



IOI Management Response on Proforest Verification Report

Preamble:

Proforest conducted the verification of IOI's implementation of its Sustainable Palm Oil Policy and related commitments in two stages spanning the period from end May 2018 until end January 2019.

The specific headline findings on the implementation of key sustainability commitments and IOI Management's responses to highlight both the progress of IOI's implementation since the findings by Proforest as well as to address the issues highlighted by Proforest are summarised below.

1. Human rights and working conditions

To address Proforest's concern on a systematic approach to the monitoring of human rights and labour conditions, IOI has finalised a comprehensive monitoring checklist covering the 3 phases of employment, i.e., the pre-employment, employment and post-employment phase. These checklists will be shared with the regional Sustainability team in June 2019 and full monitoring is expected to convene in stages, starting in August 2019. At the same time, monitoring on human rights and labour conditions based on the certification requirements are also ongoing.

IOI sustainability team has planned programmes to intensify training to the workers to enhance their awareness of their entitlement and rights, etc. Future training (on human rights and labour conditions) will be given in a more focused group where each individual field staff will give these training to the workers under their care, with the frequency of at least twice a year.

Training programmes for social/labour awareness will be established along with the existing safety and health training programmes which had already been done in such a manner.

2. High Conservation Value (HCV) identification and management

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



Despite the fact that majority of IOI's plantations in Malaysia are long-established estates, IOI is evaluating potential landscape-level-considerations of its existing plantations. One such exercise is the Bukit Leelau Mini Landscape Level Approach which is a multi-stakeholders engagement between IOI's estates and the communities of adjacent areas. The project started on September 1, 2018 and involved activities such as the rehabilitation of forest reserves and its buffer zones, fire prevention as well as empowerment programmes for the *Orang Asli*. Another potential landscape collaboration is the proposed collaboration work with NGOs HUTAN/PONGO for an ecological study on *Orang Utan* population along the Kinabatangan river in Sabah. This project might be expanded to include other umbrella species such as elephant and clouded leopard, etc.

IOI started a centralised documentation system in Q4 2018 which included a centralised geospatial mapping and consolidation of HCV data to ensure consistency and accuracy of data collected. Additionally, a proposal to set up a centralised depository server at the HQ level for the regional teams to upload the relevant documents needed is in the pipeline. The documents will be in a cloud server and can be accessed from any location, when required.

Rehabilitation of the buffer zones will be taken into consideration during the replanting period. A pragmatic rehabilitation programme will be developed, with standard instructions from senior management, and with Standard Operating Procedure (SOP) to ensure that a standardised procedure to determine the best approach for implementing the rehabilitation programme is established.

3. IOI Pelita

In early March 2019, IOI has obtained the consent from the last community, Long Teran Batu. Thus, having secured the consent from all nine affected communities, IOI and local NGOs launched the community capacity building stage of the Resolution Plan in mid-March 2019.

4. Ketapang peatland management

A shared vision and roadmap for the Landscape Initiative have been developed based on inputs from external stakeholders and internal discussion. Several companies operating in the Landscape are now in the process of discussing a partnership agreement. Some of them have shared HCV data and maps to start the process of identifying wildlife corridors and opportunities for interconnectivity between various conservation areas.



5. Third-party suppliers

In Sabah, our supply chain compliance programme commenced in August 2018 with an 18-month activity schedule which includes the collection of traceability data, supplier assessments using Earthworm's T4T platform, engagements, workshops, and capacity building. The programme was planned based on feedbacks from suppliers' and stakeholders' experiences with past activities held in 2016 and 2017. Suppliers in Peninsular Malaysia will undergo a similar set of programmes targeted to commence in June 2019.

IOI is also in partnership with Aidenvironment to work together on a group-level risk assessment of IOI's third-party suppliers to establish a near real-time deforestation monitoring capacity throughout geographies in Indonesia, Malaysia and Papua New Guinea, where IOI's suppliers are operating to ensure that IOI's supply chain is deforestation-free. This partnership will enhance the capacity of both IOI and its third-party suppliers and help to eliminate the intake of non-compliant palm oil and to stop deforestation. Compliance of indirect suppliers are also managed by our trading partners who hold the No Deforestation, No Peat, No Exploitation (NDPE) practices, and other sustainability commitments that are aligned with IOI's policy.

IOI's grievance log for the supply chain is housed in our dashboard and updated on regular intervals and/or when grievance arises. The latest grievances logged are from our appointed monitoring consultant as well as external NGO organisations and are current with this report release.

6. Management systems

IOI initiated a centralised management system by adopting the Systems, Application, Products in Data Processing – Enterprise Resource Planning (SAP-ERP) platform at the Group level in November 2018. The SAP system introduced a standardisation system on information and data management including accounting, payment rate, leaves entitlement, operations, etc. and can assist in the monitoring of such data.

The SAP system allows the centralisation of data management where data is maintained at a central location while being shared with various departments. At the same time, departments have access to information and data from other departments and provide control over various business and operation processes. The SAP system also eliminates duplication, discontinuity, and redundancy in data and provides information across departments and operating units in real time.

Additionally, IOI Sustainability Team is also implementing a new standardised documentation and monitoring system equivalent to ISO 9001 documentation system at the Group level beginning Q2, 2019. The clear roles and job responsibilities are stated in the Group's Organogram.