

# UPDATE No. 1 - SNAPSHOT OF EARTHWORM FOUNDATION'S TOOLS FOR TRANSFORMATION YEAR 1 RESULTS FOR IOI EDIBLE OILS SDN. BHD. (IOIEO), SANDAKAN.

## INTRODUCTION

IOI Corporation Berhad (IOI) is committed to building a transparent and traceable supply chain and helping our suppliers transform to deliver sustainable palm oil. In 2018/2019, the Responsible Sourcing Team from our Commodity Marketing Department introduced the Tools for Transformation (T4T) platform to millers supplying to IOI Edible Oil Sdn. Bhd. (IOIEO). This is one part of our supply chain strategy to deliver on the No Deforestation, No Peat and No Exploitation (NDPE) requirement of our Sustainable Palm Oil policy by assessing suppliers' compliance levels and thereafter allowing specific improvements on targeted issues. Invitations to commence using T4T for an online assessment were sent to all suppliers during the fourth quarter of 2018. Included in the T4T platform are action plan preparation and self-help materials on sustainability best practices. At the completion of the assessment period, suppliers' submissions were analysed and reported as 14 Key Performing Indicators (KPIs) that are pertinent to the delivery of NDPE.

This first update will detail four (4) of the more prominent KPIs amongst stakeholders' concerns: i) Policy, ii) Forced Labour, iii) Grievance Mechanism and iv) Deforestation Occurrence. This will be followed by KPIs on peat, children in plantations, traceability and freedom of association in our next update.

The focus for Year 1 of T4T was to achieve high adoption rates from millers and encourage all of them to utilize the resource materials to gain a deeper understanding of sustainability best practices. This will support them in the preparation of an action plan for improvements and provide similar support to their own supply base in utilizing the self-assessment and resource materials.

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## BACKGROUND

[Tools for Transformation \(T4T\)](#) is an online system that allows users to benchmark and improve practices against sustainability indicators covering No Deforestation, No Peat and No Exploitation (NDPE) requirements. A digital tool created by Earthworm Foundation (EF), T4T is tailored to industry users for easy, quick and relevant application in palm oil refineries, mills and plantations. The system's online self-assessment leads to gap analysis and field-tested resources to close gaps, as well as customised action plans to implement changes aligned with NDPE market requirements. It also helps refineries prioritise engagements with suppliers to improve practices and report progress.

Learn more at <https://www.earthworm.org/our-work/ventures/tools-for-transformation>.

## IOI EDIBLE OILS SDN. BHD. – SUPPLYING MILLS

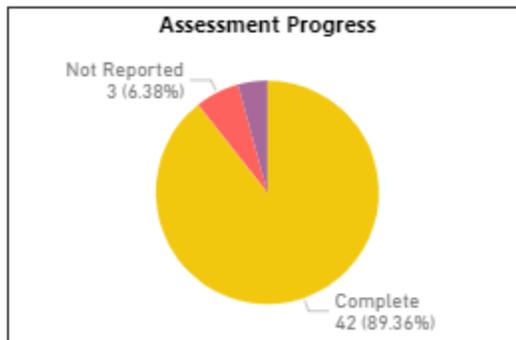
In 2018, IOIEO had forty seven (47) regular key suppliers in Sandakan and Lahad Datu regions. All suppliers are expected to adopt systems to meet NDPE requirements. Suppliers are a mixture of independent stand-alone mills, mills with associated plantations and mill groupings with large internal plantations.



Larger map can be found in the annex

## SUPPLIERS' PARTICIPATION RATE & ACTION PLANNING

These 47 mills supplying to IOIEO were invited to conduct their self-assessment against NDPE goals on the standardised T4T data platform, thereby enabling a common understanding of issues and preparation of an action plan with targets and timelines.



89% of the millers, or 42 mills, completed their self-assessment and some of key results will be highlighted below. It is noted that a very limited number of plantations connected to these 89% of millers completed their self-assessment and 39% of the millers have prepared their action plans, which includes deadlines to close gaps identified during the self-assessment.

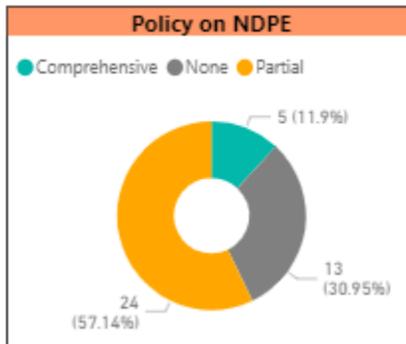


Total participation, especially from the 39% that prepared action plans, is encouraging.

Action plan	
Action plan	16 (39%)
WIP	26 (61%)

## SUPPLIERS WITH NDPE POLICY

At the time of reporting, 12% of mills reported that they have a comprehensive NDPE policy; while 57% had a partial NDPE policy and 31% were without an NDPE policy. It is noted that 17% are in the preparation stage and will be adopting a policy before the end of the reporting year.

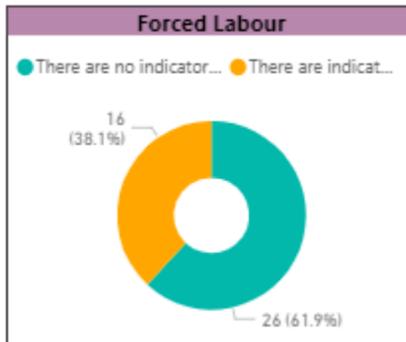


Noteworthy: 12% of the mills have a comprehensive policy with substantial commitments covering all NDPE requirements.



Area of concern: Among 1/3 of millers with policies, there is a policy weakness as the coverage does not extend to their third-party FFB suppliers. IOIEO have addressed this through continual one-on-one engagement with the suppliers and also highlighted this requirement during our yearly supply chain workshop.

## FORCED LABOUR CONDITIONS

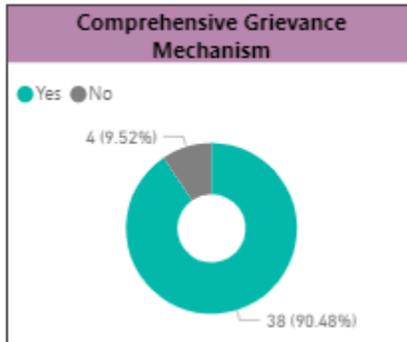


The 'No Exploitation' component of T4T requires that mills/plantations report labour rights and worker welfare practices in their operations – where workers must have freedom of movement, and possession or round-the-clock access of their own travel documents.

61% of supplying mills reported that they do not have any forced labour practices. However, 38% have yet to fully meet the requirements, which include passport retention.

## COMPREHENSIVE GRIEVANCE MECHANISM

Through T4T's self-assessment, 90% of suppliers shared that they have a comprehensive grievance mechanism; which includes features to record grievances, a resolution process and is free from any reprisal from the employer.



For the remaining 10% – i.e. 4 mills – without a comprehensive system, two have reported a grievance mechanism that lacks systematic documentation.

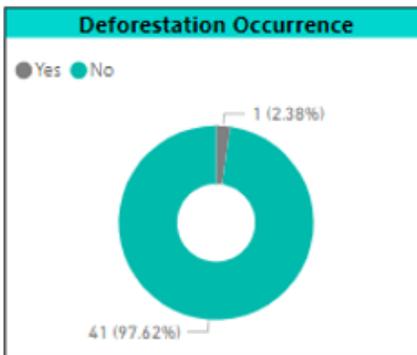
## DEFORESTATION OCCURRENCE



There was 1 mill out of the 42 that reported deforestation occurrence.



IOIEO took immediate action to clarify this report. The said mill was in the process of replanting and had removed old palms, which was not a case of forest clearance.



This self-reporting by our suppliers is supported by a monthly monitoring report by our consultant<sup>1</sup> to confirm its accuracy.

## DATA ANALYSIS AND REPORTS

Utilising data submitted by millers, the T4T system provided data analysis and reporting for Year 1. Concurrently, Earthworm Foundation (EF) prepared a summary report<sup>2</sup> with recommendations which are now being used to guide our next steps and onward action.

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<sup>1</sup> Aidenvironment

<sup>2</sup> This Summary report is an internal document.

## COMMENTARY FROM RESPONSIBLE SOURCING TEAM

Based on the high participation rate of our suppliers and the data collected, T4T is proving to be a beneficial part of our supply chain transformation strategy. In addition, the summary report prepared by EF enabled the team to prioritise actions, guide our supplier workshop planning and provided targeted areas for supplier engagements.

The data analysis generated by the T4T system has been invaluable, allowing our immediate action to address critical issues, such as passport retention and deforestation:

- The team explained the process on briefing workers and providing lockers, which IOI had adopted when passports were returned to all our migrant workers.
- Equally, the team had continuously engaged suppliers on our 'No Deforestation' policy to ensure forests are not cleared for new palm plantations.

## NEXT STEPS

All suppliers are required to put in place action plans to close gaps. For 2019/2020, we will support suppliers to progress on these action plans and they are also required to invite their FFB supply base to commence on the T4T self-assessment.

IOI has been working closely with our third-party suppliers towards delivering sustainable palm oil and here are some of the ways that we will continue to support their adoption of sustainability practices to transform:

- Our Responsible Sourcing Team will reach out to our suppliers and share the appropriate IOI experiences that have underpinned our own transformation journey;
- IOI will continue to organise transformation workshops designed around the key issues; where environmental and social consultants share knowledge and answer questions on implementation and processes;
- IOI will collaborate with stakeholders, whenever possible, to conduct joint focus sessions with supplier groups;
- Resource materials hosted on the T4T platform – covering a wide spectrum of palm oil sustainability subjects such as HCV management and conservation, peat best practices, ethical recruitment, etc. – are easily accessible and available at all times.

Our next update will include KPIs on peat, children in plantations, traceability and freedom of association. So please watch this space.

### Mill Locations

