

TOGETHER, DRIVING NATURE POSITIVE IMPACTS

AT IOI, WE BELIEVE IN INTEGRATING SUSTAINABILITY INTO EVERY FACET OF OUR BUSINESS. WE ARE TRANSFORMING HOW LAND IS CULTIVATED, HOW RESOURCES ARE USED AND HOW BIODIVERSITY IS ENHANCED.

Our new Strategic Priority #4 places Sustainability up front and centre as part of our operating business model. Circular water systems, responsible fertiliser & pesticide use, water governance, and pollution control, these are some of the practices already firmly ingrained within our operations. We are championing regenerative agriculture, one

that protects soil health, revitalises growth and ecosystems. We are integrating nature-positive thinking across the Group. We are embedding these values into our plantation and manufacturing operations, supply partnerships and decision-making frameworks ensuring that every crop produced today strengthens the ecosystem of tomorrow.

Growing Sustainably, Protecting Nature.

Cultivating a future where
agriculture heals, sustains,
and elevates both people
and planet. **Together, we
regenerate tomorrow.**



REGENERATIVE AND PRECISION AGRICULTURE

MANAGEMENT APPROACH

IOI Plantation practices agronomy to optimise oil yield through sustainable management. These practices also involve the implementation of regenerative and precision agriculture as part of our best agricultural practices. These efforts are supported by policies and guidelines, including the IOISP, Agrochemical Guidelines, and Environmental Management Guidelines, to ensure good governance and effective environmental management. As an example of IOI's strong agronomy, IOI plants and promotes the growth of cover crops such as *Calopogonium mucunoides* to reduce soil exposure. Basically, the vegetation cover protects the soil from erosion and nutrient runoff, while the cover crops supports microorganisms that naturally enrich the soil. A specific showcase of the implementation of regenerative and precision agriculture practices is our organic oil palm plantations in the Pamol Kluang region.

ACTIVITY-DRIVEN PERFORMANCE AND IMPACT

Enriching the Soil Naturally

IOI emphasises circularity by utilising its EFB and palm fronds for mulching in our estates. These biomass can be a source of essential nutrients like nitrogen, phosphorus and potassium that play a vital role in plant growth. After the POME discharged from IOI's palm oil mills are treated to comply with local regulations, they are diluted and redirected to land application. The diluted, treated effluent provides additional nutrients that enhances crop growth. Together, these practices not only reduce wastes directed to landfills, but also reduce the application of inorganic fertilisers. For FY2025, roughly 614,686 MT of biomass have been reused and applied as fertiliser throughout IOI's estates. Other than these practices, IOI also cultivates certain legume cover crops like *Mucuna bracteata* in our plantations that can help improve soil fertility. These cover crops aid nitrogen fixation, increasing soil nutrient availability and create habitats for beneficial soil microorganisms.

Optimising Nutrient Efficiency

IOI Research Centre regularly collects soil and plant samples to identify nutrient deficiencies and presence of pests and diseases. Natural means of controlling pest and soil enrichment will always be prioritised, while the use of organic fertilisers and biopesticides are encouraged wherever possible. Inorganic fertilisers and pesticides were only used when required and its usage will be practiced in accordance to IOI's standard operating procedure. This includes ensuring operations were done under strict supervision by personnel equipped with PPE, and that no chemicals listed in the Class 1A or 1B under the Rotterdam Convention and Stockholm Convention were to be used. The list of commonly used agrochemicals can be found in the Appendix section.

Integrated Pest Management

At IOI plantations, beneficial plants like *Cassia cobanensis* and *Antigonon leptopus* are planted to facilitate the spread of beneficial insects and control pest populations naturally. For larger pests like rodents which damages young palms, barn owls and hunting dogs were kept to control rodent population. This translates to reduced usage of chemical baits, which may cause environmental contamination and harm to other wildlife.

As climate change may also impact the local population of beneficial species required to control pests, efforts are underway to mitigate this. Specifically, we cultivate and release additional beneficial plants and animals when needed to maintain a stable and healthy population of these beneficial species, ensuring pests and diseases are under control.



Crop Diversification

Some estate operations under IOI have been practicing crop diversification to maximise the efficiency of land usage. While intercropping provides additional financial support in periods where oil palm yield is low, the variation of crops also introduce diversity to the soil ecosystem, reducing the impact of mono-agriculture on soil fertility. As of FY2025, IOI has planted 3,616 Ha of coconuts, 515 Ha of bananas, 11 Ha of pineapples and 109 Ha of durians within its estates.

Organic Oil Palm Production

IOI initiated its pilot project for organic oil palm cultivation back in 2021 at an estate that previously cultivated oil palm but planted conventionally, albeit in accordance to sustainable practices, i.e., it was RSPO certified. The pilot project aimed to apply regenerative and precision agriculture practices and it took about 3 years for the land to be certified as fully free from the chemicals used earlier. Inorganic fertilisers were replaced with natural fertilisers like mulched EFB, palm fronds and POME solids. For pest management, IOI Research Centre breeds and releases beneficial insects like *Sycanus dichotomus* to control bagworm population in organic cultivations. In FY2025, over 1,000 of these insects were released to increase and stabilise the population of beneficial insects. Buffaloes were used for grazing and weed management. Due to the absence of pesticides and herbicides, we expect organic cultivation to have higher level of biodiversity. With the success that we have achieved thus far, IOI aims to expand its organic oil palm cultivation from 1,100 Ha to 3,500 Ha by FY2028.

Life Cycle Analysis of IOI's Crude Palm Oil Production

To further understand the life cycle impacts of IOI's palm oil production, IOI has collaborated with IOI's buyer and an LCA expert to conduct a consequential life cycle analysis covering the crop cultivation and FFB processing stage. The analysis revealed that the global warming potential ("GWP") of 1 kg of IOI's RBDPO is 2.21 kg CO₂e/kg RBDPO after accounting for indirect land use change, which is lower than the industry average of 3.68 kgCO₂e/kg RBDPO. The main contributor to lower GWP values is the high number of mills equipped with methane capture facilities reducing POME-related emissions. IOI also has relatively low oil palm cultivation on peat soil and a large size of conservation areas under its management that is unplanted, further contributing to lower emissions.

Advancing Biotechnology through Research and Development ("R&D")

IOI Research Centre and IOI Palm Biotech have been collaborating closely to advance oil palm agriculture. Over the years they have conducted multiple studies focusing on breeding planting materials with desired traits and improving the identification of oil palm genomes linked to favourable traits. One such study involves the identification of biomarkers associated with slower palm height increment. The research led to the development of genetic markers that enabled breeders to select shorter palms for commercial planting, potentially reducing harvesting costs and lengthening the 25-30 years life span of the palm trees before replanting is required due to height constraints.

Genetically Modified Organisms ("GMO")

While GMO technologies may have been used to increase crop productivity in some commodities like soybean and corn, IOI does not currently use GMOs in our oil palm breeding programs. Instead, IOI's R&D focuses on conventional breeding techniques and marker-assisted selection, with an emphasis on sustainability, productivity and resilience to pest, drought, etc. In the meantime, IOI is closely monitoring the evolving market, science or health benefits (adverse or otherwise), and regulatory conditions. Should there be any changes in the circumstances, we will be guided by local regulations, scientific integrity, and alignment with IOI's sustainability values.

IOI Palm Biotech Centre has also collaborated with external stakeholders like the International Oil Palm Research Consortium and MPOB to enhance access to oil palm genomic resources. Under the 2025 Transfer-of-Technology programme, IOI collaborated with MPOB to adopt an advanced genotyping platform that is currently being used in IOI's molecular research, to support the development of superior planting materials.

IOI is also currently collaborating with UPM for the research on *Ganoderma boninense*, a fungal pathogen that causes basal stem rot in oil palms as part of IOI's long-term ganoderma management strategies. The research aims to identify the genes associated with host resistance and pathogen virulence to develop disease-tolerant planting materials.



CIRCULAR ECONOMY AND OPERATIONAL EFFICIENCY

MANAGEMENT APPROACH

IOI is committed to responsible waste management and operational efficiency, and recognises the importance of Circular Economy and Waste Management as one of the top ten material matters for this year. Although the 7Rs of circularity concept was formally introduced in IOI in 2021, the practice of circularity has long been integrated within our operation through practices such as utilising dried palm fronds or EFBs as mulching in our oil palm plantation as part of best management practices to utilise all biomass produced. At the group level, the IOI Environmental Management Guideline serves as the primary framework for our waste management plan that is applicable to all operating units across IOI Group. The Guideline outlines our commitment to managing effluent, scheduled waste, and adherence to our Zero Burning Policy.

In addition to implementing our own guidelines and commitment to capture and reduce GHG emissions through operational efficiency and from waste reduction, we ensure that we are also in full compliance with local environmental regulations. For example, our operations in Malaysia are subject to national enforcement under the Environmental Quality Act 1974 (EQA) by the Department of Environment ("DOE"). Other than that, multiple audits are also regularly conducted, both at our upstream and downstream operations such as certification audits under RSPO, MSPO, ISCC, ISO 14001, etc. Through these processes, external auditors verify that our practices are aligned with the requirements of the standards, and are effectively implemented. IOI aims for high compliance with environmental law and audit requirements while continuously monitoring and tracking, responsible waste handling practices to identify opportunities for reduction and operational efficiency.

ACTIVITY DRIVEN PERFORMANCE AND IMPACT

1 Plantation and Resource-based Manufacturing Division

In IOI, most of the so-called non-hazardous waste produced in the plantation division are actually termed as biomass, i.e., OPT, PKS, EFB, fronds, and POME residues. The biomass are recycled and reused as part of IOI's 7Rs practices and will be discussed further in the next section. For this financial year, we have recycled 99% of our non-hazardous waste. They are largely reused as organic fertiliser in the estates and renewable energy generation in the mills.

As for our resource-based manufacturing divisions, waste reduction remains one of IOI's key focus areas. IOI monitors waste disposal metrics and targets against its target annually. In one of their efforts to reduce waste, IOI Oleochemical is operating a sludge dryer that removes moisture, thus reducing the volume of waste disposed of. The process also reduces disposal costs and simplifies sludge handling during recycling, increasing operational efficiency. For FY2025, IOI Oleochemical achieved a recycling rate of 62%, which is higher than last year (56%). Meanwhile, at IOI's Refinery division, IOI Bio-Energy reuses biomass from the estates to generate renewable energy, replacing fossil fuel to power its refining processes. This innovation has reduced approximately 2,080 MT CO₂e of GHG emissions for this year. Additionally, IOI Refinery achieved a recycling rate of 96% which is lower than last year (98%).

At the heart of our success in reducing waste, is the culture of circularity. To instil responsible waste handling practices within our operations, we conduct employee awareness programs and training. For example, a Certified Environmental Professional in Scheduled Waste Management ("CEPSWAM") course is one of our approaches to training our people in becoming competent persons in handling waste plus the course is certified by the DOE. We also encourage our employees to implement 7Rs in their daily routine, which helps to reduce domestic wastes sent to the landfill.

2 IOI Palm Wood

Traditionally, OPT were left to decay in the fields as fertilisers, releasing GHG such as methane and carbon dioxide, thereby still contributing towards GHG emission. As part of the 7Rs initiatives, IOI Palm Wood demonstrates that OPT can be repurposed into a value-added product, i.e., engineered palm panels which can serve as a valuable, sustainable alternative to timber. This circularity effort not only gives a second life to a previously discarded material and locks the GHG emission but also adds economic value, creates employment opportunities, and showcases innovation within the palm oil industry. In addition, the production at IOI Palm Wood implements energy efficient management initiatives where manufacturing residues such as offcuts, sawdust, palm chips, and fibre are repurposed as biomass fuel instead of using thermal oil heaters to generate heat for their drying operation. Essentially, approximately 23,000 m³ of biomass residue was consumed for energy generation, achieving a 99.6% recycling rate of biomass for this financial year.





3 IOI Paper Pulp

IOI further reaffirms our effort in treating our byproducts into valuable raw materials via IOI Paper Pulp Sdn Bhd, the latest subsidiary under IOI. It is a joint venture with Nextgreen Global Berhad, to transform EFB into paper pulp. The new entity will develop a high-capacity, bio-integrated pulp production facility at the Green Technology Park ("GTP") in Pahang, strengthening Malaysia's sustainable manufacturing landscape within the Eastern Corridor Economic Region ("ECER"). This development, currently in Phase 1, focuses on producing 150,000 metric tonnes of paper pulp from EFB annually as a raw material and serves as an alternative to timber-based paper pulp products. Through this application, GHG emissions from EFB decomposition at the fields can be reduced.

4 Partnership with Tetra Pak: Expanding Beverage Carton Recycling to Sabah

IOI Group has partnered with Tetra Pak Malaysia to advance the collection and recycling of used beverage cartons ("UBC") across its operations. First launched in October 2022, this pioneering initiative within the plantation sector highlights IOI's ongoing efforts to align its operations with sustainable practices.

Building on the success of the UBC recycling programme in Peninsular Malaysia, IOI extended the initiative to Sabah in September 2024. Awareness sessions were rolled out across 29 operating units in Sandakan and 40 operating units in Lahad Datu, ensuring extensive employee engagement and reinforcing a culture of responsible waste management. To date, a total of 10,838 UBCs have been collected through the programme.

This culture of circularity is further extended to the next generation through a pilot initiative at Humana schools in Lahad Datu, as it helps to foster responsible habits among students, engages them in environmental stewardship, and advances IOI's ethos towards circularity and waste reduction in general. The initiative has since been extended to 16 other Humana schools across the region, engaging a total of 2,182 students. Looking ahead, IOI plans to progressively expand this environmental education initiative involving recycling UBC to more schools, including those in the Sandakan region of Sabah.

Ultimately, through its partnership with Tetra Pak, the recycled cartons can be repurposed into practical products for community housing and refurbishment projects, delivering lasting environmental and social benefits while supporting the Group's 2040 net zero target.



CIRCULAR ECONOMY AND OPERATIONAL EFFICIENCY

Water Recycling Activities

As part of our commitment to circularity and sustainable resource management, IOI actively implements water recycling systems across its operations. These initiatives include the rainwater harvesting systems and recycling of effluent wastewater through the reverse osmosis process to recoup water for non-critical use and reduce water withdrawal from the municipal supply. It provides cost savings and also reduces wastewater discharge. More details can be found in the Water Stewardship section in Safeguarding and Managing Natural Resources.

7Rs Summary

IOI implements circularity practices in the form of 7Rs: Rethink, Repurpose, Recycle, Reuse, Reduce, Recover, and Repair. Through these practices, it allows IOI to maximise use of its natural resources while optimising operational efficiency. General aspects of 7Rs are shared in the summary table.

7R

Rethink

Implement innovative waste-to-resource and renewable energy solutions across IOI, as well as finding alternatives to extend the end of life of equipment or machineries in general.

Repurpose

Repurposing byproducts into valuable products such as high-performance palm wood panels, paper pulp from EFB, and repurposing used materials for a new function.

Recycle

Various recycling awareness and activities which includes recyclable items from daily usage, such as plastics, UBCs, and paper.

Reuse

Waste and water from operations are reused for many purposes, such as waste as a feedstock for energy and steam generation, empty fertiliser bags for waste collection purposes and many others.

Reduce

Examples would include reducing use of chemicals such as fertilisers, pesticides, water or energy in our operations.

Recover

Recovering waste heat for reuse in operations and harvesting rainwater for non-potable purposes such as cleaning and gardening are some of the practices within IOI.

Repair

We minimise equipment disposal by ensuring regular maintenance and timely repairs, with only obsolete or irreparable items being replaced.



SAFEGUARDING AND MANAGING NATURAL RESOURCES

WATER STEWARDSHIP

MANAGEMENT APPROACH

The governance of IOI's water stewardship falls under the oversight of the BSC and senior management team. Water-related risks are identified along with other climate-related risks via IOI's climate risk assessment process. The IOI Group Water Policy serves as the foundation for all water stewardship initiatives within the company, and all operating units are equipped with site-specific water management plans that are reviewed annually. Part of IOI's approach is to ensure that our water consumption for FFB processing is maintained below 1.2m³/MT FFB processed by implementing water conservation strategies, complying with environmental law and audit requirements while continuously monitoring and tracking, responsible waste handling practices to identify opportunities for reduction and operational efficiency.

ACTIVITY-DRIVEN PERFORMANCE AND IMPACT

IOI's climate risk assessment identifies water stress and water pollution to be potential risks to the operations. Water stress may negatively impact crop yield in estates, while water shortages in manufacturing facilities can disrupt operations since water is frequently used in cooling and/or material processing. In terms of water pollution, poor control may lead to environmental damage and disruption to ecosystem services that negatively impact communities that relies on water for their livelihood, not to mention the effects on crops and other living things that rely on this very important commodity. In addition, the cost for environmental remediation and subsequent regulatory non-compliance to wastewater quality standards may be financially burdensome, not to mention the negative impact due to the loss of sustainable palm oil certification and subsequent damage to our reputation.

However, these risks are expected to have low impacts since IOI have already implemented various risk mitigation measures as shared here:

1 Rehabilitation of Buffer Zones

Water stewardship starts with protecting natural water sources. Buffer zones were set up along rivers and water bodies. These buffer zones include a 'chemical-free' exclusion area with clear signages to ensure no chemical leaching that may pollute water sources. Care was also taken to ensure waste disposal occurs within the designated boundaries and silt traps were well-maintained to prevent accidental pollution into water ways. Rehabilitation efforts are continuously being conducted throughout river buffers at IOI's estates. One notable example is the well-vegetated river buffers along the Kinabatangan River, where IOI is present and cares for, which not only provides habitat for wildlife, but also acts as a natural filter to maintain good river water quality.

2 Peatland Rewetting

Peat soils have high moisture content that may reduce the impacts of droughts by slowly releasing water to its surrounding ecosystems. Other than conducting reforestation in several prioritised sites, IOI rehabilitates degraded peatlands in line with RSPO's best management practices to restore the existing water table. Peatland rewetting measures include installing water gates and canal blocks to lower the flow of water out of peatlands. By doing so, the volume of water available to the environment can be increased.

Peatland rewetting also lower peat subsidence rates and likelihood of peat fires, thus preventing the release of carbon emissions. A very successful initiative that we had undertaken is the Bukit Leelau Mini Landscape Level Initiative that illustrates what good peatland rewetting and management can achieve (see pg 69 for more details).

3 Land Application of Treated POME

Treated POME contains high volumes of water and solids that is found to be beneficial as a source of natural fertiliser. Instead of discharging into water sources, our mills practice land irrigation to return water back into the field, thus reducing the need for additional irrigation. As droughts are expected to increase in frequency and severity, this practice can help stabilise water availability in soils while reducing the impacts of drought on oil palm health and yield.

4 Water Recycling and Rainwater Harvesting

Multiple IOI manufacturing facilities have installed water recycling systems to reduce water consumption. In FY2025, such systems have recycled 268,365 m³ of water. In IOI Palm Wood, the replacement of thermal oil system with steam-based heating has saved an estimated 450 m³ of water monthly, resulting in an estimated savings of RM 1597/month. Rainwater harvesting systems were also installed across mills and other manufacturing facilities. While the volume of rainwater harvested depends on annual rainfall, it still represents an alternative water source for non-essential services like cleaning.

SAFEGUARDING AND MANAGING NATURAL RESOURCES

5 Industrial Effluent Treatment Systems

Optimal effluent treatment and management is one of our environmental commitments in the IOI Group Water Policy. With the addition of methane capture facilities, the chemical (“COD”) and biological oxygen demand (“BOD”) of POME can be further reduced, with some mills achieving a COD removal rate of nearly 95%. Annual audits are conducted to ensure mill effluents that are being discharged adhere to allowable limits set by local regulatory authorities. These emission limits typically fall within the range of 20-100 mg/L of biological oxygen demand.

All IOI palm oil mills and manufacturing facilities conduct regular water sampling and testing by accredited laboratories to ensure regulatory compliance. IOI’s refineries also treat PORE and a portion of it was redirected back into water recycling systems, reducing water withdrawal through circularity. For FY2025, IOI Edible Oils in Sandakan had recycled and reused 85,313m³ of treated effluent water in the refinery’s vacuum system and for other cleaning purposes.

RESPONSIBLE LAND USE AND MANAGEMENT

MANAGEMENT APPROACH

IOI practices a multi-faceted approach to responsible land use and management. IOI’s operations are guided by policies and guidelines relating to NDPE, fire management, soil management, conservation and more. Compliance to these policies is regularly monitored by specific assigned staff during their day-to-day operations and communicated to the senior management team at least every half-yearly.

ACTIVITY-DRIVEN PERFORMANCE AND IMPACT

No Deforestation

Since 2016, IOI has placed a moratorium on deforestation across all IOI operating units. Guided by IOISP and other relevant environmental guidelines, IOI conducts monitoring across all its estates to ensure NDPE is properly enforced. This practice extends to IOI’s suppliers via frequent communication, supplier engagement and assessments by dedicated teams. Any potential non-compliance to IOI’s NDPE policy will be investigated. Time-bound plans will be developed and support provided to ensure suppliers can meet IOI’s sourcing requirements. As of FY2025, no deforestation-related fines were received from all IOI’s operations.

Protection of High Conservation Value (“HCV”) and High Carbon Stock (“HCS”) Areas

IOI identifies HCV and HCS areas through comprehensive HCV and High Carbon Stock Approach (“HCSA”) assessments. In estates with such areas, HCV management plans will be developed and implemented. IOI also sets aside forest, river buffers, peatlands and unplatable areas as conservation areas to be managed and protected. To further protect these sensitive areas, IOI uses drone and satellite surveillance to track land use changes. These measures were supplemented with warning signages against any chemical use and regularly patrolled to prevent illegal encroachments.

Soil Management

As soil plays a vital role in agriculture, soil management is managed holistically. Our activities are guided by our policies and guidelines such as the Agrochemical Management Guideline, Agricultural Best Practices, etc., and our approach is in alignment with RSPO's Principles and Criteria and covers all types of soil in IOI's landbank.

IOI's propagation of cover crops combined with existing understorey vegetation retains soil biodiversity, supplying a mixture of nutrients important for crop growth. The vegetation also increases the soil's ability to retain moisture and this is complemented by moisture made available to the soil through mulching and land application of POME. With droughts expected to intensify in the near future, such practices will be increasingly important for overall soil health.

Peat Management

IOI manages legacy, planted peatlands that was inherited before our commitment to no new planting on peat according to RSPO Best Management Practices for peat and IOI's Peatland Protection Guidelines. Since then, IOI has stopped all new planting on peat as part of our NDPE commitment. Currently, the total hectareage of managed peat is 3,850 Ha (Malaysia and Indonesia).

In Indonesia, our concession at PT SNA manages 1,683 Ha of the 3,850 Ha planted peat in accordance to RSPO's Best Management Practices for existing oil palm cultivation on peat. In addition to that, tools were set up to monitor and maintain the water level both inside and outside of the planted areas. Doing so allows our operations team to monitor the rate of peat subsidence. Apart from planted peat, PT SNA also manages a total of 2,539 Ha of peatlands as conservation areas and additional 240 Ha of slightly degraded peatlands for future peat rehabilitation activities.

In terms of a landscape-level peatland management approach, the Bukit Leelau Mini landscape level initiative, which is located within the nearly 230,000 hectares of Southeast Pahang Peatlands is a good example. In the first phase, due to our rehabilitation and rewetting activities, no fires were recorded in the previously fire prone area. In addition, as a social contribution to improve the welfare and living standards of the local communities, access to nearby IOI estate clinics were provided and health campaigns were conducted. With the second phase, IOI plans to work with several stakeholders to continue maintaining existing rewetted areas, constructing new canal blocks where necessary and planting 1,000 tree saplings to further enrich the biodiversity and the surrounding ecosystem.

Fire Management

Fires risk damaging habitats, crops, and communities. So, at our estates, we work closely with local communities and fire departments to monitor, report, and extinguish potential fires. IOI also regularly conducts fire drills and communicates fire prevention SOPs to all employees. Each estate is equipped with a fire preparedness plan. IOI has enforced strict no open burning rules, guided by IOI's Zero Burning Policy. IOI also uses satellite monitoring technologies to identify fire hotspots. Once detected, IOI's specific fire management team on the ground will conduct site inspections to verify the presence of fires and take fire-fighting measures accordingly. In FY2025, there were 7 fire incidences within our estates and 43 fire incidences that occurred outside IOI's estate boundaries.

A particularly a sensitive matter in Indonesia, where cause of fire is mainly due to human negligence, our PT SNA concession insulates our concessions from the spread of external fires by developing fire rings using heavy machinery. These rings create distance between vegetation cover preventing fires from spreading. We also built, to date, 66 fire towers which is beyond the regulatory requirements in Indonesia. Fire alert zones were also created based on historical wildfire records to help strategise the estate management's fire-fighting resource allocation.



ENHANCING BIODIVERSITY AND ECOSYSTEM

MANAGEMENT APPROACH

Agricultural practices at IOI extends beyond responsible land use. IOI implements practices adhering to the IOISP, IOI's Environmental Management Guidelines and Biodiversity & Ecosystem Guidelines to ensure biodiversity and ecosystems located within and around IOI's estates are protected and well-managed. Across all conservation areas in IOI's estates, natural regeneration is encouraged. In areas that require rehabilitation or enrichment planting, native species were used in effort to restore and support native biodiversity. Through estate patrols, rapid biodiversity surveys were conducted periodically and sightings of rare, threatened, and endangered ("RTE") species were recorded. In areas with higher wildlife research interest, IOI collaborates with external parties to set up camera traps. A list of species observed within our estates throughout the past few years can be found in the Appendix section of this report.

ACTIVITY-DRIVEN PERFORMANCE AND IMPACT

Management and conservation of ecosystems and its biodiversity require frequent multistakeholder engagements. Over this year, IOI's estates in Peninsular Malaysia, Sabah and Indonesia have participated in at least 27 engagements with local community leaders, government representatives, and local NGOs to collectively improve biodiversity conservation and reduce human-wildlife conflicts.

1 Protecting Ecosystems through Reforestation and Enrichment Planting

IOI has been collaborating with one of its key supply chain partners, Nestlé to conduct reforestation in designated areas along the Kinabatangan River. The project was done with the aim of rehabilitating the river buffer, improving habitat connectivity, and enhancing carbon sequestration in mind. As of FY2025, over 58,601 new seedlings were planted in our Unico 4 estate. Reforestation in other areas under this project has been completed and maintenance activities are ongoing. Apart from the Nestle ReLeaf project, IOI has ongoing reforestation and rehabilitation across its operating areas which are currently championed by the regional sustainability teams. Progress of each region's reforestation and rehabilitation efforts will be communicated twice-annually to the senior management team. As of FY2025, approximately 445.54 Ha of IOI's conservation areas are covered by ongoing reforestation and rehabilitation plans.

However, from this year, after IOI had completed its carbon baselining assessment for all its conservation and set-aside areas, a few selected sites has been set aside as a pilot program for reforestation based on local environmental factors and results from previous year's conservation area. These pilot sites will be managed by the RTE, where they will also include a more detailed tracking of biodiversity-related metrics. Once successful, more sites will be included for reforestation and rehabilitation as part of our nature-based solution to climate change.

2 Protecting and Reducing Negative Impacts on Biodiversity

IOI fully complies with local wildlife-related regulations and is against any illegal encroachment and poaching as they represent serious threats to biodiversity. IOI further mitigates these risks by enforcing a no hunting commitment throughout its operating areas. Warning signs have been set up along the borders of IOI's conservation areas and are regularly patrolled to ensure no one encroaches into these protected areas.

In Sabah, IOI collaborates with the Sabah Wildlife Department to train and appoint estate personnel as Honorary Wildlife Wardens ("HWW"). HWW were designated under the Wildlife Conservation Enactment (WCE) 1997, where they are allowed to implement wildlife conservation laws to stop and prevent illegal activities related to wildlife protection. As of FY2025, 33 IOI wardens have been appointed while 37 more are waiting to be gazetted. To ensure similar level of governance and monitoring, best practices and lessons learnt from the HWW program in Sabah were shared and adopted at both our Indonesian and Peninsular estates.



3 Reducing Human-wildlife Conflicts

In Indonesia, IOI is working closely with Balai Konservasi Sumber Daya Alam (“BKSDA”) for the management of HCV areas in our estates at the Ketapang district. Part of the engagement is to conduct a survey for orangutan population. The survey is expected to provide more details on the existing orangutan population and subsequently propose the type of conservation measures to be taken. Apart from that, IOI is currently engaging Balai Pengelolaan Sumber Daya Pesisir dan Laut (“BPSPL”) and local community leaders to manage and reduce human-wildlife conflict for the safety of estate staff and local residents, especially related to crocodile incidences.

In Malaysia, some estates are located close to regions where human-elephant conflicts are common due to overlapping habitat ranges, availability of food near human settlements and oil palm plantations. In Ulu Muanad, Sabah, IOI is collaborating with the Sabah Wildlife Department, Earthworm Foundation, and local community leaders to share information about pygmy elephant sightings and setting up electric fences at strategic locations to minimise crop and property damage. A workshop on elephant conservation, dealing with human-elephant encounters were also conducted in conjunction with World Elephant Day to raise awareness between employees in the area. Our sustainability team in Sabah also maintains close collaborations with HUTAN, Seratu Aatai and Sabah Wildlife Department to foster co-existence between elephants and the local communities. Previous efforts include collaring and tracking elephant movement around IOI’s estates in lower Kinabatangan region. IOI has also installed some camera traps for monitoring purposes to shed light on elephant behaviour and help researchers track elephant movements. To instil a culture of co-existence among the next generation, IOI and Seratu Aatai jointly conducted elephant awareness programs in HUMANA schools in April and June 2025.

4 South Ketapang Landscape Initiative

The South Ketapang Landscape aims to enhance community livelihoods, promote sustainable land use, and protect the environment through targeted conservation and no-deforestation initiatives. It is linked to the broader region through The Sustainable Trade Initiative (“IDH”) Production, Protection, Inclusion (“PPI”) compact—a collaborative platform that brings together public, private, and civil society organisations.

Leveraging co-funding from IOI and IDH, the South Ketapang Landscape project has conducted an independent assessment of community livelihoods against the living income benchmark and on deforestation threats across the landscape. These insights will serve as a foundation for targeted interventions, guiding collaborative actions that strengthen ecosystem resilience, support sustainable land use, and ensure that both environmental and community needs are addressed. By integrating risk analysis with proactive engagement, the upcoming activities aim to create a long-term positive impact across the South Ketapang Landscape, to foster a more sustainable and resilient future for both people and nature.

5 4th Sustainability Consultation Forum

The Fourth IOI Sustainability Consultation Forum (“SCF”), held on August 1, 2024, focused on “Addressing the Impacts on Biodiversity and Ecosystem” within IOI’s operations and surrounding landscapes. The forum covered two main topics: “Understanding the Threats, Impacts, and Challenges for Biodiversity and Ecosystems”

and “Solutions for Biodiversity and Ecosystem Management”. The first session highlighted significant threats such as climate change, habitat fragmentation, and forest fires, as well as challenges like inadequate communication with local stakeholders and insufficient funding for conservation efforts. The second session focused on developing practical solutions, including protecting HCV areas, rehabilitating degraded areas, implementing sustainable land management, and enhancing monitoring systems.

One of the forum’s recommendations stressed that a more in-depth study on biodiversity might be needed to further understand the impact of ecosystems by utilising the IOI’s Biodiversity and Ecosystem Enhancement Guidelines. Another recommendation involved developing clear landscape-level biodiversity conservation plans with active local stakeholder engagement, identifying and protecting HCV areas and wildlife corridors, and improving conservation within estates through regenerative agriculture practices. These recommendations are in line with our efforts at the Bukit Leelau Mini Landscape and South Ketapang Landscape Initiative. The forum also recommended enhancing the rehabilitation of buffer zones, peatlands, and catchments to provide wildlife habitats and bolster climate change resilience. Additionally, support for smallholders to transition to sustainable practices, exploring financing mechanisms like biodiversity credits, and documenting best practices were highlighted as crucial for long-term sustainability.

