PROGRESSING TOWARDS NET ZERO

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

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

www.ioigroup.com
The Focus of this Report

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

Reporting Period and Scope

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

The report was prepared with reference to the Bursa Malaysia Sustainability Reporting Guide (2nd Edition) which sets out the sustainability-related disclosure obligations prescribed in the Main Market Listing Requirements of Bursa Malaysia Berhad and reporting framework recommendations. In line with Bursa Malaysia’s recommendations, this report has been prepared with reference to the Global Reporting Initiative Sustainability Reporting Standards ("GRI"), 2013 and adopted the content elements of the International Integrated Reporting Framework. Additionally, we continue to report our climate related disclosures in line with the TCFD recommendations, and with reference to International Sustainability Standards Board ("ISSB") reporting framework.

Information and figures reported represent the latest available data as of the reporting period unless noted upon in the text. In some instances, information and data stated in the reports may differ from other reporting such as Roundtable on Sustainable Palm Oil ("RSPO") Annual Communication of Progress ("ACP") or Sustainability Reports on the basis of different reporting periods (yearly assessment period from January 2021 to December 2021). Where noted upon, such data and information have been used in this report. In some cases, figures reported in previous year’s Sustainability Reports are restated in correspondence with improvements made to our data collection and analysis.
We continue on our CCA initiative commitment, first made in 2019, by setting out progressive steps to reduce our Scopes 1 and 2 emissions, with a long-term target to become Net-Zero by the year 2040.

**CLIMATE CHANGE ACTION (CCA) INITIATIVE**

Meeting the climate change challenge is a global responsibility which many governments and companies have accepted by way of adopting Net-Zero targets. IOI Corporation, as a responsible business corporation with a global presence, intend to play a meaningful role in this vital challenge. Broadly, we do so by reducing GHG emissions and water leakage from our business operations, strengthening business resilience through smart risk management, and creating economic opportunities from circular economy solutions.

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

- Reaffirming our initial short-term target based on Scopes 1 and 2 to reduce operational GHG emission intensity by 40% by 2025 based on a 2015 baseline through energy efficiency measures and the 7Rs (Rethink, Repurpose, Reduce, Reuse, Recycle, Repair and Recover) of circularity. The importance of circularity in our operation are exemplified by the effluent-based biogas plants in all our Malaysian palm oil mills with power turbines affixed to most of them, effluent-based biogas plant at our German oleochemical facility and palm biomass-based energy plants at our Sandakan refinery.
- Using science-based methodologies such as RSPO PalmGHG and ISCC (International Sustainability and Carbon Certification) to calculate our GHG emissions, as well as adopting TCFD (Taskforce for Climate-related Financial Disclosures) as the framework for our CCA Initiative.
- Setting a medium-term target based on Scopes 1 and 2, to be carbon neutral by 2030 through additional sequestration from our palms which are above 25 years old, forested HCV areas, other conservation areas, and tree crops. We are constructing a palm wood factory which will convert felled oil palm trunks to high-performance wood blocks and panels.
- Committing to a long-term target to achieve Net Zero for carbon emissions by 2040 covering Scopes 1, 2 & 3 by focusing on working collaboratively with our suppliers to lower their emissions intensity.

**MESSAGE FROM OUR GROUP MANAGING DIRECTOR AND CHIEF EXECUTIVE**

**DEAR STAKEHOLDERS,**

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

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

**DATO’ LEE YEOW CHOR**

Group Managing Director
and Chief Executive

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Potential wildlife habitat at Larus trees planted area.
2022 ASEAN Tech for ESG Awards

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

MESSAGE FROM OUR GROUP MANAGING DIRECTOR & CHIEF EXECUTIVE

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

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

• Strengthening and enhancing Social Practices

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

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

• Environmental Stewardship

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

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

**SUSTAINABILITY HIGHLIGHT**

2 YEARS OF JOURNEYING THROUGH THE PANDEMIC

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

**April**

**Community Face Mask Project**

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

- Donating face masks to HUMANA school children.

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

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

**March**

**COVID-Awareness Presentations**

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

**April**

**Community Face Mask Project**

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

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**May**

**T&G Haircut Initiative**

- Intended to promote employee’s mental well-being. We introduced the Women and Digitalisation online transaction such as banking. So, IOI increased our dependence on online transaction such as banking. So, IOI

**June**

**Covid-19 Care Across Boarders**

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

**October**

**Supporting Frontliners**

- PMOEO donated spraying equipment to the Sandakan Fire and Rescue Department as well as hand sanitizers to the Sandakan Health Department as support to the frontliners.

**December**

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

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

**2021**

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

- **May**
  - **Vaccination Programme for IOI Group Workforce**
  - A continuous vaccination outreach programme was conducted at all our business divisions in Malaysia, Indonesia and Germany in collaboration with local health services and the support of volunteers among our own staff.

- **June**
  - **Yayasan Donations to Sg Buloh Hospital**

- **August**
  - **Donations to Schools**
  - IOI Oleo Chemical Industries Berhad (“IOI Oleo”), donated face masks and in-house hand sanitizers produced by the Quality Control Department to schools surrounding their operations.

- **November**
  - **Launch of IOI Well-being Series**
  - A series of talks conducted by various medical practitioners and subject matter experts were provided for IOI employees to help them achieve better mental health.

**2022**

- **February**
  - **Food Aid for Covid-19 Positive Employees**
  - Essential items such as food and hand sanitizers were given to Covid-19 positive colleagues to aid them and their families during their mandatory quarantine.

- **March**
  - **Women and Digitalisation Initiative**
  - Pandemic has increased our dependence on online transaction such as banking. So, IOI introduced the Women and Digitalisation initiative during the 2022 IWD celebration to empower female employees and dependents by empowering this digital literacy initiative.
ABOUT IOI CORPORATION

ORGANISATIONAL OVERVIEW

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

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

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

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

A full description of the Group’s integrated business model, financial outcomes, information on our global and local presence as well as risk management and internal controls can be found in pages 109-123 of our 2022 Annual Report.

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

INNOVATION

IOI’s innovation is at the heart of everything we do. We embrace new technologies and different ways of doing things.

COST EFFICIENCY

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

1. Doing the right thing in all circumstances.
2. Taking effective actions to deliver high performance everywhere we do.
3. Taking ownership and putting our heart into what we do.

EXCELLENCE IN EXECUTION

EMBRACING NEW TECHNOLOGIES

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

1. Getting the best value for what we spend.
2. Collaborating with each other in the greater interest of the organisation.
3. Embracing new technologies and different ways of doing things.

TEAM SPIRIT

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

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.

We are a responsible producer of sustainable and high-quality products that meet quality, safety and regulatory standards.

Together, we strive to achieve our vision and mission by upholding our core values:

1. Integrity
2. Excellence in Execution
3. Inclusion
4. Innovation
5. Collaboration

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

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5. Collaboration
Our Sustainability Approach

Our Sustainability Commitment

IOI’s commitment to embedding sustainability into our core business and operations is reflected in the IOI Vision and Mission, a clear statement of our mission, and the Sustainability Vision, which is, “As a responsible, socially and environmentally sustainable business, we will contribute to the goals of the United Nations’ Sustainable Development Goals (SDGs).”

The 17 goals are defined by the United Nations as “universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.” The SDGs are the world’s blueprint for achieving a better and more sustainable future as we move towards 2030. By signing up to the SDGs, we commit to working towards the shared global goals and to taking practical action to achieve the following goals:

1. No Poverty
2. Zero Hunger
3. Good Health and Well-being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation and Infrastructure
10. Reduced Inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life below Water
15. Life on Land
16. Peace and Justice and Strong Institutions
17. Partnerships for the Goals

As such, we have identified and prioritised 6 UN SDGs most relevant to our operations which are:

- Zero Hunger
- Good Health and Well-being
- Affordable and Clean Energy
- Sustainable Cities and Communities
- Responsible Consumption and Production
- Peace and Justice and Strong Institutions

In addition, we continue to monitor and report on the progress we have made on the UN Global Compact principles (human rights, labor standards, environmental performance, and anti-corruption) and our performance against the United Nations’ Human Rights, Labor, Environment, and Anti-corruption (HLEA) guidelines.

Compliance to Sustainability Certifications

- ISO 9001:2015 for quality management
- ISO 14001:2015 for environmental management
- OHSAS 18001:2007 for occupational health and safety management
- ISCC certified since 2012
- RSPO SCCS certified
- All operations are certified PICC CSR: Espresso Business Ethics Code 2018
- All operations are certified PICC CSR: Occupational Safety & Health Management Standards
- All operations are certified PICC CSR: Human Rights Management Standards
- Reporting towards GRI G4 2015
- Reporting towards GRI G4 2016
- Reporting towards GRI G4 2017
- Reporting towards GRI G4 2018
- Reporting towards GRI G4 2019
- Reporting towards GRI G4 2020
- Reporting towards GRI G4 2021

As a responsible, socially and environmentally sustainable business, we are committed to working towards the global goals set by the United Nations in the Agenda 2030 for the Sustainable Development Goals (SDGs).

Our Sustainability Approach

Our approach to sustainability is guided by the principles of the United Nations’ Sustainable Development Goals (SDGs). We are committed to embedding sustainability into our core business and operations through the following pillars:

1. People
2. Planet
3. Prosperity
4. Partnerships
5. Peace
6. Partnership for the Goals

Innovation

We are committed to continuously improving our sustainability performance through innovation and the adoption of best practices. This includes the development of new products and services, as well as the implementation of sustainable practices in our operations.

Partnership

We recognize the importance of partnerships in achieving our sustainability goals. We work with a variety of stakeholders, including governments, organizations, and other businesses, to promote sustainability and drive positive change.

Our Sustainability Progress

Since the launch of our Sustainability Vision in 2015, we have made significant progress in embedding sustainability into our core business and operations. This progress is reflected in our sustainability performance, which includes:

- Increased use of renewable energy sources
- Reduced greenhouse gas emissions
- Improved water management
- Enhanced biodiversity conservation
- Increased engagement with customers and stakeholders

We believe that sustainability is not just the right thing to do, but it is also the smart thing to do in today’s business environment. We are committed to continuing our efforts to embed sustainability into our core business and operations, and we invite you to join us on this journey towards a sustainable future.
Our Vision is to be a leading and sustainable Malaysian business corporation with global presence.

3 Enablers

- Human Capital Development & Culture
- Innovation & Technology
- Sustainability

Strategic Priorities

- Increase Yield
- Optimize Operations

Competitive Edge

- Integrated Value Chain
- Integrated Systems
- Strength in R&D

MATURITY CHART

- Rethink
- Repurpose
- Reduce
- Recycle
- Recover

Risks

- Human Capital & /Culture
- Supply Chain Compliance
- Business Resilience
- Environmental Sustainability

In alignment with our three pillars of sustainability: People, Planet, Prosperity + Partnership, together with the six adopted relevant United Nations Sustainable Development Goals ("UN SDGs").
The Group’s daily sustainability matters are led by IOI’s GHS. In this position, the GHS communicates and reports directly to the GMD to ensure all the Group’s sustainability commitments, policies, guidelines, etc., are developed and implemented by Operations’ personnel. Sustainability functions across the business operate together with regional sustainability teams to ensure sustainable practices are fully embedded within every operating unit. Operating units together with regional sustainability teams are responsible to ensure regular internal sustainability audits, engagement with local and surrounding stakeholders and regular regional sustainability meetings.

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

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

**Stakeholder Engagement**

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

**GOVERNANCE**

**Sustainability Governance**

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

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

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

The Group’s daily sustainability matters are led by IOI’s GHS. In this position, the GHS communicates and reports directly to the GMD to ensure all the Group’s sustainability commitments, policies, guidelines, etc., are developed and implemented by Operations’ personnel. Sustainability functions across the business operate together with 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.

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

**Board of Directors**

**STAKEHOLDER ENGAGEMENT**

**Activities FY2022**

**Employees**

- Conducted webinars on physical and mental health as well as surveys on employee wellbeing
- Training and development programmes via physical and virtual modes. Introduction of bite-sized e-learning content, IOI Grow
- Dialogue with Group Managing Director and key panel members in a hybrid mode with Group-wide participation of IOI employees
- Celebrate important events with our employees through programmes, engagements and initiatives such as IOI Earth Month and International Women’s Day

**Customers**

- Participated in IOI’s Sustainability Consultation Forum (“SCF”). Responding to customer’s request on Environment, Social, Governance (“ESG”) performance submission via third party platforms such as GHS, etc.
- Exchange ideas via trade-shows and partnering with customers to focus on sustainability topics through collaborations with customers
- Responded to customers’ sustainability related updates and queries
- Partnership with our customers, Sunlight for project REELaft, 3rd party due diligence on IOI’s recruitment agreements with Note, etc.
- IOI provides full day education to our workers’ children in Sabah plantations after school hours
- Donation to charity homes, hospital and schools through our operating units as well as IOI’s charity arm Yayasan Tan Sri Lee Shin Cheng (“YSLLC”)
- Support to our communities during the pandemic and disasters such as COVID in 2021 etc.
- Engagement with smallholders to assist them with achieving Sustainable Palm Oil (“RSPO”) certification

**Communities**

- Webinar on Strengthening Child Protection in the Palm Oil Supply Chain for IOI and other palm oil companies to provide training and solutions for preventing forced labour
- Increased transparency and traceability of FFB sources and able to assist our suppliers to improve and address gaps in the implementation of our No Deforestation, No New Planting on Peat, No Exploitation (“3N”) commitments
- Monitoring grievance and progress reporting
- Maintaining industry association memberships such as Malaysian Palm Oil Association ("MPOA"), RSPO, High Carbon Stock Approach ("HCSA"), etc.
- Adhering to relevant government and international policy and regulations
- Engaged with key stakeholders to discuss and focus on sustainability issues of concern such as via the SCF, webinars and forums

**Suppliers**

- Ensuring good health and well-being of employees by being taken care of
- To gather questions, feedback and suggestions from IOI’s employees for the continuous improvement of IOI’s working environment
- Enhancing employee morale, promoting positive impacts towards social and environmental value, and encourage engagement amongst IOI’s workforce

- SCF enables IOI to gather feedback and perceptions on sustainability issues of concern from our customers
- Build trust among our customers by demonstrating continuous improvement in our sustainability performance
- Collaboration with other industry players to strengthen sustainability awareness and implementation
- Transparent communication of material issues and sharing of sustainability progress updates with our customers
- Enhance positive impact in our chain to promote reforestation, carbon sequestration, biodiversity conservation, ethical recruitment, etc.
- Encourage education for children within our operating units and protect them from potential risk of child labour
- Respond for the wellbeing, medical welfare and education of our surrounding communities
- Assist smallholders to improve sustainability practices as well as their yields and income help to ensure that IOI’s supply chain are in line with our commitments

- Increasing supplier’s awareness in addressing child labour and forced labour
- Increased transparency and traceability of Fresh Fruits Bunches (“FFB”) sources and ability to improve and address gaps in the implementation of our No Deforestation, No New Planting on Peat, No Exploitation (“3N”) commitments
- Transparent and regular communication on grievances reported and progress of time bound action plan against our suppliers in our website
- Compliance with industry standards and regulations
- Ensures compliance with relevant local and international policy and regulations
- Gather constructive feedback to address complex sustainability issues

**Activities FY2022**

**Output/Values Created**

- SCF enables IOI to gather feedback and perceptions on sustainability issues of concern from our customers
- Build trust among our customers by demonstrating continuous improvement in our sustainability performance
- Collaboration with other industry players to strengthen sustainability awareness and implementation
- Transparent communication of material issues and sharing of sustainability progress updates with our customers
- Enhance positive impact in our chain to promote reforestation, carbon sequestration, biodiversity conservation, ethical recruitment, etc.
- Encourage education for children within our operating units and protect them from potential risk of child labour
- Respond for the wellbeing, medical welfare and education of our surrounding communities
- Assist smallholders to improve sustainability practices as well as their yields and income help to ensure that IOI’s supply chain are in line with our commitments

- Increasing supplier’s awareness in addressing child labour and forced labour
- Increased transparency and traceability of Fresh Fruits Bunches (“FFB”) sources and ability to improve and address gaps in the implementation of our No Deforestation, No New Planting on Peat, No Exploitation (“3N”) commitments
- Transparent and regular communication on grievances reported and progress of time bound action plan against our suppliers in our website
- Compliance with industry standards and regulations
- Ensures compliance with relevant local and international policy and regulations
- Gather constructive feedback to address complex sustainability issues

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

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

**Second SCF was conducted on regenerative agriculture and Net-Zero in May 2022.**
IOI Corporation Berhad

SUSTAINABILITY REPORT 2022

GOVERNANCE

SUSTAINABILITY TARGET & CONTRIBUTION TO UN SDG

IOI has committed to contributing towards the United Nations’ Sustainable Development Goals (“UN SDGs”) since 2018. We continue to monitor our performance in achieving the set KPIs for the 56 adopted UN SDGs most relevant to our operations. The clear targets and KPIs that we have set are monitored carefully, transparently shared and reported (see SR 2020 and 2021) to ensure that all our initiatives are effectively implemented.

Performance for this reporting period is measured against the KPIs first set in 2020 as mapped in the table below:

<table>
<thead>
<tr>
<th>Priority SDGs</th>
<th>IOI Contribution to SDGs</th>
<th>Performance FY22</th>
<th>Reference Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zero Hunger</td>
<td>Recent Work and Economic Growth</td>
<td><strong>70</strong> (Annual Report)</td>
<td>60</td>
</tr>
<tr>
<td>Zero Poverty</td>
<td>Responsible Consumption and Production</td>
<td><strong>42</strong> (Annual Report)</td>
<td>7</td>
</tr>
<tr>
<td>Zero Aids</td>
<td>Life on Land</td>
<td><strong>61</strong></td>
<td><strong>61</strong></td>
</tr>
<tr>
<td>Zero Harms</td>
<td>Partnerships for The Goals</td>
<td><strong>66</strong></td>
<td><strong>66</strong></td>
</tr>
</tbody>
</table>

Our performance for this reporting period is measured against the KPIs first set in 2020 as mapped in the table below:

<table>
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<tr>
<th>Priority SDGs</th>
<th>IOI Targets: KPIs to be Stated in SR2020</th>
<th>Performance FY22</th>
<th>Reference Page</th>
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</thead>
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<tr>
<td>Zero Hunger</td>
<td><strong>8.2</strong></td>
<td><strong>8.2</strong></td>
<td><strong>60</strong></td>
</tr>
<tr>
<td>Zero Poverty</td>
<td><strong>8.8</strong></td>
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<td><strong>61</strong></td>
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</table>

Focuses on: Health, Safety & Environment

Focuses on: Education & Training

Focuses on: Gender, Diversity & Inclusion

Focuses on: Ethical Business Practices

Focuses on: Community & Social Inclusion

Focuses on: Economic Growth

Focuses on: Industry & Trade

Focuses on: Partnerships for the Goals

Focuses on: Peace, Justice & Strong Institutions

Focuses on: Responsible Consumption & Production

Focuses on: Life on Land

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Focuses on: Life on Land
GOVERNANCE

Priority SDGs

IOI Contribution to SDGs

IOI Targets: KPIs as stated in SR2020

Performance FY2022

Reference Page

1. Adopts the circular economy model to minimise waste generation and maximise recycling of plantation operations (refer to value creation model on page 12)

2. Green initiatives in resource-based manufacturing to increase waste recycling, reduce waste and increase reusing waste material and energy efficiency

3. Targets to increase power generation from solid waste, litter and EFB from plantation operations to be used for mill processing

4. Oil palm biomass waste such as PKS and EFB from plantation operations are not being disposed but are either utilised to generate power for the mill operations or sold for value-added products

5. Installation of more methane capture facilities and optimising further on those already installed to reduce GHG emissions to atmosphere and the use of gas as the fuel of diesel

6. Freundried POME residues were being recycled and used as organic fertilisers in our oil palm plantation operations. Our upstream operations continue to achieve 99% recycling from the upcycling of organic wastes including POME

7. IOI minimised pollution and waste generation by ensuring regulatory compliance and applications of TR Circularity in our plantation and resource-based manufacturing facilities

8. In FY2022, IOI Plantation and IOI Refinery Division recorded 95% and 97% of the waste produced respectively

9. Publish Annual Sustainability Report based on GRI Standards

10. Collaborate with MPOB to support smallholders in attaining MSPO certification

11. Green initiatives in resource-based manufacturing to increase waste recycling, reduce waste and increase reusing waste material and energy efficiency

12. Key Oil Palm player in Malaysia that is committed to emboldening sustainable approach in addressing environmental and social footprint whilst also involving R&D to improve our production and manufacturing capabilities

13. IOI Oils to be fully ISO 14001: Energy Management certified

14. Successful implementation of comprehensive circular economy initiatives

15. Minimise pollution and waste generation

16. IOI Oils carried out efficiency improvement projects via ISO 14001

17. Achieved 100% RSPO certification and 100% MSPO for estates and mills including smallholders in Malaysia

18. Inventive progress in line with 100% RSPO certification for all IOI plantations in Malaysia and Indonesia by 2023

19. To publicly disclose sustainability implementation progress and initiatives on a regular basis

20. Publication and disclosure in the Annual Sustainability Report

21. Consistently achieve OER higher than the Malaysian average through palm biotechnology

22. ‘Ringkasan’ to improve oil-bearing characteristics and tree morphology

23. Eco-friendly products developed by the oil palm division

24. Since 2019, OER of around 25% has been achieved in the mills receiving FFR chips supplied by estates planted with high yielding clonal palms comparing 35% to 35% of total hectarage which is higher than the Malaysian average OER 2021

25. R&D direction to improve palm oil trees genetics and development programmes to create better planting materials through cutting edge tree breeding technology

26. Products with key applications in pharmaceutical, industrial, cosmetic and personal care segments

27. Implementation of climate action strategy from upstream to resource-based manufacturing operations

28. Application of TCFD guidelines and ISB for climate reporting

29. Engagement with consultants to analyse climate risks (i.e., physical and transition risks) and implementing adaptation and mitigation measures for addressing climate change

30. Net oil palm developments only after comprehensive stakeholder engagement and assessments including EMAS, HCV and HCS assessment, LUCI analysis, GHG assessment, soil suitability and topographic survey

31. Fire Management implemented

32. As stated in our SPOC, we have set aside peatland and conservation area to be managed and protected

33. Committed to NDPE commitments

34. New oil palm developments are permitted only after comprehensive stakeholder engagement and assessments (HCV, HCS & GHG assessment, EMAS, LUCI analysis, soil suitability and topographic survey) are conducted

35. Implement collaborative landscape approach, conservation & biodiversity projects

36. ‘Releaf’ project

37. Timeseries data captured through Global Forest Watch (GFW) and High Carbon Stock (HCS) initiative to help identify and conserve HCV and HCS areas for land developments in all our operations

38. Adopted recognised test management practices including the Best Management Practices by RSPO

39. Strengthening of our guidelines on biodiversity

40. Conducting reforestation and rehabilitation projects such as R’Leaf project

41. Rehabilitation of forest reserve through Mini Landscape Level Approach for Plantations adjacent to our Bukit Leelau Estate

42. Committed to NDPE

43. Socialisation, dialogue and awareness programmes on fire prevention in forests to stakeholders

44. Identification of High Carbon Stock (“HCS”) forests

45. Unlike Global Forest Watch platform to map our concession areas, obtain daily information about forest fires, and monitor long-term climate trends

46. Partnered with Earthworm Foundation to establish a near real-time deforestation monitoring capacity where IOI suppliers are operating

47. The practice of circularity within our operations to reduce waste generation by amongst others, repurposing for other value-added products, recovering and recycling

48. Installed 10 methane capture facilities at major mill operations and we’re on track to install another 4 in the coming years

49. Progress to achieve emission reduction target for IOI Plantation, Refinery and IOI Oils are reported here

50. New Medium & Long-term target committed – Net Zero by 2040

51. Published Annual Sustainability Report based on GRI Standards

52. Collaborate with MPOB to support smallholders in attaining MSPO certification

53. Publish Annual Sustainability Report based on GRI Standards

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GOVERNANCE

SUSTAINABILITY MATERIALITY MATTERS

IOI conducts an annual materiality matters assessment based on material matters that are significant to our stakeholders and business on Environment, Social and Governance/Economic (“ESG”) topics. These material matters are determined from current global sustainability issues in the palm oil industry, stakeholders’ feedback, reports, sustainability frameworks, agency ratings, etc. The concept of double materiality describes both the external impacts of the company’s operations have towards society, economy and environment, and the internal impact of each significant material matters identified towards a materiality matrix.

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

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

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

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

Material Matrix

IOI’s Sustainability Matters 2022 in Order of Significance

SAFETY & HEALTH

Climate Change and Circular Economy

Labour Practices and Human Rights

Carbon Stock Approach

Global Environment Centre, Aidenvironment, Proforest, Earthworm Foundation, Forest Stewardship Council, etc.

The Materiality Matrix is categorised into significant low, medium and high, based on our ERM framework for risk classification scoring.

The concept of double materiality describes both the external impacts of the company’s operations have towards society, economy and environment, and the internal impact of each significant material matters identified towards a materiality matrix.

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OUR MATERIAL MATTERS

MATERIALITY MATTERS AND OUR RESPONSES

Material Matter | Why this material matters to our business? | Why this material matter to environment and society?
--- | --- | ---
Safety & Health | Our workers are the backbone of our operations, thus ensuring the wellbeing of our workers ensures the highest productivity and a sustainable business. | Safety hazards within and around the workplace would potentially affect the livelihoods, health and wellbeing of our employees, their families members and surrounding communities. Furthermore, a hazardous environment can result in a workforce that are not motivated to perform, high incidence of medical absenteeism and high turnover.

Climate Change & Circular Economy | Assessing and mitigating risks of climate change is crucial for our medium and long-term impact to ensure that the impact of climate change towards our operations are safeguarded and to reduce the cost of doing business impacted by climate related incidences. Embedding ‘Life of circularity’ within our business help to reduce our GHG emissions and the possible impact of carbon tax on GHG emissions. | Irresponsible business contributors to increasing GHG emissions and cause global warming and climate change (i.e., lingering shifts in weather patterns and temperature) that poses risk due to extreme weather causing floods, droughts, wildfires, hurricanes, etc., not to mention impact our food security and job security.

Labour Practices & Human Right | It is crucial to ensure a safe working environment to safeguard our workforce from illegal, forced, bonded, compulsory or child labour because these issues can lead to legal, financial and reputational risk which can ultimately affect our business negatively. Responsible labour practice can be translated through expanded market, higher productivity, reduced cost of compliance and reduced turnover. | Unfair labour practices and human rights violation would affect the wellbeing of our workforce, and create a poor working environment. Responsible labour practices and human rights activities are to be exploited to increase our business resilience.

Transparent Grievance Resolution & Communication | Failure to communicate grievances and complaints transparently can damage our company’s reputation and affect the business negatively. | Being able to address grievances and complaints timely and transparently will demonstrate accountability that help to build trust and transparent connection with the affected complainant (workers, communities and stakeholders of concern).

Traceability & Responsible Sourcing-Policy & Practices | Sourcing from responsible and traceable third-party suppliers is a priority for IOI to ensure adherence to our policies, guidelines, etc as this helps IOI to have clear accountability and transparency within its supply chain. | Irresponsible sourcing can create issues such as forced or child labour along the supply chain, deforestation, illegal land tenure, etc. Non-transparent sourcing practices such as bribery and corruption can lead to illegal problems and imprisonment.

Our Response | Reference Page | Links to UN SDG and Capital Impact | Links to Stakeholders | Links to Corporate Risks
--- | --- | --- | --- | ---
• Provide a safe and conducive healthy working environment with clear SOPs’ guidelines and regular training on safety to maintain business continuity | 56-58 | • Employees | • Human Capital & Talent
• Provide financial and health insurance to provide protection to our workforce, as well as the wellbeing of their immediate families | 28-39, 45-47 | • Suppliers | • Human Capital & Talent
• Regulators | • Environmental Sustainability
• Responsible labour practice and human right related issues | 34-43, 66-66 | • Employers | • Business Resilience
• Climate risk evaluation either to be mitigated or adapted while opportunities are to be explored to increase our business resilience | 28-39, 45-47 | • Industry | • Environmental Sustainability

• Climate change action in alignment with TCFD | 34-43, 66-66 | • Industry | • Business Resilience
• Climate risks evaluated either to be mitigated or adapted; while opportunities are to be explored to increase our business resilience | 34-43, 66-66 | • Industry | • Environmental Sustainability

• Responsible land use, zero deforestation and no new development on peat | 56-58 | • Suppliers | • Environmental Sustainability
• Climate change action in alignment with TCFD | 56-58 | • Industry | • Environmental Sustainability

• Engaging and monitoring our policies and guidelines are to be exploited to increase our business resilience | 56-58 | • Industry | • Environmental Sustainability
• Employees | • Business Resilience
• Suppliers | • Environmental Sustainability
• Shareholders & Investors | • Human Capital & Talent
• Regulators | • Business Resilience
• Communities | • Environmental Sustainability

• Communities | • Human Capital & Talent
• Customers | • Environmental Sustainability
• Employees | • Business Resilience
• Shareholders & Investors | • Environmental Sustainability

• Customers | • Business Resilience
• Suppliers | • Environmental Sustainability
• Shareholders & Investors | • Human Capital & Talent
• Improving performance and mitigating risks to improve our business resilience | 56-58 | • Employees | • Environmental Sustainability
• Responsible sourcing and sourcing from responsible and traceable third-party suppliers | 56-58 | • Suppliers | • Environmental Sustainability
• Engaging and monitoring of our policies and guidelines are to be exploited to increase our business resilience | 56-58 | • Shareholders & Investors | • Environmental Sustainability
Life on Land

Partnerships

OUR MATERIAL MATTERS

Compliance

Third-Party

Regulatory &

Management

Supply Chain

Employment &

Responsible

Recruitment

Ethical

Land Use

Management

Why this material matters to our business?

Water stress is one of the potential physical risks faced by our operations due to climate change. So, strong water and wastewater management systems are important to ensure business continuity and resiliency.

Depletion and irresponsible land use change can lead to extreme weather patterns and erosion, etc., and affecting our operations of our product and reducing our revenues.

A high percentage of ILO’s workforce is migrant workers. To maintain a stable workforce, it is critical for our business to uphold fair employment and ethical practices.

Ensuring commitment towards sustainability practices is understood and implemented within our supply chain is important as a means to deliver sustainable palm oil in our value chain.

Poor regulatory and third-party compliance can lead to adverse impact on environment and social effects (e.g., child and forced labour, human health and wellbeing, etc.).

Why this material matter to environment and society?

Water is a source of life and poor management of it can result in hunger and famine. Inadequate wastewater management can result in pollution and environmental degradation, loss of natural habitats and wildlife and poor human health.

Irresponsible land use change can lead to community conflict and loss of biodiversity while deforestation can result in loss of biodiversity, increased wildlife conflicts and ecosystem services.

Excessive recruitment practices and irresponsible employment would increase the risks of human rights violations such as abuses, debt bondage and trafficking. Unfair employment practices result in high turnover and an unproductive workforce.

Poor supply chain management can result in unsustainable production of raw materials and finished product that have detrimental environmental and social impact locally and globally.

Poor regulatory and third-party compliance can lead to adverse impact on environment and social effects (e.g., child and forced labour, human health and wellbeing, etc.).

Our Response

• Risk assessments conducted to identify current and future water-stressed areas based on Climate Modeling Datasets and Hazard Models

• Annual Environmental Impact Assessment (“EIA”) and Water Management are practiced by our operations

• Regular monitoring on water and wastewater and strict adherence to laws and regulations governing these matters

• As part of No Deforestation, No Peat and No Exploitation (“NDPE”), IOI commits to no deforestation and responsible land use in all our operations and suppliers

• Monitor and assess NDPE compliance within our supply chain

• Practice commitment of no recruitment fee

• CoC on Ethical Recruitment and Responsible Employment in many languages to ensure our workers understand their rights

• Due diligence audit on recruitment agency by third-party

• CoC on Ethical Recruitment and Responsible Employment in many languages to ensure our workers understand their rights

• Complying with third party requirement such as ILO Forced Labour Indicators, HCV & HCSA requirements, etc

• Adherence to all applicable legislation and codes of practice

• Certification under MSPO, RSPO, ISCC, etc

• Ensure sustainability is embedded within all our operations and suppliers

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• Complying with third party requirement such as ILO Forced Labour Indicators, HCV & HCSA requirements, etc

• Adherence to all applicable legislation and codes of practice

• Certification under MSPO, RSPO, ISCC, etc

• Ensure sustainability is embedded within all our operations and suppliers

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

CLIMATE CHANGE ACTION ("CCA") INITIATIVE

MANAGEMENT APPROACH

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

Our Governance

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

Strategy

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

- Increasing resource efficiency for a low carbon economy to reduce GHG emissions
- Improving operational efficiency and waste management through circularity
- Investments in climate innovations and technology

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

Risk Management

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

Metrics and Targets

The company group-wide GHG emission intensity baseline and short-term targets for Scope 1 and Scope 2 were published in 2020. Annually our GHG emission intensity reduction is estimated to be at least 1%. Therefore, IOI’s GHG emissions intensity is expected to be reduced by about 40% by 2025 based on a 2015 baseline. However, with improved low carbon technologies, intensified rehabilitation and regeneration efforts in our conservation areas as well as further activities in circularity to potentially remove or capture more CO2 from the atmosphere than emitted, IOI is targeted to possibly achieve negative amounts of GHG emissions or at least carbon neutral for Scopes 1 and 2 by 2050 against our 2015 baseline. IOI has also announced its group-wide GHG emissions targets to achieved Net-Zero emissions for Scopes 1, 2 and 3 by 2040. IOI’s current and targeted GHG emissions figures are available in pages 31-33.

Type of Transition Risk

<table>
<thead>
<tr>
<th>Risk</th>
<th>Policy and Legal</th>
<th>Technology</th>
<th>Market</th>
<th>Reputation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Negative financial consequences associated with GHG emission reduction policies (e.g., carbon pricing) due to higher cost of compliance and cost of doing business</td>
<td>• New or replacement of products that are perceived to be produced or derived from processes that can affect climate change negatively</td>
<td>• Loss of market position from buyers and customers when expectations for low carbon products are not met</td>
<td>• Reputation of a company is threatened when stakeholders perceived that the company is exposed to climate risks while there is no evidence of effective management and supervision of these climate-related risks</td>
<td></td>
</tr>
<tr>
<td>• Additional costs due to carbon taxes imposed on fossil fuels (e.g., diesel)</td>
<td>• New legislation like the European Union regulation on deforestation-free products that are climate-related that can impact the way we do business</td>
<td>• Loss of market due to high GHG emissions or perceived as lagged in reducing GHG emissions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• New or replacement of products that are perceived to be produced or derived from processes that can affect climate change negatively</td>
<td></td>
<td>• Loss of branding value when company’s climate change strategy and targets are not evident</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Type of Physical Risk

<table>
<thead>
<tr>
<th>Risk</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increased carbon price can constrain a company to adopting a low carbon operation that would significantly reduce operational cost</td>
<td>• Producing products in a sustainable way via waste management and circularity like the use of methane as fuel source will not only negate negative perception of our products but create value added products from wastes</td>
</tr>
<tr>
<td>• Reduced dependency on non-renewable fuels would give IOI’s businesses competitive advantage</td>
<td>• Promoting efficiency in energy usage and sustainable use of natural resources through innovation and technology</td>
</tr>
<tr>
<td>• Increased carbon price can constrain a company to adopting a low carbon operation that would significantly reduce operational cost</td>
<td>• Gain competitive advantage in the marketplace for early adoption to low carbon emission operations</td>
</tr>
<tr>
<td></td>
<td>• Ability to penetrate markets that have strict regulations on carbon emissions</td>
</tr>
<tr>
<td></td>
<td>• Positive brand recognition as a climate friendly company</td>
</tr>
<tr>
<td></td>
<td>• Improved environmental scoring and reputation of the company</td>
</tr>
<tr>
<td></td>
<td>• Steps taken to introduce strategy and management of these climate-related risk along with adaptation and mitigation measures that will help the company face these risks</td>
</tr>
</tbody>
</table>

Note:
1. Scenario 1: Carbon sequestration from oil palms calculated until one cycle, 25 years (calculated based on RSPO PalmGHG calculator methodology)
2. Scenario 2: Carbon sequestration calculated more than 25 years
3. Scenario 3: Carbon sequestration from oil palms calculated until one cycle, 25 years (calculated based on RSPO PalmGHG calculator methodology)
4. Scenario 4: Carbon sequestration calculated more than 25 years

Figures 19 - 28% when carbon sequestration from the plantation operations in GHG scenario 1 and 2 are taken into account, respectively. When IOI achieve Net-Zero (Scope 1 and 2) by 2050, carbon pricing risk exposure can further reduce by up to 30%.
We have continued this assessment and out of the 123 locations assessed globally, we operate, we have that our plants are primarily exposed to heatwaves with a few locations having either water stress or the possibility of sea level rise with only 8 having a high-risk exposure classification. In general, IOI as a group have been assessed to have the following physical risk scores:

### 2050 Composite Physical Risk Scores:

**Facility Size Weighted**

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Risk Score</th>
<th>Weighted Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>38/100</td>
<td>moderate risk</td>
</tr>
<tr>
<td>Moderate</td>
<td>49/100</td>
<td>moderate risk</td>
</tr>
<tr>
<td>High</td>
<td>56/100</td>
<td>moderate risk</td>
</tr>
</tbody>
</table>

**Climate Related Risks**

<table>
<thead>
<tr>
<th>Transition risks</th>
<th>Risk Exposure Type</th>
<th>Mitigation Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon pricing</td>
<td>Continuous exploration in innovation and low carbon technologies to effectively reduce our operational GHG emissions.</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>Enhance supply chain engagement to form smart partnerships for collaborative projects involving low carbon alternatives and reducing scope 3.</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>Implementation of Internal Carbon Pricing to promote utilisation of energy efficiency processes.</td>
<td>--</td>
</tr>
</tbody>
</table>

**Physical risks**

| Heatwave        | No new developments on plantations and protection of the plantations through water management and fire prevention. | -- |
|                 | Installation of appropriate heat insulation in our buildings and facilities. | -- |
|                 | Utilise low energy cooling systems (e.g., vapor absorption chillers and Open Loop Cooling spray). | -- |

**Related Risks**

<table>
<thead>
<tr>
<th>Risk Exposure Type</th>
<th>Mitigation Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water stress</td>
<td>Re-utilisation of reject reverse osmosis water.</td>
</tr>
<tr>
<td></td>
<td>Install rainwater harvesting and retention systems.</td>
</tr>
<tr>
<td></td>
<td>Utilisation of treated and recycled effluent and waste water.</td>
</tr>
<tr>
<td></td>
<td>Enhanced Metering and Monitoring: Networks enabled water use monitoring technologies to enable real-time feedback, control over water consumption, respond to water leaks and infrastructure damage.</td>
</tr>
</tbody>
</table>

**Adaptation Solutions**

<table>
<thead>
<tr>
<th>Adaptation Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve the location of key facilities and reinforcing earth bunds.</td>
</tr>
<tr>
<td>Enhance the use of renewable energy sources (e.g., solar power).</td>
</tr>
<tr>
<td>Constructing a silo perpendicular to slopes to collect surface water runoff.</td>
</tr>
<tr>
<td>Construct amazing renovation of soil and buildings, and planting areas with water stress resistant vegetation.</td>
</tr>
</tbody>
</table>

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

### Mitigation and Adaptation

#### GHG Emissions Intensity and Target (Scope 1 and 2)

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

#### Plantation (Estate and Mills)

In 2021, GHG emissions intensity for plantations reduced significantly by nearly 25% from last year. Reduction of GHG emission intensity was due to reduced methane emissions from palm oil mill effluent (“POME”) and, increased utilisation of biogas from methane capture plant for boiler burners and electricity generation in the operations. IOI Plantation currently has 10 methane capture facilities and will be installing 4 additional facilities in the coming years. On top of that, there are also plans to increase usage of biofuel at the plantations in the near future. Utilisation of biogas and biofuels allows the plantations to transition to greener energy sources as compared to fossil fuels usage.

IOI Plantation is expected to reduce emission intensity by about 40% by 2025 based on the current reduction trajectory. IOI Plantation can also be expected to reduce or capture more CO2 from the atmosphere than emitted by 2030 when additional sequestration from palm greater than 25 years, other rehabilitated and reforested conservation areas and tree crops are taken into account. In addition, offsets from projects that creates value added products from our wastes or by-products such as oil palm trunk (“OPT”) used for wood product manufacturing, animal feeds, palm kernel shells, etc., can also be added to represent GHG emissions that have been captured.
Refinery

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

Olechemical

This year, IOI Oleo recorded an increase in GHG emission intensity by 6.5% compared to 2020 due to reduction in operational volume by nearly 13%. Although emission intensity was heterogenising between 0.514 and 0.576 tCO2e/MT product over the last few years, the targeted emission reduction is expected to be achievable due to the implementation of energy efficiency initiatives and transition to greener energy in its operation (e.g., optimisation of solar energy system and biogas plant). Emission intensity would also be further reduced via implementation of digitalisation and automation as means to improve operational efficiency in achieving higher production output.

Group

As of FY2022, IOI Group’s current emission intensity is recorded at 1.703 tCO2e/MT and is on track towards achieving our GHG emissions intensity reduction target at ~40% by 2025. Assumptions made for 2030 GHG emissions reduction target are 34% under the high emissions scenario and 66% under the low emissions scenario. IOI foresees the opportunity to remove or capture more CO2 from the atmosphere than emitted by 2030 for Scopes 1 and 2. Several key actions were identified during the SCF to address the challenges in achieving Net-Zero which revolved around 3 main themes: 1) Net-Zero target setting; 2) Scope 3 emissions; and, 3) Regenerative Agriculture. The SCF was held under the Chatham House Rule to enable participants to share their honest feedback and suggestions from experts and thought leaders on their concerns as well as best practices for enabling IOI to reach Net-Zero. Several key customer were identified during the SCF to gather feedback and suggestions from experts and thought leaders.

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

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

Internal Carbon Pricing

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

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

- Develop Net-Zero roadmap consisting of a timeboxed emissions reduction plan and targets as well as the key GHG emission reduction initiatives
- Develop Scope 3 mitigation plan for Net-Zero target by:
  - Initiating a more comprehensive Scope 3 hotspot screening assessment
  - Executing external verification of Scope 3 baseline calculations to ensure credibility and robustness
  - Setting up supplier engagement plans to impart suppliers with relevant GHG emission accounting and reporting information
- Assess and enhance current practices and approaches that align to Regenerative Agriculture, including management of our Peatland and other conservation areas
- IOI has begun having discussions with relevant parties to address some of the recommendations by our stakeholders during the SCF. Among the recommendations, IOI is planning to set up a Steering Committee to make directional decisions on risk management and opportunities particularly on financial aspects related to climate change to pave down our GHG emissions towards achieving Net-Zero by 2040.
METHANE CAPTURE FACILITIES

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

MITIGATION AND ADAPTATION (PLANTATIONS)

MANAGEMENT APPROACH

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

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

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

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

Our workforce and ultimately impact productivity at the plantations. To counter this, our plantations had installed water gates and water collection systems as part of our water conservation activities. IOI continuously adopt appropriate technologies and innovations to curb the increasing risks of climate change. Our operations conducted R&D to develop high yielding and climate resilient planting materials to achieve yield improvement. Increased mechanisation has taken place to improve workers’ performance, at the same time, mitigating health hazards, upskilling their capabilities and increasing their income in plantation operations, which have been described in the ICM’s five strategic priorities.

OUR PERFORMANCE

Mitigation and Adaptation Measures at Plantation

Methane Capture

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

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

Bio-Fuel Usage in Indonesia

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

In response to anthropogenic climate change, IOI Palm Biotech Sdn. Bhd. and IOI Research Centre are driving R&D on oil palm variants which can better tolerate stressful environmental conditions. R&D are crucial tools for climate adaptation as droughts and floods are expected to intensify. Currently, field trials of oil palm seedlings that can better withstand environmental stresses are underway at IOI Research Centre in Gunung Ledang. In addition, to adhere to our no deforestation commitment while maintaining financial growth, IOI Palm Biotech Sdn. Bhd. undertakes tissue culture research to produce clonal palms that are resilient to climate change and produce high yield. Since early 2000, IOI has been executing FFB from estates with 35 - 53% clonal palm coverage researched by IOI, achieved an oil extraction rate of over 24% which is higher than the national average of 19.72% in 2022.

Mechanisation

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

IOI Corporation Berhad undertakes tissue culture research to produce clonal palms that are resilient to climate change and produce high yield. Since early 2000, IOI has been executing FFB from estates with 35 - 53% clonal palm coverage researched by IOI, achieved an oil extraction rate of over 24% which is higher than the national average of 19.72% in 2022.

As for areas susceptible to flooding, adaptation measures like planting crops on mounds and effective irrigation systems were taken to increase crop tolerance towards excessive water conditions. IOI’s performance on water management for FY2022 can be found in page 44.

Water Management

Bio-technology

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As for areas susceptible to flooding, adaptation measures like planting crops on mounds and effective irrigation systems were taken to increase crop tolerance towards excessive water conditions. IOI’s performance on water management for FY2022 can be found in page 44.

Water Management

Water conservation is vital to build resilience against extreme weather brought about by climate change. IOI had installed water gates in vicinity or close to peatlands in our existing plantations to prevent excessive water loss from the peatlands. In addition, as vegetated areas have higher moisture retention potential, IOI delineates riparian areas and buffer zones and rehabilitate or restores them when required to increase moisture retention thereby reducing water usage. An example of such efforts is the RELeaf Project in Sabah (details of the project can be referred in page 49). Coerc crops were also planted to increase moisture retention apart from other benefits like reduced soil runoff, increased water infiltration rates and more.

As for areas susceptible to flooding, adaptation measures like planting crops on mounds and effective irrigation systems were taken to increase crop tolerance towards excessive water conditions. IOI’s performance on water management for FY2022 can be found in page 44.

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

Mechanical tractors used to transport FFB to mainline collection tractors.
MITIGATION AND ADAPTATION (RESOURCE-BASED)

MANAGEMENT APPROACH

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

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

OIE’s buildings

OUR PERFORMANCE

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

Over 600 solar panels have been installed at IOI Oleo’s buildings (e.g., offices and canteen) and manufacturing plants rooftops. The solar energy system can generate up to 487,000 kWh/year per annum while reducing over 300 tCO2e emissions annually from the operations. Moving forward, IOI Oleo is planning to expand the solar panels installation on the rooftops of other buildings and facilities (e.g., weighbridge, warehouses and workshops), which will amount to 1074 pieces of solar panels and generate about 843,960 kWh/year of solar energy annually. This project is expected to be completed by the end of 2022 and will potentially reduce GHG emissions by 470 tCO2e per annum. On top of that, installation of thermal oil heater with air pre-heater system showed a 5% reduction in natural gas consumption for IOI Oleo. Combined Heat and Power (“Cogeneration”) systems installed at IOI Oleo also contribute to reducing non-renewable energy usage and resulted in improving power plant efficiency by more than 90%.

This year, a new thermal insulation system was also installed at our storage tanks in IOIEO Sandakan to reduce heat loss and thus, reduce energy consumption. For example, for a tank storing palm oil that required heating prior to shipment or transfer such as refined palm oil, we observed an average rate drop of 3.4°C/day after it is being heated up. The installation of 80m thick, 100kg/m² insulation resulted in an average temperature drop per day of 0.9°C. Total steam savings is estimated at 6.81 MT/day which is equivalent to RM1,090 daily expense saved.

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

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

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

IOIEO constantly makes effort to reduce its energy consumption through upgradings to its operational equipment. The compressed air system of Palm Kernel Dry Fractionation has been divided into two pressure systems (i.e., low (4.5 bar) and high (7.0 bar) pressure) to optimise operational efficiency in producing palm kernel oil. IOIEO Sandakan has upgraded its cooling system to have higher efficiency, a more compact in size with lower operation costs. The blower time of reactor tanks and CPO washing process water also improved by 53% and 68% respectively to reduce electricity consumption. The operation at Sandakan also opted for cleaner energy usage at boilers by substituting diesel fuel with Liquefied Natural Gas (“LNG”) and biomass waste (e.g., EFB fibers and palm kernel shells) as measure to reduce dependency on non-renewable fuels.
RESILIENT & PROGRESSIVE

RESPONSIBLE SOURCING AND SUPPLY CHAIN MANAGEMENT

MANAGEMENT APPROACH

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

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

OUR PERFORMANCE

Responsible Sourcing

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

On Feb 2022, IOI partnered with Earthworm Foundation (“EF”) to undertake a pilot project at Bukit Senorang estate and mill, Pahang. This project is about capacity building regarding workers’ right and avoidance of human rights violations in their operations by using EF’s Ethical Recruitment & Human Rights Due Diligence Tool (“ERDD”).

OUTPUT FROM THIS PILOT PROJECT WILL BE REFERENCED FOR ENGAGEMENTS WITH ETHICAL RECRUITMENT & HUMAN RIGHTS DUE DILIGENCE TOOL (“ERDD”).

On March 2022, IOI in corporation with EF and Meridian Plantations Sdn. Bhd. organized an engagement event to enhance traceability and increase sustainability awareness within our supply base in Sabah. During the event, representatives from Malaysian Palm Oil Board (“MPOB”) and EF gave talks to smallholders on sustainability best practices. During the talk, MPOB stressed the importance of Oil Palm Plantation Management Framework, especially in terms of traceability and the legality of their FFB sold and processed.

Traceability

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As of December 2021, palm oil sourced by IOI is fully traceable (i.e., 100%) to the supplying mill and 83% traceable to the plantation. The steps included ways to turn policies into actions, how to conduct child-risk assessments and to develop a child-sensitive remediation mechanism.

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

Supply Chain Management

One of our Methane Capture facilities.

Palm GHG calculation at RSPO website.

Scope 3 Emissions

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

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

Scope 3 emissions for our resource-based divisions (Refineries and Oleochemicals) have been consistent over the past 5 years due to no significant changes to our supply chain. Scope 3 intensity of our manufacturing operations is as follows:

<table>
<thead>
<tr>
<th>Operating Group</th>
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<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refinery Intensity</td>
<td>3.00</td>
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<td>3.13</td>
</tr>
<tr>
<td>(CO2eq/MT Product)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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This highlights how crucial it is for IOI to have a strong supply chain management framework, especially in terms of traceability and supplier engagement if we are to effectively manage and reduce our Scope 3 emissions.

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

This highlights how crucial it is for IOI to have a strong supply chain management framework, especially in terms of traceability and supplier engagement if we are to effectively manage and reduce our Scope 3 emissions.
We are further transforming sustainable agriculture with our 7Rs of circularity as the first line of defense and progressing more with regenerative practices that can safeguard natural resources, improve food security and reduce carbon footprint.
Rehabilitate & regenerate

Safeguarding natural resources

Management approach

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

IOI views the pollution and eutrophication of water bodies from our operations seriously. Our mills and estates conduct Environmental Impact Assessments ("EIAs") based on our Group Environmental Management Guidelines which was developed in 2020. All our mills ranges between 20mg/l to 100 mg/l, depending on the season (pages 44-45).

Our performance

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

No deforestation

IOI affirms our pledge towards no deforestation by the moratorium committed since 2016 at all our operating units. No deforestation or deforestation-related grievances were recorded for our own operations since 2016. The limits of our concessions are actively monitored for potential disturbances via geospatial imagery by our ground team. IOI also remains committed to minimise and mitigate adverse impacts on the environment. This include the minimisation or eradication of fire occurrences based on our Fire Management Guidelines which was developed in 2020. Our Fire Management Guidelines encompasses three main stages: (1) Fire prevention and monitoring, (2) Fire emergency response and (3) Post-fire analysis and programmes.

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Fire management

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

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Water management

IOI protects riparian areas and buffer zones to reduce the environmental impacts especially on the biodiversity and the surrounding communities where we operate. Water samples of the raw water source and treated water are routinely collected and analysed to ensure our water is safe for consumption and optimisation our water consumption is also a priority especially as the impact of climate change is expected to intensify the issue of water shortage.

As a group, IOI is constantly seeking to improve the water efficiency of our operations through the implementation of new technologies and innovations to conserve our water resources.
REHABILITATE & REGENERATE

Waste Management

For FY2022, IOI produced a total of 8,031.21 MT of hazardous waste and 17,607.82 MT of non-hazardous waste. When averaged, the recycling rate for IOI Group stands at 97%. No fines or warnings were imposed as all our waste management as we adhered strictly to local environmental regulations and licences.

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

Waste Recycling Rate

In FY2022, IOI Oleochemical classified its waste into scheduled waste, solid waste and wastewater. For FY21/22, IOI Oleo recorded a 12% reduction in the quantity of scheduled waste, 17% reduction in quantity of solid waste and a 13% increase in quantity of wastewater generated. Fluctuations between solid waste and scheduled waste were due to the reclassification of waste categories. IOI Oleo also underwent an expansion of its downstream operations which subsequently reflected the increase in product waste intensity.

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

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

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

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

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

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

**Best Agriculture Practices**

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

As part of RA, IOI looks at how to overcome the traditional intensive agriculture practices that generally heavily degrade the soil such as requiring large amounts of fertilizers. Therefore, as part of RA, IOI uses natural nutrient replenishment methods by planting leguminous cover crops like *Cyamopsis tetragonoloba*, *Cuphea hyssopifolia* and *Jatropha curcas*, etc., to prevent our soils from degradation. Leguminous cover crops naturally replenish soil nitrate content through the use of nitrogen-fixing bacteria in the root nodules. In general, use of cover crops can improve soil health plus overall crop yield.

**Increasing Productivity Through Technological Innovations**

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

**OUR PERFORMANCE**

IOI implements sustainable agricultural practices which contribute to effective and efficient plantation management to maximise beneficial results and minimise environmental impacts. As a result, our oil yield per hectare is higher than the national average of 19.72% which has a positive impact towards mitigating climate change as less land is required per ton in our palm oil production. Best agricultural practices and efficient land utilisation had not only led to higher productivity but also to reducing the usage of chemical fertilizers and pesticides, resulting in lower Greenhouse Gas (“GHG”) emissions, specifically, Scope 1 of our GHG emission. Techniques that contribute to maximising yield include the precision use of chemicals (fertilizers, pesticides, etc) and controlling soil parameters which will be further discussed in page 17.

**Rehabilitate & Regenerate**

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

**Revisit & Refurbish**

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

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

**STEWARDSHIP OF BIODIVERSITY AND CARBON SEQUESTRATION**

**MANAGEMENT APPROACH**

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

Understanding the importance of biodiversity and we have set two key objectives for the conservation and protection of biodiversity: 1) achieve co-existence with wildlife and 2) encourage biodiversity to flourish within our operations. In order to achieve these objectives, we strongly supported the banning of hunting within our plantations especially Rare, Threatened and Endangered (“RTE”) species included in national and international red books and lists International Union for Conservation Nature (including “IUCN”). We also established partnerships with both governmental and non-governmental organisations such as CDP, SPOTT, DJSI, FTSE4Good, Sustainalytics, and performance on biodiversity through organisations and rating working groups, task forces and related schemes like the High Carbon efforts, we constantly engage with external stakeholders, taking part in:

- To identify gaps and improve our biodiversity and conservation efforts, we constantly engage with external stakeholders, taking part in working groups and task forces.
- To prevent potential forest encroachment and slash-and-burn activities, our estate activities were also carried out using drones, patrol cars and motorcycles.
- To assist local fire brigades implement wildfire prevention measures, the area were also equipped with drones, patrol cars, and motorcycles.
- To raise awareness and conduct wildlife monitoring within the conservation areas.
- To inform and assist local fire brigades in implementing wildfire prevention measures. The project was supervised by Nestlé and IOI Corporation Berhad.

**OUR PERFORMANCE**

**Enhancing Sequestration and Biodiversity in Our Conservation Areas**

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

<table>
<thead>
<tr>
<th>Land Use</th>
<th>Malaysia</th>
<th>Indonesia</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total HCV area</td>
<td>1,303.17</td>
<td>2,352.07</td>
<td>3,655.24</td>
</tr>
<tr>
<td>Other conservation areas, excluding HCV area (Ha)</td>
<td>3,498.34</td>
<td>2,906.44</td>
<td>6,396.38</td>
</tr>
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<td>Total area set aside for conservation</td>
<td></td>
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<td>10,051.62</td>
</tr>
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*As reported to IOICP/peat*

**Peatland Protection**

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

**South Ketapang Landscape Initiative**

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

To prevent potential forest encroachment and slash-and-burn practices, IOI works with local government, villages and PT SNA to supplement villagers’ income by assisting in their agricultural activities.

**All seedlings in RELeaf Project are sourced from local communities**

**3,767 Ha protected area of plantations on peatland**

**South Ketapang Landscape Initiative**

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

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

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

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

This year, for example, Mr. Felix Francis, a Sustainable Palm Oil Executive from IOI Plantation Services Sdn Bhd (Lahad Datu region) had engaged Unico 6 estate employees in a training on RTE species, wildlife and elephant training for workers suggestions raised are the installation of electric fences to reduce crop loss during replanting and implementing wildlife training for workers on staff. The ACE project was formalised via a signatory event in June 2022 that complement Malaysia’s National Elephant Conservation

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

Achieving Coexistence with Elephants Project

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

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Our estates and mills are often located close to primary forests and other conservation areas. Hence, IOI works closely with HUTAN-KOCP-PONGO Alliance ongoing Collaboration

Since 2020, IOI has continued to engage and collaborate with Seratu Aatai, SWD and HUTAN-KOCP to conduct regular elephant behaviour monitoring. Apart from monitoring and tracking the collaboration seeks to spread awareness on elephant behaviour among the local communities to reduce human-elephant conflicts around our estates. Throughout the second half of 2021, we conducted briefings, knowledge-sharing sessions, field visits and night patrols at our estates. This includes IOI’s participation in seminars like the Seratu Siputu Hiburan Liar (“Seratu Aatai Elephant Collaring Programme”).

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

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Laran Tree Planting Project

The Laran Tree project was suggested by SFD to adopt the concept of Agroforestry within our operations in 2016. Laran (Nepenthes rajah) is a fast-growing species that is suited for rehabilitation areas and as such was introduced to the flood-prone areas in Nyatusu 4 estate.

Fast forward to 2022, this introduction had shown positive impact to enriching biodiversity. It was reported that the area contained species such as the Long-Tailed Macaque, Samba Deer and Bornean Bearded Pig within the oil palm landscape. On top of supporting biodiversity and wildlife, this area has the potential to contributing carbon sequestration within our operations.

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Radio tracking of collared elephants.

Elephant collaring programme.

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

**MANAGEMENT APPROACH**

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

At IOI, we not only hire local workers but also workers from diverse backgrounds and nationalities from countries such as Indonesia, Bangladesh, Philippines, India and Nepal, to work in our Plantations. We are committed to respect and uphold the rights of our workers in accordance with the Universal Declaration of Human Rights, the International Labour Organization’s (“ILO”) core convention, United Nations Global Compact (“UNGC”) on human rights etc. as stated in our SOPs. In addition, IOI has adopted several UN SDGs including SDG 2, 8 and 12 which are related very strongly to the rights and well-being of our workforce.

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

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

**OUR PERFORMANCE**

**Ethical Recruitment**

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

Another initiative, arisen from one of the action plans from the 1st SCF involving the issue on forced labour based on ILO’s 11 Forced Labour Indicators, by November 2021 was our participation in August 2021, on the Malaysian “National Action Plan on Forced Labour” (“NAPFL”) 2021 – 2025. At this platform, IOI provided our feedback on the challenges and the needed action at the governmental level.

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

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

The Covid-19 pandemic has significantly changed and affected how we implement our recruitment process. For example, as an enhancement of our interviewing process, IOI is now conducting online interviews directly with workers in their home country to verify their understanding of human rights and awareness on forced labour based on IOI’s 11 Forced Labour Indicators, by November 2021. The Covid-19 pandemic has significantly changed and affected how we implement our recruitment process. For example, as an enhancement of our interviewing process, IOI is now conducting online interviews directly with workers in their home country to verify their understanding of human rights and awareness on forced labour based on IOI’s 11 Forced Labour Indicators, by November 2021.

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Safeguard & Uplift

Upholding Employees Right

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

Housing area for workers in Miri, Sarawak.

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

Where discrimination is concerned, we are happy to report zero cases of discrimination during this reporting period. All of our plantation workers are members of the ECC and have been made aware of the mechanisms for collective bargaining. Meetings with the management or Joint Consultative Committee (“JCC”) meetings are conducted 6 times a year. Furthermore, Trade Unions such as National Union of Plantation Workers (“NUPW”) in Pahang site, have access to our workers as part of our Freedom of Association policy, Annual Social Impact Assessment (“SLK”) are also conducted during our internal stakeholder meetings between management representatives and workers’ representative at the respective operating units covering all our employees in order to identify the impacts that our business made to our employees. Any impacts raised by workers are evaluated and time bound action plan developed to address the matter in a timely manner. The same approach is applied for external stakeholders at respective operating units.

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

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

At the plantation division, the Human Resources Department had introduced the Employee Engagement Programme since 2020. Due to Covid-19, the HR team from Sabah was able to start the engagement until March 2021. They kicked off the first phase of the employee engagement which covered all 29 operating units in Sabah in June 2022. At least 645 workers were interviewed during on-site visits by the HR team. The purpose of this engagement is to determine the workers’ understanding of the forced labour indicators.

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

10 cases of discrimination reported in this reporting period

6 total employees with physical disabilities

24 Hour access to medical facilities within plantations

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Safety and Health

IOI has implemented health and safety management systems across our operations. Our manufacturing operations at IOI Oleochemicals and IOI Refineries are certified to ISO 45001:2018 Occupational Safety and Health Management Standard (“OSHMS”) and plantations division is progressing to be certified under the same standard. Currently, the plantation OSH management system is based on OSHMS-1722 and are in the process of migrating to ISO45001:2018 by revising the Occupational Safety and Health manual accordingly. All employees including contract workers, contractors, suppliers, customers or any other stakeholders as well as activities carried out in the company premises are covered by IO45001. The process to identify, report and investigate work-related hazards is based on Hazard Identification Risk Assessment and Risk Control (“HIRARC”) and periodic Health Safety Environment Risk Assessment exercises.

At our plantations, potential hazards and impacts from agrochemical-related activities and other operations are identified and mitigated according to HIRARC and Chemical Health Risk Assessment (“CHRA”) procedures as per outlined in the Standard Operating Procedures (“SOP”) on Safety & Health. Control measures are taken based on the HIRARC and audit results to mitigate or prevent accidents. If at all an accident happens, it is thoroughly investigated and control and preventive measures are taken to avoid recurrence.

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

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

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

Annual training programmes are available and cover all workers and job scopes including standard operating procedures and safe operating procedures, first aid, emergency response plan, safety campaign, and others.
We have also conducted annual analysis on reported grievances, requests and responses from our employees including workers, staff, management, and external stakeholders including neighbouring communities within our plantations in Malaysia. There are several channels available within our operations for reporting grievances. The types of grievance issues reported and details of respondents including categories of employment, nationality, gender and the status of the cases were also recorded.

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

### GRIEVANCE ANALYSIS AND DIGITAL TRANSFORMATION

The most popular channel used by the employees are Employee Consultative Committee/Conciliation Consultative Committee (31.49%), followed by Green Book (22.39%), and内部投诉 (Kerosakan Rumah) (22.31%).

Safety-related complaints and requests are mostly on road maintenance, cleanliness of housing and working areas, PPE and etc. The grievances and request report (68.22%) Most of the requests from workers are repair and maintenance, transportation for the workers to go to hospital, clinics, official matters etc.

Average response time for the requests to be addressed differed based on the type of grievances or requests received. For example, simple requests such as request for transportation and minor repairs would take around 1 week to be closed while cases such as major repairs or specific personal concerns will follow our established grievance procedure.

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

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

In addition, other than the third-party audit from sustainability certification body, we also received compliance audit request by other stakeholders such as our customers. In early 2021, we proactively collaborated with one of our customers to conduct an independent third-party audit on IOI’s 11 Indicators Forced Labour and our governance in order for us to identify if there are any gaps or areas of concern with respect to Forced Labour. The audit was conducted by using established and internationally-recognized social audit methodology, SMETA. 3% of total operating unit from estates in Peninsular and Sabah being selected as audit samples. The audit was conducted from September - October 2021 by two international audit firms that have been appointed by the customer. The full audit findings together with corrective action plans were reported in December 2021. IOI undertook the report’s suggestion for improvement and proceeded to enhance some of the policies and guidelines concerned to ensure more robust human rights and labour management within our company. Subsequently, a verification audit was conducted in June 2022 to verify these corrective action plans.

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

UPLIFTING OUR PEOPLE

MANAGEMENT APPROACH

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

OUR PERFORMANCE

Capacity Building and Talent Development

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

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

Digitalisation (E-Wallet)

IOI Plantation has successfully launched the e-wallet salary crediting system on 1 February 2020 where we collaborated with Merchantrade Asia Sdn Bhd as reported in our Annual Sustainability Report 2020, Page 52. Apart from having the function of an international Visa prepaid card, workers also used their e-wallet to withdraw cash anytime at local ATMs in Malaysia or their home country and Merchantrade branches, enabling them to adopt digital financial services. This was especially helpful and crucial during the Covid-19 pandemic when the MCO was in place and there was widespread closure of physical premises and access to financial institutions are limited. As of June 2022, our operations have currently achieved 93% implementation on the usage of e-wallet while the remaining 7% are still in progress due to circumstances such as poor internet connections and remote area’s location.

In order to monitor the success of this initiative, continuous monitoring was done and information was collected for this year which covered all operating units in Malaysia and Indonesia. Since the initiative was first introduced in December 2019 (refer to our Annual Sustainability Report 2020, Page 49), around 15,000 employees and their families from the plantation division have benefited from this initiative. Total area planted with food crops in Malaysia and Indonesia is almost 110 Ha. The biggest area planted is in Lahad Datu Region (76 Ha) followed by Sandakan (24 Ha), Portmsul (8 Ha) and Indonesia (4 Ha).

Most of the planted areas are located close to our workers’ quarters and at vacant areas within the estates. Around 80% of workers harvested their yields for their own consumption, 13% shared their yields with their neighbours while the remaining 1% managed to earn additional income from selling their planted crops such as vegetables and fruits to others. Other than contributing to basic necessities (fresh fruits and vegetables), this initiative indirectly reduced the carbon footprint of others. Since some of the estates are located in remote areas, growing their own food has made their lives easier especially during the pandemic.

Eradicating Child Labour through Education (HUMANA and CLC)

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

To enhance our current education services for our workers’ children in Sabah, we made a pledge to ILO during ILO’s International Year for the Elimination of Child Labour in 2021, by launching a child education initiative, To Counter Child Labour via Education Post-Covid: Providing Full-Day Zero Cost Educational Platform Access to Our Employees’ Children. In this initiative, the children attending the HUMANA schools are provided with tuition fees, school uniforms, school bags & stationeries, nutritious lunch on every school day and transportation to school. In addition, after school programmes such as tuition classes, extra-curricular and recreational activities are also provided. These programmes are conducted by the teachers and caretakers in each respective HUMANA schools. The schools will also be subsidised with used computers from IOI’s operations (part of 7Rs circularity - Reuse) to be used by teachers during the classes.

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

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

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SAFEGUARD & UPLIFT

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

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

Humana students at their housing area.
SAFEGUARD & UPLIFT

EXPANDING OUR IMPACT

MANAGEMENT APPROACH

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

OUR PERFORMANCE

Closure of IOI Pelita Land Dispute Complaint

The IOI Pelita Plantation Sdn Bhd (“IOI Pelita”) land dispute is a complicated case that was inherited by IOI and it involves many stakeholders, overlapping land claims and internal disputes within the communities itself. This issue was raised as a complaint to RSPO by a local community of Long Teran Kanan and 11 local and international stakeholders, overlapping land claims and internal disputes within the communities themselves.

The refinery in Sandakan, IOIEO had collaborated with Earthworm Indonesia. During the programme, the authority conducted checking and verifications of the good agriculture practices by the plasma scheme has benefited the local smallholders by equipping them with knowledge and skills on initial preparation for land development and good agriculture practices.

Plasma and Smallholder

Since 2004, our plantations in Indonesia have started a plasma scheme with smallholders who supply FFB to our mill in PT SKS, Kalimantan. To date, there are 3,000 smallholders from seven groups who were allocated 20% of our total planted area in PT SNA. This plasma scheme has benefited the local smallholders by equipping them with knowledge and skills on initial preparation for land development and good agriculture practices.

An annual assessment programme called Penilaian Fisik Kebun (Labour and Child Labour) has resulted in a stronger engagement with ILO’s policies and guidelines, potential contribution to Humana Care’s workplace policies and guidelines. IOI is committed to having a positive impact on the working conditions of our employees and small farmers. For example, old company handphones were sold and the proceeds generated were subsequently, gazette the excised land as a Native Communal Reserve. The Sarawak State Government will then, subsequently, gazette the excised land as a Native Communal Reserve for agricultural use.

Community Outreach and Initiatives

IOI Oleochemicals had carried out several community service projects involving schools, charity homes, as well as IOI employees. In 2011, the company set up the Community Service Committee (“CSC”) introduced a food aid programme for employees tested positive for Covid-19.

Other community outreach programme that the CSC was involved in included cash donations to ten charity homes in Sarawak, donation of reams of A4 papers and in-house mix hand sanitizers to five schools within Pasi area where the plant is located. In Germany, IOI Oleo GmbH had also carried out several community service projects involving schools, IOI employees and small farmers. For example, old company handphones were sold and the proceeds generated were donated to charitable projects in three different locations in Germany.

An annual assessment programme called Penilaian Fisik Kebun has benefited the local smallholders by equipping them with knowledge and skills on initial preparation for land development and good agriculture practices.

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

Unico Group in Lahad Datu had a long-standing engagement with the communities from Kg Sri Gandu since 2013. In January 2022, an official visit from the village chief delegates to Unico 1 Estate had been conducted to further discuss the enhancement of strategic engagements between both parties on matters regarding observance of IOI’s policies and guidelines, potential contribution to Humana school, and mitigation measures for facilities improvement within Unico 1 and Kg Sri Gandu area.

Stakeholders engagement with delegates of Kumpung Sri Gandu.

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

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

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

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

Stakeholders engagement with delegates of Kumpung Sri Gandu.

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In January 2022, we engaged &Wider, an independent human rights due diligence service provider to conduct monitoring on our workers’ wellbeing through online surveys for our workers across our operating units in Peninsular Malaysia.

The assessment is conducted in four cycles, with the first cycle having started in May 2022. The key indicators measures considered are on workers satisfaction towards our recruitment and employment process, living conditions and facilities provided at the operating units, safety and health measures, and last but not least, grievance mechanism.

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

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

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

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

1. **Education**
2. **Community Welfare**
3. **Medical Assistance**
4. **Social Enterprise**
5. **Promotion of STEM**

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

**OUR PERFORMANCE**

YTSLSC has awarded more than 515 students with more than RM10 million in educational scholarships.

Youth achievers’ awards RM4,289,687.96 is donated for various charity activities.

Donation from Bargain Basement, RM528,344

RM14,289,687.96 is donated to various charity activities.

Student adoption programme RM4,189,012.07 to more than 1,056 students

Development of schools RM11,710,966.91

RM4,000,000.00 is donated for UTAR Hospital building fund

RM1,159,170.33 is donated to medical purposes

RM1,045,721.00 is donated to various charity activities
# APPENDIX

## SUSTAINABILITY PERFORMANCE METRICS

### ECONOMIC PERFORMANCE DATA

In RM million unless otherwise stated

<table>
<thead>
<tr>
<th>Year</th>
<th>2022 MFRS</th>
<th>2021 MFRS</th>
<th>2020 MFRS</th>
<th>2019 MFRS</th>
<th>2018 MFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before interest and taxation</td>
<td>2,494.2</td>
<td>1,747.5</td>
<td>1,137.9</td>
<td>1,076.8</td>
<td>1,380.6</td>
</tr>
<tr>
<td>Profit attributable to owners of the parent</td>
<td>1,735.3</td>
<td>1,394.3</td>
<td>600.9</td>
<td>631.2</td>
<td>3,060.5</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent</td>
<td>10,943.7</td>
<td>10,005.4</td>
<td>9,296.2</td>
<td>9,299.6</td>
<td>9,156.3</td>
</tr>
<tr>
<td>Return on average shareholders’ equity (%)</td>
<td>16.47</td>
<td>14.45</td>
<td>12.66</td>
<td>12.64</td>
<td>36.84</td>
</tr>
<tr>
<td>Basic earnings per share (sen)</td>
<td>22.26</td>
<td>9.57</td>
<td>10.05</td>
<td>68.70</td>
<td>10.5</td>
</tr>
<tr>
<td>Dividend per share (sen)</td>
<td>14.0</td>
<td>10.5</td>
<td>8.0</td>
<td>8.0</td>
<td>20.5</td>
</tr>
<tr>
<td><strong>PLANTATION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FFB production (MT)</td>
<td>2,726,516</td>
<td>2,917,621</td>
<td>3,097,262</td>
<td>3,398,847</td>
<td>3,514,857</td>
</tr>
<tr>
<td>Total oil palm area (Ha)</td>
<td>175,192</td>
<td>176,926</td>
<td>176,909</td>
<td>176,156</td>
<td>174,234</td>
</tr>
<tr>
<td><strong>MANUFACTURING</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oleochemical (include soap noodles)</td>
<td>67</td>
<td>36</td>
<td>72</td>
<td>82</td>
<td>83</td>
</tr>
<tr>
<td>Sales (MT)</td>
<td>573,942</td>
<td>648,130</td>
<td>669,054</td>
<td>714,131</td>
<td>714,024</td>
</tr>
<tr>
<td><strong>REFINERY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant utilisation (%)</td>
<td>62</td>
<td>63</td>
<td>69</td>
<td>65</td>
<td>60</td>
</tr>
<tr>
<td>Sales (MT)</td>
<td>1,846,099</td>
<td>2,297,095</td>
<td>1,973,792</td>
<td>1,917,195</td>
<td>2,152,809</td>
</tr>
</tbody>
</table>

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

### WORKPLACE PERFORMANCE

#### NUMBER OF EMPLOYEES AND DIVERSITY

<table>
<thead>
<tr>
<th>GRI 2-7 Number of Employees, GRI 405-1 Diversity of Employees</th>
<th>Number of Employee by Employment Level</th>
<th>Gender</th>
<th>Management</th>
<th>Executive</th>
<th>Non-executive</th>
<th>Worker</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>221</td>
<td>635</td>
<td>1,500</td>
<td>15,091</td>
<td>17,467</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>38</td>
<td>310</td>
<td>1,005</td>
<td>3,407</td>
<td>6,780</td>
<td></td>
</tr>
</tbody>
</table>

**Employee Nationality Breakdown**

<table>
<thead>
<tr>
<th>Nationality</th>
<th>Employee Nationality (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>German</td>
<td>25.44%</td>
</tr>
<tr>
<td>Filipino</td>
<td>9.50%</td>
</tr>
<tr>
<td>Malaysian</td>
<td>10.99%</td>
</tr>
<tr>
<td>Indian</td>
<td>2.94%</td>
</tr>
<tr>
<td>Dutch</td>
<td>1.23%</td>
</tr>
<tr>
<td>Others</td>
<td>0.45%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

### OCCUPATIONAL HEALTH AND SAFETY PERFORMANCE DATA

<table>
<thead>
<tr>
<th>GRI 403-9 &amp; GRI 403-10: Occupational Health &amp; Safety Data</th>
<th>Employment Level</th>
<th>Injury</th>
<th>Units</th>
<th>IOI Corporation Division</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Senior Management</td>
<td>Middle Management</td>
<td>Executive</td>
<td>Non-executive</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Turnover : 5,782</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total New Employees : 3,980</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:**
2 Figures include minor injuries (first aid level) and major injuries.
3 Figures include consideration of both employees and workers unless otherwise stated.

**Note:**
1 Figures include results of all injuries (first aid level).
2 Figures include results of all injuries (first aid level).
3 Figures include results of all injuries (first aid level).
## ENVIRONMENTAL PERFORMANCE DATA

### ENERGY

**GRI 302-1 & GRI 302-5: Energy Production and Consumption**

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Units</th>
<th>IOI Corporation Divisions</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-renewable fuels purchased and consumed</td>
<td>GJ</td>
<td>IOI Plantation</td>
<td>836,289.16</td>
<td>689,276.44</td>
<td>5,313,630.59</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IOI Refinery</td>
<td>1,331,910.84</td>
<td>28,447.78</td>
<td>60,117.78</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IOI Oleochemical</td>
<td>0.00</td>
<td>0.00</td>
<td>370,976.29</td>
</tr>
<tr>
<td>Total renewable fuels purchased and consumed</td>
<td>GJ</td>
<td>IOI Plantation</td>
<td>1,728,417.47</td>
<td>2,579.19</td>
<td>26,139.51</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IOI Refinery</td>
<td>0.00</td>
<td>0.00</td>
<td>67,105.92</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IOI Oleochemical</td>
<td>0.00</td>
<td>0.00</td>
<td>2,314.79</td>
</tr>
<tr>
<td>Total Energy Consumption</td>
<td>GJ</td>
<td>IOI Plantation</td>
<td>2,593,306.63</td>
<td>439,113.81</td>
<td>3,846,625.10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IOI Refinery</td>
<td>0.00</td>
<td>0.00</td>
<td>67,105.92</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IOI Oleochemical</td>
<td>0.00</td>
<td>0.00</td>
<td>2,314.79</td>
</tr>
</tbody>
</table>

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

### EMISSIONS

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

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Units</th>
<th>IOI Corporation Divisions (Plantation)</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total direct GHG (scope 1) emissions</td>
<td>tCO2e</td>
<td>IOI Plantation</td>
<td>2,370,037.86</td>
<td>2,710,423.28</td>
<td>2,814,910.05</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IOI Refinery</td>
<td>7,434.55</td>
<td>1,580.16</td>
<td>3,634.51</td>
</tr>
<tr>
<td>Total indirect GHG (scope 2) emissions</td>
<td>tCO2e</td>
<td>IOI Plantation</td>
<td>-1,519,027.52</td>
<td>-1,594,076.73</td>
<td>-1,721,148.09</td>
</tr>
<tr>
<td>Net GHG emission</td>
<td>tCO2e</td>
<td>IOI Plantation</td>
<td>851,010.34</td>
<td>1,117,926.71</td>
<td>1,097,396.47</td>
</tr>
</tbody>
</table>

**Emission Intensity tCO2e/MT**

- Product | 1.31 |
- Product | 1.56 |
- Product | 1.46 |

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Units</th>
<th>IOI Corporation Divisions (Refinery)</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total direct GHG (scope 1) emissions</td>
<td>tCO2e</td>
<td>IOI Plantation</td>
<td>23,170.98</td>
<td>9,505.66</td>
<td>9,504.04</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IOI Refinery</td>
<td>4,910.05</td>
<td>33,164.07</td>
<td>14,347.86</td>
</tr>
<tr>
<td>Total GHG emission reduction (carbon sequestration)</td>
<td>tCO2e</td>
<td>IOI Plantation</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Net GHG emission</td>
<td>tCO2e</td>
<td>IOI Plantation</td>
<td>28,081.83</td>
<td>64,669.07</td>
<td>23,851.90</td>
</tr>
</tbody>
</table>

**Emission Intensity tCO2e/MT**

- Product | 0.02 |
- Product | 0.05 |
- Product | 0.04 |

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Units</th>
<th>IOI Corporation Divisions (Oleochemical)</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total direct GHG (scope 1) emissions</td>
<td>tCO2e</td>
<td>IOI Plantation</td>
<td>182,955.41</td>
<td>188,538.28</td>
<td>189,320.97</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IOI Refinery</td>
<td>23,256.00</td>
<td>26,404.29</td>
<td>33,079.14</td>
</tr>
<tr>
<td>Total GHG emission reduction (carbon sequestration)</td>
<td>tCO2e</td>
<td>IOI Plantation</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Net GHG emission</td>
<td>tCO2e</td>
<td>IOI Plantation</td>
<td>206,211.41</td>
<td>214,942.57</td>
<td>222,400.11</td>
</tr>
</tbody>
</table>

**Emission Intensity tCO2e/MT**

- Product | 0.37 |
- Product | 0.34 |
- Product | 0.34 |

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

### SCOPE 3 EMISSIONS

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Units</th>
<th>IOI Corporation Divisions (Refinery)</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute Emissions</td>
<td>tCO2e</td>
<td>IOI Plantation</td>
<td>5,081,681.64</td>
<td>2,956,271.45</td>
<td>3,083,594.32</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IOI Refinery</td>
<td>5.54</td>
<td>4.82</td>
<td>5.30</td>
</tr>
</tbody>
</table>

**WATER**

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

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Units</th>
<th>IOI Corporation Divisions</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Freshwater Withdrawal</td>
<td>m3</td>
<td>IOI Plantation</td>
<td>12,020,727.62</td>
<td>7,608,725.80</td>
<td>9,103,256.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IOI Refinery</td>
<td>5,509,699.78</td>
<td>5,664,784.14</td>
<td>6,132,780.02</td>
</tr>
<tr>
<td>Total Water Withdrawal</td>
<td>m3</td>
<td>IOI Plantation</td>
<td>3,088,681.61</td>
<td>2,996,271.43</td>
<td>3,083,594.32</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IOI Refinery</td>
<td>2,864,180.57</td>
<td>126,156.00</td>
<td>867,019.00</td>
</tr>
</tbody>
</table>

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

**Waste Disposal - GRI 306-2**

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Units</th>
<th>IOI Corporation Divisions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>IOI Plantation</td>
</tr>
<tr>
<td>Total Hazardous Waste</td>
<td>MT</td>
<td>466.95</td>
</tr>
<tr>
<td>Scheduled Waste</td>
<td>MT</td>
<td>464.92</td>
</tr>
<tr>
<td>Recycling/Reuse</td>
<td>MT</td>
<td>-</td>
</tr>
<tr>
<td>Incineration</td>
<td>MT</td>
<td>0.13</td>
</tr>
<tr>
<td>Landfill</td>
<td>MT</td>
<td>0.00</td>
</tr>
<tr>
<td>Other Disposed Waste</td>
<td>MT</td>
<td>2.30</td>
</tr>
<tr>
<td>Total Non-hazardous Waste Disposed</td>
<td>MT</td>
<td>15,755.04</td>
</tr>
<tr>
<td>Total Hazardous Waste MT</td>
<td>466.95</td>
<td>192.71</td>
</tr>
<tr>
<td>Scheduled Waste MT</td>
<td>464.92</td>
<td>19.20</td>
</tr>
<tr>
<td>Recycling/Reuse MT</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Incineration MT</td>
<td>0.13</td>
<td>0.00</td>
</tr>
<tr>
<td>Landfill MT</td>
<td>0.00</td>
<td>174.81</td>
</tr>
<tr>
<td>Other Disposed Waste MT</td>
<td>2.30</td>
<td>0.00</td>
</tr>
<tr>
<td>Total Non-hazardous Waste Disposed MT</td>
<td>15,755.04</td>
<td>108.29</td>
</tr>
</tbody>
</table>

### SOCIAL CONTRIBUTION

**GRI 415-1: Operations with local community engagement, impact assessments, and development programmes**

<table>
<thead>
<tr>
<th>% of site with Local Community Engagement</th>
<th>% of site with Impact Assessments</th>
<th>% of site with Development Programmes</th>
<th>% of site with Engagements Conducted</th>
</tr>
</thead>
<tbody>
<tr>
<td>68.5%</td>
<td>93.4%</td>
<td>94.3%</td>
<td>93.1%</td>
</tr>
</tbody>
</table>

### GRI CONTENT INDEX

<table>
<thead>
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**NOTE**: GRI standards 100, 102, 103, 306-309, 310, 320, 330, 340, 350, 360, 370, 380, 390, 400, 410, 420, 430, 440, 450, 460, 470, 480, 490, 500, 510, 520, and 530 are not included in this report.
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**GLOSSARY**

**Biological Oxygen Demand ("BOD")**  
BOD is the amount of dissolved oxygen needed by aerobic biological organism to break down organic material present in a given water sample at certain temperature over a specific time period.

**Business Council of Sustainable Development ("BCSD")**  
BCSD is an independent membership organisation, formed by a group of committed people to create a sustainable future for business, society and the environment.

**Business for Social Responsibility ("BSR")**  
BSR is a mission-driven non-profit organisation focusing on innovation, impact, and long-term positive change particularly on climate change, human rights, inclusive economy, supply chain sustainability, sustainability management, and women’s empowerment.

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

**Carbon Disclosure Project ("CDP")**  
CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

**Chemical Oxygen Demand ("COD")**  
COD is an indicative measure of the amount of oxygen that can be consumed by reactions in a measured solution. It is commonly expressed in mass of oxygen consumed over volume of solution which in SI units is milligrams liter (mg/l).

**Climate Change Action ("CCA")**  
ICA’s CCA Initiative is ICA’s long-term action-plans to mitigate and reduce GHG emissions from our diverse operations. The ultimate aim of this initiative is to achieve carbon neutral as a group.

**Carbon Neutral**  
Carbon Neutral is balancing between the greenhouse gas ("GHG") that emitted into the environment and capturing the carbon dioxide with various approaches.

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

**EcoVadis Survey**  
EcoVadis provides reliable CSR Ratings and Scorecards covering 21 CSR Indicators, 190 commodities, and 150 countries, built on 3 Pillars: People, Process, and Platform.

**Environmental Impact Assessment ("EIA")**  
EIA is a tool used to assess the significant effects of a project or development proposal on the environment.

**Enterprise Resource Planning ("ERP") system**  
ERP is referring to a type of software that organisations use to manage business activities, accounting and resource management.

**Empty Fruit Bunch ("EFB")**  
Remains of the fresh fruit bunches after the fruit has been removed for oil pressing.

**Free, Prior and Informed Consent ("FPIC") principle**  
FPIC is a specific right that pertains to indigenous peoples and is recognized in the United Nations Declaration on the Rights of Indigenous Peoples ("UNDRIP"). It allows them to give or withhold consent to a project that may affect them or their territories.

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

**Geographical Information Systems ("GIS")**  
GIS is a computer system for capturing, storing, checking and displaying data related to positions on Earth’s surface.

**Global Forest Watch ("CFW")**  
GFW is an interactive online forest monitoring and alert system designed to empower people everywhere with the information they need to better manage and conserve forest landscapes.

**Global Reporting Initiative ("GRI")**  
GRI is an international independent organisation that helps businesses, governments and other organisations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others.
Group Environmental Impact Assessment ("GEIA")

GEIA is a guideline within IOI Group that use for assessing the environmental impact on projects.

Group Sustainability Steering Committee ("GSSC")

The GSSC, chaired by the GMD, heads of the operating divisions, Group Head of Sustainability and senior management from group support functions. The GSSC assures that the Group’s sustainability agenda, commitments and issues are discussed, approved and implemented.

High Carbon Stock Approach ("HCSA")

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

High Conservation Values ("HCV")

As defined by the HCV Resource Network, HCVs are biological, ecological, social or cultural values which are outstandingly significant or critically important at the national, regional or global level.

Integrated Pest Management ("IPM")

IPM is the careful consideration of all available pest control techniques and subsequent integration of appropriate measures that discourage the development of pest populations and keep pesticides and other interventions to levels that are ecologically 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.

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International Labour Organisation ("ILO")

ILO is the United Nations agency for the world of work. It sets international labour standards, promotes rights at work and encourages decent employment opportunities, the enhancement of social protection and the strengthening of dialogue on work-related issues.

International Sustainability & Carbon Certification ("ISCC")

ISCC is an independent multi-stakeholder organisation providing a globally applicable certification system for the sustainability of raw materials and products.

International Sustainability Standards Board ("ISSB")

The ISSB is a standard-setting body under IFRS Foundation, whose mandate is the creation and development of sustainability-related financial reporting standards to meet investors’ needs for sustainability reporting.

International Organisation for Migration ("IOM")

The IOM is a United Nations agency that provides services and advice concerning migration to governments and migrants, including internally displaced persons, refugees and migrant workers.

Kernel Crushing Plant ("KCP")

KCP is a processing plant which to process and crushing palm kernel oil for different industrial usages.

Liquified Natural Gas ("LNG")

LNG is a natural gas that has been cooled down to liquid form for ease and safety of non-pressurised storage or transport.

Lost Time Injury Frequency Rate ("LTIFR")

LTIFR is the amount or number of lost time injuries that occurred in a workplace per 1 million man-hours worked.

Malaysian Palm Oil Association ("MPOA")

Established in 1999 and supported by the government, its mission is to ensure the long-term profitability and growth of the Malaysian palm oil industry and other plantation crops.

Malaysian Palm Oil Board ("MPOB")

 Incorporated by an Act of Parliament (Act 582) and established on 1 May 2000 to supersede the functions of the Palm Oil Research Institute of Malaysia ("PORIM") and the Palm Oil Registration and Licensing Authority ("PORLA"). Its main role is to promote and develop national objectives, policies and priorities for the wellbeing of the Malaysian oil palm industry.

Malaysian Sustainable Palm Oil Certificate ("MSPO")

The MSPO Certification Scheme is the national scheme in Malaysia for oil palm plantations, independent and organised smallholdings, and palm oil processing facilities to be certified against the requirements of the MSPO Standards.

Scope 1 Emissions

All direct GHGs emissions.

Scope 2 Emissions

Indirect GHGs emissions for consumption of purchased electricity, heat or steam.

Scope 3 Emissions

The result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly impacts in its value chain.

Movement Control Order ("MCO")

The MCO is aordon sanitaire implemented as a preventive measure by the federal government of Malaysia in response to the Covid-19 pandemic in the country on 18 March 2020. The order was commonly referred to in local and international media as a “lockdown” or “partial lockdown”.

National Union of Plantation Workers ("NUPW")

The NUPW is the largest union in Malaysia and one of the largest in Asia.

Net-Zero

Net-Zero is a commitment to reduce greenhouse gas ("GHG") emissions by achieving a balance between emissions produced and emissions removed from the atmosphere.

No Deforestation, No Peat, No Exploitation ("NDPE")

‘No Deforestation’ is achieved by protecting High Conservation Value ("HCV") and High Carbon Stock ("HCS") areas; ‘No Peat’ is achieved by avoiding planting on peat and ‘No Exploitation’ is achieved by protecting human rights, workers’ rights and the rights of local communities and indigenous peoples.

Normalised Difference Vegetation Index ("NDVI")

The NDVI is a dimensionless index that described the difference between visible and near-infrared reflectance of vegetation cover and can be used to estimate the density of green on an area of land.

Oil Extraction Rate ("OER")

OER is the quantity of oil that the mill can get out of the fruit bunches.

Oleochemical

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

Palm Kernel ("PK")

PK is the seed of any palm that yields palm-kernel oil.

Palm Kernel Oil ("PKO")

PKO is a plant oil derived from the kernel of the oil palm.

Palm Oil Mill Effluent ("POME")

By-product of processed fresh fruit bunch ("FFB").

Palm Oil Refinery Effluent ("PORE")

By-product from the refining of crude palm oil.

Precision Agriculture ("PA")

PA is an approach to farm management that uses information technology to ensure that crops and soil receive exactly what they need for optimum health and productivity.

Reverse Osmosis ("RO")

RO is a water purification process that uses a partially permeable membrane to remove ions, unwanted molecules and larger particles from drinking water.

Regenerative Agriculture ("RA")

RA is a conservation and rehabilitation approach to farming systems which it focuses on improving soil health and biodiversity by protecting soil from erosion and improve water infiltration, water retention and others.

RSPO Annual Communications of Progress ("ACOP")

The ACOPs are reports submitted by RSPO members to gauge their progress towards 100% RSPO-certified sustainable palm oil. Those reports are mandatory for Ordinary and Affiliate members, and are submitted each year.

Scope 1 Emissions

All direct GHGs emissions.

Scope 2 Emissions

Indirect GHGs emissions for consumption of purchased electricity, heat or steam.

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Sustainability Advisory Panel ("SAP")

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

Sustainability Implementation Plan ("SIP")

The SIP outlines IOI’s commitment for sustainable palm oil production, traceability and responsible sourcing.

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Tropical Herbaceous Vegetation (“THV”) areas, ‘No Peat’ is achieved by avoiding planting on peat and ‘No Exploitation’ is achieved by protecting human rights, workers’ rights and the rights of local communities and indigenous peoples.

UN Recommendations on the Safety and Security of International Migrant Workers and their Families ("UNR")

The UNR is a legal instrument on the protection of international migrant workers and their families.

Vegetation Index (“NDvI”) reflectance of vegetation cover and can be used to estimate the density of green on an area of land.

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APPENDIX

Sustainability Consultation Forum ("SCF")
The SCF was set up by IOI with the SAP as its core members, to gather feedback and perceptions from external stakeholders on selected, complex sustainability issues, as well as bottom-up feedback from IOI's management and sustainability team.

Sustainability Policy Transparency Toolkit ("SPOTT")
SPOTT is an online platform supporting sustainable commodity production and trade. By tracking transparency, SPOTT incentivises the implementation of corporate best practice.

Social Impact Assessment ("SIA")
SIA is a methodology to review the social effects of infrastructure projects and other development interventions.

Sustainable Palm Oil Policy ("SPOP")
The IOI SPOP is the keystone policy to maintain the Group's commitment to the sustainable management of oil palm plantations and to the implementation of responsible, global palm oil supply chains.

Spatial Monitoring and Reporting Tool ("SMART")
SMART is a platform that consists of a set of software and analysis tools which designed to help conservationist manage and protect wildlife and wild places.

Task Force on Climate-Related Financial Disclosure ("TCFD")
TCFD was created by the FSB to develop consistent climate-related financial risk disclosure for use by companies, banks and investors in providing information to stakeholders.

Tools for Transformation ("T4T")
T4T is an online platform intended to help the industry adopt responsible practices that support businesses, ecosystems and people to thrive.

Total Performance Management System ("TPMS")
TPM is a management tool that help to track staff's achievements and their performance based on the KPIs target.

United Nation Global Compact ("UNGC")
The UNGC is a non-binding United Nations pact to encourage businesses and firms worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.

United Nations Sustainable Development Goals ("UN SDGs")
The 17 SDGs by the UN are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice.

Women Empowerment Committee ("WEC")
The WEC is built to be a platform for female employees to discuss any issues that may affect women workers, explore opportunities in empowering women in workplace and also social activities.

Yayasan Tan Sri Lee Shin Cheng ("YTSLSC")
YTSLSC was established under the patronage of the IOI Group and the Foundation serves as a platform for the Group to fulfill its corporate social responsibility via educational, medical and community initiatives that enrich the lives of the less fortunate.

SAFEGUARDING THE WELLBEING OF OUR WORKFORCE

Ensuring the wellbeing and protecting the rights of our workers are of paramount importance to IOI. Since the 2019 SR (IOI Labor Factsheet1), was shared, further efforts have been made to ensure the implementation of human rights are in place and that the living and working environment of our workers are constantly improved. Through consultation with various stakeholders including the workers themselves, many initiatives have been introduced that have helped improve our employers' working conditions such as Flexi Working Hours ("FWH"), Working from Home ("WFH"), etc. while having strategic partnerships with key stakeholders helped to ensure checks and balances within our operations. Our key initiative involved working with an independent human rights due diligence service provider to conduct monitoring on our workers’ wellbeing through online surveys for our workers across our operating units (details in page 66).

UPHOLDING HUMAN RIGHTS

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


WAGE AND IN-KIND BENEFITS

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

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

- Access to in-house medical facility
- Clean water and electricity
- Housing accommodations
- Insurance benefits
- Creche, community hall, places of worship ( e.g. Surau, Temple, Chapel)
- Social/recreational activities such as annual dinner, sports days, festival celebrations etc
In 2020, we transformed the former Gender Consultative Committee ("GCC") into the Women’s Empowerment Committee ("WEC") in our plantation. The WEC aims to provide a platform for women employees to discuss any issues that may affect them, such as harassment, gender discrimination, etc., and explore career advancement by empowering women at the workplace. Some of the initiatives introduced through WEC are Haircut Initiative and Women and Digitalisation.

### Collective Bargaining & Freedom of Association

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

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

### Women’s Empowerment

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

- To uphold the reproductive rights of female employees
- Promote women empowerment

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### Social Transformation through Digitalisation

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

### Expanding Engagement to Build Strong Framework

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

- Development of the "Toolkit for Conducting Due Diligence to Recruitment Agents"
- Involved in consultation to develop a comprehensive paperwork on combatting the issues of forced labour, namely National Action Plan on Forced Labour ("NAPFL") 2021-2025
- Development of Terms of Reference ("TOR") for a standard ethical recruitment practice for the oil palm growers
- Development of “Gap Analysis - RSPO Standards for Palm Oil producers & ILO Guidelines - Recruitment Fees, Forced Labour and Related Costs”

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