



IOI GROUP

IOI Group – Sustainability Progress Update (October – December 2017)

We are pleased to publish our fourth quarterly progress update on our Sustainability Implementation Plan (SIP). The highlights of this progress update are as follow:

- International consultant BSR conducted a training and workshop session in October 2017 to address gaps in IOI's labour practices for the management team from the plantation division and sustainability personnel.
- IOI Group published its revised policies on human rights at workplace which includes the Foreign Workers "No Recruitment Fee" Guidelines and Freedom of Association Policy, after extensive engagement with non-governmental organizations (NGOs) like Finnwatch, Rainforest Action Network (RAN) and Tenaganita, as well as its employees.
- A Management Review Meeting, attended by management team from the plantation and sustainability division, was held in October 2017, to review the implementation of IOI's sustainability commitments.
- On IOI-Pelita, a district level stakeholders' consultation involving local communities was conducted by Miri District Council in November 2017. One of the issues discussed was the land dispute issue at IOI-Pelita. In addition, an action plan that IOI had formulated and developed with Grassroots was submitted to RSPO in November 2017 for deliberations at the RSPO Complaint Panel meeting on 19 December 2017.
- IOI also strengthened its governance structure where sustainability matters are concerned by the addition of a clause to the Terms of Reference in IOI's Group Sustainability Steering Committee (GSCC) that reports directly to IOI's Board of Directors. Specifically, under Risk Management, the clause states that the GSCC will review commercial decisions which are likely to impact the implementation of IOI's Sustainable Palm Oil Policy (SPOP).
- International NGO Finnwatch visited Luangmanis and Moynod estates in Sandakan, Sabah from 4th to 5th December 2017 to study the labour practices in IOI's estates in Sabah.
- In Q4 2017, several meetings and discussions were held with stakeholders for the implementation of the Ketapang Landscape Level Approach.
- In the latest Sustainability Policy Transparency Toolkit (SPOTT) assessment published by the Zoological Society of London, IOI Group was ranked nine out of 50 companies assessed for the public availability of corporate information relating to environmental, social and governance (ESG) issues.
- In November 2017, Greenpeace published a report titled "How the Palm Oil Industry is Still Cooking the Climate", and noted the progress that IOI had made especially on accountability.

1. Labour and Social

a. Labour Rights Monitoring System

International consultant BSR conducted a training and workshop session in October 2017 to address gaps in IOI's labour practices for the management team from the plantation division and sustainability personnel. At the session, the findings by BSR during their visit to IOI estates in Sabah were discussed and the way forward to resolve ongoing issues on the ground and gaps, specifically those highlighted in the summary report, were addressed.

An action plan on the implementation of the Group's newly introduced revised policies on human rights at workplace is currently being drafted. It will be part of the Group's effort in addressing the gaps highlighted in the report.



International consultant BSR giving presentation to the audience (left) and group pictures with the management team (right)

b. Revised policies on human rights at workplace

In October, IOI Group published its revised policies on human rights at workplace which includes the Foreign Workers "No Recruitment Fee" Guidelines and Freedom of Association Policy, after extensive engagement with non-governmental organizations (NGOs) like Finnwatch, Rainforest Action Network (RAN) and Tenaganita, as well as its employees. The policies introduced are (i) Foreign Workers Recruitment Guideline & Procedure in Malaysia, (ii) Minimum Wage & Leave Pay, and (iii) Equal Opportunity Employment & Freedom of Association.

The policies are introduced as part of the Group's commitments towards its labour force. Some of the specifics introduced are: "No Recruitment Fees" charged to workers at any stage in the recruitment process, in both receiving and sending countries; Payment of monthly minimum wage in accordance with the current labour regulations; Access of trade unions to workers; Adopting both the Free and Fair Labor Principles and UN Guiding Principles on Business and Human Rights.

The statement from Dato' Lee Yeow Chor, CEO of IOI Corporation Berhad, along with the new policies can be accessed here:

<http://www.ioigroup.com/Content/NEWS/NewsroomDetails?intNewsID=856>

As of Q4 2017, the policies have already been communicated to all our estates in Malaysia. IOI has also issued a memo to our recruitment agencies regarding our commitments to these revised policies and their requirement to comply with them. Meanwhile, IOI estates have fully implemented the passport locker system and have returned all passports to the workers.

c. Management Review Meeting

A Management Review Meeting, attended by management team from the plantation and sustainability division, was held in October 2017, to review the implementation of IOI's sustainability commitments.

The meeting was held to discuss various new and revised policies related to IOI's sustainability commitments. The feedback from the management team were taken into consideration before the Group officially announced the revised policies and guidelines on human rights at the workplace. The next management review meeting is scheduled to be held next year and aims to discuss implementation progress of the revised policies on the ground.



Plantation Director Mr NB Sudhakaran (standing in the left picture) and Sustainability Manager Mr Dickens (standing in the right picture) briefing audience on the floor

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

In November 2017, a district level stakeholders' consultation involving local communities was conducted by Miri District Council in November 2017. One of the issues discussed was the land dispute issue at IOI-Pelita. In addition, an action plan that IOI had formulated and developed with Grassroots was submitted to RSPO in November 2017 for deliberations at the RSPO Complaint Panel meeting on 19 December 2017.



Road improvement works in Long Tuyut and Long Teran Kanan

Corporate Social Responsibility (CSR) activities have also commenced in early December 2017 involving road improvement works in Long Tuyut and Long Teran Kanan communities.

On the matter of the potential divestment of its 70% equity interest in IOI Pelita Plantation Sdn Bhd, IOI has issued a public statement on 18 December that “the divestment cannot and will not proceed”. IOI further ensures that “it will continue to work hard towards resolution of the IOI Pelita case as per its agreements with NGOs and obligations under the RSPO, and the Group will also be discussing this matter with the local communities involved.” The full statement can be accessed here:

<http://www.ioigroup.com/Content/NEWS/NewsroomDetails?intNewsID=866>

e. Finnwatch visits Sandakan estates

International NGO Finnwatch visited Luangmanis and Moynod estates in Sandakan, Sabah from 4th to 5th December 2017 to study the labour practices in IOI’s estates in Sabah. The purpose of the visit was to conduct an assessment on practices related to labour and human resource management such as employment contract, workers’ pay record, working hours and workers’ association. A report based on the assessment findings is expected to be produced by Finnwatch in early 2018.



(Left) Estate management and Finnwatch having a meeting, (right) Estate management guiding Finnwatch through the estate visit

f. Training on implementation of Minimum Wage Policy

On 30 December 2017, a training on the implementation of “Minimum Wage and Leave Pay Policies in Malaysia” was conducted at Syarimo 3 estate in Lahad Datu, Sabah. It was attended by the Assistant Managers and Human Resource staff members. The objective of the training is to ensure full communication to the personnel involved and effective implementation of the Minimum Wage Policy. The estate has also invited an officer from the State Labour Department to explain relevant clauses in the Sabah Labour Ordinance.



HR staff members attending the training

2. Roundtable Sustainable Palm Oil (RSPO) Principles and Criteria

Currently, Unico Desa Group has undergone RSPO P&C and RSPO supply chain assessment from 11th to 15th December 2017. In the meantime, Sugut estate has successfully obtained its RSPO certification in November 2017.

3. Malaysian Sustainable Palm Oil (MSPO) certification

IOI Plantation is targeting to certify all its management units for MSPO by 2018. Currently, three groups namely Pamol, Sakilan and Leepang have undergone MSPO audit in November 2017. Meanwhile, an awareness training on MSPO certification was conducted in October 2017 in Sandakan, Sabah.



(Left) Staff members attending the MSPO training, (right) Participants taking a group photo with the trainers

4. Environment

a. High Conservation Value assessment report for PT. KPAM

The High Conservation Value assessment report for PT. KPAM was submitted to HCV Resource Network (HCVRN) on 20 November 2017. IOI received a letter of satisfactory from HCVRN four days later.

b. Technical training on fire emergency response in Indonesia

A technical training on fire emergency response was conducted on 18th October 2017 in PT SKS, Indonesia. The training was attended by the Estate Managers, Sustainability Personnel and workers. The purpose of the training was to equip the trainees with knowledge on fire extinguishing methods.



The trainees are learning ways to extinguish fire.

c. High Conservation Value (HCV) training

HCV awareness training was conducted on several estates in Lahad Datu, namely Syarimo 1 estate in October 2017 and Unico 1 estate in December 2017. The objective of the training

was to highlight the protection of animals, plants and birds and to equip the workers with knowledge to identify species that need to be protected.

In PT SKS, Indonesia, a training on the implementation of the Integrated Management Plan (IMP) was conducted in November 2017 by an external consultant. The training was attended by estates employees and local communities.

d. Training on audit of compliance with laws and legal requirements

In November, a training on audit of compliance with laws and legal requirements was conducted across our estates in Ketapang, Indonesia. It was spearheaded by external experts and attended by SNA Group employees from PT SKS and PT BNS as well as the contractors.

The objectives of the training were (i) to provide insight about the law related to sustainable palm oil plantation development based on RSPO P&C, (ii) to provide a clear picture to the participants about the legal aspects of free, prior, informed consent (FPIC) in order to respect the rights of indigenous people in plantations in compliance with RSPO P&C, (iii), to provide understanding about legal aspects of the importance of environmental protection (management of HCV) according to the National Law, (iv) to provide understanding to the participants on the implementation of the SOPs and HCV management.



Our external experts conducting training on laws and legal requirements.

e. Ketapang Landscape Level Approach

In Q4 2017, several meetings and discussions were held with stakeholders for the implementation of the Ketapang Landscape Level Approach. A meeting with Aidenvironment was held in October and November 2017 in Ketapang to further discuss the details of this landscape level approach

Several other multi-stakeholders' meetings were also held in between 27th November to 1st December 2017 in Indonesia involving other NGOs to further discuss projects related to the Ketapang Peatland Landscape Plan.

5. Transparency and Wider Engagement

a. Neste resumes palm oil sourcing from IOI Group

In December 2017, Neste, a Finland-based fuel refining and marketing company, resumed its palm oil sourcing from IOI Group. Neste has earlier suspended its raw material purchasing from IOI in April 2016 after RSPO suspended its certification from the Group.

In the company's statement released on 19 December 2017, Neste states that it is "pleased to see IOI's efforts to resolve the environmental issues detailed in the RSPO grievance, as well as to change and develop its working practices, particularly on foreign migrant worker conditions and

their treatment in the workplace.” The full statement from Neste can be accessed here <https://www.neste.com/en/neste-resumes-sourcing-palm-oil-company-ioi>

b. SPOTT assessment

In the latest Sustainability Policy Transparency Toolkit (SPOTT) assessment published by the Zoological Society of London, IOI Group was ranked nine out of 50 companies assessed for the public availability of corporate information relating to environmental, social and governance (ESG) issues.

Moving forward, the Group is set to introduce more policies related to the environment such as Peatland Protection Policy and Standard Operation Procedures (SOPs) to further reflect our serious intent to uphold our commitments laid in the SPOP. This is also part of the Group’s effort to address the gaps highlighted in the SPOTT assessment.

The details of the assessment can be accessed here <https://www.spott.org/palm-oil/>

c. Greenpeace report

In November 2017, Greenpeace published a report titled “How the Palm Oil Industry is Still Cooking the Climate”. The report, noted the progress IOI had made, specifically in the area of “Accountability” where IOI scored with a “Good” indicator and as the only company with no “Bad” indicator in its scoreboard.

The full report can be accessed here: <http://www.greenpeace.org/seasia/Press-Centre/publications/Still-Cooking-the-Climate/#a0>

Nevertheless, IOI acknowledges some of the gaps highlighted by Greenpeace in the report and will continue to address them by ensuring compliance with the Group’s policies in its operations.