Yayasan TSLSC also provides scholarships and career opportunities to outstanding students.

Bargain Basement, an initiative by Yayasan TSLSC, which is an innovative social enterprise to promote the 3R acts by collecting pre-used household items and extending the usability and lifecycle of those items by reselling them for the benefit of the community and various charities. Bargain Basement hope to promote a responsible consumerism culture as we move towards a circular economy approach. Bargain Basement contributed a total of RM200,000 of its net proceeds to 15 beneficiaries during the event in conjunction with Christmas season.

Extending Support during Adversity

On 27 June 2018, a fire incident destroyed houses at Kampung Gao in Sandakan, which left 400 people, including 24 of IOI’s employees, without shelter. During the incident, the Emergency Response Team (“ERT”) from IOI Refinery provided on-site assistance to help evacuate people to safety, coordinated traffic assistance, and fire fighting to help the firemen and other rescue teams. The speedy response and assistance by the team helped to prevent further fire damage. A donation campaign was also initiated by IOI to be distributed to all 24 affected employees. The donation drive had seen the collection of clothing, household items and close to RM38,000 cash. IOI had also been involved in coordinating with various societies and organisations to assist in relocating the victims to a permanent place and to rebuild their homes.

In March 2019, the dumping of chemical substances into Sungai Kim Kim in Pasir Gudang, Johor affected almost 6,000 people due to the toxic fumes. Following the pollution crisis, IOI Oleo had taken various steps to extend assistance including distributed disposable face masks, consistently alerted all employees on the safety guidelines, constantly updated on the daily levels of air quality and distributed informative pamphlets and flyers from the Ministry of Health. Employees are cautioned to stay alert at all times and follow the safety precautions if they experience any eye irritation, chest pain, shortness of breath and/or breathing difficulty. IOI also contributed mineral water, face masks and loaned two oxygen cylinders to Pasir Gudang Emergency Mutual Aid (“PAGEMA”). Contingency plans was made by purchasing half facepiece respirators and Cartridge 6006 that offer reliable and convenient respiratory protection.

Promoting Good Health and Well-Being

At Prai, IOI Oleo promotes good health and well-being amongst its employees by organising a blood donation campaign, health talk covering the topic of ‘Losing Weight and Healthy Eating’ and various other activities. There was also a bowling session and Star Health Fun Run for employees at Prai to encourage an active lifestyle and visitation of employees’ family who are medically boarded.

Other community initiatives

IOI Pan-Century (“IOC Pan-Cen”) held a Jom Gotong-Royong activity on 2 April 2019 where 225 employees gathered in groups to clean the perimeter of the company premises as a green effort to preserve the environment and encourage interaction among the staff.

1 https://www.ioigroup.com/Content/MEDIA/M_Publications
Innovating to maximise yield

It is an operational imperative for our upstream operations to maximise the efficiency of our palm oil yields leading to efficient land use reduction of our reliance on more land for growth.

≥ 24% OER since early 2019 for mills of estates planted with 30% to 50% clonal palm

10% to 50% clonal palms in estate groups in Peninsular Malaysia and Sabah

14.8% increase in OER for mills of estates planted with 30% to 50% clonal palm as compared to the average OER of 20.9% in FY2018
**INNOVATING TO MAXIMISE YIELD**

**OUR MANAGEMENT APPROACH**

IOI recognises the importance of land use plan for the sustainable growth in palm oil business. We uphold this commitment without depriving the environment or biodiversity through sustainable land use planning. The Group strives to be one of the most cost-efficient palm oil producers in the country by maximising crop/oil yields per hectare through the adoption of best agronomic practices, advancement in agricultural science and technology.

The Group approaches land preparation for cultivation of palm oil by ensuring:
- No deforestation and protection of High Conservation Value ("HCV") areas.
- No deforestation of High Carbon Stock ("HCS") forests.
- No development of peatland regardless of depth.

That our peatland management utilizes RSPO Best Management Practices ("BMP") and drainability assessment conducted prior to replanting for existing plantation on peat.

The use of precision agriculture for palm oil plantation management.

**OUR PERFORMANCE**

**Increasing Palm Oil Yield to Reduced Reliance on Land for Growth**

Improving yields of oil palm is a key part of our long-term strategy, as it allows us to maximise revenues, and minimise agricultural land use. Details on result of the research and development on oil palm yield improvement can be found under the "Palm Biotechnology" section.

The new generation of high-yielding seedlings produce superior oil extraction rate compared to conventional seedlings. Through this innovation, IOI obtains a higher oil yield per unit area of land used, reducing our reliance on more land for growth.

**Oil Palm Yield Performance**

![Aerial view of IOI plantation concession in Indonesia](image)

<table>
<thead>
<tr>
<th>Year</th>
<th>Yield per mature hectare (MT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2017</td>
<td>21.66</td>
</tr>
<tr>
<td>FY2018</td>
<td>23.60</td>
</tr>
<tr>
<td>FY2019</td>
<td>23.00</td>
</tr>
</tbody>
</table>

Lower yield in FY2019 was due to slow recovery from previous prolonged dry weather.

**New Planting Procedure**

IOI commits to implement the RSPO New Planting Procedure ("NPP") that guides responsible planting using a set of assessments and verification activities, conducted by growers and certification bodies prior to a new oil palm development. This process means that new oil palm developments are only allowed following comprehensive stakeholder engagement and assessments (including ESA, HCV and FPIC assessment, LUC analysis, GHG assessment, soil suitability and topographic survey). Management Plans and a NPP Report are key outputs, and must be independently certified.

IOI is fully committed to safeguard high HCV sites within our concessions and abides by the requirements to use a licensed assessor by HCV Resource Network for the preparation and submission of our NPP and pre-development planning.

**High Carbon Stock Approach**

IOI is a member of the High Carbon Stock Approach ("HCSA") Steering Group which is an organisation that oversees the development of a methodology designed to achieve no deforestation. IOI is also the Interim Co-Chair of the Executive Committee for the HCSA. A member of the No-Deforestation Joint Steering Group ("NDJSG") and Social Requirement Working Group.

IOI made an explicit commitment to using the revised HCSA methodology in IOI’s last wholly unplanted concession area, PT KPAM in Ketapang, Indonesia covering 11,000 ha of agricultural licensed land area. The HCS assessment has been carried out using the HCSA Toolkit (Version March 2015) as a guideline, in order to ensure the HCV and FPIC components are integrated. The HCS forest has been identified through the HCV-HCS-FPIC integration 9-step process:

| HCV Identification Process (HCV-HCS-FPIC integration) |
|---------------------------------|-----------------|-----------------|
| 1 Due diligence                 | 2 Information gathering | 3 Scoping study and initial stakeholder consultations |
| 4 Participatory field assessment | 5 Data analysis and forest patch analysis | 6 Consultation and quality control |
| 7 Integrated Conservation and Land Use Plan ('ICLUP') | 8 Community agreement | 9 Implementation: Protection, Management and Monitoring Plan |

**Best Management Practices for Land Use**

IOI implements sustainable agronomic practices which contribute to effective and efficient plantation management to maximise beneficial results and minimise conflicts and environmental impacts. IOI also implements BMP and precision agriculture for cultivation of its oil palm. As a result, our oil yield per hectare is higher than the national average which has a positive impact towards mitigating climate change as less land is required in our production of palm oil.

Best agronomic practices and efficient land utilisation not only led to higher productivity but also to reducing the usage of chemical fertiliser and pesticide, resulting in lower GHG emissions. Techniques that contribute to maximising yield includes optimising the use of fertilisers and controlling soil parameters which will be further discussed in the Innovating to Enhance Operational Eco-efficiency section.

1 http://highcarbonstock.org/the-high-carbon-stock-approach/
IOI is committed to being an innovative leader, and this includes extensive research and development ("R&D") in palm biotechnology. Thus, the Group's palm biotechnology's main mission is to commercially produce superior high-yielding oil palm clones using cutting-edge tissue culture technology developed through our in-house research and development since the late 1980s. We also conduct molecular markers and genomics research for continuous improvement in terms of the yield and quality of oil palm planting materials as part of IOI's sustainable palm oil production value chain.

**OUR MANAGEMENT APPROACH**

IOI is committed to being an innovative leader, and this includes extensive research and development ("R&D") in palm biotechnology. Thus, the Group’s palm biotechnology’s main mission is to commercially produce superior high-yielding oil palm clones using cutting-edge tissue culture technology developed through our in-house research and development since the late 1980s. We also conduct molecular markers and genomics research for continuous improvement in terms of the yield and quality of oil palm planting materials as part of IOI’s sustainable palm oil production value chain.

**OUR PERFORMANCE**

**Agronomy and Planting Material Improvement**

Our 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. We do this methodically by evaluating the results of trials, with detailed records being collected not only of fruit yield but, more importantly, oil-bearing characteristics and tree morphology. This results in each new generation of seed being more efficient in converting solar energy into oil than the previous palm generation.

Prior to the introduction of new clonal palm, IOI’s plantations were planted with the conventional oil palm planting material, Deli dura ('D') x AVROS piifera ('P') seedling-originated oil palms, (‘DxP’). A series of Clonal Oil Extraction Rate ("OER") Evaluation Tests were conducted between 2010 to 2015 to analyse the OER from DxP with OER from Clonal Palms.

**Comparison of Oil Extraction Rate ("OER") between DxP and Clonal Palms**

<table>
<thead>
<tr>
<th>Year</th>
<th>OER from DxP (Date)</th>
<th>OER from Clonal Palms (Date)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>19.95% (3 May)</td>
<td>25.45% (6 May)</td>
</tr>
<tr>
<td>2011</td>
<td>19.51% (3 Oct)</td>
<td>25.57% (4 Oct)</td>
</tr>
<tr>
<td>2012</td>
<td>20.65% (28 Mar)</td>
<td>26.12% (29 Mar)</td>
</tr>
<tr>
<td>2015</td>
<td>23.05% (26 May)</td>
<td>27.22% (27 May)</td>
</tr>
</tbody>
</table>

Based on the trial result, the clonal palm produced by the Palm Biotech Centre had been planted in stages: (i) Small-scale replicated clonal evaluation trials, (ii) Semi-commercial field planting, (iii) Large scale commercial field planting. Millions of high-yielding clonal palms has been produced and planted in IOI’s estates.

**Notable highlights:**

- +14.8% oil extraction rate ("OER") from clonal palms compared to conventional seedlings
- 10% to 50% estate located in Peninsular Malaysia and Sabah planted with the clonal palms
- ≥ 24% OER for palm oil mills that received crops from estates planted with 30% to 50% of clonal palm
- OER of Crude Palm Oil for FY2019 comparison
  - Malaysia: 20.05%
  - IOI: 21.44%

32 years of collaborating with IHLs to advance oil palm research.

**INNOVATING TO MAXIMISE YIELD**

HCSA Identification in PT KPAM

The report submitted to the HCSA secretariat in April 2018 and approved by the HCSA review panel. The HCS assessment was conducted by external assessors. The land cover class from HCS summary report¹, is as shown in the table below:

<table>
<thead>
<tr>
<th>Land cover class</th>
<th>Number of Hectares</th>
<th>% of total concession</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential HCS classes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Density Forest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium Density Forest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low Density Forest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Young Regenerating Forest</td>
<td>129</td>
<td>1.17</td>
</tr>
<tr>
<td>Sub-total</td>
<td>129</td>
<td>1.17</td>
</tr>
</tbody>
</table>

**HIGH-YIELDING OIL PALM CLONES BEING PRODUCED BY TISSUE CULTURE CLONING TECHNOLOGY**


Innovating to enhance efficiency

We are heading towards digital transformation in our operations. To extract the full synergies of our operations, we have implemented SAP which drives further integration across our operational supply chain.
### OUR MANAGEMENT APPROACH

IOI is dedicated to creating value while using fewer resources, generating less waste and reducing pollution. This section focuses on agrochemical, waste and water management, as part of our approach on better climate strategy and energy efficiency.

IOI uses chemicals including fertilisers, insecticides and herbicides. IOI’s Agrochemical Management Policy was published in 2018, and explains our commitment to comply with legislative requirements, and additional commitment of the use of Parazan and pesticides that are categorized as Class 1A or 1B under World Health Organisation. Further details—including limitation of usage on other Class 1 chemicals—is available on our website.

### OPERATIONAL ECO-EFFICIENCY

#### Pesticide/Chemical

<table>
<thead>
<tr>
<th>Chemical</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glyphosate</td>
<td>Herbicide to control weeds</td>
</tr>
<tr>
<td>Tetramethylthiuram disulphide</td>
<td>Herbicide to control general fungus</td>
</tr>
<tr>
<td>Prophene (dichloroheptane)</td>
<td>Herbicide to control general fungus</td>
</tr>
<tr>
<td>Glufosinate Ammonium</td>
<td>Herbicide to control soft grasses</td>
</tr>
<tr>
<td>Monosodium Methylarsenate</td>
<td>Herbicide to control grasses and broadleaf weeds</td>
</tr>
<tr>
<td>Diquat</td>
<td>Herbicide to control broadleaf and grass weeds</td>
</tr>
<tr>
<td>Adjant</td>
<td>Activator</td>
</tr>
<tr>
<td>O, O-diethy o-c, 5,6-trichloro 2-pyrdyl phosphorothioate</td>
<td>Insecticide to control termites</td>
</tr>
<tr>
<td>[N-Cyno-O-phenoxalphenyl]-methyl-[G-2,2-dichloroheny]-2,2-dimethyloxycyclopropane-1-caboxylate</td>
<td>Insecticide to control bagworms and aphids</td>
</tr>
<tr>
<td>Nitrogen, Phosphorus, Potassium + TE</td>
<td>Fertiliser for seedlings</td>
</tr>
<tr>
<td>Phosphorus, TE</td>
<td>Fertiliser for all nursery stages</td>
</tr>
</tbody>
</table>

Water is a key element in the Group's operations, from plantation to manufacturing. It is also vital to the communities in which we operate. We use natural water sources such as rainfall and surface water whenever possible, and have strict requirements on our outgoing effluents beyond local regulations.

IOI’s advocates safe use of chemicals as part of its Corporate and Agrochemical Management Policy.

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#### Recycling Initiatives

This year at the Sandakan refinery facility, paper was sent for recycling and spent bleaching earth weighing 1,454,766 dry tons was disposed by licensed third-party waste management partners and are managed responsibly to meet the local regulatory requirements and standards.

#### Waste Generation

During the reporting period, IOI created about 64 MT of hazardous waste, and 680 MT of non-hazardous waste. All hazardous waste are being disposed by licensed third-party waste management partners and are managed responsibly to meet the local regulatory requirements and standards.

#### Waste Conversion

To reduce solid waste, fibres and EFB from the plantation operation are used as a renewable energy source to generate steam and electricity for mill processing. Liquid wastes are segregated into: plastic, glass, metal, lubricant oil, and others. This best practice is currently being replicated at all IOI refinery facilities. IOI’s biomass boiler utilises palm oil by-products for steam production.

### OUR PERFORMANCE

IOI has been integrating the circular economy model into the production of palm oil since we first ventured into the plantation business. The model adopts a circular pathway by reducing, reusing and recycling materials that are commonly underutilised in the current linear economy. We utilise usable material after the first processing cycle by reintroducing it back into the second processing cycle as secondary raw materials. This value-added process will eventually translate into the optimisation of raw materials along the supply chain and minimisation of wastage from production, emissions and energy inefficiency.

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#### Recycling Initiatives

This year at the Sandakan refinery facility, paper was sent for recycling and spent bleaching earth weighing 11,712.36 MT was sent to EcoOils and Gamalux for oil recovery and reuse.
INNOVATING TO ENHANCE OPERATIONAL EFFICIENCY

Water Management

IOI works with communities to ensure that shared water resources are managed appropriately. At IOI, we safeguard this precious resource by enforcing these measures and practices:

- Installing water-gates at strategic locations along the main and collection drains to keep the water table at an optimum level;
- Maintaining optimum level of water to counter potential shortfall in rain and risk of fire;
- Maintaining riparian reserves to minimise soil run-off. Riparian reserves also serve as a filtration system to preserve the quality of water entering the waterways;
- Monitoring and treating all POME and wastewater before discharging into the natural waterways. The treated POME will be used for land application.

IOI analyses water quality and consumption every month to gauge the health of the river ecosystem and the quality of the water supply.

Water Consumption

In IOI Oleo Prai and Pasir Gudang, up to 10% of total water withdrawals are from recycled sources following treatment at Effluent Treatment Plants. IOI Edible Oil in Sandakan recycled withdrawals are from recycled sources following treatment at IOI Oleo Group refinery facility in Sandakan received an award at the National Energy Awards 2018 for utilising energy efficiency measures in buildings and industries through innovative designs.

IOI Water Consumption and Water Discharge

<table>
<thead>
<tr>
<th>Total water withdrawal</th>
<th>Total water consumption</th>
<th>Total water discharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>≈ 30 million m³</td>
<td>≈ 27 million m³</td>
<td>≈ 3 million m³</td>
</tr>
</tbody>
</table>

* Data consolidated for plantation and mill operations, IOI Refinery and IOI Oleo Group

CDP Water Security Sector

The Carbon Disclosure Project ("CDP") drives companies to measure and disclose their water footprint data through the CDP Water Security questionnaire. IOI responded to the survey and scored B, which is higher than the Asia regional average of C. Beginning with reporting, we are now on track to integrating CDP as part of our performance indicator to enhance our overall water management practices.

OUR MANAGEMENT APPROACH

IOI is finalising our GHG reduction strategy, which will build upon our current approach and set long-term targets for the reduction of GHG emissions. We will be using the RSPO PalmGHG calculator to estimate our emissions and intensities.

The measures that are currently being taken to reduce GHG emissions include:

- Installation of biogas capturing systems;
- Applying organic fertiliser such as EFB, POME and fronds to reduce dependability on inorganic fertiliser;
- Optimal fertiliser application according to recommendations from our research centre;
- Implementation of Best Management Practices ("BMP") in line with RSPO’s BMP Manual;
- Maintenance of high ground water tables and good ground cover; and
- Planting of cover crop immediately after land clearing.
Utilising Green Energy: Solar

IOI Oleo in Prai had initiated solar panel system since 2013. Additional 90 kilowatt (kW) capacity of solar panels are planned for installation and commissioning in July 2019 to provide most of the energy for the office’s facilities. This includes systematic data collection templates, and training units. This includes systematic data collection on GHG emissions. During the year, IOI Oleo commissioned Anaerobic Hybrid Reactor (“AHR”) at its wastewater treatment plant in 2016. The treatment system, has a higher treatment efficiency, lower carbon footprint and lower power requirement than conventional anaerobic reactors.

Methane Capture

Methane from POME is one of the main sources of IOI’s GHG emissions. In order to reduce this impact, we commissioned a number of biogas plants in our facilities.

Manufacturing Efficiency

Efficiency is important both to reduce financial costs and GHG emissions. Throughout our operations, maximising outputs while minimising inputs is our aim. Some specific methods and initiatives include:

• IOI Oleo
  • IOI Acidchem has a low energy high efficiency system in its packing facility including: a hot water vapour absorption chiller; a centralised chilled water system; and thermal oil heater economisers.
  • IOI Pan-Cen Oleo commissioned Anaerobic Hybrid Reactor (“AHR”) at its wastewater treatment plant in 2016. The treatment system, has a higher treatment efficiency, lower carbon footprint and lower power requirement than conventional anaerobic reactors.
  • IOI Oleo at Prai recently added another heat recovery system to reduce energy use. Waste heat from fume gas emitted by the air preheater is used to reduce energy consumption of the thermal oil heater.

• 6 mills with methane capture; • Peninsular Malaysia: Pukim Palm Oil Mill (“POM”), Gemalai POM • Sabah: Labang Sabah POM, Leepang POM, Unico Desa POM, Syariraco POM

Energy Reduction

Optimisation of steam use and consumption through steam traps and replacement with condensate water heating in the plants and tank farm

Savings of 400 MT CO₂/annum

Co-generation power plants in IOI Oleo

Cut energy costs by at least 40%

IOI Acidchem packing facility system (hot water vapour absorption chiller; centralised chilled water system; thermal oil heater economisers)

Reduced electricity use intensity by around 25%

Unmanned weighing system at IOI Edible Oil facility, Sandakan

Total reduction of 6,355,2 hours/year for vehicle turnaround

Co-gen Plant installation in one of IOI's manufacturing facilities
development. For example, IOI’s HCV Management Plans
IOI believes that collaboration is needed to promote
management, we commit to:
around its estates. With respect to biodiversity and land

OPERATIONAL EFFICIENCY

INNOVATING TO ENHANCE OPERATIONAL EFFICIENCY

REHABILITATION AND BIODIVERSITY FOR LAND MANAGEMENT

OUR PERFORMANCE
Awareness Building and Stakeholder Relation
The key focus for IOI in the year ending 30 June 2019 has been capacity building for our people in particular for the protection of HCV and HCS areas. We have carried out trainings to our workers on subjects ranging from: Orangutan surveys and monitoring; HCS patches analyses for connectivity; water table modelling and zonation (peat swamp) forest classification for planning of tree planting programme (peat and natural forest) and tree mortality monitoring.

IOI also has specific commitments under our Integrated Management Plan in and around our four concession areas in Ketapang, West Kalimantan: to collaborate with local communities to develop a plan for peatland protection and rehabilitation. We have also signed an MoU with Balai Konservasi Sumber Daya Alam (“BKSDA”) since 2016 on an action plan for HCV management & monitoring and forest fire prevention management. IOI has been reaching out to relevant stakeholders through different mechanisms to spread awareness on protection of conservation areas. In Indonesia, our people have taken initiatives to teach local young students on the importance of biodiversity and wildlife monitoring.

Wildlife Management and Protection
IOI employs forest rangers in Sabah to monitor the Rare, Threatened and Endangered (“RTE”) species to ensure all regulations are adhered to as well as provide assistance and awareness where necessary. We continuously engage and work with local stakeholders such as Sabah Wildlife Management and Protection (“BKSDA”) since 2016 on an exhibition showcasing daily working tools and their latest effort in animal protection and conservation, informative posters, and biology specimens; an informative presentation on threatened animals and the standard procedure in reacting to and approaching Orangutan; awareness talks from government representatives on the laws and regulations regarding wildlife, penalties, list of protected animals in Sabah; awareness talks from government representatives on the laws and regulations regarding wildlife, penalties, list of protected animals in Sabah; awareness talks from government representatives on the laws and regulations regarding wildlife, penalties, list of protected animals in Sabah; and awareness talks from government representatives on the laws and regulations regarding wildlife, penalties, list of protected animals in Sabah. We have also signed an MoU with Balai Konservasi Sumber Daya Alam (“BKSDA”) since 2016 on an action plan for HCV management & monitoring and forest fire prevention management. IOI has been reaching out to relevant stakeholders through different mechanisms to spread awareness on protection of conservation areas. In Indonesia, our people have taken initiatives to teach local young students on the importance of biodiversity and wildlife monitoring.

Wildlife Management and Protection

In November 2018, IOI collaborated with SWD and Wildlife Rescue Unit (“WRU”) to rescue an endangered species Borneo Pygmy elephant (Elephas maximus borneensis) found wandering in the estate since October 2018. The male elephant, aged about 8 - 10 years old, was nicknamed ‘Bimbiling 2’. He has been collared for future movement monitoring via satellite tracking by World Wildlife Fund (WWF) and SWD. Bimbiling 2 has since been translocated to his new home at Gunung Rara Luasong Forest Reserve in Tawau, Sabah. The translocation mission was completed in partnership between WRU, SWD as well as Sabah Forestry Department, Tawau District. In July 2018, IOI had presented RM7,000 to SWD as contribution to support in the operational process of the elephant translocation project.

The events comprised various activities including:

Wildlife Management and Protection: Sepilok Orangutan Rescue Mission

In November 2018, IOI collaborated with SWD and Wildlife Rescue Unit (“WRU”) to rescue an endangered species Borneo Pygmy elephant (Elephas maximus borneensis) found wandering in the estate since October 2018. The male elephant, aged about 8 - 10 years old, was nicknamed ‘Bimbiling 2’. He has been collared for future movement monitoring via satellite tracking by World Wildlife Fund (WWF) and SWD. Bimbiling 2 has since been translocated to his new home at Gunung Rara Luasong Forest Reserve in Tawau, Sabah. The translocation mission was completed in partnership between WRU, SWD as well as Sabah Forestry Department, Tawau District. In July 2018, IOI had presented RM7,000 to SWD as contribution to support in the operational process of the elephant translocation project.

The events comprised various activities including:

Wildlife Management and Protection: Sepilok Orangutan Conservation Outreach Programme

IOI together with the Sepilok Orangutan Rehabilitation Centre organised the Sepilok Orangutan Conservation Outreach Programme at the Syarimo & Unico Grouping’s estates and mills in Sabah. The first event was in May 2018, IOI in partnership with the Sepilok Orangutan Rehabilitation Centre organised the event at Syarimo Grouping’s estates and mills in Sabah. Among the invited parties are the Borneo Sunbear Conservation Centre (‘BSCC’), Kainabatan Orangutan Conservation Programme (’HUTAN-KOCP’), SWD Kinabatangan, and WRU.

A second session was organised in September 2018 for the Unico Grouping community in Sabah. Aside from continuous commitment from RSPO, HUTAN-KOCP, SWD Kinabatangan and WRU, the event was also join by employees, plantation workers, students and teachers of SK Sri Ganda and a neighbouring estate.

Peatland Protection
In July 2018, IOI’s Peatland Protection & Management Policy was published and applied throughout the Group and our third-party suppliers. The policy re-affirms our NDPE commitments and emphasis on implementing RSPO’s Best Management Practices for existing plantations on peatland. The policy also includes our commitment in developing partnerships with relevant stakeholders and landscape level integrated management plans in order to identify, protect, conserve, and rehabilitate peatlands (and forests) in and around IOI’s plantations. Examples are the South Ketapang Landscape Initiative and the Mini Landscape Plan for Peatlands Adjacent to Bukit Leelau Estate, Pahang.

Peatland Protection: Bukit Leelau Mini Landscape Level Project
IOI is collaborating with GEC to protect peatlands adjacent to the Bukit Leelau Estate and Pelikan Forest Reserve (extension), which is located in the globally important site of Southeast Pahang Peat Swamp Forest (‘SEPSPF’). The SEPSPF is believed to be mainland Asia’s largest and least disturbed peat swamp forest remaining in a single virtually contiguous complex.
INNOVATING TO ENHANCE OPERATIONAL EFFICIENCY

The Mini Landscape project for peatlands adjacent to Bukit Leelau Estate began in September 2018, and its objectives are to:

- Overcome the drainage problem at the forest reserve and its buffer zone (which is adjacent to Bukit Leelau).
- Prevent future fires in the area;
- Rehabilitate the degraded area within the forest reserve and buffer zone; and
- Implement an empowerment programme for the Orang Asli community in the area.

On the ground work included engagements with members of the Orang Asli community (via a socio-economic survey), engagement with local government agencies, and the construction of three canal blocks in order to raise water levels in peat areas and prevent fires.

Outcomes from the project as of Q2 2019:

- Establishment of Sahabat Hutan Gambut Kampung Tanjung Kelapa (“SHGKTK”)
- Significantly increased the water level at the degraded peatland area through the construction of 3 canal blocks
- Empowerment of communities through technical capacity in growing forest trees, fire fighting and protection of peatland
- Collaboration of various stakeholders such as Pekan District Office, Palang State Forestry Department, Department of Orang Asli Development (“JAKOA”), BOMBA and Ministry of Health

Peatland Protection: Soil and Peat Drainability Study

Prior to any replanting activity, a Peat Drainability Study has been conducted at our respective estates for existing plantation which are planted on peat. IOI conducted a soil and peat drainability study for its estates as a basis to set a time-bound plan for further replanting, or phasing out of oil palm cultivation before reaching the natural gravity drainability limit for peat.

For existing oil palm cultivation on peat, IOI committed to follow appropriate Best Management Practices, as defined in the RSPO FSC and the RSPO manual on Best Management Practices for existing oil palm cultivation on peat. As for IOI’s new development in Ketapang, there is no new development on peat regardless of depth.

HCV area (Hectares) 7,527.52
Other conservation areas set aside excluding HCV areas (Hectares) 7,372.24

HCV Assessments: HCV Management and Monitoring

Currently, in-house assessments are ongoing (aimed for completion by March 2020) and the assessments are updated in accordance with the latest HCV Resource Network (“HCVRN”) Common Guidance for HCV Identification. HCV Quality Control Meeting is carried out by the Sabah Sustainability Regional Team in June 2019 to streamline with the HCV assessment template from the Peninsular Malaysia team which has been reviewed and acknowledged by Proforest.

In November 2018, IOI alongside Universiti Malaysia Sabah, hosted a workshop on HCV management. Attendees included representatives from Environment Protection Department, PONGO Alliance, Bunge Loders Croklaan, WWF Malaysia, Kinasihatan Wildlife Officer, Lahad Datu Wildlife Officer, Department of Irrigation and Drainage. The workshop succeeded in connecting different stakeholders in Sabah to discuss potential collaborations and partnerships for managing HCV areas.

FIRE PREVENTION AND RESPONSE

IOI has a strict Zero Burning Policy1 which we are committed to enforce throughout our operations. We are also committed to working with communities in areas adjacent to our concessions in order to help them prevent and where necessary, control fires.

IOI’s Zero Burning Policy forbids any open burning across our concessions, unless absolutely necessary through ways permitted by local laws and guidelines (including the Malaysian Environment Quality Act 1974 and the ASEAN Policy on Zero Burning). IOI has informed all of our contractors and smallholders of this Policy. Action will be taken against any party who is found to be in non-compliance, including dismissal and legal proceedings where appropriate.

We recognise that fire risks must be mitigated at a landscape level, and so have provided training and awareness programme for local communities. Moving forward, IOI plans to expand the awareness programme into another four different desa (villages) in South Ketapang, in order to ensure all villagers that are living in and around our concessions are aware of the needs to prevent any forest or land fire.

IOI is in the process of working with communities, civil society organisations and other stakeholders through a partnership programme, to socialise the fire prevention programme in accordance with the FPIC process with all the relevant stakeholders.


OUR MANAGEMENT APPROACH

One of the canal blockings in the Bukit Leelau project

Implementation of water table management is important to reduce risk of fire

Establishment of Fire Monitoring System
i) Fire Alert Information System
ii) Fire towers and drones
iii) Patrolling

Socialisation, dialogue and awareness programme

OUR PERFORMANCE

Fire-Free Alliance

The fire-free alliance is a voluntary multi-stakeholder group of which IOI has been member since March 2017. As a FFA member, we collaborate with the government of Indonesia to share information, knowledge and resources in fire prevention and fire fighting response.
In order to be effective in fire prevention and preparedness, IOI has established monitoring and emergency response programme at all of our plantations as shown on the diagram on page 55. Training has taken place at all of our operational sites such as the Fire Awareness Training through Manggala Agni Pontianak that we have been organising since 2016, to improve the “Fire Prevention and Patrolling Programme” in our concession areas. In 2018, more awareness programmes have been organised and supported by BKSDA and Indonesia Police Rangers (“POLHUT”) in Desa Dusun Air Hitam and Desa Jambi.

To ensure the effectiveness of its fire management teams, IOI has a programme to ensure effective monitoring of fire risk awareness, rapid response programme and active measures to prevent fire in its existing and new plantations, as well as adjacent peatland. This is achieved through fire patrolling using drones, constructing fire towers, water table management and working closely with the adjacent stakeholders and local fire brigades. During dry season, the frequency of water table monitoring and patrolling will be increased.

IOI also works with RSPO, including full compliance with the Fire Hotspot Monitoring Mechanism whereby daily alerts and, where necessary, ground verification take place to check for fires based on the geo-coordinates of the fire alert.

For newly developed areas, including adjacent land, full-time fire guards will be deployed for the entire duration of the dry season.

Respond Activities in Bukit Lesu Wildfire Outbreak

In September 2018, a wildfire outbreak occurred in a forest reserve in Pekan, Pahang. Our project partner, GEC had alerted the Pahang State Forestry Department of the initial fire’s outbreak. IOI provided assistance to prevent the fire from spreading to other areas. Few hotspots were detected in Pekan Forest Reserve (extension) with fires spreading very quickly within two days. During the incident, IOI had mobilised a team to build temporary blocks to act as fire break and emergency stakeholders’ meeting was held to discuss on strategic fire-fighting and control measures to put out the fire where GEC also presented a map and support resource mobilisation of relevant government agencies to take immediate actions against the peat fire. The incident demonstrated the importance of shared-responsibility among different stakeholders in countering fire outbreak.

Fire Reports*

During the year ending 30 June 2019 there were 31 fire incidences reported within and adjacent to our concessions:

<table>
<thead>
<tr>
<th>Region</th>
<th>Fire Incident Inside IOI Concession</th>
<th>Fire Incident Outside IOI Concession</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sabah</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sarawak</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Peninsular Malaysia</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Indonesia</td>
<td>13</td>
<td>16</td>
</tr>
</tbody>
</table>

* RSPO Fire Watch Report

INNOVATING TO ENHANCE OPERATIONAL EFFICIENCY

For peatland areas, IOI has a programme to ensure effective monitoring of fire risk awareness, rapid response programme and active measures to prevent fire in its existing and new plantations, as well as adjacent peatland. This is achieved through fire patrolling using drones, constructing fire towers, water table management and working closely with the adjacent stakeholders and local fire brigades. During dry season, the frequency of water table monitoring and patrolling will be increased.

IOI also works with RSPO, including full compliance with the Fire Hotspot Monitoring Mechanism whereby daily alerts and, where necessary, ground verification take place to check for fires based on the geo-coordinates of the fire alert.

For newly developed areas, including adjacent land, full-time fire guards will be deployed for the entire duration of the dry season.
INNOVATING TO ENHANCE OPERATIONAL EFFICIENCY

practice training for agriculture; environmental management; pest management; health and safety; and fire prevention techniques. Employee performance and career development review is one way in identifying training need for the employee further improvement. For senior management level, our training programme including business model innovation programme, senior management development programme and global leadership programme. Training is generally managed by the Training Department and Human Resource Department.

At the plantation level, the workers usually provided with daily routine trains on SOPs, policies, best practices, grievance management and relevant health and safety practices. Performance data on number of workforce, employee training hours and assessed employees can be found in Appendix. In November 2018, IOI was listed as one of the best practices. Performance data on number of workforce, employee grievance management and relevant health and safety

At the plantation level, the workers usually provided with daily routine trains on SOPs, policies, best practices, grievance management and relevant health and safety practices. Performance data on number of workforce, employee training hours and assessed employees can be found in Appendix. In November 2018, IOI was listed as one of the best practices. Performance data on number of workforce, employee grievance management and relevant health and safety practices. Performance data on number of workforce, employee training hours and assessed employees can be found in Appendix. In November 2018, IOI was listed as one of the best practices.

### Operational Efficiency

**Total workforce**

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>≥ 28,000</td>
</tr>
<tr>
<td>Indonesia</td>
<td>≥ 7,000</td>
</tr>
<tr>
<td>Others</td>
<td>≥ 240</td>
</tr>
</tbody>
</table>

**Total number of estates and mills workers**

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Number of Estates and Mills Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>≥ 23,000</td>
</tr>
<tr>
<td>Indonesia</td>
<td>≥ 5,700</td>
</tr>
<tr>
<td>Others</td>
<td>≥ 700</td>
</tr>
</tbody>
</table>

**Total number of employees (includes estates and mills workers)**

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>≥ 24,500</td>
</tr>
<tr>
<td>Indonesia</td>
<td>≥ 3,400</td>
</tr>
<tr>
<td>Others</td>
<td>≥ 240</td>
</tr>
</tbody>
</table>

Employee performance and career development review is done annually.

Demography of Workers in IOI

- Indonesia: 62%
- Malaysia: 17%
- German: 1%
- Bangladesh: 5%
- Philippines: 10%
- India: 3%
- Nepal: 1%
- Other: 1%

Data collected from Malaysia, Indonesia and Germany operations

### Operational Efficiency

**Our Management Approach**

IOI is committed to upholding the rights of workers, leading to the improvement of welfare and conditions of work. Specifically, we will:

- Uphold the rights to freedom of association and recognise the rights to collective bargaining and allow trade unions to have access to our workers;
- Not to retain workers’ passports/identity documents and withhold workers’ wages other than as prescribed by law;
- Pay all workers at least the statutory monthly minimum wage and overtime compensation in accordance with local labour regulations;
- Provide fair and equal employment opportunities for all employees, regardless of race, nationality, religion or gender; and
- Promote a safe and healthy working environment that is free from sexual harassment.

We operate in accordance with local and national laws, and also with international standards including: the Universal Declaration of Human Rights; the International Labour Organisation’s Core Conventions; the United Nation’s Guiding Principles on Business and Human Rights; and the Principles of Free and Fair Labour in Palm Oil Production. The Group is committed to the elimination of all forms of illegal, forced, bonded, compulsory or child labour. We operate an open, transparent, and collaborative approach to resolving workers’ and stakeholders’ grievances.

IOI also has a Gender Consultative Committee (“GCC”) in place to address specific issues related to gender such as sexual harassment and any other form of harm that involves women at their workplace. In the coming year, we will revise the role of the committee to also include women empowerment.

### Operational Efficiency

**Incorporating Stakeholder Input**

All of the written policies encompassed inputs from multiple group of stakeholders during consultation and engagement programmes. Stakeholders’ inputs from both internal and external parties are addressed and incorporated in order to create a policy which comprehensively covers the respective parties or areas during the developing process. Upon approval from IOI’s top management, policies need to be reviewed and endorsed by the respective stakeholders in order to ensure that all area of concerns are captured and covered under each respective policy.

**Workers’ Rights and Benefits**

In order to ensure that workers understand their rights and that they are being fully implemented at all sites, IOI carries out scheduled internal sustainability audits such as labour rights monitoring at all of IOI’s operating units. An internal grievance mechanism is set up to ensure that workers are able to channel their grievances to the management and relevant authority if necessary. Apart from that, IOI also conducts training on workers rights especially on their contract agreement to ensure they are fully aware of their rights and benefits.
INNOVATING TO ENHANCE OPERATIONAL EFFICIENCY

No Child Labour

IOI upholds strict child labour restrictions in all operating units. Our recruitment screening process includes reviewing documents such as identification cards and school records, to avoid any child labour. IOI’s field staff, assistant managers and supervisors monitor operations to ensure that child labour is not present in estates. IOI had been partnering with Humana Child Aid Society to make sure the children in the plantation receive proper education and well taken care while their parents are at work. The Group is also taking initiatives to upgrade schools as well as to improve transportation and ease of access for children in and around the estates to attend school.

Ethical Recruitment including No Recruitment Fee

IOI plantations in Malaysia recruit workers from various countries including Indonesia, the Philippines, India, Nepal, and Bangladesh. Our comprehensive policy1 was developed in collaboration with relevant NGOs and ensure ethical recruitment practices are followed. This includes guidelines for pre-employment, employment, and post-employment.

IOI has “No Recruitment Fee” policy in recruiting its foreign workers, and cover all legal costs without charges to the workers. Where possible, we ensure that workers are recruited directly and without engaging third-party agencies, mainly to avoid exploitation. If agencies are used, they are required to sign a letter of commitment adhering to IOI’s policies and we maintain a list of preferred partners, based on their reputation. All workers’ contracts are provided to them in their native language.

New employees’ travel costs from their country of origin to Malaysia are borne by IOI, and verification interviews upon arrival are held to make sure that their human rights have not been violated at any stage of the recruitment process. Workers are free to decide how and where they want their passports to be kept, including an option of a centralised passport locker with 24 hour access.

Equal Opportunity Employment and Freedom of Association

All workers are treated on merit and competency, and without regard to gender, race, caste, nationality, religion, age, physical condition, sexual orientation, marital status, union activity or political affiliation. IOI also respects freedom of association and collective bargaining, and will not refuse any genuine opportunity to collectively bargain with workers. These rights are set out in more detail in our policy2.

Internal Grievance Procedure

IOI Plantation division has an internal Staff Grievances Standard of Procedure whereby our estate and mill workers and employees can channel their issues through the estate’s Green Book which are made available at each operating unit or a hotline number which are made available at each operating unit or a hotline number which are directed to our Human Resource Department located at the Headquarter or via WhatsApp as well as SMS.

Grievances Filed and Resolved

In the financial year ended 30 June 2019, IOI received 15 grievance reports altogether – four through our hotline number, eight through e-mails, and three through physical letters. All grievances were addressed and resolved.

For cases that we were able to provide an immediate response, we closed and recorded the case as per Stage 1: Resolution in our Staff Grievance SOP. For cases that require investigations, we proceed to Stage 2: Investigation whereby a Pre-Investigation & Discussion (Report) by the Human Resources department needs to be completed. The Report is then sent to IOI’s management and forwarded to the complainant for clarification, to then be reverted back to the management for the verdict.

Policies Made Transparent and Accessible

In the future, training about labour and human rights will be more focused on individual field workers, with training sessions taking place at least twice a year. IOI has initiated a Systems, Application, Products in Data Processing – Enterprise Resource Planning (“SAP-ERP”) platform. This means that information about labour rights (e.g. payment rates and leave entitlement) is increasingly held at a centralised location at IOI, and easily accessible. And the SPOP (described in the ‘Sustainable Palm Oil Policy’ section of this report), a review of our human rights and working conditions has been reported. Proforest assessed all our human rights and labour practices as stated in SPOP and BIP together with field verification. Through Proforest verification, IOI had identified gaps or area for further improvement. This will be further addressed in the revised SIP.

Aside from that, new workers will be shown several videos which explain their rights and benefits obtained during the employment period. There are two version of videos that will be shown to the new workers:

Introduction Video

To be shown during the recruitment process, prior to their departure from their home countries

Filmed in English, with voice-overs in Bahasa Malaysia, Bengali, Nepali, Hindi and Tagalog as well as English subtitles

Same content but simpler and shorter (not limited only to Labour Rights)

Orientation Video

To be shown during the Induction Training in Operating Centres

Filmed in English, with voice-overs in Bahasa Malaysia, Bengali, Nepali, Hindi and Tagalog as well as English subtitles

Same content

These videos, which are still in progress, contain comprehensive details on our labour rights and practices to enhance understanding among all of our workers, especially the newcomers.

Human Rights Assessment3 by Proforest

As part of Proforest’s independent assessment regarding IOI’s implementation of the SPOP (described in the ‘Sustainable Palm Oil Policy’ section of this report), a review of our human rights and working conditions has been reported. Proforest assessed all our human rights and labour practices as stated in SPOP and BIP together with field verification. Through Proforest verification, IOI had identified gaps or area for further improvement. This will be further addressed in the revised SIP.

INNOVATING TO ENHANCE OPERATIONAL EFFICIENCY

OUR MANAGEMENT APPROACH

IOI's Occupational Safety and Health Manual contains policies, procedures and practices and is disseminated to all workers. Full details of IOI's commitments are available in our Occupational Safety and Health Policy: going beyond national laws and regulations to ensure safety throughout our operations and value chain. Our commitment includes the provision of adequate equipment and training on the implementation of the policy.

OUR PERFORMANCE

Occupational Health and Safety Management System

IOI has an Occupational Health and Safety ('OHS') Management System which meets world-class accreditation expectations such as the Occupational Health and Safety Assessment Series ('OHSAS') 18001 Standards. This has been implemented throughout the Group's operating sites, covering all activities. Potential hazards and risks are identified through the scope of operations involving both environmental and social impacts in each of the operating units and undergoing continuous improvement.

There are no worker exclusions from the OHS Management System as under the requirements by OSHA 1994, all workers within the vicinity of the workplaces covered by IOI are covered under the OHS Management System, regarding being direct employees or contractor-employed workers.

Health and Safety Grievances

Workers are encouraged to voice any health and safety concerns via grievance channels, on an anonymous basis if preferred. Grievances and incidents are reviewed by our Safety and Health Committee ('SHC'), membership of which includes employees and management representatives. Each operating site has a SHC and meetings take place at least four times per year.

Good Agricultural Practices

IOI ensures that Good Agricultural Practices are carried out throughout our estates operations. Scheduled inspections are carried out for all workplaces, machinery, vehicles and equipment. IOI also provides Standard Operating Procedures for specific risk activities including: chemical storage; fertilizer and pesticide application; tractor handling; and the usage of proper Personal Protective Equipment. Our commitments and further practices can be found on the website.

Safety, Health and Environmental Training

Worker training on OHS is essential, in order to embed a safety culture throughout the organisation. Each sites training needs are assessed as part of our bi-annual Training Needs Analysis according to the capacity and scopes needed in each operating unit, as well as the effectiveness of the training provided, including compliance with any changes in legal and regulatory requirements. To encourage OHS transparency and dialogue, departments conduct monthly meetings attended by operating units' managers or assessors and respective SHC members to discuss topics pertaining to safety, health, job requirements, and welfare.

Production staff are given daily briefings regarding general issues and job-specific requirements. A week-long safety, health and environment campaign is held throughout IOI every year to promote safety, health and environmental awareness.

Responsible Care Awards

IOI Oleo Malaysia led with exemplary and industry-leading responsible care practices as two of its subsidiaries bagged a total of 11 awards at the prestigious Chemical Industries Council of Malaysia ('CICM') Responsible Care Awards 2017/2018.

IOI Pan Cen Oleo and IOI Acridum were honoured under the Responsible Care's Six Codes of Management Practices in Malaysia. IOI Pan Cen Oleo was bestowed with the Grand Award, which was introduced for the first time in the CICM Responsible Care Awards, based on the overall results that were achieved. Meanwhile, IOI Pan Cen's Chief Operating Officer ('COO'), Mr. Gurdev Singh, was the winner of the Leadership Award 2017/2018 due to his achievements and contributions to Responsible Care.

Standards and Certifications

Safety audits are carried out at all mills, refineries and oleochemical manufacturing plants on a regular basis. Equipment is inspected at least once every quarter and calibrated annually to promote safe and eco-efficient operations. To further safeguard the health of the workers, checks such as audiometric tests and medical checkup for affected workers were conducted periodically.

Plantation Segment

<table>
<thead>
<tr>
<th>Facility</th>
<th>Certification</th>
<th>Injury Rate</th>
<th>Per Million Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>IOI Plantation</td>
<td></td>
<td>15.35</td>
<td>1.50</td>
</tr>
<tr>
<td>Refinery</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IOI Oleochemical</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Upgrade to ISO 45001:2018 from OHSAS 18001:2007


Workplace Accident Free Week 2018

The Workplace Accident Free Week ('WAFFW') 2018 is a concept recently introduced by the Department of Safety and Health ('DOSH') Malaysia with the objective of reducing accidents and fatality rates at the workplace. Hence, in July 2018, IOI Pan-Cen organised various programmes to align with WAFFW for IOI Pan-Cen employees and contractors to educate and provide exposure and understanding on the aspects of OSH at work with strong emphasis on hazard identification, risk assessment and risk control.

Joint Emergency Response Exercise

In October 2018, IOI Pan-Cen conducted its annual Joint Emergency Response Exercise as part of its Emergency Response Plan and Responsible Care programme and to ensure emergency preparedness at all times. IOI Pan-Cen hosted a mock drill of a Fire, Spillage, Evacuation and Search and Rescue (SERS) exercise. Pacific Oleo Sdn. Bhd., Felida Delima Oil Products Sdn. Bhd., Bunge Loders Croklaan Asia, Royal Malaysian Police ('PDRM') and Hospital Permai participated in the exercise while DOSH and the Fire and BOMBA attended as observers.

HSE Campaign

Theme: “Tomorrow: Your Reward for Working Safely Today', Health, Safety and Environment ('HSE') Campaign 2018 aims to create a positive health and safety culture within IOI Pan-Cen. During the month-long campaign, health talks, health screenings, traffic safety and narcotic talks by the PDRM, Personal Protective Equipment ('PPE') trainings and various programmes were held.

Work Safety Week at Witten Site

In September 2018, IOI Oleo GmbH conducted the Work Safety Week at Witten Site. The event provided all employees a platform to learn, participate and engage in safety and health related activities. These include lessons for a correct body posture and movement, medical check-up, skin protection, forklift training, noise reduction, and fire management.
Innovating to expand value delivery

We are advancing research into new specialised applications of oleochemicals and investing in new production capabilities in our downstream operations. IOI’s implementation of Responsible Sourcing ensures a more transparent and sustainable supply chain.

- 4 Groupings certified for RSPO NEXT
- Responsible Sourcing Programmes:
  - Third Party supplier monitoring
  - Supply chain compliance programme
- 2 Oleochemical plant complexes in Penang and Johor
- 2 Specialty ester plants in Germany
- Opening of CARE Studio, the new R&D facility
INNOVATING TO EXPAND VALUE DELIVERY

OUR MANAGEMENT APPROACH

We are currently advancing research into new applications of oleochemicals in our downstream operations. In addition to traditional oleochemical applications, we are moving up the product value chain by focusing on specialised oleochemical products.

OUR PERFORMANCE

Eco-productivity application in the IOI’s Oleo Division is related to climate impact via reduced consumption of natural resources and lower generation of waste. Further extension of this concept includes the production of eco-themed products such as our patented natural soaps that does not contain chemical-free processes such as our patented natural soaps that does not contain

Notable highlights:

- 714,131 MT annual sales volume from oleochemical sub-segment
- 2 oleochemical plant complexes in Penang and Johor
- 2 specialty ester plants in Germany
- 13 patent filings for pharmaceutical applications in progress

**Products**

Glycerin, Palmsurf® MCT 60/40 and Palmsurf® MCT 70/30 are approved by ECOCENT Greenlife to conform to the COSMOS standard as chemically processed Agro-ingredients.

**Manufacturing Process**

Chemical-free technology through commissioning of dry fractionation plant. Dry Fractionation for oleic acid fractionation that utilises crystallisation technology instead of surfactants used in conventional wet fractionation process.

**Development of eco-themed product**

Supply soaps without traditional chelants such as EDTA that has slow degradation in the environment.

IOI’s operations are heading forward in digital transformation. To achieve full synergies of our operations, we have implemented the Systems Application and Products in Data Processing (“SAP”) which will help drive further integration between our upstream and downstream operations.

Solutions provided by the system includes enhancement in the supply chain traceability system and automation of internal operational systems which will eventually strengthen our business fundamentals and our ability to create value as an organisation in the long run.

**OUR PERFORMANCE**

Integrated management system

IOI initiated a centralised management system with the introduction of SAP system at the Group level. The SAP system introduced a standardisation system on information and data management including accounting, payment rate, leaves entitlement, and operations, and can assist in the monitoring of such data.

The SAP system also allows departments to have access to data from other departments in real time and provides control over various business or operation processes. This eliminates duplication, discontinuity, and redundancy in data. IOI’s SAP system went live by July 2019.

IOI have also utilised the Business Intelligence and Data Mining tool to consolidate the data of various subsidiaries to automatically produce consolidated financial statement and other reports. This tool enables us to undertake our projects with the least resource, reduced error and increased cost savings due to the reliable support delivered to us.

**Centralised HCV data management**

A centralised documentation system was introduced to include centralised geospatial mapping and consolidation of HCV data to ensure consistency and accuracy of data collected. This exercise is targeted to be completed by March 2020.

Moving forward, a centralised depository server at the HQ level where the regional team can upload the relevant documents needed is in the pipeline, targeted for completion by January 2020. Since it will be in a cloud server, the documents can be accessed from anywhere, whenever required.

**Standardised documentation and monitoring system**

IOI’s sustainability team is also implementing a new standardised documentation and monitoring system equivalent to ISO 9001 documentation system at the group level.

**Advancing Capabilities for Capacity Building**

On 4 April 2019, training on Data Analysis Fundamentals was conducted for participants who wanted to take data analysis in Excel beyond formulas and add more advanced capabilities such as dashboards, hierarchies, and relationships. A total of 35 participants who attended were able to present their reports in clean and brief formats at the end of the training.
DEFICIENCY, MOISTURE STRESS, AND DISEASE OUTBREAK SYMPTOMS. ON FIXED-WING DRONES TO IDENTIFY PALMS SHOWING NUTRIENT SCREENING, HIGH ACCURACY PALM COUNTING/CENSUS USING HIGH DEFINITION IMAGING AND NEAR-INFRARED CAMERA INSTALLATION. OTHER INNOVATIVE TECHNOLOGIES IN THE PIPELINE INCLUDE INFRARED PHOTOIMAGING USING UA V FOR PALM HEALTH AND GLOBAL POSITIONING SYSTEM (“GPS”) TRACKING FOR PRECISION IMAGES CAPTURED USING UNMANNED AERIAL VEHICLES (“UA V”). IOI RESEARCH CENTRE USES GEOSPATIAL TECHNOLOGY DERIVED FROM PRECISION AGRICULTURE INCLUDING CIVIC SOCIETY GROUPS AND THE PUBLIC COMMUNITY TO MONITOR OUR OIL PALM PLANTATIONS IN REAL-TIME. WE FACILITATE MONITORING OF OUR OIL PALM PLANTATIONS AS WELL AS OUR SUPPLY CHAIN THROUGH THE UTILIZATION OF TOOLS SUCH AS THE SPATIAL DATA AND REMOTE SENSING INFORMATION AVAILABLE THROUGH THE NON-PROFIT GROUP, WORLD RESOURCES INSTITUTE’S (“WRI”) GLOBAL FOREST WATCH (“GFW”) PLATFORM. GFW IS AN INTERACTIVE ONLINE PLATFORM WHICH PROVIDES REAL-TIME INFORMATION ON FORESTS VIA SPATIAL INFORMATION AND MONITORING. THE UA V IS ABLE TO PROVIDE DAILY INFORMATION ABOUT FOREST FIRES, ALL THE WAY TO LONGER-TERM CLIMATE TRENDS. RSPO UTILIZES THE GFW PLATFORM TO MAP THE CONCESSION AREAS OF ITS MEMBER GROUPS. AS A MEMBER OF RSPO, OUR STAKEHOLDERS INCLUDING CIVIC SOCIETY GROUPS AND THE PUBLIC COMMUNITY KEEP OUR ACCOUNTABLE AS THEY ARE ABLE TO TRACK OUR PROGRESS THROUGH RSPO'S APP.

OUR MANAGEMENT APPROACH

The Group’s sustainable agricultural practices are increasingly incorporating technology to alleviate impacts on the areas in which we operate. We facilitate monitoring of our oil palm plantations as well as our supply chain through the utilization of tools such as the spatial data and remote sensing information made available by the non-profit group, World Resource Institute’s (“WRI”) Global Forest Watch (“GFW”) platform. GFW is an interactive online platform which provides real-time information on forests via spatial information and monitoring. The UA V is able to provide daily information about forest fires, all the way to longer-term climate trends. RSPO utilizes the GFW platform to map the concession areas of its member groups. As a member of RSPO, our stakeholders including civic society groups and the public community keep us accountable as they are able to track our progress through RSPO’s app.

OUR PERFORMANCE

Precision Agriculture

The Geographical Information System (“GIS”) department at IOI Research Centre uses geospatial technology derived from cameras mounted using Unmanned Aerial Vehicle (“UA V”) and Global Positioning System (“GPS”) tracking for precision agriculture. Other innovative technologies in the pipeline include Infrared Photoimaging using UA V for palm health screening, high accuracy palm counting/census using High Definition Imaging and near-infrared camera installation on fixed-wing drones to identify palms showing nutrient deficiency, moisture stress, and disease outbreak symptoms.

Internal audits are mostly conducted separately using different checklists. Internally audits are conducted periodically by the Corporate Sustainability, Plantation Sustainability and the Regional Sustainability teams separately using different checklists.

Internal audits are mostly conducted to prepare for RSPO, MSPO, and ISCC annual audits using three separate checklists which would include elements of labour rights, depending on the certification requirements.

In addition, two specific internal labour audits were conducted in 2018 using an initial labour rights monitoring checklist. Results of the internal audits are shared with the managers of the operating units for further action or development of relevant action plans.

The geospatial data captured by IOI’s GIS department enable our estate operations to:

- Make well-informed decisions in plantation management based on inventory mapping reports and through the generation of digital maps.
- Obtain figures on actual planted areas by block;
- Identify vacant areas;
- Pinpoint non-plantable areas such as river riparian zones;
- Conduct palm censuses; and
- Manage internal road networks on a block basis.

SUSTAINABILITY CERTIFICATIONS

- 176,156 ha
- 137,443 ha
- 170,364.79 ha
- 100% Traceable to Plantation
- 14 Mills
- MSPO Certified
- 82 Estates
- MSPO Part 3 Certified
- 13 Mills
- MSPO Part 4 Certified
- 1 Refinery
- 7 Mills
- ISCC Certified
- 100% certified for Malaysian Estates

Our performance certification progress includes MSPO, ISCC, and RSPO certifications. It includes a summary of our sustainability performance in 2019.
TRACABLE SUPPLY CHAIN

OUR MANAGEMENT APPROACH

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 refineries in the supply chain disclose information such as GPS coordinates and ownership groups.

Traceability 3-step approach

IOI engages with new suppliers through a pre-qualification and screening process as articulated here to ensure the new suppliers meet IOI’s sustainability requirements. New suppliers are screened using social and environmental criteria to meet the essential IOI engages with new suppliers through a pre-qualification and screening process as articulated here to ensure the new suppliers meet IOI’s sustainability requirements. New suppliers are screened using social and environmental criteria to meet the essential IOI engages with new suppliers through a pre-qualification and screening process as articulated here to ensure the new suppliers meet IOI’s sustainability requirements. New suppliers are screened using social and environmental criteria to meet the essential IOI engages with new suppliers through a pre-qualification and screening process as articulated here to ensure the new suppliers meet IOI’s sustainability requirements. New suppliers are screened using social and environmental criteria to meet the essential IOI engages with new suppliers through a pre-qualification and screening process as articulated here to ensure the new suppliers meet IOI’s sustainability requirements. New suppliers are screened using social and environmental criteria to meet the essential IOI engages with new suppliers through a pre-qualification and screening process as articulated here to ensure the new suppliers meet IOI’s sustainability requirements. New suppliers are screened using social and environmental criteria to meet the essential
**APPENDIX**

**SUSTAINABILITY PERFORMANCE METRICS**

**ECONOMIC PERFORMANCE DATA**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before interest and taxation</td>
<td>1,076.8</td>
<td>1,380.6</td>
<td>1,401.4</td>
<td>1,459.6</td>
<td>1,237.6</td>
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<tr>
<td>Profit attributable to owners of the parent</td>
<td>631.7</td>
<td>3,060.5</td>
<td>743.2</td>
<td>629.7</td>
<td>51.9</td>
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<tr>
<td>Equity attributable to owners of the parent</td>
<td>9,299.6</td>
<td>9,156.3</td>
<td>7,457.4</td>
<td>7,138.1</td>
<td>7,069.0</td>
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<tr>
<td>Return on average shareholders' equity (%)</td>
<td>6.85</td>
<td>36.84</td>
<td>10.18</td>
<td>8.86</td>
<td>0.68</td>
</tr>
<tr>
<td>Basic earnings per share (sen)</td>
<td>10.05</td>
<td>48.70</td>
<td>11.82</td>
<td>9.99</td>
<td>0.82</td>
</tr>
<tr>
<td>Dividend per share (sen)</td>
<td>8.0</td>
<td>20.5</td>
<td>9.5</td>
<td>8.0</td>
<td>9.0</td>
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**PLANTATION**

<table>
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</thead>
<tbody>
<tr>
<td>FFB production (MT)</td>
<td>3,398,847</td>
<td>3,514,857</td>
<td>3,155,628</td>
<td>3,145,317</td>
<td>3,542,222</td>
</tr>
<tr>
<td>Total oil palm area (Ha)</td>
<td>176,156</td>
<td>174,234</td>
<td>174,396</td>
<td>179,271</td>
<td>178,768</td>
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**MANUFACTURING**

**Oleochemical**

<table>
<thead>
<tr>
<th>Employment Level</th>
<th>Senior Management</th>
<th>Middle Management</th>
<th>Executive</th>
<th>Non-executive</th>
<th>Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male Hours/year</td>
<td>512.00</td>
<td>247.75</td>
<td>263.33</td>
<td>50.00</td>
<td>717.08</td>
</tr>
<tr>
<td>Female Hours/Person/Year</td>
<td>176.50</td>
<td>275.50</td>
<td>219.54</td>
<td>747.10</td>
<td>994.36</td>
</tr>
<tr>
<td>Average Training per Male</td>
<td>37.6</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Average Training per Person/Year</td>
<td>32.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Training per Female</td>
<td>16.4</td>
<td></td>
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</tr>
</tbody>
</table>

**GRI 404: Employee Training Hours**

**GRI 404-1: Employee Training Hours**

<table>
<thead>
<tr>
<th>Employment Level</th>
<th>Senior Management</th>
<th>Middle Management</th>
<th>Executive</th>
<th>Non-executive</th>
<th>Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male Hours/Person/Year</td>
<td>10.05</td>
<td>8.0</td>
<td>6.85</td>
<td>9.0</td>
<td>9.0</td>
</tr>
</tbody>
</table>

**GRI 404-3: Performance Review**

**OCCUPATIONAL HEALTH & SAFETY PERFORMANCE**

**GRI 403-9 & GRI 403-10: OCCUPATIONAL HEALTH & SAFETY DATA**

**WORKPLACE PERFORMANCE**

**NUMBER OF EMPLOYEES AND DIVERSITY**

**GRI 102-8 Number of Employees, GRI 405-1 Diversity of Employees**

<table>
<thead>
<tr>
<th>Location</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia Employees</td>
<td>4,317</td>
</tr>
<tr>
<td>Male (%)</td>
<td>75%</td>
</tr>
<tr>
<td>Female (%)</td>
<td>25%</td>
</tr>
<tr>
<td>Indonesia Employees</td>
<td>1,371</td>
</tr>
<tr>
<td>Male (%)</td>
<td>91%</td>
</tr>
<tr>
<td>Female (%)</td>
<td>9%</td>
</tr>
<tr>
<td>Germany Employees</td>
<td>242</td>
</tr>
<tr>
<td>Male (%)</td>
<td>73%</td>
</tr>
<tr>
<td>Female (%)</td>
<td>27%</td>
</tr>
<tr>
<td>Workers</td>
<td>23,749</td>
</tr>
<tr>
<td>Male (%)</td>
<td>75%</td>
</tr>
<tr>
<td>Female (%)</td>
<td>25%</td>
</tr>
<tr>
<td>TOTAL WORKFORCE</td>
<td>29,679</td>
</tr>
</tbody>
</table>

* Numbers including foreign workers in the estates and mills

---

**Note:**

1. The sales (MT) of FY2018 includes eight (8) months' results of discontinued operations.

Source: IOI Corporation Berhad Annual Report 2019
ENVIRONMENTAL PERFORMANCE DATA

ENERGY

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

<table>
<thead>
<tr>
<th>Energy consumption</th>
<th>Units</th>
<th>IOI Corporation Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Non-renewable fuels (coal, oil, natural gas, etc.) purchased and consumed</td>
<td>GJ</td>
<td>395,291.38</td>
</tr>
<tr>
<td>B. Non-renewable electricity purchased</td>
<td>GJ</td>
<td>27,706.44</td>
</tr>
<tr>
<td>C. Steam / heating / cooling and other energy (non-renewable) purchased and consumed</td>
<td>GJ</td>
<td>0</td>
</tr>
<tr>
<td>D. Total renewable fuels (biogas, bio-diesel, biomass, etc.) purchased and consumed</td>
<td>GJ</td>
<td>2,773,947.69</td>
</tr>
<tr>
<td>E. Total renewable energy (wind, solar, biomass, hydroelectric, geothermal, etc.) purchased or generated</td>
<td>GJ</td>
<td>0</td>
</tr>
<tr>
<td>F. Total electricity sold</td>
<td>GJ</td>
<td>98,208.18</td>
</tr>
</tbody>
</table>

Conversion factors for fuels based on greenhouse gas reporting - Conversion factors 2016 (UK Department for Business, Energy & Industrial Strategy). The conversion factors are in line with the Intergovernmental Panel on Climate Change (IPCC)'s fourth assessment report which is consistent with reporting under the United Nations Framework Convention on Climate Change (UNFCCC).

EMISSIONS

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

<table>
<thead>
<tr>
<th>Greenhouse Gas Emission</th>
<th>Units</th>
<th>IOI Corporation Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Total direct scope 1 emission</td>
<td>ktCO₂</td>
<td>1,977,330.00</td>
</tr>
<tr>
<td>Total emission from fertilizer use</td>
<td>ktCO₂</td>
<td>740.16</td>
</tr>
<tr>
<td>Total bio-genic emission</td>
<td>ktCO₂</td>
<td>272.83</td>
</tr>
<tr>
<td>B. Total indirect scope 2 emissions</td>
<td>ktCO₂</td>
<td>5.43</td>
</tr>
<tr>
<td>Total GHG Emission Scope 1 = A+B</td>
<td>ktCO₂</td>
<td>1,977,335.43</td>
</tr>
<tr>
<td>GHG Emission Intensity</td>
<td>ktCO₂/MT</td>
<td>0.91</td>
</tr>
<tr>
<td>Total GHG Emission by Organisation</td>
<td>ktCO₂</td>
<td>1,977,900.76</td>
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</table>


WATER

GRI303-3, GRI303-4 & GRI303-5: Water Consumption & Water Discharged

<table>
<thead>
<tr>
<th>Water Consumption &amp; Discharged by Source</th>
<th>Units</th>
<th>IOI Corporation Division</th>
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<tbody>
<tr>
<td>Total Freshwater Withdrawal</td>
<td>m³</td>
<td>26,372,174.03</td>
</tr>
<tr>
<td>Total Other Water Withdrawal</td>
<td>m³</td>
<td>239,500.67</td>
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<tr>
<td>Total Water Consumption</td>
<td>m³</td>
<td>24,631,789.58</td>
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<tr>
<td>Total Water Discharge</td>
<td>m³</td>
<td>2,143,642.45</td>
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WASTE

GRI306-2: Total Waste by Type

<table>
<thead>
<tr>
<th>Waste Consumption &amp; Discharged by Source</th>
<th>Units</th>
<th>IOI Corporation Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Hazardous Waste</td>
<td>MT</td>
<td>512.56</td>
</tr>
<tr>
<td>Total Non-hazardous Waste</td>
<td>MT</td>
<td>172,027.74</td>
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<tr>
<td>Total Waste Disposed</td>
<td>MT</td>
<td>5,817.81</td>
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</tbody>
</table>

* Conversion factors for fuels based on greenhouse gas reporting - Conversion factors 2016 (UK Department for Business, Energy & Industrial Strategy). The conversion factors are in line with the Intergovernmental Panel on Climate Change (IPCC)'s fourth assessment report which is consistent with reporting under the United Nations Framework Convention on Climate Change (UNFCCC).
### GRI CONTENT INDEX

<table>
<thead>
<tr>
<th>Material topic</th>
<th>GRI standard</th>
<th>Section</th>
<th>Page number</th>
<th>Additional information</th>
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<td>General Disclosures</td>
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<td>Name of the organisation</td>
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<td>Activities, brands, products, and services</td>
<td>Organisational Profile</td>
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<tr>
<td>102-3</td>
<td>Location of headquarters</td>
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<tr>
<td>102-4</td>
<td>Location of operations</td>
<td>Organisational Profile</td>
<td>10-11</td>
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<td>102-5</td>
<td>Ownership and legal form</td>
<td>Organisational Profile</td>
<td>8</td>
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<td>102-6</td>
<td>Markets served</td>
<td>Organisational Profile</td>
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<td>102-7</td>
<td>Scale of the organisation</td>
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<td>102-8</td>
<td>Information on employees and other workers</td>
<td>Organisational Profile</td>
<td>72</td>
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<td>102-9</td>
<td>Supply chain</td>
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<td>Significant changes to the organisation and its supply chain</td>
<td>Organisational Profile</td>
<td>2, 70</td>
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<td>Precautionary Principle or approach</td>
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<td>Memberships of associations</td>
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<td>Strategy</td>
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<td>Key impacts, risks, and opportunities</td>
<td>Strategy</td>
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<td>102-16</td>
<td>Values, principles, standards, and norms of behaviour</td>
<td>Ethics and Integrity</td>
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<td>Mechanisms for advice and concerns about ethics</td>
<td>Ethics and Integrity</td>
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<td>Governance</td>
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<td>102-18</td>
<td>Governance structure</td>
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<td>IOI Annual Report 2019</td>
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<td>Stakeholder Engagement</td>
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<tr>
<td>102-41</td>
<td>Collective bargaining agreements</td>
<td>Stakeholder Engagement</td>
<td>59</td>
<td>IOI respect freedom of association and collective bargaining as part of our commitment to support the fair and equitable treatment of our workers. IOI will not refuse any genuine opportunity to collectively bargain with workers who want to do so from IOI PLANTATION EQUAL OPPORTUNITY EMPLOYMENT &amp; FREEDOM OF ASSOCIATION POLICIES.</td>
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<td>102-42</td>
<td>Identifying and selecting stakeholders</td>
<td>Stakeholder Engagement</td>
<td>27</td>
<td>Stakeholder Relation</td>
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<tr>
<td>102-43</td>
<td>Approach to stakeholder engagement</td>
<td>Stakeholder Engagement</td>
<td>28</td>
<td>Stakeholder Relation</td>
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<tr>
<td>102-44</td>
<td>Key topics and concerns raised</td>
<td>Stakeholder Engagement</td>
<td>27</td>
<td>Stakeholder Relation</td>
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<td>GRI standard</td>
<td>Section</td>
<td>Page number</td>
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<td>Reporting Practice</td>
<td>102-45</td>
<td>Entities included in the consolidated financial statements</td>
<td>Sustainability Performance Metrics – Economic Performance Data</td>
<td>12</td>
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<td></td>
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<td>Defining report content and topic boundaries</td>
<td>About This Report</td>
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<td>102-47</td>
<td>List of material topics</td>
<td>Our Material Sustainability Matters</td>
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<td>102-48</td>
<td>Restatements of information</td>
<td>Our Material Sustainability Matters</td>
<td>8</td>
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<td>102-49</td>
<td>Changes in reporting</td>
<td>About This Report</td>
<td>2</td>
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<td>Reporting period</td>
<td>Reporting Period and Scope</td>
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<td>Date of most recent report</td>
<td>Reporting Period and Scope</td>
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<td>Reporting Period and Scope</td>
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<td>Contact point for questions regarding the report</td>
<td>Feedback and Comments</td>
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<tr>
<td></td>
<td>102-54</td>
<td>Claims of reporting in accordance with the GRI Standards</td>
<td>Reporting Period and Scope</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>102-55</td>
<td>GRI Content Index</td>
<td>GRI Content Index</td>
<td>76</td>
</tr>
<tr>
<td></td>
<td>102-56</td>
<td>External assurance</td>
<td>GRI Content Index</td>
<td>76</td>
</tr>
<tr>
<td>Management Approach</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stakeholder Relations</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
<td>Stakeholder Relation</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td>103-2</td>
<td>The management approach and its components</td>
<td>Stakeholder Relation</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
<td>Stakeholder Relation</td>
<td>26</td>
</tr>
<tr>
<td>Academia Collaboration</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
<td>Academia Collaboration</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>103-2</td>
<td>The management approach and its components</td>
<td>Academia Collaboration</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
<td>Academia Collaboration</td>
<td>34</td>
</tr>
<tr>
<td>Empowering Smallholders</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
<td>Empowering Smallholders</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>103-2</td>
<td>The management approach and its components</td>
<td>Empowering Smallholders</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>103-3</td>
<td>Evaluation of the management approach</td>
<td>Empowering Smallholders</td>
<td>35</td>
</tr>
<tr>
<td>Collaboration with Governments and Civil Societies</td>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
<td>Collaboration with Governments and Civil Societies</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>103-2</td>
<td>The management approach and its components</td>
<td>Collaboration with Governments and Civil Societies</td>
<td>20</td>
</tr>
</tbody>
</table>
### Material topic | GRI standard | Section | Page number | Additional information
--- | --- | --- | --- | ---
Community Development and Social Impact 103-1 | Evaluation of the management approach | Community Development and Social Impact | 36 | Capacity Building 57
103-1 | Explanation of the material topic and its Boundary | Community Development and Social Impact | 36 | Human Rights at Workplace 59
103-2 | The management approach and its components | Community Development and Social Impact | 36 | Human Rights at Workplace 59
103-3 | Evaluation of the management approach | Community Development and Social Impact | 36 | Human Rights at Workplace 59
Land Use Plan 103-1 | Explanation of the material topic and its Boundary | Land Use Plan | 40 | Occupational Health and Safety 62
103-2 | The management approach and its components | Land Use Plan | 40 | Occupational Health and Safety 62
103-3 | Evaluation of the management approach | Land Use Plan | 40 | Occupational Health and Safety 62
Palm Biotechnology 103-1 | Explanation of the material topic and its Boundary | Palm Biotechnology | 42 | Digital Monitoring 67
103-2 | The management approach and its components | Palm Biotechnology | 42 | Digital Monitoring 67
103-3 | Evaluation of the management approach | Palm Biotechnology | 43 | Digital Monitoring 67
Operational Eco-Efficiency 103-1 | Explanation of the material topic and its Boundary | Operational Eco-Efficiency | 46 | Geospatial Technology 68
103-2 | The management approach and its components | Operational Eco-Efficiency | 46 | Geospatial Technology 68
103-3 | Evaluation of the management approach | Operational Eco-Efficiency | 47 | Geospatial Technology 68
Climate Strategy 103-1 | Explanation of the material topic and its Boundary | Climate Strategy | 49 | Sustainability Certifications 69
103-2 | The management approach and its components | Climate Strategy | 49 | Sustainability Certifications 69
103-3 | Evaluation of the management approach | Climate Strategy | 50 | Sustainability Certifications 69
Rehabilitation and Biodiversity for Land Management 103-1 | Explanation of the material topic and its Boundary | Rehabilitation and Biodiversity for Land Management | 52 | Traceable Supply Chain 70
103-2 | The management approach and its components | Rehabilitation and Biodiversity for Land Management | 52 | Traceable Supply Chain 70
103-3 | Evaluation of the management approach | Rehabilitation and Biodiversity for Land Management | 52 | Traceable Supply Chain 70
Fire Prevention and Response 103-1 | Explanation of the material topic and its Boundary | Fire Prevention and Response | 55 | Economic Performance 72
103-2 | The management approach and its components | Fire Prevention and Response | 55 | Economic Performance 72
103-3 | Evaluation of the management approach | Fire Prevention and Response | 55 | Economic Performance 72
Capacity Building 103-1 | Explanation of the material topic and its Boundary | Capacity Building | 57 | Market Presence 58, 72
103-2 | The management approach and its components | Capacity Building | 57 | Market Presence 58, 72
103-3 | Evaluation of the management approach | Capacity Building | 57 | Market Presence 58, 72

### Material topic | GRI standard | Section | Page number | Additional information
--- | --- | --- | --- | ---
Human Rights at Workplaces 103-1 | Explanation of the material topic and its Boundary | Human Rights at Workplace | 59 | Human Rights at Workplace 59
103-2 | The management approach and its components | Human Rights at Workplace | 59 | Human Rights at Workplace 59
103-3 | Evaluation of the management approach | Human Rights at Workplace | 59 | Human Rights at Workplace 59
Occupational Health and Safety 103-1 | Explanation of the material topic and its Boundary | Occupational Health and Safety | 62 | Occupational Health and Safety 62
103-2 | The management approach and its components | Occupational Health and Safety | 62 | Occupational Health and Safety 62
103-3 | Evaluation of the management approach | Occupational Health and Safety | 62 | Occupational Health and Safety 62
Digital Monitoring 103-1 | Explanation of the material topic and its Boundary | Digital Monitoring | 67 | Geospatial Technology 68
103-2 | The management approach and its components | Digital Monitoring | 67 | Geospatial Technology 68
103-3 | Evaluation of the management approach | Digital Monitoring | 67 | Geospatial Technology 68
Geospatial Technology 103-1 | Explanation of the material topic and its Boundary | Geospatial Technology | 68 | Sustainability Certifications 69
103-2 | The management approach and its components | Geospatial Technology | 68 | Sustainability Certifications 69
103-3 | Evaluation of the management approach | Geospatial Technology | 68 | Sustainability Certifications 69
Sustainability Certifications 103-1 | Explanation of the material topic and its Boundary | Sustainability Certifications | 69 | Sustainability Certifications 69
103-2 | The management approach and its components | Sustainability Certifications | 69 | Sustainability Certifications 69
103-3 | Evaluation of the management approach | Sustainability Certifications | 69 | Sustainability Certifications 69
Traceable Supply Chain 103-1 | Explanation of the material topic and its Boundary | Traceable Supply Chain | 70 | Traceable Supply Chain 70
103-2 | The management approach and its components | Traceable Supply Chain | 70 | Traceable Supply Chain 70
103-3 | Evaluation of the management approach | Traceable Supply Chain | 71 | Traceable Supply Chain 71
Economic Performance 201-1 | Direct economic value generated and distributed | Sustainability Performance | 72 | Economic Performance 72
103-1 | Direct economic value generated and distributed | Sustainability Performance | 72 | Economic Performance 72
103-2 | Financial implications and other risks and opportunities due to climate change | Sustainability Performance | 72 | Economic Performance 72
103-3 | Evaluation of the management approach | Sustainability Performance | 72 | Economic Performance 72
Market Presence 202-1 | Proportion of senior management hired from the local community | Sustainability Performance | 58, 72 | Market Presence 58, 72
Indirect Economic Impacts 203-1 | Infrastructure investments and services supported | Community Development and Social Impact | 36 | Indirect Economic Impacts 36
203-2 | Significant indirect economic impacts | Empowering Smallholders | 35 | Indirect Economic Impacts 35
203-3 | Communication and training about anti-corruption policies and procedures | Code of Conduct, Anti-corruption and Whistleblowing | 21 | Indirect Economic Impacts 21
## APPENDIX

<table>
<thead>
<tr>
<th>Material topic</th>
<th>GRI standard</th>
<th>Section</th>
<th>Page number</th>
<th>Additional information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>302-1</td>
<td>Energy consumption within the organisation</td>
<td>74</td>
<td>Sustainability Performance Metrics - Environmental Performance Data</td>
</tr>
<tr>
<td></td>
<td>302-3</td>
<td>Energy intensity</td>
<td>74</td>
<td>Sustainability Performance Metrics - Environmental Performance Data</td>
</tr>
<tr>
<td>Water and Effluents (2018)</td>
<td>303-1</td>
<td>Interactions with water as a shared resource</td>
<td>46</td>
<td>Operational Eco-efficiency</td>
</tr>
<tr>
<td></td>
<td>303-3</td>
<td>Water withdrawal</td>
<td>75</td>
<td>Sustainability Performance Metrics - Environmental Performance Data</td>
</tr>
<tr>
<td></td>
<td>303-4</td>
<td>Water discharge</td>
<td>75</td>
<td>Sustainability Performance Metrics - Environmental Performance Data</td>
</tr>
<tr>
<td></td>
<td>303-5</td>
<td>Water consumption</td>
<td>75</td>
<td>Sustainability Performance Metrics - Environmental Performance Data</td>
</tr>
<tr>
<td>Emissions</td>
<td>305-1</td>
<td>Direct (Scope 1) GHG emissions</td>
<td>74</td>
<td>Sustainability Performance Metrics - Environmental Performance Data</td>
</tr>
<tr>
<td></td>
<td>305-2</td>
<td>Energy indirect (Scope 2) GHG emissions</td>
<td>74</td>
<td>Sustainability Performance Metrics - Environmental Performance Data</td>
</tr>
<tr>
<td></td>
<td>305-4</td>
<td>GHG emissions intensity</td>
<td>74</td>
<td>Sustainability Performance Metrics - Environmental Performance Data</td>
</tr>
<tr>
<td>Effluents and Waste</td>
<td>306-2</td>
<td>Waste by type and disposal method</td>
<td>75</td>
<td>Sustainability Performance Metrics - Environmental Performance Data</td>
</tr>
<tr>
<td>Environmental Compliance</td>
<td>307-1</td>
<td>Non-compliance with environmental laws and regulations</td>
<td>63</td>
<td>Sustainability Performance Metrics - Environmental Performance Data</td>
</tr>
<tr>
<td>Social</td>
<td>403-9</td>
<td>Work-related injuries</td>
<td>73</td>
<td>Lack of data to report non-employee performance</td>
</tr>
<tr>
<td>Occupational Health and Safety (2018)</td>
<td>405-10</td>
<td>Work-related ill health</td>
<td>73</td>
<td>Lack of data to report non-employee performance</td>
</tr>
<tr>
<td>Training and Education</td>
<td>404-1</td>
<td>Average hours of training per year per employee</td>
<td>73</td>
<td>Sustainability Performance Metrics - Workplace Performance</td>
</tr>
<tr>
<td></td>
<td>404-3</td>
<td>Percentage of employees receiving regular performance and career development reviews</td>
<td>73</td>
<td>Sustainability Performance Metrics - Workplace Performance</td>
</tr>
<tr>
<td>Diversity and Equal Opportunity</td>
<td>405-1</td>
<td>Diversity of governance bodies and employees</td>
<td>72</td>
<td>Sustainability Performance Metrics - Employee Distribution</td>
</tr>
<tr>
<td>Local Communities</td>
<td>413-1</td>
<td>Operations with local community engagement, impact assessments, and development programmes</td>
<td>75</td>
<td>Sustainability Performance Metrics - Community Contribution; Community Development and Social Impact</td>
</tr>
</tbody>
</table>

## GLOSSARY

- **Carbon Dioxide Equivalents** ("CO₂e"): CO₂e is a measure used to compare the emissions from various greenhouse gases based upon their global warming potential.
- **Crude Palm Oil** ("CPO"): First stage palm oil product produced from fresh fruit bunches ("FFB") at a mill.
- **Empty Fruit Bunch** ("EFB"): Remains of the fresh fruit bunches after the fruit has been removed for oil pressing.
- **Fire Free Alliance** ("FFA"): 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.
- **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 emphasizes 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 Labour standards, promotes rights at work and encourages decent employment opportunities, the enhancement of social protection and the strengthening of dialogue on work-related issues.
- **International Sustainability & Carbon Certification** ("ISCC"): ISCC is an independent multi-stakeholder organisation providing a globally applicable certification system for the sustainability of raw materials and products.
- **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.
### APPENDIX

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Palm Kernel (&quot;PK&quot;)</strong></td>
<td>PK is the seed of any palm that yields palm-kernel oil.</td>
</tr>
<tr>
<td><strong>Palm Kernel Oil (&quot;PKO&quot;)</strong></td>
<td>PKO is a plant oil derived from the kernel of the oil palm.</td>
</tr>
<tr>
<td><strong>Palm oil mill effluent (&quot;POME&quot;)</strong></td>
<td>By-product of processed fresh fruit bunch (&quot;FFB&quot;).</td>
</tr>
<tr>
<td><strong>Peat</strong></td>
<td>An accumulation of partially decayed vegetation matter. Peat forms in wetlands or peat lands, variously called bogs, moors, muskegs, pocosins, mires, and peat swamp forests.</td>
</tr>
<tr>
<td><strong>Roundtable on Sustainable Palm Oil (&quot;RSPO&quot;)</strong></td>
<td>A multi-stakeholder organisation based in Kuala Lumpur, Malaysia. The organisation has developed a certification scheme for sustainable palm oil.</td>
</tr>
<tr>
<td><strong>Roundtable on Sustainable Palm Oil Mass Balance (&quot;RSPOMB&quot;)</strong></td>
<td>Sustainable palm oil from certified sources is mixed with ordinary palm oil throughout supply chain.</td>
</tr>
<tr>
<td><strong>Roundtable on Sustainable Palm Oil Segregated (&quot;RSPOS&quot;)</strong></td>
<td>Sustainable palm oil from different certified sources is kept separate from ordinary palm oil throughout supply chain.</td>
</tr>
<tr>
<td><strong>RSPO NEXT</strong></td>
<td>RSPO NEXT is a voluntary initiative for RSPO members with company-wide policies that exceed current RSPO Principles &amp; Criteria (&quot;P&amp;C&quot;) requirements in these and other key areas.</td>
</tr>
<tr>
<td><strong>Supply Chain Certification System (&quot;SCCS&quot;)</strong></td>
<td>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.</td>
</tr>
<tr>
<td><strong>Sustainability Advisory Panel (&quot;SAP&quot;)</strong></td>
<td>The IOI Sustainability Advisory Panel (&quot;SAP&quot;) was formed in January 2017 and tasked with overseeing the application of IOI Group’s Sustainability Implementation Plan (&quot;SIP&quot;). The SAP also advises on sustainability issues raised by multi-stakeholders including NGOs and the RSPO.</td>
</tr>
<tr>
<td><strong>Sustainability Policy Transparency Toolkit (&quot;SPOTT&quot;)</strong></td>
<td>SPOTT is an online platform supporting sustainable commodity production and trade. By tracking transparency, SPOTT incentivises the implementation of corporate best practice.</td>
</tr>
<tr>
<td><strong>Sustainability Implementation Plan (&quot;SIP&quot;)</strong></td>
<td>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.</td>
</tr>
<tr>
<td><strong>Sustainable Palm Oil Policy (&quot;SPOP&quot;)</strong></td>
<td>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.</td>
</tr>
<tr>
<td><strong>Scope 1 Emissions</strong></td>
<td>All direct GHGs emissions.</td>
</tr>
<tr>
<td><strong>Scope 2 Emissions</strong></td>
<td>Indirect GHGs emissions for consumption of purchased electricity, heat or steam.</td>
</tr>
<tr>
<td><strong>Third-Party Supplier (&quot;TPS&quot;)</strong></td>
<td>IOI’s TPS programme ensures that suppliers are committed to implementing the SPOP commitments.</td>
</tr>
<tr>
<td><strong>United Nations Sustainable Development Goals (&quot;UN SDGs&quot;)</strong></td>
<td>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.</td>
</tr>
</tbody>
</table>