

## ACTIVATING CLIMATE RESILIENCE & CIRCULARITY

A modern and energising design prominently bringing attention to the core message for this year within the cover. The number 7 (for 7Rs of Circularity) reflects our philosophy on circularity and how we want to attain climate resiliency in our businesses and operations. The design and message also follows through from the previous year's focus on 'Poised' to show the next step of 'Activating' our activities more towards escalating implementation. The layout is action oriented with icons that highlight each action steps taken. The images on Sustainable Initiatives ("SI") are arranged in a format to show our commitments towards Environment ("E"), Social ("S") and Governance ("G").



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ACTIVATING CLIMATE RESILIENCE & CIRCULARITY

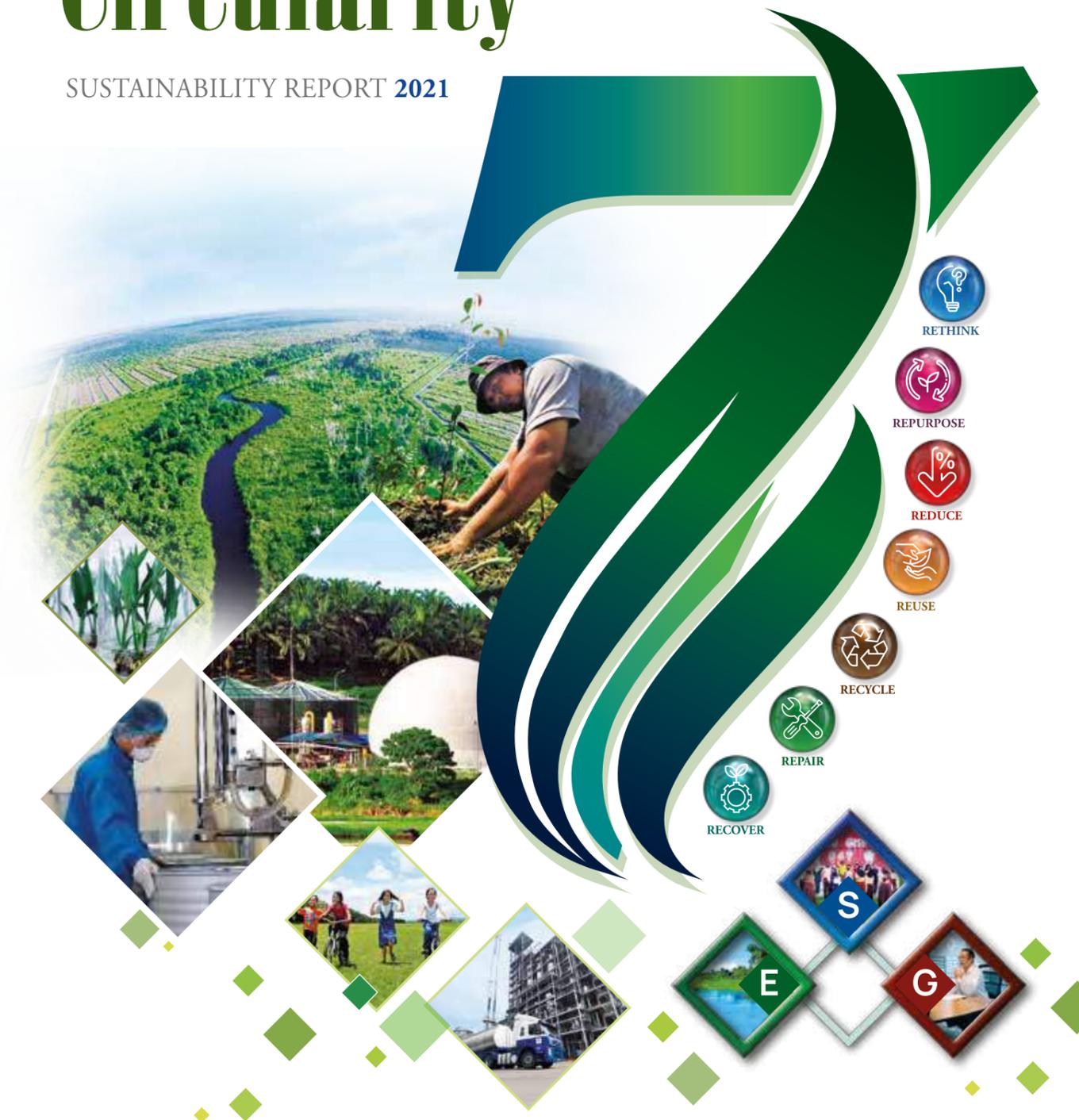
SUSTAINABILITY REPORT 2021



IOI GROUP

# Activating Climate Resilience & Circularity

SUSTAINABILITY REPORT 2021



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 **FEEDBACK AND COMMENTS**

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

Attn : Corporate Sustainability Department  
 Email : [ioisustainabilityteam@ioigroup.com](mailto:ioisustainabilityteam@ioigroup.com)  
 Address : Level 29, IOI City Tower 2, Lebuhr IRC, IOI Resort City, 62502 Putrajaya, Malaysia.  
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 **THE FOCUS OF THIS REPORT**

As an agricultural-based company, IOI Corporation Berhad ("IOI" or "the Group") continues to ensure that our green footprint in all our businesses and operations are further expanded. This year's theme, "*Activating Climate Resiliency & Circularity*" encompasses our response towards managing our GHG emissions within our operations and supply chains by undertaking mitigating measures to reducing our emissions, adopting climate friendly technologies as well as protecting our natural resources. We strengthened our future ready strategy that incorporated climate resiliency measures by further adopting the Task Force on Climate-Related Financial Disclosure ("TCFD") recommendations on analysing our climate risks and opportunities and by reporting against TCFD recommendations. Going forward, as part of our "Climate-Change Action ("CCA")" Initiative, this year's reporting will showcase our approach towards circularity via the 7Rs - *Rethink, Repurpose, Reduce, Reuse, Recycle, Repair and Recover*. The applicability of the 7Rs will be discussed throughout this report, especially under these focus areas: "From Linear to Circular" and "From Cost Reduction to GHG Reduction". Along with these topics, we continue to communicate our *Environment, Social and Governance* ("ESG") commitments, results and progress transparently as well as address the targets within the six United Nations Sustainable Development Goals ("UNSDGs") adopted by us as illustrated in each of the chapters reported through our management approach and performance.

 **REPORTING PERIOD AND SCOPE**

IOI has prepared this report based on national and global standards. This report contains the Group's sustainability management approach, performance data as well as risks and opportunities for our identified Economic, Environment and Social material matters for the reporting period of 1 July 2020 to 30 June 2021, in line with IOI's 2021 financial year ("FY2021"). We publish sustainability reports on an annual basis, whereby our most recent publication was in September 2020. There were no significant changes to IOI's size, or supply chain during this reporting. Any changes in structure and ownership can be found in Annual Report 2021 and Financial Report 2021.

The report was prepared in reference to the Bursa Malaysia Sustainability Reporting Guide (2<sup>nd</sup> Edition) which sets out the sustainability-related disclosure obligations prescribed in the Main Market Listing Requirements of Bursa Malaysia Berhad and reporting framework recommendations. In line with Bursa Malaysia's recommendations, this report has been prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards ("GRI"): Core Option and adopted the content elements of the International Integrated Reporting Framework. Additionally, this is the first reporting of our climate disclosures prepared following the TCFD recommendations.

Information and figures reported represent the latest available data as of the reporting period unless remarked upon in the text. In some instances, information and data stated in the reports may differ from other reporting such as RSPO ACOP on the basis of different reporting periods (yearly assessment period from January to December 2020). Where remarked, such data and information have been used in this report. In some cases, figures reported in previous year's Sustainability Reports are restated in correspondence with improvements made to our data collection and analysis.

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

This report is intended to be read together with our Annual Report 2021 and Financial Report 2021. Throughout this report, there are sustainability-related disclosures that should be referred to in our website.

**Annual Report & Financial Report 2021:**  
[https://www.ioigroup.com/Content/IR/IR\\_Reports](https://www.ioigroup.com/Content/IR/IR_Reports)

**IOI website:**  
<https://www.ioigroup.com/Default>

 **ASSURANCE**

The report has been reviewed by our Group Head of Sustainability, approved by the Group Managing Director and Chief Executive ("GMD"), and presented to the IOI Board of Directors. In connection with the audit of the financial statements of IOI Group contained in the IOI Corporation Berhad's Financial Report 2021, BDO PLT, the external auditors have read the other information in accordance with ISA 720 (revised) *The Auditor's Responsibilities Relating to Other Information*.

We endeavour to continuously improve our reporting disclosures and build the transparency of our operations and consider expanding the scope of assurance to full report verification in the future.



# MESSAGE FROM OUR GROUP MANAGING DIRECTOR AND CHIEF EXECUTIVE

## DEAR STAKEHOLDERS,

The global turmoil brought about by the on-going COVID-19 pandemic resulting in untold loss of lives and livelihoods, as well as record-setting environmental disasters such as floods, wildfires, hurricanes, and droughts mostly attributed to human activities and climate change have reminded us of the fragility of human life and the planet. As an agricultural-based corporation employing thousands of workers, this ultimate “notice” has prompted IOI to advance our sustainable journey with an even stronger commitment towards social justice and inclusion, climate change action and biodiversity. It also serves to measure our business resilience and assess how, through leadership and responsibility, IOI’s business operations can be balanced with good governance where transparency, accountability and security of data defines “**integrity**”, one of IOI’s core values.



Dato' Lee Yeow Chor  
our GMD and CEO



Despite these challenges brought on by the pandemic and climate change, we are optimistic that good things can evolve from these challenges. Our commitment to building a better normal begins with our people. Recognizing the importance of health equipment in fighting the pandemic, IOI has donated medical equipment to a COVID-19 designated hospital, the Malaysian Fire & Rescue Department and Malaysian Health Department, as well as face masks to underprivileged students. We continue to empower our people to grow personally and professionally with flexible working arrangements, virtual meetings, webinars, and trainings while making their safety and well-being a top priority. We ensure that all our employees, including the 21,000 workers working in our plantations, are given vaccinations as soon as the vaccines are available in their localities.

The governance that we have put in place, such as the appointment of an Independent Board member as a member of our Group Sustainability Steering Committee (“GSSC”) and the launch of IOI Sustainability Consultation Forum (“SCF”) involving members of IOI Sustainability Advisory Panel, ensures that accountability and sustainability are embedded within IOI’s businesses and operations. During the first SCF, labour challenges with specific focus on responsible recruitment practices and legislation were discussed to ensure that we meet the commitments in our Sustainable Palm Oil Policy (“SPOP”) to eliminate all forms of illegal, forced, bonded, or child labour in our operations.



Vaccination programme at one of our operating units.



HUMANA's students at estate in Sandakan with their new reusable masks.



Our Grand winner for Climate Change Together.



Government school within our plantation.



Practicing safe physical distancing during training.

**We ensure that all our employees, including the 21,000 workers working in our plantations, are given vaccinations as soon as the vaccines are available in their localities.**

**DATO' LEE YEOW CHOR**  
Group Managing Director and Chief Executive

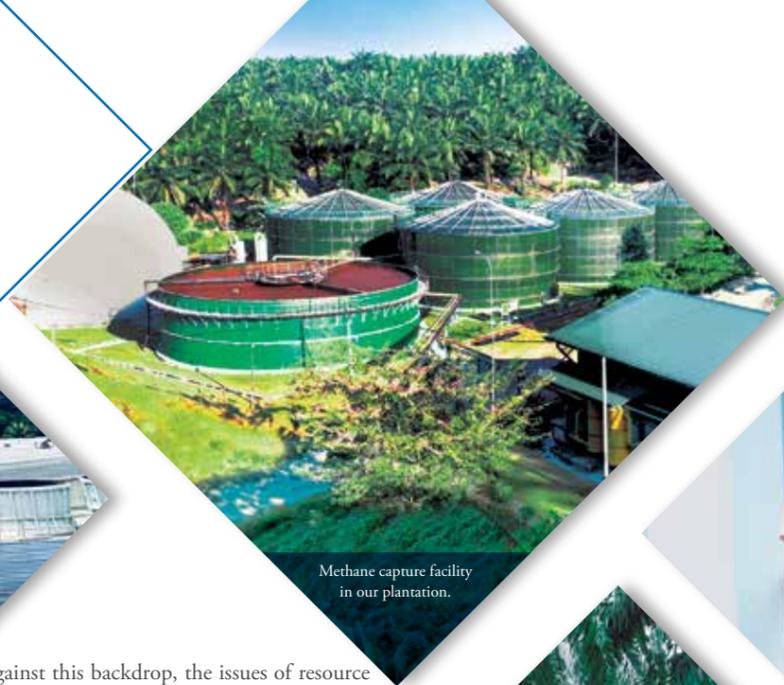
MESSAGE FROM OUR GROUP  
MANAGING DIRECTOR AND  
CHIEF EXECUTIVE



Composting palm waste into organic fertiliser.



Solar panels at one of our Oleochemical facilities.



Methane capture facility in our plantation.

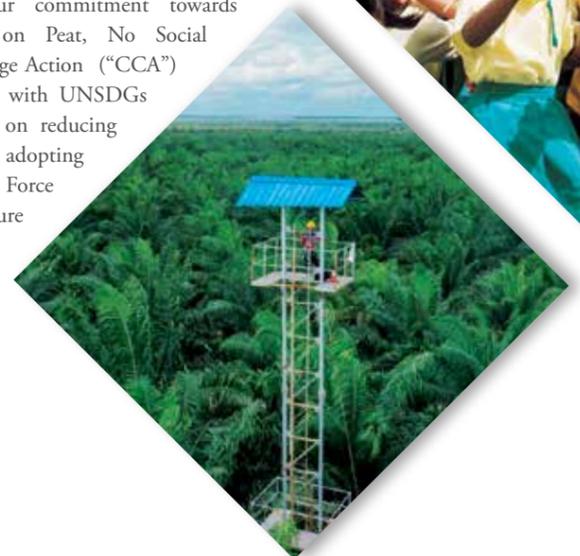


Palmwood fibre from palm trunks.



IOI was also categorised as a Leader in child's rights in a study conducted by Global Child Forum entitled "The State of Children's Rights and Business 2020 Southeast Asia". In addition, as 2021 is the International Year for the Elimination of Child Labour, IOI had also pledged to reduce the risk of child labour by providing our plantation workers' children access to educational platforms after school hours.

Where climate change is concerned, it is an economic risk and we are tackling this head on, as indicated by our theme this year, "Activating Climate Resilience & Circularity". Since 2016, we have had a policy on "No Deforestation" as part of our commitment towards No Deforestation, No New Planting on Peat, No Social Exploitation ("NDPE"). Our Climate Change Action ("CCA") Initiative, introduced last year and in line with UNSDGs 13 and 15, articulates clearly our targets on reducing GHG emissions. This year we are adopting the recommendations set by the Task Force on Climate-related Financial Disclosure ("TCFD") to better measure and manage our climate risks and opportunities.



Against this backdrop, the issues of resource depletion and waste disposals have become some of our main concerns. As a way to adapt to these challenges, IOI is strengthening our practice of circularity, specifically the 7Rs of Circularity: Rethink, Repurpose, Reduce, Reuse, Recycle, Repair, and Recover. As reported last year, we are installing biogas plants at most of our mills to capture the methane from the palm oil mill effluents ("POME"). In the current financial year, more than 52 million m<sup>3</sup> biogas was produced and repurposed to power our mills and estate facilities to reduce our dependence on fossil fuels. At IOI's refineries and oleochemical plants, wastewater from the processing operations is treated and recycled for use in the cooling towers which consume large amounts of water.

IOI continues to have smart partnerships (UNSDG 17) with various organizations to undertake the implementation of our sustainability initiatives. Some examples are the collaborations with Sabah Wildlife Department and Non-Governmental Organisations ("NGOs") such as Seratu Aatai and HUTAN-Kinabatangan Orang-utan Conservation Programme ("KOCP") to map and trace pygmy elephant movements in Sabah; collaborations with Nottingham University, smallholders and local communities to study the ecology of elephants in Peninsular Malaysia; the RELeaf project which is a partnership with Nestle and NGOs for reforestation of the Kinabatangan river; and Forest and Land Fire Prevention project with stakeholders within the district of Kendawangan in West Kalimantan, Indonesia.

**MOVING FORWARD**

As we move forward, one of the biggest lessons learned is that despite huge challenges, we can achieve incredible feats when we harness the collective strength of the many employees within our Group. We shall continue to use our reach and influence to promote social justice and inclusiveness in our society, protect biodiversity and wildlife, and pursue climate change action and circularity practices for a better tomorrow.



**In the current financial year, more than 52 million m<sup>3</sup> biogas was produced and repurposed to power our mills and estate facilities to reduce our dependence on fossil fuels.**

# OUR 5 YEARS SUSTAINABILITY JOURNEY

At the start of our five years sustainability journey, our focus was on **“Enhancing Reach & Engagement”** with both internal and external stakeholders so as to understand their concerns and gaps with regards to embedding sustainability within our businesses and operations. Following this, in the second year, it was important that **“Attaining Balance”** of our three Pillars of Sustainability, i.e., People, Planet and Prosperity are to be achieved to ensure the sustainability of our businesses and operations. In the third year, we knew that **“Harnessing Sustainable Partnerships”** were crucial to achieving effective solutions and results to our sustainable challenges. As we advanced forward in the fourth year, we were **“Poised to expand our Green Footprint”** when we introduced our **“Climate Change Action Initiative”** as a response to climate risks where we communicated our governance, strategy and targets to reducing GHG. This year, amongst other sustainability challenges and advancement, we are highlighting how IOI mitigates and manages risks as well as adapts to climate change by **“Activating Climate Resiliency and Circularity”**.

## 2017 (July 2016 - June 2017)

In IOI's first stand-alone Annual Sustainability Report (“ASR”) published in 2017, we recognised the need for stronger stakeholder engagement and a more open communication in order to achieve our sustainability goals. During this financial year, IOI undertook a major revision of our Sustainable Palm Oil Policy (“SPOP”) and strengthened our governance by forming the Group Sustainability Steering Committee (“GSSC”) that reports to IOI's Board of Directors as well as proposing to form a Sustainability Advisory Panel (“SAP”) that comprises of external stakeholders to hold our sustainability implementation plan to account. IOI's existing sustainability team structure which was headed by the Group Head of Sustainability was also tasked to promote transparent and effective implementation of the Group's SPOP for both the Plantation and Manufacturing Division.

## 2018 (July 2017 - June 2018)

In 2018, IOI went on to introduce its three pillars of sustainability- People, Planet and Prosperity, with the conviction that achieving a harmonious balance with the three pillars is key to contributing to a winning combination for all. This commitment was further reflected in IOI's adoption of four specific United Nations Sustainable Development Goals (“UNSDG”)s, which were SDG 8 (Decent Work and Economic Growth), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), and SDG 15 (Life on Land) to personify all that IOI strives to achieve at this point of our sustainability journey.

## 2019 (July 2018 - June 2019)

The year 2019 saw IOI progressed to building strong partnership with our stakeholders, shifting the focus from trade limitations to harnessing prosperity through intelligent expertise built on trust and meaningful connections. Therefore, our three pillars of sustainability were further expanded to include Partnership. Correspondingly, IOI increased our commitment to the UNSDGs to include SDG 17 (Partnership for the Goals) and SDG 2 (Zero Hunger). This year's ASR also represented IOI's further push towards transparency and effective corporate reporting by adhering our report based on the “Integrated Reporting Framework (IRF)”.

## 2021 (July 2020 - June 2021)

This year, 2021, marks an important milestone for IOI as we commemorate our progress in our sustainability journey through five years of sustainable reporting since 2017. This year's enhanced IRF will further illustrate how IOI's activities impact Environmental, Social & Governance (“ESG”) issues as represented by IOI's Materiality and reported based on CDP and Global Reporting Initiative (“GRI”) framework as well as how ESG issues impact IOI's financial performance, as reported based on the Task Force on Climate-related Financial Disclosures (“TCFD”).

## 2020 (July 2019 - June 2020)

IOI's 2020 theme, highlights the balanced way we focused on our sustainability journey through fortifying present sustainability practices while further strategising our future sustainable development. The report emphasised on IOI's response towards climate change as well as addressing current sustainability challenges and issues including the COVID-19 pandemic. IOI also began to plan its future ready strategy which includes our five strategic priorities, and addressing climate related risks through our Climate Change Action Initiative, setting medium-term GHG reduction targets with the eventual aim of net zero impact or even a restorative effect on the environment through various initiatives and a holistic approach.



# ABOUT IOI



## IOI VISION

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



## IOI MISSION

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



## IOI CORE VALUES

In pursuit of our Vision and Mission, we uphold the following Core Values:



IOI's CCA Initiative during Earth Month 2021.

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, and a constituent of the FTSE4Good Index since 2018. Our business encompassed the entire value chain of palm oil business, from tissue culture, seed breeding, cultivation, and milling to refining of crude palm oil and palm kernel oil as well as the processing of refined palm oil and palm kernel oil into oleochemical products such as fatty acids, glycerine, soap noodles, fatty esters and specialty downstream oleochemical derivatives<sup>1</sup>.

The Group's upstream operations are operated by the IOI Plantation division whereas our resource-based manufacturing comprises of IOI Edible Oil ("IOI Refinery") and IOI Oleochemical division ("IOI Oleo") and have global presence in Malaysia, Indonesia and Germany<sup>2</sup>. At IOI, our strategic foundation is built on the platforms of sustainable growth, driving innovations, people development and economies of scale. Based on our Value Creation model, circularity through the 7Rs of Circular Economy, is demonstrated throughout our vertically-integrated business model via, for the application and production of renewable energy, increased mechanisation and innovation in our operations and the creation of value-added products from our by-products while minimising wastage. A full description of the Group's integrated business model, financial outcomes, and information on our global and local presence can be found in our Annual Report 2021.

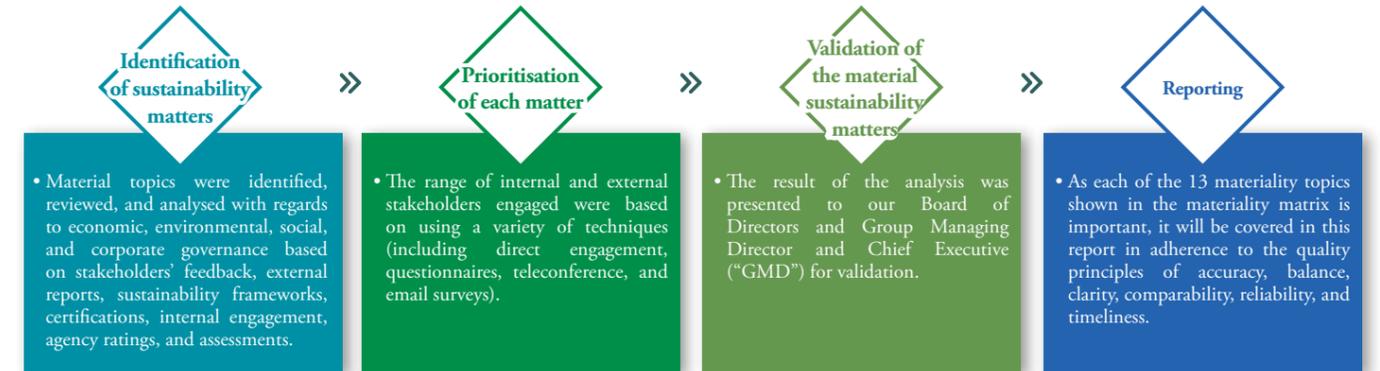
Where sustainability is concerned, it is embedded within our business strategy, specifically the Five-Year Strategic Plan unveiled in the last financial year, and implemented throughout our operations. The commitments made in IOI's Group Sustainable Palm Oil Policy ("SPOP") further emphasises the importance of Environment, Social, and Governance ("ESG") to our businesses, operations and supply chains. Further details on our sustainability commitments and achievements are encapsulated in this report.

<sup>1</sup> [https://www.ioioleo.com/pro\\_prolist.html](https://www.ioioleo.com/pro_prolist.html)

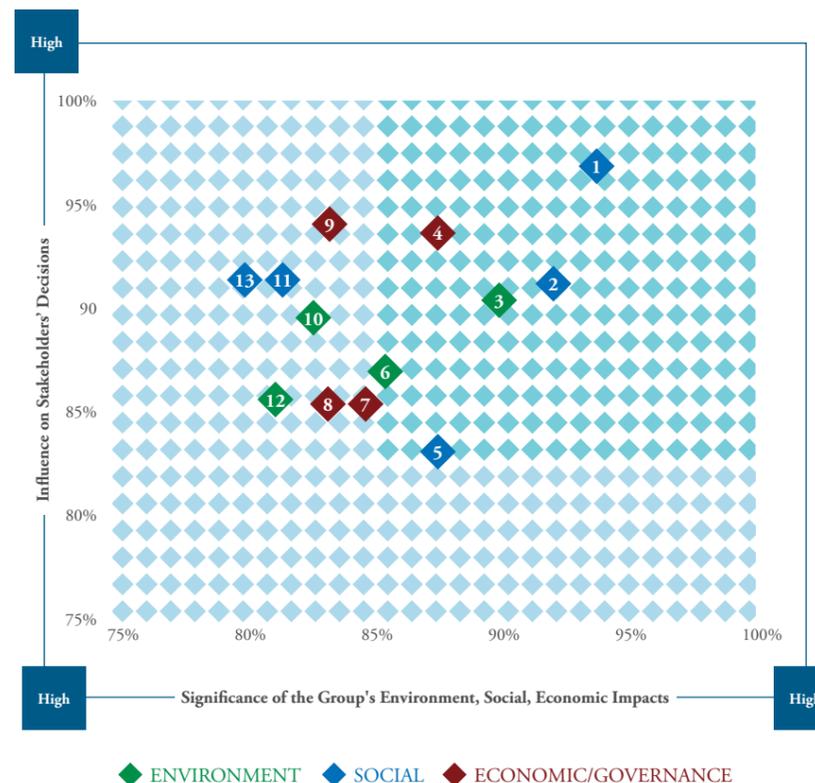
<sup>2</sup> Operating unit excluding sales/procurement/regional offices

# OUR MATERIAL SUSTAINABILITY MATTERS

At IOI, materiality study is conducted to ensure that we identify significant topics related to Economic, Environmental, Social matters that affects our business and our stakeholders' expectation. Our materiality assessment is guided by Bursa Malaysia's Sustainability Reporting Guide and Bursa Malaysia's Materiality Toolkit. Analysis is done at least once every two years. We continuously review emerging and recent sustainability trends and topics to ensure it reflects the company's sustainability strategy, commitments and current reporting.



Accordingly, we have identified the top 13 most prominent sustainability matters that is most relevant to our business and our stakeholders. Outcomes of the materiality matter analysis were plotted on a materiality matrix. Top 13 identified material matters were plotted based on the significance to the Group's Economic, Environment and Social Impacts (x-axis) against the Influence on Stakeholder Assessment Decisions (y-axis).



### Top 6 Most Relevant Materiality to both Stakeholders and IOI business

Our workers are the backbone of our company especially during this pandemic. Thus, their wellbeing and safety were identified as of utmost material matter. Transparency, governance and responsible recruitment are top materiality matters in response to greater accountability and labour related issues. On climate change and biodiversity, as an agriculture-based company, these matters have been identified as risks and opportunities as well as adaptations required for a sustainable business.

- Occupational Safety & Health
- Transparent Grievance Resolution and Communication
- Climate Change and Carbon Emission Management
- Governance and Anti-corruption
- Responsible Recruitment
- Biodiversity and Conservation/Protection of High Conservation Value and High Carbon Stock Areas

### IOI's Sustainability Matters 2021 in Order of Significance

- Responsible Sourcing
- Sustainability Certification and/or Sustainable Certified Product
- Regulatory Compliance
- Fire Management
- Fair and Decent Wage
- Deforestation and Land Use
- Community Engagement and Social Responsibility

# DESCRIPTION OF MATERIAL MATTER

## LEGEND LINK TO OUR CAPITAL



MATERIAL MATTER	WHY THIS SUSTAINABILITY MATERIALITY MATTER?	IOI RESPONSE	REFERENCE IN THIS REPORT	LINK UN SDG	LINK TO OUR CAPITAL	LINK TO OUR STAKEHOLDERS	LINKS TO OUR CORPORATE RISKS
Occupational Safety and Health	The safety, health and welfare of our workforce are our highest priority. Our workforce is the backbone of our operations, thus ensuring the good wellbeing of our workers ensures the highest productivity and a sustainable business.	<ul style="list-style-type: none"> <li>Create safe and conducive working environment with clear SOPs/ Guidelines and training on safety conducted regularly.</li> <li>Protective measures against COVID-19 in place.</li> <li>Strengthen systems and processes to include monitoring any discrepancies within our operation and value chain.</li> </ul>	Page 61			<ul style="list-style-type: none"> <li>Employees</li> <li>Regulators</li> <li>Suppliers</li> <li>Shareholders &amp; Investors</li> </ul>	<ul style="list-style-type: none"> <li>Human Capital &amp; Talent</li> <li>Supply Chain Compliance</li> <li>Reliance on Manual Labour</li> <li>Environmental Sustainability</li> <li>Business Resilience</li> </ul>
Transparent Grievance Resolution and Communication	Accountability, transparency and responsiveness towards grievances and complaints is essential to ensure that they are effectively handled, any issues addressed as well as compliance on any remediation implemented.	<ul style="list-style-type: none"> <li>Transparent grievance handling as part of our responsible business practice.</li> <li>Progress on our IOI Pelita case.</li> <li>Disclosures on grievances, complaints and current issues.</li> <li>Implementation of several guidelines in response to grievances on worker's rights.</li> </ul>	Pages 52-55, Page 57			<ul style="list-style-type: none"> <li>Employees</li> <li>Regulators</li> <li>Customers</li> <li>Industry Association/Civil Society</li> <li>Communities</li> <li>Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Human Capital &amp; Talent</li> <li>Reliance on Manual Labour</li> </ul>
Climate Change and Carbon Emission Management	Climate change continues to be one of the global challenges facing planet earth. Therefore, the importance of assessing climate implications and potential future risks becomes critical to our sector.	<ul style="list-style-type: none"> <li>Climate change action strategy, governance and alignment with TCFD.</li> <li>Climate risks and opportunities evaluated and to be mitigated.</li> <li>Responsible land use, zero deforestation and no new development on peat.</li> <li>Responsible water management.</li> <li>Implementation of programs, both mitigation and adaptation for reducing emission.</li> <li>Maintaining and ensuring strong fire management systems.</li> <li>Practicing circularity to help reduce GHG emissions and increase climate resiliency.</li> </ul>	Pages 30-33, 34-35, 36-39, 42-43, 44-47			<ul style="list-style-type: none"> <li>Regulators</li> <li>Customers</li> <li>Shareholders &amp; Investors</li> <li>Industry Association/Civil Society</li> <li>Suppliers</li> <li>Communities</li> </ul>	<ul style="list-style-type: none"> <li>Environmental Sustainability</li> <li>Business Resilience</li> </ul>
Governance and Anti Corruption	Good governance from having all policies in place at all levels ensures clear, transparent accountability and responsibility. Effectively managing all sustainability related challenges and having strong business ethics increase confidence from our stakeholders especially from investors and customers.	<ul style="list-style-type: none"> <li>IOI practices responsible business ethics.</li> <li>Governance in sustainability management especially with the addition of an independent non-executive director on our sustainability steering committee.</li> <li>Zero incidence on bribery and corruption.</li> </ul>	Page 52			<ul style="list-style-type: none"> <li>Regulators</li> <li>Shareholders &amp; Investors</li> <li>Customers</li> <li>Employees</li> </ul>	<ul style="list-style-type: none"> <li>Business Resilience</li> </ul>
Responsible Recruitment	Responsible and ethical recruitment ensures labour rights are protected and illegal, forced, bonded, compulsory or child labour are prevented from the beginning. As IOI's workforce are dominated by migrant workers, it is critical for the business to uphold fair employment practices.	<ul style="list-style-type: none"> <li>Enhancing policies, guidelines and practices that strengthens the rights of our workers.</li> <li>Transparency in response to grievance and complaints.</li> <li>Clear accountability, implementation and practices on prevention of forced labour.</li> </ul>	Pages 56-60, Code of Conduct ("CoC") on Ethical Recruitment and Responsible Employment			<ul style="list-style-type: none"> <li>Employees</li> <li>Regulators</li> <li>Industry Association/Civil Society</li> <li>Suppliers</li> <li>Customers</li> </ul>	<ul style="list-style-type: none"> <li>Human Capital &amp; Talent</li> <li>Reliance on Manual Labour</li> </ul>
Biodiversity and Conservation/Protection of High Conservation Value and High Carbon Stock Areas	The nature of where we operate our estates involves complex relationships with the surrounding landscape. Safeguarding the environment including protecting biodiversity is key to ensuring we minimise any negative impact to the environment and reduce any significant risk that effect the sustainability of the environment where we operate.	<ul style="list-style-type: none"> <li>Working together with our stakeholders on implementations and activities in biodiversity and conservations.</li> <li>Monitoring of NDPE within our supply chain.</li> <li>Collaboration with partners on landscape level conservation approach.</li> <li>Third party certification of all our operations ensures we implement the strict criteria required to protect the environment.</li> </ul>	Pages 42, 44-47			<ul style="list-style-type: none"> <li>Regulators</li> <li>Industry Association/Civil Society</li> <li>Communities</li> <li>Suppliers</li> <li>Customers</li> <li>Shareholders &amp; Investors</li> </ul>	<ul style="list-style-type: none"> <li>Environmental Sustainability</li> <li>Business Resilience</li> </ul>
Responsible Sourcing	Ensuring our commitment towards sustainability practices within the supply chain is understood and implemented is important in delivering sustainable palm oil in our value chain.	<ul style="list-style-type: none"> <li>Due diligence and verification conducted to ensure new suppliers meet IOI's sustainability requirement.</li> <li>Proactive engagement and programs to support suppliers to adopt sustainable practices.</li> <li>Progress reporting in IOI's sustainability dashboard.</li> <li>Monitoring and assessment on NDPE Compliances.</li> </ul>	Pages 44-47, 62-63			<ul style="list-style-type: none"> <li>Regulators</li> <li>Customers</li> <li>Industry Association/Civil Society</li> <li>Suppliers</li> <li>Shareholders &amp; Investors</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain Compliance</li> <li>Business Resilience</li> </ul>

MATERIAL MATTER	WHY THIS SUSTAINABILITY MATERIALITY MATTER?	IOI RESPONSE	REFERENCE IN THIS REPORT	LINK UN SDG	LINK TO OUR CAPITAL	LINK TO OUR STAKEHOLDERS	LINKS TO OUR CORPORATE RISKS
	Unsustainable palm oil productions are vulnerable to negative environment and social impact. Sustainability certification provides 3 <sup>rd</sup> party verification of our practices, avenues to enhance innovative solutions in addressing sustainability issues and creating value for our business.	<ul style="list-style-type: none"> <li>Achieved Malaysian Sustainable Palm Oil ("MSPO") Scheme in all our operation.</li> <li>More than 90% of our mills are Roundtable on Sustainable Palm Oil ("RSPO") certified.</li> <li>Timebound plan to certify our operation in Indonesia.</li> <li>Embedded sustainability criterion and principles of major certifications schemes in our commitment and implementations.</li> </ul>	Page 24			<ul style="list-style-type: none"> <li>Regulators</li> <li>Customers</li> <li>Industry Association/ Civil Society</li> <li>Suppliers</li> <li>Shareholders &amp; Investors</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain Compliance</li> <li>Environmental Sustainability</li> <li>Business Resilience</li> </ul>
	Adherence to legal compliances and regulations enable the company to continue operating and prerequisite for IOI as a public listed company.	<ul style="list-style-type: none"> <li>Adherence to all applicable legislation and codes of practice.</li> <li>Transparent grievance process and update in our website for legal non-compliance in our operations and suppliers based on law and regulations of the country we operated.</li> <li>Active participation in the national task force, working groups on policy and framework where applicable.</li> </ul>	Pages 16, 19-21			<ul style="list-style-type: none"> <li>Regulators</li> <li>Shareholders &amp; Investors</li> <li>Industry Association/ Civil Society</li> <li>Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Human Capital &amp; Talent</li> <li>Supply Chain Compliance</li> <li>Reliance on Manual Labour</li> <li>Business Resilience</li> </ul>
	Managing the risk posed by fire in our business is essential to minimise the negative impact caused by ravages of fire within our operations and the local communities loss of natural resources, health hazards and emission of carbon.	<ul style="list-style-type: none"> <li>Committed and implemented Zero-Burning Policy and Fire Management Guidelines throughout our operations.</li> <li>Stakeholder engagement and partnership within our landscape for proactive fire prevention measures.</li> </ul>	Pages 42-43			<ul style="list-style-type: none"> <li>Employees</li> <li>Regulators</li> <li>Customers</li> <li>Industry Association/ Civil Society</li> <li>Suppliers</li> <li>Communities</li> </ul>	<ul style="list-style-type: none"> <li>Environmental Sustainability</li> <li>Business Resilience</li> </ul>
	Fair and decent wage ensures that our workers' right and livelihoods are protected. Fair pay to our workforce also helps to retain and attract talent.	<ul style="list-style-type: none"> <li>Commitment to pay all our workers according to or beyond the statutory minimum wages as per the national labour regulations.</li> <li>Introduced guidelines to provide a transparent process in dealing with the review and verification of work completed and transparent calculation of salary earned by the workers.</li> <li>Assisted and participated in the independent fair and decent wage study together with industry players.</li> </ul>	Pages 56-61 Code of Conduct ("CoC") on Ethical Recruitment and Responsible Employment			<ul style="list-style-type: none"> <li>Employees</li> <li>Customers</li> <li>Regulators</li> <li>Industry Association/ Civil Society</li> </ul>	<ul style="list-style-type: none"> <li>Human Capital &amp; Talent</li> <li>Reliance on Manual Labour</li> </ul>
	Detrimental impact caused by deforestation and land use change is one of the drivers of climate change. The issues have been linked to production of unsustainable palm oil. IOI upholds commitments to ensures no deforestation and practice responsible land use in production of sustainable palm oil.	<ul style="list-style-type: none"> <li>Zero incident and grievances reported on deforestation in our own operation.</li> <li>Introducing more elements of circularity activities to promote responsible land use.</li> <li>Active monitoring of potential deforestation by independent consultant.</li> </ul>	Pages 42-43, 44-47			<ul style="list-style-type: none"> <li>Regulators</li> <li>Shareholders &amp; Investors</li> <li>Industry Association/ Civil Society</li> <li>Communities</li> <li>Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Environmental Sustainability</li> <li>Business Resilience</li> </ul>
	Community engagement and strong social responsibility results in good corporate relationships and reputation. More importantly, part of ensuring a sustainable business is to engage closely with our surrounding stakeholders and foster positive social impact to the society and communities where we operate.	<ul style="list-style-type: none"> <li>Transparent communication and response to any ongoing cases involving community.</li> <li>Implementation of programmes related to health, education, medical assistance, and other community enrichment activities.</li> </ul>	Pages 53-55			<ul style="list-style-type: none"> <li>Employees</li> <li>Industry Association/ Civil Society</li> <li>Communities</li> </ul>	<ul style="list-style-type: none"> <li>Human Capital &amp; Talent</li> <li>Business Resilience</li> </ul>

LEGEND LINK TO OUR CAPITAL  
 Human Natural Financial Manufactured Social & Relationship Intellectual

## 7Rs OF CIRCULARITY IN IOI BUSINESS MODEL



Adopting circular thinking enables IOI to incorporate sustainable activities in its economic achievements, while reducing environmental impact and dependency on natural resources. The practice of circularity is embedded within the Group's operations as illustrated in our Value Creation Model (Page 14-15). Although IOI had practiced some form of circularity throughout our years of operation, we are introducing formally the concept and practice of 7Rs of Circularity this year. Specifically, the 7Rs of Circularity derives from seven practices of Rethink, Repurpose, Reduce, Reuse, Recycle, Repair, and Recover. The list below shows some of the programmes and implementations in IOI which demonstrates the applications of 7Rs of Circularity.



RETHINK

Rethink is the fundamental approach whereby the concept of circular economy or circularity is applied and practiced by taking into account environmental and social wellbeing while ensuring the sustainable economic growth of the company. IOI has put rethink in practice with its diversification strategy, extending the usage of oil palm by-product as for example, turning Oil Palm Trunks ("OPT") into wood products, reducing waste approach, practising climate friendly activities like usage of renewable fuel such as biodiesel, solar, etc.



REUSE

Reusing is a sustainable way to prolong the value of a material and the natural resources we used in our business operations. In some of our refineries and oleochemical plants, instead of using government water sources and freshwater, treated waste water from their operations are being reused to feed into cooling towers that function as ventilators to reduce the temperature of the processes in a plant.



RECYCLE

Oil palm is a versatile plant where every part of the tree is usable and able to produce different by-products that can be repurposed. For example, palm kernel shell ("PKS") is a by-product that is being repurposed into activated carbon, an important raw material for water filtering applications. The commercial selling of PKS for activated carbon applications results in capturing the carbon in a stable form and can be considered as a carbon credit to the operations. In IOI Oleo Group, IOI Pan-Century repurposes their dissolved air flotation ("DAF") sludges from their waste water treatment plant to be used as one of the raw materials for the cement industry. This activity has eliminated the use of landfill for disposal of our waste as the waste is now raw material for another industry.



RECYCLE

Recycling enables the use of products to its fullest potential and promotes resource efficiency. In IOI, our wastes are segregated and sent to be recycled by contracted third parties. IOI Refinery, for example, reported the highest recycling rate of 99%. At the same time, we continuously promote this practice to all our workforce by providing appropriate facilities (example recycling bins for waste separation) and organising awareness events to increase understanding on how to separate wastes/plastics that can be recycled.



REDUCE

Continuous efforts and initiatives are being explored to reduce utilization of natural resources like water and energy in our operating units. IOI Bio Energy for example, has initiated a rain water harvesting project by installing rain gutter systems at their building roofing to feed rain water into their steam turbine power generator. Thus far, this harvesting activity is sufficient for the collection pond and has reduced our reliance on water from other resources.



REPAIR

Good maintenance of our facilities, assets and goods includes repairing existing equipment before throwing away to help extend and further sustain their life shelf. In IOI Refinery, some scrapped materials are modified to be reused for plant maintenance to reduce the cost of sourcing unnecessary new replacements and reduce waste.

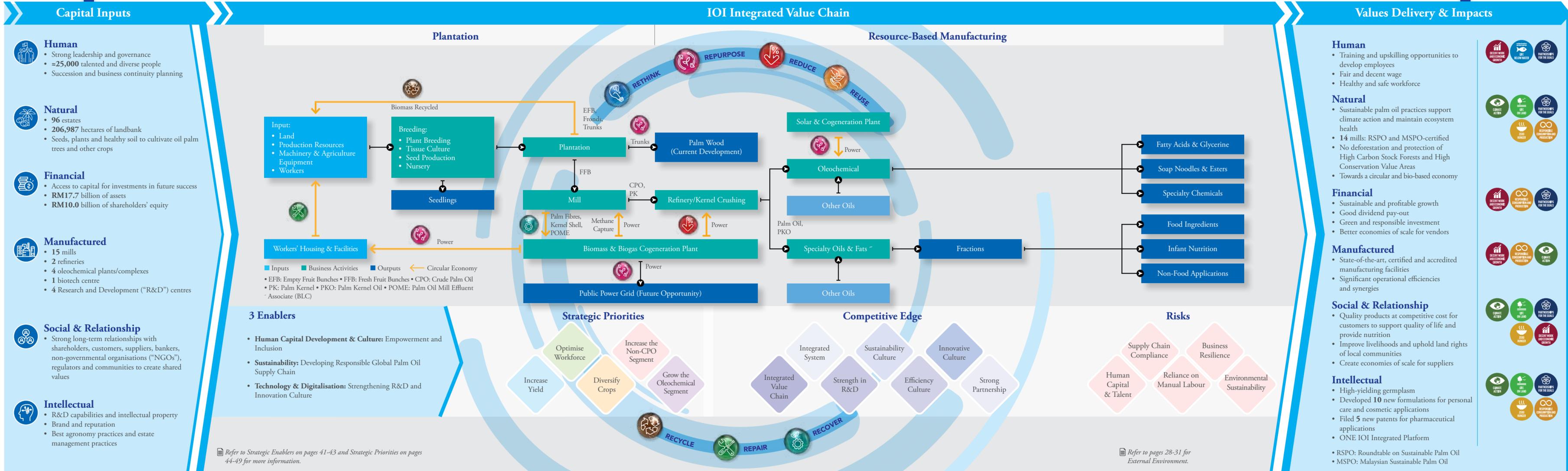


RECOVER

The processing of palm oil and its derivatives produces different types of by-products and presents opportunities towards recovery to reduce waste. Generated by-products from palm oil extraction process such as empty fruit bunches ("EFB") and fibres are being recovered and used as renewable fuel for steam boilers and used as mulch on the field as additional nutrient and soil cover for the oil palms. In the mill operation, methane gas recovered from POME is converted into energy to be used for mill operations and estates.

# VALUE CREATION MODEL

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



In alignment with our three pillars of sustainability (People, Planet, Prosperity) + Partnership, together with the six adopted relevant United Nations Sustainable Development Goals ("UNSDGs").

# OUR SUSTAINABILITY APPROACH

## IOI'S SUSTAINABILITY COMMITMENT

Sustainability performance drives business success. IOI is committed to embedding sustainability into its core business and operations and this is reflected in IOI's vision and mission.

IOI's sustainability framework remains focused on our pillars of sustainability - People, Planet, Prosperity plus Partnership that covers all aspects of Environment, Social and Governance as outlined in our value creation model (refer page 14).

Sustainability is not just the right thing to do, it is a critical driver of value for our business:

- 01 Driving growth in new innovative and green products and services.
- 02 Ensuring a secure sustainable future supply of agricultural resources and inputs.
- 03 Meeting the demands of our customers and consumers in general, who want the products that they buy and consume to be sustainably sourced.
- 04 Reducing the impacts of climate change, water stress, etc. to our business and operations.
- 05 Incentivising operational efficiency through management of resources.
- 06 Attracting and engaging our employees towards embracing our pillars of sustainability.

### Sustainability Vision

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

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

### Our Approach to Sustainability

- Define sustainability within IOI.
- Engage with stakeholders.
- Set goals and commitments.
- Establish systems and processes.
- Track progress, communicate action, and meet expectations.

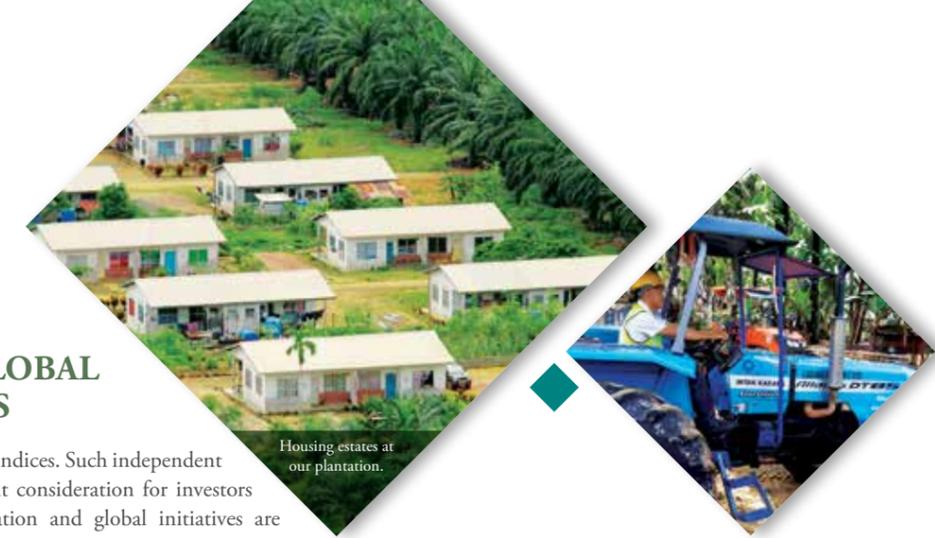
### Key Commitments of IOI Group's Sustainable Palm Oil Policy

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



IOI ensures that our frameworks, approaches, reporting and policies are updated to reflect our current practices. Visit our website to get an overview of our sustainability outline:

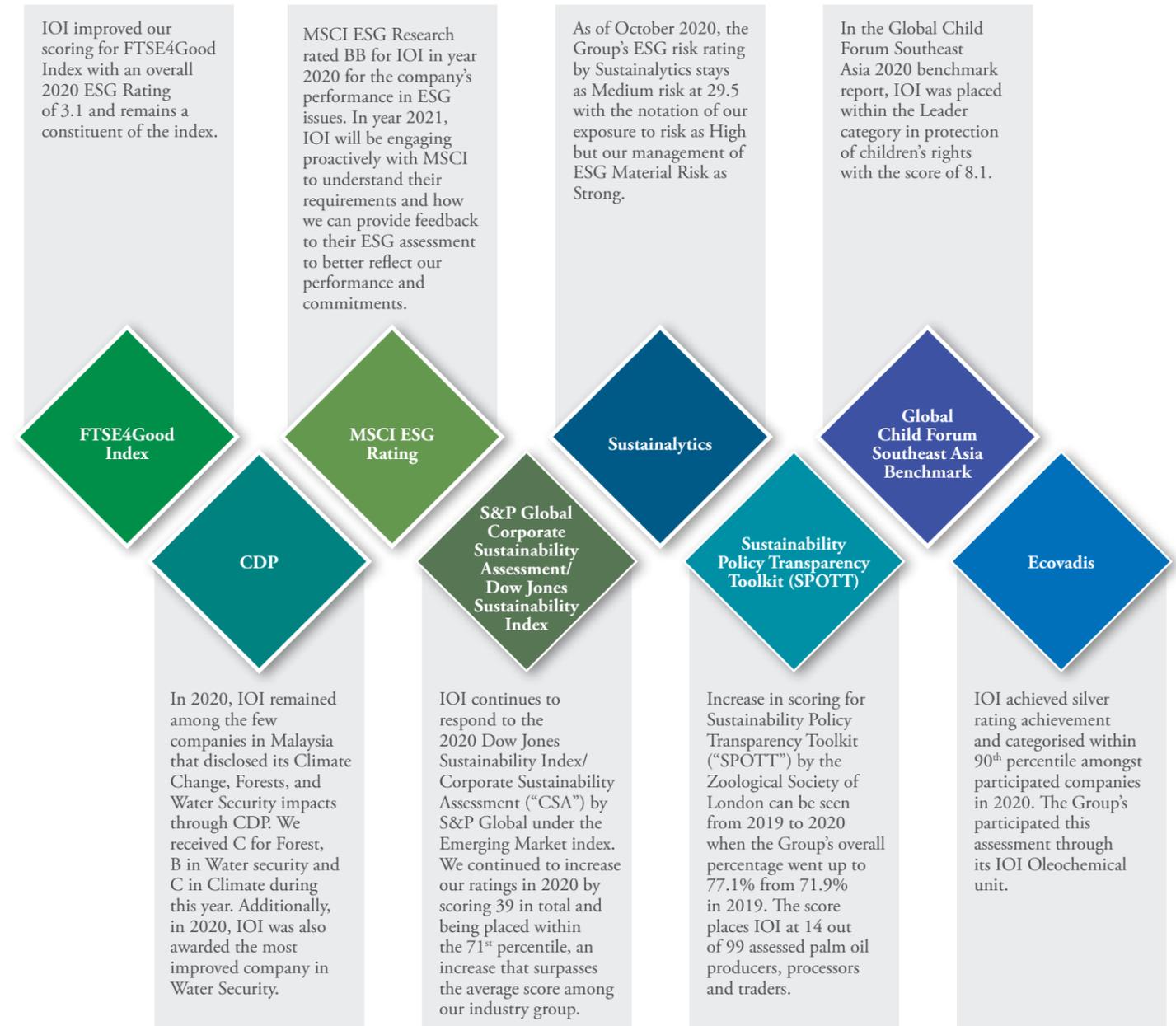
[https://www.ioigroup.com/Content/S/S\\_Sustainability](https://www.ioigroup.com/Content/S/S_Sustainability)



Housing estates at our plantation.

## OUR PERFORMANCE IN GLOBAL ASSESSMENT AND INDICES

IOI actively participates in leading ESG ratings and indices. Such independent assessments have become an increasingly important consideration for investors and our customers. Our membership on association and global initiatives are updated in our website<sup>1</sup>.



<sup>1</sup> [https://www.ioigroup.com/Content/S/S\\_Recognitions](https://www.ioigroup.com/Content/S/S_Recognitions)

# OUR SUSTAINABILITY APPROACH

## SUSTAINABILITY GOVERNANCE

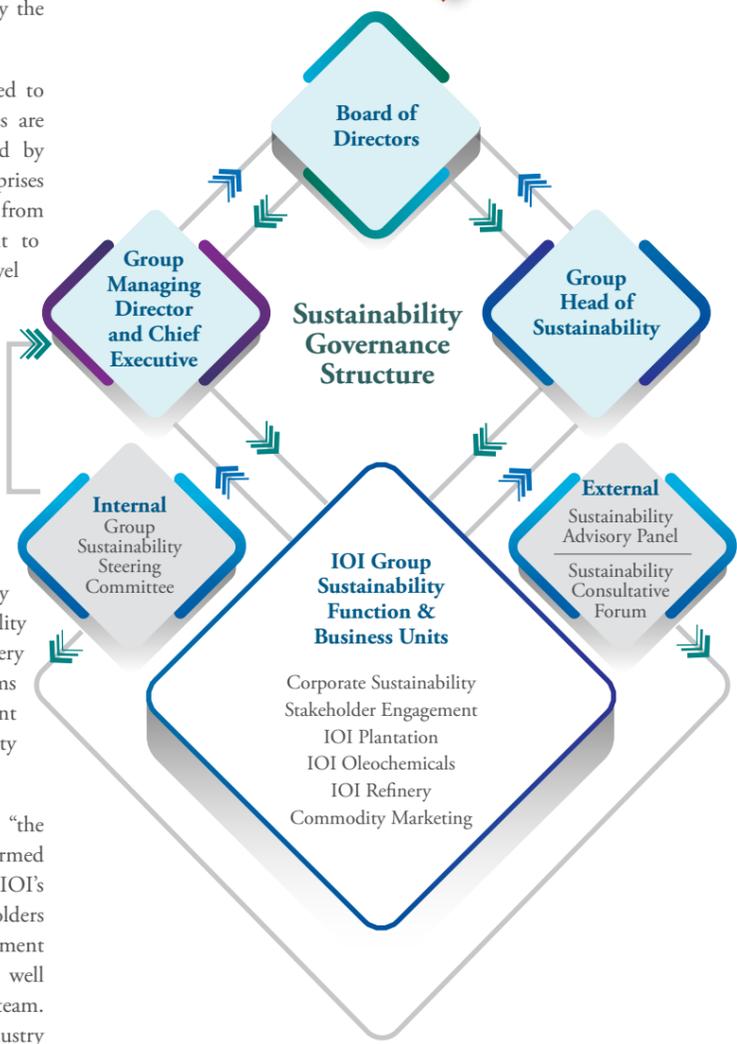
Strong governance structures and clear lines on accountability enable us to deliver our sustainability commitments especially in matters relevant to our Environment and Social commitments. To that end, IOI established a Sustainability Governance structure as shown in the figure below. To view the Corporate Governance framework, please refer to our Annual Report 2021 (page 85).

Overall, the Board has the ultimate responsibility for the management, general affairs, direction, performance, and long-term success of the Group. Sustainability risks and opportunities are presented at the board level by the Group Head of Sustainability (“GHS”).

The Group Sustainability Steering Committee (“GSSC”) was established to assure that the Group’s sustainability agenda, commitments and issues are effectively discussed, approved and implemented. The GSSC, chaired by the Group Managing Director and Chief Executive (“GMD”) comprises of the heads of the operating divisions, GHS and senior management from Group support functions. IOI further demonstrated its commitment to increase its sustainability governance and accountability at the board level with the appointment of a new Independent Non-Executive Director, Dr. Nesadurai Kalanithi. Dr. Kalanithi is also one of the founding members of Climate Governance Malaysia and will also join the GSSC to ensure further Board oversight on sustainability matters. The GSSC which meets at least once a year, will also bring matters that requires the support and implementation approval of the Board.

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

The role of the previous Sustainability Advisory Panel (“SAP” or “the Panel”) has now evolved to become the core members of the newly formed Sustainability Consultation Forum (“SCF”). The main purpose of IOI’s SCF is to gather feedback and perceptions from external stakeholders such as NGOs, international brands, subject-matter experts, government departments, etc., on selected, complex sustainability challenges as well as bottom-up feedback from IOI’s management and sustainability team. Outcomes from the SCF are specific actions that IOI and other industry participants, as well as other stakeholders can take to advance interventions that can help provide a pathway to addressing the root causes of identified challenges.



Based on current trends, internal and external audits as well as sustainability indications and assessments, the table explains the provision of Environmental, Social and Governance (“ESG”) matters that are managed and addressed by IOI:



### ENVIRONMENT

 <p><b>Climate Change</b></p> <ul style="list-style-type: none"> <li>Responsible land use.</li> <li>No Deforestation, No New Planting on Peat.</li> <li>GHG emission management.</li> <li>Risk and opportunity, strategy and target.</li> </ul>	 <p><b>Resource Management</b></p> <ul style="list-style-type: none"> <li>Water management.</li> <li>Energy.</li> <li>Other natural resource.</li> <li>Responsible sourcing.</li> </ul>	 <p><b>Environment Protection</b></p> <ul style="list-style-type: none"> <li>Biodiversity and conservation.</li> <li>Chemical and pest management.</li> <li>Pollution and waste management.</li> </ul>
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### SOCIAL

 <p><b>Community Relations</b></p> <ul style="list-style-type: none"> <li>Free, Prior, Informed, Consent (“FPIC”).</li> <li>Social Impact Assessment (“SIA”).</li> </ul>	 <p><b>Health &amp; Safety</b></p> <ul style="list-style-type: none"> <li>Workplace safety.</li> <li>Employee’s wellbeing.</li> </ul>	 <p><b>Human Rights</b></p> <ul style="list-style-type: none"> <li>Workers’ rights, labour practices and workplace condition.</li> <li>Ethical employment.</li> <li>No Child Labour.</li> <li>Equality and inclusivity.</li> </ul>
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### GOVERNANCE

 <p><b>Regulatory Compliances</b></p> <ul style="list-style-type: none"> <li>Ethical conduct.</li> <li>National law and regulations.</li> <li>International Standards, Guidelines and Frameworks.</li> </ul>	 <p><b>Transparency &amp; Accountability</b></p> <ul style="list-style-type: none"> <li>Stakeholder engagement.</li> <li>Whistleblowing procedure.</li> <li>Grievance mechanism and reporting.</li> </ul>	 <p><b>Communication &amp; Reporting</b></p> <ul style="list-style-type: none"> <li>Transparent communication of our own and supplier grievance.</li> <li>Traceability updates.</li> <li>Reporting on sustainability metrics, target and action plan.</li> </ul>
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# OUR SUSTAINABILITY APPROACH

## STAKEHOLDER ENGAGEMENT



Our approach in sustainability involves managing and developing the expectations, needs and concerns of each stakeholder group. By conducting regular and proactive engagement with our key stakeholders, we gather information and perspectives on what matters to our stakeholders, our business operations and sustainability performances. We then communicate the full range of value created transparently, to show accountability towards our actions and commitments. The collaborative initiatives that have come from our stakeholder engagement efforts have led to a number of practical solutions. In 2021, despite the restriction following the pandemic, we continued to effectively engage our stakeholders in many ways. The full list of our stakeholder engagements can be found in our website<sup>1</sup>.

STAKEHOLDER	ACTIVITIES FY2021	OUTPUT/VALUES CREATED
 <p>Employee</p>	<ul style="list-style-type: none"> <li>Enhanced workplace practices, work from home arrangements, vaccination programs, and provision of reusable face masks.</li> <li>Frequent updates and communications, workshops on mental health and COVID-19 vaccines.</li> <li>Training, learning and development programs in both physical and virtual modes. Introduction of bite-sized e-learning content, <i>IOI Grow</i>.</li> <li>Programs, engagements and initiatives with our employees to celebrate important events such as Earth Month and International Women's Day.</li> </ul>	<ul style="list-style-type: none"> <li>Ensures health and safety of our employees in protection against COVID-19 virus.</li> <li>To ensure overall wellbeing of employees are taken care of as well as ensure employees are given accurate information about the COVID-19 vaccines.</li> <li>Ensure employees received continuous development, capacity building and additional upskill even when our employees are working from home.</li> <li>Improving employee morale, promoting positive impacts towards social and environmental values, and encouraging engagement between IOI's workforce.</li> </ul>
 <p>Customers</p>	<ul style="list-style-type: none"> <li>Involved in IOI's Sustainability Consultation Forum ("SCF").</li> <li>Continue working in partnership with our customers, Bunge Lodera Croklaan for project ILHAM.</li> <li>Responding to customer's request on submission of ESG performance through third party platforms such as CDP, etc.</li> <li>Due to restriction of movements, increased communication and discussions with customers via internet (Skype/Zoom/etc.) as well as introduction of products by CARE Studio on Youtube.</li> <li>Responded on sustainability-related updates and enquiries.</li> </ul>	<ul style="list-style-type: none"> <li>SCF enables IOI to gather feedback and perceptions from our customers on selected sustainability issues.</li> <li>Increases positive impact in our value chains to promote sustainable production.</li> <li>Successfully submitted to all customer's request. For example, IOI received 'B' in CDP supplier engagement rating Report 2020.</li> <li>Delivering personalised values that are focused on customer's needs.</li> <li>Transparent communications, sharing of sustainability progress updates, ongoing communication of material issues.</li> </ul>
 <p>Communities</p>	<ul style="list-style-type: none"> <li>Supporting schools during the pandemic by providing masks to school children and teachers as well as provide makeshift spaces to make sure school can run as usual while following the strict SOP of physical distancing.</li> <li>Working in partnership supporting Smallholders and Outgrowers towards sustainable production and achieving sustainability certification ("MSPO").</li> <li>Programmes to enhance wellbeing across our operating units including blood donation drive and drug prevention education.</li> <li>Yayasan Tan Sri Lee Shin Cheng ("YTSLSC") educations and community outreach programmes.</li> </ul>	<ul style="list-style-type: none"> <li>Protecting the children within our operating areas from the pandemic.</li> <li>Helping smallholders achieve sustainability, increase their income and maximise yields.</li> <li>Education, medical and donation assistance that benefit the community.</li> </ul>

<sup>1</sup> [https://www.ioigroup.com/Content/S/PDF/Stakeholders\\_Engagement.pdf](https://www.ioigroup.com/Content/S/PDF/Stakeholders_Engagement.pdf)

STAKEHOLDER	ACTIVITIES FY2021	IMPACT/VALUE CREATED
 <p>Suppliers</p>	<ul style="list-style-type: none"> <li>Engagement with suppliers on worker's welfare programmes and evaluating supplier's current practices.</li> <li>Implement traceability and monitoring programs and providing training and solutions to eliminate deforestation and prevent forest clearance ("NDPE").</li> <li>Monitoring grievance and progress reporting.</li> </ul>	<ul style="list-style-type: none"> <li>Increasing supplier's awareness on countering forced labour.</li> <li>Increased transparency and traceability of fresh fruit bunches ("FFB") sources and enable IOI to help our suppliers improve and address gaps in their implementation of our NDPE commitments.</li> <li>Transparent and regular grievance communication in our website regarding grievances reported against our suppliers.</li> </ul>
 <p>Regulators</p>	<ul style="list-style-type: none"> <li>Supporting frontliners, including public hospitals, fire and rescue departments fighting against COVID-19.</li> <li>Engaged relevant regulators for discussion and forums. Department of Labour was one of the participants in IOI's first SCF.</li> </ul>	<ul style="list-style-type: none"> <li>Provides medical and safety equipment to support and show solidarity with our frontliners during this pandemic.</li> <li>Gather constructive feedback to address complex sustainability issues.</li> </ul>
 <p>Shareholders and Investors</p>	<ul style="list-style-type: none"> <li>Proactively respond to communication and enquiries received from Investor Relations and Sustainability department.</li> <li>Invited speaker in forums and webinars by financial institutions, investments and asset management organisations.</li> <li>Responded to ESG indices (FTSE4Good Index, S&amp;P Global Corporate Sustainability Assessment, MSCI, and Sustainalytics) and request of submission by investor groups for ESG disclosures and ratings including for CDP Climate, Water and Forest response.</li> <li>Active engagement, updates and feedback on TCFD and other climate related financial initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>Accurate information and understanding on IOI's ESG performances and practices.</li> <li>Information and knowledge sharing on ESG initiatives increase confidence among investors and enhances IOI's reputation.</li> <li>Reviews of assessment by ESG rating agencies, including corrections, responses and engagement.</li> <li>Disclosures based on TCFD recommendations, engaging third party on calculating climate risks in line with TCFD recommendations.</li> </ul>
 <p>Industry Association/Civil Society</p>	<ul style="list-style-type: none"> <li>Corporate member of BSR since April 2021.</li> <li>Engagement with BSR to facilitate IOI's first SCF which also included external participants from RSPO, Malaysian Palm Oil Certification Council ("MPOCC").</li> <li>Collaborations with HUTAN-Kinabatangan Orang-utan Conservation Programme and Seratu Atai on elephant protection projects in Sabah as well as partnership on Management &amp; Ecology of Malaysian Elephants ("MEME") for elephants coexistence project in Southern Peninsular Malaysia.</li> <li>Training on High Conservation Value ("HCV") and High Carbon Stock ("HCS") by Proforest.</li> <li>Partnership with Earthworm Foundation in supplier programs.</li> </ul>	<ul style="list-style-type: none"> <li>Enables IOI to leverage on the organisation's expertise to innovate, impact and create long-term positive changes in sustainability areas.</li> <li>Successful first SCF centred on efforts to address the current labour challenges that are faced by IOI and the palm oil sector in Malaysia.</li> <li>Enhanced our biodiversity protection of Rare, Threatened and Endangered ("RTE") species.</li> <li>Provide knowledge and skills in the identification, classification and management of HCV and HCS areas within IOI's operations.</li> <li>Traceability and monitoring to prevent forest clearance, hence, eliminating deforestation from our supply chain.</li> </ul>

# OUR SUSTAINABILITY APPROACH

## CONTRIBUTION TO UN SDGS

### SUSTAINABILITY TARGET AND CONTRIBUTION TO UN SDGS

Since reporting in 2018 Sustainability Report (“SR”) that the Group is supporting the United Nation’s call for governments and organisations to contribute to the Sustainable Development Goals (“SDGs”), IOI has clearly set out our targets and contributions to the SDGs that we have adopted. In our 2020 SR, IOI had further aligned the selected priority SDGs that are most relevant to our business and to which we can most significantly contribute with our KPIs in sustainability. The table below maps our contribution to the UNSDGs, our sustainability related aligned targets and KPIs, as well as the related performance updates for the current reporting period.

Priority SDGs	IOI Contribution to SDGs	IOI Targets/ KPIs as Stated in SR2020	Performance FY2021	Reference Page
 <p>2 ZERO HUNGER Target 2.4</p>	<ul style="list-style-type: none"> <li>Adopts circular economy model to ensure sustainable food production and ensure food security.</li> <li>Conduct R&amp;D to produce high-yielding crops with less chemical use, resources and land.</li> <li>Uses non-harmful agricultural methods to mitigate human-wildlife conflict; to ensure soil management to prevent soil erosion and degradation; etc.</li> <li>‘Plant Your Own Food’ initiative whereby plots of land, seedlings, etc., are allocated within our plantation to encourage fruits and vegetable plantings by our employees.</li> </ul>	<ul style="list-style-type: none"> <li>In order to meet global food security for oil and fats, improve OER by at least 15% from our clonal palms compared to conventional seedlings will result in higher oil yield.</li> <li>Continuous optimisation of nutrient uptake by the oil palm tree through fertiliser management and soil microbe enhancement.</li> </ul>	<ul style="list-style-type: none"> <li>IOI is proactively replanting using the high yielding clonal palms in suitable areas and terrains.</li> <li>Continuous implementation on Integrated Pest Management (“IPM”) with biological controls.</li> <li>Research by our agronomists to conserve soil fertility in order to reduce the need for additional fertilisers as well as the uptake of palm waste by-products as organic fertiliser (part of circularity).</li> </ul>	<ul style="list-style-type: none"> <li>Annual Report, pages 60-61</li> <li>Page 36</li> </ul>
 <p>8 DECENT WORK AND ECONOMIC GROWTH Target 8.2</p>	<ul style="list-style-type: none"> <li>Provide capacity building to IOI plantation workers to ensure our workforce is updated with new skills, efficient and productive.</li> <li>Invest in R&amp;D on our crops to increase productivity and decrease dependence on natural resources.</li> <li>Introducing mechanisation, automation and digitalisation especially in the labour-intensive parts of our operations.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of ‘Coaching the Coach Program’ and ‘Train the Trainer Program’ to cultivate employee potential.</li> <li>Use of technology to improve yields and productivity while contributing to upskilling workforce.</li> <li>IOI’s five-year strategic blueprint as stated in our Annual Report.</li> </ul>	<ul style="list-style-type: none"> <li>Continuous training and employee talent development conducted for employees and programs to enhance capacity building through both physical and virtual platforms.</li> <li>Implementation of mechanisation and digitalisation platforms in our operations to improve existing systems and processes as well as increase efficiency and productivity.</li> <li>Progress and integration of IOI five-year strategic blueprint are reported throughout our Annual Report 2021.</li> </ul>	<ul style="list-style-type: none"> <li>Pages 20, 56-61</li> <li>Pages 48-49</li> <li>Annual Report 2021, Pages 44-49</li> </ul>
 <p>8 DECENT WORK AND ECONOMIC GROWTH Target 8.8</p>	<ul style="list-style-type: none"> <li>Operate in accordance with local and national laws, and adherence to international standards as stated in the SPOP.</li> <li>Collaborate with social, labour and human rights experts to continuously identify and adopt best practices in labour practices - case study on Respecting People, Retaining Workers by Earthworm Foundation.</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring that all our workers are safe from COVID-19 by following all SOPs and guidelines provided by our government.</li> </ul>	<ul style="list-style-type: none"> <li>Programs and measures such as vaccination programs, masks, etc., were put in place to ensure the safety and wellbeing of our workforce. The Group had also extended contributions to our communities and frontliners in Malaysia and Indonesia.</li> </ul>	<ul style="list-style-type: none"> <li>Page 61</li> </ul>

Priority SDGs	IOI Contribution to SDGs	IOI Targets/ KPIs as stated in SR2020	Performance FY2021	Reference Page
 <p>8 DECENT WORK AND ECONOMIC GROWTH Target 8.8</p>	<ul style="list-style-type: none"> <li>Conducted the Fair and Decent Wage Study together with Monash University.</li> <li>Implement Occupational Health and Safety Management Systems that meet OHSAS 18001 Standard.</li> <li>Certifying IOI Oleo under ISO 45001 for Occupational Health and Safety systems and have policies, guidelines and procedures disseminated to all workers.</li> <li>Launched the Women and Empowerment Committee and have enhanced our guidelines on harassment at the workplace.</li> </ul>	<ul style="list-style-type: none"> <li>IOI targeted earnings of more than the minimum wage for each worker during normal working hours in Malaysia.</li> <li>Support women’s rights and empowerment.</li> </ul>	<ul style="list-style-type: none"> <li>Despite the pandemic situation that affected both Malaysia and Indonesia, the Group continues to maintain our workforce and workers in the plantation were able to at least receive their minimum wages.</li> <li>Women Empowerment Committee (“WEC”) introduced in 2019 continue to promote women’s rights and empowerment through various activities and programs despite the pandemic.</li> <li>Introduction of multiple initiatives to increase skills and generate alternative income.</li> <li>Celebrations for International Women’s Day on 8<sup>th</sup> March 2021 throughout IOI operations.</li> <li>Revisions on related guidelines to strengthen our commitments towards women’s right and their wellbeing in the workplace including Guideline for Implementation of Women and Empowerment Committee (“WEC”), Guideline on Reproductive Health and Guideline for Handling Harassment at Workplace.</li> </ul>	<ul style="list-style-type: none"> <li>Pages 56-61</li> <li>Pages 56-61</li> </ul>
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION Target 12.4</p>	<ul style="list-style-type: none"> <li>Adopts the circular economy model to minimise waste generation and maximise recycling in the plantation operations</li> <li>Green initiatives in resource-based manufacturing to increase water recycling, reduce wastage and increase reprocessing waste material and energy efficiency.</li> </ul>	<ul style="list-style-type: none"> <li>Target to increase power generation from solid waste, fibre and EFB from plantation operations to be used for mill processing.</li> <li>100% treated POME for upcycling use for oil palm plantation operations.</li> </ul>	<ul style="list-style-type: none"> <li>All organic solid wastes, fibre and EFB from plantation operations are not being disposed but instead are utilised to generate power for the mill operations (part of circularity).</li> <li>All treated POME were being recycled back for use in our oil palm plantation operations. Our upstream operations continue to achieved 99% recycling from the upcycling of organic wastes including POME (part of circularity).</li> </ul>	<ul style="list-style-type: none"> <li>Pages 37-39</li> <li>Pages 37-39</li> </ul>

# OUR SUSTAINABILITY APPROACH

Priority SDGs	IOI Contribution to SDGs	IOI Targets/ KPIs as stated in SR2020	Performance FY2021	Reference Page
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> <p>Target 12.4</p>		<ul style="list-style-type: none"> <li>Minimise pollution and waste generation.</li> </ul>	<ul style="list-style-type: none"> <li>IOI minimised pollution and waste generation by ensuring regulatory compliances and applications of 7Rs Circularity in our plantations and resource-based manufacturing facilities.</li> <li>In FY2021, IOI Plantation and IOI Refinery Division recycled and reused 99% of the waste produced and IOI Oleo recycled 25% of waste.</li> </ul>	<ul style="list-style-type: none"> <li>Pages 36-39</li> </ul>
	<ul style="list-style-type: none"> <li>Publish Annual Sustainability Report based on GRI Standards.</li> <li>Collaborate with MPOB to support smallholders in attaining MSPO certification.</li> <li>Support suppliers on their transformation towards NDPE policy commitments.</li> <li>Frequent reporting from time to time in IOI website with regards to grievance list, third party supplier traceability, sustainability updates.</li> </ul>	<ul style="list-style-type: none"> <li>IOI Oleo to be fully ISO 50001: Energy Management certified.</li> <li>100% MSPO and RSPO certification for estates and mills in Malaysia.</li> <li>100% RSPO certification for all IOI plantations by 2023.</li> <li>To publicly disclose sustainability implementation progress on a regular basis.</li> </ul>	<ul style="list-style-type: none"> <li>IOI Oleo carried out efficiency improvement projects via ISO 50001.</li> <li>Achieved 100% RSPO certification (except IOI Pelita) and MSPO for estates and mills in Malaysia.</li> <li>Current progress in line with 100% RSPO certification for all IOI plantations in Malaysia and Indonesia by 2023.</li> <li>Publicly disclose sustainability implementation progress and initiatives on a regular basis.</li> <li>Publication and disclosures in the Annual Sustainability Report.</li> </ul>	<ul style="list-style-type: none"> <li>Pages 34-35</li> <li>Palm Oil Dashboard and Traceability<sup>2</sup></li> <li>Palm Oil Dashboard and Traceability</li> <li>Sustainability Progress Update<sup>3</sup></li> </ul>
	<ul style="list-style-type: none"> <li>Key Oil Palm player in Malaysia that is committed towards embedding sustainable approach in addressing our environmental and social footprint whilst also investing in R&amp;D to improve our production and manufacturing capabilities.</li> </ul>	<ul style="list-style-type: none"> <li>Consistently achieve OER higher than the Malaysian average through palm biotechnology.</li> <li>R&amp;D direction to improve oil-bearing characteristics and tree morphology.</li> <li>Eco-friendly products developed by the oleochemical division.</li> </ul>	<ul style="list-style-type: none"> <li>IOI consistently achieves OER for CPO higher than the Malaysian average<sup>1</sup>. The Group recorded OER of 21.39% in FY2021 compared to 21.83% in FY2020.</li> <li>Our research facilities continue to innovate research and development programmes to create better planting materials without genetically altering the planting material.</li> <li>Products with key applications in pharmaceutical, nutritional, cosmetic and personal care segments</li> </ul>	<ul style="list-style-type: none"> <li>Annual Report, pages 60-61</li> <li>Annual Report, pages 60-61</li> <li>Annual Report, pages 69-71</li> <li>Pages 48-49</li> </ul>

Priority SDGs	IOI Contribution to SDGs	IOI Targets/ KPIs as stated in SR2020	Performance FY2021	Reference Page
 <p>13 CLIMATE ACTION</p> <p>Target 13.2</p>	<ul style="list-style-type: none"> <li>Implement measures to reduce GHG emissions.</li> <li>Under our NDPE commitment, no deforestation and no new planting on peat.</li> <li>New oil palm developments only after comprehensive stakeholder engagement and assessments (including ESIA, HCV and HCS assessment, LUC analysis, GHG assessment, soil suitability and topographic survey).</li> <li>Fire Management implemented.</li> </ul>	<ul style="list-style-type: none"> <li>IOI is committed to a holistic approach in implementing its climate action strategy and to strive for reducing GHG emissions.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of climate action strategy from upstream to resource-based manufacturing operations.</li> <li>Application of TCFD guidelines into climate reporting.</li> <li>Engagement with consultants to analyse climate risks i.e., physical and transition risks.</li> <li>The practice of circularity within our operations to reduce waste generation by, amongst others, repurposing for other value-added products, recovering and recycling.</li> <li>Installed 10 methane capture facilities at major mill operations.</li> <li>Tracking of emission reduction target and progress for IOI Plantation, Refinery and IOI Oleo are reported here.</li> </ul>	<ul style="list-style-type: none"> <li>Pages 30-39, 42-47</li> <li>Pages 30-35</li> <li>Pages 30-35</li> </ul>
	<ul style="list-style-type: none"> <li>As stated in our SPOB, we have set aside peatland and conservation areas to be managed and protected.</li> <li>Committed to NDPE commitments.</li> <li>New oil palm developments are permitted only after comprehensive stakeholder engagement and assessments (HCV, HCS and GHG assessment, ESIA; LUC analysis; soil suitability and topographic surveys) are conducted.</li> <li>Implement collaborative and landscape approach, conservation and biodiversity projects.</li> </ul>	<ul style="list-style-type: none"> <li>Committed to protection of peatland and rehabilitation and conservation of land where we operate.</li> <li>Identification and protection of HCV areas.</li> <li>Following best management practices in peatland management and biodiversity &amp; conservation.</li> </ul>	<ul style="list-style-type: none"> <li>IOI implemented No Deforestations, No Peat, No Exploitation (“NDPE”) commitments and moratorium in all its operations and reported no deforestation or development on peat for the reporting year.</li> <li>A total of 3608.47 hectares of HCV area and 6145.23 hectares other conservation areas in Malaysia and Indonesia were identified to be protected in FY 2021.</li> <li>IOI exercises the application of High Conservation Value Network (“HCVN”) and High Carbon Stock Approach (“HCSA”) toolkit to help us identify and conserve HCV and HCS areas for new land developments in all our operations.</li> <li>Adopted recognised best management Practices by RSPO.</li> </ul>	<ul style="list-style-type: none"> <li>Pages 42-47</li> <li>Pages 42-47</li> <li>Pages 42-47</li> </ul>
 <p>15 LIFE ON LAND</p> <p>Target 15.1</p>				

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

<sup>2</sup> [https://www.ioigroup.com/Content/S/S\\_Dashboard](https://www.ioigroup.com/Content/S/S_Dashboard)

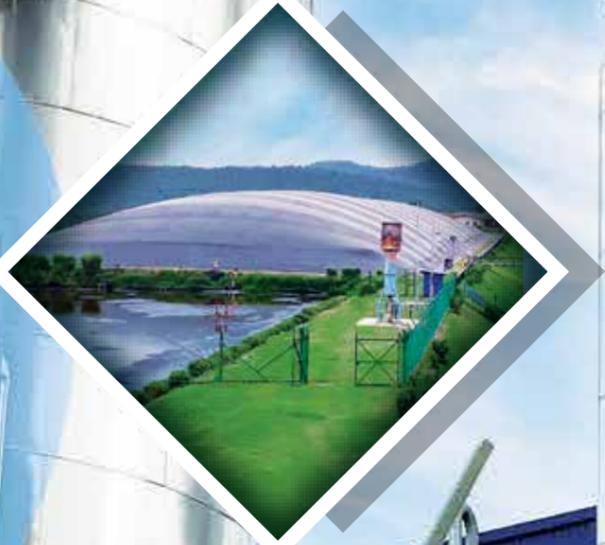
<sup>3</sup> [https://www.ioigroup.com/Content/S/S\\_SIP](https://www.ioigroup.com/Content/S/S_SIP)

# OUR SUSTAINABILITY APPROACH

Priority SDGs	IOI Contribution to SDGs	IOI Targets/ KPIs as stated in SR2020	Performance FY2021	Reference Page
 Target 15.2	<ul style="list-style-type: none"> <li>Rehabilitation of forest reserve through Mini Landscape Level Approach for Peatlands adjacent to our Bukit Leelau Estate.</li> <li>Committed to NDPE commitments.</li> <li>Socialisation, dialogue and awareness programmes on fire prevention in forests to stakeholders.</li> <li>Identification of High Carbon Stock ("HCS") forests.</li> <li>Utilises Global Forest Watch platform to map our concession areas, obtain daily information about forest fires, and obtain longer-term climate trends.</li> <li>Partnered with Aidenvironment to establish a near real-time deforestation monitoring capacity where IOI's suppliers are operating.</li> </ul>	<ul style="list-style-type: none"> <li>Identifying and protecting HCV and HCS areas in where we operated.</li> <li>Uphold and promote NDPE throughout our third-party suppliers.</li> <li>Adopting Landscape Level Approach (LLA) where applicable by working in partnership with communities.</li> </ul>	<ul style="list-style-type: none"> <li>In depth training for our employees on HCV and HCS assessment.</li> <li>Protection of HCV, HCS and conservation areas within our operating units based on our policy commitments and specific developed guidelines.</li> <li>Application of T4T assessments and collaboration with Earthworm Foundation on engagement programmes for suppliers.</li> <li>Partnership with external stakeholders including communities, local authorities and neighbouring plantations for Ketapang landscape level programmes as well as the continuation of our Bukit Leelau mini-LLA.</li> </ul>	<ul style="list-style-type: none"> <li>Pages 44-49</li> <li>Pages 44-49</li> <li>Pages 42-47</li> <li>Sustainability Initiatives<sup>4</sup></li> </ul>
	<ul style="list-style-type: none"> <li>New oil palm developments are permitted only after comprehensive stakeholder engagement and assessments.</li> <li>Uses natural and non-harmful agricultural methods to mitigate human-wildlife conflict.</li> <li>Trained Honorary Forest Rangers, Honorary Wildlife Wardens and collaborates with local society and regulators to monitor RTE species.</li> <li>Collaboration with HUTAN-PONGO for ecological study on Orangutan population at Kinabatangan.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening our Environmental Management Guidelines by having clear specific stages in handling fire, peat and biodiversity within our operations.</li> <li>Working with relevant authorities on biodiversity conservation and protection of RTE species.</li> </ul>	<ul style="list-style-type: none"> <li>Introduced Biodiversity Management guideline which defined the steps that the management takes in conservation and biodiversity protection, especially within the estates.</li> <li>Implementation of the Peat Protection and Management guideline which provides general guidance on peatland protection and conservation, best management practices, rehabilitation of degraded peatland, fire prevention and control, as well as providing necessary trainings to internal and external stakeholders on the management of peatland within our plantation.</li> <li>Collaborative projects with NGOs and local authorities in protections of RTE species including projects on elephant co-existence and orang utan rescue monitoring and missions.</li> </ul>	<ul style="list-style-type: none"> <li>Pages 44-47</li> <li>Pages 44-47</li> <li>Pages 44-47</li> </ul>

<sup>4</sup>[https://www.ioigroup.com/Content/S/S\\_Initiatives](https://www.ioigroup.com/Content/S/S_Initiatives)

Priority SDGs	IOI Contribution to SDGs	IOI Targets/ KPIs as stated in SR2020	Performance FY2021	Reference Page
 Target 17.16	<ul style="list-style-type: none"> <li>Collaborate with industry experts to share information and solve challenges in social and environmental projects.</li> <li>Key partnerships and associations include Proforest, Earthworm Foundation, Aidenvironment, Global Environment Centre, MPOA, Sustainable Palm Oil choice Member, International Sustainability &amp; Carbon Certification ("ISCC"), High Carbon Stock Approach ("HCSA") Steering Group Member and RSPO.</li> </ul>	<ul style="list-style-type: none"> <li>Collaborate with other palm oil producers, processors, food companies, NGOs and governmental bodies in improving industry-wide palm oil sustainability commitments.</li> <li>Collaborate with other palm oil producers, processors, food companies, NGOs and governmental bodies in improving industry-wide palm oil sustainability commitments.</li> </ul>	<ul style="list-style-type: none"> <li>IOI had collaborated with customers, food companies, civil societies, regulatory body, and local authorities in joint sustainability projects including project ILHAM, project RELeaf and certification programs for smallholders.</li> <li>IOI works in partnership with multi-stakeholders throughout different projects which are illustrated in every section of the focus areas discussed in this report. The projects cover all Environment, Social and Economic spectrums.</li> <li>Introduction of SCF as a platform for IOI to gather external stakeholder expectations on selected sustainability issues.</li> </ul>	<ul style="list-style-type: none"> <li>Pages 46, 53-55</li> <li>Pages 20-21</li> <li>Pages 28-61</li> <li>Pages 18-21</li> </ul>
	<ul style="list-style-type: none"> <li>New oil palm developments are only allowed following comprehensive stakeholder engagement and assessments.</li> <li>Key partnerships and associations include Civil societies, MPOA, ISCC, HCSA and RSPO.</li> </ul>	<ul style="list-style-type: none"> <li>Active collaboration for capacity building to create awareness on sustainability matters.</li> <li>Active collaboration with academia, industrial associations and working groups for information sharing and drive sustainability agenda.</li> </ul>	<ul style="list-style-type: none"> <li>We collaborated with different organisations to improve capacity building for our suppliers, smallholders and our own workforce which were discussed in all focus areas in this report.</li> <li>IOI has been actively involved in forums, discussions, working groups, taskforces in organisations such as RSPO, MSPO, HCSA, ILO, MPOA, etc., and other knowledge sharing platforms such as Securities Industry Development Corporation ("SIDC"), Business Council of Sustainable Development ("BCSD"), etc., virtually in communicating sustainability agenda and to improve perceptions towards sustainable palm oil.</li> </ul>	<ul style="list-style-type: none"> <li>Pages 20-21</li> <li>Pages 28-61</li> <li>Pages 20-21</li> <li>Pages 28-61</li> </ul>



If it can't be reduced, repaired, rebuilt, refurbished, refinished, resold, recycled or composted, then it should be restricted, redesigned or removed from production.

- Peter Seeger

# From Linear to Circular

*At IOI, we have reshape our strategies to embrace a no-waste culture through the adoption of 7Rs of Circularity. We will approach and treat waste as a design flaw and will try to create opportunities that will embrace the 7Rs (Rethink, Repurpose, Reduce, Reuse, Recycle, Repair and Recover). We are asking our people and suppliers to rethink how we use our resources and reject wasteful practices.*

Achievements to date:

**99%** Recycled and reused waste in IOI Plantation and IOI Refinery.

**97%** Water is recycled in IOI Refinery.



RETHINK



REPURPOSE



REDUCE



REUSE



RECYCLE



REPAIR



RECOVER



IOI ECOLOGICAL  
60% WASTE GENERATION

# FOCUS AREA: FROM LINEAR TO CIRCULAR

## CLIMATE CHANGE

### MANAGEMENT APPROACH

Last year, IOI formally introduced the Climate Change Action (“CCA”) Initiative as part of IOI’s long-term action plan to manage climate-related risks and opportunities within our diverse and vertically integrated operations. The main objective of this initiative is to achieve carbon neutral as a group by practicing circularity in our operations to help reduce our GHG emissions and impact to the environment while exploring new technologies and innovations that could mitigate risks and enable us to adapt to new circumstances. These approaches are very much in line with our 5 Strategic priorities. As a framework of approach, the CCA initiative has been set up to be in alignment with the recommendations from the Task Force on Climate-related Financial Disclosures (“TCFD”), i.e., the four thematic areas as illustrated in the TCFD are represented as the core elements of how IOI operates in implementing our CCA initiative as shown:

### Our Governance

CCA related key performance index (“KPI”) is included as part of the KPI for Group Managing Director and top management as reported in the ASR. Similar KPIs are applied to the rest of the organisation to ensure group-wide implementation and accountability. Strategy, programmes and development of CCA are overseen by IOI’s Group Sustainability Steering Committee, which will also be discussed at the Board level. The Group Head of Sustainability and each sustainability unit of the business division will undertake and oversee the implementation and monitoring of CCA-related performance at the operations level. Climate change is also recognised as a sustainability risk and is reviewed under the Group’s Enterprise Risk Management (“ERM”) framework.

### Strategy

To continuously improve climate change positively through mitigation and adaptation of environmental performance in our operations and increase resource efficiency for a low-carbon economy by setting long-term targets to reduce GHG emission; promote climate action plans and practices through innovation, improved operational efficiency and support actions throughout the operations that prioritise circularity; and increase the resilience of our business by managing risk and opportunities, forecasting climate scenarios for climate impact valuation by conducting a quantitative group-wide climate change assessment to help IOI strategise in a more holistic way on how best to respond to potential climate risks.

### Risk Management

In order to ascertain IOI’s risk towards climate change, IOI has conducted a quantitative group-wide climate change assessment with a third party who has the expertise to identify climate-related transition and physical risks in alignment to TCFD. The assessment evaluates the inherent economic risks associated with low-carbon transition as well as

physical risks resulting from climate change in different climate scenarios until 2050. Mitigation and adaptation solutions of the identified risks are summarised in pages 32 to 33.

### Metrics and Targets

IOI has published its group-wide GHG emissions baseline and target in 2020. Operational GHG emissions intensity is targeted to reduce by more than 40% in 2025 based on the 2015 baseline. Details of the current and targeted GHG emissions figures are available in GHG Emissions Target section on page 32.

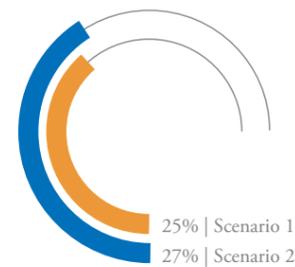
## OUR PERFORMANCE

### CLIMATE RELATED RISK AND OPPORTUNITIES

The climate-related transition and physical risks analysed are in alignment with the TCFD and are based upon IOI’s specific sourced data as well as data from well-known international climate organisations and other relevant third-parties.

### Transition Risks

Analysis on carbon pricing risk projections indicates IOI’s carbon pricing risk exposure to the operating expenditure for year 2050 under the low to high carbon pricing scenario could range from 10 - 39%. However, carbon sequestration from the plantation operations can significantly mitigate the carbon pricing risk exposure by as much as 16 - 24% in GHG scenario 1 and 16 - 27% in scenario 2.



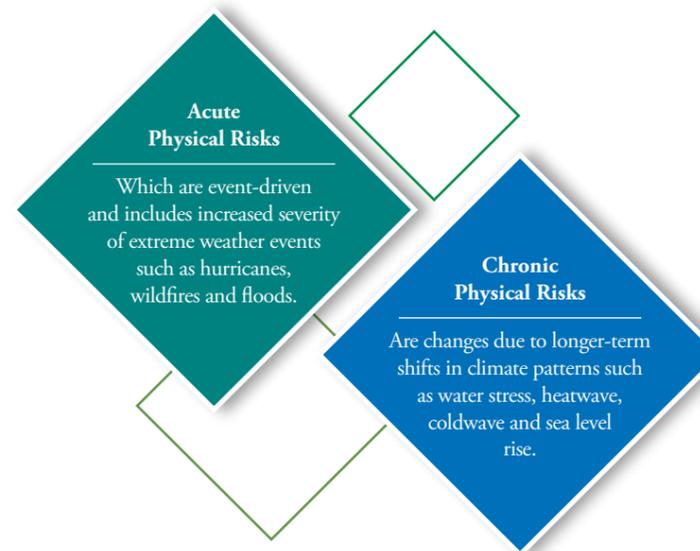
Note:  
Scenario 1: Carbon sequestration from oil palms only calculated until 25 years (according to the current PalmGHG calculator methodology).  
Scenario 2: Carbon sequestration from oil palms planted more than 25 years (as are currently practiced in our plantations) are taken into calculation.

Type of Transition Risk	Risks	Opportunities
Policy and legal	<ul style="list-style-type: none"> <li>Financial repercussions from GHG emissions due to higher compliance costs such as carbon pricing.</li> <li>Additional costs associated to taxes imposed on fossil fuels, etc.</li> </ul>	<ul style="list-style-type: none"> <li>A low carbon operation will significantly reduce operational cost from increasing carbon price and less dependence on non-renewable fuels enabling IOI to be more competitive where operational cost is concerned.</li> </ul>

Type of Transition Risk	Risks	Opportunities
Technology	<ul style="list-style-type: none"> <li>Innovation replacing products produced in an unsustainable way.</li> <li>Increasing costs associated with old systems that are energy inefficient.</li> </ul>	<ul style="list-style-type: none"> <li>Innovation in technology and circular economy solutions to bring about efficiency in energy usage and resilience in the use of natural resources.</li> </ul>
Market	<ul style="list-style-type: none"> <li>Risk for a company as buyers and consumers have expectation for low carbon products.</li> <li>If a company does not have clear climate change strategy and targets.</li> </ul>	<ul style="list-style-type: none"> <li>Competitive edge from early adoption to low carbon emissions operation.</li> <li>Ability to access markets that have strict carbon emissions regulation.</li> </ul>
Reputation	<ul style="list-style-type: none"> <li>Reputation at stake due to greater focus by stakeholders on the Company’s management of climate-related risks.</li> </ul>	<ul style="list-style-type: none"> <li>Improved company’s environmental scoring and reputation.</li> <li>Brand recognition as a climate friendly company.</li> </ul>

### Physical Risks

Physical risks resulting from climate change to the operating units was quantitatively assessed by using climate modelling datasets and relevant hazard models based on different severity of climate change scenarios until 2050. Seven climate hazard indicators resulting from climate change were assessed and broadly classified as:



Overall, IOI faces moderate physical risk with greatest exposure to heatwaves and water stress with a couple of locations facing possible issues from sea level rise as shown at Table 1 below.

Table 1: Summary of Physical Risk Assessment

Indicator	Physical Risk Exposure Score (1 to 100)	Company Level Risk Exposure Classification	Risk Trend (2020-2025)
All Indicators (Composite)	52 Min: 14   Max: 77	Moderate	Increasing
Wildfire	2 Min: 1   Max: 3	Low	Stable
Coldwave	13 Min: 3   Max: 37	Low	Decreasing
Heatwave	61 Min: 12   Max: 90	High	Increasing
Water Stress	30 Min: 1   Max: 100	Low	Increasing
Flood	2 Min: 1   Max: 31	Low	Stable
Sea Level Rise	2 Min: 1   Max: 100	Low	Stable
Hurricane	2 Min: 1   Max: 100	Low	Stable

Type of Physical Risk	Risks	Opportunities
Acute	<ul style="list-style-type: none"> <li>IOI facilities and landholdings are located at areas that have low or stable acute risks so that operational disruption due to extreme weather event is low.</li> </ul>	<ul style="list-style-type: none"> <li>Exploration in technology and innovation to prevent facility inundation, diversification of products and climate resistant materials.</li> </ul>
Chronic	<ul style="list-style-type: none"> <li>A number of facilities and landholdings are expected to be exposed to heatwave and water stress.</li> <li>Few of the facilities and landholdings that are located close to the coast are expected to have risk of sea level rise.</li> </ul>	<ul style="list-style-type: none"> <li>To explore alternative water source and water retention facilities which will increase operational resilience as well as reduce operational costs in long run.</li> <li>Mitigation plan to address the risk of sea level rising can be put in place.</li> </ul>

# FOCUS AREA: FROM LINEAR TO CIRCULAR

## MITIGATION AND ADAPTATION

While climate change present significant risk to all the companies at different magnitude, they also create significant opportunity and competitive advantage for companies that are able to recognise those as part of the risks and subsequently explore mitigation and adaptation solutions. Below are the mitigation and adaptation solutions for the identified transition and physical risks in IOI operations:

Category of Climate Related Risk	Type of Risk Exposure	Mitigation Solutions	Adaptation Solutions
Transition Risk	Carbon pricing	<ul style="list-style-type: none"> <li>Reducing operational GHG emissions through new initiatives and technology (refer to pages 48-49).</li> </ul>	<ul style="list-style-type: none"> <li>Initiate projects that contribute to carbon sequestration such as vegetation rehabilitation and conservation.</li> <li>Maximising carbon sequestration from oil palms by increasing palm stands and yield per area.</li> </ul>
Physical Risk	Heatwave	<ul style="list-style-type: none"> <li>Proper building and facility heat insulation.</li> <li>No planting on peat and ensure best management practices to existing planting on peat. Near real-time monitoring of fire prone areas.</li> </ul>	<ul style="list-style-type: none"> <li>To reduce dependency on air conditions by installing air ventilation system in the building.</li> <li>Utilise natural heat by installing thermal harvesting system.</li> </ul>
	Water stress	<ul style="list-style-type: none"> <li>Reuse of reject reverse osmosis water.</li> <li>Rain water harvesting and retention.</li> <li>Recycling and utilisation of treated effluent and waste water.</li> </ul>	<ul style="list-style-type: none"> <li>Development of water stress resistant oil palm variety.</li> <li>Initiatives to reduce water consumption.</li> </ul>
	Sea level rising	<ul style="list-style-type: none"> <li>Identify and enlarge existing drainage for better water flow.</li> </ul>	<ul style="list-style-type: none"> <li>Relocation of sensitive machinery or electrical instrument to higher level floor.</li> <li>Increase height of machinery foundation, equipment footing, pump plinth, base frame of motor.</li> <li>Maintenance of drainage cleanliness to ensure no dirt and foreign material accumulated in the drainage system.</li> </ul>

## GHG EMISSIONS TARGET

IOI's GHG emissions baseline and target were first published in 2020 following the introduction of CCA initiative. As GHG emissions from the operations are dynamic and highly influence by the advancement in technology and innovation, IOI established a five year emissions reduction target as a short-term benchmark for operating units to pare down the emissions from their operations in alignment with the ultimate long-term objective of achieving carbon neutral.

### PLANTATION (MILLS & ESTATES)

GHG emissions intensity for plantations in 2020 significantly reduced in comparison to 2019 baseline (Figure 1). However, the emissions reduction achieved in 2020 for scenario 1 was 14.77% in comparison to the targeted reduction of 21%. Emissions for scenario 1 was calculated with the basis of palms planted after 25 years are not considered as part of the overall emissions sequestration as per current PalmGHG calculation methodology. However, emissions reduced as much as 29.57% if the calculation take into account of sequestration of palms planted after 25 years.

Reduction of GHG emissions was mainly due to increased utilisation of biogas captured from the methane capture plants which resulted in about 45% emissions reduction from palm oil mill effluent ("POME"). Utilisation of biogas generated from methane capture for electricity generation has also allowed transition to renewable energy usage. Based on the trend of the emissions reduction, there is high potential for plantations to achieve the targeted 50% GHG emissions reduction by 2025.

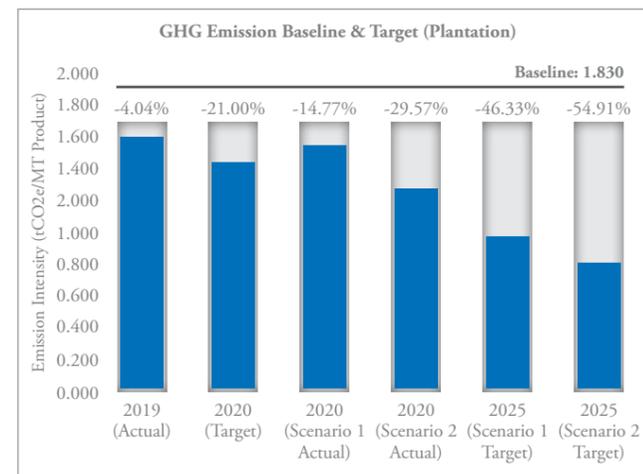


Figure 1. GHG Emissions Status and Target (Plantation)

Disclaimer: Reported baseline and emissions on 2019 were adjusted due to discrepancies from land conversion calculation.

## REFINERY

GHG emissions intensity for refinery in 2020 significantly surpassed the targeted reduction by a fair margin. The emissions reduction of 43.38% in comparison to the baseline was mainly contributed by utilisation of renewable energy sources from IOI Bio Energy which significantly reduced the dependency on fossil fuel and LNG. Transition to cleaner energy source such as LNG has successfully reduced the amount of carbon emissions from energy generation. Continuous programme on transition to more energy efficient electrical appliances and lighting systems have also reduced the amount of electricity usage for the operations.

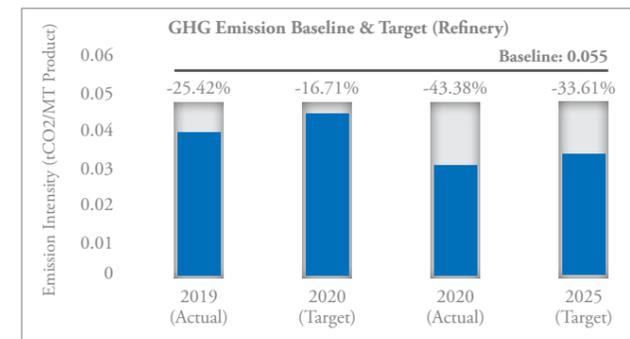


Figure 2. GHG Emission Status and Target (Refinery)

## OLEOCHEMICAL

Even IOI Oleochemical recorded a slight reduction in emissions intensity in 2020, reduction target of 16.84% was not achieved mainly due to the reduction in operational volume. Annual operational volume was reduced by about 6% compare to 2019 due to operational disruptions from government-initiated movement control order. Targeted emissions reduction is expected achievable through various renewable energy and energy efficiency initiatives such as solar and heat harvesting, establishment of co-generation plants and optimisation of biogas plant. The forecasted higher production output from better demand will further reduce the overall emissions intensity from the operations.

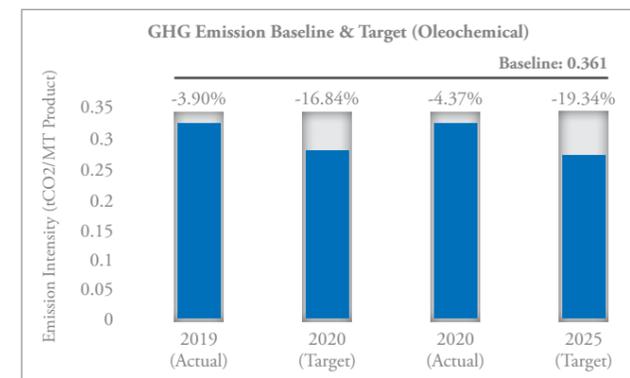


Figure 3. GHG Emission Status and Target (Oleochemical)

Disclaimer: Emission baseline for IOI Oleochemical was adjusted to standardise the reference year of the baseline to FY 2014/2015.

## IOI GROUP

As a group, the targeted emissions reduction by 20.2% in 2020 was achieved in scenario 2 if palms planted after 25 years are accounted as part of the emissions sequestration for the plantations (Figure 4). However, overall emissions reduction in 2020 is lower than the target if the calculation are based on current PalmGHG methodology (scenario 1). Discussion with RSPO secretariat to re-evaluate the current PalmGHG methodology to reflect practices on the ground is on-going. Aside from the consideration on palm sequestration, IOI may look into other aspects of the methodology to ensure emissions reduction initiatives such as biomass utilisation, external conservation and rehabilitation project are taken into account in the future updated calculator. Advancement in renewable energy and energy efficiency are expected to progressively contribute to the overall emissions reduction towards carbon neutral.

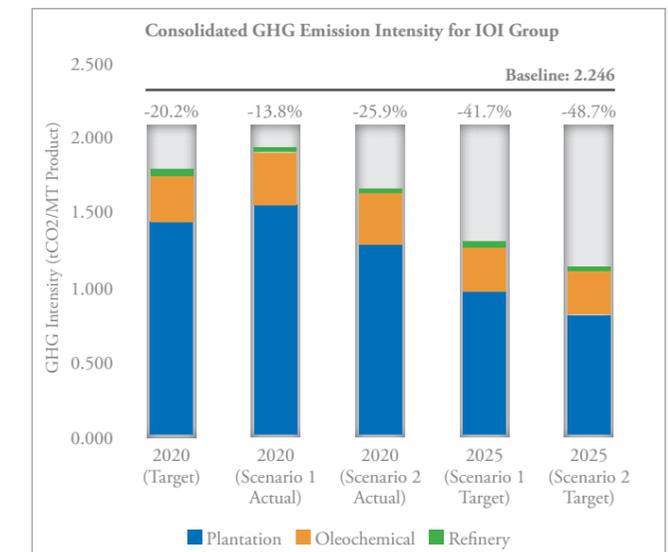
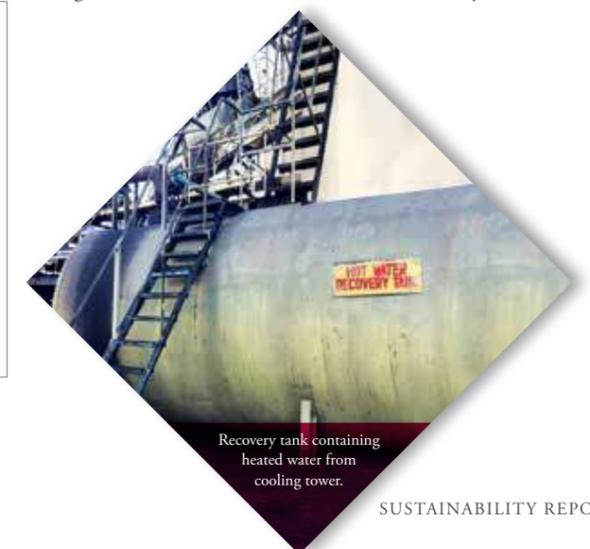


Figure 4. Consolidated GHG Emission Intensity for IOI



## FOCUS AREA: FROM LINEAR TO CIRCULAR

### CURRENT GHG EMISSIONS

IOI as a group produced 2.908 million tCO<sub>2</sub>-e of direct (Scope 1) GHG while indirect (Scope 2) emissions contributed 0.0611 million tCO<sub>2</sub>-e. Net GHG emissions for IOI stands at 1.376 million tCO<sub>2</sub>-e which translates to 1.93 tCO<sub>2</sub>-e/ MT Product after taking into account the GHG sequestration/ credit mainly from conservation areas and GHG credits from selling of oil palm-based biomass. Full metrics of our carbon emission and absolute numbers is available in Appendix: Sustainability Performance Metrics.

Operating Group	GHG Emissions (tCO <sub>2</sub> -e)			Net GHG Intensity (tCO <sub>2</sub> -e/MT Product)
	Scope 1	Scope 2	Carbon Sequestration & Credits	
Plantation	2,710,423.28	1,580.16	-1,594,076.73	1.56
Oleochemical	188,538.28	26,404.29	0	0.34
Refinery	9,505.66	33,164.07	0	0.03
<b>Total</b>	<b>2,908,467.22</b>	<b>61,148.52</b>	<b>-1,594,076.73</b>	<b>1.93</b>

### ENERGY EFFICIENCY

As energy consumption is one for the major contributors to the overall GHG emissions, maximising energy efficiency within the operations is one of the strategies by IOI to significantly reduce the GHG emissions by employing the latest technology and best industry practices. Energy efficiency is achieved within IOI through the following 7Rs approaches:

-  Recovering of by-products for energy generation
-  Repurposing of wastes for energy generation
-  Utilisation of renewable energy
-  Transition to more energy efficient usage
-  Energy reduction through process improvement



The most significant measure that our plantations have initiated are the installation of methane capture facilities at our mills. Methane gas captured from the POME is being repurposed as an alternative clean energy for the operations. Biogas is considered much more environmentally friendly in comparison to fossil fuel while producing less carbon dioxide and other pollutants to the atmosphere. Currently IOI has established 10 methane capture facilities, two of these facilities were commissioned in the current financial year which overall produced more than 52 million m<sup>3</sup> biogas per year. The generated biogas is being used to produce electricity and energy for the operations through gas engines and boiler burners. Within FY2020, 32.78% of the biogas is being utilised as alternative energy which produced 29,868,800 kW of electricity for the operations while 67.22% of the excess biogas is being flared. In order to maximize utilization of biogas and minimise flaring, IOI is studying the feasibility to build Compressed Natural Gas ("Bio-CNG") facility to capture the excess biogas. Bio-CNG can potentially be used in vehicles, as fuel for boiler, and domestic use replacing cooking gas.

As part of the repurposing initiative and to minimize the operational impact due to shortage of Palm Kernel Shell, which is a major fuel source for energy generation, IOI Edible Oils and IOI Bio-Energy have explored other alternative biomass fuel through the repurposing of natural and readily available biomass. A large quantity of tree branches, fronds, dried leaves, dried coconut, used paper, etc. were collected and used as alternative fuel for the biomass boiler. Such initiative may contribute to the reduction of carbon footprint in the long run.

As palm oil processing is energy demanding and there are increasing motivations towards renewable and green energy, the operations are continuously exploring alternative energy sources and progressively replacing the usage of non-renewable energy. The operations are progressively installing solar and heat harvesting panel at the operations to reduce dependency of non-renewable energy. IOI Oleochemical has installed solar panels on the rooftops of its main offices and canteen, which was able to generate a solar power capacity of 83.49 kWp. The estimated solar energy yield per year from the solar project

  
The estimated solar energy yield per year from the solar project will contribute around 24.79 % to the total power consumption of the main office, sports complex and cafeteria annually.

will contribute around 24.79% to the total power consumption of the main office, sports complex and cafeteria annually. This project demonstrates the effort to combat climate change and greenhouse effect, and is estimated to reduce 81,000 Kg CO<sub>2</sub>e emission per year from IOI Oleochemical operations. IOI Oleo proactively carried out efficiency improvement projects via ISO 50001.

Going forward, the management is also exploring on installing solar panels at the upstream operations such as palm oil mills and estates to reduce dependency on electricity from grid. Based on the preliminary study, utilisation of solar power at plantation operations potentially reduces grid electricity usage by 90% which also translates to about RM15,000 per month of saving in the overall electricity cost. Heat from the sunlight is also being utilised through utilisation of solar thermal harvesting equipment where water is preheated naturally for feeding into boiler. Such initiative significantly reduces dependency of electricity to heat the water.

IOI is continuously making transition to renewable energy sources depending on the availability of relevant technology. However, dependency on non-renewable energy is still highly relevant within the operations. In order to minimise the usage of non-renewable energy, IOI continuously replace the conventional lighting systems with the more energy efficient LED lightings. Alternative fuel such as Liquefied Natural Gas ("LNG") which is more environmental-friendly and

energy efficient will gradually replace the usage of non-renewable diesel fuel within the downstream operations. Higher energy efficiency also achieved through cogeneration plant where simultaneous generation of electric and usable heat from a single primary energy source.

Initiatives on energy reduction do not always require high investment and the latest available technology. IOIEO successfully reduce its energy consumption through Rethinking on its existing process. The Palm Kernel Olein ("PKOL") produced at its Palm Kernel Dry Fractionation Plant ("PKDF") was previously heated by consuming approximately 1 MT steam/day. A heat exchanger was recently installed to heat the PKOL by utilising the heated water from cooling tower returned water, resulted in savings to the steam consumption. Simultaneously, the temperature of cooling tower returned water, reduced from the heat transfer, thus enhancing the efficiency of, chillers and cooling tower. Chillers can now run with an estimated 2% reduced energy consumption, giving monthly electricity savings of 1,786 kwh.

Initiatives by IOI in energy efficiency was recognised through the awards given by IchemE where IOI Acidchem won the award for its initiative in waste heat recovery. Similar award was also won by IOI Pan-Century from its energy reduction efforts in steam consumption and natural gas.

## FOCUS AREA: FROM LINEAR TO CIRCULAR

### OPERATIONAL ENVIRONMENTAL MANAGEMENT

#### OUR MANAGEMENT APPROACH

IOI approaches on environmental stewardship are illustrated comprehensively in our SPOP and subsequent Environmental Management Guidelines<sup>1</sup>. We have established a system to monitor our environmental performance to ensure measures are put in place in minimising our environmental footprints and managing natural resources efficiently. Environmental related results, findings and performances are continuously being discussed at management meetings including at the GSSC, management reviews, and operational level meetings. IOI continues to respond and submit environmental disclosures and current performances to the global rating system as listed on page 17.

#### OUR PERFORMANCE

There was no significant fines or non-monetary sanctions for non-compliance with environmental regulations for FY2021 reported in our operating units.

#### RESPONSIBLE AGROCHEMICAL MANAGEMENT

IOI continuously conducts proactive research and analysis to minimise and mitigate the use of chemical applications especially in the areas of pest reduction, disease inhibition to our crops and yield optimisation across our operations. Reducing the amount of chemicals sprayed into our fields will minimise not only cost of operations but also reduce our impact towards environmental ecosystems as well as reduce GHG emissions from the breakdown of chemical components. Currently, two types of agrochemical trials were conducted by our Research Centre in Sabah on the usage of chemicals for weed control that promoted cost-efficiency and were more environmentally friendly compared to our current practices. The result from the studies showed that by applying these chemicals, the amount of chemical usage can be reduced by half and total cost by 40%.

Environmental friendly solutions are applied as part of our implementations towards promoting sustainable methods and minimising the use of chemicals. Integrated Pest Management ("IPM") practices are integrated into our operations to control pests, for example, our operating units are proactively establishing barn owls to minimise the use of rodenticide. We are also repurposing organic by-products from oil palm including Empty Fruit Bunches ("EFB"), POME, as well as oil palm biomass replanting procedures as organic fertiliser, to be reused back into the fields of the plantation operating units. The planting of non-cash crops together with oil palm keeps the soil covered with vegetation and benefits the agroecosystems by reducing soil erosion and nitrate

leaching, increasing water infiltration, and maintaining soil moisture. They also suppress weeds, reduce the occurrence of pests, nematodes, and various soil pathogens, improve soil quality by increasing the content of organic matter and the availability of nutrients.

IOI provides extensive training and awareness on handling chemicals to our workers. We ensure that the chemical application in the estate was done by trained personnel and adhered to the given SOPs and good practices.



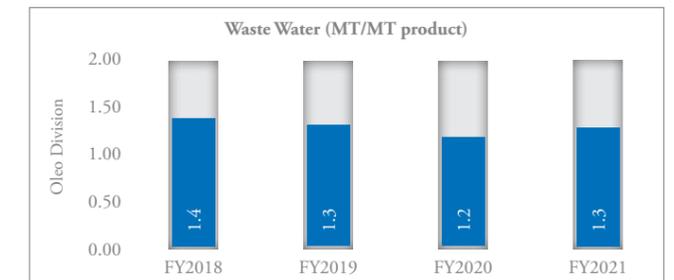
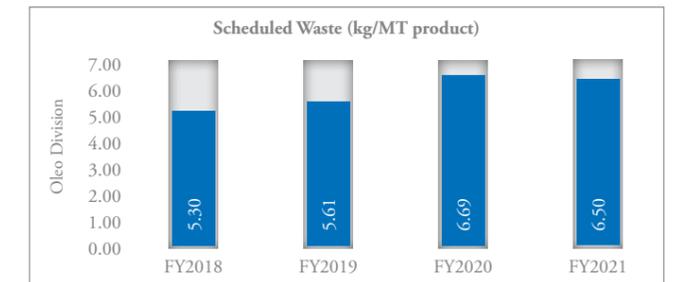
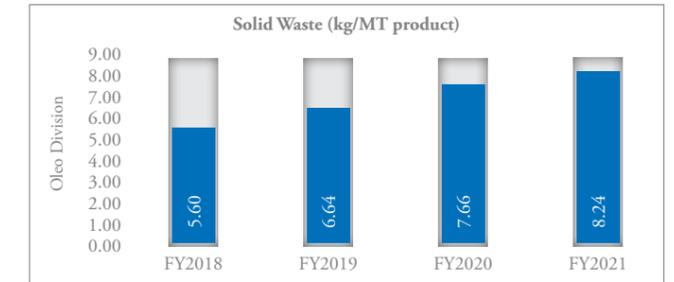
#### WASTE MANAGEMENT

IOI is committed to reducing the amount of waste generated across its operations by integrating the 7Rs of Circularity as introduced earlier in this report. The 7Rs practices reinforce the application of the standard waste management hierarchy in our operations. All operating units in both upstream and manufacturing facilities follow best practices for waste management to ensure all waste were disposed of in a responsible manner and are not polluting the environment.

During the reporting period, IOI created 5560.70 MT of hazardous waste, and 794,971.46 MT of non-hazardous waste. All hazardous waste produced was disposed according to local legislations and licenses. However, in the upstream operations, organic wastes produced from mill productions were not disposed of but instead were treated through different approaches of circularity. Fibers, Shells, EFB, and wastewater effluent or POME are recovered to generate energy. POME and EFB can also be repurposed back to the estate as composted or mulched as organic fertiliser. For FY2021, 99% of total waste generation from IOI Plantation was recycled and reused. IOI Refinery continued to report high disposal avoidance rate as 99% of waste generated were recycled, repurposed, recovered, repaired, and reused.

	Waste that was recycle/reuse/recover (MT)	Non-hazardous waste disposed (MT)	Hazardous waste (MT)	Overall waste generated (MT)
IOI Plantation	770,719.89	4,614.39	457.09	775,791.36
IOI Refinery	11,051.52	65.9	12.21	11,129.63
IOI Oleochemical	3,354.59	5,165.17	5091.4	13,611.16
Overall Group Total	785,126	9,845.46	5,560.7	800,532.15

IOI Oleo year on year performance of waste generated over MT Product produced are presented in the following figures. This business segment classifies its waste into scheduled waste, solid waste, and wastewater.



<sup>1</sup> [https://www.ioigroup.com/content/s/pdf/environment\\_management\\_guidelines.pdf](https://www.ioigroup.com/content/s/pdf/environment_management_guidelines.pdf)

## FOCUS AREA: FROM LINEAR TO CIRCULAR

In our resource-based manufacturing, IOI Refinery and IOI Oleo have adopted the 7Rs of Circularity for both existing processes and potential developments.

7Rs of Circularity application in resource-based manufacturing		
	IOI Refinery	IOI Oleo
	IOI Refinery demonstrated excellent rethinking process in preventing disposal of generated waste through different applications which resulted in 99% recycling rate.	IOI Oleo had showcased different ways of rethinking how to utilise by-products and wastes generated from the manufacturing facilities. This included working with external parties to use back the waste in fuel, agriculture, and other industrial sectors. One of the examples, converting sludges into raw material for cement industry had prevented their waste from being disposed into landfills.
	Sludge produced from effluent treatment is being repurposed as organic fertiliser for plants around IOI Refinery Sandakan complex. Aside from that, boiler ash generated was packed according to its grade and sold as fertiliser.	Instead of disposing the glycerine bottom to landfill, IOI Oleochemicals has been sending it to external parties to repurpose the by-product for agricultural use. Repurposed soap scraps were sent to Kechara Soup Kitchen, a non-profit organisation to be sold to support its community development activities.
	Project to recover hot condensate and heat exchanger system, reduced steam usage which indirectly reduced waste generation as a result of cutting down the use of raw material to process water and steam.	Encouraging employees to practice environment friendly behaviour like reducing plastic use by bringing their own containers when purchasing food at the cafeteria and the use of digital database to reduce the need to print papers.
	Scrap metals and other parts dismantled from old Vickers boiler were all being reused as spare parts for repairing or improvement work in the refinery facility. Reusing materials prevents waste from being disposed and helps to reduce the cost of waste disposal and the sourcing of new replacements.	Recovering and reusing of the waste heat in the thermal oil heater had earned IOI Acidchem the Highly Commended Palm Oil Award of IChemE 2019. Old instruments were donated through vendors for use at local universities (Gas Chromatography - Mass Spectrometer lab instrument)
	Waste in the facility such as paper, used and scrapped metals are segregated for recycling.	All scrap metals are being segregated for recycling. IOI Acidchem emerged as the winner in the Household E-Waste Recycling competition organised by the Department of Environment in Penang, with a total of 721.59kg of household e-waste being collected.
	Used printers from the company were repaired at minimum cost by our IT team and contributed to the nearby schools. In FY2021, three units were donated to SK Kg. Bahagia in August 2020 and 7 units to SMK Batu Sapi in September 2020 which both located within Sandakan Region.	Ensure that all instruments and equipment in the facility underwent regular maintenance and only subjected to disposal if they are beyond repair or the parts are obsolete.
	Palm oil by-products like palm kernel shells ("PKS") and wood material waste are being collected and recovered as energy sources for biomass boiler fuel for steam production.	Oil from the by-product of sweet water skimming activity was being recovered and re-processed back to our crude oil bleaching plant since January 2018.

### WATER STEWARDSHIP

Based on our TCFD reports on water being one of the physical risks that IOI faces, IOI recognises the importance of managing water resources to its plantation and resource-based manufacturing operation as well as to the surrounding community and landscape. Currently, the Group is not operating in any water-stressed region. However, the consultant that IOI had engaged to further analyse our climate physical risk such as water stress, has indicated that in some of our operations, risk may increase in the coming years. Further information can be found in pages 30 to 32 of this report.

#### Minimising water impact and managing water risk

- Our estates and mills conducted annual EIA in their operating unit as referred to our Group Environmental Impact Assessment ("GEIA") guidelines and sustainability certification requirement.
- Annual stakeholder meetings involving local authorities, communities, and other related parties to identify any impact on the surrounding environment.
- Risk assessment to identify water stress areas and future water-related risk by conducting mapping based on Climate Modelling Datasets and Hazard Models.
- Water management plans are updated frequently for both our plantation and manufacturing operations. The water management plan covers provision on water abstraction, storage, utilisation in cultivation, chemical and natural treatments to utilise water at processing, domestic purposes, and wastewater management, with monitoring, mitigation (if required), implementation and prevention or minimising pollution.

#### Protection of natural ecosystem and waterways

- Protection of buffer zones and riparian reserves within our plantation areas.
- Maintaining of water table at peat area.
- Analysing water quality and consumption to maintain the optimal health of the river ecosystem and the quality of the water supply.

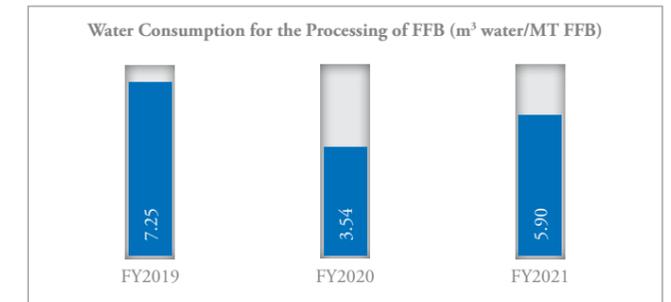
#### Wastewater and effluent management

- POME and Palm Oil Refinery Effluent ("PORE") are treated at the wastewater pond to reduce Biological Oxygen Demand ("BOD") and Chemical Oxygen Demand ("COD"). We ensure all our operations are in compliance with the thresholds as per local authority requirements.
- Installed system at PORE treatment plant in IOI Refinery to alert any malfunctions or when the level of the recycled water supply goes low to ensure continuous water supply, minimise wastage while avoiding accidental water discharge to the sea.
- By-products produced from effluent treatment such as POME and sludge from refinery facility, are being repurposed as organic fertiliser.

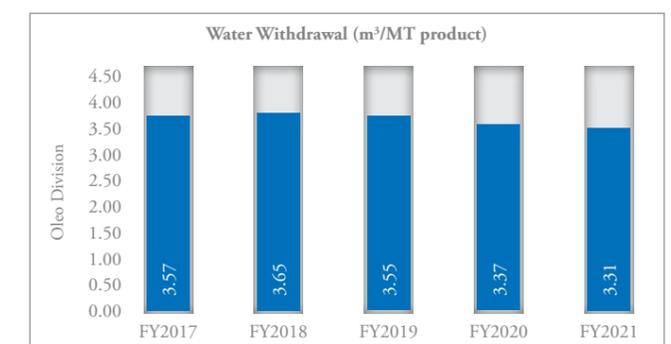
#### Efficient water management and reducing in manufacturing facility

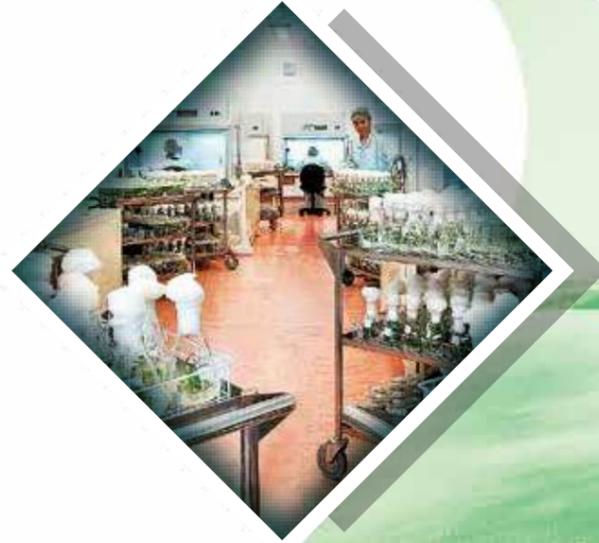
- In IOI Refinery, the facility recycles and reuses treated effluent. In FY2021, about 97% of water is being recycled back into the facility operation.
- IOI Oleo adopts eco-themed processes which include the use of physical separation means instead of chemical treatment processes to reduce the use of water.
- Rain harvesting initiatives in refinery and IOI Oleo facilities.
- IOI recycled reject water and effluent discharge to be utilised for cooling tower.

The result of our upstream operations shows an increase in water intensity for FY2021. We aim to improve our reporting on water performance and reduce water intensity in the next reporting year.



In our resource-based manufacturing, IOI Refinery continues its excellent record of recycling and reusing about 97% of its water back into their operations. IOI Oleo reported improvement in reducing water withdrawal in most of its operations due to improved production volume, recycling, and process improvement projects except for the facility in Pasir Gudang, Johor site which was mainly caused by disruption in production attributed mainly to the COVID-19 situation.





“Twenty-five years ago people could be excused for not knowing much, or doing much, about climate change. Today we have no excuse.”

- Desmond Tutu,  
Former Archbishop of  
Cape Town

# From Cost Reduction to GHG Reduction

*As an agricultural based company, we are mindful of our industry’s impact on both environment and social ecosystems and climate change. We commit to manage our emissions more effectively by creating opportunities that contribute positively towards reducing our impact to climate change while gaining economically in our operations. To date, IOI Group has launched 6 Climate Change related initiatives and 9 collaborations and smart partnerships that embrace our adoption of the 6 relevant UNSDGs (SDG 2, 8, 12,13,15 and 17).*

Achievements to date:

Total conservation area

**9753.70** ha

Achieved **25.9%**  
GHG reduction.



ZERO HUNGER



DECENT WORK AND ECONOMIC GROWTH



RESPONSIBLE CONSUMPTION AND PRODUCTION



CLIMATE ACTION



LIFE ON LAND



PARTNERSHIPS FOR THE GOALS

# FOCUS AREA: FROM COST REDUCTION TO GHG REDUCTION

## MANAGING CARBON EMISSIONS

### RESPONSIBLE LAND USE

#### MANAGEMENT APPROACH

Maximising yield from currently available planted areas has been IOI's strategy in response to the scarcity of arable land, our commitment towards "No Deforestation" and forms part of our Climate Change Action Initiative. We also undertake to minimise fertiliser usage by utilising wastes from our palm trees (example fronds, EFB, etc.) as additional nutrients for our land and as soil cover to keep moisture especially during the dry season. Any land use changes made according to RSPO NPP requirements and various initiatives have been introduced to improve site yield potential while preserving available conservation areas within the concession. In order to influence the industry towards similar commitments, IOI is actively involved in the High Carbon Stock Approach ("HCSA") and is working together with industry players to break the link between deforestation and land development. Efforts have also been taken to minimise further our environmental impact from the existing 3,767 Ha of land planted on peat in accordance to the RSPO Manual on Best Management Practices and IOI's internal Peatland Protection & Management Guideline.

### OUR PERFORMANCE

#### GOOD AGRICULTURAL PRACTICES

IOI implements good agricultural practices by planting indigenous species along the river buffer zone to reduce soil erosion as well as to function as a biodiversity corridor for animals. Apart from that, continuous research is being conducted by the R&D Team to optimise fertiliser usage and minimise fertiliser leaching into the soil and waterways. Utilisation of Mycorrhizae to reduce Phosphate-based fertiliser usage on the field is being studied as one of the initiatives to minimise usage of inorganic fertiliser.

In keeping with Malaysia's pledge to retain its forest covers, IOI adopts a sustainable approach to maximise palm oil yields from its existing areas through innovative research and development programmes by developing higher oil yielding planting materials. Planting of higher oil yielding clonal material will reduce the need of more land for planting and subsequently reduce operational greenhouse gas emissions from land use change. This is because oil palm growing is a carbon capture activity and the planting of 30 million high yielding oil palm trees on over 200,000 hectares can help to offset our carbon footprint.

### FIRE MANAGEMENT

#### MANAGEMENT APPROACH

IOI's Fire Management Guideline which was developed in 2020, has been put into practice with emphasis on fire prevention. Adoption of strategic and effective on-ground preparedness plan have effectively prevented fires from happening. Improved fire preventive measures include prioritizing frequency of monitoring based on identified risk areas, utilisation of drones for monitoring, as well as collaboration with neighbouring companies, communities and governments. Active preventive measures such as preparation of fire breaks at the identified high-risk areas and adjusting monitoring frequency and preventive measures depending on weather conditions such as rainfall, humidity and hotspot data have been integrated as a holistic fire preventive measure. The effectiveness of our improved fire prevention measures in FY2020/2021, can be observed as the overall fire incidence within and outside our concessions has reduced by 91%, significantly reducing carbon emissions.

Region	Fire Incident Inside IOI Concession		Fire Incident Outside IOI Concession	
	FY2019/2020	FY2020/2021	FY2019/2020	FY2020/2021
Sabah	0	0	0	0
Sarawak	0	1	0	0
Peninsular Malaysia	0	0	1	4
Indonesia	17	0	52	1

### OUR PERFORMANCE

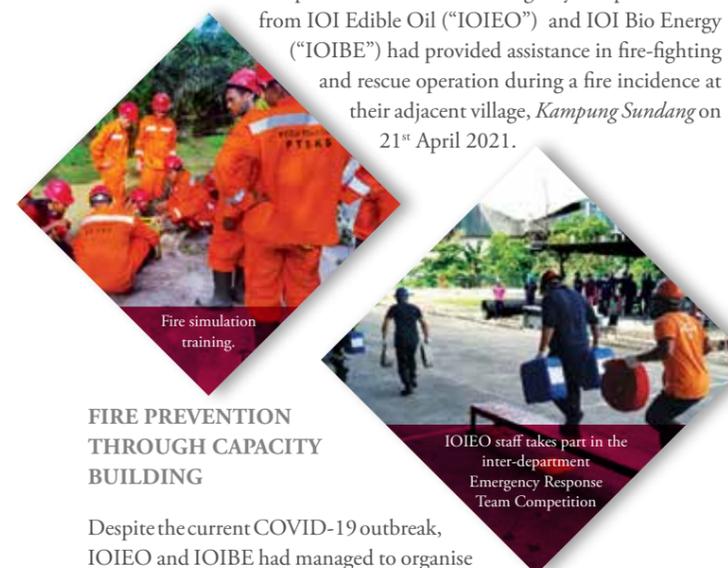
#### FIRE PREVENTION THROUGH COLLABORATION

Based on past fire incidents, PT SNA, our concession in West Kalimantan, Indonesia was most exposed to fire risk. To address this risk, PT SNA has developed a Fire Outbreak Preparedness Plan and formed strategic partnerships with relevant stakeholders in managing fire at the broader landscape. The partnership focuses on fire prevention at identified high-risk areas and involves multi-stakeholder engagement with six adjacent local villages, neighbouring tree plantations, and local authorities. Area of coverage and capacity of the monitoring was further enhanced with regular joint patrols with collaborating stakeholders and the establishment of the *Masyarakat Peduli Api* ("MPA") together with the villagers. Regular fire drills with the collaborating stakeholders and MPA are being coordinated to prepare



the group for any fire incidence. On top of all this fire prevention activities, the partnership also acknowledges the importance of meeting the balance between economic development for smallholders and fire prevention. As such, there was also focus on assisting the local farmers with heavy machineries to conduct land clearing and eventually eliminate the risk of fire from the conventional slash and burn method utilised by some farmers in land preparation for cultivation.

A similar collaboration in fire prevention and firefighting is practiced at IOI's downstream operation where the Emergency Response Team from IOI Edible Oil ("IOIEO") and IOI Bio Energy ("IOIBE") had provided assistance in fire-fighting and rescue operation during a fire incidence at their adjacent village, *Kampung Sundang* on 21<sup>st</sup> April 2021.



#### FIRE PREVENTION THROUGH CAPACITY BUILDING

Despite the current COVID-19 outbreak, IOIEO and IOIBE had managed to organise another inter-department Emergency Response Team Competition in March 2021. Six teams comprised of 15 members participated in the emergency response preparedness competition. The competition includes application of fire-fighting skills such as fire hydrant-canvas hose-nozzle assembly, fire extinguishing, Iron Man challenge, first aid treatment and Self-Contained Breathing Apparatus ("SCBA") challenge as per the Fire and Rescue Department standard. An annual fire drill involving participation from stakeholders such as Fire and Rescue Department, Hospital, Police, RELA, volunteer Fire Brigade and nearby villagers was also conducted as part of the regular capacity building programme.

### GREEN ENERGY

#### MANAGEMENT APPROACH

With energy consumption making up more than 90% of the total carbon emissions in our downstream operations, the anticipation of rising cost in non-renewable fuels and our commitment towards the reduction of GHG emissions, various initiatives have been introduced by our operations to gradually transition towards renewable and green energy. In addition, such transition is consistent with our Climate Change Action ("CCA") initiative and the direction towards circularity

which are to reduce operational costs via innovative and energy saving technology and minimise waste generation. As reported in the previous years, IOI has taken steps to implement various energy efficient projects. Progressive reduction in carbon emissions is achieved through utilisation of alternative cleaner energy sources, repurposing of biomass from the upstream operations and utilisation of more energy efficient technology available for the industry.

### OUR PERFORMANCE

#### TRANSITIONING TO GREEN ENERGY

IOI Oleo GmbH has taken another step to reduce its impact to climate change by switching the energy supply of their production sites to green electricity. From January 2021, the production sites in Witten and Wittenberge have completely switched to green electricity. The green electricity is generated from renewable energy sources (hydro, wind, solar, etc.), renewable raw materials (wood, straw bales, maize, organic waste, etc.) or environmentally-friendly resources which is renewable over a short period of time. Through the utilisation of green electricity, IOI Oleo GmbH would potentially save up to 7,500 MT of CO<sub>2</sub> emission annually. All the other operating units in IOI are progressively undergoing similar transitions with the aim of fully switching to green energy in the near future. IOI Oleochemical operations in Malaysia have installed several solar energy harvesting systems to reduce dependency on sourcing electricity from the grid. Based on these activities in 2020, IOI's Oleochemical group derived about 45% of their total energy consumption from renewable sources.

### ENERGY EFFICIENCY MEASURES

As part of IOI's CCA Initiative, IOIEO continuously explores opportunities to minimise energy usage, which is one of the major sources of carbon emission in IOIEO's operations. IOIEO is progressively replacing existing machinery, electrical equipment and lightings to more energy-efficient alternatives. As a result of this initiative, IOIEO managed to achieve substantial energy savings in the second half of 2020 in spite of the reduction in production due to COVID-19 pandemic. Some improvements made during this reporting period include replacing the cold-water pump with a more energy-efficient Variable Speed Drive and conventional lightings with LED spotlights.

Another measure that IOIEO had undertaken was to engage and encourage the wider industry players to adopt sustainable and energy efficiency practices in palm oil processing by publishing an article entitled '*Sustainable Practices of an Edible Oils Refining Complex*' in November 2020. The article shared several initiatives and experiences by IOIEO in energy conservation, heat recovery, resource utilisation, waste management and atmospheric emissions control. The article also highlighted the opportunities in terms of cost reduction and environmental benefits from those initiatives in palm oil refining process.

FOCUS AREA:  
FROM COST REDUCTION TO  
GHG REDUCTION

**ENVIRONMENTAL PROTECTION  
ON BIODIVERSITY AND NO  
DEFORESTATION**

**OUR MANAGEMENT APPROACH**

Managing our environmental and natural resources remains an important agenda in our sustainable development plan. Our statements on environmental stewardship and No Deforestation, No Peat, No Exploitation (“NDPE”) are clearly outlined in our SPOP and supported by a systematic process detailed by our environmental related policies and guidelines<sup>1</sup>.

IOI is committed to minimise and mitigate adverse impacts on the environment. We work in partnerships with relevant stakeholders to protect the biodiversity, ecosystems and landscapes around us. At the same time, IOI proactively communicates and contributes in working groups, task force and related schemes, such as the High Carbon Stock Approach (“HCSA”), HCV Malaysia Steering Committee, RSPO and MSPO Working Groups. We regularly assess our performance and progress for our environment through assessments by organisations and rating agencies as CDP, SPOTT, DJSI, FTSE4Good, etc., and Sustainalytics as well as engagement with them for clarification and to address any gaps.

**OUR PERFORMANCE**

**MANAGING CONSERVATION AREA, BIODIVERSITY AND WILDLIFE**

IOI continues to implement programmes and measures to conserve and protect the natural environment around us. We assess all our operating units using recognised valuation standards including HCV assessment and Environmental Impact Assessment (“EIA”) to identify and manage impact. Our Biodiversity and Conservation guideline provides clear procedures for the operating units on identifying, managing, monitoring and responding to any related crisis. IOI has put in measures to protect, conserve and enhance ecosystems of its conservation area. Identified HCV and HCS areas are monitored and managed as conservation areas.

Conservation area*	Malaysia	Indonesia	Total
HCV areas (hectares)	1256.47	2352.00	3608.47
Other conservation areas set aside excluding HCV areas (hectares)	3513.24	2631.99	6145.23

\* As reported in ACOP 2020

<sup>1</sup> [https://www.ioigroup.com/Content/S/pdf/Environment\\_Management\\_Guidelines.pdf](https://www.ioigroup.com/Content/S/pdf/Environment_Management_Guidelines.pdf)



We regularly assess our performance and progress for our environment through assessments by organisations and rating agencies as CDP, SPOTT, DJSI, FTSE4Good, etc., and Sustainalytics as well as engagement with them for clarification and to address any gaps.

Despite the pandemic, IOI continues to provide capacity building and training to our people to improve further the monitoring and protection of our HCV and HCS areas. An intensive training session on HCV and HCS areas was conducted both virtually (for our Sabah and Indonesian operations) and with restricted in-person participation, in August 2020 by Proforest. This training is to provide further in-depth knowledge and skills in the identification, classification and management of HCV and HCS areas within IOI’s operations with added emphasis on the new requirements of the newly revised RSPO Principle & Criteria.

On the monitoring side, IOI have trained Honorary Forest Rangers and Honorary Wildlife Wardens in Sabah, while patrolling in Indonesia is via SMART Patrol to further strengthen the protection of our conservation areas and the animals within against any encroachment, poaching, illegal land clearance, burning, etc.

**26  
Honorary  
Wildlife  
Warden**



**17  
Honorary  
Forest  
Ranger**

**Peatland Protection**

Aligned with our NDPE commitments, IOI has no new development on peat and all our oil palm previously planted on peat adhere strictly to RSPO’s Best Management Practices, as defined in their Manual on Best Management Practices for Existing Cultivation on Peat.

IOI’s implementation of NDPE includes protection of peatlands through water management and fire prevention. As part of the South Ketapang Landscape Initiative, our operating unit in Indonesia has worked with communities, local authorities and neighbouring plantations on its efforts to prevent peat fire related incidents during the last dry season. PT SNA’s surveyance and area monitoring capacity was further enhanced with regular joint patrols and fire drills with the *Masyarakat Peduli Api* (“MPA”) from participating villages.



Participants and trainers in the HCV training.

**Biodiversity and Wildlife Conservation Activities**

IOI actively works to protect rare, threatened and endangered (“RTE”) fauna and flora species included in national and international red books or lists (including IUCN), as well as strongly supports the banning of hunting, possessing and trafficking of wild animals. We are aware that to achieve this aim, we need to continuously collaborate with local agencies in Malaysia with expertise in these matters like the Sabah Wildlife Department (“SWD”) and the Department of Wildlife and National Parks Peninsular Malaysia (“PERHILITAN”). In Indonesia, we have signed an MoU with *Balai Konservasi Sumber Daya Alam* (“BKSDA”) to collaboratively protect conservation areas but the on-the-ground activities have been stalled due to very high covid cases in Indonesia.

**Support to Minimise Human-Elephant Conflicts**

In August 2020, IOI through IOIEO was involved in supporting the Ulu Muanad Human Elephant Conflict (“HEC”) Volunteer Group that conducted night surveillances to minimise human-elephant conflict. The team members of the volunteer groups, comprising of smallholder farmers from surrounding areas are provided with equipment and gears that are needed for their patrolling programme. The group utilises a non-invasive method by re-directing wandering elephants away from the smallholders’ and estate plots while also collecting critical data on elephant movement to assist in future wildlife management.

**Elephant Coexistence Project in Johor**

IOI together with the Management & Ecology of Malaysian Elephants (“MEME”) are working on a collaborative effort towards a project on building coexistence with elephants in Southern Peninsular Malaysia since August 2020. The project will promote knowledge and understanding regarding elephant co-habitation and mitigation measures on wildlife-human conflict.

**IOI-Seratu Aatai Elephant Collaring Programme**

A collaboration between IOI, Seratu Aatai, Wildlife Rescue Unit (“WRU”), and HUTAN-KOCP had successfully resulted in the first pygmy elephant collaring program on 26 February 2021, at an IOI plantation in Sabah. The collaborative initiative will enhance understanding and protection of the Bornean Pygmy elephant so that they will continue to flourish and exemplify humans and wildlife living in harmony. The initiative involves not only mapping and tracing the elephants’ movements but to also understand their presence and needs along with their behaviours. Following the success of collaring the first elephant, the team planned to search for another potential elephant to be collared. However, the strict lockdowns imposed by the Sabah state governments due to the high covid cases had somewhat hampered our progress.

**Orangutan Rescue**

A young orangutan was found in May 2021, by one of our workers in our IOI operating unit in Sabah. As our people are trained for such situations, they contacted the local authority. Within the same day, SWD along with WRU rushed to the scene and managed to transport the juvenile orangutan to Sepilok Orang-Utan Rehabilitation Centre (“SORC”) where it received the necessary attentive care.

**Promoting Biodiversity & Ecosystem Services**

In December 2020, IOI Group Head of Sustainability had shared how IOI drives socio-economic values while reducing its environmental impact in a webinar organised by The Business Council of Sustainable Development (“BCSD”) Malaysia. The focus of her presentation was on “Practical Integration of Biodiversity and Conservation in the Palm Sector”.

FOCUS AREA:  
FROM COST REDUCTION TO  
GHG REDUCTION



IOI acknowledged the coexistence of elephants in its landscape.



FY2021, we continue to report zero deforestation in all of our operating units. At the same time, IOI received zero grievance on deforestation for our operating units.

Juvenile Orang Utan Rescue lead by Dr. Uma from Wildlife Rescue Unit (WRU)

**NDPE Implementation in Our Third-Party Supplier**

In order to ensure that our potential 3<sup>rd</sup> party suppliers are complying to IOI's no deforestation, no planting on peat and no social exploitations commitments, due diligence will be conducted by the Responsible Sourcing Team even before the suppliers enter our supply chain. The due diligence process involves verification of current and past sustainability concerns in connection to the suppliers. IOI will only enter the sourcing agreement with suppliers without inherent sustainability issues to ensure that we can produce sustainable products to the market. As for the existing suppliers, IOI is utilising geospatial information to continuously monitor the suppliers for any deforestation and peat clearance activity. Within this financial year, there has been no new reported grievances related to deforestation and peat clearance on our suppliers.

**NO DEFORESTATION**

IOI exercises the application of High Conservation Value Resource Network ("HCVRN") and High Carbon Stock Approach ("HCSA") Resource toolkits to help us identify and conserve HCV and HCS areas for new land developments in all our operations. The Group is committed to using the latest integrated HCV-HCS assessments, led by licensed HCV assessors accredited by HCVRN Assessor Licensing Scheme ("ALS") for any future development. As stated in our SPOP, since 2016, IOI fully implements our NDPE commitments and have had a moratorium on deforestation at all operations except our last new land development in PT KPAM. Please refer to details of New Planting Procedure ("NPP"), HCV & HCS implementation for PT KPAM in Annual Sustainable Report 2019, pages 40 - 42<sup>1</sup>. In FY2021, we continue to report zero deforestation in all of our operating units. At the same time, IOI received zero grievance on deforestation for our operating units. Our direct suppliers have to commit that they will adhere to our NDPE commitments while our third-party suppliers have been requested to respect the NDPE commitments as stated in our SPOP. In the pipeline, we are also involved in a collaborative project called Project RELeaf which builds on the pioneering Kinabatangan Rileaf Project on reforestation and rehabilitation in Sabah as part of our pledge to also address climate change.

<sup>1</sup> [https://www.ioigroup.com/Content/IR/PDF/SR/2019\\_SR.pdf](https://www.ioigroup.com/Content/IR/PDF/SR/2019_SR.pdf)



About 90% of the suppliers have either a comprehensive or partial policy covering the NDPE requirements.

**Engagement & Capacity Building**

There was no physical engagement conducted for our suppliers for the past financial year due to the travel restrictions imposed by the government to curb the spread of COVID-19. However, continuous virtual engagement has been provided by the Responsible Sourcing Team to raise awareness on the importance of preserving biodiversity as well as adhering to our NDPE commitments. Based on the progress from the Tools for Transformation ("T4T"), none of the suppliers have new oil palm development on peat and the suppliers have good awareness on the requirement of no new planting on peat. About 90% of the suppliers have either a comprehensive or partial policy covering the NDPE requirements. Active engagements, albeit virtually, are being conducted to bring the remaining suppliers to commit to the NDPE policy.

Within the IOI Oleo group, in order to encourage more small producers to embrace responsible production, we have partnered with a Malaysian-based social enterprise, Wild Asia, to find ways to connect, support and give more value to our small producers within our supply base. The collaborative partnership helps to provide technical support to independent small producers through the Wild Asia Group Scheme ("WAGS") to enable sustainable production. Ultimately, the aim is to build a network of farmers who grow healthy and sustainable produce for the betterment of the ecosystem and the environment.

In July 2020, the first physical raw material connection was completed in Perak, Malaysia between IOI and WAGS whose WAGS'

farmers have achieved RSPO certification since 2015. The raw material was then used by IOI Oleochemical Industries Berhad, Prai to manufacture our customers' orders. Through the establishment of this physical connection, IOI provided three financial benefits to its beneficiaries. The first benefit is the additional income enjoyed by the farmers who are rewarded for implementing sustainable best practices and meeting NDPE requirements. The second financial benefit goes to the local WAGS team for their technical support on training and systems to facilitate new smallholders to similarly implement best practices. The third financial benefit goes to the independent miller as an incentive for their commitment and support for sustainable production. Together with Wild Asia, IOI strives to enhance the income of independent small producers through the delivery of traceable, deforestation-free and RSPO-certified palm oil. Going forward, IOI is targeting similar groups in Sabah that are within Wild Asia's portfolio.

**Monitoring & Continuous Improvement**

Sustainability performance of our suppliers is being monitored through the IOI's Palm Oil Dashboard<sup>1</sup> for continuous improvement. The dashboard was launched in December 2016 and contains information such as certified volumes, traceability numbers, supplier engagement and risk assessment, as well as links to the latest IOI Group sustainability news and grievance list. Concession boundaries for IOI Group's operations in Sabah and Kalimantan can be found on the Geo-RSPO (Roundtable on Sustainable Palm Oil) platform, while the Indonesian concession map is also downloadable from IOI Group's website. Mill lists including the name, coordinates and controlling group of each mill in IOI Group's supply chain are also published in the dashboard.

<sup>1</sup> [https://www.ioigroup.com/Content/S/S\\_Dashboard](https://www.ioigroup.com/Content/S/S_Dashboard)



Together with Wild Asia, IOI strives to enhance the income of independent small producers through the delivery of traceable, deforestation-free and RSPO-certified palm oil.



IOI Responsible Sourcing Lead Ms Yeo Lee Nya visiting one of WAGS's BIO Farms plot



WAGS certified member, Uda Sofiah from the Orang Asli Semai community

## FOCUS AREA: FROM COST REDUCTION TO GHG REDUCTION

### TECHNOLOGY & INNOVATION

#### MANAGEMENT APPROACH

As articulated in our sustainability vision, IOI attaches great importance to adopting the latest technology that promotes sustainability and to continuously innovate in order to remain competitive. The various improvement measures utilising new technologies that have been implemented in our operations to improve existing systems and processes include:

- **Integrating digitalisation** to existing management systems that has significantly improved the effectiveness and accuracy of critical processes such as salary documentation and payment and automation of regular processes.
- **Mechanisation** in labour intensive tasks, especially at the plantation level, to help increase workers' productivity and their subsequent salaries earned while, at the same time, upskilling their capabilities.
- **Research and development** ("R&D") especially in the areas involving improvement of planting material and overall product quality.

#### OUR PERFORMANCE

##### MECHANISATION IN PLANTATION OPERATIONS

Mechanisation has been actively introduced in our plantation operations as a long-term measure to increase operational efficiencies especially on labour intensive tasks and to further reduce our dependency on foreign workers to counter the risk of labour shortages. Several practical and effective mechanisation initiatives were introduced to progressively replace conventional processes. Due to the mechanisation initiatives, it is estimated that we could reduce up to 20% of the current total workforce in the plantation operations.

##### Mechanical Grabber

Harvested FFB are mechanically loaded from the FFB gathering platform onto the tractor instead of workers manually utilising physical force to load the FFB.



##### Power Barrow

Transferring harvested FFB from the harvesting path to the FFB gathering platform using motorised wheel barrows driven by workers instead of wheel barrows manually pushed by workers.



##### Motorised Cutter

Reducing the physical demand of FFB harvesting tasks through motor assisted harvesting cutters.



##### Geo-I Circle Sprayer

Uniform and effective agrochemical spraying operations through a human operated mechanised sprayer. Increases the speed of spraying and minimises the number of workers needed.



■ Mechanisation Initiative ■ Advantage Over Conventional Process

Furthermore, mechanisation initiatives implemented within the plantations increased workers' productivity by about 30% which eventually translates to higher income for the workers. In the long run, adoption of mechanisation may potentially attract more locals to work in plantations as laborious work will be significantly reduced.

##### DIGITISATION AND AUTOMATION IN IOI

Following the success in the implementation of a digital & cashless salary payment system and enhancement to the electronic Plantation Monitoring System ("ePMS"), the next potential digitisation initiative that IOI is exploring to help improve plantation operations is Robotic Process Automation ("RPA") technology. RPA is used to automate repetitive administrative and manual work, which can help reduce potential human error and manipulation and ultimately, improve overall data precision. Business Planning and Consolidation ("BPC") is another new initiative expected to be introduced to systemise the yearly budget process with better flow structure to enable better budget planning. Both RPA and BPC are expected to improve overall data precision and accuracy for the company.

With the full implementation of IOI's SAP system, the company is able to integrate data from more than 100 business operating units under a single platform and synchronise these data with various digital solutions (ePMS, cashless payment system, RPA, GIS and IoT). The SAP system coupled with our robust technology backbone system enabled our employees to effectively provide necessary support and perform their work from home which was especially critical during the mandatory lockdowns imposed because of the COVID-19 pandemic.



At IOI Oleochemical operations, as part of their efforts to reduce operational carbon emissions and costs, energy usage efficiency is monitored through Visual MESA Energy Management System ("EMS"), a software that provides visibility of energy flow and energy consumptions to achieve optimum energy efficiency. IOI Oleochemical is also currently pioneering the digitalisation process through the implementation of Realtime Prod Organiser Operation Management ("RPO-OM") that works with Energy Management Systems to monitor and optimise energy use in operations. Both systems are now in the initial phase of implementation.

IOIEO and IOIBE are enhancing their operations' efficiency through smart automation, which is in-line with Industry 4.0. The RPA tool was developed to allow real-time monitoring and gathering of critical refining and production data. The tool also has the ability to allow the user to automate processes, conduct inspection, and update relevant data through smart devices. The Predictive Maintenance ("PdM") system was also developed to provide automated system generated notifications to the management whenever any machinery requires maintenance or repair.

IOI's commitment and progress towards digital transformation was externally recognised by renowned international research firm International Data Corporation ("IDC") where IOI's Group Managing Director and Chief Executive was recognised as Malaysia's Digital Transformation ("DX") Chief Executive Officer ("CEO") of the year.

##### RESEARCH AND DEVELOPMENT

IOI Palm Biotech has conducted 30 years of continuous R&D to develop plant tissue culture technology for the production of high yielding clonal palms. The development has increased yield and improved oil extraction rate ("OER"), resulting in improved productivity in the plantations. In keeping with Malaysia's pledge to retain 50% of its forest covers, IOI adopts a sustainable approach to maximise palm oil yields from its existing hectareage through innovative research and development programmes by developing better planting materials without genetically altering the planting material. Aside from no genetic modification, the higher oil yielding clonal material developed and planted has reduced our reliance on land expansion in order to increase productivity, resulting instead in generating profits that are sustainable for the company. To date, OER averaging more than 24% has been obtained in mills that are receiving FFB crops supplied by estates planted with 30% to 50% of high-yielding clonal palms. This translates to a 14.8% increase in oil yield as compared to estates that are planted with conventional Dura x Pisifera ("DxP") seedling-originated oil palms, with OER averaging about 20.9% in FY2018.



IOIEO achieved a new milestone whereby all refined lauric products successfully met below 1ppm for both 3-MCPD and GE. IOIEO found that CPO washing is the key process in achieving low 3-MCPD in RBDPO & RBDOL.

Aside from improvement in yield, IOI is also developing disease-tolerant planting material and utilising innovative planting practices as a preventive measure from infection and to reduce reliance on pesticides and other chemicals. IOI Research Centre ("IOIRC") is currently conducting screening of planting material that is Ganoderma tolerant in DxP hybrids derived from the IOI mother palm. Ganoderma tolerant material potentially increases the lifespan of the oil palm as compared to the normal material. Field sanitation practices have also been implemented to reduce the Ganoderma inoculum in the field prior to planting. Fields that have undergone double ploughing and harrowing in high Ganoderma incident areas, successfully sustain the palm stand of more than 95% after 12 years of planting. As part of the CCA initiative to reduce GHG emissions from land use change, research focusing on short stature oil palm is also now being carried out to prolong the annual height increment to achieve a longer replanting cycle.

Mitigation of 3-Monochloropropane diol ("3-MCPD") and Glycidyl fatty acid esters ("GE") is a long-term project under IOIEO's R&D department. This year, IOIEO achieved a new milestone whereby all refined lauric products successfully met below 1ppm for both 3-MCPD and GE. IOIEO found that CPO washing is the key process in achieving low 3-MCPD in RBDPO & RBDOL. Apart from improving the quality of refined oil, the lower bleaching earth dosage in the subsequent refining stages enabled the refinery to achieve a better processing cost as well as reduce the amount of waste generated from the refining process. To promote better quality palm oil for the industry as a whole, IOIEO shared their experience in avoiding and reducing 3-MCPD and GE during the refining process in a webinar organised by IChemE. Besides that, representatives from IOIEO also presented in the 'Sustainability and Green Technology Innovations in The Malaysian Palm Oil Refining Sector' event at the Green Technology Innovations in the Malaysian Palm Oil Industry's Downstream Sector webinar. Various practical sustainability and green technology initiatives implemented by IOIEO were shared during the webinar.

Other potential new applications from refined palm oil that IOIEO is exploring is on palm-based bio-lubricants. Bio-lubricants refers to lubricants that biodegrade rapidly and are non-toxic to humans and aquatic habitats. After several lab studies, IOIEO started to use RBDOL as a palm base lubricant for selected motorised pumps at the production facility since January 2021. Regular monitoring and testing were conducted to compare the lubrication performance of the bio-lubricant with the synthetic base lubricant. Results from the study have successfully utilised palm oil for non-food applications while also addressing the food contamination issue of using synthetic oil in the refining process. The R&D team is also working on viscosity and stabilisation improvement for bio-lubricants to explore potential application in other machineries throughout the production line.



Once you understand the destruction taking place, unless you do something to change it, you become involved in a chain of tragedy. You can continue to be engaged in that strategy of tragedy, or you can design and implement a strategy of change.

- Michael Braungart,  
Willian McDonough

# From Accountability to Traceability and Transparency

*IOI's focus on sustainability, governance and accountability are extending beyond our operations to those of our vendors, resource suppliers and agents. Through greater engagement and smart partnerships as well as verification and compliance processes, we can ensure that our commitments and actions are in alignment with our core values and principles together with our 3 Pillars of Sustainability (People, Planet and Prosperity).*

Achievements to date:

Completed SAP roll-out on 2<sup>nd</sup> September 2020.

All IOI employees including 21,000 workers will be fully vaccinated by end 2021.

Year 2 T4T IOI's Report on Suppliers :

**94%** No new planting on peat.

**75%** Freedom of Association for workers.



PEOPLE



PLANET



PROSPERITY

+



PARTNERSHIP

# FOCUS AREA: FROM ACCOUNTABILITY TO TRACEABILITY AND TRANSPARENCY

## RESPONSIBLE BUSINESS

### MANAGEMENT APPROACH

Good governance ensures the rule of law throughout all levels of our business operations and is an essential aspect of our sustainable approach. Specifically, a strong governance structure as well as effective management controls with roles, responsibilities and accountability clearly stated, ensure that we operate in accordance to all applicable laws and regulations, deliver competent business performance and safeguard the interests of our stakeholders while continuing to create long term sustainable values. Our Board of Directors are selected from a variety of backgrounds with relevant industry knowledge, skills and experiences that bring diversity and values. The details on the Board's structure, roles and profiles can be found in the Group's Annual Report (Page 72 to 77). Our updated approaches towards corporate governance practices including codes of conducts, frameworks, policies, guidelines and our Corporate Governance Overview Statement are available in our website<sup>1</sup>.

### OUR PERFORMANCE

#### REGULATORY COMPLIANCES & BUSINESS ETHICS

At IOI, we are committed to working with "integrity" (one of IOI's core values) and to upholding the highest standard of work ethics in line with our Code of Business Conduct and Ethics ("The Code"). 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. All new employees are informed on The Code during their on-boarding training and The Code is available at our websites and IOI's own intranet. Our policies, guidelines and procedures can also be accessed via the company's intranet. Other company policies are also communicated to our employees during training or on-boarding sessions.

The Group's Business Ethics, Compliance, Anti-Corruption and Anti-Money Laundering Policy further completes our zero-tolerance approach towards corruption in any form including our stance against kickbacks, gifts, hospitality and entertainment, protection money and political contributions. IOI does not partake in political involvement of any kind on the company's behalf and commits to disclose any political donations in our annual report. This financial year, IOI has recorded zero report on corruption and did not make any political contribution.

IOI's Tax Policy sets the direction on how all business operations within the company conduct matters regarding tax. The policy sets the approaches that ensure IOI manages matters regarding tax in a fair and responsible manner. We are committed to tax transparency as reported in our Annual and Financial Report, compliance with tax laws and follow the spirit of the law or engage in tax fairness in the country.

<sup>1</sup> [https://www.ioigroup.com/Content/G/G\\_Governance](https://www.ioigroup.com/Content/G/G_Governance)

### RISK MANAGEMENT, TRANSPARENT GRIEVANCE RESOLUTION AND COMMUNICATION

As one of the top six materiality matters of 2021, IOI views the above matter very seriously. To enable all stakeholders to express and communicate their concerns easily and freely over our operational impacts that may require improvement or remediation due to the possibility of misalignment to our policies and best practices, IOI has provided multi-channels for these matters to be reported either transparently or anonymously, if required. For example, the Group has implemented an open and transparent whistleblowing approach to resolve both internal and external stakeholder grievances. Stakeholders are encouraged to submit their grievances if they find any part of our operations or supply chain are not operating in line with the principles stated in the Group's SPOP.

Any case submitted through these channels will be processed transparently with the involvement of affected stakeholders. IOI also commits to safeguard all stakeholders involved in the grievance process against potential threats, intimidation, violence, or reprisals throughout the process. To effectively manage all of our sustainability and operational risks, the Group coordinates risks and audit oversight through the Enterprise Risk Management ("ERM") framework which is maintained by the Board-level Audit and Risk Management Committee ("ARMC"). The sustainability risks that concern our operations are environmental, social and governance matters which include but are not limited to; human rights, local community grievances, occupational health and safety, fire management, deforestation, climate change, biodiversity, and peatland protection. These risks are managed at the business unit level and are guided by approved guidelines and SOP.

Results of the investigation and progress of issues are transparently published in the IOI grievance list and communicated to the affected stakeholders. The grievance list<sup>2</sup> and our whistleblowing channels can be accessed through our website<sup>3</sup>.

### CYBER SECURITY & DATA PRIVACY

The COVID-19 pandemic has led to most of our employees needing to work from home in adherence to the Movement Control Orders ("MCO") imposed by the government. Therefore, IOI has taken measures to tighten our cyber security and data privacy to guard against the threat of hacking and ransomware, a risk on the internet that is especially prevalent during the pandemic.

IOI deploys multi-level IT security from network perimeter Firewall, anti-spam email scanning and inspection to endpoint security at the desktop PC level. Moving forward, we will also be improving our security patch management, implement DNS appliance as well as Group-wide security vulnerability scanning which will allow the Group to patch recommended systems, thus minimising the risk of security exploitation.

<sup>2</sup> [https://www.ioigroup.com/Content/S/S\\_Track](https://www.ioigroup.com/Content/S/S_Track)

<sup>3</sup> [https://www.ioigroup.com/Content/G/G\\_Whistleblowing](https://www.ioigroup.com/Content/G/G_Whistleblowing)

## CORPORATE SUSTAINABILITY AND COMMUNITY OUTREACH

### COMMUNITY OUTREACH, INITIATIVES AND DEVELOPMENT

#### MANAGEMENT APPROACH

Operating with a vast footprint in various regions, IOI is cognizant of the role that we can play for the surrounding community even at regional levels. We, therefore, continuously implement initiatives and projects to empower and ensure our surrounding communities are progressing and developing together with the company.

To this end, IOI has established various processes to ensure the rights of the communities are protected prior to any development through the FPIC process<sup>1</sup>. Further, at IOI's operating units, stakeholder's engagement process with local communities are in place such as quarterly or annual meetings, mechanisms to collect, record and address complaints or grievances, etc. In addition, relationship building and the needs of local communities are generally addressed through SIAs and consultative meetings. Grievance mechanism<sup>1</sup> is also socialised to the communities to provide a clear procedure for the communities to escalate complaints to the company throughout multiple development and operation stages.

### OUR PERFORMANCE

#### YAYASAN TAN SRI LEE SHIN CHENG ("YTSLC")

IOI continues to fulfil its Corporate Social Responsibility ("CSR") in education, medical and community initiatives through YTSLC. This financial year, YTSLC contributed RM4.1 million, with a total of RM288,000 given to various parties as contribution for COVID-19 pandemic.



**Student Adoption Programme**  
≈ **RM4.78** million to **1,046** students

Annual financial assistance to students in primary and secondary education.



**Scholarships**  
≈ **RM9.83** million to **302** students

Education assistance to well performing students. Career opportunities with IOI upon graduation.



**Young Achievers Award**  
≈ **RM624,000** to **1,497** students

Award for employees' high achieving children.



**Development of Schools**  
≈ **RM22.65** million

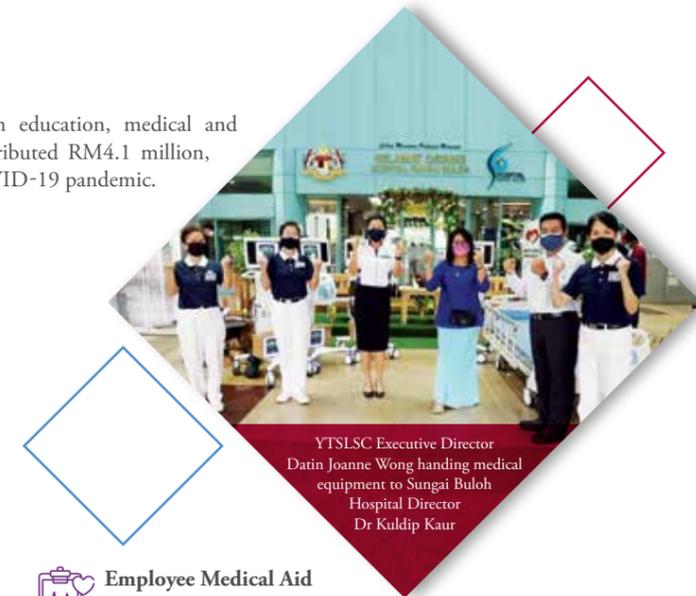
Development and facility improvement for schools.



**Charity**  
≈ **RM13.94** million

Donation to Malaysia Ministry of Health to help contain COVID-19 pandemic in places of worships, disabled care centres, etc.

<sup>1</sup> [https://www.ioigroup.com/Content/S/S\\_Systems](https://www.ioigroup.com/Content/S/S_Systems)



YTSLS Executive Director Datin Joanne Wong handing medical equipment to Sungai Buloh Hospital Director Dr Kuldip Kaur



**Employee Medical Aid**  
≈ **RM1.13** million

Medical aid to employees who required emergency treatment.



**Bargain Basement**  
≈ **RM266,000**

Social enterprise reselling of pre-used items for the benefit of community and various charities (part of 7Rs).



**Research and Development**

Collaboration with University Malaya on oil palm pest management project.

## FOCUS AREA: FROM ACCOUNTABILITY TO TRACEABILITY AND TRANSPARENCY

### ENGAGING WITH SCHOOLS ON COVID-19

IOI continues to support our surrounding communities throughout the COVID-19 pandemic through various initiatives. For example, in response to the pandemic, IOI has extended the “Reusable Face Mask” Initiative to children living within our plantation. In July 2020, about 14,000 pieces of reusable face mask was distributed to schoolchildren studying at Humana Schools and Community Learning Centres at our operating units in Sandakan and Lahad Datu, Sabah.

IOI Oleochemical Industries Berhad (IOI Oleo) had also donated 240 boxes of face masks for underprivileged students from Sekolah Kebangsaan Khir Johari, Prai, Sekolah Jenis Kebangsaan (Tamil) Ladang Prye, Sekolah Jenis Kebangsaan Tamil Prai and Sekolah Jenis Kebangsaan Cina Boon Beng, Simpang Ampat in Penang. Furthermore, IOI Oleo donated hand sanitisers to Sekolah Kebangsaan Khir Johari (Prai), Sekolah Jenis Kebangsaan Tamil (Prai), Sekolah Jenis Kebangsaan Cina Chung Hwa 2 (Bagan) and Sekolah Menengah Sains Tun Syed Sheh Shahabuddin (Bukit Mertajam). Each school was given 25 liters of in-house hand sanitisers produced by the Company’s Quality Control Department.

IOI Oleo, in “adopting” Sekolah Kebangsaan Seri Alam 2, had organised talks for students on the subject of environmental conservation and COVID-19 prevention, sponsored gas detectors for the school and conducted a fire drill as part of the company’s CSR programme. Aside from S. K. Seri Alam 2, IOI Oleo had also collaborated with the Pasir Gudang district education office to distribute hand sanitizers to schools in the area.

### SUPPORTING FRONTLINERS DURING COVID-19 PANDEMIC

Recognising the importance of the duty our frontliners had to carry out to curb the spread of COVID-19, IOI Edible Oils (“IOIEO”) had contributed five units of spraying equipment to the Sandakan Fire and Rescue Department. In addition, 15 units of bedsteads were given to the frontliners from the Sandakan Health Department who are stationed at PPR Batu Putih Quarantine Centre to address the shortage of basic amenities for the frontliners as a result of a drastic increase of covid cases.



IOIEO contributing spray equipment to the Sandakan Fire and Rescue Department.



First Round of Negotiations for Final Settlement at Grand Palace Hotel, Miri Sarawak.

### IOI PELITA ISSUE UPDATE

Despite the COVID-19 pandemic, dispute resolution for IOI Pelita has achieved some significant milestones over the last 12 months.

Stage 2 of the Conflict Resolution Plan which involved the Community Participatory Mapping process was completed in November 2020. All eight community groups participated in the resolution process to map their individual and communal land claims on the entire 9,040 hectares of IOI Pelita’s Provisionally Leased state areas.

Based on the results of the Community Participatory Mapping, the Company decided to excise from the Provisional Lease approximately 4,600 hectares of land and keep the remaining 4,400 hectares which had been planted by the Company. The Sarawak State government, an important stakeholder and the ultimate authority on all land-related matters, welcomed IOI Pelita’s decision to excise such a large portion of its Provisional Lease area and, in turn, made a commitment to declare that area as Native Communal Reserve and allow the 8 community groups to divide it among themselves based on their customary law or ADAT before the Sarawak State government provides the eight community groups with land titles.

At the completion of the resolution process, IOI Pelita initiated Stage 3 of the Conflict Resolution Plan (“Negotiations for the Final Dispute Settlement”) in April 2021. The negotiation provided the eight community groups with an opportunity to present all their remaining demands and express any concerns that they might have.

In addition to working on the dispute resolution, IOI Pelita assisted the local communities with food, masks, and sanitizers when the area was declared a pandemic red zone and several longhouses were isolated under the quarantine. The Company also helped the community members with registration for vaccination and transportation to vaccination centres.

Based on the results of the Community Participatory Mapping, the company decided to excise from the Provisional Lease approximately 4,600 hectares of land and keep the remaining 4,400 hectares which had been planted by company.

### SMALLHOLDERS AND OUTGROWERS

#### MANAGEMENT APPROACH

Currently, 40% of the total worldwide palm oil production originated from smallholders. As such, IOI recognises the importance smallholders play in our supply chain. To support their journey towards sustainability, IOI initiated several capacity building initiatives with the purpose of helping them implement best management practices to increase their yield and to assist them in preparing for mandatory sustainability certifications like Malaysian Sustainable Palm Oil (“MSPO”) and Indonesian Sustainable Palm Oil (“ISPO”).

#### OUR PERFORMANCE

##### PARTNERING WITH WAGS TO SUPPORT SMALLHOLDERS

IOI’s Responsible Sourcing Team has partnered with Malaysian-based social enterprise Wild Asia to find ways to support economically vulnerable small producers within our supply base during these uncertain times. The Wild Asia Group Scheme (“WAGS”) is a programme formalised in 2011 to enhance local capacity in the oil palm sector as well as to support independent farmers and producers towards sustainable production. It aims to build a network of farmers who grow healthy and sustainable produce for the betterment of the ecosystem and the environment.

This partnership with WAGS has helped to enhance the income of our small producers through the delivery of traceable, deforestation-free and Roundtable on Sustainable Palm Oil (RSPO)-certified palm oil. Our first physical raw material connection with the WAGS team completed in July 2020 in Perak.

##### PROJECT ILHAM

IOI continues to work with Bunge Lodders Croklaan (“BLC”), Kerry Group and Fortuna Mill on the Iniatif Lestari Untuk Hasil Agrikultur Mampan (“ILHAM”) programme despite the restriction of movements caused by the COVID-19 pandemic. In total, more than 150 MT of fertilisers have been distributed to the farmers from five different communities since the beginning of the programme in 2018.

On 24 February 2021, a team from BLC, IOI Research Centre and Fortuna conducted a foliar and soil resampling exercise in Kampung Basai, Beluran located in Sabah. Five farmers who have consistently applied fertiliser according to recommendations were selected for the interim exercise to monitor the progress of the programme. The results showed an improvement in the foliar and soil nutrient levels as well as other parameters. Significant yield improvement will encourage the farmers to continue participating in the programme and eventually improve their livelihood and income.

### SMALLHOLDERS SUPPORT AND ENGAGEMENT

In July 2020, IOI UNICO Group and IOI Sustainable Palm Oil (SPO) team organised a series of training sessions for major outgrowers and smallholders who supply FFB to Unico Oil Mill, as well as interested participants from neighbouring estates. The objectives of the training were to improve the quality of FFB and palm oil production from external suppliers, improve the overall oil extraction rate, as well as demonstrate to smallholders how to identify good quality FFB. The smallholders were also given guided sessions on how to prepare for their upcoming MSPO audit.



Demonstration to participating smallholders on how to use fertiliser spraying equipment in early 2020.

More than 150 MT of fertilisers have been distributed to the farmers from five different communities since the beginning of the programme in 2018.

The smallholders were also given guided sessions on how to prepare for their upcoming MSPO audit.

# FOCUS AREA: FROM ACCOUNTABILITY TO TRACEABILITY AND TRANSPARENCY

## OUR WORKFORCE

### MANAGEMENT APPROACH

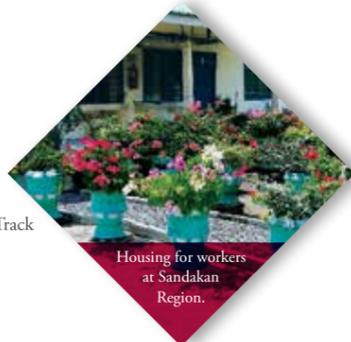
IOI is committed to upholding the rights of our workers in accordance with the Universal Declaration of Human Rights, the International Labour Organisation's ("ILO") core conventions etc., as stated in our SPOP. Specifically, some of the ILO core conventions adopted by IOI are; Right to Organise and Collective Bargaining Convention, Forced Labour Convention and Worst forms of Child Labour Convention.

The palm oil industry is among the most regulated industries in Malaysia, with over 200 laws and regulations<sup>1</sup> and receives continuous scrutiny from various stakeholders such as non-governmental organisations ("NGOs"), customers, governments and their agencies, etc. On IOI's part, knowing that our workforce is one of our most important assets, we have put in considerable efforts to improve the social aspects of our employees which include raising their living standards and ensuring a working condition that is safe and healthy especially during the pandemic. Aside from regular monitoring based on our established social management guidelines, IOI also conducts statistical analysis on rate of turnovers or abscondment as one of the indicators to gauge our performance in the social aspects. As one of the company's initiatives to appreciate and maintain our workforce, IOI employees received regular performance and career development reviews annually. In FY2021, all employees received their performance reviews.

All grievances received from internal and external stakeholders are being monitored closely by the sustainability team. The company continuously engages with NGOs, worker's rights specialists, certification bodies such as RSPO, ISCC and MSPO, complainants etc., to address any grievances through our external grievance channel<sup>1</sup>. Our transparent and proactive measures in resolving the matters raised are reported in the grievance update at our website<sup>2</sup>.

For further improvement, analysis of all the recorded grievances will be performed. The analysis will consist of number of grievances recorded from each operating unit, channel used, type of grievance/request, nationality and other relevant parameters. Information from this analysis will be used to improve our system and processes and eventually minimise the number of grievances from our employees and stakeholders.

Our sustainability team continuously improves their competency in auditing through trainings and subsequently provides transfer of knowledge on sustainability practices to the operating units.



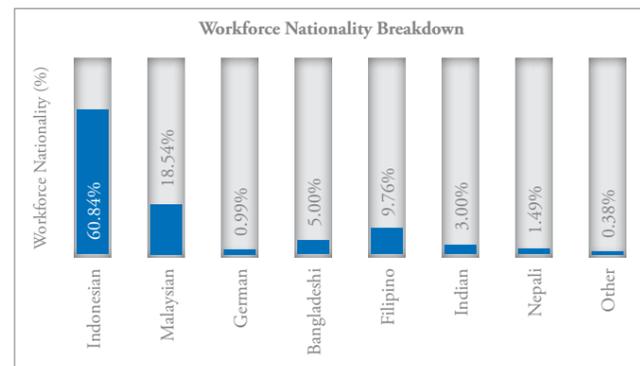
## OUR PERFORMANCE

### MONITORING HUMAN RIGHTS AND LABOUR CONDITIONS

IOI's plantation sector has established the Group Social Impact Assessment ("GSIA") as the general guideline for implementing social matters including workers' rights. All related labour conditions, methodology of social impact assessment, Grievance Procedure, Harassment Reporting Procedure, facilities, etc. are documented in the GSIA as the main reference for plantation group.

Human rights and labour conditions have become one of the main focuses for IOI in year 2020/2021. In response to these concerns, IOI Plantation has introduced more guidelines to provide clarity and accountability, and to further enhance the monitoring and practices at the plantations to ensure the rights of our workers are protected.

Compliances on human rights and labour conditions were monitored annually through external third-parties certification audits at our 14 palm oil mills and 84 estates in Malaysia. Each grouping was audited at least two times per year (RSPO and MSPO) except for Gomali Group, Pukin Grouping, Ladang Sabah Group, Syarimo Group and Leepang Group which have been audited three times a year (under RSPO, MSPO and ISCC). This basically means that we are audited at least 33 times in a year, across Peninsular and Sabah and Sarawak. Any non-compliances including those related to human rights will be shared during internal regional meetings to make sure all operating units adopt the necessary corrective actions group wide to prevent occurrence of the same findings in other estates.



<sup>2</sup> [https://www.ioigroup.com/Content/S/PDF/Grievance\\_others.pdf](https://www.ioigroup.com/Content/S/PDF/Grievance_others.pdf)

## RESPONSIBLE RECRUITMENT PRACTICE

Responsible recruitment is one of the top 6 materiality identified to be most relevant to both IOI's business and our stakeholders. As such, we have a Code of Conduct ("CoC") on Ethical Recruitment and Responsible Employment, the framework of which consists of Governance and Our Employment Approach. Details on the CoC can be referred to the end of this report. Another indication that we view responsible recruitment as an important matter was evidenced by the fact that one of the topics of our 1<sup>st</sup> Sustainability Consultation Forum ("SCF") was on responsible recruitment. This inaugural SCF with Business for Social Responsibility ("BSR")<sup>1</sup> as facilitator was to gather feedback from various stakeholders on systemic issues, i.e., 1) Responsible Recruitment Practices, particularly in Peninsular Malaysia, and 2) Legalisation, particularly in Sabah. It was conducted on 28<sup>th</sup> May 2021 and was attended by our SAP members, government agencies from the labour department, RSPO, MSPO as well as some brand names.

The following are some of the recommendations from the forum<sup>2</sup> are:

- Develop and execute an industry code of conduct, which should be overseen at the industry body level e.g. by the Malaysian Palm Oil Board ("MPOB") or Malaysian Palm Oil Association ("MPOA").
- Develop and execute sectoral strategy and roadmap to illustrate how this plays out, all in compliance with Malaysian law.
- Develop a communication strategy to:

- Build influence with the source countries' governments.
- Reach out to potential employees through various avenues including social media to proliferate knowledge about workers' rights and working conditions at the right time.
- Continue the industry rebranding process which is necessary to achieve long-term change and success.

IOI is in discussion with various parties to begin to address some of these recommendations. One of the recommendations of the SCF that IOI is planning to implement once the Malaysian government opens up our borders that was closed due to the pandemic, is to conduct direct interviews with our potential workers while they are still at their home country to make sure they are aware on the nature of job, our policies especially on "no recruitment fee", their work contracts as well as to ascertain if any illegal money was collected prior to employment.

<sup>1</sup> <https://www.ioigroup.com/Content/MEDIA/NewsroomDetails?intNewsID=1040>

<sup>2</sup> <https://www.ioigroup.com/Content/MEDIA/NEWS/pdf/IOI%20SCF%20-%20Executive%20Summary%20JULY%2020210719.pdf>

## PAY AND WORKERS' BENEFIT

IOI had revised and published the Guideline for Minimum Wage and Leave Pay in November 2020 to strengthen our commitment as stated in the SPOP. As presented in the 'Fair and Decent Living Wage Study' by Monash University in which IOI participated together with other growers in 2019, generally, the salaries earned by our workers together with the benefits received such as housing, medical, utilities, etc., is found to be higher than the standard living wage in their source country. Other in-kind benefits to our workers living in the plantation are access to education and facilities for their children, day care centres, sport facilities, sundry shops, places of worship, transportation, health facilities, etc.

In Peninsular Malaysia, all workers' rights are subject to the National Union of Plantation Workers ("NUPW") agreement in 2020 and are being implemented regardless of nationality. To further improve our salary management, IOI introduced the SAP ERP system to ensure all payments are controlled and centralised by IOI HQ since Q4 of 2019. In addition, as a means of monitoring the wages, the SAP system also generated a Minimum Wage Monitoring Report. IOI Plantation also implemented a new guideline on Worker's Work Verification Guideline in May 2021 to enable workers to verify their work done to ensure the hours that they have worked are reflected correctly in the salaries that they received.

## GRIEVANCE MECHANISM PROCESS

### ACCESS AND ANALYSIS ON INTERNAL GRIEVANCES, REQUEST AND COMPLAINT

IOI commits to the highest level of transparency while dealing with grievances from our stakeholders, especially our employees. We have established the Grievance Resolution Process<sup>3</sup> as a clear means to address any issues raised within IOI operations.

To strengthen our grievance resolution process and for the purpose of continuous improvement, we have conducted analysis on reported grievances, requests and responses from our employees including workers, staff and management and external stakeholders including neighbouring communities within our plantations in Malaysia. The data from the last two financial years were compiled and prepared by our sustainability personnel on the ground. There are several channels available for reporting grievances for internal stakeholders as well as having external stakeholder meetings to address any grievance/request from external stakeholders such as schools, Humana, neighbouring villages, government sector etc. The types of grievance issues reported and details of respondents, such as name, nationality, gender, position and status of the report were also recorded.

<sup>3</sup> [https://www.ioigroup.com/Content/S/S\\_Systems](https://www.ioigroup.com/Content/S/S_Systems)

<sup>1</sup> [https://www.ioigroup.com/Content/S/S\\_Track](https://www.ioigroup.com/Content/S/S_Track)

FOCUS AREA:  
FROM ACCOUNTABILITY TO  
TRACEABILITY AND TRANSPARENCY

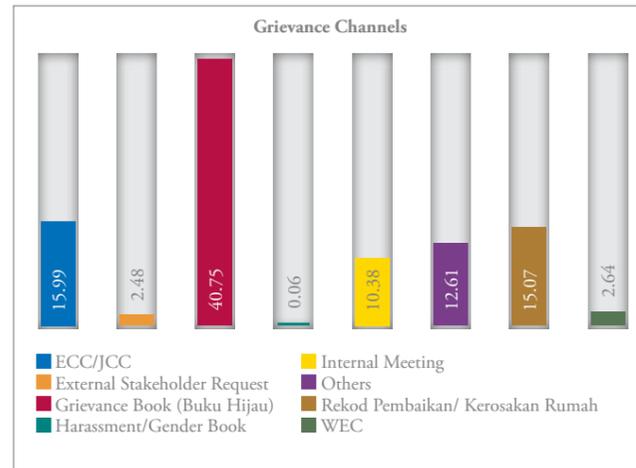


Figure 1: Percentages of Grievance Channels Used by Plantation

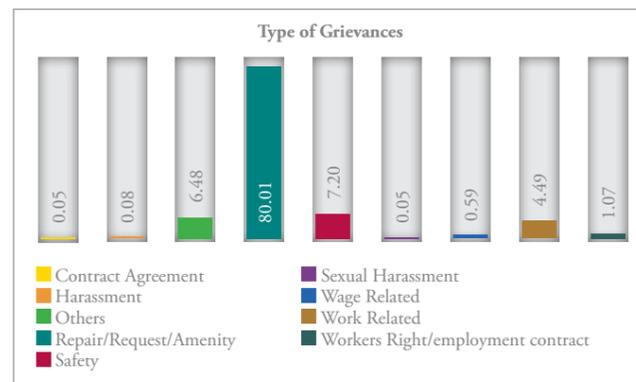


Figure 2: Percentages of Grievance Type Report by Plantation

Total number of grievances reported from FY 2019 to FY 2021 was 7,280 reports. The general findings from this analysis are:

- The Green Book (41%) is the most popular channel used by the workers to raise their concerns, followed by ECC/JCC (16%) and *Rekod Pembaikan/Kerosakan Rumah* (15%). Details can be referred to Figure 1.
- Most of the issues reported are about housing/amenities, repairs and maintenance, requests for transportation and facilities provided such as usage of community halls, chairs, etc.
- Workers are aware of the multiple channels they can access to raise their grievances, complaints or requests.
- Generally, straightforward requests such as required transportation to travel out from the estate for any purpose, etc., are approved within the same day. Any request on repairs is generally attended within one week depending on the availability of items/tools and manpower.

e. Low number of grievance reported on workers' rights (1.1%), safety (7.2%) and work- related issues (4.5%). Details can be referred to Figure 2.

Issues related to IOI's recruitment process for foreign workers has been highlighted this year through Finnwatch, RSPO and several media sources. IOI has engaged fully with these stakeholders to address their concerns.

1

GRIEVANCES ON MEKASSAR ESTATE

In August 2020, Finnwatch contacted IOI regarding several allegations brought by a worker's relative related to housing facilities, disagreement on wage payments, etc., which occurred at Mekassar Estate. Several virtual meetings with Finnwatch and the complainant were conducted to discuss the grievances and share evidences that the grievances highlighted are being addressed. Details of the grievances update and the resolution of the issues raised can be referred to our website<sup>1</sup>. On 30<sup>th</sup> June 2021, Finnwatch had published their report<sup>2</sup>. The report provided various recommendations to IOI as part of our continuous improvement on existing systems and processes. Among corrective actions already implemented are the establishment of Guidelines on Providing Basic Amenities, Guidelines for Minimum Wage and Leave Pay, Workers Work Verification Guidelines, related refresher trainings on harassment, grievance handling, etc. Almost the same issues were raised by the same complainants to RSPO in October 2020 and the details of the progress of the complaints can be found at RSPO website<sup>3</sup>.

2

GRIEVANCES BY ANDY HALL

In April 2021, Andy Hall and his team, reached out to IOI and highlighted concerns regarding IOI's workers who were on home leave in Bangladesh. The issue of deposits being collected from some of our workers before going on a home leave to their country, which was not part of IOI's procedure or guidelines, was an isolated case and has been fully addressed and acknowledged by them during a zoom meeting on July, 8 2021. A separate issue was also highlighted regarding a few cases of workers' salary underpayment which happened at the end of 2019, where a field supervisor manually manipulated the wage payment belonging to 25 affected workers for his own monetary benefit. The estate management reimbursed the wages taken by the field supervisor to all affected workers and lodged a police report although the field supervisor had already left the estate by July 2020. The resolved issue and details of actions taken at that time was shared with Andy Hall and his team during a zoom meeting on July 8, 2021. Details of the grievance and update can be referred in our website<sup>1</sup>.

<sup>1</sup> [https://www.ioigroup.com/Content/S/PDF/Grievance\\_others.pdf](https://www.ioigroup.com/Content/S/PDF/Grievance_others.pdf)

<sup>2</sup> <https://finnwatch.org/en/publications/migrant-workers-rights-in-oil-palm-estates-in-malaysia>

<sup>3</sup> <https://askrspo.force.com/Complaint/s/case/5000o000034tDnYAAU/detail>

CELEBRATING INTERNATIONAL WOMEN DAY IN IOI

Women empowerment is an important path forward to achieving gender equality within our community. IOI upholds the rights of women and continues to provide opportunities for them to grow and explore new responsibilities and challenges. Our Women and Empowerment Committee ("WEC") introduced last year, is an important platform for our female employees in our plantations to raise their concerns on gender rights etc. Since 2020, IOI had celebrated International Women's Day ("IWD") annually both at the group level and together with the team on the ground. This year, on March 8, 2021, because of the on-going pandemic, the celebration was conducted in a hybrid manner, i.e., virtually with the different regions (Lahad Datu, Sandakan, Peninsular Malaysia and Indonesia) and in-person with all SOPs in place at the respective regions. Some of the activities conducted are video compilations of the women in IOI exhibiting their strength and readiness to #ChooseToChallenge, which is also the theme for this year's International Women's Day. Other activities include a Haircut Initiative as one of the initiatives which consists of a series of training sessions to develop budding hairdressers and potentially improve their livelihood by providing such service for the plantation community. A competition on haircut and make-up was also conducted before the event and the results were announced during the IWD. The winners were given cash prizes for their efforts, sponsored by Yayasan Tan Sri Lee Shin Cheng. IOI also provided further support to the initiative by providing 20 sets of free haircut toolkits to the 20 selected operating units to kickstart the initiative.



COMPANY FAMILY-FRIENDLY PRACTICES

IOI strongly believes that family-friendly practices at the workplace will have a far-reaching impact to the community and business continuity. Consistent implementation of family-friendly practices will promote work-life balance for the employees and eventually improve their focus and overall productivity in their duties.

Below is the summary of some of the family-friendly practices implemented by IOI at the workplace.

**Flexi Working Hours**

- Flexible working hour to allow employees to adjust their workday accordingly to meet personal and family commitments.

**Working from Home**

- Alternate or scheduled working from home for employees to meet family needs and minimise risk of infection from COVID-19.

**Pregnancy and Nursing**

- Provide safe working conditions to pregnant employees by giving alternative jobs in plantations that will not jeopardise their pregnancy.
- Paid nursing breaks and facilities to support nursing environment in the workplace.

**Access to Childcare and Education**

- Free childcare service provided for children in plantations up to age 6.
- Access to Humana and Community Learning Centre ("CLC") (Indonesian/Philippines, etc.) for foreign dependants from age 6 to 17 years old to ensure access to early childhood education and develop skills they need to reach their full potential. Raise awareness and encourage parents to send their child for proper education to prevent child labour.

**Accommodation and Amenities**

- Accommodations are provided to all employees (single or married with families) in our plantations. Other basic necessities such as water supply, electricity and basic amenities are also made available.

**Health Matters**

- Increase the rate of immunisation for children of employees in plantations through engagement with related government departments and awareness training based on related guidelines.
- Medical benefits to employees and dependants.
- Medical facilities to provide medical assistance to employees and immediate family in the plantations.

## FOCUS AREA: FROM ACCOUNTABILITY TO TRACEABILITY AND TRANSPARENCY

### Gender Equality

- Equal opportunity for all regardless of gender with regards to employment, wages and other benefits.
- Establishment of WEC to promote women empowerment and also as a platform to discuss on any gender related issues such as pregnancy, nursing etc.

### Yayasan Tan Sri Lee Shin Cheng

- Educational scholarships, financial assistance, awards and medical aids to children of our employees and qualified Malaysian youths are given. Details of these awards can be referred to on page 53 of this report.

### Plant Your Own Food Initiative

- This initiative introduced last year to encourage employees to plant their own food and improve food security within the community has proven very timely especially in light of the restrictive movement control order (“MCO”) by the government.
- Monitoring of the initiative was conducted in June 2021 involving estates in Peninsular and Sabah, Malaysia. Sabah showed better implementation compared to Peninsular, possibly because more married couples and families are living in the plantation in the Sabah region compared to the Peninsular region. In total 15,117 people including employees and their dependents benefitted from this initiative.

## CHILDREN’S RIGHTS

In IOI, we believe that education is one of the keys to countering child labour. Therefore, access to education for children in our plantation is one of the priorities to minimise social issues such as child labour and child marriage and to protect their rights. We have established in collaboration with Humana Child Aid Society Sabah and State of Indonesia, that targeted to provide education to the children of our foreign workers by providing learning centers called Humana, for primary school children and Community Learning Centres (“CLC”) for secondary school children. Transportation is also provided if the children is required to commute to the schools outside the plantation. Ensuring their access to education not only increases the children’s employability in future, it prevents them from accompanying their parents into the estates for work. We also provide the children who completed their studies at CLC the opportunity to continue their higher education at their home country in Indonesia.

## PLEDGE ON COUNTERING CHILD LABOUR THROUGH EDUCATION

In March 2021, IOI submitted our pledge “To counter child labour via education post-Covid: Provide educational platform access to our employees’ children by 2021” in conjunction with International Year for Elimination of Child Labour. To meet this pledge to ILO, IOI will be providing additional education platforms for our children in the plantation with the specific focus on reducing their learning gaps due to the lockdowns brought about by the COVID-19 pandemic. The initiative will be launched at all regions where we operate by end of 2021, followed by awareness and socialisation as well as training regarding the educational platform.

On other children’s rights such as ensuring that they are protected from all forms of violence, sexual harassment or any exploitation and that their development and wellbeing are taken care of, the WEC are tasked to oversee such issues in the plantation. The company also provides free access to our estate’s health facilities for children and transportation if medical treatment is needed.



Learning centres and day-care facilities for workers' children

## OCCUPATIONAL SAFETY AND HEALTH

### MANAGEMENT APPROACH

IOI is vigilant on ensuring that the safety and health of all our employees across our operations especially during the pandemic remains our prime concern. All COVID-19 SOPs and measures are adhered to and implemented for all levels of employees to make certain that we stop the spread of COVID-19. Vaccination programmes are put in place and we target to achieve full vaccination for all of our employees including foreign workers by the end of 2021.

Our safety and health measures are governed by our Occupational Safety, Health, and Hygiene Policy to ensure our compliance to the national occupational safety and health laws, regulations, statutory requirements, relevant standards and approved codes of practices and guidelines. To that end, IOI has a Safety and Health Committee, established and involved workers and management, that meets regularly to discuss workplace safety and health issues such as trends of accidents, near-miss accidents, dangerous occurrences, occupational diseases etc. Fatal incidents are reported to both the Department of Occupational Safety and Health and the police and the upper management notified. The root cause of the incidents is investigated and corrective/preventive actions taken. All contractors engaged by the operating units are issued with the Safety and Health Contractor Contract.

### SAFETY AND HEALTH PERFORMANCE

	Plantation Segment	Resource-Based Manufacturing Segment	
	IOI Plantation	IOI Oleochemical	Refinery
Injury Rate per Million Hours	31.87	6.61	1.03
Occupational Disease Rate per Million Hours	0.19	0.00	0.00

IOI continuously monitors and enhance the safety and health performance across the group. As stated in our Policy, we are committed to providing a safe, healthy and harmonious working environment for all our employees and workers. We achieve this by identifying potential risks and mitigating those risks through Hazard Identification and Risk Control (“HIRARC”). Aside from the control measures that the management has put in place, various procedures and trainings were introduced to the employees such as safe operating procedures, Standard Operating Procedures (“SOP”), Good Agriculture Practices (“GAP”), first aid, fire drills, Emergency Response Plan (“ERP”), machinery handling, competency training such as confine space, working at height, safety campaign etc. Comprehensive annual training programme was developed based on the Training Needs Analysis conducted according to the employee’s competency and training requirements. Average training hours per person for this reporting period is 26.36 hours per person per year. Majority of our workers are in plantations and received 27.10 training hours per person per year.

### SAFETY ACTIVITIES

IOIEO and IBE organised a Safety, Health & Environment Campaign Week in the fourth week of August 2020. The campaign which was supposed to be held annually in March was delayed due to the MCO during the first wave of the pandemic in March of 2020.

The overall Team practiced and complied with the COVID-19 Control SOPs such as physical distancing, hand sanitisation, temperature checking, etc., throughout the Campaign Week. Various activities such as seminars, quizzes, jogathons, CPR trainings, mock drills, 5S competition, etc. were held this year. However, due to the limitation imposed on the number of participants in a seminar room as per the COVID-19 SOPs, the SHE Campaign was extended for another week in order to create opportunities for more workers to participate. The Campaign recorded a total of 350 workers’ participation.

### EMERGENCY RESPONSE TEAM (ERT)

Despite the COVID-19 outbreak, IOIEO and IBE continued to organise an inter-department Emergency Response Team Competition. The competition was held on two different dates, 20<sup>th</sup> and 27<sup>th</sup> March 2021, to minimise the number of participants and interaction among workers as part of the COVID-19 SOP requirements.

This year, 6 teams of 15 members, from either a single or combined departments, took part. Participants were trained and gauged on their emergency response preparedness in the event of an emergency. This included applications of fire-fighting skills such as fire hydrant-canvas hose-nozzle assembly, fire extinguishing, Iron Man challenge, first aid treatment and Self-Contained Breathing Apparatus (“SCBA”) challenge. The competition fully emulated the Fire and Rescue Department standard.

IOIEO/IBE ERT members have also played a vital part in firefighting operations when fire broke out at the nearby villages. Annual fire drills were also held where Fire and Rescue Department, Hospital, Police, RELA, volunteer Fire Brigade and nearby village heads were invited to participate in the drill.



FOCUS AREA:  
FROM ACCOUNTABILITY TO  
TRACEABILITY AND TRANSPARENCY

**RESPONSIBLE SOURCING AND TRACEABILITY**

**MANAGEMENT APPROACH**

Sourcing from responsible and traceable third-party sources has always been a priority for IOI so that our products can be sustainably produced and thereby ensure that the overall palm oil supply chain is adhering to our sustainability commitments. Suppliers entering our supply chain have to go through pre-qualification and screening stages to ensure they are committed to meeting our SPOP. IOI is fully aware that sustainability is a journey. Various programmes and engagements have been initiated to support our suppliers for continuous improvement. Travelling restrictions due to the COVID-19 pandemic has transformed our strategy in engaging with our suppliers as we shift towards utilising digital avenues for engagement. Such a transformation has opened up new opportunities for both IOI and the suppliers to communicate more often for more progressive improvement.

IOI continues to utilise the Tools for Transformation (“T4T”) platform for our engagement with suppliers. As reported in the last two years, T4T is an online system to help IOI engage with our suppliers, improve their practices on the ground and report progress.

**OUR PERFORMANCE**

**RESPONSIBLE SOURCING**

Between April to August 2021, IOI conducted the workers’ welfare programme to increase suppliers’ awareness in countering forced labour, which is a part of the No Exploitation commitment in the NDPE commitments. The programme aims to evaluate suppliers’ current practices as well as to provide training and solutions to make improvements and close the identified gaps.

An online engagement programme with our suppliers also covered traceability of the supply chain and continuous monitoring practices to prevent deforestation. The programme was conducted between May to August 2021 with the aim of increasing awareness on the importance of improving transparency of fresh fruit bunches (“FFB”) sources and the establishment of a monitoring and engagement system.

As mentioned earlier, evaluating suppliers’ performance through T4T is part of our commitment to continually monitor and support the transformation of our supply chain. The T4T self-assessment platform has been well-received by the suppliers. IOI is planning to conduct verification on the information and data submitted by the suppliers in order to get assurance on the data.

**TRACEABILITY AND SUPPLY CHAIN MANAGEMENT**

Supply chain traceability is an important aspect of IOI’s supply chain management as the collection of traceability data enables us to have awareness of our supply base and enhance their visibility in terms of their operations. High level of supply chain traceability and active monitoring of the suppliers help minimise the risk of deforestation within our supply chain and improve buyers’ confidence in our products. As traceability to plantations is always a challenge for any industry player due to the complicated structure of the oil palm supply chain, additional efforts have been put in place to ascertain that the traceability data from our suppliers are verifiable. On IOI’s part, we had engaged Control Union to conduct an independent verification exercise to ensure that the traceability data to plantations is reliable and accurate.

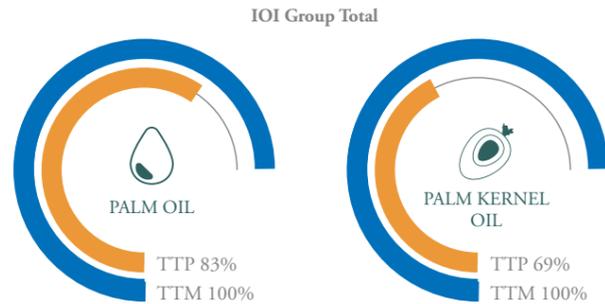


Figure 1: IOI’s traceability data as of June 2021.

**SUPPLIERS COMPLIANCE AND VERIFICATION**

IOI through its Responsible Sourcing department had been collaborating with Earthworm Foundation (“EF”) utilising the T4T, since July 2018. Initial assessments were done in 2018/2019 to assess the suppliers’ performance level against 14 Sustainability KPIs deemed to be pertinent to NDPE. Training and capacity building programmes were then planned using the data analysed from T4T and from risk profiling information. Every year we will focus on specific KPIs and the report is made available publicly in our website<sup>1</sup>. Adoption of T4T allows suppliers to conveniently perform self-reporting and use the self-help materials to close identified gaps. The suppliers are encouraged to formulate action plans to resolve the identified gaps with the necessary support from IOI by sharing relevant best practices and guidelines through the T4T platform.

**More than 90% of the supplying mills participated in the assessment and the report shows high level of compliance to no new planting on peat, children in plantation, traceability and freedom of association.**

The Year 2 T4T report on the progress made by our supply base on meeting NDPE requirements was published on 8<sup>th</sup> March 2021. More than 90% of the supplying mills participated in the assessment and the report showed that there was a high level of compliance to no new planting on peat, no child labour in plantation, freedom of association for the workers and traceability. The data analysis generated by the T4T system has highlighted critical issues and allowed us to take immediate action, particularly on children in plantation as well as traceability.

T4T results<sup>2</sup> on supply base on Peat, Children in Plantation, Traceability and Freedom of Associations show that:

**94% of suppliers reported no development on peat.**  
Further dialogues have been conducted with the remaining suppliers and they were reminded that existing peat plantations need to adopt best management practices for water management and subsidence monitoring.

**47% of supplying mills indicated no child labour risks**  
The remaining mills have adopted a No Child Labour policy and highlighted that the children have access to education facilities and/or daycare to prevent the potential risks of child labour. Immediate corrections were made to ensure that all children attended school and that suppliers have adopted a No Child Labour policy to within their operation.

<sup>1</sup> <https://www.ioigroup.com/Content/MEDIA/NewsroomDetails?intNewsID=1030>

<sup>2</sup> <https://www.ioigroup.com/Content/MEDIA/NEWS/pdf/2020%20IPC%20%20IEO-T4T%20Update%20No.2.pdf>

<sup>3</sup> [https://www.ioigroup.com/Content/S/S\\_Track](https://www.ioigroup.com/Content/S/S_Track)

**21% of suppliers collected comprehensive traceability data and 79% of suppliers have reported collecting partial traceability information.**

Further analysis of the data shows positive improvements as over 74% of the responding mills are collecting GPS coordinates from their direct FFB suppliers compared to 40% in the previous year.

**75% of supplying mills have a worker’s association or an informal workers committee/representative that is accessible to their workers.**

In addition to this, 96% of the mills have also informed workers of this right through briefings and trainings.

**GRIEVANCES FROM SUPPLIERS**

IOI believes that every supplier should be given the opportunity to improve and provide assistance to the suppliers during their difficult period of adjustment in order to address any breach of conduct with time bound action plans, from which will eventually help the industry to transform. Within this financial year, no new grievance cases were recorded against our third-party suppliers. However, our Supplier Engagement Team is continuously providing support to the suppliers involved in past grievances with the aim of creating a more sustainable supply chain within the industry, i.e., the team had engaged with four direct suppliers and two indirect suppliers regarding allegations related to deforestation and forced labour. Details of the grievances against them can be assessed through IOI’s Grievance List<sup>3</sup>.



# APPENDIX

## SUSTAINABILITY PERFORMANCE METRICS

### ECONOMIC PERFORMANCE DATA

In RM million unless otherwise stated	2021	2020	2019	2018	2017
<b>FINANCIAL</b>					
Profit before interest and taxation	1,740.6	1,137.9	1,076.8	1,380.6	1,401.4
Profit attributable to owners of the parent	1,394.3	600.9	631.7	3,060.5	743.2
Equity attributable to owners of the parent	10,005.4	9,296.2	9,299.6	9,156.3	7,457.4
Return on average shareholders' equity (%)	14.45	6.46	6.85	36.84	10.18
Basic earnings per share (sen)	22.26	9.57	10.05	48.70	11.82
Dividend per share (sen)	10.5	8.0	8.0	20.5	9.5
<b>PLANTATION</b>					
FFB production (MT)	2,917,621	3,097,262	3,398,847	3,514,857	3,155,628
Total oil palm area (Ha)	176,926	176,909	176,156	174,234	174,396
<b>MANUFACTURING</b>					
<b>Oleochemical</b>					
Plant utilisation (%)	76	77	82	83	80
Sales (MT)	648,130	669,854	714,131	714,024	697,421
<b>Refinery</b>					
Plant utilisation (%)	63	69	65	69	63
Sales (MT)	2,217,093	1,973,792	1,917,195	2,152,800 <sup>1</sup>	2,414,773

**Note:**

<sup>1</sup> The sales (MT) of FY2018 includes eight (8) months' results of discontinued operations

Source : IOI Corporation Berhad Annual Report 2021

### WORKPLACE PERFORMANCE

#### NUMBER OF EMPLOYEES AND DIVERSITY

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

##### Number of Employee by Employment Level

Gender	Management	Executive	Non-executive	Workers	Total
Male	191	484	1,384	15,413	17,472
Female	47	190	626	5,901	6,764

##### Employee Nationality Breakdown

Nationality	Employee Nationality (%)
Indonesian	60.84%
Malaysian	18.54%
German	0.99%
Bangladeshi	5.00%
Filipino	9.76%
Indian	3.00%
Nepali	1.49%
Other	0.38%
Total	100%

### GRI 404-1: Employee Training Hours

#### Employee Training Hours by Employment Level (Hours/ Year)

Gender	Employment Level				
	Senior Management	Middle Management	Executive	Non-Executive	Workers
Male	472.00	3,781.00	11,550.00	33,745.00	544,782.00
Female	378.00	766.00	3,609.00	7,675.00	32,008.00

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

	Employment Level				
	Senior Management	Middle Management	Executive	Non-executive	Workers
Average Training Hours by Employment Level (Hours/Person/Year)	14.40	25.40	22.50	20.60	27.10

### OCCUPATIONAL HEALTH AND SAFETY PERFORMANCE DATA

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

Man-hours	Units	IOI Corporation Division		
		IOI Plantation	IOI Refinery	IOI Oleochemical
Employees	Hours	57,865,559	969,251	3,305,436
Non-employees Workers <sup>1</sup>	Hours	39,226	158,976	324,312

**Note:**

<sup>1</sup> An individual who performs work for entity which provide services to IOI

Health & Safety Performance-Employee <sup>1</sup>	Units	IOI Corporation Division		
		IOI Plantation	IOI Refinery	IOI Oleochemical
<b>Injury<sup>2</sup></b>				
Total number of injuries	Number	1,844.00	1.00	24.00
Total recordable injury frequency rate	Number/Million Hours	31.87	1.03	6.61
Total number of fatalities	Number	5.00	0.00	0.00
Fatality rate	Number/Million Hours	0.09	0.00	0.00
Total number of high consequences injuries (excluding fatalities)	Number	30.00	0.00	2.00
High consequence injuries rate (excluding fatalities)	Number/Million Hours	0.52	0.00	0.55
Total number of lost time injuries	Number	1,961.00	3.00	24.00
Lost time injury frequency rate	Number/Million Hours	33.89	3.10	6.61
<b>Disease</b>				
Total cases of recordable work-related ill health	Number	11.00	0.00	0.00
Total fatalities as a result of ill health	Number	0.00	0.00	0.00
Occupational disease rate	Number/Million Hours	0.19	0.00	0.00

**Note:**

<sup>1</sup> Figures include consideration of both employees and workers unless otherwise stated

<sup>2</sup> Injuries reported include both minor injuries (first aid level) and major injuries

# APPENDIX

## ENVIRONMENTAL PERFORMANCE DATA

### ENERGY

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

Performance Indicator	Units	IOI Corporation Divisions		
		IOI Plantation	IOI Refinery	IOI Oleochemical
Non-renewable fuels purchased and consumed.	GJ	475,932.50	5,933.30	3,386,129.48
Non-renewable electricity purchased	GJ	21,665.12	147,770.66	96,637.95
Steam /heating /cooling and other energy (non-renewable) purchased and consumed	GJ	0.00	0.00	298,337.16
Total renewable fuels purchased and consumed	GJ	2,353,478.47	1,208,272.83	0.00
Total renewable energy purchased or generated	GJ	1.00	0.00	85,803.15
Total Electricity Sold	GJ	16,987.97	0.00	1,936.39
<b>Total Energy Consumption</b>	<b>GJ</b>	<b>2,834,089.12</b>	<b>1,361,976.79</b>	<b>3,864,971.35</b>
<b>Energy Intensity</b>	<b>GJ/ MT</b>	<b>-</b>	<b>0.02</b>	<b>6.15</b>

### EMISSIONS

#### GRI 305-1, GRI 305-2, GRI 305-3 & GRI 305-4: GHG Emission

Performance Indicator	Units	IOI Corporation Division		
		IOI Plantation	IOI Refinery	IOI Oleochemical
Total direct GHG (scope 1) emissions	tCO <sub>2</sub> e	2,710,423.28	9,505.66	188,538.28
Total indirect GHG (scope 2) emissions	tCO <sub>2</sub> e	1,580.16	33,164.07	26,404.29
Total GHG emission reduction (carbon sequestration)	tCO <sub>2</sub> e	-1,594,076.73	0.00	0.00
<b>Net GHG emission</b>	<b>tCO<sub>2</sub>e</b>	<b>1,117,926.71</b>	<b>42,669.73</b>	<b>214,942.57</b>
<b>Emission Intensity</b>	<b>tCO<sub>2</sub>e/MT Product</b>	<b>1.56</b>	<b>0.03</b>	<b>0.34</b>

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

### WATER

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

Water Consumption & Discharged by Source	Units	IOI Corporation Division		
		IOI Plantation	IOI Refinery	IOI Oleochemical
<b>Total Freshwater Withdrawal</b> (≤ 1,000 mg/L Total Dissolved Solids)	m <sup>3</sup>	17,226,439.36	641,994.08	2,068,187.86
<b>Total Other Water Withdrawal</b> (≥ 1,000 mg/L Total Dissolved Solids)	m <sup>3</sup>	2,094,812.29	0.00	11,206.00
<b>Total Water Withdrawal</b>	<b>m<sup>3</sup></b>	<b>19,321,251.65</b>	<b>641,994.08</b>	<b>2,079,393.86</b>
<b>Total Water Consumption</b>	<b>m<sup>3</sup></b>	<b>17,220,242.09</b>	<b>639,786.08</b>	<b>1,198,061.86</b>
<b>Total Water Discharge</b>	<b>m<sup>3</sup></b>	<b>2,101,009.56</b>	<b>22,982.00</b>	<b>881,332.00</b>

### WASTE

#### Waste Disposal - GRI 306-2

Performance Indicator	Units	IOI Corporation Division		
		IOI Plantation	IOI Refinery	IOI Oleochemical
<b>Total Hazardous Waste</b>	<b>MT</b>	<b>457.08</b>	<b>12.21</b>	<b>5,091.40</b>
Scheduled Waste	MT	424.90	12.21	-
Recycling/Reuse	MT	-	-	4,824.44
Incineration	MT	0.57	0.00	15.83
Landfill	MT	24.03	0.00	206.66
Other Disposed Waste	MT	7.58	0.00	44.47
<b>Total Non-hazardous Waste Disposed</b>	<b>MT</b>	<b>4,614.39</b>	<b>65.90</b>	<b>5,165.17</b>
Incineration	MT	49.30	0.00	4.72
Landfill	MT	4,064.07	0.00	4,927.92
Other Disposed Waste	MT	501.02	65.90	232.53
<b>Total Non-hazardous Waste Reuse/Recycled</b>	<b>MT</b>	<b>770,719.88</b>	<b>11,051.52</b>	<b>3,354.59</b>
Reuse	MT	608,298.10	0.00	316.83
Recycle	MT	94.24	0.00	3,037.76
Composting (Self-fertiliser)	MT	86,706.14	0.00	0.00
Recovery, including energy recovery	MT	70,038.34	11,051.52	0.00
Other Reuse/Recycle Waste	MT	5,583.06	0.00	0.00
<b>Total Waste Generated</b>	<b>MT</b>	<b>755,791.35</b>	<b>11,129.63</b>	<b>13,611.16</b>
<b>Total Disposed Waste</b>	<b>MT</b>	<b>5,071.47</b>	<b>78.11</b>	<b>10,256.57</b>
<b>% Waste Reuse/ Recycled -change formulation to include hazardous recycling</b>	<b>%</b>	<b>99%</b>	<b>99%</b>	<b>60%</b>

### SOCIAL CONTRIBUTION

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

% of site with Local Community Engagement	% of site with Impact Assessments	% of site with Development Programs	% of site with Engagements Conducted
67.60%	92.80%	65.80%	94.60%

**GRI CONTENT INDEX**

Material topic	GRI standard	Section	Page number	Additional information	
<b>General Disclosures</b>					
<b>Organisational Profile</b>	102-1	Name of the organisation	About This Report	1	
	102-2	Activities, brands, products, and services	About IOI Our Value Creation Model	8 14-15	
	102-3	Location of headquarters	About IOI	1	
	102-4	Location of operations	About IOI	8	Malaysia, Indonesia and Germany Annual Report, page 6 - 9
	102-5	Ownership and legal form	About IOI	8	
	102-6	Markets served	About IOI	8	
	102-7	Scale of the organisation	Appendix: Sustainability Performance Metrics Our Value Creation Model	64-67 14-15	
	102-8	Information on employees and other workers	Appendix: Sustainability Performance Metrics	64-67	
	102-9	Supply chain	Our Value Creation Model	14-15	
	102-10	Significant changes to the organisation and its supply chain	About This Report	1	Changes on the organisation are reported in Annual Financial report.
	102-11	Precautionary Principle or approach	Sustainability Focus Area: Responsible Business	52	
102-12	External initiatives	Our Sustainability Approach: Stakeholder Engagement	20-21		
102-13	Memberships of associations	Our Sustainability Approach: Stakeholder Engagement Our Sustainability Approach: Our Performance in Global Assessment and Indices	20-21 17	Refer to our website: <a href="https://www.ioigroup.com/Content/S/PDF/S/S_Recognitions">https://www.ioigroup.com/Content/S/PDF/S/S_Recognitions</a>	
<b>Strategy</b>	102-14	Statement from senior decision-maker	Message From Our Group Managing Director & Chief Executive	2-5	
	102-15	Key impacts, risks, and opportunities	Our Value Creation Model	14-15	
<b>Ethics and integrity</b>	102-16	Values, principles, standards, and norms of behaviour	About IOI Sustainability Focus Area: Responsible Business	8 52	
	102-17	Mechanisms for advice and concerns about ethics	Sustainability Focus Area: Responsible Business	52	
<b>Governance</b>	102-18	Governance structure	Our Sustainability Approach: Sustainability Governance	18	Refer to Annual Report 2021, page 84-85
<b>Stakeholder Engagement</b>	102-40	List of stakeholder groups	Our Sustainability Approach: Stakeholder Engagement	20-21	Refer to our website: <a href="https://www.ioigroup.com/Content/S/PDF/Stakeholders_Engagement.pdf">https://www.ioigroup.com/Content/S/PDF/Stakeholders_Engagement.pdf</a>
	102-41	Collective bargaining agreements	Sustainability Focus Area : Our Workplace	56-60	IOI respects 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 EQUAL OPPORTUNITY EMPLOYMENT & FREEDOM OF ASSOCIATION POLICY)
	102-42	Identifying and selecting stakeholders	Our Sustainability Approach: Stakeholder Engagement	20-21	Refer to our website: <a href="https://www.ioigroup.com/Content/S/PDF/Stakeholders_Engagement.pdf">https://www.ioigroup.com/Content/S/PDF/Stakeholders_Engagement.pdf</a>
102-43	Approach to stakeholder engagement	Our Sustainability Approach: Stakeholder Engagement	20-21	Refer to our website: <a href="https://www.ioigroup.com/Content/S/PDF/Stakeholders_Engagement.pdf">https://www.ioigroup.com/Content/S/PDF/Stakeholders_Engagement.pdf</a>	

Material topic	GRI standard	Section	Page number	Additional information	
	102-44	Key topics and concerns raised	Our Sustainability Approach: Stakeholder Engagement	20-21	Refer to our website: <a href="https://www.ioigroup.com/Content/S/PDF/Stakeholders_Engagement.pdf">https://www.ioigroup.com/Content/S/PDF/Stakeholders_Engagement.pdf</a>
<b>Reporting Practice</b>	102-45	Entities included in the consolidated financial statements	About This Report	1	This report covers Plantation and resource-based manufacturing segments for its financial statement. A full list of our entities included in the consolidated financial statements can be found within our Annual Report 2021.
	102-46	Defining report content and topic boundaries	About This Report	1	
	102-47	List of material topics	Our Material Sustainability Matters	9-13	
	102-48	Restatements of information	About This Report	1	There are no restatements of information.
	102-49	Changes in reporting	About This Report	1	
	102-50	Reporting period	About This Report	1	
	102-51	Date of most recent report	About This Report	1	
	102-52	Reporting cycle	About This Report	1	
	102-53	Contact point for questions regarding the report	Inside Stories	-	
	102-54	Claims of reporting in accordance with the GRI Standards	About This Report	1	
	102-55	GRI Content Index	GRI Content Index	68-71	
102-56	External assurance	About This Report	1	This report is not externally assured.	
<b>Management Approach Disclosures</b>					
<b>Climate Change</b>	103-1	Explanation of the material topic and its Boundary	Our Material Sustainability Matters	9 - 13	
	103-2	The management approach and its components		30-35	
	103-3	Evaluation of the management approach		30-35	
<b>Operational Environmental Management</b>	103-1	Explanation of the material topic and its Boundary	Our Material Sustainability Matters	9-13	
	103-2	The management approach and its components		36-39	
	103-3	Evaluation of the management approach		36-39	
<b>Managing Carbon Emission</b>	103-1	Explanation of the material topic and its Boundary	Our Material Sustainability Matters	9-13	
	103-2	The management approach and its components		42-43	
	103-3	Evaluation of the management approach		42-43	
<b>Environmental Protection on Biodiversity and No Deforestation</b>	103-1	Explanation of the material topic and its Boundary	Our Material Sustainability Matters	9-13	
	103-2	The management approach and its components		44-47	
	103-3	Evaluation of the management approach		44-47	
<b>Technology and Innovation</b>	103-1	Explanation of the material topic and its Boundary	Our Material Sustainability Matters	9-13	
	103-2	The management approach and its components		48-49	
	103-3	Evaluation of the management approach		48-49	

Material topic	GRI standard	Section	Page number	Additional information
<b>Responsible Business</b>	103-1	Explanation of the material topic and its Boundary	Our Material Sustainability Matters	9-13
	103-2	The management approach and its components		52
	103-3	Evaluation of the management approach		52
<b>Corporate Sustainability and Community Outreach</b>	103-1	Explanation of the material topic and its Boundary	Our Material Sustainability Matters	9-13
	103-2	The management approach and its components		53-55
	103-3	Evaluation of the management approach		53-55
<b>Our Workforce</b>	103-1	Explanation of the material topic and its Boundary	Our Material Sustainability Matters	9-13
	103-2	The management approach and its components		56-60
	103-3	Evaluation of the management approach		56-60
<b>Occupational Safety and Health</b>	103-1	Explanation of the material topic and its Boundary	Our Material Sustainability Matters	9-13
	103-2	The management approach and its components		61
	103-3	Evaluation of the management approach		61
<b>Responsible Sourcing and Traceability</b>	103-1	Explanation of the material topic and its Boundary	Our Material Sustainability Matters	9-13
	103-2	The management approach and its components		62-63
	103-3	Evaluation of the management approach		62-63
<b>Economic Disclosures</b>				
<b>Economic Performance</b>	201-1	Direct economic value generated and distributed	Appendix: Sustainability Performance Metrics	64-67
	201-2	Financial implications and other risks and opportunities due to climate change	Sustainability Focus Area: Climate Change	30-35
<b>Market Presence</b>	202-2	Proportion of senior management hired from the local community	Appendix: Sustainability Performance Metrics	64-67
<b>Indirect Economic Impacts</b>	203-1	Infrastructure investments and services supported	Sustainability Focus Area: Corporate Sustainability and Community Outreach	53-55
	203-2	Significant indirect economic impacts	Sustainability Focus Area: Corporate Sustainability and Community Outreach	53-55
	205-2	Communication and training about anti-corruption policies and procedures	Sustainability Focus Area: Responsible Business	52
<b>Anti-corruption</b>	205-2	Communication and training about anti-corruption policies and procedures	Sustainability Focus Area: Responsible Business	52
<b>Environmental Disclosures</b>				
<b>Materials</b>	301-2	Recycled input materials used	Appendix: Sustainability Performance Metrics	64-67
<b>Energy</b>	302-1	Energy consumption within the organisation	Appendix: Sustainability Performance Metrics	64-67
	302-3	Energy intensity	Appendix: Sustainability Performance Metrics	64-67

Material topic	GRI standard	Section	Page number	Additional information
<b>Water and Effluents (2018)</b>	303-1	Interactions with water as a shared resource	Sustainability Focus Area: Operational Environmental Management	36-37
	303-3	Water withdrawal	Appendix: Sustainability Performance Metrics	64-67
	303-4	Water discharge	Appendix: Sustainability Performance Metrics	64-67
	303-5	Water consumption	Appendix: Sustainability Performance Metrics	64-67
	<b>Emissions</b>	305-1	Direct (Scope 1) GHG emissions	Appendix: Sustainability Performance Metrics
305-2		Energy indirect (Scope 2) GHG emissions	Appendix: Sustainability Performance Metrics	64-67
305-4		GHG emissions intensity	Appendix: Sustainability Performance Metrics	64-67
<b>Effluents and Waste</b>	306-2	Waste by type and disposal method	Appendix: Sustainability Performance Metrics	64-67
<b>Environmental Compliance</b>	307-1	Non-compliance with environmental laws and regulations	Appendix: Sustainability Performance Metrics	64-67
<b>Social Disclosures</b>				
<b>Employment</b>	401-1	New employee hires and employee turnover	Sustainability Focus Area: Our Workforce Appendix: Sustainability Performance Metrics	56-61 64-67
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Focus Area: Our Workforce	56-60
<b>Occupational Health and Safety (2018)</b>	403-4	Worker participation, consultation, and communication on occupational health and safety	Sustainability Focus Area: Occupational Safety and Health	61
	403-9	Work-related injuries	Appendix: Sustainability Performance Metrics	64-67
	403-10	Work-related ill health	Appendix: Sustainability Performance Metrics	64-67
<b>Training and Education</b>	404-1	Average hours of training per year per employee	Appendix: Sustainability Performance Metrics	64-67
	404-3	Percentage of employees receiving regular performance and career development reviews	Sustainability Focus Area: Our Workforce	56-60
<b>Diversity and Equal Opportunity</b>	405-1	Diversity of governance bodies and employees	Sustainability Focus Area: Our Workforce Appendix: Sustainability Performance Metrics	56-60 64-67
<b>Child Labour</b>	408-1	Operations and suppliers at significant risk for incidents of child labour	Sustainability Focus Area: Our Workforce Sustainability Focus Area: Responsible Sourcing and Traceability	56-60 62-63
	412-1	Operations that have been subject to human rights reviews or impact assessments	Sustainability Focus Area: Our Workforce	56-60
<b>Local Communities</b>	413-1	Operations with local community engagement, impact assessments, and development programmes	Sustainability Focus Area: Corporate Sustainability and Community Outreach Appendix: Sustainability Performance Metrics	53-55 64-67

## GLOSSARY

<b>Biological Oxygen Demand (“BOD”)</b>	Biochemical oxygen demand is the amount of dissolved oxygen needed by aerobic biological organisms to break down organic material present in a given water sample at certain temperature over a specific time period.
<b>Carbon Dioxide Equivalents (“CO<sub>2</sub>-e”)</b>	CO <sub>2</sub> -e is a measure used to compare the emissions from various greenhouse gases based upon their global warming potential.
<b>Carbon Disclosure Project (“CDP”)</b>	The CDP is an organisation based in the United Kingdom which supports companies and cities to disclose the environmental impact of major corporations.
<b>Chemical Oxygen Demand (“COD”)</b>	Chemical oxygen demand is an indicative measure of the amount of oxygen that can be consumed by reactions in a measured solution. It is commonly expressed in mass of oxygen consumed over volume of solution which in SI units is milligrams per litre (mg/L).
<b>Climate Change Action (“CCA”) Initiatives</b>	IOI’s Climate Change Action (“CCA”) Initiative is IOI’s long-term action-plans to mitigate and reduce GHG emissions from our diverse operations. The ultimate aim of this initiative is to achieve carbon neutral as a group.
<b>Crude Palm Oil (“CPO”)</b>	First stage palm oil product produced from fresh fruit bunches (“FFB”) at a mill.
<b>Dow Jones Sustainability Indices (“DJSI”) assessment</b>	The Dow Jones Sustainability Indices (DJSI) launched in 1999, are a family of indices evaluating the sustainability performance of thousands of companies trading publicly, operated under a strategic partnership between S&P Dow Jones Indices and RobecoSAM (Sustainable Asset Management) of the S&P Dow Jones Indices. The DJSI is based on an analysis of corporate economic, environmental and social performance, assessing issues such as corporate governance, risk management, branding, climate change mitigation, supply chain standards and labour practices.
<b>Empty Fruit Bunches (“EFB”)</b>	Remains of the fresh fruit bunches after the fruit has been removed for oil pressing.
<b>Free, Prior and Informed Consent (“FPIC”) principle</b>	Free, Prior and Informed Consent (FPIC) is a specific right that pertains to indigenous peoples and is recognised in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). It allows them to give or withhold consent to a project that may affect them or their territories.
<b>Fresh Fruit Bunches (“FFB”)</b>	Bunches harvested from the oil palm tree.
<b>Genetically Modified Organism (“GMO”)</b>	A genetically modified organism is any organism whose genetic material has been altered using genetic engineering techniques.
<b>Global Forest Watch (“GFW”)</b>	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.
<b>Global Reporting Initiative (“GRI”)</b>	GRI is an international independent organisation that helps businesses, governments and other organisations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others.
<b>High Carbon Stock Approach (“HCSA”)</b>	The HCS Approach is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed. The methodology was developed with the aim to ensure a practical, transparent, robust, and scientifically credible approach that is widely accepted to implement commitments to halt deforestation in the tropics, while ensuring the rights and livelihoods of local peoples are respected.
<b>High Conservation Values (“HCV”)</b>	As defined by the HCV Resource Network, HCVs are biological, ecological, social or cultural values which are outstandingly significant or critically important at the national, regional or global level.
<b>Integrated Pest Management (“IPM”)</b>	IPM is the careful consideration of all available pest control techniques and subsequent integration of appropriate measures that discourage the development of pest populations and keep pesticides and other interventions to levels that are economically justified and reduce or minimise risks to human health and the environment. IPM emphasises the growth of a healthy crop with the least possible disruption to agro-ecosystems and encourages natural pest control mechanisms.

<b>Intergovernmental Panel on Climate Change (“IPCC”)</b>	The Intergovernmental Panel on Climate Change (IPCC) is an intergovernmental body of the United Nations that is dedicated to providing the world with objective, scientific information relevant to understanding the scientific basis of the risk of human-induced climate change, its natural, political, and economic impacts and risks, and possible response options.
<b>International Labour Organisation (“ILO”)</b>	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.
<b>International Sustainability &amp; Carbon Certification (“ISCC”)</b>	ISCC is an independent multi-stakeholder organisation providing a globally applicable certification system for the sustainability of raw materials and products.
<b>Malaysian Palm Oil Board (“MPOB”)</b>	The Malaysian Palm Oil Board is a government agency responsible for the promotion and development of the palm oil industry in Malaysia.
<b>Malaysian Sustainable Palm Oil (“MSPO”)</b>	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.
<b>Malaysian Palm Oil Certification Council (“MPOCC”)</b>	Malaysian Palm Oil Certification Council (MPOCC) is an independent non-profit organisation established in December 2014 to develop and operate the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme.
<b>Movement Control Order (“MCO”)</b>	The MCO is a cordon sanitaire implemented as a preventive measure by the federal government of Malaysia in response to the COVID-19 pandemic in the country on 18 March 2020. The order was commonly referred to in local and international media as a "lockdown" or "partial lockdown."
<b>National Council for Occupational Safety and Health (“NCOSH”)</b>	The National Council of Occupational Safety and Health (NCOSH) is the highest forum in the Ministry of Human Resources where tripartite discussions are held about issues related to the direction, national policy and the implementation of occupational safety and health in Malaysia.
<b>National Union of Plantation Workers (“NUPW”)</b>	The National Union of Plantation Workers (NUPW) is the largest union in Malaysia and one of the largest in Asia.
<b>Non-Governmental Organisation (“NGO”)</b>	NGO is used in this report to refer to grassroots and campaigning organisations focused on environmental or social issues.
<b>Oleochemical</b>	A chemical compound derived industrially from animal or vegetable oils or fats.
<b>Palm Kernel (“PK”)</b>	PK is the seed of any palm that yields palm-kernel oil.
<b>Palm Kernel Oil (“PKO”)</b>	PKO is a plant oil derived from the kernel of the oil palm.
<b>Palm Oil Mill Effluents (“POME”)</b>	Palm oil mill effluent (POME) are wastewater generated from palm oil milling activities which requires effective treatment before discharge into watercourses due to its highly polluting properties.
<b>Peat</b>	An accumulation of partially decayed vegetation matter. Peat forms in wetlands or peatlands, variously called bogs, moors, muskegs, pocosins, mires, and peat swamp forests.
<b>Reverse Osmosis (“RO”)</b>	Reverse osmosis is a water purification process that uses a partially permeable membrane to remove ions, unwanted molecules and larger particles from drinking water.
<b>Roundtable on Sustainable Palm Oil (“RSPO”)</b>	A multi-stakeholder organisation based in Kuala Lumpur, Malaysia. The organisation has developed a certification scheme for sustainable palm oil.
<b>Roundtable on Sustainable Palm Oil Mass Balance (“RSPOMB”)</b>	Sustainable palm oil from certified sources is mixed with ordinary palm oil throughout supply chain.
<b>Roundtable on Sustainable Palm Oil Segregated (“RSPOSG”)</b>	Sustainable palm oil from different certified sources is kept separate from ordinary palm oil throughout supply chain.
<b>RSPO Annual Communication of Progress (“ACOP”)</b>	The ACOPs are reports submitted by RSPO members to gauge their progress towards 100% RSPO-certified sustainable palm oil. These reports are mandatory for Ordinary and Affiliate members, and are submitted each year.

## APPENDIX

<b>Scope 1 Emissions</b>	All direct GHGs emissions.
<b>Scope 2 Emissions</b>	Indirect GHGs emissions for consumption of purchased electricity, heat or steam.
<b>Sustainability Advisory Panel (“SAP”)</b>	The IOI Sustainability Advisory Panel (“SAP”) was formed in January 2017 and tasked with overseeing the application of IOI Group’s Sustainability Implementation Plan (“SIP”). The SAP also advises on sustainability issues raised by multi-stakeholders including NGOs and the RSPO.
<b>Sustainability Implementation Plan (“SIP”)</b>	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.
<b>Sustainability Policy Transparency Toolkit (“SPOTT”)</b>	SPOTT is an online platform supporting sustainable commodity production and trade. By tracking transparency, SPOTT incentivises the implementation of corporate best practice.
<b>Sustainability Steering Committee (“SSC”)</b>	The SSC, chaired by the GMD, heads of the operating divisions, Group Head of Sustainability and senior management from group support functions. The SSC assures that the Group’s sustainability agenda, commitments and issues are discussed, approved and implemented.
<b>Sustainable Palm Oil Policy (“SPOP”)</b>	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.
<b>United Nation’s Sustainable Development Goals (“UN SDGs”)</b>	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.

# CODE OF CONDUCT (COC) ON ETHICAL RECRUITMENT AND RESPONSIBLE EMPLOYMENT



IOI has a Code of Business Conduct and Ethics for our employees which serves as a guidance of how to conduct business ethically and encompasses the core value of integrity at all level of engagements in accordance to the laws and regulations as well as all compliance-based standards.

## INTRODUCTION

IOI, as a member of various certification and compliance schemes which are recognised locally and globally, has always been fully committed to respecting and upholding the rights of all workers as written in IOI Group Sustainable Palm Oil Policy (“SPOP”). Additionally, our commitment to prevention of forced labour in all its forms is guided by the International Labour Organisation’s (“ILO”) forced labour indicators, the United Nations Guiding Principles on Business and Human Rights, United Nations Global Compact on human rights, labour, environment and anti-corruption and the principles of Free and Fair labour in Palm Oil Production.

Elimination of forced labour, along with human trafficking and child labour, are also explicit priorities under United Nation Sustainable Development Goals (“UNSDGs”) 8. The elimination of forced labour is both an obligation under international law and a moral imperative as well as important to promote safe and secure working environment for all workers, notably in the context of achieving UNSDG a target 8.8. IOI demonstrates support in UNSDG12 by reporting performance, implementation and grievance progress in our annual report and website as part of our commitment towards transparency in sustainable practices.

As stated in our SPOP, we are committed to preventing forced labour, as detailed under “Human Rights and Workplace”. Brief commitments are as shown below;



Laws and regulations related to Ethical Recruitment and Forced Labour;

- Employment Act 1955
- Immigration Act 1959/63
- Private Employment Agencies (Amendment) Act 2017
- Workmen’s Compensation Act 1952
- Employees’ Minimum Standards of Housing, Accommodations and Amenities Act 1990
- Occupational Safety and Health Act 1994
- Industrial Relations Act 1967
- Trade Unions Act 1959
- Sarawak Labour Ordinance (Sarawak Cap 76)
- Sabah Labour Ordinance (Sabah Cap 67)

As a further reiteration of the seriousness in which IOI views the recruitment process of our workers as well as their rights and well-being, we are introducing a **Code of Conduct on Ethical Recruitment and Responsible Employment** which will be disseminated to all supervisory employees dealing with workers as well as our recruitment agents. The framework that forms this Code of Conduct consists of Governance and our Employment Approach.



## ILO Indicators of Forced Labour

The indicators encompass 11 most important elements that point to possible existence of forced labour situation. The indicators are:

- » Abuse of vulnerability
- » Isolation
- » Retention of identity documents
- » Abusive working and living conditions
- » Deception
- » Physical and sexual violence
- » Withholding of wages
- » Excessive overtime
- » Restriction of movement
- » Intimidation and threats
- » Debt bondage

## GOVERNANCE

IOI’s Board of Directors (“the Board”) assesses the overall direction and strategy of IOI’s sustainable business as well as ensures accountability in its commitments towards sustainability. The Board further expanded its role by having an Independent Non-Executive Director with sustainability expertise within the Group’s Sustainability Steering Committee (“SSC”) to assure that the Group’s sustainability agenda, commitments and issues are discussed, reviewed and implemented. In matters related to labour rights and responsible recruitment, the SSC reviews and approves strategic frameworks so that they are in alignment with IOI’s sustainability commitments. The development of the employment and recruitment related policies and practices is led by the Group Head of Sustainability while the enforcement of the policies and practices is overseen by the Head of Human Resource, both of whom report directly to the Group Managing Director. The maintenance and updating of the grievance list will be done jointly by the corporate and plantation sustainability departments. Assisted by the regional sustainability team, all operating units are responsible to ensure socialisation, training and implementation of procedures and policies are in place.

Furthermore, the Group Head of Sustainability is supported and advised by the Sustainability Advisory Panel (“SAP”) members on important issues such as forced labour, or any other matters raised by key stakeholders. Another avenue where the SAP plays a role is as the core members in IOI’s Sustainability Consultation Forum (“SCF”). The SCF is a platform where IOI aims to seek more targeted advice and consultation from relevant stakeholders such as civil society groups, government agencies, industry experts, major brands, etc., to jointly discuss implementation advice and inputs on specific topics which are deemed to be complex such as human rights and forced labour, diversity, equity and inclusion, women’s empowerment, inclusive economy, sustainable supply chain, sustainability management, and climate change, among others.

## OUR EMPLOYMENT APPROACH

IOI has established employment guidelines as reference for the plantation management in responsible and fair recruitment practices including not charging any recruitment related fees throughout the recruitment process. The guideline covers the entire employment stage from **pre-employment to employment and post-employment** processes to ensure comprehensiveness of the employment process, in-line with the requirement of ILO.

### Pre-employment

IOI has a guideline to ensure that our recruitment practices are transparent and fair and which outlines a thorough procedure on recruitment from the pre-employment stage until the post-employment stage of our workers. The guideline outlines the process involved during the workers’ pre-selection process at the source countries to pre-departure time where the recruitment agents are involved and during arrivals at the host country. Monitoring process during this employment period is done based on compliances with specific labour standards and certifications such as RSPO, MSPO, SMETA, etc.



## ILO’s Definations on Recruitment Fees

Any fees or costs incurred in the recruitment process in order for workers to secure employment or placement, regardless of the manner, timing or location of their imposition or collection as broken down below:

- Recruitment fees** include payments for recruitment services by labour recruiters, employers, etc.
- Related costs** such as medical costs, travel and lodging costs, administrative costs for preparing, obtaining or legalising workers’, visas etc.
- Illegitimate, unreasonable and undisclosed costs** are never legitimate, examples bribes, tributes, kickback payments, etc. by any actors in the recruitment chain.

## SOURCE COUNTRY

- Screening all applications.
- Interview potential workers by recruitment agent followed by IOI’s representative (virtual or physical) with the presence of a translator.
- Pre-employment declaration and signing contract agreement.
- Briefing on nature of the job and company.
- Due diligence such as medical checkup, immigration and administrative matters etc.
- Travel to host country.

## Recruitment Process from Source Country to Host Country

## HOST COUNTRY

- Arrive at host country and picked up by operating unit.
- Providing accommodation and basic necessities.
- Medical checkup.
- Post arrival interview/Employee Declaration\*.
- Induction training.
- Endorsement process (work pass etc.).

\* Interview conducted in their own language through a translator to ensure full understanding of the employment contract and job functions.

Subject	Related ILO Indicators of Forced Labour	How We Comply
<b>Ethical recruitment process</b> 	<ul style="list-style-type: none"> <li>• Deception.</li> <li>• Abuse of vulnerability.</li> </ul>	IOI protects our future workers from deception and abuse of vulnerability through the following approaches; <ul style="list-style-type: none"> <li>• The workers will be briefed thoroughly on corporate profile, job functions and contract details, as part of the employment process through a video presentation and Powerpoint slideshow.</li> <li>• Orientations, medical check-up, trainings, wages and payment process, and grievances process including reimbursement of the recruitment fee for respective nationalities.</li> <li>• Signing of contract in source country in native language only after they are briefed on the details of the job and contract.</li> </ul>
<b>No recruitment fee</b> 	<ul style="list-style-type: none"> <li>• Debt bondage.</li> </ul>	IOI protects our future workers from debt bondage through the following approaches; <ul style="list-style-type: none"> <li>• Implemented IOI's "No Recruitment Fee" policy. Where recruited foreign workers are concerned, no recruitment fees, or any other form of fees, will be incurred to them at any stage of the recruitment process.</li> <li>• Declaration by each worker on "No Recruitment Fee" at source country.</li> <li>• Recruitment agents involved in recruitment are bound by contract to follow IOI's commitments which includes briefing workers on our "No Recruitment Fee" policy.</li> </ul>
<b>Breach of code of conduct</b> 	<ul style="list-style-type: none"> <li>• Deception.</li> <li>• Intimidation and threats.</li> <li>• Debt bondage.</li> </ul>	IOI protects our future workers from deception, intimidation and threats, and debt bondage through the following approaches; <ul style="list-style-type: none"> <li>• Multiple grievance mechanism channels employed to report on any breach of practices during the recruitment process.</li> <li>• Internal monitoring of recruitment process.</li> <li>• The Group will terminate all contract or partnership with any recruitment agency that is found to be in non-compliance with the Group's policies after the necessary investigations and warnings.</li> </ul>

#### Employment

IOI has established regular internal monitoring by the Human Resource Department ("HR"), Internal Auditors and Sustainability Team (Group and Regional level). The labour monitorings are conducted as per ILO requirement and sustainability certification standards. Any non-conformance ("NC") will be highlighted to the management and corrective actions will be taken. In addition, a specific personnel called the Social Liaison Officer is to attend to any social or labour matters at the respective operating unit.

To ensure effective socialisation of labour rights, IOI conducts training for all our workforce and translated related policies and guidelines in all the respective native languages of our workers. HR has also established an employee engagement programme which involves regular on-site visits by the Group executives with the operational personnel. Management review meetings are conducted annually to discuss any major issues between the top management and operational management. Any grievances or issues raised will be managed at the operational level before escalating to the Group management.

External monitoring via Audit Certification by RSPO, ISCC, MSPO, etc. are conducted annually. During these audits, all of our labour practices will be verified by independent third-parties based on indicators under the respective certifications.

Misconduct or breaches of any policies found during monitoring or due diligence process, even before it is raised through the Grievance Procedure, is to be dealt with in a systemic and timely manner to ensure that the misconduct, breach or issue is addressed and resolved.

Once a misconduct is reported through a Grievance Procedure, investigations will be conducted thoroughly, including the engagements of the relevant parties, and guided by specific standards customised to each misconduct or issues. IOI has several procedures which specifically outlining the procedure in handling grievances, such as harassments or workers' complaints.

Subject	Related ILO Indicators of Forced Labour	How We Comply
<b>Responsible employment</b> 	<ul style="list-style-type: none"> <li>• Abuse of vulnerability.</li> <li>• Debt bondage.</li> </ul>	IOI protects our workers from abuse of vulnerability and debt bondage through the following approaches; <ul style="list-style-type: none"> <li>• Post-arrival interview and orientation ensures that no abuse of human rights that violates our Group's SPOP is taking place. Orientation and Induction briefing will be conducted by the Estate Manager or Assistant Manager, as well as estate's personnel in charge of Safety, Health, and Sustainability, with assistance of an interpreter, if required.</li> <li>• Detailed explanations on employment contract, wages, medical and annual leaves, voluntary overtime, payslip details, housing and company rules and regulations, safety training, immigration law, Malaysia's culture, and video of the various job functions in estates are given.</li> </ul>

Subject	Related ILO Indicators of Forced Labour	How We Comply
<b>Upholding worker's rights</b> 	<ul style="list-style-type: none"> <li>• Restriction of movement.</li> <li>• Physical and sexual violence.</li> <li>• Intimidation and threats.</li> <li>• Retention of identity documents.</li> <li>• Withholding of wages.</li> <li>• Abusive working and living conditions.</li> <li>• Excessive overtime.</li> <li>• Abuse of vulnerability.</li> </ul>	IOI protects our workers from restriction of movement, physical and sexual violence, intimidation and threats, retention of identity documents, withholding of wages, abusive working and living conditions, excessive overtime, and abuse of vulnerability through the following approaches; <ul style="list-style-type: none"> <li>• Implement all commitments in the SPOP.</li> <li>• Implementation of social guidelines as below:               <ul style="list-style-type: none"> <li>- Guidelines for Minimum Wage and Leave Pay.</li> <li>- Foreign Workers' Passport Handling Guidelines.</li> <li>- Guidelines for Providing Basic Amenities to Workers.</li> <li>- Guidelines for Handling Harassment at Workplace.</li> <li>- Worker's Work Verification Guideline.</li> </ul> </li> <li>• Regular training on company's policies and guidelines. Most of the training conducted in languages that the workers understand. Translator will be made available when necessary.</li> </ul>
<b>Collective Bargaining and freedom of association</b> 	<ul style="list-style-type: none"> <li>• Abuse of vulnerability.</li> </ul>	IOI protects our workers from abuse of vulnerability through the following approach; <ul style="list-style-type: none"> <li>• Equal Opportunity Employment &amp; Freedom of Association Policies.</li> <li>• Establishment of Employee Consultative Committee ("ECC") in each operating unit and workers union to allow workers to have collective bargaining. ECC and Joint Consultative Committee ("JCC") make sure all nationalities, religions, and genders are represented in the committees.</li> </ul>
<b>Safe and healthy working environment</b> 	<ul style="list-style-type: none"> <li>• Physical and sexual violence.</li> <li>• Intimidation and threat.</li> <li>• Abusive working and living conditions.</li> </ul>	IOI protects our workers from physical and sexual violence, intimidation and threats, through the following approach; <ul style="list-style-type: none"> <li>• Reporting procedure on harassment and regular awareness training.</li> <li>• IOI protects our workers from abusive working and living conditions through the following approaches;               <ul style="list-style-type: none"> <li>• Implement Occupational Safety, Health and Hygiene Policy.</li> <li>• Regular inspection on working area and housing area.</li> <li>• Compliance with Employees Minimum Standard of Housing, Accommodation and Amenities Act 1990.</li> </ul> </li> </ul>
<b>Breach of code of conduct</b> 	<ul style="list-style-type: none"> <li>• All forced labour indicators.</li> </ul>	IOI protects our workers from all indicators of forced labour through the following approach; <ul style="list-style-type: none"> <li>• Audit and monitoring of all labour and social related policies and procedures. Disciplinary action will be taken on respective staff or management personnel for any breach of code of conduct.</li> </ul>
<b>Grievance, complaint and request mechanism</b> 	<ul style="list-style-type: none"> <li>• Isolation.</li> <li>• Abusive working and living conditions.</li> <li>• Restriction of movement.</li> </ul>	IOI protects our workers from isolation and abusive working and living conditions through the following approaches; <ul style="list-style-type: none"> <li>• Grievances, complaints and requests are available in various channels such as Hotlines, emails, Green Book, ECC or JCC meetings and internal meetings.</li> </ul> IOI protects our workers from restriction of movement through the following approach; <ul style="list-style-type: none"> <li>• Workers' passports and visas are kept by the workers except when the documents are required by the company for renewal of work permits.</li> <li>• Workers are permitted to leave the operating units on non-working days and the company sometimes provides transportation for remote locations.</li> </ul>

#### Post-employment

Towards the end of employment, i.e., the Post-Employment process, our recruitment guideline outlines the repatriation process which includes the worker's respective embassies, exit interviews, and involvement of agents, if any.

Subject	Related ILO Indicator	How We Comply
<b>Repatriation and termination of employment</b> 	<ul style="list-style-type: none"> <li>• Intimidation and threats.</li> <li>• Restriction of movement.</li> </ul>	IOI protects our workers from intimidation and threats, and restriction of movement through the following approach; <ul style="list-style-type: none"> <li>• Workers are free to resign at any time as per terms and conditions in the contract agreement.</li> <li>• Air fare to home countries are borne by the company for workers who have completed full service contract.</li> <li>• Implementation of repatriation SOP by providing transport from operating units to airports or sea ports.</li> </ul>

#### Third Party Suppliers and Recruitment Agents

We expect our third-party suppliers and recruitment agents to adhere to the sustainability practices including to prevent any forms of forced labour practices as stated in our SPOP and further guided by the Responsible Sourcing Guideline. The Responsible Sourcing unit is responsible to monitor, promote, engage, and assist our third-party suppliers to close the gaps on sustainability best practices in line with the Group's commitments. Grievances related to our suppliers and the progress are transparently updated in our website. Any misconduct or breaches of our commitments which involve our contractors or third-party suppliers will result in a thorough investigation and actions are to be taken accordingly including suspension or termination of contract. These actions indicate the seriousness that IOI takes regarding all our commitments and compliances to all laws, regulations and standards.