

IOI Group – Sustainability Progress Update (January – March 2018)

We are pleased to publish our progress update on our Sustainability Implementation Plan (SIP) for Q1 2018. As this is the new year, we have also reviewed all our implementation plans to better represent the current progress of our activities as well as to add new activities related to any new commitments in our on-going sustainability journey. The highlights of this progress update are as follow:

- Independent field verification visits by RSPO’s Verification Officers was conducted from 24 to 29 January 2018 in PT SKS, PT BSS and PT BNS. The purpose of the visit by RSPO is to verify progress for the implementation of RSPO Complaints Panel’s (CP) recommendation as delivered on 26 May 2017, specifically those cited in the original complaint submitted by Aidenvironment.
- A Stage 1 RSPO NEXT audit was conducted on Ladang Sabah Mill grouping in January 2018. This will be followed by the main assessment that is expected in May 2018. Three additional mill groupings are expected to undergo RSPO NEXT audits by the end of August 2018.
- In March 2018, IOI Group’s Sustainable Palm Oil Policy (SPOP) was revised to include its commitment towards attaining MSPO certification.
- IOI has conducted a conference call with Aidenvironment in March 2018. The discussion was focused on the micro and meso aspects of the development of South Ketapang Landscape Level Approach. A face-to-face meeting is scheduled to take place at IOI headquarters by the end of April 2018.
- Following the encounter with an Orangutan in the Lahad Datu estate in 2017, the primate was relocated to Sepilok Orangutan Rehabilitation Centre by the Sabah Wildlife Department (SWD). In January 2018, the SWD visited Syarimo Estate to provide update on the status of the Orangutan. A certificate of appreciation was presented to IOI, recognising the Group support and contribution in Orangutan monitoring and rescue. Upon invitation by SWD, from 23 to 25 March 2018, IOI also participated in a three-day exhibition in Sandakan, Sabah in conjunction with World Wildlife Day 2018.
- From 15 to 16 January 2018, IOI visited the Sabah Wildlife Department (SWD) Office in Sandakan to discuss and to seek feedback on the planning, identification, management and monitoring of High Conservation Value (HCV) areas in IOI plantations located in the Sandakan region.
- IOI and the Sustainability Advisory Panel (SAP) have selected the organisation that will conduct an independent verification for IOI’s sustainability commitments.
- The latest Palm Oil Dashboard has been updated for Q1 2018 and is accessible through the IOI website. Moving forward, the Dashboard will be revamped to exclude data related to Bunge Lodders Croklaan (formerly known as IOI Lodders Croklaan) as IOI no longer holds the majority stake in the company.
- On 3 March 2018, IOI Group officially moved its headquarters to IOI City Tower Two, Putrajaya. IOI City Towers consist of two 31-storey Grade-A offices with the Green Building Index (GBI) certification. The GBI certification is given based on the rating score for (i) Energy Efficiency, (ii) Materials and Resources, (iii) Water Efficiency, (iv) Indoor Environment Quality, (v) Sustainable Planning and Management, and (vi) Innovation.

1. RSPO Verification

RSPO's Verification Officers conducted an independent field verification visit from 24 to 29 January 2018 in PT SKS, PT BSS and PT BNS. The purpose of the visit is to verify the progress for the implementation of RSPO Complaints Panel's (RSPO CP) recommendation as delivered on 26 May 2017, specifically those cited in the original complaint as submitted by Aidenvironment.

The field verification by RSPO's officers was carried out to address the following 6 issues:

- (i) To develop Adequate Standard Operating Procedures (SOPs) in IOI, in compliance with RSPO P&C and national laws and regulations;
- (ii) To conduct specific training programmes that is required in the action plan;
- (iii) To make available all legal permits and licences relevant for the establishment and operation in IOI;
- (iv) To improve IOI management structure in order to reduce workers turn-over;
- (v) To put in place plans to protect, rehabilitate and conserve buffer zones;
- (vi) To establish and complete Peat Management Plan and mapping exercise of peat areas.

The signed minutes recorded at the closing meeting stated that RSPO's verification officers have agreed that IOI has implemented relevant action plans in accordance with RSPO CP's criteria, and with additional recommendations to further enhance the group operation.



High water level recorded in the concession (left) and field verification visit (right)

2. RSPO NEXT and RSPO Audits

A Stage 1 RSPO NEXT audit was conducted on Ladang Sabah Mill grouping in January 2018. Moving forward, the main assessment audit is expected to be conducted in May 2018. Other main assessment audits are also expected to be conducted in Syarimo Mill in July 2018, as well as Pukin Mill and Leepang Mill groupings in August 2018.

For RSPO certification, Unico Mill grouping will undergo its main assessment audit from 9 to 13 April 2018.

3. Malaysian Sustainable Palm Oil (MSPO) Certification

In March 2018, IOI Group's Sustainable Palm Oil Policy (SPOP) was revised to include the Group commitment towards MSPO certification. Under Section 4 "Existing Plantations" of the SPOP, IOI stated that the Group is "committing towards sustainable production of palm oil and its continuous improvement as outlined in the MSPO guidelines". In supporting the Malaysian government's target, IOI will ensure all that all its plantations are MSPO-certified by the end of 2018.

The full SPOP document can be accessed from:

<http://www.ioigroup.com/Content/S/PDF/Sustainable%20Palm%20Oil%20Policy.pdf>

Throughout Q1 2018, IOI conducted several MSPO trainings on MSPO across its estates in Peninsular Malaysia, Sabah and Sarawak. The training, attended by IOI management and staff members was designed to highlight the requirements of MSPO's certification. The trainings also highlight the roles and responsibilities of every staff members to ensure that the MSPO certification auditing process could be implemented smoothly. Other key issues highlighted and required by MSPO certification include:

- (i) Scheduled Waste Management;
- (ii) Safety and Health Committee; and
- (iii) Accident Notification Investigation programmes.



Training ongoing in Morisem Group (left) and Baturong Group discussion (right)

4. Labour and Social

a. Labour Rights Monitoring System

In March 2018, IOI conducted a training for the implementation of labour policies for its operation team in Lahad Datu. The training was designed to ensure the smooth implementation of IOI labour policies and to address challenges faced by the operation team during the implementation phase. Additionally, estates also underwent internal audits to ascertain the current level of implementation for its labour policies.

b. Safety and Health

In Q1 2018, IOI conducted several trainings relating to safe operating procedure for the handling of highly toxic pesticide, scheduled waste, personal protective equipment (PPE), safety data sheet, storing of chemical, and first aid for workers across IOI estates in Peninsular Malaysia. Additionally, trainings on safe operating procedure for the handling of bagworms were also conducted across the group estates in Peninsular Malaysia and Sabah.

c. IOI-Pelita, Sarawak – Land and Harvesting Dispute with Local Community

A joint site visit to IOI-Pelita Plantation and the local communities was conducted from 12 to 16 March 2018. The team comprises of representatives from IOI Sustainability Team, Bunge Lodgers Crokklan and Grassroots. The purpose of the site visit was to communicate to stakeholders the proposed resolution plan that was developed by both IOI and Grassroots and to obtain feedback from the local communities before its re-submission to RSPO. The plan was earlier submitted to RSPO in November 2017. Communities were also presented with the concession map of IOI-Pelita and briefed on the process involved in community mapping.



Villagers posing for group photo (left) and Ongoing discussion with villagers (right)

The Resolution Plan will focus on identifying a series of capacity building programmes that will further empower and assist the local communities in:

- (i) Creating awareness of existing laws and regulations related to land administration;
- (ii) Understanding the supports provided by IOI, NGOs and other relevant government agencies; and
- (iii) Handling negotiation and making decision during negotiation process.

On 21 March 2018, IOI responded to RSPO Complaints Panel's letter dated 16 January 2018, with information and feedback received from the site visit. On 30 March 2018, IOI also held a meeting with RSPO Secretariat to provide a detailed update of the site visit.

5. Environment

a. GHG Emission Reduction

In January 2018, IOI conducted a training and workshop session for its Sustainability Team in the Sabah region. The training workshop was designed to ensure that the team is aware of

- (i) Basic technical data required for GHG' calculation; and
- (ii) The processes to calculate GHG's value.

The data will be collected from regional level to identify the baseline for GHG emission which will be used to set targets in IOI GHG emission reduction plan. The GHG emission reduction plan is currently being reviewed and is expected to be implemented before the end of Q2 2018 in order to fulfil RSPO and ISCC certification requirements.

b. IOI-SNA Plantation Programme in South Ketapang, Kendawangan Landscape

Training and Conservation Efforts

A series of training on the Standard of Procedures (SOPs) for water management, Forest Plant Seeds and fire management were conducted in March 2018 across IOI's estates in SNA Group. As part of IOI's sustainability initiatives to further empower the community through ecotourism, the development of an arboretum park is currently in progress in HCV#2 in PT BSS.



Staff and workers undergoing training from the local fire department

IOI is also working in partnership with the Natural Resource Conservation Agency (Balai Konservasi Sumber Daya Alam - BKSDA), to identify rare, threatened and endangered (RTE) species, including Orangutan surrounding the areas of Gelinggang Lake. The Group also conducted a joint-patrol programme with the police and armed forces in the areas around the lake that are potentially prone to encroachment and illegal hunting.



Joint patrol around Gelinggang Lake

LiDAR Imagery and Peat Mapping

The LiDAR imagery with 5km interval coverage was received in February 2018. Further supplement SPOT (*Satellite Pour l'Observation de la Terre* or Satellite for Observation of Earth) data is required, such as SPOT Imagery 2.5 Meter to allow for peatland mapping. The Digital Elevation Model (DEM) data will be made available by the end of next quarter.

Develop Framework for Ketapang Peatland Landscape Plan with Internal and External Stakeholders

In March 2018, IOI held a conference call with Aidenvironment. The discussion was focused on the micro and meso aspects of the development of South Ketapang Landscape Level Approach. A face-to-face meeting is scheduled to be held in IOI headquarters in April 2018. Apart from that, IOI also conducts a series of ongoing meetings with other external stakeholders. In Q1 2018, the group conducted a meeting with adjacent companies and the Ketapang Regency Government led by General Manager of SNA Group.

c. Appreciation of Orangutan Rescue and Relocation at Syarimo Estate

Following the encounter with an Orangutan in the Lahad Datu estate in 2017, the primate was relocated to Sepilok Orangutan Rehabilitation Centre by the Sabah Wildlife Department (SWD). In January 2018, the SWD, led by Madam Sylvia Alsisto, visited Syarimo Estate to provide update on the status of the Orangutan. A certificate of appreciation was presented to IOI, recognising the group support and contribution in Orangutan monitoring and rescue. Upon invitation by SWD, from 23 to 25 March 2018, IOI also participated in a three-day exhibition in Sandakan, Sabah in conjunction with World Wildlife Day 2018.



Mdm Sylvia presenting the certificate of appreciation to estate management

In Q2 2017, an Orangutan was found wandering in the estate. The estate management immediately contacted the Sabah Wildlife Department (SWD) for rescue operation. The Orangutan was later named as “Syarimo” and is now relocated to the Sepilok Orangutan Rehabilitation Centre under the care of the department.

d. Management of HCV Areas and Protection of HCS Areas

From 15 to 16 January 2018, the Assistant Manager from Sustainable Palm Oil (SPO) (Sandakan region) held a discussion with Sabah Wildlife Department’s District Officer, Mr. Hussien Muin. The discussion was focused on the planning, identification, management and monitoring measures of the High Conservation Value (HCV) area in IOI Plantation estates’ ecosystem. A follow up meeting is scheduled in Q2 2018 to present the overall management plan of HCV areas, buffer zones and riparian reserves for plantations located in the Sandakan region.



Meeting between IOI and Sabah Wildlife Department

In addition, a series of training for all Environmental Liaison Officers and SPO Field Supervisor in Morisem, Leepang, Permodalan, Syarimo, Baturong and Unico Group was conducted. The training covered the following topics:

- i. Monitoring and Review of EIA Report;
- ii. Environment Compliance Report; and
- iii. Water Sampling Study to Cater for the Environmental Monitoring Plan.

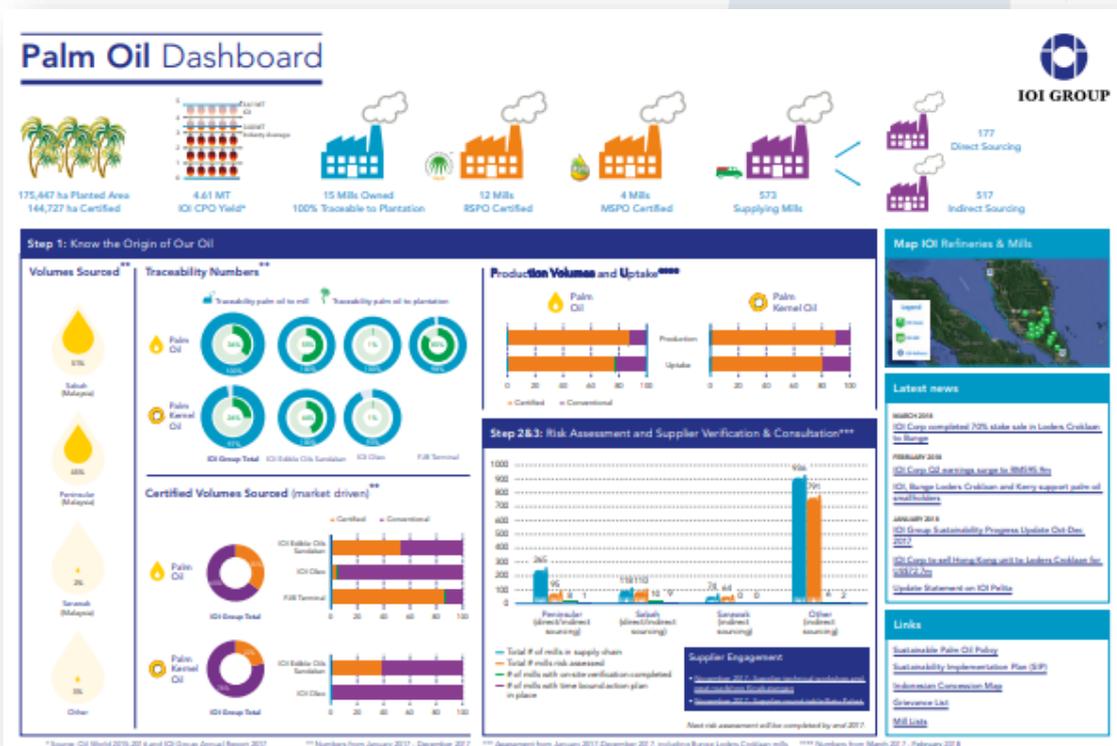
6. Transparency and Wider Engagement

a. Sustainability Advisory Panel (SAP)

On 5 March 2018, IOI held its first meeting in 2018 with members of the Sustainability Advisory Panel (SAP). As a result from the meeting, IOI and the Sustainability Advisory Panel (SAP) have selected the organisation that will conduct an independent verification for IOI's sustainability commitments. The development of the term of references including its detailed workplan is in progress. The verification exercise is expected to be implemented in Q2 2018.

b. Palm Oil Dashboard

The latest Palm Oil Dashboard has been updated for Q1 2018 and is accessible through the IOI website. Moving forward, the Dashboard will be revamped to exclude data related to Bunge Lodgers Croklaan (formerly known as IOI Lodgers Croklaan) as IOI no longer holds the majority stake in the company.



IOI's Updated Dashboard

c. Website Revamp

The official website of IOI Group is undergoing a revamping exercise to provide better ease of navigation and access to information, specifically information relating to IOI Corporation's commitments towards sustainability. The new website will feature a more modern look and updated with latest and current issues affecting the organisation. Visitors will be able to access contents easily, reflecting the group commitment towards transparency. The revamped website is expected to go online by Q3 2018.

d. Exhibition in Conjunction with World Wildlife Day 2018

Throughout 23 – 25 March 2018, IOI was invited by Sepilok Orangutan Rehabilitation Centre (SORC) to participate in an exhibition at Harbour Mall, Sandakan, Sabah. This exhibition, organized by the Sabah Wildlife Department, is in conjunction with the World Wildlife Day 2018.

IOI's exhibition features sustainability related videos and posters, as well as talk and Q&A sessions to provide better understanding to the public on IOI's sustainability programmes and practices.



IOI staff members manning the booth (left) and Public display of IOI's sustainability practices (right)

e. Sharing on IOI's Certification & Sustainability Practices with Customers

The Assistant Manager from SPO (Sandakan) delivered a short talk on IOI's sustainability practices to customers from Japan in Sakilan palm oil mill. Also present at the talk, were Commodity Marketing team from IOI headquarters and Supply Chain Manager from IOI Edible Oils (Sandakan).



IOI team posing for photo with customers from Japan

7. IOI Group's New Headquarters (HQ) in IOI City Tower Two, Putrajaya

On 3 March 2018, IOI Group officially relocated its headquarters to IOI City Tower Two, at IOI Resort City in Putrajaya. The new headquarters is easily accessible via major highways and public transport systems and consists of two 31-storey Grade-A offices with the Green Building Index (GBI) certification.

The GBI Index is a profession driven initiative developed by Pertubuhan Akitek Malaysia (PAM) and the Association of Consulting Engineers Malaysia (ACEM), with the support of all the professional institutions, relevant government agencies and the building/property industry. The GBI certification is given based on the rating score for (i) Energy Efficiency, (ii) Materials and Resources, (iii) Water Efficiency, (iv) Indoor Environment Quality, (v) Sustainable Planning and Management, and (vi) Innovation.

IOI City Towers feature highly functional and energy-efficient design to reduce energy consumption, admit more natural light, and enhance employees' comfort and productivity. In addition, Low Volatile Organic Content (VOC) paint and coating is used on the building.

During the office relocation, IOI also managed to recycle approximately 12 tonnes of unwanted documents and papers as part of the Group initiatives to minimize its carbon footprint.



(Façade of IOI City Towers (left) and High-ceiling design in reception area optimizes the use of natural sunlight (right))