



IOI GROUP

ATTAINING BALANCE

SUSTAINABILITY REPORT **2018**





OUR FRONT COVER

Within a challenging and evolving environment, IOI Corporation Berhad ("IOI" or "the Group") has focused on "Attaining Balance" to strengthen the potential and value of its businesses. IOI believes that by aligning its long-standing commitment to the three pillars (People, Planet, Prosperity) of its sustainability philosophy with that of the United Nations Sustainable Development Goals (UN SDGs) most relevant to IOI's operations, it can attain a harmonious balance and contribute to a winning combination for all. Thus, the four UN SDGs identified on the front cover best personifies all that IOI strives to achieve at this point of its sustainability journey.

FEEDBACK & COMMENTS

IOI is open and committed to listening to our stakeholder's opinions and ideas. The Group welcome any feedback on this sustainability report, its management approach and performance. Please send your comments to:

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ABOUT THIS REPORT

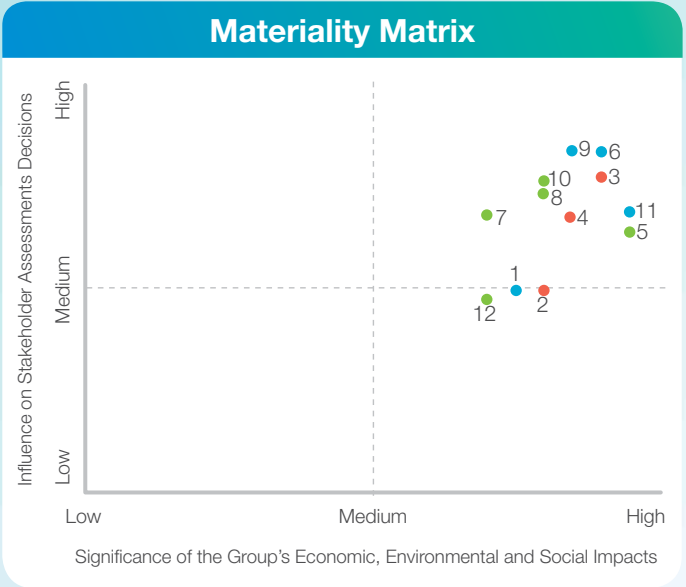
REPORTING PERIOD AND SCOPE

This report contains performance data for the financial year ended 30 June 2018. It has been prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards): Core Option. This report also adheres to the sustainability-related disclosure obligations prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia). As such, information on the management of the Group’s material economic, environmental and social (EES) risk and opportunities are presented in this report.

Moreover, we have reviewed other palm oil sustainability initiatives during the preparation of this report, including: Zoological Society of London’s (ZSL) Sustainability Policy Transparency Toolkit (SPOTT), CDP, and the Free and Fair Labour Principles for Palm Oil Production.

The scope of this report covers IOI businesses including: IOI Plantation (estates and mills), and Resource-Based Manufacturing (refineries and IOI Oleochemical operations). This report also includes Commodity Marketing activities and excludes Sales Offices. IOI Lodgers Croklaan (now known as Bunge Lodgers Croklaan) has not been fully included in the scope of this report because they split from the parent company, IOI Corporation

Berhad, within the reporting period. To avoid repetition, some of the information is reported in the IOI Annual Report 2018. Beyond this report, the Group will regularly share relevant sustainability updates publicly on its website.



	TOPIC	MATERIALITY	SUSTAINABILITY MATTER
Prosperity	Corporate Governance	1	Anti-corruption, governance and grievance
		11	Regulatory compliance
	Sustainability Certifications (RSPO, RSPO NEXT, MSPO)	6	Sustainability certification
	Traceable Supply Chain	9	Responsible sourcing and traceability
Planet	Land Use Plan (Existing and New Planting)	5	Best management practices: waste, pest and chemical management, water impact, fire management
		10	High Conservation Value (HCV) and High Carbon Stock (HCS)
	Rehabilitation and Biodiversity	8	Peat, Biodiversity and Conservation; HCV & HCS
	Fire Prevention	5	Best Management Practices: waste, pest and chemical management, water impact, fire management
	Operational Eco-efficiency (Energy, Waste, Emissions, Greenhouse Gases (GHGs))	5	Best management practices; waste, pest and chemical management, water impact, fire management
		7	GHGs and energy efficiency
	Climate Strategy (Risks and Opportunities, Engagement)	7	GHGs and energy efficiency
People		12	Technology and innovation
	Human Rights at Workplace	3	Workers' rights and welfare
	Health and Safety	4	Occupational safety and health, process safety
	Community Development and Social Impact	2	Community relations, corporate social responsibilities (CSRs), land issue

AIMS AND PURPOSE OF THIS REPORT

IOI's second Annual Sustainability Report focuses on IOI's commitment to Attaining Balance throughout its operations. This Sustainability Report 2018 is divided into sections which correlate to the three pillars of IOI's sustainability philosophy: People, Planet, and Prosperity. In line with these three pillars IOI outline its contributions to the UN SDGs. IOI also highlight the cornerstones of its sustainability strategy as set out in the Group's Sustainable Palm Oil Policy (SPOP) and other relevant policies.

MATERIALITY IDENTIFICATION

During the Group's first stand-alone sustainability reporting last year, the key aspects of the topics discussed were emphasised based on specific business sector across IOI. In this reporting, topics discussed for Sustainability Report 2018 will be more focused and narrated as a whole. The direction on key topic discussion for this year's reporting remain anchored to IOI's sustainability commitments and performance throughout the Group's SPOP and Sustainability Implementation Plan (SIP).

The topics presented in this report have taken into account the responses from various stakeholders of the Group. IOI have reviewed industry related environmental, social, governance (ESG) standards and ratings system, frameworks and sustainability initiatives. Subsequently, IOI have included responses and priorities from external stakeholders including NGOs and key coalitions as well as internal stakeholders. IOI reviewed the feedbacks through engagements, forum and email enquiries. Combining those qualitative survey results with quantitative analysis, IOI have been able to update its set of materiality topics.

MESSAGE FROM OUR CEO

DEAR STAKEHOLDERS,

Throughout this financial year, IOI continues to encounter many challenges, risks and opportunities in our sustainability journey. We embrace the diligence required to dig into our processes to ensure that the momentum we have generated across our sustainability pursuits will enable us to face them.

Furthermore, with our *“Approach to Sustainability”*, together with our *“3 Pillars of Sustainability”* comprising *People, Planet & Prosperity* and the adoption of 4 specific United Nations’ Sustainable Development Goals (SDGs), we will accelerate our drive to materialise our sustainability priorities. It is our belief that helping to resolve these sustainability issues through business has a great impact to the community and the country at large. We will accordingly endeavour to enhance our businesses and management by addressing and attaining the crucial balance between the People, Planet and Prosperity perspectives.

DATO’ LEE YEOW CHOR
Chief Executive Officer

One of many CEO’s visits to Ketapang.

PILLARS OF
SUSTAINABILITY



PEOPLE



PLANET



PROSPERITY

PEOPLE

(Addressing UN SDG 8 – Decent Work & Economic Growth)

As written in our Sustainability Vision, we aspire that “the economic, social wellbeing and health of our employees and families as well as the wider communities are safeguarded”. In order to achieve this, IOI has organised initiatives that include market-specific skills training programs, worker safety trainings to enhance their occupational safety and health (OSH) skills and awareness and plasma schemes which uplift the living standards of the communities surrounding our operations. In line with IOI’s human rights and labour practices, we have collaborated with several NGOs to develop a more comprehensive recruitment procedure that ensures no recruitment fee for our foreign workers and have completed implementing the “no retention of passport” for them. We have also, in addition to the Committees available for the workers to voice their grievances, added further channels of communication such as Online and Offline reporting, for our workers to report any grievance with complete confidentiality.

PLANET

(Addressing UN SDG 13 – Climate Action, UN SDG 15 – Life on Land, & UN SDG 12 – Responsible Consumption and Production)

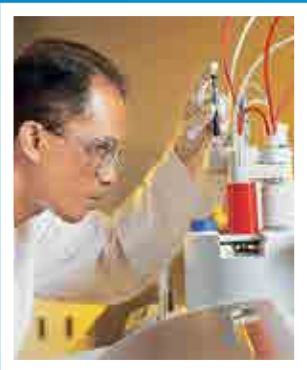
IOI’s Sustainability Vision also includes “committing to protect, rehabilitate and preserve the environment where we live in”. Understanding that sustainability occurs when processes, systems and activities reduce the environmental impact of our operations (plantations and manufacturing sites) and products, we have introduced such practices like the use of biomass (shells and empty fruit bunches) as renewable energy source to generate steam and electricity for mills which can sustain up to 98% of our mills energy needs, applying empty fruit bunches in IOI’s estates which reduces the usage of excessive fertilisers and recycling 90% of withdrawn water for use in some of our Refining Plants. It is also by managing the environmental impact of our activities, that we are able to work in harmony with our communities and we will continue to challenge ourselves to improve our energy efficiency and resource management. This year we have continued to reduce our greenhouse gas emissions in our CPO mills in Peninsular Malaysia and Sabah via the commissioning of three additional biogas power generation plants, and implementing energy saving initiatives that significantly reduce electricity consumption per ton of throughput for our packing plant by around 25%.



Housing (left) and training session conducted (right) for staff.



Protection of endangered animals living in and around IOI’s plantations.



Research and innovation at play in IOI.

PROSPERITY

(Addressing UN SDG 8 – Decent Work & Economic Growth)

In accordance with IOI’s Sustainability Vision, economic sustainability is about “leading and innovating as well as embedding sustainability into our business”. Our approach to sustainability which promotes the utilisation of socio-economic resources to their best advantage has resulted in a positive economic sustainability. Such social initiatives like increased transparency via our traceable supply chain, the palm oil dashboard and certifications under RSPO, RSPO NEXT, MSPO, ISCC, etc. as well as wider engagements with stakeholders have engendered more trust by our stakeholders and impacted positively on company performance. Meanwhile innovative research that focused on improving FFB yields and oil extraction rates through oil palm breeding and digital imaging technology have directly translated to higher oil yields per hectare of land used and better land utilisation. This enables us to share our economic success with our shareholders, employees, and the surrounding communities with programs such as scholarships for outstanding students, “School Adoption Program” to improve students’ learning environment, medical treatment assistance and food donations. The higher returns also enable us to invest in new processing technologies and continue research into higher-yielding planting materials which help to reduce the carbon footprint of our operations.

MOVING FORWARD

To further emphasise the alignment of IOI’s core values with our sustainability strategic priorities, the specific sustainability targets will be discussed in greater detail in this report together with the progress we have made towards their attainment. We will continue to address our stakeholders’ concerns regarding the implementation of our sustainability initiatives to ensure that our sustainability journey leave a positive impact on both the present and future generations.

ABOUT IOI CORPORATION

WHO WE ARE

IOI Corporation Berhad ("IOI" or "the Group") is a Malaysia-based conglomerate listed on the Main Market of Bursa Malaysia. IOI is one of the world's largest palm oil producers. The Group's vertically integrated business model, which is backed by a workforce of over 28,000 people, covers the entire palm oil value chain from upstream plantations to downstream resource-based manufacturing.

The Group's plantation operations comprises of 90 estates and 15 mills. For FY2018, the total FFB production for the Group is 3.51 million MT. This is 11% higher than the previous year due mainly to higher yield. IOI continuously explores new planting and milling technology to increase its FFB output and oil yield to sustain business growth. The plantation operation is also driving mechanisation initiatives to improve overall productivity.

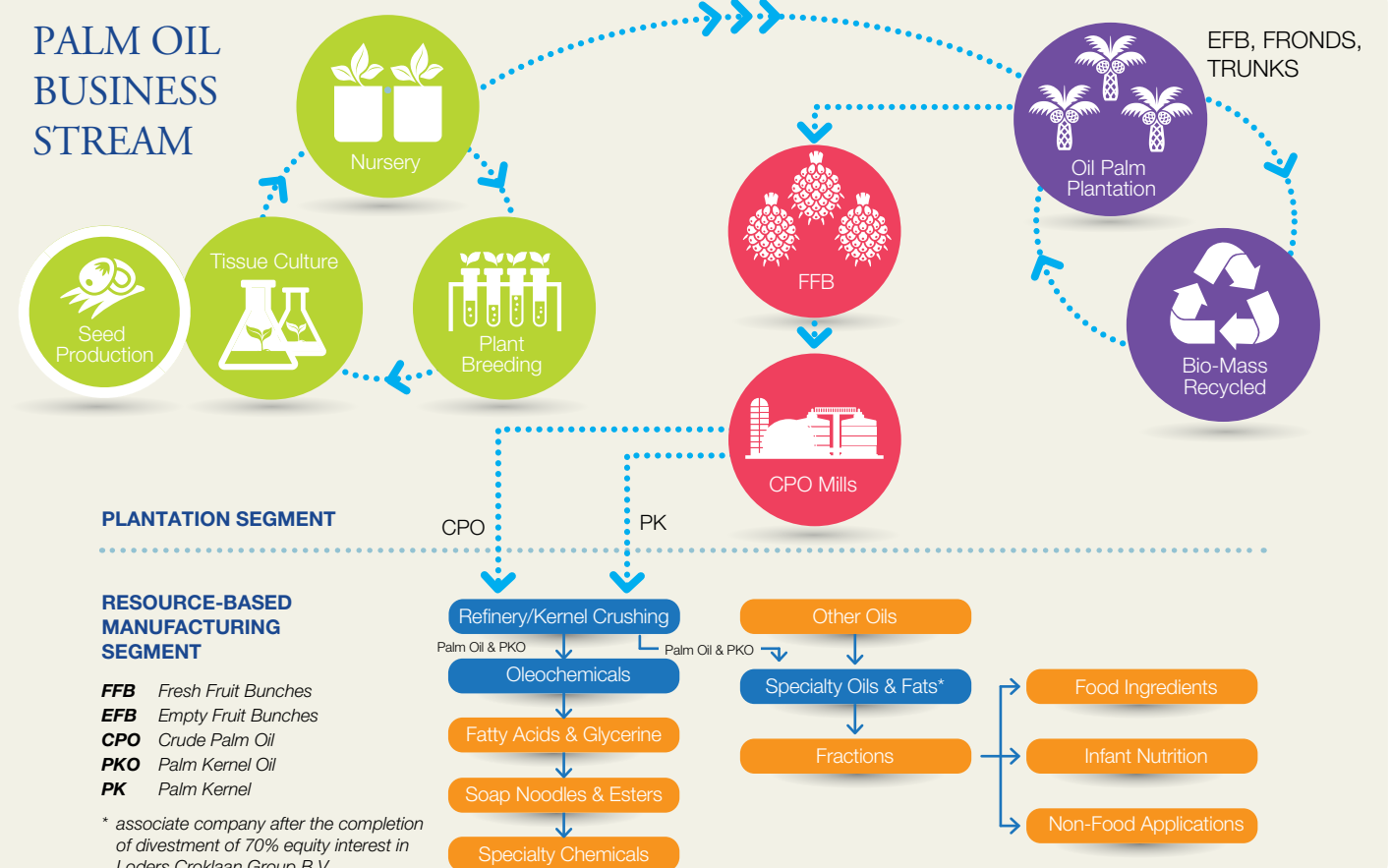
The Group's global resource-based manufacturing business fortifies its integrated palm value chain. It consists of downstream activities such as refining of crude palm oil and palm kernel oil, and the processing of refined palm oil and palm kernel oil into oleochemical and specialty oils and fats products. IOI has 6 manufacturing facilities in Malaysia and Germany with combined annual refining capacity of 1.8 million MT. The principal activities of the oleochemical sub-segment are the manufacturing and sales of fatty acids, glycerine, soap noodles and fatty esters. The oleochemical products are exported to more than 60 countries worldwide mainly to Japan, China, Europe and USA.

A full description of the Group's integrated business model can be found in our Annual Report 2018.



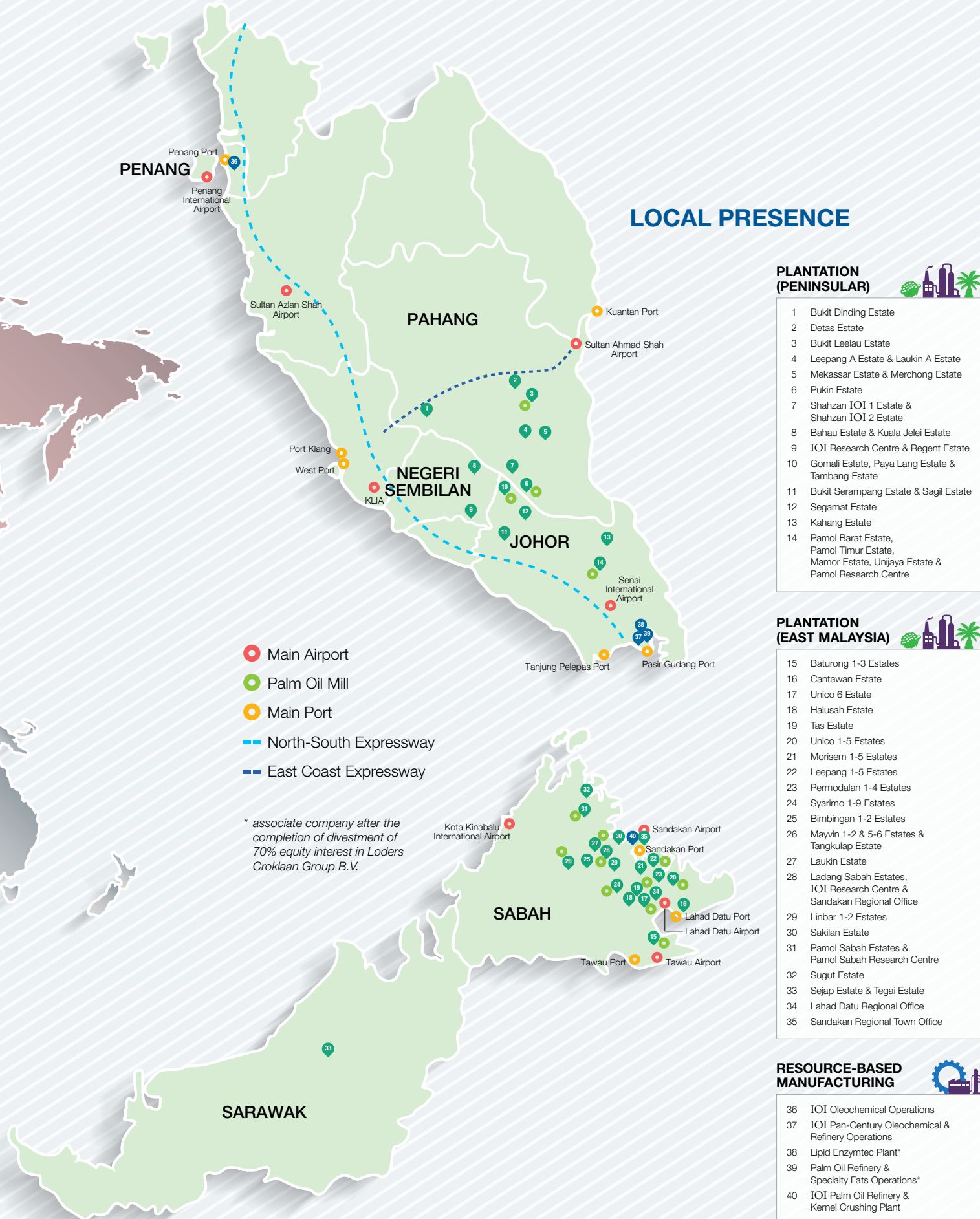
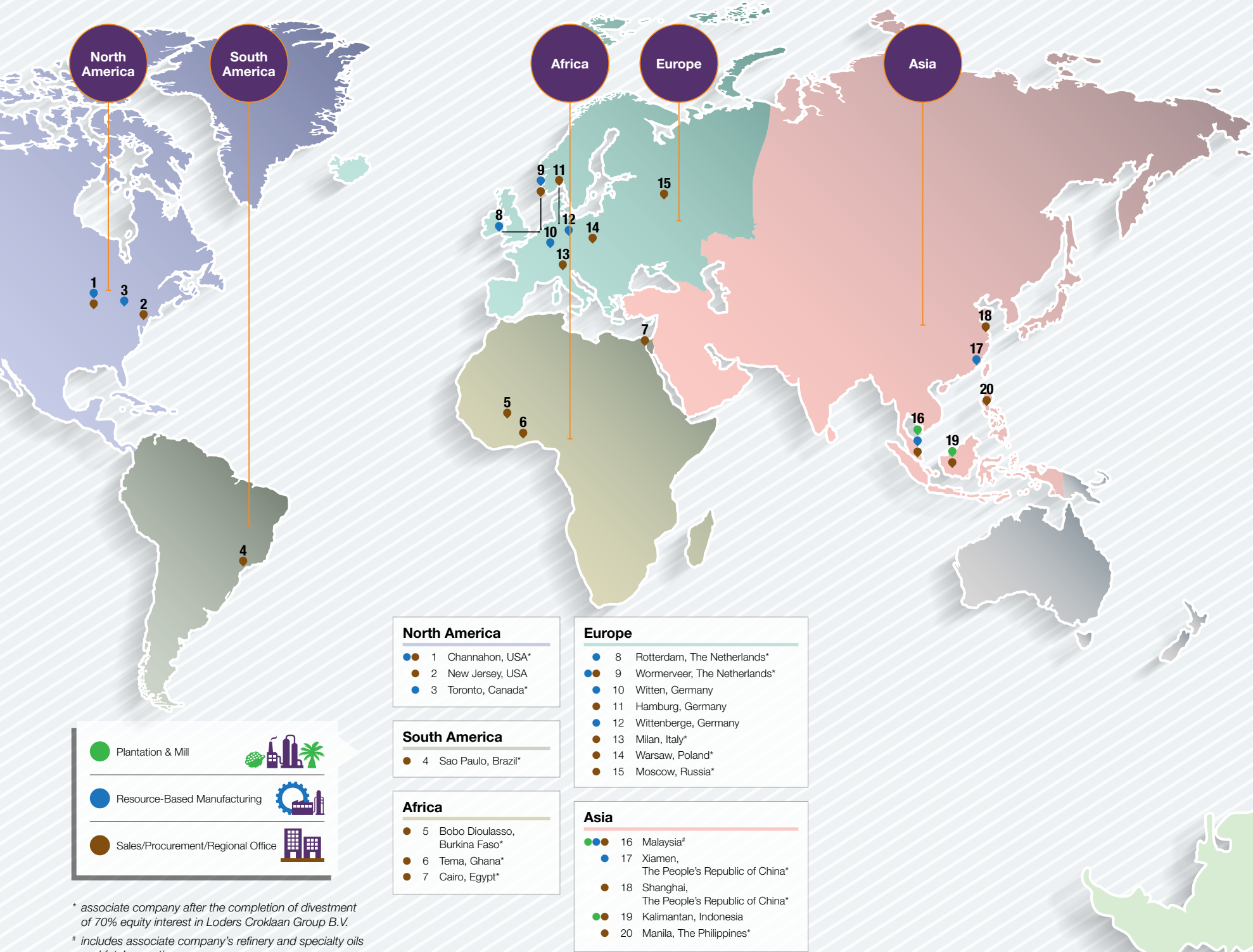
Source: IOI Corporation Berhad's Annual Report 2018

PALM OIL BUSINESS STREAM



LOCATIONS

GLOBAL PRESENCE



AT A GLANCE

POLICIES REVISED FOR HUMAN RIGHTS AT WORKPLACE:

- FOREIGN WORKERS RECRUITMENT GUIDELINE & PROCEDURE IN MALAYSIA
- MINIMUM WAGE & LEAVE PAY POLICY
- EQUAL OPPORTUNITY EMPLOYMENT & FREEDOM OF ASSOCIATION POLICY
- POLICY ON HARASSMENT AT WORKPLACE



172,521 HA
OF CERTIFIED ESTATES



24 HUMANA
LEARNING
CENTRES

BENEFITED ABOUT
3,035 CHILDREN



SUSTAINABILITY CERTIFICATION

13 MILLS RSPO CERTIFIED

6 MILLS MSPO CERTIFIED


RSPO NEXT AUDIT COMMENCED



FIRE MANAGEMENT

- SIGNING OF MOU ON FIRE PREVENTION
- SPATIAL MONITORING AND REPORTING TOOL (SMART) PATROLING
- MEMBER OF FIRE FREE ALLIANCE
- INTRODUCTION OF ZERO BURNING POLICY

COMPLETION OF PASSPORT RETURNING PROGRAMS AND INSTALLATION OF PASSPORT LOCKERS IN Q4 2017



5,232.72 HA
HCV AREA

9,235.75 HA
OTHER CONSERVATION AREA



IMPROVEMENT IN ENERGY EFFICIENCY IN MANUFACTURING FACILITY THROUGH

ECO-PRODUCTIVITY AND GREEN ENERGY

LANDSCAPE LEVEL APPROACH IN PIPELINE:

- KETAPANG LANDSCAPE APPROACH
- MINI LEELAU LANDSCAPE APPROACH



PRODUCT AND INNOVATION

PALMSURF® MCT 60/40

PALMSURF® MCT 70/30

APPROVED BY ECOCERT GREENLIFE

SUSTAINABILITY GOVERNANCE

IOI SUSTAINABILITY ADVISORY PANELS ESTABLISHED



THIRD-PARTY SUPPLIER PROGRAMS IN PLACE



PROGRESS IN IOI PELITA:

- COMMUNITY SOCIALISATION AND VISITS
- PARTNERSHIP WITH NGOS
- CSR ACTIVITIES
- DRAFT RESOLUTION PLAN IN PROGRESS



PT KPAM DEVELOPMENT

- COMPLETION OF PUBLIC REVIEW FOR NEW PLANTING PROCEDURE (NPP) AND MANAGEMENT PLAN
- COMPLETION OF HIGH CARBON STOCK ASSESSMENT REVIEW

A YEAR IN SUMMARY

July 2017



IOI published key milestones for the implementation of IOI's commitments as identified by NGOs such as Greenpeace, Grassroots, Rainforest Action Network, Finnwatch and Forest Peoples Programme.

Completion of Grassroots and IOI's joint field verification visit to Long Teran Kanan with RSPO as observers, from 3 to 7 July 2017. A follow up meeting was held between IOI, Grassroots and RSPO on 18 July to discuss Grassroots' recommendations, RSPO's roles and the development of a corresponding IOI action plan.

December 2017



IOI Loders Croklaan (now known as Bunge Loders Croklaan) won sustainability Champion Award at Fi Europe.

International NGO Finnwatch visited estates in Sabah to study the labour practices in IOI. 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.

January 2018



Independent field verification visits by RSPO's Verification Officers was conducted in PT SKS, PT BSS and PT BNS. The purpose of the visit by RSPO was 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.

June 2018



Proforest verification Phase 1 started. IOI has appointed Proforest to conduct verification on IOI's Sustainability Implementation Plan (SIP) and other commitments.

The SAP meeting on 24 June 2018 in Paris, France. Some of the issues discussed were on the progress update on IOI Pelita, RSPO's final field verification in Ketapang, suppliers compliance and SIP external verification.

April 2018



Second Management Sustainability Review meeting to discuss the progress and challenges in the implementation of IOI's sustainability commitments.

November 2017



The HCV 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.



IOI's Sustainable Palm Oil Policy (SPOP) was revised to include the Group's commitment towards MSPO certification.

A joint site visit to IOI-Pelita plantation and the local communities was conducted.



Finnwatch released a report titled "Working Conditions at IOI Group's Oil Palm Estates in Sabah, Malaysia". Generally, Finnwatch's response was positive, noting on the Group's continuous improvement on working conditions at its oil palm estates.

IOI, Grassroots and RSPO representatives conducted a socialisation session with each community individually to brief and consult them regarding the draft Resolution Plan in Miri, Sarawak.

June 2018



IOI employees attended the Sepilok Orangutan Outreach Conservation (SORC) Program that aimed to raise awareness on protected animal species

IOI visited the communities affected in May 2018 to update and to continue the dialogues with them on the IOI's progress with RSPO in finalising the draft resolution plan.

March 2018

September 2017



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

October 2017



IOI introduced revised policies on human rights at workplace.

International consultant BSR conducted a training and workshop session to address gaps in IOI's labour practices.

First Management Sustainability Review meeting organised to review the implementation of IOI's sustainability commitments.

August 2017



IOI launches the Sustainability Advisory Panel (SAP).

The Group began the implementation of its "Passport Safekeeping Guideline".

SUSTAINABILITY & CORPORATE RESPONSIBILITY

SUSTAINABILITY AT IOI

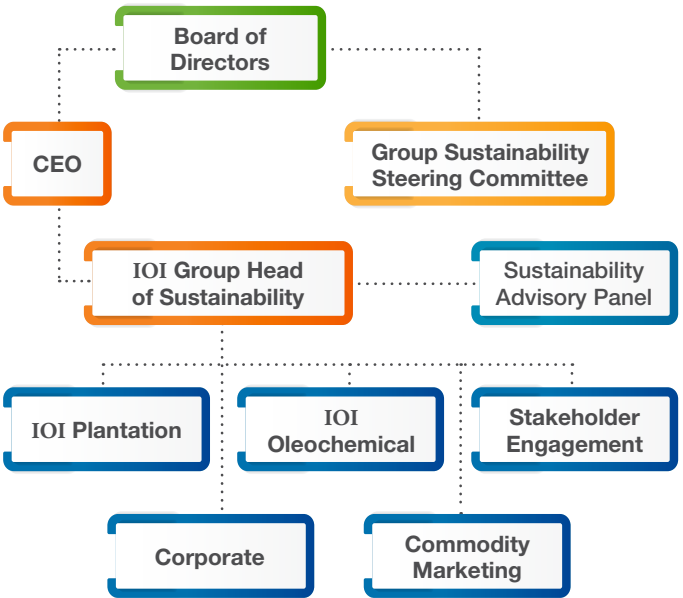
IOI is committed to fully integrating sustainability into its core businesses. The Group believe that by attaining balance between development and conservation, it is better able to safeguard the wellbeing of the communities, protection of the environment, and prosperity of stakeholders. During the past year, IOI had been diligently improving upon its sustainability policies and tackling key concern areas such as human rights, climate change, and land use. The Group's revised SPOP and SIP have played vital roles in helping to address these key concerns.

IOI aims to not only integrate sustainable approaches into the core businesses and operations, it also strive to be the sustainability benchmark for other plantation companies. The Group believe this is evident from the industry-leading initiatives which it has embedded into the SPOP and SIP.

MANAGEMENT AND GOVERNANCE STRUCTURE

To progress and respond to future challenges, the Group have developed and continuously improve upon a systemic approach to sustainability which is cascaded through its Sustainability Governance structure. Sustainability Governance at IOI comprises Board of Directors, Group Sustainability Steering Committee, Sustainability Team, and an external Sustainability Advisory Panel.

Figure 1: Sustainability Governance Structure



Sustainability Vision

We believe we should meet the needs of the present without compromising that of the future generations by:

- Committing to protect, rehabilitate and preserve the environment where we live in.
- Ensuring that the economic, social wellbeing and health of our employees and families as well as the wider communities are protected.
- Leading and innovating as well as embedding corporate sustainability as part of doing our business.

Roles of each team in the sustainability governance structure

Team	Role
Board of Directors	Approves and monitors the overall strategies and direction of the Group to ensure long-term value creation.
Group Sustainability Steering Committee	Ensures that IOI embeds all its sustainability commitments within the economic, environmental, and social considerations underpinning the Group's operations.
Sustainability Team	Promote transparent and effective implementation of the Group's sustainability policies. The team is led by IOI Group Head of Sustainability and comprises of IOI Plantation, IOI Oleochemical, Corporate, Stakeholder Engagement, and Commodity Marketing.
Sustainability Advisory Panel	Advice, review and challenge the Group on its sustainability commitments and ambitions, as set out in the SPOP and SIP. This panel is comprised of external stakeholders who have access to all relevant data and documentation.

SUSTAINABLE PALM OIL POLICY

Published in August 2016, IOI's Sustainable Palm Oil Policy (SPOP) serves as the focal guiding document for the Group's sustainability practices. The SPOP has since been updated in February 2017 to include the Annex on implementation of policy commitment by third-party suppliers as well as the Group's commitment in applying the newly revised High Carbon Stock Approach (HCSA) methodology and its associated social requirements.

In addition, IOI has made further enhanced commitments in the area of Human Rights at Workplace. (For more details, please refer to *Human Rights at Workplace* section in this report).

The provisions in the SPOP apply to all IOI's operations worldwide, including the subsidiary companies, joint ventures and companies in which it has management control.

New commitments published in the latest SPOP in March 2018 include ensuring that all of IOI's Malaysian plantations are Malaysian Sustainable Palm Oil (MSPO) certified by the end of 2018.

The development of SPOP is based upon the following core principles:

- To comply with all applicable legislation and codes of practice.
- To implement leading sustainability standards laid out in the policy for environmental management, human rights and workplace conditions, community development and social impact.
- To build traceable supply chains such that all suppliers are also in compliance with our commitments as contained in our Sustainability Policy on Environmental Management, Human Rights and Workplace as well as Community Development and Social Impact.
- To strive for the highest levels of transparency and stakeholder engagement.

Moving forward, in consultation with the stakeholders, IOI will review, adjust and improve its policy and implementation. Any update on the SPOP will be announced on the Group's website. The most up-to-date SPOP is available for download on IOI's website.

EXTERNAL VERIFICATION ON SIP

IOI has appointed Proforest, a non-profit organisation with substantial experience in the palm oil sector and a track record in second-party verification, to undertake an external verification of the implementation of IOI's Sustainable Palm Oil Policy (SPOP) and its related documents and commitments.

This verification will assess IOI's level of compliance against its public policy commitments, including SPOP, SIP and additional public commitments announced by IOI in April 2017.

The scope of the verification will mainly be on the Group's palm oil operations, including plantations and crude palm oil (CPO) mills, processing facilities and global third-party supplier. The verification process will be performed

through a combination of external and internal stakeholders consultation, desk-based analysis and fieldwork. The verification process has commenced since May 2018, and a full report will be publicly available in the Q3 2018.

Statement from Neil Judd, Proforest Co-founder, and Director:

"Proforest is pleased to be undertaking this important assessment of IOI Group. Numerous companies have made deforestation commitments but few have externally verified the implementation of those commitments. Proforest's extensive experience in the sector, and in verification at various levels, positions us well to undertake this work, but consultation with stakeholders will be a critical element of the process".

Sustainability Implementation Plan (SIP)

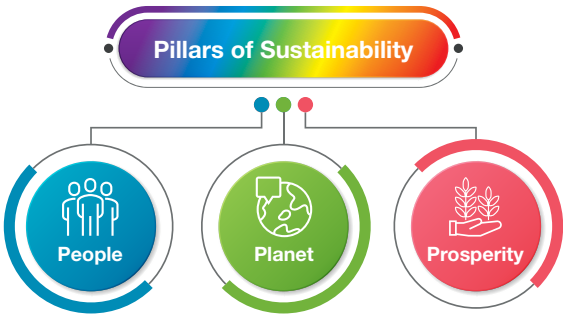
The SIP is a practical working document that details the progress of IOI's sustainability commitments as stated in the SPOP. The SIP details the activities, milestones, and timelines for each subject area outlined in the SPOP. The SIP is updated quarterly to reflect IOI's current progress and add in new activities or commitments as part of IOI's ongoing sustainable journey.

Moving forward, IOI is going to update the SIP bi-annually in 2019 with a well-defined milestones and targets. The current document and previous SIP documents will be archived and will still be publicly available in IOI's website in the future.

CONTRIBUTION TO UN SDGs

INTRODUCTION

As a company with global operations, IOI recognises the importance of its role in this global initiative. As such, the Group identified four UN SDGs with their specific targets that are most relevant to its business and are in alignment with the pillars of sustainability and SPOP.



The identified SDGs are as follows:

SDG 8: Decent Work & Economic Growth

- 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading, and innovation, including through a focus on high-value added and labour-intensive sectors.
- 8.8 Protect labour rights and promote safe and secure working environments of all workers including migrant workers, particularly women migrant, and those in precarious employment.

SDG 12: Responsible Consumption & Production

- 12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment.
- 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

CONCLUSION

IOI will continue to challenge ourselves on our sustainability journey. We will do so by further strengthening and expanding the targets found within the chosen SDGs (UN SDGs 8, 12, 13 and 15) and to weave them into our sustainable strategy and model. We will also continue to seek our stakeholder's concerns regarding the implementation of new sustainable related initiatives in order to meet the 3Ps (People, Planet and Prosperity) of sustainable development.

PRIORITY SDGS



People

Our People philosophy can be seen through our efforts in human rights at workplace, health and safety and community development & social impact.

Issues	Commitments	
Human rights at workplace	<ul style="list-style-type: none">No child labourEthical recruitmentNo recruitment feeEqual opportunity & freedom of association	<ul style="list-style-type: none">Orientation and induction trainingGrievance mechanismCompensation and benefitsLabour rights monitoring
Health and safety	<ul style="list-style-type: none">Medical clinics and health programmesPersonal Protection Equipment (PPE)Joint Management/Employee Health and Safety Committee	<ul style="list-style-type: none">Health and safety reviewThe right to refuse unsafe workPeriodic inspections
Community development and social impact	<ul style="list-style-type: none">Contributions towards educationContributions towards community welfare	<ul style="list-style-type: none">Investments towards health and the environmentFree, Prior and Informed Consent (FPIC) process



ALIGNMENT WITH THE UN SDG

SDG 8: Targets 8.8 and 8.2

Policies	Targets	Status (FY2018)
Labour Rights Monitoring Eliminate all forms of illegal, forced, bonded, and compulsory or child labour and in particular, follow responsible recruitment practice	Develop internal monitoring system and commence internal audits	In progress
Human Rights at Workplace <ul style="list-style-type: none">Uphold the right to freedom of association and recognise the right to collective bargaining and allow trade unions to have access to our workersProvide fair and equal employment opportunities for all employees, regardless of race, nationality, religion or gender. Promote a safe and healthy working environment that is free of sexual harassmentProvide adequate material and resources for the training and development of employees to ensure they reach their full potential	No retention of workers' passports Training and development of employees, including the preparation of adequate training material	Completed Continuously ongoing



Planet

Our Planet philosophy can be seen through our efforts in land use plan, rehabilitation and biodiversity, fire prevention, operation eco-efficiency and climate strategy.

Issues	Commitments	
Rehabilitation and biodiversity	<ul style="list-style-type: none">Biodiversity protection and enhancementHigh Conservation Value (HCV) and High Carbon Stock (HCS)Peatland management and rehabilitation	<ul style="list-style-type: none">Integrated Pest ManagementConservation and rehabilitationBiodiversity conservation initiatives
Fire prevention	<ul style="list-style-type: none">Emergency Response Program	<ul style="list-style-type: none">Fire Monitoring System
Operational eco-efficiency	<ul style="list-style-type: none">GHGs emission reductionSustainable pesticide use	<ul style="list-style-type: none">Waste & water management
Climate strategy	<ul style="list-style-type: none">No developments on peatSustainable cultivation and processingGreen energy	<ul style="list-style-type: none">Methane capture facilitiesEngagement and advocacy

OUR PRIORITY UN SDGs



ALIGNMENT WITH THE UN SDGs

SDGs 13 & 15: Targets 13.1, 13.2, 15.1 and 15.2



Policies	Targets	Status (FY2018)
Rehabilitation and biodiversity As a member of the High Carbon Stocks Approach (HCSA), IOI commits to no deforestation, no planting on peat and no exploitation (NDPE)	Introduce Zero Burning Policy to further strengthen commitments towards zero burning practices across IOI's estates, as part of our efforts in proactively protecting the environment and combating haze problem	Policy established, implementation to be continuously ongoing
Peatland mapping For existing plantations on peat, appropriate management using Best Management Practices (BMPs), as defined in the RSPO P&C and the RSPO manual on BMPs for existing oil palm cultivation on peat. Where areas are identified as unsuitable for oil palm replanting, based on drainability assessments or other reasons, plans will be developed for the appropriate management of such areas, which could include rehabilitation	Drainability assessments of peatland prior to any proposed replanting and modified management of peatland, if not replanted (one year prior to scheduled replanting)	General mapping completed, specific mapping ongoing
GHGs reduction Implementation of programs to progressively reduce GHGs emissions, recycle/reuse palm biomass and generate renewable energy by methane capturing	Develop a transparent GHGs reduction strategy for IOI including clear saving targets	In progress
Fire Prevention Emergency Response Program (ERP)	Full systematic implementation in Indonesia	Full systematic implementation in place, monitoring to be continuously ongoing
Establishment of Fire Monitoring System <ul style="list-style-type: none">Fire alert information systemFire towers & dronesPatrolling	Full systematic implementation in Indonesia	Full systematic implementation in place, monitoring to be continuously ongoing
Training programs on fire emergency & simulation (prevention and control) to respond to the fire occurrences	Full systematic implementation in Indonesia	Continuously ongoing
Socialisation, dialogue and awareness program in forest and land fire prevention to encourage the participation of relevant stakeholders, eg. communities, neighbouring companies, etc	Full systematic implementation in Indonesia	Continuously ongoing



Prosperity

Our Prosperity philosophy can be seen through our efforts in corporate governance, stakeholder engagement, sustainability certifications and traceable supply chain.

Issues	Commitments	
Corporate governance	<ul style="list-style-type: none">Corporate responsibilityAnti-corruption	<ul style="list-style-type: none">Grievance and Whistleblowing PolicyRisk management
Sustainability certifications	<ul style="list-style-type: none">RSPO certificationRSPO NEXT certification	<ul style="list-style-type: none">Malaysian Sustainable Palm Oil (MSPO) certificationISCC
Traceable supply chain	<ul style="list-style-type: none">Supply chainResponsible sourcing	<ul style="list-style-type: none">Smallholders
Human rights at workplace	<ul style="list-style-type: none">Robust grievance mechanismNo recruitment fee	<ul style="list-style-type: none">Compensation and benefit



ALIGNMENT WITH THE UN SDGs

SDGs 8 & 12: Targets 8.2, 8.8, 12.4 and 12.6



Policies	Targets	Status (FY2018)
Risk assessment Risk assess all palm oil supplier mills using spatial data and remote sensing information from the World Resource Institute's (WRI) Global Forest Watch (GFW) platform, and stakeholder alerts. In order to facilitate monitoring of the palm oil supply chain to establish priorities for conducting mill-level verification assessments	Weekly internal mill alert system	Completed
Mill Verification and Monitoring IOI is implementing a program of mill-level verification assessments within its supplier base, in order to verify compliance with the SPOP. IOI expect all its third-party suppliers of palm oil products to adhere to commitments in the SPOP	Risk assess all mill every 2 years. Minimum 10 new mill assessments a year with implementation partner	Continuously ongoing
Sustainability Advisory Panel (SAP) Follow a multi-stakeholder approach as the right way forward to transform the palm oil sector. IOI will work with various stakeholders including suppliers, customers, non-governmental organisations (NGOs), governments and independent verification bodies to implement our policies	Independent verification of IOI's sustainability commitments	Continuously ongoing
Sustainability Public Reporting Launching a public reporting system (company dashboard) to communicate traceability information, progress on resolution of outstanding complaints and updates on supplier engagement and verification	Online information update to improve navigation and accessibility to the mass public, including the update of the Palm Oil Dashboard	Continuously ongoing

Empowering People



to deliver a sustainable balance

At IOI, we believe that our people are the drivers of our vision. IOI commits to safeguard the welfare of its workers by creating a fair and safe working environment. Beyond this, we seek to empower our employees and their families, as well as the wider communities with education, training, and awareness for sustainable development.



PEOPLE



HUMAN RIGHTS AT WORKPLACE



Workers' quarters in Sandakan, Sabah.

OUR COMMITMENTS

Migrant workers are often subject to vulnerabilities and risks during recruitment and employment processes. Challenges faced by them include high recruitment fees, deceptive information on job scopes and functions, passport retention, discrimination and violation of human rights, as well as ineffective grievance mechanisms.

IOI has been tackling these issues by committing to respect and uphold the rights of all its workers in accordance with the Universal Declaration of Human Rights, the International Labour Organisation's Core Conventions, United Nations Guiding Principles on Business and Human Rights and the Principles of Free and Fair Labour in Palm Oil Production. The Group is also committed to an open, transparent, and collaborative approach to resolving its workers' and stakeholders' grievances.



Children at one of IOI's HUMANA schools in Sabah.

OUR MANAGEMENT APPROACH

IOI have introduced three major policies on labour practices and human rights. These policies are (i) Equal Opportunity Employment & Freedom of Association Policy, (ii) Minimum Wages & Leave Pay Policies in Malaysia, and (iii) Foreign Workers Recruitment Guideline & Procedures in Malaysia.

Among the key highlights and commitments made in these policies are no recruitment fee policy, no retention of workers' passports, paying the workers statutory minimum wage, freedom of association for the workers, robust grievance mechanisms and procedures, and no discrimination of workers and procedures for workers' recruitment process.

IOI strive to ensure that its workers are fully aware of their rights, and the Group's policies and benefits, by providing comprehensive orientation and induction training. Robust training and evaluation programs are also provided to build workers' job competency. The Group's management continuously monitor the workers' understanding of their rights. The monitoring of workers' pay is an important element in IOI's labour rights monitoring program. IOI will always ensure that the workers achieve the statutory minimum wage pay.

Implementation of the above policies is monitored via scheduled internal sustainability audits at all of IOI's operating units. Standardised audits are undertaken against the SIP and relevant policies. Any gaps and findings are reported to the higher management, and authorities if necessary, and addressed by respective operating unit's management team to ensure workers' rights are protected. Annual audit program consists of internal regional sustainability team audit, HQ sustainability team audit and external audit certification.

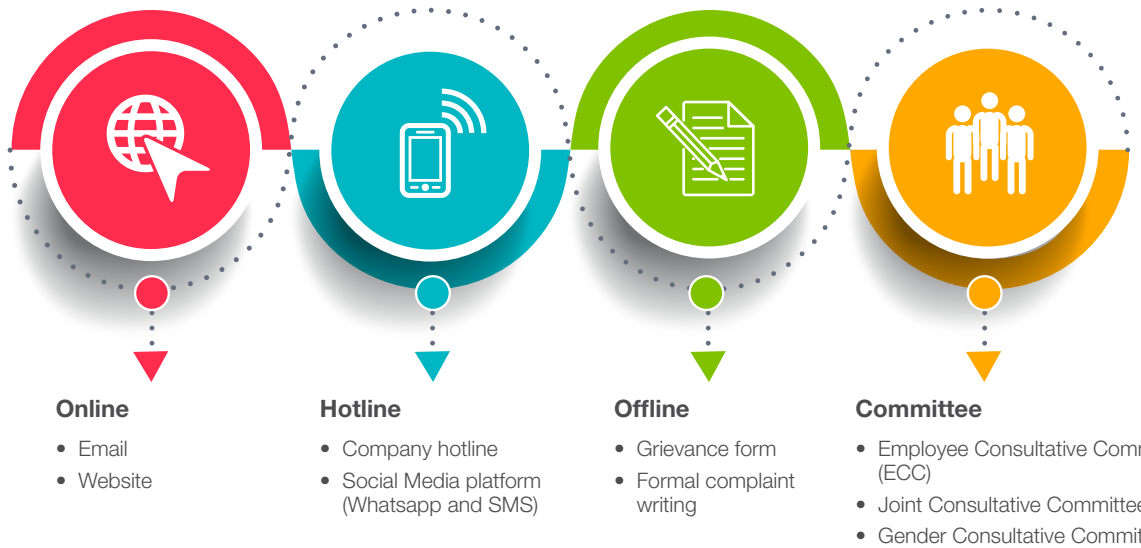
In line with the Group's SPOP, IOI's workers are provided with various channels to voice out their grievances and the management will then plan the investigation and address any grievances. The Group is committed to an open and transparent approach to resolve outstanding grievances with the involvement of affected stakeholders. IOI also has Gender Consultative Committee in place to address specific issues related to gender such as sexual harassment.

In June 2018, IOI introduced new "Policy on Harassment at Workplace" to further amplify its commitments in promoting a safe and healthy working environment. IOI views any form of harassment, including sexual harassment as a serious violation and against the Group's values and principles.

Employees development programs were implemented in all levels of the workforce. Internal and external trainings are conducted to enhance operational and working skills, reduce workplace risks, and adapting to ever changing business environment. The Coaching the Coach program was one of the programs implemented to cultivate a coaching culture for employees to deliver their best and be motivated at the workplace. Other trainings conducted during FY2018 including business model innovation program, senior management development program, human resource skills for non-human resource personnel, talks on smart parenting and workshop on Enterprise Risk Management (ERM) process.

All the policies on labour and human rights at workplace are available on IOI's website for public viewing.

GRIEVANCE CHANNELS (FOR INTERNAL STAKEHOLDERS)



OUR PERFORMANCE

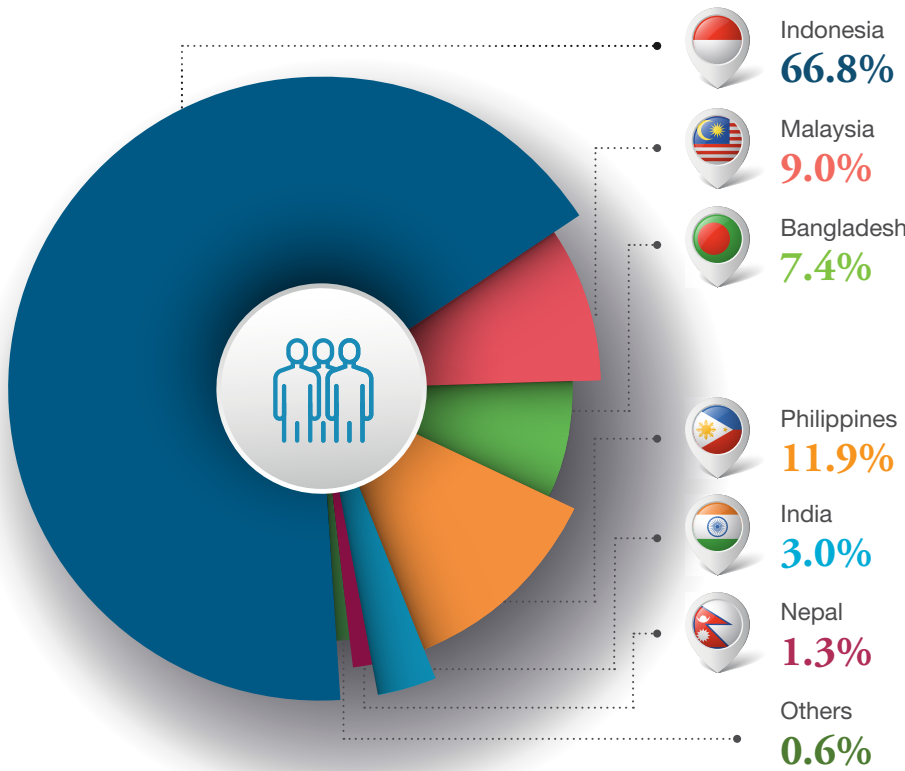


Employee's performance and career development review were done annually.

Labour assessment by Finnwatch

Finnwatch conducted an assessment of working conditions at IOI's oil palm estates in Sabah, Malaysia, which produces 67% of IOI's palm oil and employs 75% of IOI's total estate workers. In December 2017, Finnwatch undertook field research in three IOI estates (Moynod, Luangmanis, and Baturong) and discovered no blatant human rights violations. The 30 interviewed workers were largely satisfied with their salaries as well as their working and living conditions (every worker has their own house where they can live with their family).

Demography of Workers in IOI's Estates and Mills



Data is collected from each region in Malaysia's plantation (Lahad Datu, Sandakan and Peninsular Malaysia). For Indonesia, all of our estates workers are Indonesian.

Finnwatch reported groundbreaking progress in regards to the three new worker policies that IOI published after a long consultation process, including:

- Removal of restrictions on industrial action from employment contracts
- Increased salaries paid during probation to match minimum wages
- Increased training offered to workers
- Resolved issues related to recruitment fees
- All interviewed managers confirmed that the estates have given workers their passports back

HUMAN RIGHTS AND LABOUR PRACTICES AT IOI

No Child Labour

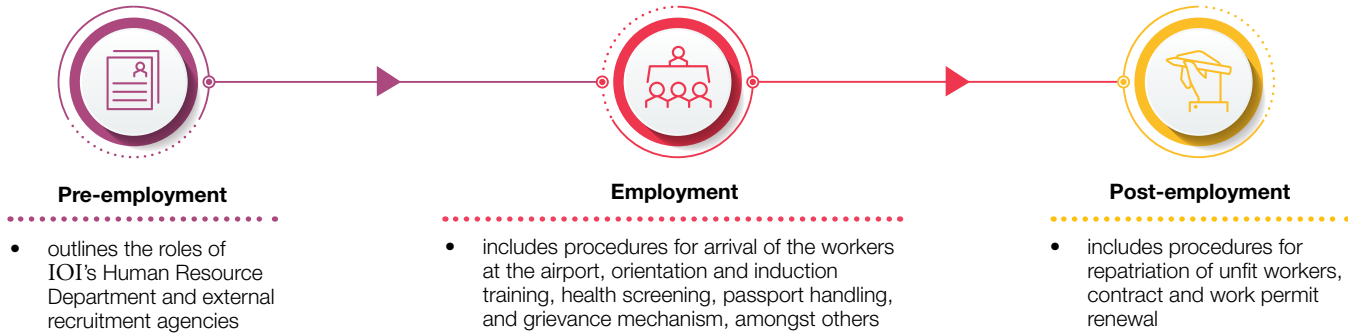
IOI upholds strict child labour restrictions in all operating units. IOI's Human Resource team follows a strict screening process during recruitment to ensure that no child labour are hired. Moreover, IOI field staff, assistant managers and supervisors frequently monitor operations to ensure that child labour is not present in estates. To ensure that children and minors are not involved in plantation operations and obtain a quality education, IOI have partnered with HUMANA to build schools for the children of workers. The Group is also taking initiatives to upgrade schools as well as to improve transportation and ease of access for the children in and around our estates to attend school.

Ethical Recruitment including No Recruitment Fee

IOI collaborated with several NGOs to develop a more comprehensive recruitment procedures for foreign workers which was published in October 2017. Foreign workers at IOI's plantations are generally recruited from Indonesia, the Philippines, India, Nepal, and Bangladesh. The "No Recruitment Fee" policy states that the Group will cover official recruitment fees for foreign workers.



Passport lockers for our workers in the estates.



Joint Consultative Committee meeting.

Equal Opportunity Employment & Freedom of Association

In October 2017, IOI published a revised version of Equal Opportunity Employment & Freedom of Association Policy which state that the workers will receive equal treatment based on their relevant merits and competency regardless of gender, race, caste, nationality, religion, age, physical condition, sexual orientation, marital status, union membership/affiliation/activity, employment status or political affiliation, etc. Any form of discrimination based on factors aforementioned is prohibited, and any union membership/activity will not lead to disciplinary measures or punitive actions. Moreover, as part of IOI's commitment to support the fair and equitable treatment of its workers, the Group will not refuse any genuine opportunity to collectively bargain with workers who want to do so.

Orientation and Induction Training

Orientation and induction training will be conducted by the Estate Manager or Assistant Manager, as well as estate's personnel in charge of Safety, Health, and Sustainability with assistance of an interpreter. Training material is currently available in English, Bahasa Malaysia and Bahasa Indonesia. The translation of the training material into other languages such as Bangladeshi and Tagalog is ongoing. IOI is also having "Train the Trainer" program where the senior workers are trained to provide briefing of the Group's policies and benefits to new workers.



Senior workers giving brief orientation to new workers.

Compensation and benefits

IOI is committed to paying all workers the statutory monthly minimum wage and overtime compensation in accordance with the current national labour regulations. Estate Managers take proactive measures to increase the workers' productivity, with target earnings of at least 20% more than the minimum wage for each worker during normal working hours.

No retention of workers' passport

The implementation of the Group's "Passport Safekeeping Guideline" commenced in August 2017. Currently, 100% of passports have been returned to the workers. The workers can access their passports freely and have them kept in a centralised locker provided by the Operating Centres.

Human capital development

Internal training initiatives are upgraded annually. Capacity building includes best practice training for agriculture, environmental management, peat management, health and safety, and fire prevention techniques. Trainings are generally delivered by the Training Department and Human Resource department throughout the Group's operations.

Case Study

Improving labour practices

In January 2017, IOI addressed labour issues by appointing an independent consultant BSR to assist the implementation of fair and proper labour practices in Malaysia. BSR conducted field visit to IOI's estates in Sabah in June 2017.

A report by BSR titled "Summary on Migrant Worker Management Assessment: Luangmanis Estate in Sabah" was published in October 2017. BSR highlighted areas where IOI has made good progress regarding migrant worker management practices in Sabah, and areas where further improvement is needed together with associated high-level recommendations. The report is also available on IOI's website.

Following the release of the report, BSR conducted a workshop with all relevant staff involved in labour related functions such as Sustainability team, estate managers, HR personnel, as well as several people from the senior management team. The workshop comprised of gap analysis, recommendations, as well as Q&A sessions to help all attendees understand labour issues and handle them better.

Apart from this initiative, IOI has engaged extensively with NGOs such as Finnwatch and RAN in crafting labour policies. Moving forward, IOI will continue to engage with relevant internal and external stakeholders in the implementation of its policies.



Representatives from BSR visiting one of IOI's mills in Sabah.



HEALTH AND SAFETY

OUR COMMITMENT

IOI place top priority on the health and safety of its employees and contractors, as well as visitors to facilities. The key health and safety commitments include:

- Reduce accidents, occupational diseases and occupational poisonings by at least 10% as compared to previous year;
- Ensure that an average of five man hours is allocated for each employee to undergo Occupational Safety and Health-related trainings in a year;
- Investigate and find causes of all accidents, near misses, dangerous occurrences, occupational diseases and occupational poisoning, and take appropriate measures to prevent the recurrence of such incidents;
- Ensure that every worker who is assigned to a new task or machine is provided with Safe Operating Procedures and on-job training before they are allowed to commence work on their own.



Safety training conducted for our employees from both mills and estates.



Workers demonstrating the correct way of wearing PPE.



OSH training in one of IOI's mills.

OUR MANAGEMENT APPROACH

A comprehensive Occupational Safety and Health (OSH) Policy which covers all aspects of IOI's business operations is in place. In line with the International Labour Organisation (ILO), the Group's OSH policy promotes best practices to ensure the health safety of the workers. It is embedded in the SPOP and is enforced by an OSH management system that meets world-class standards, particularly OHSAS 18001. Workers are also encouraged to voice their health and safety concerns via grievance channels available. Grievances are channeled to Safety and Health Committees, which comprises employees and management representatives.

Plantation Operations

IOI ensure that Good Agriculture Practices is carried out throughout its estates operation. To ensure that OSH at the plantation operation is adhered to, scheduled inspections are carried out for all workplaces, machinery, vehicles and equipment. IOI also provide Standard Operating Procedures (SOPs) for specific risk activities which including chemical storage, fertiliser and pesticide application, tractor handling, and the usage of proper Personal Protective Equipment (PPE), amongst others.

The Group's Plantation division constantly conducts trainings in estates and mills to educate its employees to improve their work operation and instill safety excellence culture. Trainings on OSH were conducted based on yearly training agenda. Programs were organised to enhance awareness on OSH, develop product knowledge, improve operational efficiency and effectiveness as well as to be updated of latest requirement and compliances.

Safety and Health Committee meetings at operating centres are conducted at least once every 3 months. In addition to this, management meetings are frequently held to resolve any OSH issue that may arise.

PEOPLE

Resource-based Manufacturing Facilities

To ensure cohesive and consistent implementation of the OSH policy at IOI's refineries and oleochemical manufacturing plants, safety audits are conducted regularly by employees and Head of Departments. The equipment are inspected at least once every quarter and calibrated annually to promote safe and eco-efficient operations. To further safeguard the health of the workers, health checks such as audiometric tests are conducted periodically.

IOI Oleochemical's (IOI Oleo) facilities are certified and accredited by globally recognised bodies in various aspects of quality and international standards compliance. On top of the ISO 9001, ISO 14001, OHSAS 18001 and ISO 50001 certifications, IOI Oleo's Penang and Johor sites have the Food Safety System Certification ("FSSC") 22000 on food safety management, and IOI Oleo's Witten, Germany site has the European Union-Good Manufacturing Practice ("EU-GMP") certified production for Active Pharmaceutical Ingredients ("API"). The Group's refinery manufacturing premises are ISO 9001/ISO 14001, OHSAS 18001 and HACCP/GMP accredited. IOI Oleo's Pasir Gudang refinery is also ISO 50001 certified.

External and internal training are provided to the workers to enhance OSH skills and awareness. Production staff are given daily briefings regarding general issues and job specific requirements. A Training Needs Analysis is conducted every six months to identify training and education programs. Week-long safety, health and environment campaigns are held annually to promote safety, health and environment awareness.

To encourage OSH transparency and dialogue, departments conduct monthly meetings to discuss topics pertaining to safety, health, job requirements, and welfare.

OUR PERFORMANCE

Plantation Segment	Resource-Based Manufacturing Segment	
IOI Plantation	Refinery	IOI Oleochemical
Injury Rate 1.2688 Per Million Hours	Injury Rate 2.1754 Per Million Hours	Injury Rate 12.4667 Per Million Hours
Lost Days Rate 3.0703 Per Million Hours	Lost Days Rate 26.3470 Per Million Hours	Lost Days Rate 47.4178 Per Million Hours
Occupational Disease Rate 0.0187 Per Million Hours	Occupational Disease Rate 2.1754 Per Million Hours	Occupational Disease Rate 0.00 Per Million Hours

AWARDS AND RECOGNITION

Responsible Care Recognition

IOI Oleo continues to lead with exemplary industry-leading responsible care practices as two of its subsidiaries were honoured yet again at the 14th Chemical Industries Council of Malaysia (CICM) Responsible Care Awards 2016/2017. IOI Pan-Century Oleochemicals Sdn Bhd (IOI Pan-Cen) and IOI Acidchem Sdn Bhd (IOI Acidchem) were honoured under the Responsible Care's Six Codes of Management Practices in Malaysia.

Prime Minister Hibiscus Award

IOI Pan-Cen has received a momentous recognition at the Prime Minister Hibiscus Award (PMHA) 2016/2017. IOI Pan-Cen bagged the award as a result of the top management's commitment in building a greener operational environment through various environmental programs including having collaborations with external research institutions such as the United Nations Industrial Development Organisation (UNIDO), initiating corporate social responsibility programs with local authorities and communities, involvement in green environmental projects like rain water harvesting, biogas capturing and utilisation, flue gas heat recovery, and efficient resource management through Energy Management System and Total Productive Maintenance.



Prime Minister's Hibiscus Award 2016/2017.



IOI Pan-Cen received recognition at the Prime Minister's Hibiscus Award (PMHA) 2016/2017 with "Exceptional Achievement".



IOI Oleo honoured with the 14th Chemical Industries Council of Malaysia (CICM) Responsible Care Awards 2016/2017.



COMMUNITY DEVELOPMENT AND SOCIAL IMPACT

OUR COMMITMENT

IOI strive to drive positive socio-economic impact and enhance the wellbeing of the communities in which it operates. Recognising the necessity of effective stakeholder consultation to truly make positive social impact, IOI is diligently increasing its efforts to actively engage with the communities surrounding its operations.

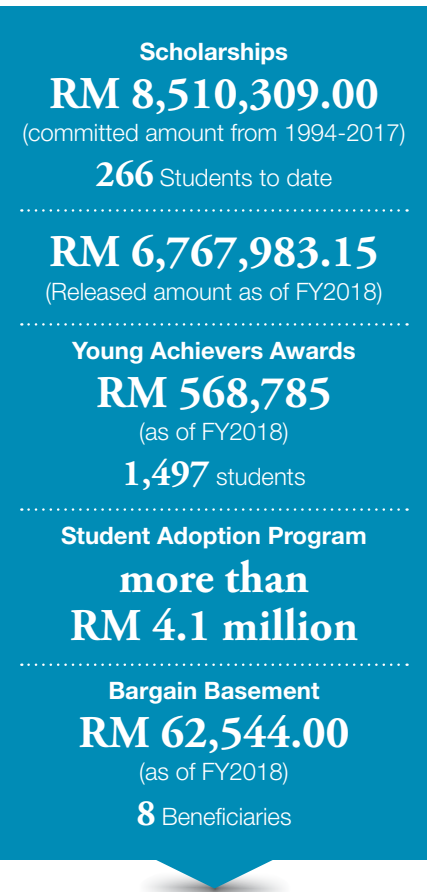
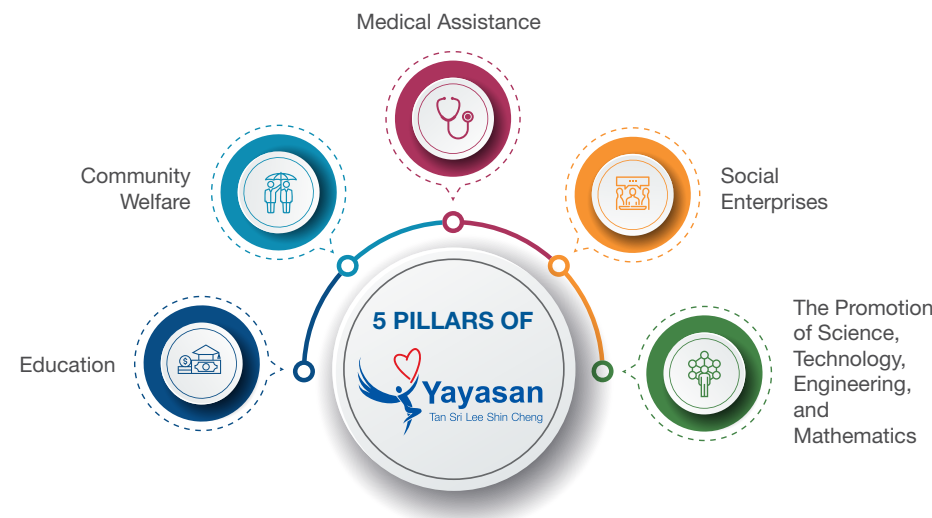
OUR MANAGEMENT APPROACH

At the core of IOI's community development and social impact approach is a respect for local communities to hold legal, communal or customary rights on any project that might affect their way of life or occurs in their territories. The Group follow a Free, Prior and Informed Consent (FPIC) process to ensure that such rights are upheld. An example of how IOI implement FPIC, and how active stakeholder engagement has fostered improved relationships between IOI and local communities is detailed in the IOI Pelita case study.

Other core approaches that safeguard the health and safety of the Group's local communities include eliminating all form of illegal, forced, bonded, compulsory or child labour; collaborative fire prevention initiatives; and upholding all other environmental and social commitments detailed throughout this report.

Going beyond ensuring that the rights, health, and safety of stakeholders are not impacted by its operations, IOI have been implementing a wide range of initiatives to enhance community wellbeing. The Group is actively engaging and assisting local communities through activities such as school field repairs, blood donation drives, road repairs and fencing, wildlife conservation, and hosting community building activities (e.g. game tournaments, family day, etc).

To further drive positive social impact, the Yayasan Tan Sri Lee Shin Cheng (Yayasan TSLSC) was established in 1994 under the patronage of IOI Group. Yayasan TSLSC serves as a platform to implement initiatives that fall under five pillars as follows:



OUR PERFORMANCE

Investments towards Health and the Environment

A total of 55 employees registered for a blood screening test on 25 September 2017 in another initiative by the Community Services Committee of IOI Oleo to boost employees' well-being. It was conducted by Clinipath (Malaysia) Sdn Bhd and the results were given to the employees on 6 October 2017 after a briefing on the readings, possible causes and corrective actions.



Penang Chief Minister YB Lim Guan Eng posing with attendees.

In September 2017, IOI Oleo collaborated with Seberang Perai Municipal Council (MPSP) and the Penang State Forestry Department to undertake a hiking and 'forest bathing' project. This entailed the repair of hiking amenities with the involvement of external parties such as the Penang Chief Minister, State Forestry Department, Village Heads, MPSP and general public.



Datin Joanne Wong, Executive Director of Yayasan TSLSC presenting mock cheque to selected homes.

In line with IOI Oleo's commitment to employee welfare, the Community Services Committee has initiated a flood relief aid to help employees who were affected by the recent devastating flood in Penang which damaged their homes and properties last December 2017. A total of 51 employees received cash aid ranging from RM700 to RM1,000 that was contributed by Yayasan TSLSC.

Celebrating Women's Day, a free health screening was organised by the Community Services Committee team in collaboration with the National Population and Family Development Board (LPPKN). Held at IOI Acidchem, the health screening received a good turnout of 60 attendees.

IOI through its Plantation Division had been providing health facility in where its operating. The facility is not only available for IOI employees, benefit of the facility is also being shared together with the surrounding communities. One of the examples is in Bukit Leelau, where free medical treatment is available for the indigenous people living nearby to where IOI operates.

IOI strive to promote environmental awareness through initiatives such as Sustainability Awareness Drives. These efforts have also been seen in the Group's operation in Sandakan, Sabah by the sustainability workshops organised by them.

PEOPLE

Scholarship Awards

Yayasan TSLSC places high importance on investing in human capital development. Scholarships and career opportunities have been presented to academically outstanding students and also to those who are pursuing their full-time undergraduate studies relating to the Group’s core businesses. To date, Yayasan TSLSC has awarded more than 260 students with more than RM8.5 million worth of scholarships.

Student Adoption Program

The Student Adoption Program was launched in 2008 by then Deputy Minister of Education, YB Datuk Seri Ir. Dr. Wee Ka Siong to provide underprivileged children with equal access to good basic education as a platform to a brighter future. The adopted students will receive financial assistance and school bags from Yayasan TSLSC until he or she completes his or her primary and/or secondary education. Since its inception, the Program has benefited more than 1,000 students from over 200 schools in Peninsular Malaysia and Sabah. To date, the program has funded more than RM4.1 million in the form of sponsorship.

Young Achievers’ Awards

The Young Achievers’ Awards (YAA) was introduced by Yayasan TSLSC in 1999 to motivate young students in striving for excellence in their education. Cash awards, plaques and certificates of achievement are handed out annually as a reward to students, in primary to upper secondary levels, having excelled academically, possessing high leadership qualities and are active in their extra-curricular activities. More than RM560,000 worth of cash prizes have been given to 1,497 young achievers since its inception.

Social Procurement Initiative

IOI is supporting social procurement through the Impact Driven Enterprise Accreditation (IDEA) platform to help generate growth from within the country and power a more people-centric economy. Officially launched on 5 September 2017, the IDEA platform, a brainchild of the Malaysian Global Innovation & Creativity Centre (MaGIC), allows IOI to scale to new heights by becoming part of a systemic change that drives the nation towards an inclusive economy. The platform also assists IOI to create positive social change and address community issues.

Partnership with HUMANA

IOI has partnered with Borneo Child Aid Society, Sabah (HUMANA) to provide basic education and financial aid to plantation workers’ children who are unable to enrol into national schools in Malaysia. IOI’s contribution has amounted to over RM1.5 million and to date, the Group has built 24 HUMANA learning centres in Sabah which has benefited about 3,035 children annually. Aside from bearing the operating cost of these centres and providing accommodation to its teachers, IOI also sponsored computers, projectors, sound systems, school bags, socks and stationeries to these learning centres and their students.



Tan Sri Lee Shin Cheng attending a Curriculum Day at SJKC Shin Cheng (Harcroft) which was fully funded and built by Yayasan TSLSC in 2007.



New school bags and stationeries are donated yearly to motivate school children under the Yayasan TSLSC’s Student Adoption Programme.



HUMANA Learning Centres at the plantations provide basic education to plantation workers’ children who are unable to enroll into national schools in Malaysia.

Bargain Basement

Bargain Basement is an innovative social enterprise, initiated and managed by Yayasan TSLSC to encourage the public to donate pre-loved or unused items which will then be sold at affordable prices. The net proceeds from the sale will then be channelled back to the community in need. Bargain Basement has been recognised as one of the 40 Impact Driven Enterprises under MaGIC since 5 September last year. The success of its first shop prompted the opening of a second branch at IOI Mall Puchong on 30 September 2017.

To date, Bargain Basement has contributed a total of RM62,544 to eight beneficiaries.

Community Outreach

Besides education and social investment programs, the Group also encouraged and provided ample opportunities to employees to volunteer their time and actively participate in various CR activities organised by Yayasan TSLSC. Some of the memorable activities included bringing cheer to residents at old folks’ homes and organising outdoor team-building sessions for children from orphanages. The Group’s numerous CSR efforts are highlighted in the *Corporate Responsibility* section.

Apart from the above initiatives, there have been much more social and community events that were done across IOI operations.

The Group had been communicating its initiatives and activities for employees and communities through its quarterly Berita IOI and Quarterly Sustainability Update.



Latest issues of Berita IOI are available in both hardcopy and softcopy (viewable on IOI’s website).

Case Study: Supporting medical research and treatment of genetic disease

Felix Theissen was born on 18 October 2017. Sadly, he suffered from cardiac fibrillation, weakness, and synopses for unknown reasons, and was brought to University Children’s Hospital of Münster in Germany under the care of Professor Marquardt, an expert on metabolic diseases.

After complete characterisation and sequencing of Felix’s genome, a specific genetic defect was identified which seriously affected the infant’s fat metabolism. Fat is essential for newborn babies.

However, Felix’s genetic defect (probability of occurrence is 1:1.37 billion) prevents him from metabolising the long-chain fatty acids from his mother’s milk. Felix is the world’s only second patient to be diagnosed with this genetic defect, and there is no treatment available yet as the first patient only lived a few days after birth.

A miracle occurred when Professor Marquardt’s search led him to IOI Oleo Germany’s MIGLYOL® 812N (MCT Oil in API quality).

Felix showed the first signs of recovery as his mitochondria were able to metabolise the MCT oil, and his system could source energy from the oil. Yet, long-term treatment with MIGLYOL® 812N was not viable as the metabolism caused acidosis in his body. Professor Marquardt’s next solution – a triglyceride with a shorter fatty acid chain length, i.e. a monoacid C6 triglyceride – led to its manufacturing in IOI Oleo Germany’s Witten plant as it is not commercially available.

Dr Sebastian Reyer and his team did a great job and swiftly produced a 99% pure C-6 triglyceride according to the active pharmaceutical ingredient (API) standards. Since Felix started on the treatment that was contributed by IOI Oleo Germany, he has responded well.

Nurturing our **Planet** through balanced development



While IOI rely on agriculture as an important economic resource and means of development, we are mindful that terrestrial ecosystems need to be conserved and protected. IOI is taking steps to mitigate risks to natural habitats and biodiversity by empowering our people with knowledge and resources to preserve, care and rehabilitate our environment where necessary.

Pygmy elephants wandering around IOI's conservation area in Sabah.





LAND USE PLAN

OUR COMMITMENTS

IOI have been diligently implementing policies to protect communities and the environment from the impacts associated with land use change. For the Group's existing plantations, it applies the sustainability commitments as detailed in the SPOP and other sections of this report.

In addition to fulfilling the existing plantation sustainability commitments as a member of the High Carbon Stock Approach (HCSA), the following are applicable to any new oil palm plantings by IOI and its third-party suppliers:

- No deforestation and protection of High Conservation Value (HCV) areas;
- No deforestation of High Carbon Stock (HCS) forests, using the revised HCS Approach; and
- No development of peatland regardless of depth, and protection of peatlands through water management and fire prevention.

IOI is also fully committed to respecting the land tenure rights of indigenous and local communities, including their right to give or withhold their Free, Prior and Informed Consent (FPIC) to operations on land over which they hold legal, communal or customary rights in accordance with the United Nations Declaration on the Rights on Indigenous Peoples (UNDRIP) and the social requirements for conserving HCS forests.



Rehabilitation area in IOI's concessions.

OUR MANAGEMENT APPROACH

Increasing Palm Oil Yield

As arable land in Malaysia is becoming scarce for the expansion of oil palm plantation, the industry can no longer rely on acreage expansion to raise production. The best way forward is to increase yield of the palms significantly.

Over the years, the clonal ramets produced by IOI Palm Biotech Centre had been planted progressively; with initially planted in smaller scale replicated clonal evaluation trials, before moving towards semi-commercial field planting, and subsequently, large scale commercial field planting. Millions of high yielding clonal palms has been produced and planted in various IOI's estates to date.

At any time, the palm in field trials in Peninsular Malaysia and Sabah are evaluated with detailed records being collected not only of fruit yield, but more importantly, oil-bearing characteristics and tree morphology, so that each new generation of seed is more efficient in converting solar energy into product i.e. oil, and the grower obtains a higher yield of oil per unit area area of land used.

Adapting to New Planting Procedure

The New Planting Procedure (NPP) requires IOI to publicly announce its expansion plans. Only after verification by the RSPO accredited certification body that the social and environment requirements have been met can the new planting operation commence.

Preparation work for NPP (such as Land Use Change Analyses, Environment Impact Assessment, Social Impact Assessment, High Conservation Value Assessment, High Carbon Stock Assessment and GHG Emission Assessment) was started back in 2015. Notification was placed on the RSPO website as part of the FPIC process.

This FPIC process provided an opportunity for local organisations, government authorities and communities to discuss with the company all related issues before the start of new operations. It also gave local communities a chance to participate in planning the land use for example to become part of the smallholder schemes.

Adapting to HCS Approach

The High Carbon Stock (HCS) Approach is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed. It puts No Deforestation into practice.

This Approach has been used for new development in PT KPAM, Indonesia.



Rehabilitation area in IOI's concessions.



Tractor loaded with FFBs in one of our estates.

IOI's concession in South Kalimantan that is currently managed by PT Kalimantan Prima Agro Mandiri (PT KPAM) is implementing the NPP, through the adaption of 6 management and monitoring plan as listed in the following:

- Partnership with local community to manage PT Sawit Nabati Agro Group (SNA Group) plantation sustainably is established.
- Sources of environmental pollution is reduced and managed sustainably.
- Status of rare, threatened, endangered (RTE) and endemic species is determined and conservation measures is in place.
- Key habitat and key important ecosystem is managed and conserved sustainably.
- Reduction plan for GHGs emission & carbon sequestration is managed sustainably;
- Landscape Management Committee is established to manage the HCVs (including potential corridors) at landscape level.

OUR PERFORMANCE

Clonal Oil Extraction Rates (OER) Evaluation Test

A series of clonal Oil Extraction Rates (OER) Evaluation tests were conducted at IOI's oil mill in Peninsular Malaysia over the period of 2010 to 2015. The result shows OER of more than 27% from fresh fruit bunch (FFB) crops derived from pure stands of clonal palms, compared to an average of 22% to 23% OER from FFB crops of palms derived from the conventional DxP seedlings, confirming the higher oil yield production capabilities of clonal palm. This resulted in increase of oil yield per hectare.

	FY2017	FY2018**
HCV Area (in ha)	4,735.79	5,232.72
Other Conservation Area (in ha)	2,932.29	9,235.75

** As reported in RSPO Annual Communications of Progress (ACOP) 2017

Area Statement

In hectares	2018
OIL PALM	
Mature	154,613
Immature	19,468
	174,081
RUBBER	
Mature	405
Immature	50
	455
Others	581
Total planted area*	175,117
Nursery	229
Estate under development	8,382
Building sites, labour lines, roads and others	33,601
Total area	217,329

Full statement of area statement can be found in Annual report 2018

* Excludes area owned by associate companies.

Number of Estates

90

Total Oil Palm Planted Area

174,081 ha

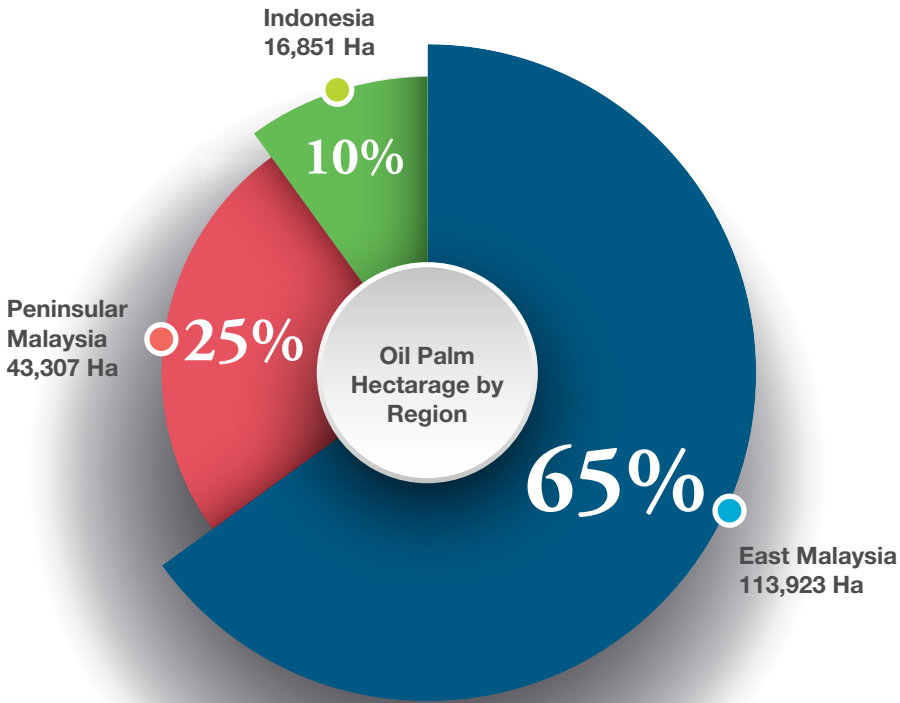
6,100 ha

Replanted in FY2018
using our own high-yielding materials

Replanting and new Planting
program target FY2019

7,500 - 9,000 ha
planting in Sabah

3,000 ha new planting in Indonesia



REHABILITATION AND BIODIVERSITY



Drone view of one of the buffer area in IOI's concessions in Indonesia.

OUR COMMITMENT

IOI is keenly aware of its important role in protecting, conserving and rehabilitating the ecosystems in and around its estates. IOI commit to strictly adhering to all relevant laws, RSPO, RSPO NEXT, MSPO, and ISCC certification principles regarding biodiversity protection and enhancement.

Biodiversity conservation commitments that have been integrated into the Group's SPOP include: no deforestation, protection of High Conservation Value (HCV), High Carbon Stock (HCS) and no new development on peatland.

OUR MANAGEMENT APPROACH

IOI, as one of the founding members of RSPO, is fully committed to safeguarding HCV sites within its concessions. IOI use HCV Resource Network (HCVRN) licensed assessors during the preparation of its New Planting Procedures and pre-development planning. Moreover, the Group's conducts yearly internal re-assessments of all existing HCV areas and initiate management and monitoring plans for its operations to ensure a systematic approach towards the conservation, maintenance and protection of these sites.

IOI's commitments to protect HCV areas and improve the ecological function of degraded HCVs are contained in site-specific Environmental Impact Assessments and associated Environmental Management Plans. The Group believe that significant collaboration is needed to promote biodiversity protection and enhancement. As such, IOI's management plans entail the creation of platforms to bring stakeholders (including local communities) together and assigning roles to successfully manage HCV areas.

Recognising the ecological importance of peatland, IOI is implementing strategies to rehabilitate the natural function of peat. Peat management strategies are site-specific given the various challenges that may exist depending on the location. Strategies generally include enhancing the capacity of local communities to prevent fire and rehabilitate peatlands. Moreover, IOI is working with RSPO Peatland to develop a standard vulnerability assessment study and best management practices for smallholders to enhance contributions to peatland protection.



Both photos above show that the planted tree species dominating the secondary vegetation.

OUR PERFORMANCE

Activities along FY2018

Malaysia

- Participated in Sepilok Orangutan Outreach Conservation (SORC) Program organised by Sabah Wildlife Department that aims to raise awareness on protected animal species, in conjunction with World Wildlife Day 2018.
- Consultation with external expert in HCV management and monitoring was carried out to discuss the HCV mitigation measures and monitoring program.
- Rescuing of orangutan in Syarimo 9 estate.
- HCV awareness training was conducted on several estates in Lahad Datu to highlight the protection of animals, plants and birds and to equip the workers with knowledge to identify species that need to be protected.
- Completion of soil drainability assessment and soil distribution study for FY2018.
- Establishment of the Mini Leelau Landscape Approach to manage peat, enhance fire prevention, and community development.

Indonesia

- Mapping the current peat distribution, types and properties in PT Bumi Sawit Sejahtera (PT BSS), PT Berkat Nabati Sejahtera (PT BNS) and PT Sukses Karya Sawit (PT SKS).
- 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 by Global Environmental Center (GEC) to SNA Group.
- Series of training on the Standard of Procedures (SOPs) for water management, forest plant seeds and rehabilitation conservation area were conducted across IOI's estates in SNA Group.
- Active monitoring is being continuously carried out by fire patrol team and Environment Team (Boundary Buffer Monitoring) in PT SKS' estates buffer boundaries (neighbouring to Hutan Lindung Cagar Alam, Kuala Kendawangan).
- Implementation of Integrated Management Plan for rehabilitation in PT BSS, PT BNS and PT SKS.
- All HCV areas in PT SKS, PT BNS and PT BSS demarcated on the ground, and their coordinates updated in the GIS map.
- Establishment of an arboretum park in an HCV area of PT BSS to foster ecotourism and community empowerment.

CASE STUDY

Ketapang Landscape Approach to Managing Peatland, Protecting Orangutan Habitat, and Preventing Fires

A landscape approach has been adapted to foster integrated peatland management and rehabilitation, orangutan habitat protection, and fire prevention in and around four IOI's plantations in Ketapang, West Kalimantan. The approach has been developed in association with affected stakeholders in Ketapang, which is replete with biodiversity-rich forest landscapes.

Peat Management

IOI have implemented a Peat Management strategy which focuses on the management, protection and rehabilitation of peatland at a landscape-level. This entails (i) monthly water-level monitoring which is submitted to relevant authorities, (ii) ground-truthing to verify peat status in the plantations landscapes, (iii) peat tree rehabilitation program, and (iv) monitoring and protection from fire and encroachment through a systematic patrol system.

Orangutan and Silver Langur Population Mapping

A preliminary survey has been conducted through a joint effort with Indonesia's Natural Resources Conservation Agency (BKSDA) to determine the orangutan population status at PT BSS' landscape near Gelinggang Lake. Some isolated orangutan were identified and may be translocated to more viable orangutan population habitat within the plantation landscape. Silver Langur were also made observed and their population distribution will be mapped within the planation landscape.

Stakeholder Collaboration

In collaboration with the BKSDA, local police and armed forces, IOI have organised an awareness program to highlight the presence of HCV areas and orangutan in nearby forests as well as the importance of the fire prevention and control program. The Group also conducted joint patrol programs with the police and armed forces in the areas around Gelinggang lake that is prone to encroachment and illegal hunting. IOI is currently developing fire prevention partnership programs with local communities, NGOs and other stakeholders in line with the FPIC process.

Rehabilitation Progress

The progress of IOI's tree planting and rehabilitation activities in the peat areas are progressing well. Approximately 70% of the trees planted in early 2017 are still surviving and most have already begun flowering. Orangutan nests have also been spotted in the HCV areas, and are suspected to have migrated from the nearby Cagar Alam forest.

MOVING FORWARD

IOI plan to plant various tree species in the rehabilitation areas, aligned with its tree planting SOP, and conduct mortality monitoring training to launch a monitoring program this upcoming year. The output of this program is being documented as part of IOI's learning platform to enhance biodiversity conservation in the plantation ecosystems.



Silver Langur (Lutung Kelabu) is sighted in one of our HCV area.



One of the local tree species that is consumed by the orangutan.



Trees that we have planted, just started to flowering after less than 18 months.



FIRE PREVENTION

OUR COMMITMENT: ZERO BURNING

IOI acknowledge that the impacts of fires can be catastrophic to communities and biodiversity, and may pose significant long term commercial risks. In May 2018, IOI further amplifies its no burning commitment stated in the Group's SPOP by introducing "Zero Burning Policy". The Policy forbids any open burning across IOI's concessions, unless under absolutely necessary circumstances, through ways permitted by local laws and guidelines.

OUR MANAGEMENT APPROACH

Emergency Response Program

IOI have established fire management teams across its plantations and concessions to provide immediate response to fire occurrences. To ensure the effectiveness of its fire management team, IOI provide a full range of equipment, in-house annual training on fire prevention techniques and safety guidelines as detailed in its Standard Operating Procedures of Emergency Response Program.

Fire Monitoring System

Fire Alert Information Systems have been implemented in IOI's plantations to provide the Fire Prevention and Control team with real-time monitoring. Once an alert is received by the team, they will communicate with nearby communities and work together to control and extinguish the fire.

Peatland Fire Risk Management

IOI recognise that peatland management is an important factor in mitigating fire risk. The Group's peatland fire management plan monitor and prevent the peat areas from fire and encroachment through systematic patrol system.

The plan include fire patrolling using UAV, constructing fire towers, and working closely with the adjacent stakeholders and local fire brigades. Fire hotspots are received and monitored via IOI Fire Alert Information System. Additionally, IOI is working closely with NGOs and local authorities in conducting awareness and fire prevention training sessions throughout the estates and local communities.

Capacity building

Building capacity and raising awareness either for our internal or external stakeholders is crucial to ensure successful implementation of our fire management plan. IOI's internal training on fire prevention and management were conducted across all our estates. IOI reported training and fire program in its quarterly update. Additionally, IOI also provided training and awareness program for the local community as part of our effort for a more efficient and comprehensive fire protection well as to help in mitigating fire risk at landscape level.



One of the fire towers in IOI's concessions in Indonesia.

Training Programs on Fire Emergency & Simulation (Prevention and Control) to respond to the fire occurrences.

Socialisation, Dialogue and Awareness program in forest and land fire prevention to encourage the participation of relevant stakeholders, eg. communities, neighboring companies, etc.



Fire-Free Alliance

The Government of Indonesia has intensified efforts to protect the environment by strengthening the country's fire-fighting response and its prevention. Supporting the Government's leadership on fire prevention is a voluntary multi-stakeholder group called Fire-Free Alliance (FFA) of which IOI is a member since 15 March 2017.

IOI's Fire Prevention and Monitoring Program

As a member of FFA, IOI's efforts include the following four key strategies:



OUR PERFORMANCE

In 2018, IOI reached its target to fully implement Fire Monitoring System and Emergency Response Program in all of the estates in Indonesia.

In Kalimantan, the Group collaborated with 6 companies and 3 villages in fire prevention and control programme for year 2017. With the support and involvement of relevant government authorities in its landscape in Kecamatan Kendawangan, IOI believe that it is able to establish strong partnership with one of the key communities and at the same time identify potential livelihood programme for them. IOI will attempt to develop partnership with at least 7 villages in order to raise awareness and empower the local community for them to be part of the fire prevention program in the near future.

IOI has organised Fire Awareness Training (FAT) for 60 people in 2017 through Manggala Agni (forest fire team) Pontianak to improve the fire prevention and patrolling program in its concessions. Another 2 awareness programs were organised this year, supported by BKSDA and POLHUT (Forest Ranger) in Desa Dusun Air Hitam and Desa Jambi.



IOI Fire Prevention and Control Team's effort in putting out the fire.



Fire spotted from aerial monitoring outside IOI's concession.

In 2018, a socialisation on fire prevention and fire-fighting techniques was carried out to the surrounding communities in PT SKS, together with Indonesia POLHUT and BKSDA. Further similar initiative between IOI and Manggala Agni was carried out with the communities around Cagar Alam, Muara Kendawangan. In addition, IOI also had a meeting with Manggala Agni in May 2018 to discuss plans for more fire prevention training programs for 2018 and innovation in fire prevention.

In Sabah, Malaysia, IOI is integrating the Forest Fire Management Plan (developed by Sabah Forestry Department-SFD) with its Fire Alert Information System, in order to strengthen the rapid response procedure on forest fire. SFD expected that there were signs of the El Nino phenomenon again in 2018-2019, which will lead to the hot weather and prolonged drought. A series of training on forest fire-fighting and prevention was conducted in Sabah by the SFD. The objectives of the training were to enhance knowledge and awareness on dealing with forest fire and enforcement on fire prevention in forest reserves including preventing fire outbreak in peat area from happening.

Previous severe forest fires that have been experienced in 1997-1998 which destroyed more than 130,000 ha of permanent forest reserve. IOI has taken the prevention measures to ensure that there is zero incident of fire in the plantations by implementing "Zero Burning Policy" recently.

Moving forward, IOI aim to further communicate and engage with communities adjacent to its estates. IOI will continuously seek collaborations and cooperation with relevant parties in developing and implementing landscape approaches that can contribute to effective fire prevention and mitigation, especially in peatlands and high-biodiversity areas, to ensure sustainable use of terrestrial ecosystems.

In Kalimantan, IOI plans to expand the fire awareness and prevention program into other four different *desa* (villages) in order to ensure the villagers who are living in and around the Group's estates are aware on the need to prevent any incident of forest and land fire from happening. Currently, IOI is in the process of evaluating the opportunities so that it is able to develop partnership program related to fire prevention with communities, NGOs and other stakeholders. In year 2019, IOI is planning to carry out more initiatives in order to enhance the fire prevention strategies and program, through the establishment of partnership agreement with the communities.



Photo shows part of local orang asli community that will receive the benefits from IOI's fire prevention program.

Mini Leelau Landscape Approach to manage Peat, Fire Prevention and Community Development

IOI has initiated a fire prevention and control program in one of its estates in Peninsular Malaysia. The program is a collaboration program, supported by NGO and working closely with the government and the nearby local orang asli community.

The program aims to (i) assess the status of peatland area that is affected by previous fire incidents (ii) bring relevant stakeholders together to support the community development in the pilot project, (iii) provide platform to empower the orang asli community in fire prevention and rehabilitating the degraded peatland areas due to previous fire incidents, and indirectly provide alternative livelihood options for a better living environment.



Photo above shows IOI's Sustainability team and local NGO, visiting the orang asli area.

OPERATIONAL ECO-EFFICIENCY

IOI endeavour to achieve sustainable consumption and production in line with the UN SDG 12 targets. As such, the Group is implementing operational eco-efficiency strategies aimed at creating more product using fewer resources and generating less waste and pollution. This entails targeted reductions in the consumption of energy, water, and chemicals, as well as sustainable waste management in IOI's operations.

GHGs EMISSIONS REDUCTION

Our Management Approach

IOI has adopted ISCC and RSPO PalmGHG methodologies to proactively monitor GHGs emissions and have taken practical steps to reduce GHGs emissions in its palm oil production.

Moreover, IOI Oleo has also established a group-wide energy policy in June 2018 that set short term targets and long term visionary goals for its direct operations. IOI Oleo is working towards full ISO 50001 energy management certification, currently 80% of the manufacturing sites are certified to ISO 50001 or the EU Eco-Management and Audit Scheme.

IOI is implementing several other GHGs reduction strategies, as discussed in more detail in *Climate Strategy* section, including: no developments on peat, sustainable cultivation and processing, green energy initiatives, methane capture facilities, and engagement and advocacy activities.

Our Performance

Total GHGs Emissions		
Plantation Segment	Resource-Based Manufacturing Segment	
IOI Plantation	Refinery	IOI Oleochemical
Total GHGs Emissions	Total GHGs Emissions	Total GHGs Emissions
54,307 MT CO ₂ e	65,494 MT CO ₂ e	242,415 MT CO ₂ e
Scope 1:	Scope 1:	Scope 1:
49,020 MT CO ₂ e	6,400 MT CO ₂ e	187,772 MT CO ₂ e
Scope 2:	Scope 2:	Scope 2:
5,287 MT CO ₂ e	59,094 MT CO ₂ e	54,643 MT CO ₂ e
IOI Oleochemical Total GHGs Emissions per MT product		
FY2016	FY2017	FY2018
Total GHGs Emissions per MT product	Total GHGs Emissions per MT product	Total GHGs Emissions per MT product
0.33 MT CO ₂ e	0.34 MT CO ₂ e	0.31 MT CO ₂ e
		Reduction of 9.6% from previous reporting year

SUSTAINABLE AGROCHEMICAL MANAGEMENT

Our Commitment

There are a variety of pests which threaten the productivity of the Group's oil palm plantations. IOI is continuously improving upon its sustainable pest control methods to alleviate pesticide dependency. However, pesticide is still needed to maintain high palm oil yields. To safeguard the health of its workers, surrounding local communities and the environment against the risks of pesticides, the Group is committed to no use of Paraquat and pesticides that are categorised by World Health Organisation as Class 1A or 1B.

Our Management Approach

Guided by the Group's agricultural policy and SPOR, IOI's Pest Management Team have been implementing Integrated Pest Management solutions to sustainably control pests. For example, IOI's plantations have introduced plant species that act as hosts for predators that feed on commonly encountered pests (i.e. bagworm and nettle caterpillar larvae). Barn owls are also used as a natural pest control measure.

The Group's in-house agronomists work closely with the plantation operation team in developing sustainable methods in controlling weeds and pests to keep crops disease-free. Effective fertiliser dosages are recommended as the research team bases their formulation based on carefully studied and published critical nutrient levels. Therefore, effects of oxygen depletion on water body is minimised.

One of the agronomic efforts emphasised on restoring the soil fertility in the Group's estates which could effectively reduce the needs for excessive usage of fertilisers while keeping the populations of pathogens under control. Area of research interests including studies pertaining to the health of soil microbes and the enhancement of beneficial microbe-palm relationship.

Ongoing training is provided to IOI's plantation workers to increase knowledge regarding pest life cycles, economic threshold levels, and the recommended pesticide use.

Pesticide/Herbicide	Function
Glyphosate	Herbicide to control weeds
Tetramethylthiumram disulfide	Herbicide to control general fungus
Propined (dithiocarbmate)	Herbicide to control general fungus
Glufosinate Ammonium	Herbicide to control soft grasses
Monosodium Methylarsonate	Herbicide to control grasses and broadleaf weeds
Diuron	Herbicide to control broadleaf and grass weeds
Adjuvant	Activator
O, O-diethyl o-e, 5,6-trichloro 2-pyridyl phophorothioate	Insecticide to control termites
[Cyano-(3-phonolxyphenyl) methyl]3-(2,2-dichloroethenyl)-2,2-dimethylcyclopropane-1-carboylate	Insecticide to control bagworm and aphids
Nitrogen, Phosphorus, Potassium + TE	Fertilser for seedlings
Phosphorus, TE	Fertiliser for all nursery stages

WASTE MANAGEMENT

Our Commitment

Palm oil waste management is often a challenge for the industry due to the large quantities of waste generated during production, however sustainable waste management solutions offer opportunities to boost eco-efficiency.

Our Management Approach

IOI apply sustainable waste management strategies to handle the large amount of biomass by-products generated during operations. Pruned fronds, old palm trunks and treated palm oil mill effluent (POME) are recycled back to the soil as natural fertilisers. Other forms of biomass such as fibres and empty fruit bunches (EFBs) are used as renewable energy source to generate steam and electriciry for mill processing. This green energy sustains up to 98% of the Group's mills' energy needs.

IOI Oleo which involves chemical plants employ eco-friendly processes to minimise waste and conserve resources. Their innovation in eco-themed products were also aim to lower impact on the environment.

Our Performance

In the Group's Sandakan refinery facility, the garbage was separated into 5 types: plastic, glass, metal, garbage with lubricant oil and others. On average, 970kg of paper is sent for recycling every year. Spent bleaching earth which is a waste of physical refining was sent to EcoOils for oil recovery which reused solid waste of 10,512 mt/year. In addition, IOI's biomass boiler utilises palm oil by-products such as EFB, kernel shell and mesocarp for steam production. Boiler ash is sold as fertiliser or used internally as fertiliser as the company maintains a green environment.

WATER MANAGEMENT

Our Commitment

Water is a key element in the Group's entire palm oil supply chain, from oil palm plantation to resource-based manufacturing. IOI recognise that maintaining good water quality is vital for safeguarding the health of the local communities in which operate. Hence, it is a top priority for IOI to minimise the risk of water contamination by its palm oil production to ensure a clean and healthy environment for all.

Our Management Approach

IOI safeguard this precious resource by enforcing a number of measures to maintain optimum water table levels. The Group analyse water quality and consumption every month to gauge the health of the river ecosystem and the quality of the water supply.

Biological oxygen demand (BOD) is an important water quality parameter, a low BOD level is typically an indicator of good water quality. Raw POME, a by-product of the Group mill activities, is highly acidic and has a high BOD level. POME is treated at the mill to bring its BOD level within the permissible level for land application. IOI have also adopted approaches such as the application of greentubes to remove solids from the POME, thereby reducing BOD levels.

Our Performance

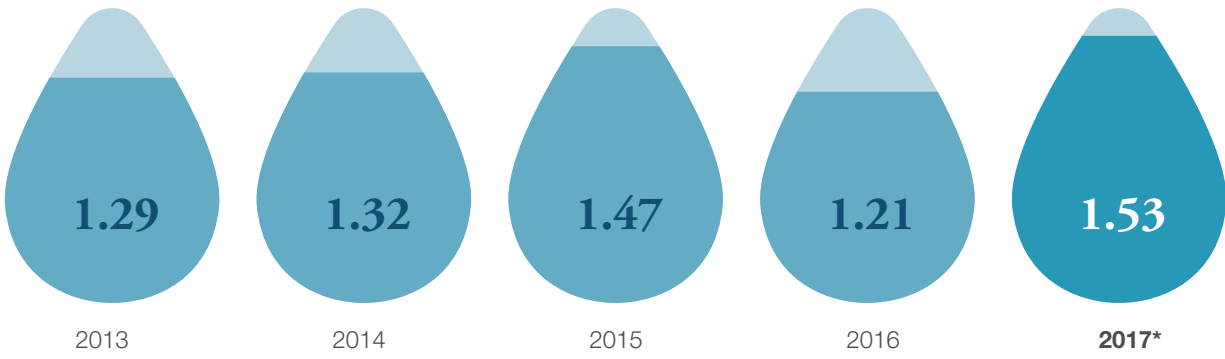
The BOD level of IOI's POME is within the acceptable limit as required by the Department of Environment.

In IOI Oleo, almost 10% of total water withdrawn are attributable to Effluent Treatment Plants (ETPs) in all Malaysia sites and it is anticipated that the increase in this aspect with more environmentally sound technologies such as further treatment of waste water to serve operational needs resulting in greater recycle volumes.

IOI Edible Oil in Sandakan recycled 90% of its withdrawn water for plant use. All waste water from the plants are sent to effluent plant to be treated. The treated water is used for the refinery plant vacuum system, plant cleaning and gardening. Reverse Osmosis (RO) reject water from water treatment plant has been sent to plant for CCT make up water and plant cleaning use. There is a total of 123,810 mt/year of effluent treated water and 37,822 mt/year of RO reject water being utilised, thus reducing the total consumption of raw water.

For plantation operations in SNA Group, more than 90% of water use was sourced from rainwater. The remaining was sourced from waste water.

Average water consumption per tonne for past 5 years in m³



* Among the factors for the increase of water usage is due to the increase of domestic water usage of estates and mills workers. This is because of increased number of workers that have resulted in the increase of housing facilities and amenities provided to them.



Water tank reserve for consumption of IOI's employees in estates.



CLIMATE STRATEGY

OUR COMMITMENTS

Climate change presents risks, as well as opportunities for us to take part in positive change. IOI's climate change responses are in the form of i) mitigation initiatives to reduce and curb greenhouse gases (GHGs) emissions, and ii) adaption initiatives to reduce the Group's vulnerability to the consequences of climate change.

OUR MANAGEMENT APPROACH

No Development on Peat

Recognising that a primary source of GHGs emissions is land use change, particularly the conversion of peatland, IOI is committed to no development of peatland as stated in the Group's SPOP. Specifically, no new developments are allowed on peatland regardless of depth (Malaysia) and below 50 cm (Indonesia). IOI is also committed to further protecting our peatlands through water management and fire prevention initiatives.

Sustainable Cultivation

Sustainable agronomic practices are implemented throughout the Group's operations from high-yielding oil palm clones, applying Best Management Practices in the plantation and implementation of NDPE policy. These are part of the Group's climate change mitigating efforts.

Focus in IOI's research including to increase productivity, adapting to climate change, improving the efficiency level of resource use while integrating the sustainability value within the Group's full value chain. High productivity improve land use efficiency and which increase energy efficiency and resulted in lower GHGs emissions. Further reading on IOI's effort in water and waste management can be found under section of *Operational Eco-efficiency* and on the high-yielding cloning can be found under section of *Innovation and Technology*.

OUR PERFORMANCE

Green Energy

98% of the Group's mills' energy needs are sourced from biomass (e.g., shells and EFBs) from plantation operations. Moreover, IOI have a 15 MW biomass co-gen power plant at refinery building in Sandakan, Sabah that uses kernel shells and EFBs from its own mills to satisfy almost all the steam and electricity requirements of the building.

IOI Oleochemical ("IOI Oleo") in Prai, Penang are embracing the concept of green energy by harnessing solar energy for electricity generation. Initiated in 2013, the solar panel system at IOI Oleo Prai generates more than 750,000 kWh of electricity annually.



Red Stake Marking is established on the ground as to prevent the area from any land clearing.

This translates to a savings of almost 450 MT of CO₂ a year, or the equivalent of planting 40,000 trees. Moving forward, IOI Oleo plans to supply solar renewable energy to offices in IOI Oleo Prai, with an estimated generation of 90-100kWh for air conditioning purposes.

IOI Oleo investment towards the installation of a 6.5 MW co-generation power plant in IOI Pan-Cen is expected to boost total energy efficiency to above 90%. In comparison, conventional power generation systems and other co-generation systems are capable of only 39% and 75-85% respectively. This green initiative is estimated to cut energy costs by at least 40% while significantly reducing emissions of harmful gasses such as CO₂, nitrogen and sulphur oxides.

Eco-productivity in Manufacturing

In August 2017, IOI Acidchem commissioned a low energy, high efficiency system in their facility comprising of hot water vapour absorption chiller, centralised chilled water system and thermal oil heater economisers. Implementation of the systems significantly reduced electricity consumption per ton of throughput of the packing plant by around 25%. The technological upgrades also resulted in a halt of ozone depleting refrigerants such as CFC and HCFC during cooling operations.

The Group's refinery facility had also carried out energy efficiency initiatives that reduces their energy consumption. Installation and modification of process system and devices had enabled the facility to perform efficiently and sustainably. One of the examples is in IOI Edible Oil facility in Sandakan. Though the initiatives, energy saving reach up to 68,500KWH monthly. The facility being among the first to use integrated unmanned weighing system in East Malaysia which enable faster unloading resulted in significantly reduced oil tanker receiving time on average by 24 minutes per oil tanker with total reduction of 6,355.2 hours/year of vehicle turnaround time in 2017. This improvement reduced air pollution and vehicle fuel consumption. Improvement made for hot water system in IOI refinery facility has tremendously reduced the steam consumption in Palm Kernel Dry Fractionation to 50% and thus decreasing the release of hot vapour to the environment. Currently the facility use biomass boiler to generate steam for refinery use which replaces the use of fossil fuel (diesel or MFO) to generate steam. Additionally, the construction of new biomass boiler for steam and power supply to refinery will further reduce use of electricity from utility board.

Methane Capture Facilities

Methane emission from the treatment of POME is a large contributor to the Group's total operational emissions. IOI has successfully commissioned two biogas plants in Pukin Palm Oil Mill, Johor and Ladang Sabah Mill, Sandakan to capture methane gas and mitigate GHGs emissions from POME. They are expected to contribute an estimated GHGs reduction of 120,000 MT of CO₂ per year. By 2018, the Group expect to commission two more biogas plants for a further reduction of 140,000 MT of CO₂ per year.

Engagement and Advocacy

IOI's operations and quality assurance teams are in constant collaboration with external researchers and consultants to explore alternative and innovative means to reduce GHG emissions.

IOI Oleo has been coordinating with the United Nations Industrial Development Organisation (UNIDO) to deliver energy saving programs. IOI Oleo has also participated in the Carbon Disclosure Project (CDP) climate change module and supply chain climate change questionnaire which drives the companies to measure and disclose the carbon footprint data. Beginning with reporting, we are now on the track to integrating CDP as part of our performance indicators to enhance our energy management, with aims to reduce the greenhouse gas (GHG) emission and mitigate climate change risk.



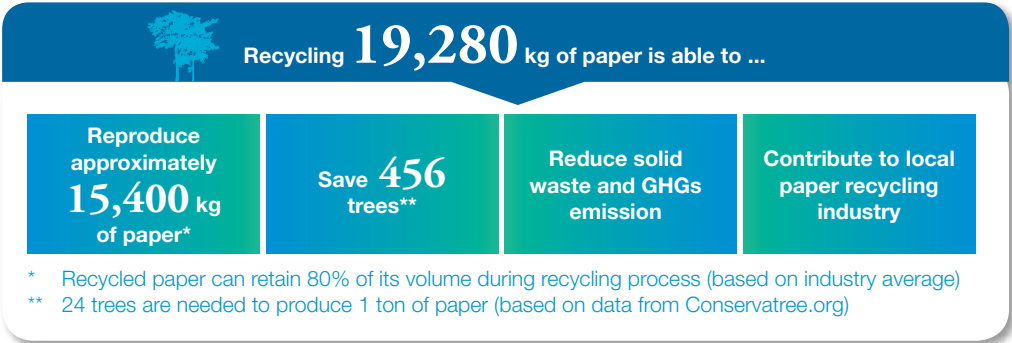
IOI's employees in the HQ in preparation for the shifting.



Boxes of used papers to be recycled.

Efforts on paper recycling

IOI has been encouraging its employees to reduce paper usage by recycling papers or use both sides of papers as part of the Group's initiatives in reducing carbon footprint. To further strengthen this effort, IOI recycled 19,280 kg of used papers during the shift of its headquarters from Two IOI Square to IOI City Tower Two, IOI Resort City.



In addition, this Annual Sustainability Report 2018 is printed on environment-friendly papers. The Group has also reduced the printing of physical report and we encourage our readers to read this report through our website.

Ensuring Prosperity responsibly



We can reduce our ecological footprint by changing the way we produce and consume goods and resources. Managing waste responsibly, minimising water usage, being innovative in recycling and enhancing efficiency in production and traceability in our supply chains are some of the ways we can ensure food security, and shift towards a more balanced, resource-efficient economy.

IOI Oleochemical plant in Seberang Prai, Penang.



PROSPERITY



CORPORATE GOVERNANCE

IOI maintains strong leadership through sound governance and ethical business conduct. IOI believe in achieving responsible commercial success while balancing the interests of its stakeholders, as the Group fervently uphold sustainability practices in its businesses as well as regulatory laws imposed in the countries where we operate.

The Group's corporate culture and Core Values, which are instilled in all its employees, serve as a moral compass to fulfill its commitments to conduct business with integrity and achieve sustainable value creation. A more detailed explanation of IOI's Corporate Governance is provided in the Group's Annual Report 2018.

Corporate Responsibility

The Group's Corporate Responsibility Policy reflects its long-standing commitments to its employees, surrounding communities and the environment. IOI has implemented a number of workplace policies related to: occupational health and safety, no recruitment fee for foreign workers, no harassment at the workplace, no child labour policy, and equal opportunity employment and freedom of association, amongst others.

Anti-corruption

The Group's Code of Business Conduct and Ethics sets the standard for our commitment to working with integrity and maintaining fair and ethical practices.

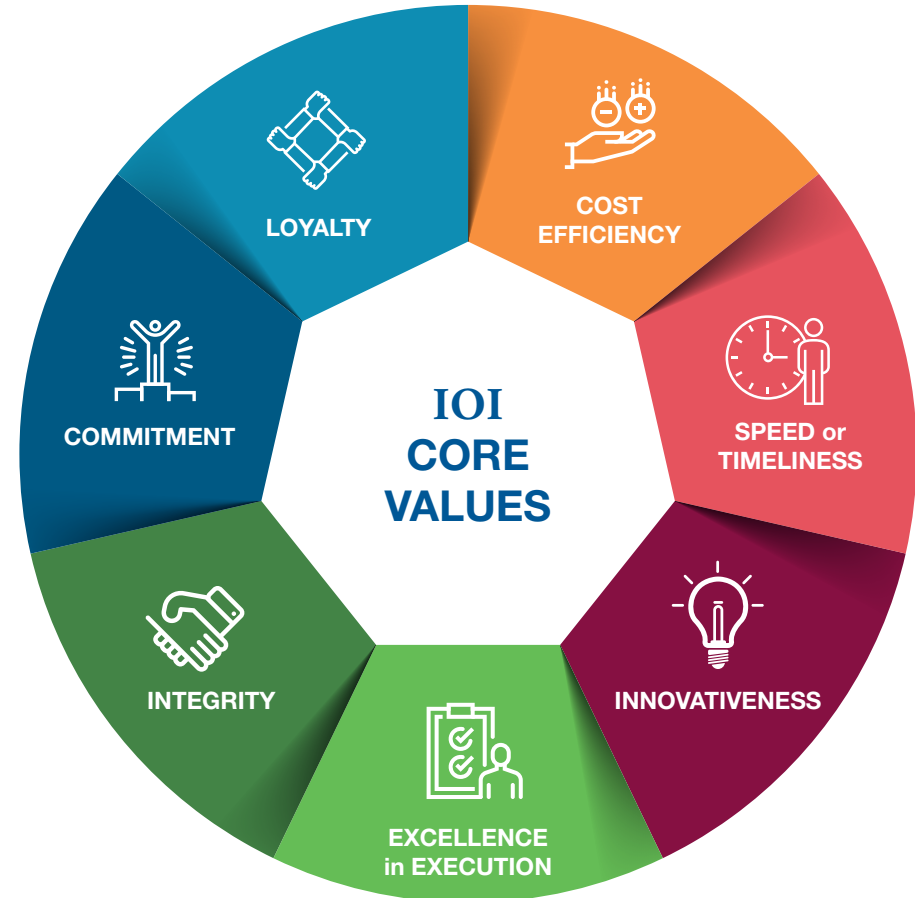
Grievance and Whistleblowing Policy

In the event of a suspected violation of IOI's code of conduct, stakeholders and employees are welcome to utilise the Group's established whistleblowing channels to raise their concerns. Moreover, the Group's Whistle-blowing Policy provides an avenue for all IOI's employees, agents, vendors, contractors, suppliers, consultants and customers, along with members of the public, to raise concerns about any improper conduct in a transparent and confidential manner without fear of retaliation.

Risk Management

Risks and audit oversight for the Group is coordinated via an Enterprise Risk Management (ERM) framework which is maintained by the board-level Audit and Risk Management Committee (ARMC). A more detailed explanation of IOI's risk management process and internal controls is provided in the Group's Annual Report 2018.

Sustainability related risks associated with the Group's operations include: health and safety, human rights, local community grievances, climate change, deforestation, biodiversity, fire, RSPO, and peatland management. These risks are managed at the business unit level and are guided by approved Standard Operating Procedures.



STAKEHOLDER ENGAGEMENT

OUR COMMITMENT

Over the last couples of years, the stakeholder engagement function at IOI has been increasing in importance and value. IOI is now engaging more actively with stakeholders via multiple channels. Collaborations and partnerships are at the core of the Group's stakeholder engagement approach. Although still in the early stages, IOI have strong partnerships in the making and it is strongly committed to continuing on a path of open and transparent stakeholder engagement.

The Group's efforts in strengthening sustainability can be seen through the appointment of a new Head of Stakeholder Engagement. Stakeholder engagement is important to IOI, and it strives to practise the following key principles with matters relating to stakeholders:



OUR MANAGEMENT APPROACH

The importance of stakeholder engagement is permeating IOI's corporate culture. The function is an integral part of the Group's sustainability strategy and is viewed as a long-term and strategic channel for relationship building, risk mitigation and continuous improvement. Consequently, more resources have been allocated to this function and new approaches and forms of engagement have been pursued.

A priority for the Stakeholder Engagement team is to address remaining grievances, namely the IOI Pelita land dispute in Sarawak, Malaysia and the peatland management issues encountered at PT SNA in South Ketapang, West Kalimantan, Indonesia.

IOI believes that these difficult issues can be best solved through a collaborative effort involving all stakeholders. By working side by side, all parties can better understand the issues at play and contribute their individual strengths. These difficult cases and partnerships built around them often lead to the development of new approaches, practices and solutions which are subsequently applied throughout the Group's operations and sometimes also industry-wide.

IOI has made significant strides in ensuring transparency on all sustainability issues. Open and regular communication on these issues has been shared with communities,

NGOs, clients and other stakeholders, via IOI's website (e.g. SIP, Grievance List and News Updates) as well as direct interaction through face-to-face dialogue, and visits to IOI's operations

Engagement among IOI's internal stakeholders is vital to effectively disseminate the Group's sustainability commitments throughout its operations. Management Review meeting are one of the platforms that bring together relevant personnel to discuss various sustainability issues especially in the Plantation segment, such as certification, compliances as well as monitoring and progress of implementation of revised policies. Apart from this, Management Review meetings were also held in the regional level (Peninsular Malaysia, Sabah and Indonesia).

STAKEHOLDER ENGAGEMENT APPROACH AT IOI

Stakeholders	Engagement method
Employees	i. Onboarding program ii. Training iii. Intranet news update and email blast iv. Quarterly IOI Bulletin v. Gathering, engagement platform through Kelab Keluarga IOI (KKIOI) vi. Management meeting
Customers	i. Meetings and conference calls ii. Customer's survey iii. Email enquiries iv. Visits to IOI's estates v. Formal engagement at major forums and conferences
Communities	i. Meetings and dialogue ii. CSR activities iii. Joint programs with community
Suppliers	i. Vendor audit, dialogue, survey ii. Conduct verification and assessment iii. Review of traceability data iv. Third-Party supplier program v. Workshops and socialisation of sustainability policies vi. Engagement meetings
NGOs	i. Meetings, and conference calls ii. Email enquiries iii. Field visits to plantations iv. Collaborations and partnership v. Policy and documentation reviews vi. Training and workshop

OUR PERFORMANCE

IOI Pelita Case

The IOI Pelita land dispute represents the most challenging issue for IOI. This case is complicated as it involves many stakeholders, overlapping land claims, and internal disputes among various ethnic groups. It is now being managed by the RSPO Complaints Panel (CP) which, together with IOI, ensures that the resolution process strictly follow the FPIC process and RSPO Principles and Criteria (P&C) on conflict resolution.

The draft Resolution Plan was developed with input from stakeholders, including the CP, affected communities, and Grassroots, a local NGO which has been active on this case for the last 8 years. The Draft Resolution Plan received a conditional endorsement from the CP at the end of June 2018, thus allowing its subsequent socialisation among all affected communities. Upon receipt of communities' consent, IOI will launch the Resolution Plan implementation.

The IOI Pelita land dispute initially involved two communities, Long Teran Kanan A and Long Teran Kanan B. However, at this stage, all 11 communities living in the vicinity of IOI Pelita's Provisional Lease and who are affected in one way or another by the project, are now included in the resolution process.

The draft Resolution Plan calls for a comprehensive capacity building program to be made available to all affected communities and the associated cost to be borne by IOI. The capacity building will focus on explaining communities' rights as well as enhancing their governance and negotiating skills so that they can represent their interests effectively. A participatory mapping exercise will play a critical role in identifying, mapping and validating communities claims and concerns. A grievance mechanism for the communities and other stakeholders, to



Workshop with community leaders.

be used in case of any disagreement, has been established. Communication with stakeholders has been enhanced and has been playing an important role in ensuring effective coordination and implementation of the resolution process. Updates on IOI Pelita land dispute have been conducted regularly and through various channels such as IOI's website, direct email communication, and direct engagement. IOI Pelita's community liaison team has been engaging with all affected communities on a regular basis, at least once a month. IOI's CSR activities have intensified as well. As a result, the relationship between the company and the affected communities has improved significantly.

The Group is optimistically looking into the future and believes that through a concerted effort of all stakeholders and effective communication this long-standing dispute will be resolved in a lasting and fair manner.

The flowchart below explains how IOI conducts the FPIC process. The photos showcase the FPIC process currently underway at IOI Pelita.



Community members listening to presentation by IOI.



STAKEHOLDERS ENGAGEMENT THROUGHOUT THE YEAR

Stakeholder visits to IOI's Estate

In April 2018, Pamol Timur Estate hosted a visit for our customers, provided a guided tour and hands-on demonstration to the visitors on IOI's estate operations. During the tour, the visitors learnt the Group's oil palm plantation management and sustainability practices.

A half-day guided tour was arranged in July 2017 for our customers to visit Pamol Estate and Pamol Mill. The visitors learnt about IOI's oil palm plantation practices and processes and was introduced to IOI's various sustainable measures.

Customer Visits to IOI Oleo

IOI Oleo welcomed several guests from around the world in the first quarter of 2018 to strengthen business relationship. The visits covering tours to the fatty acid plant, soap noodle plant as well as the warehousing and packing facilities.

In March 2018, IOI Oleo welcomed its European guests for its Palm Sabun range of soap noodles to its facility. In February 2018, a team from a multi-national company (MNC) visited IOI Oleo to learn and explore new speciality formulations of soap noodles for future collaboration involving sustainable products.

Besides this, IOI Oleo had been receiving other guests along the year which IOI communicate through its bulletin.

Management Sustainability Review Meeting

The first Management Sustainability Review meeting, attended by management and sustainability team from the Corporate and Plantation division, was held in October 2017. Throughout the meeting, various issues were discussed, including new and revised policies related to IOI's sustainability commitments. The feedback from the management team were taken into consideration before the Group officially announce the revised policies and guidelines on human rights at the workplace. The second Management Sustainability Review meeting was held in March 2018. Issues discussed during the meeting including compliances on certification, sustainability projects updates, and implementation progress of the revised policies on the ground.

Update on PT KPAM Case

In May 2018, concerns were raised by Aidenvironment regarding land clearing activities in and around PT Kalimantan Prima Agro Mandiri (PT KPAM), one of the four concessions under PT SNA Group which is owned by IOI.

The referenced land clearing activities happened just outside the northern end of PT KPAM's boundary. The group responsible for these activities started constructing a road and stacking lines inside the concession boundary. PT KPAM immediately engaged the local authorities and police to stop the encroachment.

Despite a number of police interventions, these activities continued on and off for many months, with the apparent backing of some local community leaders. In the same month, the excavator belonging to the group was seized and the excavator operator was detained by police for further investigation. IOI has been keeping RSPO informed about the status update of this issue. The latest update can be found publicly available on IOI's grievance list published on the Group's website.

Supplier Engagement Program in Sabah

On 10 July 2017, IOI conducted its Third-party supplier technical workshop in Sandakan for 70 participants representing 40 different mills throughout Sabah. The fundamental focus was IOI's recently-published Third-Party Supplier annex to the IOI's SPOP, which details the requirements and specific mechanisms for the implementation of the SPOP by IOI's third-party suppliers.

Supplier Engagement Program consisting of a series of Supplier Technical Workshops facilitated by Proforest was initiated by IOI as part of its efforts to support the transformation of the palm oil supply chain through supplier engagement. Some of the topics that have been covered include pest management, peatland practices, national and international certification schemes, High Carbon Stock (HCS) and High Conservation Value (HCV) areas.



Customer visit to one of IOI's estates in Peninsular.



Customer visit to IOI Oleo's facility.

18th EERace at IOI Pamol Group

IOI Plantation operating unit, Pamol Group was selected once again as one of the main pit stops for the 18th Environmental Educational Race (EERace) due to the active engagement of the Sustainable Palm Oil (SPO) Department of IOI Sandakan Region and the Rainforest Discovery Centre (RDC). The EERace is an environmental education programme held annually in the heart of Borneo districts of Sabah. Organised by the RDC under the Sabah Forestry Department together with various government and private organisations, the race is targeted at enhancing the environmental knowledge of school principals (around East Sabah).

POC Breakfast Meeting

IOI Lodars Croklaan (now known as Bunge Lodars Croklaan) organised a Sustainability Update Breakfast Meeting at Kuala Lumpur on 6 March 2018 to update customers on their sustainability progress. With an attendance of 50 customers from Bunge Lodars Croklaan and IOI Oleo, the speakers deliver various topics such as updates on the sustainability journey, labour policy implementation, third-party supplier programme and more. A Q&A session also provided the opportunity to facilitate an effective platform to build trust and transparency.



CPhI Worldwide 2017 event.

CPhI Worldwide 2017

IOI Oleo Germany initiated a Distributor Day in Witten on October 2017, in line with the Convention on Pharmaceutical Ingredients (CPhI) Worldwide 2017 which took place in Frankfurt, Germany. There was an excellent response as 41 participants from 20 distribution partners in 26 countries arrived at IOI Oleo Germany. A tour was conducted in three groups as well as a technical lab session and a formulation workshop. The Distributor Day in Witten was an inspiring initiative that was an eye-opener to the distributors.

GRIEVANCE MECHANISM

IOI has implemented an open and transparent approach to resolve grievances from its stakeholders. The Group has established a Grievance Procedure for stakeholders to identify potential issues or incidents that do not adhere to IOI's principles as outlined in the SPOP. A number of channels are available for the submission of grievances, all of which can be found on IOI's website. The Group is committed to dealing with all grievances in a fair, timely and transparent manner. A grievance list is made publicly available on IOI's Group's website. All issues that have been raised will be disclosed in this list.

Grievance Channels (for external stakeholders)

Grievances can be submitted through the following channels:



By email to:
grievance@ioigroup.com



By telephone to:
+603 8947 8701



In mailing to:
IOI Corporation Berhad,
Level 29, IOI City Tower 2,
Lebuh IRC, IOI Resort City,
62502 Putrajaya, Malaysia.



SUSTAINABILITY CERTIFICATIONS

OUR COMMITMENT

IOI is committed to be at the forefront of sustainable palm oil development. To achieve this, IOI have been aligning its operations with international best practice initiatives and certification schemes including Roundtable on Sustainable Palm Oil (RSPO), RSPO NEXT, Malaysian Sustainable Palm Oil (MSPO) and International Sustainability & Carbon Certification (ISCC). IOI have embedded environmental, social, and governance principles from these schemes in the Group's SPOP and are steadily progressing with the time-bound certification plans published in the SIP.

OUR MANAGEMENT APPROACH

As a founding member of RSPO, the Group has been playing an active role in promoting sustainable practices. Currently, about 97% of IOI's estates and 92% of mills in Malaysia are RSPO certified. The Group is committed to achieving 100% RSPO certification for its remaining estates. To achieve RSPO certification, IOI's estates must be assessed by a third-party RSPO-accredited with re-certification every five years and annual audit every year.

RSPO NEXT was developed to recognise the efforts of those whom exceed the requirements of the RSPO criteria. The voluntary commitment contains more stringent criteria regarding deforestation, peat, GHGs, landscape approaches, human rights and transparency. IOI is in the process of implementing RSPO NEXT certification at its Malaysian estates. The Group's RSPO NEXT commitment demonstrates its readiness to adopt stronger sustainability criteria for the Group's operations.

IOI is committed to having all of its Malaysian plantations MSPO certified by the end of 2018. In addition to ensuring IOI's operations adhere with Malaysian laws and regulations, the MSPO standards foster continuous improvements within the themes of social equity, environmental protection and economic progress.

IOI have been actively pursuing ISCC for its palm oil mills and estates in Malaysia. Currently, 60 of the Group's estates have been awarded ISCC certification. ISCC is the first international certification system that can be used to prove sustainability and greenhouse gas savings for all kinds of bio-mass and bio-energy.

For IOI's resource-based operation, its Sandakan refinery has also attained its ISCC. In line with the Group's commitment to RSPO, IOI's refineries are all RSPO certified to handle segregated RSPO oil on a large scale.



View up of palm trees in IOI's estates.

CERTIFICATION FOR OUTSTANDING PLANTATION OPERATION

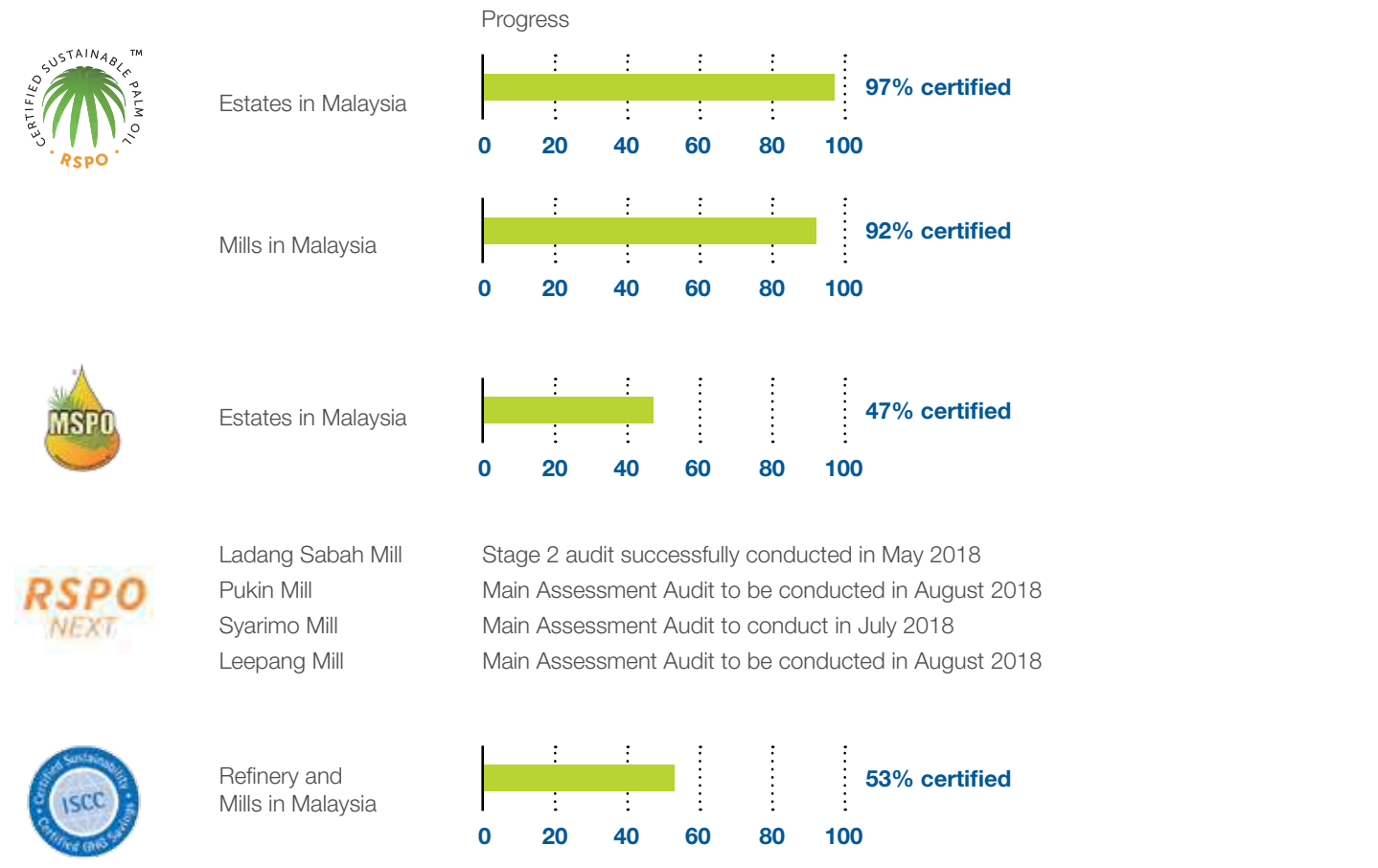
Preparation for certifications is ongoing for the outstanding units both in Malaysia and Indonesia. For MSPO certification, IOI is committed to certify all its Malaysian plantation by the end of 2018. Currently, audit plan had been scheduled for the outstanding operation in Sabah and Peninsular Malaysia. For the Group operating units in Sarawak, IOI has submitted a time-bound commitment to Malaysian Palm Oil Certification Council (MPOCC), and the Group is committed to get the operating units to be certified after the land dispute case have successfully resolved.

As IOI achieved further RSPO certification for its operation in Peninsular Malaysia and Sabah, the Group will identify additional operation to undergo RSPO Next Certification. RSPO certification time-bound plan or IOI's Indonesian operations is 2020 as stated in RSPO ACOP report submitted by the Group. Currently, IOI is in the midst of preparation for RSPO and Indonesian Sustainable Palm Oil (ISPO) certification for the Group's concessions in Indonesia, which include conducting gap assessment.

The time-bound plan and progress update for certifying IOI's outstanding operations is communicate through the Group's SIP and Palm Oil Dashboard.

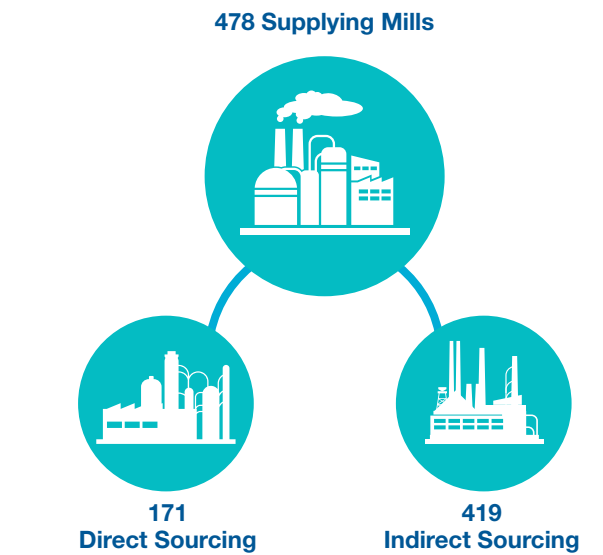
OUR PERFORMANCE

Overview

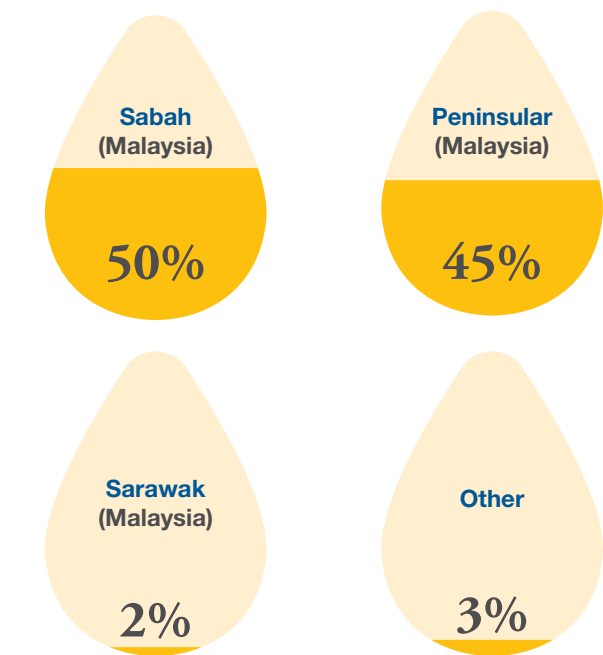


PALM OIL DASHBOARD

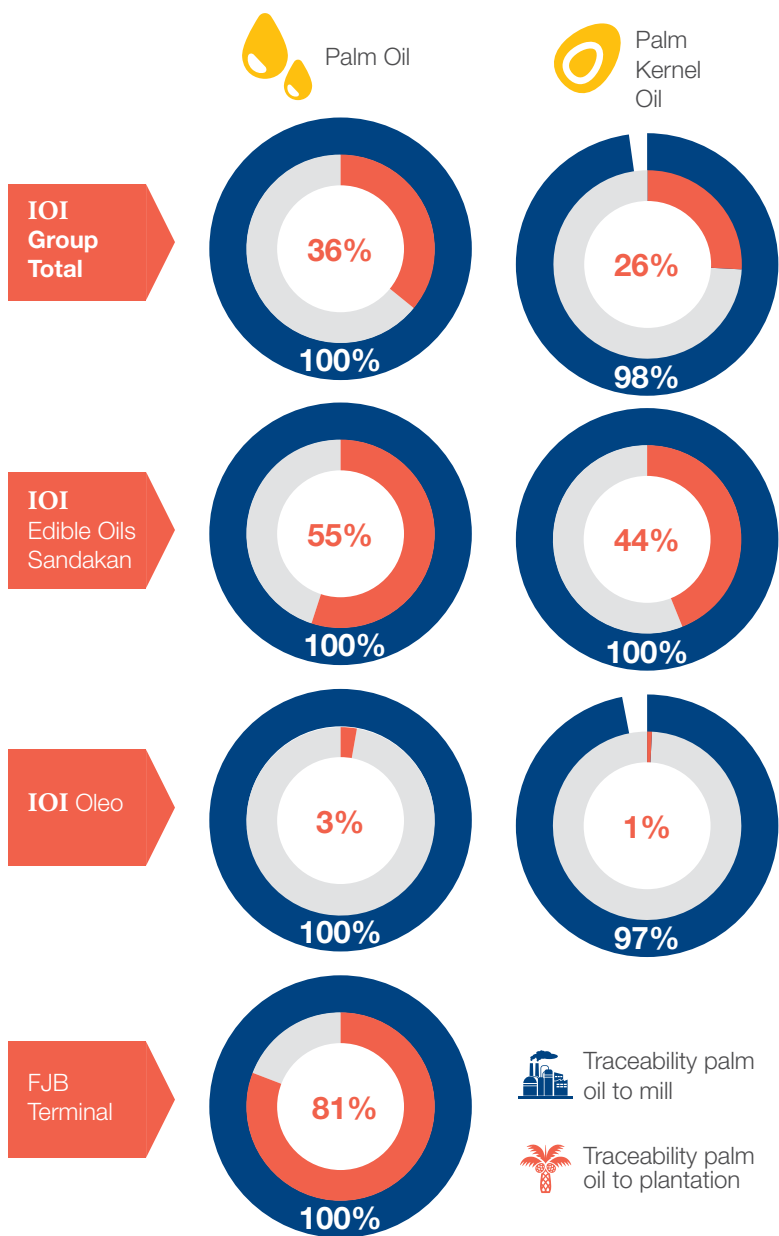
Step 1: Know the Origin of Our Oil



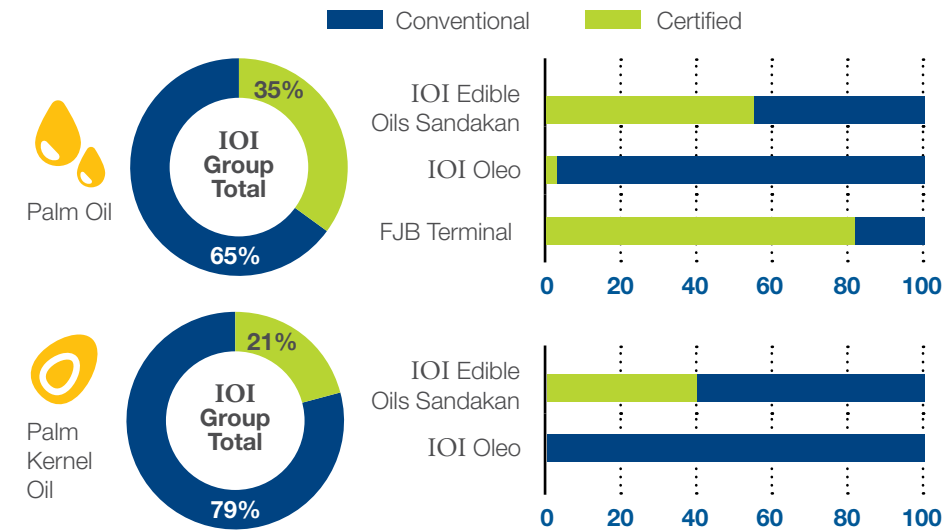
Volumes Sources**



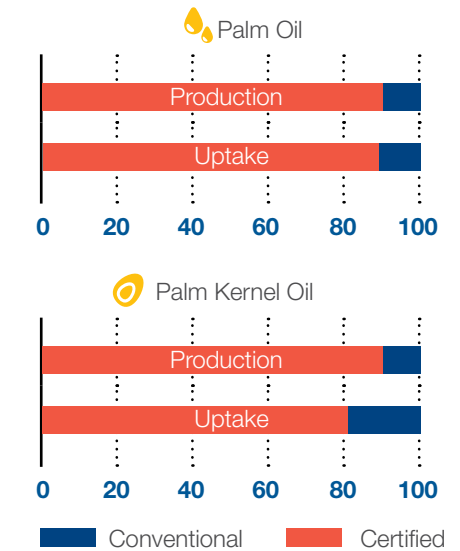
Traceability Numbers **



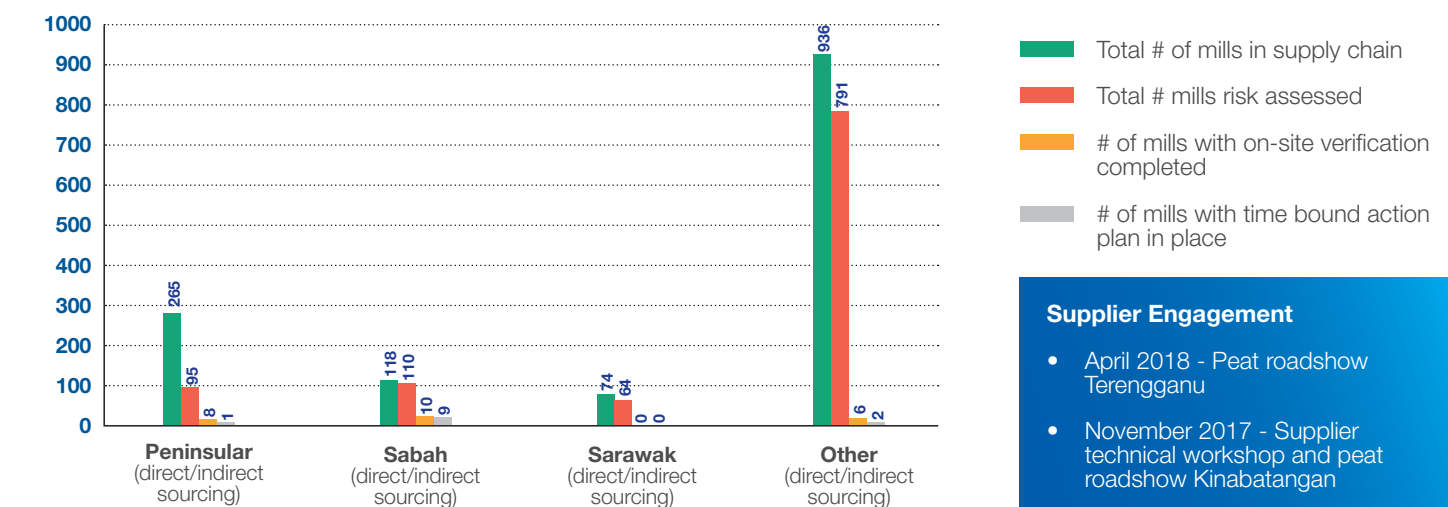
Certified Volumes Sourced (market driven) **



Volumes produced and uptake January - June 2018



Step 2&3: Risk Assessment and Supplier Verification & Consultation ***



Report: Proforest Overarching Risk Assessment Sabah

** Numbers from April 2017 - March 2018

*** Assessment from January 2017 - December 2017, including Bunge Loders Croklaan mills

Supplier Engagement

- April 2018 - Peat roadshow Terengganu
- November 2017 - Supplier technical workshop and peat roadshow Kinabatangan
- November 2017 - Supplier round-table Batu Pahat



TRACEABLE SUPPLY CHAIN

OUR COMMITMENT

At IOI, we are building a traceable, transparent, and sustainable palm oil supply chain. IOI's commitments and targets are articulated in the Group's SPOP and SIP, which are rooted in best practice and informed by stakeholders input. Additionally, IOI's traceability goals and commitments are addressed in the Internal Traceability Protocol (TIP) and IOI's three-step mill verification approach.

OUR MANAGEMENT APPROACH

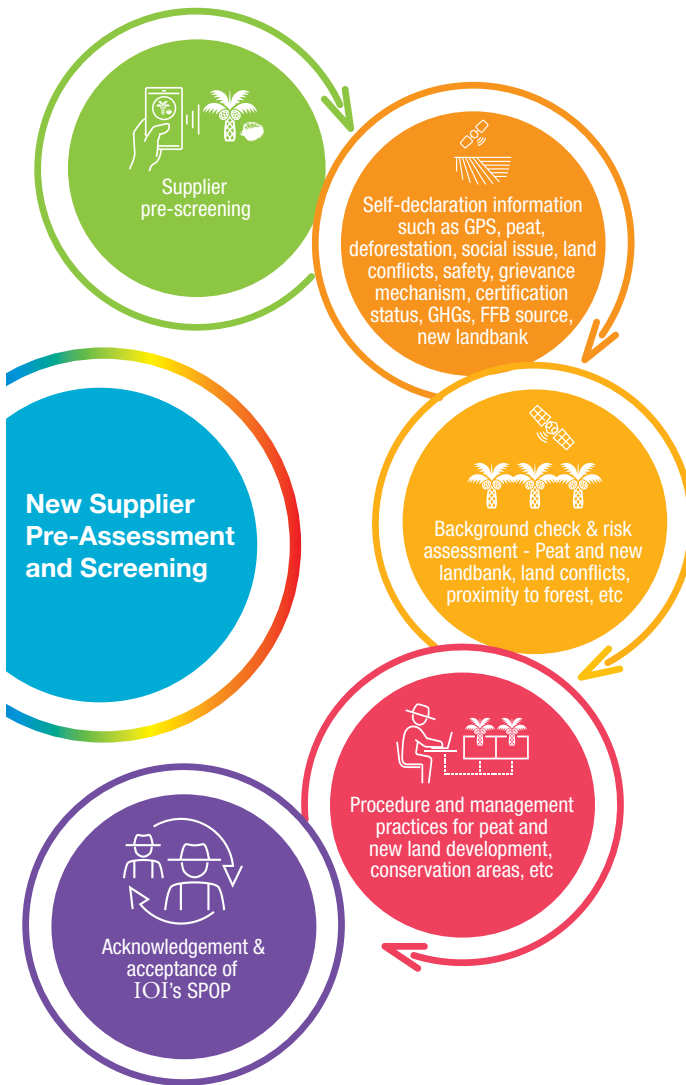
Traceability fosters sustainability in the palm oil supply chain. Tracing the origins of our oil allows us to monitor and engage with our suppliers to ensure a more transparent and sustainable supply chain. IOI's three-step palm oil verification approach requires that all mills and refineries in the supply chain disclose information such as GPS coordinates and ownership groups. To prioritise engagements, IOI employ multiple tool such as remote sensing, satellite imaging, and on the ground intelligence. To further promote responsible sourcing, IOI is a partner of the WRI Global Forest Watch and part of the Palm Oil Traceability Working Group, along with other industry groups.

To ensure continuous compliance with its policies, IOI conducts regular engagement visits and workshops for mills within its direct supply chain. For third-party suppliers, IOI has implemented and communicated a proactive mill-level monitoring program. The Third-Party Supplier (TPS) Program support third-party mills, smallholders, and supplier companies to adopt sustainable practices that adhere with IOI's SPOP commitments.

IOI's Sustainability Team coordinates the implementation of the TPS Program, which is monitored by the Group Sustainability Steering Committee and the Sustainability Advisory Panel (SAP). When a breach of policy commitment is identified, the party in question will be subjected to oversight by the independent SAP. Failure or refusal to meet IOI's time-bound plan to rectify issues will result in business suspension.

When there is a need to engage new suppliers, IOI follows the pre-assessment and screening process as articulated here to ensure the new suppliers meet IOI's sustainability requirements. In addition, SPOTT gaps are used as criteria for supplier suspension/exclusion, as well as assessments and summaries of corrective action plans.

IOI believe that achieving a sustainable and traceable supply chain requires continuous supplier engagement to enhance the relationship and build synergy understanding towards in compliance with IOI's commitments in its policies. Suppliers' grievances are being monitored and continuous engagement to encourage suppliers to resolve their grievances is in progress.



OUR PERFORMANCE

Peat Roadshows



Bunge Loders Croklaan delivered peat roadshows to help suppliers become compliant with the no new development on peatlands policy and Best Management Practices for existing plantations on peat. During the roadshows, step-by-step peat management support was provided by leveraging existing relationships between growers and millers. International environmental NGO Global (GEC) conducted in-field learning to demonstrate the various degrees of peat decomposition. GEC also emphasised the importance of water management for existing plantations on peat and provided practical solutions to ensure a good water table.

Case Study:
Fortuna Small Grower
Socialisation Program

Bunge Loders Croklaan and Kerry Group initiated a socialisation project as part of the Small-Growers Support Program. The program supports the inclusion of smallholders into the supply chain and boost small farmers' productivity by helping them implement sustainable agricultural practices.

The first year of the program is focused on data gathering, traceability and soil improvement. Questionnaires will be shared with smallholders to gather data on their agricultural practices. The results of the questionnaire will feed into a gap analysis which will lay out the future direction of the project.

On July 13th, 2018, over 80 smallholders attended a socialisation event led by Fortuna Palm Oil Mill sustainability team in Sugut District, an area where Fortuna has a collection centre that purchases fresh fruit bunches (FFB) from over 350 smallholders.



TECHNOLOGY AND INNOVATION

OUR COMMITMENT

IOI is committed to strengthening and growing its business through innovation and further improvements in the operations. Research and development initiatives at IOI begin from seed production to product manufacturing.

MANAGEMENT APPROACH

IOI Research and Development in palm

The Group have a dedicated research team focused on improving FFB yields and oil extraction rates through oil palm breeding technology. IOI's breeding and agronomy developments are spearheaded by two centres of excellence – IOI Research Centre and IOI Palm Biotech Centre – which focus on developing agronomy best practices and introducing high yielding planting materials.

IOI Palm Biotech Centre conducted molecular and genomic research to produce superior high yielding oil palm clones using its cutting-edge tissue culture technology. Current molecular researches including study on oil palm genetic diversity, DNA fingerprinting and Molecular Marker development has been conducted in IOI Palm Biotech's Molecular Research Laboratory. The discoveries made at IOI Palm Biotech Centre's is incorporated into the breeding program of IOI Research Centre.

The high yielding clonal palm did not only produce high yields from the earliest years of production, it is also widely adaptable to different planting environments. The fruits contain more oil, a fact proven not only in IOI's own experiences through increase in oil extraction rate (OER) but also in field trials conducted by 3rd parties, including the Malaysian Palm Oil Board (MPOB).

Technology in plantation operations

The Group's sustainable agricultural practices are increasingly incorporating technology to alleviate impacts on surrounding environments where it operates. The use of tools and software such as drones, Spatial Monitoring and Reporting Tool (SMART) patrolling, and online fire alert improve effectiveness of IOI's ground team in monitoring fires, hotspots and HCV areas. Additionally, the tools enhanced efficiency in mitigating environmental risk in plantation operation at landscape level.

IOI's Geographical Information System (GIS) Department uses geospatial technology derived from images captured using Unmanned Aerial Vehicles (UAVs), Global Positioning



Research and innovation at play in IOI.

System (GPS) and GIS for precision agriculture. The geospatial data enable estate operation to obtained information to make well-informed decision in plantation management, amongst others.

Agronomists in the Group's Research Centres also work closely with plantation operations in order to address the difficulties in complying to good agronomic practices on improving crop yields as well as studying the crop production in order to discern the best ways to plant, harvest and cultivate the oil palms regardless of the climate.

As part of IOI's effort in sustainable procurement, the Research Centre constantly conduct product evaluation trials to ensure that the procurement team is always informed on the benefits and drawbacks of the various available products sold in market.



IOI Edible Oil's facilities.



IOI Oleo's facilities.



IOI Research Centre in Negeri Sembilan, Malaysia.

OUR PERFORMANCE

Eco-friendly Manufacturing Processes & Products

Progress in innovation continue towards the Group's downstream business segment. IOI fortifies its eco-friendly efforts through technological development and innovation in the manufacturing processes and products for refineries and oleochemicals.

Initiatives and innovation in refinery facilities in Pasir Gudang, Johor and Sandakan, Sabah had contributed to energy savings, increased process efficiency, and improvement in general operations and yield. IOI Edible Oil in Sandakan for example had started initiatives which include modifications of process system in its facility that resulted in reduction of steam and electricity consumption, better cooling system, improved yields and increase facilities life span. Currently the facility had also conducted R&D to reduce chloride content in its CPO which will improve the quality of final product.

IOI Oleo is increasingly moving towards chemical-free technology. This has been demonstrated through the commission of a dry fractionation plant which replaces conventional wet fractionation process and the use surfactants with crystallisation technology.

IOI Oleo is also developing eco-friendly products such as soaps that are made without traditional chelates (e.g., EDTA) which degrade slowly in the environment. In February 2018, IOI Oleo's product, Palmsurf® MCT 60/40 and Palmsurf® MCT 70/30 are approved by ECOCERT GREENLIFE conform to the COSMOS standard as chemically processed Agro-ingredients.

In addition to R&D for product enhancement, the Group's research have reach the community. IOI Oleo Germany had been contributing supply of MIGLYOL® 812N and triglyceride of C6 fatty acid to Professor Marquardt to support medical research and treatment of genetic disease. Further reading on this can be found under the section of *Community Development and Social Impact*.

Climate strategies

A number of innovations and initiatives performed by the Group including generating green energy, energy efficiency in processing facilities and commissions of methane capture is correlated with IOI's climate strategy. Details on the Group's implementation of GHGs reduction strategies can be found in *Climate Strategies* section.

The Group's technology and innovation has resulted in the increase of efficiency and effectiveness throughout the business operations. Further reading on the performance can be found in the sections of *Health and Safety*, *Land Use Plan*, *Fire Prevention*, *Operational Eco-efficiency* and *Climate Strategy*.

APPENDIX: SUSTAINABILITY PERFORMANCE METRICS

ECONOMIC PERFORMANCE DATA

In RM million unless otherwise stated	2018 MFRS	2017 MFRS	2016 MFRS	2015 MFRS	2014 FRS
FINANCIAL					
Profit before interest and taxation from continuing operations	1,380.6	1,401.4	1,459.6	1,237.6	1,921.5
Profit attributable to owners of the parent	3,060.5	743.2	629.7	51.9	3,373.0
Equity attributable to owners of the parent	9,156.3	7,457.4	7,138.1	7,069.0	6,036.8
Return on average shareholders' equity (%)	36.84	10.18	8.86	0.68	34.27
Basic earnings per share (sen)	48.70	11.82	9.99	0.82	52.93
Dividend per share (sen)	20.5	9.5	8.0	9.0	20.0
PLANTATION					
FFB production (MT)	3,514,857	3,155,628	3,145,317	3,542,222	3,506,706
Total oil palm area (Ha)	174,081	174,396	179,271	178,768	174,061
MANUFACTURING					
Oleochemical					
Plant utilisation (%)	83	80	82	85	84
Sales (MT)	573,005	582,458	595,820	586,076	583,555
Refinery					
Plant utilisation (%)	69	63	62	66	68
Sales (MT)	2,152,800 ¹	2,414,773	2,427,326	2,591,197	2,706,786
Specialty oils and fats					
Plant utilisation (%)	54	57	47	52	50
Sales (MT)	578,665 ¹	766,188	782,972	773,767	735,099

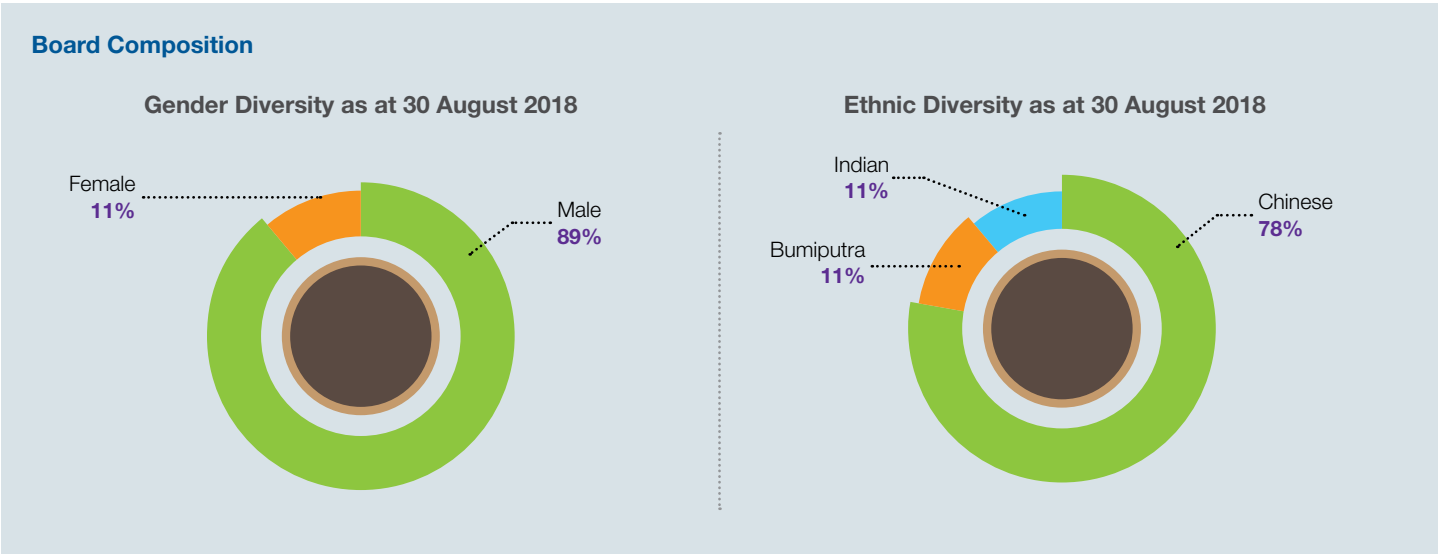
Note:
¹ The sales (MT) of FY2018 includes eight (8) months' results of discontinued operations.
In conjunction with the adoption of Malaysian Financial Reporting Standards (MFRS) framework by the Group, the above information from FY2015 to FY2018 have been prepared in accordance with MFRS, whereas information of FY2014 has been prepared in accordance with Financial Reporting Standards (FRS).
* Source: IOI Corporation Annual Report 2018

WORKPLACE PERFORMANCE

Workplace Performance FY2018	Total headcount
Total employees	28,203
By Gender	
Male	20,803
Female	7,400
By Location	
Malaysia	24,520
Indonesia	3,443
Germany	240

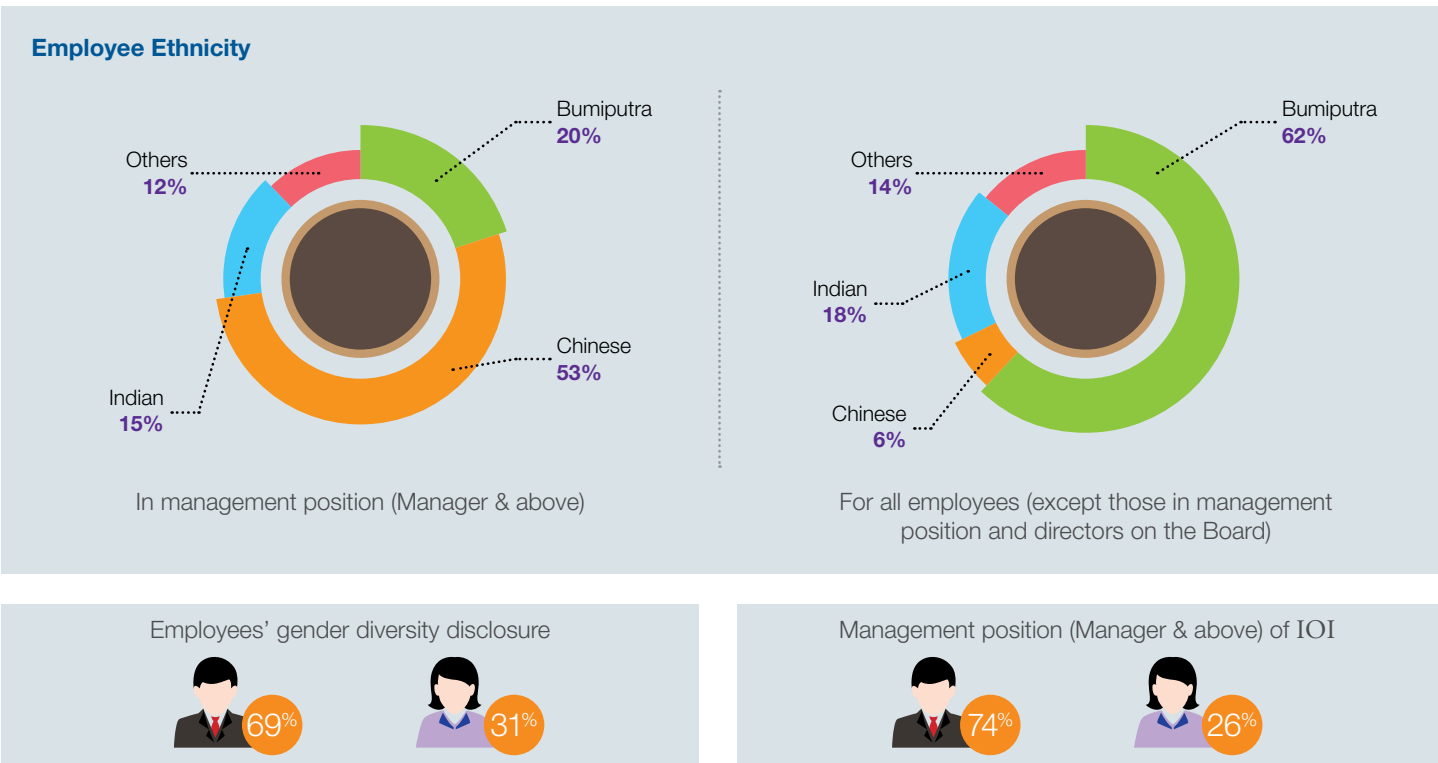
* Numbers including foreign workers in the estates and mills.

MANAGEMENT AND DIRECTORS DISCLOSURE



* The data is as reported in Annual Report 2018. Data of employee headcounts excluding foreign workers in the plantation workforce Indonesia and Germany.

ETHNICITY DISCLOSURE



* The data is as reported in Annual Report 2018. Data of employee headcounts excluding foreign workers in the plantation workforce Indonesia and Germany.

APPENDIX: SUSTAINABILITY PERFORMANCE METRICS

OCCUPATIONAL HEALTH & SAFETY PERFORMANCE

Units		Plantation Segment	Resource-Based Manufacturing Segment	
		IOI Plantation	IOI Refinery	IOI Oleochemical
Employees		Total	Total	Total
Data	Million Hours	1,338	4	4
Injuries	Number	1,698	9	56
Injury rate	Per Million Hours	1.2688	2.1754	12.4667
Fatalities	Per Million Hours	0	0	-
Fatalities rate	Million hours	0.0000	0.0000	0.0000
Lost days	Number	4,109	109	213
Lost days rate	Per Million Hours	3.0703	26.3470	47.4178
Absentees	Number	577	898	11,304
Absentees rate	Per Million Hours	0.4311	217.0609	2,516.4827
Occupational disease	Number	25	9	-
rate	Per Million Hours	0.0187	2.1754	0.0000

¹ Figures include consideration of both employees and workers unless otherwise stated

² Injuries reported include both minor injuries (first aid level) and major injuries

ENVIRONMENTAL PERFORMANCE DATA

Energy consumption	Units	Plantation Segment	Resource-Based Manufacturing Segment	
		IOI Plantation	IOI Refinery	IOI Oleochemical
Electricity generated	kWh	27,903,454.00	36,222.00	0.00
Electricity purchased	kWh	7,324,639.00	81,874,107.00	64,127,841.00
Total electricity consumption through internal generation	GJ	100,452.00	130.40	0.00
Total electricity purchased for consumption	GJ	26,369.00	294,746.79	230,860.00
Total electricity consumption	GJ	126,821.00	294,877.00	230,860.00
Total heating consumption	GJ	0.00	270,247.00	0.00
Total cooling consumption	GJ	0.00	23,377.00	0.00
Total steam consumption	GJ	249.00	828.00	173,312.00
Total pressurised air consumption	GJ	0.00	0.00	1,696.00
Natural gas	GJ	74,498.00	113.00	3,009.00
Petrol	GJ	55,013.00	0.00	0.00
Diesel	GJ	660,190.00	764.00	0.00
Total non-renewable fuel consumption	GJ	789,701.00	877.00	3,009.00
Biogas	GJ	0.00	0.00	3,461.00
Vegetable oils	GJ	0.00	0.00	22,558.00
Bio-gasoline	GJ	0.00	0.00	6,813.00
Palm Kernel Shell	GJ	84,290.00	0.00	0.00
Total renewable fuel consumption	GJ	84,290.00	0.00	32,831.00

* Conversion factors for fuels based on greenhouse gas reporting - Conversion factors 2016 (UK Department for Business, Energy & Industrial Strategy). The conversion factors are in line with the Intergovernmental Panel on Climate Change (IPCC)'s fourth assessment report which is consistent with reporting under the United Nations Framework Convention on Climate Change (UNFCCC).

Greenhouse Gas Emissions	Units	Plantation Segment	Resource-Based Manufacturing Segment	
		IOI Plantation	IOI Refinery	IOI Oleochemical
Direct (Scope 1) emissions	ktonCO ₂ e	49.02	6.40	187.77
• Electricity generation	ktonCO ₂ e	49.02	6.40	0.00
• Combustion	ktonCO ₂ e	0.00	0.00	187.77
• Bio-genic	ktonCO ₂ e	0.00	0.00	0.00
Indirect (Scope 2) emissions	ktonCO ₂ e	5.29	59.09	54.65
• Purchased electricity	ktonCO ₂ e	5.29	59.09	43.97
• Purchased steam	ktonCO ₂ e	0.00	0.00	10.43
• Pressurised air	ktonCO ₂ e	0.00	0.00	0.25
Biomass	ktonCO ₂ e	8.43	0.00	0.45
• Biogas	ktonCO ₂ e	0.00	0.00	0.16
• Vegetable oils	ktonCO ₂ e	0.00	0.00	0.06
• Bio-gasoline	ktonCO ₂ e	0.00	0.00	0.23
• Palm Kernel Shell	ktonCO ₂ e	8.43	0.00	0.00

¹ 2006 IPCC Guidelines for National Greenhouse Gas Inventories: http://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_2_Ch2_Stationary_Combustion.pdf

Hazardous Waste Management	Weight Generated (MT)	Disposed to Landfill (%)	Diverted from Landfill (%)	Other Disposal Method
Plantation Segment				
IOI Plantation				
Scheduled Waste ¹	17,830.72	na	na	Disposal Through Licensed Contractor
Resource-Based Manufacturing Segment				
IOI Refinery				
Scheduled waste (SW102, SW110, SW301, SW307, SW322, SW410, SW429, SW430, SW305, SW409) ¹	22.76	na	na	Waste diverted from landfill is either Recycle or Recovery; Information provided by the waste disposal contractor; Recovery by DOE licensed facility
Sludges containing one or several metals including chromium, copper, nickel, zinc, lead, cadmium, aluminium, tin, vanadium and beryllium (SW204) ¹	77.56	93.00	na	Information provided by the waste disposal contractor
IOI Oleochemical				
Malaysia				
Scheduled waste (SW110, SW202, SW301, SW305, SW322, SW410, SW409, SW102, SW327, SW429) ¹	245.23	1.60	98.40	Waste diverted from landfill is either Recycle or Recovery
Sludges containing one or several metals including chromium, copper, nickel, zinc, lead, cadmium, aluminium, tin, vanadium and beryllium (SW204) ¹	268.53	100.00	0.00	Not applicable
Germany				
Non-chlorinated engine, transmission and lubricating oils based on mineral oil	0.69	0.00	100.00	Exchange of wastes for submission to operations
Other organic solvents, washing liquids and mother liquors	454.02	0.00	100.00	Storage of wastes pending

APPENDIX: SUSTAINABILITY PERFORMANCE METRICS

Hazardous Waste Management	Weight Generated (MT)	Disposed to Landfill (%)	Diverted from Landfill (%)	Other Disposal Method
Other halogenated solvents and solvent mixtures	0.75	0.00	100.00	Incineration on land
Other solvents and solvent mixtures	0.70	0.00	100.00	Incineration on land
Absorbent and filter materials, wipes and protective clothing	153.95	0.00	100.00	Use principally as a fuel
Packaging containing residues of or contaminated by hazardous substances	30.15	0.00	100.00	Blending or mixing prior to submission; Use principally as a fuel
Laboratory chemicals, consisting of or containing hazardous substances, including mixtures of laboratory chemicals	0.08	0.00	100.00	Physico-chemical treatment
Discarded inorganic chemicals consisting of or containing hazardous substances	0.07	0.00	100.00	Physico-chemical treatment
Sludges containing hazardous substances from other treatment of industrial waste water	36.30	0.00	100.00	Incineration on land
Other reaction and distillation residues	3,769.40	0.00	100.00	Storage pending; Blending or mixing prior to submission to operation; Recycling/reclamation of organic substances; Energy recycling thermal utilization
Insulation materials containing asbestos	10.28	0.00	100.00	Storage pending

¹ Scheduled waste using standard prepared by the national legislator, Department of Environment Malaysia. Detail of code can be found in the “Code of Scheduled Waste” by Department of Environment Malaysia.

na Data not available/provided.

Non Hazardous Waste Management	Total Weight Generated (MT)	Disposed to Landfill (%)	Diverted from Landfill (%)	Other Disposal Method
Plantation Segment				
IOI Plantation				
Domestic Waste	28,973.41	100.00	0.00	Not applicable
Scrap Iron	217,374.40	na	na	Sold to appointed Contractor
Recyclable Waste	148.86	na	na	Some recycled to useful material, Some sold to recycle centre
Resource-Based Manufacturing Segment				
Refinery				
General Waste ¹	33.90	na	na	Not applicable
Domestic Waste	9,281.09	na	91.90	Waste diverted from landfill is Recycled
IOI Oleochemical				
Malaysia				
Industrial waste	2,501.92	78.00	22.00	Recycle
Domestic waste	2,243.50	81.00	19.00	Recycle
Metal scrap (inclusive aluminium & copper)	264.73	0.00	100.00	Recycle

Non Hazardous Waste Management	Total Weight Generated (MT)	Disposed to Landfill (%)	Diverted from Landfill (%)	Other Disposal Method
Plastic waste and others (Inclusive plastic pellets, cable, helmet, shoe and drums)	62.70	0.00	100.00	Recycle
Paper	67.88	0.00	100.00	Recycle
Germany				
Mixed construction and demolition wastes	48.53	0.00	100.00	Use principally as a fuel
Mixed municipal waste	8.92	0.00	100.00	Incineration on land
Aluminium	1.61	0.00	100.00	Recycling/reclamation of metal
Iron and steel	22.88	0.00	100.00	Recycling/reclamation of metal
Plastic packaging	18.59	0.00	100.00	Recycling/reclamation of organic substances
Wastes not otherwise specified	102.90	0.00	100.00	Use principally as a fuel
Absorbents, filter materials, wiping cloths and protective clothing	176.36	0.00	100.00	Use principally as a fuel; Recycling/reclamation of organic substances; Recycling/reclamation of other inorganic materials
Biodegradable waste	3.56	0.00	100.00	Recycling/reclamation of organic substances
Wastes not otherwise specified	2,443.82	0.00	100.00	Physico-chemical treatment; Recycling/reclamationof organic substances
Paper and cardboard	16.14	0.00	100.00	Recycling/reclamation of organic substances
Glass	3.40	0.00	100.00	Recycling/reclamation of other inorganic materials

na Data not available/provided.

Water withdrawn by source	Units	Plantation Segment	Resource-Based Manufacturing Segment	
		IOI Plantation	Refinery	IOI Oleochemical
Total water withdrawn	m³	630,008,790.00	1,510,848.00	2,482,175.00
• Municipal fresh water	m³	1,741,944.00	191,706.00	2,464,114.00
• Surface water ¹	m³	101,885,935.00	819,296.00	0.00
• Ground water	m³	76,105.00	0.00	0.00
• Rainwater	m³	526,219,859.00	351,384.00	18,061.00
• Waste water	m³	84,946.00	148,462.00	0.00
Total water recycled and reused ²	m³	Not applicable	133,616.00	244,999.00
	%	Not applicable	9.00	10.00

¹ Surface water includes water withdrawn from wetlands, rivers, lakes and oceans

² Recycled and reused water includes use of rainwater and grey water such as wastewater

SOCIAL PERFORMANCE DATA

Social contributions	Unit	Yayasan Tan Sri Lee Shin Cheng
Total contribution for social, education and medical as at FY2018	RM	RM43,923,098.15

* Yayasan Tan Sri Lee Shin Cheng, a CSR initiative of IOI Group

APPENDIX: GRI CONTENT INDEX: CORE OPTION

MATERIAL TOPIC	GRI STANDARD	OUR RESPONSE / REFERENCE
GENERAL DISCLOSURES PILLAR		
Organizational Profile	102-1 Name of the organization	About this Report, p. 2
	102-2 Activities, brands, products and services	About IOI Corporation, p. 8
	102-3 Location of headquarters	Locations, p. 10 IOI Corporation Berhard headquarters are located at IOI City Tower 2, IOI Resort, 62502 Putrajaya, Malaysia
	102-4 Location of operations	Locations, p. 10
	102-5 Ownership and legal form	About IOI Corporation, p. 8 IOI Corporation Berhard's Annual Report 2018
	102-6 Markets served	About IOI Corporation, p. 8 IOI Corporation Berhard's Annual Report 2018
	102-7 Scale of the organization	About IOI Corporation, p. 8 IOI Corporation Berhard's Annual Report 2018
	102-8 Information on employees and other workers	About IOI Corporation, p. 8 Appendix: Sustainability Performance Metrics, p. 68
	102-9 Supply chain	Palm Oil Business Stream, p. 9
	102-10 Significant changes to the organization and its supply chain	About this Report, p. 2 Traceable Supply Chain, p. 64
	102-11 Precautionary Principle or approach	Risk Management, p. 54
	102-12 External initiatives	Community Development and Social Impact, p. 32-35 Stakeholder Engagement, p. 55-58
	102-13 Membership of associations	Fire Prevention, p. 44 Sustainability Certifications, p. 60 Land Use Plan, p. 38
Strategy	102-14 Statement from senior decision-maker	Message from our CEO, p. 4-7
Ethics and Integrity	102-16 Values, principles, standards and norms of behavior	Sustainability and Corporate Responsibility, p. 16-17 Corporate Governance, p. 54 IOI Corporation Berhard's Annual Report 2018
Stakeholder Engagement	102-40 List of stakeholder groups	Stakeholder Engagement, p. 55-59
	102-42 Identifying and selecting stakeholders	Stakeholder Engagement, p. 55-59
	102-43 Approach to stakeholder engagement	Stakeholder Engagement, p. 55-59
	102-44 Key topics and concerns raised	Stakeholder Engagement, p. 55-59
Reporting Practice	102-45 Entities included in the consolidated financial statements	This report covers Plantation and manufacturing segments for its financial statement. A full list of our entities included in consolidated financial statements can be found within our Annual Report 2018. Appendix: Sustainability Performance Metrics, p. 68
	102-46 Defining report content and topic boundaries	About this Report p. 2-3
	102-47 List of GRI material topics	About this Report p. 2-3
	102-48 Restatements of information	There are no restatements of information.

MATERIAL TOPIC	GRI STANDARD	OUR RESPONSE / REFERENCE
	102-49 Changes in reporting	Reporting Period and Scope, p. 2: Bunge Loders Croklaan has not been fully included in the scope of this report because they split from the parent company, IOI Corporation Berhard, within the reporting period.
	102-50 Reporting period	Reporting Period and Scope, p. 2. The report follows our financial year, 1 July 2017 to 30 June 2018.
	102-51 Date of most recent report	Latest report is Sustainability Report 2017 published in September 2017.
	102-52 Reporting cycle	Reporting Period and Scope, p. 2. Our Sustainability Report is published annually, along with our Annual Report.
	102-53 Contact point for questions regarding the report	Feedback & Comments, inside cover
	102-54 Claims of reporting in accordance with the GRI Standards	Reporting Period and Scope, p. 2, this report has been prepared in accordance with GRI Standards Core Option.
	102-55 GRI content index	GRI Content Index, p. 72
PROSPERITY PILLAR		
Human Rights and Workplace	103-1 Management Approach: Explanation of the material topic and its boundary	Human Rights at Workplace, p. 24-25
	103-2 Management Approach: The management approach and its components	Human Rights at Workplace, p. 25
	103-3 Management Approach: Evaluation of the management approach	Human Rights at Workplace, p. 24-28
	404-2 Programs for upgrading employee skills and transition assistance programs	Human Rights and Labour Practices, p. 28
	405-1 Diversity of governance bodies and employees	Appendix: Sustainability Performance Metrics, p.69 IOI Corporation Berhard's Annual Report 2018 Human Rights and Labour Practices, p. 26
	406-1 Incidents of discrimination and corrective actions taken	No incidents reported during this financial year.
	408-1 Operations and suppliers at significant risk for incidents of child labor	No incident of violation in freedom of association and collective bargaining in IOI's operating units for this reporting period.
	412-1 Operations that have been subject to human rights reviews or impact assessments	All of our operations in plantation have been subject to Social Impact Assessment, and audited for sustainability certification assessment which includes human rights performance criteria.
	412-2 Employee training on human rights policies or procedures	All of our employee was given Employee handbook and "on-boarding program" where their rights were explained. All foreign workers in the plantation was explained on worker's right during induction training. The Group did not report on the total number of hours devoted to training on human rights policies and procedures.
Health and Safety	103-1 Management Approach: Explanation of the material topic and its boundary	Health and Safety, p. 29-30
	103-2 Management Approach: The management approach and its components	Health and Safety, p. 29-30

APPENDIX: GRI CONTENT INDEX: CORE OPTION

MATERIAL TOPIC	GRI STANDARD		OUR RESPONSE / REFERENCE
	103-3	Management Approach: Evaluation of the management approach	Health and Safety, p. 30
	403-2	Types of injury and rate of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Appendix: Sustainability Performance Metrics, p. 70
	403-3	Workers with high Incidence or high risk of diseases related to their occupation	No workers identified to be involved in occupational activities with high incidence or high risk of specific diseases.
Community Development and Social Impact	103-1	Management Approach: Explanation of the material topic and its boundary	Community Development and Social Impact, p. 32
	103-2	Management Approach: The management approach and its components	Community Development and Social Impact, p. 32
	103-3	Management Approach: Evaluation of the management approach	Community Development and Social Impact, p. 32-35
PLANET PILLAR			
Land Use Plan	103-1	Management Approach: Explanation of the material topic and its boundary	Land Use Plan, p. 38
	103-2	Management Approach: The management approach and its components	Land Use Plan, p. 38
	103-3	Management Approach: Evaluation of the management approach	Land Use Plan, p. 38-40
		IOI Group Metric: statement of planted areas	Land Use Plan: Area Statement, p. 40
Rehabilitation and Biodiversity	103-1	Management Approach: Explanation of the material topic and its boundary	Rehabilitation and Biodiversity, p. 41
	103-2	Management Approach: The management approach and its components	Rehabilitation and Biodiversity, p. 41-44
	103-3	Management Approach: Evaluation of the management approach	Rehabilitation and Biodiversity, p. 41-43
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Rehabilitation and Biodiversity, p. 41-43
	304-2	Significant impacts of activities, products, and services on biodiversity	Rehabilitation and Biodiversity, p. 41-43
	304-3	Habitats protected or restored	Rehabilitation and Biodiversity, p. 41-43
	304-4	IUCN Red List species and national list species with habitats in areas affected by operations	We are focused on protecting nationally protected flora and fauna and those endemic to the areas in which we operate. We do math these species to the IUCN Red List status.
Fire Prevention	103-1	Management Approach: Explanation of the material topic and its boundary	Fire Prevention, p. 44
	103-2	Management Approach: The management approach and its components	Fire Prevention, p. 44
	103-3	Management Approach: Evaluation of the management approach	Fire Prevention, p. 44-46
Operational Eco-Efficiency: GHG Emissions Reduction	103-1	Management Approach: Explanation of the material topic and its boundary	GHG Emissions Reduction, p. 47
	103-2	Management Approach: The management approach and its components	GHG Emissions Reduction, p. 47
	103-3	Management Approach: Evaluation of the management approach	GHG Emissions Reduction, p. 47

MATERIAL TOPIC	GRI STANDARD		OUR RESPONSE / REFERENCE
	302-1	Energy consumption within the organization	GHG Emissions Reduction, p. 47 Appendix: Sustainability Performance Metrics, p. 70-71
	302-3	Energy intensity	Appendix: Sustainability Performance Metrics, p. 70-71
Operational Eco-Efficiency: Sustainable Agrochemical Management	103-1	Management Approach: Explanation of the material topic and its boundary	Sustainable Agrochemical Management, p. 48
	103-2	Management Approach: The management approach and its components	Sustainable Agrochemical Management, p. 48
	103-3	Management Approach: Evaluation of the management approach	Sustainable Agrochemical Management, p. 48
		IOI indicator: no use of World Health Organization Class 1A and 1B pesticides	Sustainable Agrochemical Management, p. 48
Operational Eco-Efficiency: Waste Management	103-1	Management Approach: Explanation of the material topic and its boundary	Waste Management, p. 48
	103-2	Management Approach: The management approach and its components	Waste Management, p. 48
	103-3	Management Approach: Evaluation of the management approach	Waste Management, p. 48
	306-2	Waste by type and disposal method	Appendix: Sustainability Performance Metrics, p. 71-73
Operational Eco-Efficiency: Water Management	103-1	Management Approach: Explanation of the material topic and its boundary	Water Management, p. 49
	103-2	Management Approach: The management approach and its components	Water Management, p. 49
	103-3	Management Approach: Evaluation of the management approach	Water Management, p. 49
	303-1	Water withdrawal by source	Appendix: Sustainability Performance Metrics, p. 73
	303-3	Water recycled and reused	Appendix: Sustainability Performance Metrics, p. 73
Climate Strategy	103-1	Management Approach: Explanation of the material topic and its boundary	Climate Strategy, p. 50
	103-2	Management Approach: The management approach and its components	Climate Strategy, p. 50-51
	103-3	Management Approach: Evaluation of the management approach	Climate Strategy, p. 50-51
	302-4	Reduction of energy consumption	Climate Strategy, p. 50-51 Appendix: Sustainability Performance Metrics, p. 70-71
PROSPERITY PILLAR			
Corporate Governance		See Corporate Governance under the General Disclosures section	
Stakeholder Engagement	103-1	Management Approach: Explanation of the material topic and its boundary	Stakeholder Engagement, p. 55
	103-2	Management Approach: The management approach and its components	Stakeholder Engagement, p. 55-59
	103-3	Management Approach: Evaluation of the management approach	Stakeholder Engagement, p. 55-59

MATERIAL TOPIC	GRI STANDARD	OUR RESPONSE / REFERENCE
Sustainability Certifications	411-1	Incidents of violations involving rights of indigenous peoples
	413-1	Operations with local community engagement, impact assessments, and development programs
	413-2	Operations with significant actual and potential negative impacts on local communities
	103-1	Management Approach: Explanation of the material topic and its boundary
	103-2	Management Approach: The management approach and its components
	103-3	Management Approach: Evaluation of the management approach
		IOI indicator: percentage of mills RSPO and MSPO certified
		IOI indicator: certified under voluntary sustainability certification scheme
	103-1	Management Approach: Explanation of the material topic and its boundary
	103-2	Management Approach: The management approach and its components
Traceable Supply Chain	103-3	Management Approach: Evaluation of the management approach
	414-1	New suppliers that were screened using social criteria
		IOI indicator: program to support scheme smallholders

GLOSSARY

Carbon Dioxide Equivalents (CO₂e)	CO ₂ e is a measure used to compare the emissions from various greenhouse gases based upon their global warming potential.
Crude Palm Oil (CPO)	First stage palm oil product produced from fresh fruit bunches (FFB) at a mill.
Empty Fruit Bunch (EFB)	Remains of the fresh fruit bunches after the fruit has been removed for oil pressing.
Fire Free Alliance (FFA)	FFA is a voluntary multi-stakeholder group made up of forestry and agriculture companies, with NGOs and other concerned partners keen to resolve Indonesia's persistent fires and haze problems arising from land burning.
Fresh Fruit Bunch (FFB)	Bunch harvested from the oil palm tree.
Global Forest Watch (GFW)	GFW is an interactive online forest monitoring and alert system designed to empower people everywhere with the information they need to better manage and conserve forest landscapes.
Global Reporting Initiative (GRI)	GRI is an international independent organisation that helps businesses, governments and other organisations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others.
High Conservation Values (HCV)	As defined by the HCV Resource Network, HCVs are biological, ecological, social or cultural values which are outstandingly significant or critically important at the national, regional or global level.
High Carbon Stock Approach (HCS)	The HCS Approach is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed. The methodology was developed with the aim to ensure a practical, transparent, robust, and scientifically credible approach that is widely accepted to implement commitments to halt deforestation in the tropics, while ensuring the rights and livelihoods of local peoples are respected.
Integrated Pest Management (IPM)	IPM is the careful consideration of all available pest control techniques and subsequent integration of appropriate measures that discourage the development of pest populations and keep pesticides and other interventions to levels that are economically justified and reduce or minimise risks to human health and the environment. IPM emphasises the growth of a healthy crop with the least possible disruption to agro-ecosystems and encourages natural pest control mechanisms.
International Labor Organisation (ILO)	ILO is the United Nations agency for the world of work. It sets international Labor standards, promotes rights at work and encourages decent employment opportunities, the enhancement of social protection and the strengthening of dialogue on work-related issues.
International Sustainability & Carbon Certification (ISCC)	ISCC is an independent multi-stakeholder organisation providing a globally applicable certification system for the sustainability of raw materials and products.
Malaysian Palm Oil Certificate (MSPO)	The MSPO Certification Scheme is the national scheme in Malaysia for oil palm plantations, independent and organised smallholdings, and palm oil processing facilities to be certified against the requirements of the MSPO Standards.
Non-Governmental Organisation (NGO)	NGO is used in this report to refer to grassroots and campaigning organisations focused on environmental or social issues.
Oleochemical	A chemical compound derived industrially from animal or vegetable oils or fats.
Palm Kernel (PK)	PK is the seed of any palm that yields palm-kernel oil.
Palm Kernel Oil (PKO)	PKO is a plant oil derived from the kernel of the oil palm.
Palm oil mill effluent (POME)	By-product of processed fresh fruit bunch (FFB).
Peat	An accumulation of partially decayed vegetation matter. Peat forms in wetlands or peat lands, variously called bogs, moors, muskegs, pocosins, mires, and peat swamp forests.
Roundtable on Sustainable Palm Oil (RSPO)	A multi-stakeholder organisation based in Kuala Lumpur, Malaysia. The organisation has developed a certification scheme for sustainable palm oil.
Roundtable on Sustainable Palm Oil Mass Balance (RSPO MB)	Sustainable palm oil from certified sources is mixed with ordinary palm oil throughout supply chain.

GLOSSARY

Roundtable on Sustainable Palm Oil Segregated (RSPO SG)	Sustainable palm oil from different certified sources is kept separate from ordinary palm oil throughout supply chain.
RSPO NEXT	RSPO NEXT is a voluntary initiative for RSPO members with company-wide policies that exceed current RSPO Principles & Criteria (P&C) requirements in these and other key areas.
Supply Chain Certification System (SCCS)	Downstream processors or users of RSPO certified oil palm products can claim the use of (or support of) RSPO certified oil palm products when they adhere to the RSPO Supply Chain Certification Systems and where this is independently verified by an accredited certification body.
Sustainability Advisory Panel (SAP)	The IOI Sustainability Advisory Panel (SAP) was formed in January 2017 and tasked with overseeing the application of IOI Group's Sustainability Implementation Plan (SIP). The SAP also advises on sustainability issues raised by multi-stakeholders including NGOs and the RSPO.
Sustainability Policy Transparency Toolkit (SPOTT)	SPOTT is an online platform supporting sustainable commodity production and trade. By tracking transparency, SPOTT incentivises the implementation of corporate best practice.
Sustainability Implementation Plan (SIP)	IOI's SIP serves as a practical working document that puts into practice the goals and commitments stated in the IOI Sustainable Palm Oil Policy.
Sustainable Palm Oil Policy (SPOP)	The IOI SPOP is the keystone policy to maintain the Group's commitment to the sustainable management of oil palm plantations and to the implementation of responsible, global palm oil supply chains.
Scope 1 Emissions	All direct GHGs emissions.
Scope 2 Emissions	Indirect GHGs emissions for consumption of purchased electricity, heat or steam.
Third-Party Supplier (TPS)	IOI's TPS program ensures that suppliers are committed to implementing the SPOP commitments.
United Nations Sustainable Development Goals (UN SDGs)	The 17 SDGs by the UN are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice.

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