

Sustainability Progress Update (II)

(May – September 2019)



IOI GROUP

HIGHLIGHTS



- ❖ The public report by **Proforest (Phase 2)** on the external verification for implementation of IOI's policy commitments can be assessed from IOI's website.
- ❖ As of August 2019, two of our mills, namely Syarimo and Ladang Sabah are now **MSPO SCCS certified**.
- ❖ **IOI Pelita** reached completed Stage 1 of the Resolution Plan in June 2019. The team has now started to implement Stage 2, Community Participatory Mapping. After Stage 2 is done, IOI Pelita and local communities will go for Stage 3, which is the last stage, involving direct negotiations for the final resolution of the dispute.
- ❖ Earthworm Foundation has partnered with IOI to conduct a **case study on promoting good sustainability practices** in retaining workers in plantation.
- ❖ Under the **South Ketapang Landscape** initiative (IOI, Aidenvironment and GEC) adjustments were made to the project's focus and timeline based on learnings from the initial project implementation, prioritizing on protection of Cagar Alam Muara Kendawangan and reducing the extent of wildfire.
- ❖ Under the **Bukit Leelau mini Landscape Level Approach**, 5 ha of land will be rehabilitated by IOI's Bukit Leelau Estate and another 5 ha by the "Orang Asli" community.
- ❖ IOI Pan-Century has successfully commissioned a **new 6.5MW combined heat and power cogeneration plant** at its Pasir Gudang site which has started its operation since 13 April 2019.
- ❖ IOI Plantation organised its first **Sustainability Outreach Programme** with three external partners.

1. Proforest Verification on IOI's Sustainability Implementation Plan (SIP)

Proforest completed Phase 2 of verification on the implementation of IOI Corporation Berhad (IOI)'s policy commitments in Q1 2019. The full verification report is available on IOI website here: <https://www.ioigroup.com/Content/S/pdf/Proforest%20report%20Phase%202.pdf>.

Following publication of Proforest's report, IOI's management discussed with the members of its Sustainability Advisory Panel (SAP) on both the findings of the verification as well as the opportunities for improvement based on gaps identified from the assessment.

IOI's management response can be accessed here:

<https://www.ioigroup.com/Content/S/pdf/IOI%20management%20response%202%20Proforest.pdf>

2. Malaysian Sustainable Palm Oil (MSPO) Supply Chain Certification Standard (SCCS)

IOI has been undergoing MSPO SCCS process since May 2019. As of August 2019, 2 of its mills, namely Syarimo and Ladang Sabah have been successfully certified. Its subsidiary, IOI Edible Oils Sdn Bhd (IOIEO) has also successfully obtained the MSPO SCCS certification in May 2019.

The remaining 12 mills are in the process certification.

3. RSPO NEXT Certification

As of August 2019, IOI's Syarimo, Ladang Sabah, Pukin and Leepang Groupings are now RSPO Next certified.

4. Labour and Social

a. IOI-Pelita Land Dispute Resolution Process

In its continuous effort to resolve the long-standing dispute with local communities, IOI-Pelita completed Stage 1 of the Resolution Plan, including the Community Capacity Building Program, which was the most important component of that stage, on June 30, 2019. IOI-Pelita socialised ex gratia payment results with individual recipients and community leaders, setting up the stage for ex gratia payment event in early September. The event will be witnessed by government officials.

b. Sustainability Project with Earthworm Foundation

Earthworm Foundation has approached IOI to conduct a case study on promoting good sustainability practices in retaining workers in plantation. The goal of this project is to inspire transformation in employment practices in the industry.

As part of the project, a video will be produced to highlight IOI's sustainability practices, specifically on the labour initiatives across its plantations. A field visit to Pukin Palm Oil Mill and Segamat Estate was conducted in May and the video shooting was conducted in the first week of July 2019. The final product is expected to be published in October 2019.

c. Dialogue on Employment Act 1955

In 2018, the Malaysian Ministry of Human Resources (HR), National Labour Association, Malaysian Employers' Federation (MEF) and industry representatives in human resource gathered to review the Employment Act 1955 (EA1955) and drafted a proposal of amendments.

On 24 June 2019, IOI Group (IOI) Human Resource Development Department invited Heads of Departments (HODs) and HR leaders to an interactive dialogue session. The session included proposed amendments of EA1955 which involve: requirement of employees to work night shifts, longer maternity leave from 60 to 90 days, inclusion of a subsection on no-discrimination in respect of employment and more. The session ended with the sharing of other employment issues and labour practices by the MEF Senior Consultant Mr Goh. All HODs and human resource leaders were required to submit the issues discussed to IOI's HR Department which will compile and submit the finalized document to the Ministry of HR for further review.

d. Social Impact Assessment (SIA) Training at PT SNA Group



SLA training at PT SKS

A training on Social Impact Assessment (SIA) was conducted at PT SKS in July 2019 and was participated by about 19 employees in charge of community engagement. The training was conducted to equip the trainees with knowledge on identification and handling of potential social impacts from the company's operations.

In addition, the trainees were also trained on the principles of Free, Prior and Informed Consent (FPIC) as a tool when dealing with the local communities, specifically when socialisation is required.

5. Environment

a. South Ketapang Landscape Initiative

On July 8, the implementing partners – IOI, Aidenviroment and GEC – agreed to make some strategic changes to the project's goals, timeline and management structure based on the learnings from initial stage of project implementation. The main changes involve renewed strategy in building and agreeing to the common vision, improve local government's governance, and improve practicality of project implementation on the ground. The focus of the initiative will be on protection of Cagar Alam Muara Kendawangan (150,000 ha conservation area in the south-west of the landscape) and reduction on the extent of wildfires. The partners also agreed to extend the landscape initiative's boundaries to the north of the landscape and include several other concessionaires and sub-districts.

On July 15, the group conducted a multi-stakeholder workshop in Ketapang. The workshop was attended by 70 participants, representing all main stakeholders to discuss on the shared vision, future plans and obtain commitment from the stakeholders to establish partnership. On a sub-landscape level, the project produced indicative community boundary maps as well as community land use maps for the three prioritized villages located in the vicinity of Cagar Alam: Pembedilan, Air Hitam and Air Hulu, which are located near Cagar Alam.

b. Bukit Leelau Mini Landscape Project

Land preparation and planting started in early July and the work has been ongoing. A plot of 5 ha land will be rehabilitated by IOI's Bukit Leelau Estate and another 5 ha by the *Orang Asli* community. Bukit Leelau Estate committed to provide manpower and help to conduct the planting programme with the community.

An agreement was also reached to seek another area for planting within or adjacent to the forest reserve. Prior to the planting activity on the site, a site re-assessment was undertaken on 12-13 July to finalise and confirm the planting area. The updated proposed planting area was within the Pekan (Extension) Forest Reserve and thus no objection by the Pahang State Forestry Department as well communities in Kg. Melogo.

The first planting activity involving 0.5 ha was held on 15 July 2019 by both the community and IOI team. The remaining 9.5 hectare will be planted gradually until August 2019.



Participants including representatives from local community, IOI, and GEC.

In addition, the firefighting equipment and Fire Danger Rating System have been fully functional. The fire prevention and emergency response training with the *Orang Asli* was planned in early July 2019. Continuous monitoring after the development of canal block was conducted to ensure proper water management.



The Fire and Rescue Department (BOMBA) giving training to local community.

c. Fire Prevention and Emergency Response Training at PT SNA Group

A series of fire prevention and emergency response training was conducted in PT BSS and PT SKS, subsidiary of IOI's PT SNA Group in Indonesia.

The employees were trained on fire preventive measures, roles and function of patrolling team, emergency response in the event of fire, etc.



Fire training at PT SKS.

d. Green initiative at IOI Pan-Cen



IOI Pan-Cen new combined heat and power cogeneration plant

On 13 April 2019, IOI Pan-Century (IOI Pan-Cen) commissioned a new 6.5 MW combined heat and power cogeneration plant at its Pasir Gudang site. The new cogeneration plant is aimed towards efficient use of natural resources with minimal environmental impact. In addition to electricity generation, it is targeted to maximise the usage of waste heat from gas turbine to produce medium pressure steam which will be the best-fit solution for IOI Pan-Cen's production requirements.

The adoption of this green technology has the potential to reduce 25,000 MT of CO₂ emission per year, in line with IOI Pan-Cen's commitment towards its environment and sustainable policy.

e. RSPO P&C training



Ms Veronica Abel, SPO Department Assistant Manager conducting training to participants

Recently, the Roundtable on Sustainable Palm Oil (RSPO) has updated its Principles & Criteria (P&C) and in line with the updates, IOI Plantation Sustainable Palm Oil (SPO) Department (Sandakan Region) organised two separate training sessions on 16 and 23 April 2019 for Ladang Sabah and Sakilan Groups, and for Pamol and Mayvin Groups respectively. The talk touched on the major changes and requirements of the new voluntary standard compliance, and the differences between RSPO P&C 2013 and RSPO P&C 2018.

f. Sustainability Outreach Programme



Activities and highlights of the day

IOI Plantation SPO Department (Sandakan Region) had organised its first **Sustainability Outreach Programme (SOP)** with three external partners including the Sabah Wildlife Department, the Rainforest Discovery Centre of the Sabah Forestry Department and the Bornean Sun Bear Conservation Centre on 25 April 2019.

The programme promotes sustainability to the estate communities through games and interactive learning activities and was held at Dewan HUMANA Ladang Luangmanis. Over 300 participants from the regional office, research centres and two estates, namely Terusan Baru and Luangmanis Estates attended the event to learn about environmental awareness and wildlife management.

6. Transparency and Wider Engagement

a. Responsible Sourcing at IOI: Updates on Supply Chain Transformation

During this reporting period, two of IOI's suppliers have adopted the NDPE policy. The Responsible Sourcing team have been engaging and providing support to these suppliers this past year and the suppliers are making good progress by putting in place new resources and budgets to support their commitments on sustainability.

The 18 months collaboration with Earthworm Foundation (EF) to roll out the Tools for Transformation (T4T) program which is an engagement platform to reach out to all third-party suppliers supplying to IOI's refineries in Sabah (IOI Edible Oil Sdn Bhd) and in Peninsula Malaysia (IOI Pan Century Edible Oils Sdn Bhd). The tool enabled its suppliers to report status of their operations against NDPE metrics, formulate time bound action plans and provide updates on progress made.

Furthermore, in line with development of refineries' time bound action plans / implementation roadmaps, improvement of practices within IOI's supply chain will be further supported through workshops and one on one supplier engagement. For further update, please read here:

<https://www.ioigroup.com/Content/MEDIA/NewsroomDetails?intNewsID=954>

b. Group Sustainability Steering Committee Meeting

The Group Sustainability Steering Committee (GSSC) meeting was held on the 26 August 2019. The meeting discussions covered such sustainability matters as IOI's sustainability policies and initiatives, projects and collaboration, sustainability update and progress by each division and the company sustainability risk profile review. The GSSC is chaired by the Group Managing Director and Chief Executive (GMD) and is part of IOI's sustainability governance.