



IOI Group – Sustainability Progress Update

Progress Update Highlights

We are pleased to publish our progress update on our Sustainability Implementation Plan (SIP). This progress update will cover recent highlights in the SIP as follows:

- IOI Group's first standalone annual Sustainability Report based on the Global Reporting Index (GRI) Standard, was published on 29 September 2017, along with the Group's Annual Report.
- The proposed work plan by IOI-Pelita for Corporate Social Responsibility (CSR) provisions for the community involved is an on-going process. In terms of the proposed dispute resolution over land ownership in Tinjar Long Lapok, this is close to being finalized, pending consensus from parties such as RSPO, Grassroots, etc.
- IOI targets full Malaysian Sustainable Palm Oil (MSPO) certification by Q4, 2018. Our first MSPO audit in Morisem Group, Lahad Datu was conducted in September 2017.
- A two-day technical training on peat and best management practice (SMP) on peatland management as well as integrated Spatial Monitoring and Reporting Tool (SMART) patrol methodology was conducted in PT SKS mill with relevant management and staff of PT SKS, PT BNS and PT BSS.
- A report titled "Summary on Migrant Worker Management Assessment: Luangmanis Estate in Sabah" by BSR is now finalized and available for download on our website. The report was based on a field verification conducted by BSR on our estates in Sabah in June 2017. In addition, a training and workshop session based on the findings will be held in October 2017, which will be attended by the estate and corporate management team.
- As per the commitment in our Sustainable Palm Oil Policy (SPOP) regarding "No Recruitment Fee" for our foreign workers, IOI is currently collaborating with several NGOs to come up with a more comprehensive Recruitment Guideline & Procedure addressing this matter. Recently in September this year, a trial run of the Group's "No Recruitment Fee" policy has commenced. A total of 338 workers from Indonesia have benefitted from the policy.
- The Group's "Passport Safekeeping Guideline" has begun its implementation in August 2017 and expected to be completed by November 2017. Currently, 100% of all passports have been returned to our workers in our Sabah Plantations. In Peninsula Malaysia, IOI's Sagil estate in Johor is the first estate to have implemented this centralized locker system. The workers can access their passports freely and have them kept in a centralised locker system provided by the Operating Centre. This initiative reflects our commitment for no retention of workers' passport as stated in the SPOP.
- An independent Sustainability Advisory Panel (SAP) was formed in August 2017. The Panel has been established to advise and challenge IOI on delivering its sustainability commitments and ambition.

1. IOI Group's first standalone Annual Sustainability Report (ASR)

IOI Group' first standalone ASR with the theme "Enhancing Reach & Engagement", follows the Global Reporting Index (GRI): Core Option requirements and cover various materiality and highlights of all our business divisions, including IOI Plantation, IOI Oleochemical, and IOI Loders Croklaan.

In line with IOI's drive towards greater transparency and engagement, our ASR details most of IOI's sustainability related activities during the July 2016 - June 2017 financial year, in implementing the commitments as spelled out in our Sustainable Palm Oil Policy (SPOP). In addition, as part of the Group's efforts for a sustainable environment, the report is printed in limited quantities using environment-friendly papers. The report is freely accessible and available for download via our website at http://www.ioigroup.com/Content/NEWS/PDF/sustainability_report.pdf.



Front cover of IOI Group's first standalone Annual Sustainability Report 2017

2. RSPO & RSPO NEXT

Sugut estate is included as part of Pamol Sabah palm oil mill supply base and was audited in September during RSPO Annual Surveillance Assessment. Meanwhile, Unico Desa Group will undergo RSPO Audit in December 2017.

The first estate to undergo RSPO NEXT audit is Ladang Sabah Mill in Q4 2017. The rescheduling is due to consolidation of all required documents as well availability of Certification Bodies to conduct the audits.

3. Malaysian Sustainable Palm Oil (MSPO)

Morisem Group, Lahad Datu has undergone MSPO audit in September, 2017. Three more groups are expected to undergo the same audit by end of 2017. IOI targets a full MSPO certification by Q4 2018.

In addition, a training and workshop session was held in September in IOI's Gomali Mill, Johor. There will be another two more sessions of MSPO awareness training to be conducted in Sandakan and Lahad Datu.



MSPO training in IOI Gomali mill, Johor

4. Labour and Social

a. Labour Rights Monitoring System

The report “Summary on Migrant Worker Management Assessment: Luangmanis Estate in Sabah” by BSR highlights areas where IOI has made good progress regarding migrant worker management practices in the context of Sabah, and areas where further improvement is needed together with associated high-level recommendations. It is available for download and viewing at <http://www.ioigroup.com/Content/S/PDF/BSR%20Summary%20Report.pdf>

Next in the pipeline, BSR will be conducting a training and workshop session in October, for the management team from the plantation, estate and sustainability division. The training and workshop session aims to discuss the findings by BSR and the way forward to resolve ongoing issues on the ground, especially those highlighted in the summary report.

b. Recruitment Guidelines & Procedure

IOI is currently collaborating with several NGOs to come up with a more comprehensive Recruitment Guideline & Procedure for our foreign workers. This is in order to address the issues brought up by both the BSR findings and previous Finnwatch reports specifically on our “No Recruitment Fee” commitment as stated in our Sustainable Palm Oil Policy (SPOP)

Recently, in September of this year, 338 foreign workers from Indonesia, recruited to work at our estates in Johor and Pahang, benefitted from a trial run of our “No Recruitment Fee” Policy. Following our proposed guidelines, our HR personnel responsible for recruitment, undertook to ensure that no official recruitment fees were charged to them. The Policy is expected to be finalised and be up and running in Q4 2017 after all feedback from NGOs are taken into account.

c. Passport locker system

As stated in our SPOP, we are committed to “No Retention” of workers’ passport or any identity document as part of our commitment in upholding human rights. As of now, no passports are being retained by our estates in Sabah.

In Peninsular Malaysia, the new lockers have been gradually made available across our estates. The installation of these lockers will be completed throughout our Peninsular Estates by early October. The latest estate to have these centralized lockers installed and have their workers passports

returned was Sagil estate, Johor. The ceremony was witnessed by representatives from National Union of Plantation Workers (NUPW) and Tenaganita, a Human Rights NGO.



Workers' passport return ceremony in Sagil estate, Johor

d. Minimum Wage and Leave Pay policy

IOI Group is also committed, in line with IOI Group's SPOP on Human Rights and Workplace, in paying all workers the statutory monthly minimum wage and overtime compensation in accordance with the current labour regulations.

The policy will be finalised in Q4 2017 and begin its implementation across all our estates in Malaysia. A minimum wage policy specifically for workers in Indonesia is currently being drafted.

e. IOI-Pelita, Sarawak – land and harvesting dispute with local community

IOI, Grassroots and RSPO conducted a visit to the 7 long houses in the different villages of the Tinjar Long Lapok area where our IOI-Pelita estate is also located, from 4 -8 July, 2017. Subsequently, there have been several meetings and communications to come up with a work plan to resolve the dispute. The workplan is currently being reviewed internally and by involved external stakeholders such as RSPO, Grassroots, etc.

Meetings with affected communities at the IOI-Pelita estates was also conducted on a weekly basis by IOI's Community Communication Officer to update on them on the progress of the resolution as well as aid them in any CSR activities. CSR activities such as road building, roof repairs, etc., have progressively been conducted in phases since September 2017, mostly due to rain and holiday festivals.

5. Environment

a. Peatland Rehabilitation at our SNA Group Concession in Ketapang

A two-day technical training on peat and best management practice on peatland management as well as integrated Spatial Monitoring and Reporting Tool (SMART) patrol methodology was conducted in PT SKS mill with relevant management and staff of PT SKS, PT BNS and PT BSS.

The trainings were divided into 2 parts: classroom (theory) and followed by field demonstration. The staff were continuously being trained after the two-day period by doing other field work

conducted by Global Environmental Center (GEC) to PT SNA between 19 – 28 July. Topics covered during the training include the following:

- Best Management Practices for oil palm planted on peat
- Peatland Fire Prevention and Control
- Community-based peatland management and fire prevention
- Introduction to peat/ peatlands
- Peat Depth Measurement/ Subsidence and Piezometer/ Piescale installation and monitoring
- Best Management Practices for rehabilitation on peat
- HCV monitoring and SMART patrol methodology and reporting



Field demonstration training

b. Peatland Protection Policy and SOP

Peatland protection policy covering both new and existing plantations and SOP for management and monitoring of existing cultivation of palm oil on peat are currently in the final stages of internal review and expected to be finalized by end of October.

c. Mapping the current peat distribution, types and properties in PT BSS, PT SKS and PT BNS

External consultant has been engaged to revise and update all the maps (type, distribution and properties). In September, peat mapping and verification has been conducted in PT SKS. The report is expected to be completed in October.



Peat mapping process conducted in PT SNA, Ketapang

d. Ketapang Landscape Level Approach

The conceptualisation and initial stakeholder consultation is progressing well. Partnership is being developed with regional government, communities, NGOs and the private sector. As a way forward, several multi-stakeholders' meetings involving NGOs, concession owners, communities, and local agencies has started. A visit to Cagar Alam boundary near PT SKS was conducted in September 2017 by multi-stakeholders to identify potential program that can be implemented in the area.

Further discussions with a wider range of multi-stakeholders is planned regarding the framework and synergy for sustainable land management which will include paludiculture program, rehabilitation areas, community empowerment and peatland protection. To ensure sufficient resources and smooth implementation to carry out Ketapang Landscape Level Approach, a staff with expertise in this field will be recruited in Q4 2017

e. Fire prevention

As part of our continuous efforts in fire prevention, a program on Simulation and Socialization on the subject was conducted in August 2017 in collaboration with Manggala Agni forest firefighters, police, army and local communities.



Training session ongoing (left) and participants posing for group photo (right)

Another MoU on fire prevention was signed in September 2017 between IOI Group, PT BMJ (Sinar Mas Group's subsidiary), PT HKI (Sampoerna Group's subsidiary), Manggala Agni, police, and local community.

6. Transparency and Wider Engagement

a. 5th Oleochemical Outlook, Yogyakarta

IOI Group presented a paper on "Implementing Sustainability in the Palm Value Chain" at the 5th Oleochemical Outlook held in Yogyakarta, Indonesia in August 2017. The event was attended by various industry leaders including Olam International, Leaf Resources, Johnson & Johnson, HanCole, etc.

IOI presented its various initiatives on sustainability, which includes its fire prevention, landscape approach, traceability, commitments towards environment and human rights, etc.

b. Sustainability Advisory Panel (SAP)

IOI formally formed the SAP in August 2017. The Panel has been established to advise and challenge IOI on delivering its sustainability commitments and ambition. It will provide a critical

review and advisory function to IOI's sustainability activities and help to review IOI's progress in delivering on its sustainability commitments as set out in its Sustainable Palm Oil Policy (SPOP) and Sustainability Implementation Plan (SIP).

The Panel will also advise on an independent progress evaluation of IOI's SPOP in Q2 2018. Members of the Panel are:

- David McLaughlin, VP Agriculture, WWF-US
- Karimah Hudda, Global Sustainability Lead, Procurement, Mondelez International
- M R Chandran, Independent Expert
- Simo Honkanen, SVP Sustainability and Public Affairs, Neste Corporation (Observer)
- Johan Verburg, Advisor Inclusive Value Chains, Oxfam Novib (Observer)

The full Terms of Reference can be accessed [here](#).

During the last meeting in September 2017, various issues were discussed including the summary report by BSR, issues in IOI-Pelita, RSPO Ketapang case, Independent Progress Evaluation for the SIP, Engaging with Suppliers and AOB as well as other NGO Milestones. The next meeting is scheduled to be held on 27 November, 2017.