

Sustainability Progress Update (III) (October – December 2019)

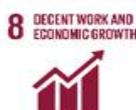


HIGHLIGHTS



SUSTAINABLE DEVELOPMENT GOALS

adopted by IOI



- ❖ IOI achieves full Malaysian Sustainable Palm Oil (MSPO) certification in November 2019.
- ❖ IOI signed Collective Agreement with National Union of Plantation (NUPW) on 23 December 2019.
- ❖ IOI involved in the MSPO review working groups formed by Malaysian Palm Oil Certification Council (MPOCC).
- ❖ Collaboration between IOI and Earthworm Foundation (EF) produced a video which showcase how good labour and human rights practices improved workers retention.
- ❖ IOI-Pelita completed Stage 1 of the Resolution Plan and is now finalising Stage 2 (Community Participatory Mapping) which is being conducted with the assistance of a local NGO. The final stage, Stage 3 (Negotiations for the Final Settlement) is expected to start in March 2020.
- ❖ Livelihood enhancement through 'Plant Your Own Food' Initiative implemented in IOI Ladang Sabah Grouping.
- ❖ Progress on smallholders FFB yield improvement through partnership on *Inisiatif Lestari Untuk Hasil Agrikultur Mampuan (ILHAM)* Project.
- ❖ First anniversary of the South Ketapang Landscape Initiative marked by holding a multi-stakeholder forum, which was officiated by the Regent of Ketapang.
- ❖ Collaboration between IOI and the HUTAN-PONGO Alliance to conduct a study on "orangutan population at the estates adjacent to Kinabatangan river" resulted in a 4-day scoping visit to Morisem and Leepang estates.
- ❖ Progress on suppliers' engagement and transformation programme through Tools for Transformation (T4T) system and supplier engagement workshops.
- ❖ Annual management review on sustainability matters were conducted at PT Sawit Nabati Agro (SNA) and Sabah regions in November and December 2019 respectively.

1. Sustainability Certification

a. IOI Achieves Full Malaysian Sustainable Palm Oil (MSPO) Certification

IOI concludes the year by having all its estates and mills (84 estates and 14 mills) in Malaysia MSPO-certified, with the final estate having obtained its MSPO certification (MS 2530-3:2013) on 28 November 2019. This achievement is in line with IOI's commitment to ensure that all of its plantations are MSPO-certified by end of 2019.

b. Meeting with Malaysian Palm Oil Board (MPOB) on MSPO Certification

IOI met with MPOB on 3 December 2019 to review IOI's effort in supporting smallholders and outgrowers for their MSPO certification process as well as identify any potential future collaboration between IOI and MPOB regarding engagement and trainings for suppliers involved in the MSPO certification process. To-date, IOI is focusing on its effort to certify 48 of its external suppliers that are sending their crops to Unico Oil Mill and Unico Desa Oil Mill.



Meeting between MPOB officers and IOI Sustainability Team

Among matters being discussed during the meeting include potential collaboration with other companies sharing common suppliers on best management practices training, updates to MPOB on engagement progress with suppliers, and measures to accelerate certification process for the suppliers.

c. MSPO Standards Working Group

As the MSPO Standards is due to be reviewed, IOI is actively involved in this improvement process by participating in the standards review working groups initiated by the Malaysian Palm Oil Certification Council (MPOCC). The review process involves strengthening the current requirements and ensuring that the requirements is on par with the industry standards. This review process was started in September 2019 and scheduled to be completed in 2020.

2. Labour and Social

a. Collective Agreement with National Union of Plantation (NUPW)

On 23 December 2019, IOI set another milestone with the signing of three collective agreements with the NUPW which will be effective from 1 January 2020 to 31 December 2022. The official signing ceremony, held at IOI's headquarters, was represented by IOI Plantation Director, Mr Sudhakaran and NUPW Secretary General, Dato' G. Sankaran. These agreements will set the baseline of employee's wages and employment conditions on top of the benefits that IOI is providing to the workers which are not limited to conducive working and living conditions, medical benefits, and education facilities for their children.



Signing of collective agreement between IOI and NUPW

b. Sustainability Project with Earthworm Foundation (EF)

EF in collaboration with IOI has released a video which showcasing how good labour and human rights practices positively improved workers retention in plantation industry.

This video project which was initiated in May 2019, involved a field visit and video shooting at IOI plantations. They highlighted measures that included adopting internationally recognised labour and human rights standards which has resulted in abscondment rates dropping by almost 30%. Through various testimonials from migrant workers and our estate management, the video also manages to illustrate how good labour and human rights practices can be part of labour retention strategies.

To view the video and check out the EF's findings at IOI's Segamat Estate, Johor on Youtube: ***Respecting People, Retaining Workers*** ([click here](#))

c. IOI-Pelita Land Dispute Resolution Process

As reported earlier, the first stage of the Resolution Plan: *Community Capacity Building* started in February 2019. This was followed by the second stage Resolution Plan involving *3D Community Participatory Mapping* in August 2019. Due to the rainy season and the complexity of the community participatory mapping process, more time was needed for Communities Information and Communications Centre (CICOM) and communities to accomplish this task. Therefore, the second stage is expected to be completed in February 2020. The third and final stage of the Resolution Plan, *Negotiations for the Final Settlement*, will then start soon after, most likely in March 2020.

d. 'Plant Your Own Food' Initiative

At IOI Plantations, various efforts have been made by the management to improve the living environment of the employees regardless of their nationality. One of the benefits given is free accommodations to our estate employees and their immediate family members. To further improve their living environment, our employees initiated “Planting habits” with the simple purpose of meaningfully using their spare time to beautify their housing compound. Recognising the positive benefits of this habit and also consistent with IOI’s sustainability commitments towards a sustainable living for our employees (UNSDG 8 – Decent Work and Economic Growth), the estate management reinforced this practice by fostering the ‘Plant Your Own Food’ initiative.

This initiative involved partnering with our employees and setting aside plots of land for them to plant vegetables and fruit trees within their housing complex. Aside from meeting IOI’s commitments, other tangible benefits identified from this initiative includes reducing employees’ cost of living and promoting balanced, nutritious eating habits as well as tighter communal relationships among the employees there by building a better living environment for all.



A worker spends his free time gardening near the housing compound & planting of Bougainvillea plants by an employee at housing

Currently, Ladang Sabah Group has been the model for this initiative. This initiative will be further shared to other IOI groupings and adopted as part of the “Best Practices” at IOI.

e. Initiatif Lestari Untuk Hasil Agrikultur Mampan (ILHAM)

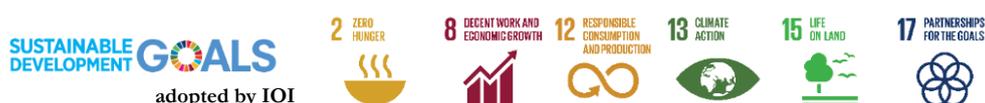
IOI together with Bunge Lodgers Croklaan, Kerry Group and the Fortuna Milll initiated a collaborative smallholders’ programme called the *Initiatif Lestari Untuk Hasil Agrikultur Mampan (ILHAM)*. Project ILHAM aims to support smallholder farmers to improve their yields, thereby increasing production, without the need for additional land and helping to improve the livelihoods of smallholders.

In December 2019, IOI finalised a fertiliser recommendation report based on the soil and foliar analysis of the participating smallholders and was shared with Fortuna Mill for procuring sufficient biofertiliser for the smallholders and subsequent field application by February 2020.

3. Environment

a. South Ketapang Landscape Initiative

Three working groups (WG), each consisting of government, companies and community representatives, established in mid-2019, are tasked with sharing best practice, planning and executing steps towards better management of conservation, fire, community development, etc., within the



South Ketapang landscape. In aid of this initiative, IOI together with Aidenvironment and Global Environment Centre (GEC) held a year-end forum in Ketapang City on 21 November 2019. This was officiated by the Regent of Ketapang and attended by more than 100 stakeholders. The participants, based on the input from the three WGs, agreed on a range of concrete measures to address the key environmental and social challenges facing by the regency. The 2nd year workplan and budget for South Ketapang Landscape Initiative will be finalised in February 2020.



Regent of Ketapang officiating the forum



Regent of Ketapang and key stakeholders at the forum

b. Bukit Leelau Mini Landscape Project

Bukit Leelau Mini Landscape Project is initiated in September 2018 with the objectives of resolving drainage problem and rehabilitate degraded area within forest reserve adjacent to Bukit Leelau Estate, prevent future fires, and explore empowerment programme for the *Orang Asli* community in the area. The objectives are fully achieved through various programmes in collaboration with GEC by November 2019 with the following key achievements:

- Degraded peatland and potential areas for rehabilitation have been identified;
- Established a peat swamp forest tree nursery for peatland rehabilitation which is managed by the local community;
- 5000 *Macaranga pruinosa* wildings have been planted on 10 Ha of the degraded peatland area, and this activity was carried out equally by both our estate management and the local community;
- Canal blocks were constructed for water table management which is crucial during the drought;
- Fire Danger Rating System (FDRS) signboards installed as awareness for the local community.



Preparation of polybags for planting of *Macaranga pruinosa*



FDRS signboard installed nearby canal block 02

Going forward, the implementation will be carried out by *Sababat Hutan Gambut Kampung Tanjung Kelapa* (SHGKTK) which is a community group established to support and ensure continuity of the programmes initiated from the project. IOI through the Bukit Leelau Estate management will continue to provide technical support to the group and explore potential opportunity to extend the learnings from this project to other units.

c. Collaboration with HUTAN - PONGO Alliance

IOI and HUTAN - PONGO Alliance collaborated with the objective of establishing an ecological study on “*Orangutan population at the estates adjacent to Kinabatangan river*” in order to determine the habitat patterns of wild *orangutans* and their ability to co-exist within the oil palm landscape.

A visit by the Alliance to participating IOI estates, from 16 to 19 December 2019, was arranged to gather information such as geo-coordinate of the respective estates, identification of interest areas based on frequency of *orangutan* habitat sightings, tree species of the area, and the behaviour of *orangutan* inhabiting the area. Interviews with estate workers was also conducted on *orangutan* sightings. The alliance was to analyse the data collected from the visit and provide subsequent plans for upcoming activities on the project by January 2020.



Researcher from PONGO Alliance observing one of the orangutan habitats in IOI plantation

4. Transparency and Wider Engagement

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

IOI Edible Oil Sdn Bhd (IOIEO)'s supply chain, utilising the Tools for Transformation (T4T) system to gather such data as traceability, safeguarding HCS, HCVs and Peatlands, workers' rights and welfare, etc., has now progressed into Year 2. IOIEO is now targeting to aid plantations users of the T4T systems towards the preparation of their time-bound action plan to address any gaps in their sustainability practices.



Sharing of IOIC's sustainability commitments and achievements

IOI Pan-Century Edible Oils Sdn Bhd (IOIPC) is also engaging with its suppliers to commence self-assessment and access resource materials on sustainability and preparation of action plans through this digital platform.

The Responsible Sourcing (RS) team from IOI Corporation Berhad (IOIC) together with EF collaborated on a 3-stage labour transformation programme (LTP) for one of our key suppliers, Bell Palm Industries (BPI) in Peninsular Malaysia. The 1st stage of the programme was to engage suppliers and address specific labour risks, 2nd stage, which was to review outcome from the field assessment was successfully completed in December 2019 and the RS team is now commencing to the third stage of support and monitoring.

Lastly, in October 2019, the RS team was invited by Keck Seng (M) Berhad to share information about responsible sourcing requirements, particularly on IOIC's sustainable palm oil commitments and traceability in their supplier's transformation workshop.

b. Management Review at PT Sawit Nabati Agro (SNA) and Sabah Region

IOI conducted its first sustainability management review meeting at PT SNA, Kalimantan on 23 November 2019. The meeting was attended by the Plantation Director, Group Head of Sustainability, senior plantation management team, sustainability teams, and other key employees.

Some of the topics discussed were on the upcoming RSPO certification, fire incidence, landscape initiative and future sustainability focus areas. The meeting also served as a platform for the ground operation to provide feedback to the management team, identify gaps in implementation and ways to improve sustainability practices and operations.



Management team at PT SNA

The 2nd management review meeting for the Sabah Region was conducted on 2 December 2019. Aside from matters related to sustainability certification audits, the meeting also focussed on issues which are pivotal to the Sabah region such as foreign workers legalisation status, sustainability initiatives and partnership projects such as fair and decent wages, project ILHAM, *orangutan* conservation project with PONGO Alliance and smallholder sustainability certification programme.