



IOI GROUP

Action plan to address interim findings from Phase 1 Proforest verification of IOI Corporation Berhad's (IOI or the Group) Implementation of Sustainability Commitments (Document review and consultation)

Preamble: In August 2018, Proforest completed Phase 1: documents review and consultation, the external verification of the implementation of IOI Corporation Berhad's sustainability policy commitments. Following that, Proforest published an interim finding report which is publicly shared by IOI as part of the Group's commitment towards transparency of its sustainability activities.

The results of Proforest's interim summary report is based on the findings obtained through documents review and interviews with IOI's staff and stakeholders. The final and more conclusive findings will be reported once Proforest's Phase 2 (Fieldwork) is completed.

Nevertheless, IOI acknowledges the needs to address the interim findings raised during the Phase 1 Proforest verification exercise. IOI has taken the initiative and with immediate action to try to close the gaps. The action plan presented below is meant to address the issues, gaps identified and to ensure our compliance with the Group's commitments.

Section	Interim Verification Findings against SPOP sections by Proforest	Action Plan by IOI	Timeline
3.1.2 Environmental management	Assessments for Bahau and Pukin which were reviewed in 2018 appeared to be following the outdated HCVF toolkit rather than HCVRN's Common Guidance for HCV Identification.	IOI team will review and standardize the assessment report based on the latest HCVRN's Common Guidance for HCV Identification.	Ongoing
	Interviews with some staff also indicated that there is a gap in capacity building for HCV identification, monitoring and management.	Ongoing relevant training on HCV identification, monitoring and management will be provided to the Sustainability personnel, and follow up session to other related sustainability staffs. 2 experienced field staffs will be recruited in order to cater the implementation of the HCV monitoring and management in Sabah.	Ongoing



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	In particular, HCV identification and management must take account of the wider landscape-level context of plantation management units.	Activities involving HCV identification and management in the wider landscape-level context of plantation management units are in progress. The most recent is involving the landscape level approach in our Bukit Leelau estate.	Ongoing
	There is no clarity from available records on how well HCV areas are managed and monitored centrally over the years. Records of HCV areas and other conservation areas are fragmented and at times inconsistent which make centralised monitoring (if any) very difficult. The Proforest team's findings indicate a lack of systematic management of the data.	Efforts are in the way to improve record keeping for HCV areas and other conservation areas. Regular reporting of the data to ensure centralize monitoring can be done efficiently.	By Dec 2018 On-going
	For the operations in Indonesia (PT BSS, PT BNS, PT SKS and PT KPAM), the HCV assessments were conducted by Aksenta, and have not yet been reviewed by Proforest. According to staff, work is ongoing to develop integrated management plans for HCV, HCS and peat areas in Ketapang and this will also include a review of HCV areas (target completion end of 2018)	IOI Indonesian sustainability team is in the progress of harmonizing the integrated management plans for PT BSS, PT BNS, PT SKS and PT KPAM. It is expected to be completed by January 2019.	By January 2019
	IOI still has room for improvement in terms of putting management systems in place and building capacity of sustainability personnel in their operations in Ketapang.	Capacity building activities for the sustainability team to enhance their understanding of the sustainability programmes in Ketapang will be increased (with clear workplan and role). At the same time, relevant policies will be revised and strengthened in order to address these issues.	By 28 February 2019
	A transparent process to resolve the ongoing situation in KPAM is now urgently needed. The implementation of the Ketapang Landscape	Landscape project has been finalized and signed. The program will be officially launched on 19 October 2018.	By 30 October 2018



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	<p>Project, which is a key SIP commitment, would be crucial to provide a multi-stakeholder, landscape-level approach to mitigate and manage problems in the region. However, this process remains delayed with little activity on the ground to date. Several versions of the project proposal have been developed and IOI and the stakeholders involved are still finalising the project design.</p>		
	<p>One major concern is the delay in the finalisation of IOI's Peatland Protection Policy. The original deadline for the finalisation of the Policy was by the end of 2016 but it was only finalised and made publicly available in July 2018 while this policy verification exercise was on-going.</p>	<p>IOI's Peatland Protection Policy and guideline is established.</p>	<p>Completed</p>
	<p>Based on the documents reviewed as well as staff interviews, Proforest is not convinced that there is a standardised data collection system for GHG emissions (same issue with HCV, other conservation areas and peat data). Consequently, it would be difficult to manage and monitor emissions at the central level as well as check for data errors.</p> <p>The determination of a baseline target for emission reduction as well as the finalisation of IOI's GHG reduction plan have been delayed.</p>	<p>Proper GHG training will be held for all relevant personnel which includes Sustainability HQ, Regional Sustainability Staffs and the operation's staffs.</p> <p>As a follow up from the training, standard format of reporting GHG will be developed, in order to ensure current parameters are recorded for the GHG calculation.</p> <p>GHG baseline will be determined and GHG emission reduction plan will be initiated.</p>	<p>By 1 November 2018</p> <p>By 31 December 2018</p> <p>By 31 March 2019</p>
	<p>IOI released a revised Agrochemical Policy in July 2018 whereby the use of certain Class 1 chemicals (other than paraquat) is only allowed under</p>	<p>The SIP has been updated to reflect the content of the latest IOI's Agrochemical policy.</p>	<p>Completed</p>



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	exceptional circumstances. However, the SIP does not reflect this exception.		
3.1.3 Human Rights and workplace conditions	<p>Three policies were released publicly by IOI in October 2017:</p> <ul style="list-style-type: none">- IOI Plantation Equal Opportunity Employment & Freedom of Association Policies- IOI Plantation Minimum Wages & Leave Pay Policies in Malaysia- Foreign Workers Recruitment Guideline & Procedure in Malaysia (updated May 2018) <p>These policies currently do not cover Indonesia. The Equal Opportunity Employment & Freedom of Association Policy cites adherence to applicable laws in Malaysia, but not Indonesia.</p> <p>The SIP only provided timelines for full implementation of new guidelines and policies introduced in October 2017 for Peninsular Malaysia, Sandakan and Lahad Datu but not for the other regions.</p>	<p>Finalize the Labour policy and recruitment guidelines for Indonesia operations.</p> <p>To include the implementation status of new guidelines and policies for operating units in Indonesia.</p>	<p>By 31 December 2018</p> <p>March-June 2019</p>
	There are concerns that the current grievance mechanism may not be suitable for grievances of a more sensitive nature such as harassment and bullying. Questions have been raised whether the ECC and Gender Committee are properly equipped to record, report and follow up on grievances received. BSR also found during its site visit that not all workers were aware of the ECC. Dealing with employee grievance can be a delicate matter and members of ECC and Gender Committee need to be given the right skills and	The ECC and Gender Committee are properly equipped to record, report and follow up on grievances received. This can be further verified during stage 2 ground verification on sites.	By 30 December 2018



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	tools to be able to do so effectively. At the same time, sufficient management support (e.g. capacity building, resources, incentives, etc.) is also required as there is an investment of time and effort on the worker's part to be an effective member of either committees.		
	It should also be noted that the operations in Ketapang has not set up a proper grievance mechanism yet (only the Grievance book is available presently).	Standardized grievance procedure (which are applicable for both Malaysia and Indonesia) are already in the process of implementation	Ongoing
	There is no available action plan to address the gaps highlighted by BSR during the site assessment. As mentioned, IOI has taken steps to monitor the implementation of the "no recruitment fee" policy via post arrival interviews and to strengthen the training for workers on leave entitlement and salary structure. However, the status of other recommendations such as strengthening child labour monitoring (by checking enrolment and attendance rates against number of children in plantation) is unknown.	Ongoing action plans to address the gaps identified by BSR are being developed and will be integrated into the SIP in order to address the concerns that were highlighted by BSR Study.	Ongoing
	In the absence of a systematic labour rights monitoring system, and/or the on-going involvement of an external partner to verify labour conditions, there is currently no basis for any assertion that IOI's policy commitments on human rights and workplace conditions are being implemented across all operations.	IOI has developed a practical and systematic labour rights monitoring system which involve all the respective responsible units across the company, which includes Human Resource Personnel, Sustainability team, operating units as well as external parties (Auditors such as RSPO, MSPO, etc., NGO's such as Finnwatch, RAN, Tenaganita, etc, Labour specialist, Proforest Verification, etc) to ensure ethical labour practices are being implemented and monitored and any breaches of labour rights are addressed.	Ongoing



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	Based on staff interviews, smallholder support and inclusion in IOI's palm oil supply chain is left to the management of the individual operating units rather than through a coordinated effort at the central level.	IOI has a program initiated at the central level together with the specific operating unit to provide agronomy support and agricultural advisory to the smallholders in the IOI-BLC-Kerry smallholders collaboration program.	By 31 January 2019
3.1.5 Traceable Supply Chains and 3rd Party Supplier Engagement	However, it is not clear how these will be updated in future; WRI's GFW Pro is also behind schedule and not yet available. A key question that relates to all parts of the SIP regarding 3rd party suppliers is how IOI will manage this now that it has divested Loders Croklaan. Presently an agreement is in place until September 2018 whereby BLC is sharing this function with IOI, but a clear plan detailing how this will be managed by IOI after September 2018 is necessary.	IOI Commodities marketing who is leading on the responsible sourcing has come out a 3 rd party suppliers' program which includes mill risks assessment and verification, continuity in traceability programs, capacity building and suppliers' engagement.	Ongoing
	Currently, IOI has only designated one person to oversee all responsibilities related to 3rd party supplier engagement. This is clearly insufficient.	A person was designated as Responsible Sourcing – Supply Chain with additional support from personnel in IOI HQ and our Refineries in Sandakan and Johor Bahru. IOI commodities marketing will also allocate more staff to handle the 3 rd party supplier's program.	Ongoing
	IOI also needs to review how milestones and activities related to this commitment is being expressed in the SIP to avoid miscommunication with stakeholders. For instance, the 10 mill risk assessments annually and development of guidelines for suppliers are generally not being completed with the implementation partner (Proforest).	IOI will be using the T4T tools for the development of guidelines for suppliers, Responsible sourcing team will continue with the mill risk assessment and verification program via a new implementation partner.	Ongoing
	IOI's claim that a peat exposure mapping in its supply chain has been conducted. Based on	The peat exposure mapping in its supply chain has been conducted by IOI Loders Croaklaan. With the divestment,	Ongoing



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	Proforest's knowledge, there has not been a specific peat exposure mapping exercise on IOI's entire supply chain. Instead, presence of peat in the supply chain was only identified through the mill risk assessment exercise (subject to confirmation by the assessment team during the site visits).	IOI Responsible sourcing team will continue to develop the initiative on peat mapping for 3rd party suppliers.	
	Review of all direct suppliers' sustainability commitments against IOI policy requirements and group level risk review of upstream companies in IOI supply base, where no evidence of capacity and planned activities beyond September 2018 has yet been confirmed.	IOI is engaging external parties for collaborative monitoring on group level risk review via the T4T tools. Responsible sourcing team has planned capacity building activities and workshop for both internal staffs and 3 rd party suppliers.	Ongoing
3.1.6 Transparency and Wider Engagement	The IOI Sustainability team updates and publishes the SIP on a quarterly basis to communicate the progress in implementing its commitments under SPOP. However, there are several issues with the SIP that makes it a poor document for external communication in its current form.	IOI is refining the structure and presentation of SIP to improve communication of its progress in implementing its commitments under SPOP. The new format for SIP will be used for its 1 st biannual update in 2019, scheduled to be in June 2019	By June 2019