



IOI GROUP



HARNESSING SUSTAINABLE PARTNERSHIPS

SUSTAINABILITY REPORT 2019



OUR FRONT COVER

At IOI Corporation Berhad (“IOI” or “the Group”), we are addressing the problems of the present through innovative solutions and through harnessing the power of collaboration in driving our sustainable strategies. The theme of this report “Harnessing Sustainable Partnerships”, shows how our focus has shifted from trade limitations to harnessing prosperity through intelligent expertise built on trust and meaningful connections. The various coloured cords and the unification of the cords on the cover of this report represents the integration of corporate and sustainability goals in alignment with the identified UN Sustainable Development Goals (“SDGs”). The handshake within the word “Partnerships” also reflects the strong partnerships IOI has embarked on to help build a more dynamic and sustainable ecosystem and emphasises the message of working hand in hand in smart collaboration towards attaining sustainable solutions and results.



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Innovating to Enhance Operational Efficiency



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Harnessing Sustainable Partnerships



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Innovating to Expand Value Delivery



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Innovating to Maximise Yield



FEEDBACK & COMMENTS

IOI Group is open and committed to listening to our stakeholder’s opinions and ideas. Aside from making this report accessible online on our corporate website at <https://www.ioigroup.com>, the Group also encourages feedback from our readers. Any comments pertaining to our sustainability performance and management approach as well as other matters regarding the report can be addressed to:

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ABOUT THIS REPORT

THE FOCUS OF THIS REPORT

Sustainability is a real-world business imperative that is woven into the culture of IOI. We actively seek solutions through Harnessing Sustainable Partnerships and driving sustainable innovation to strengthen the potential and value of our business. Our third annual Sustainability Report ("Report") presents our economic, environmental, governance and social performance in the three pillars of our sustainability philosophy: People, Planet, Prosperity plus Partnership. We remain committed to contributing to the United Nations Sustainable Development Goals ("UN SDGs") in order to collectively achieve the 2030 Agenda and ensure a sustainable future for all. We also highlight the cornerstones of our sustainability strategy as set out in our Sustainable Palm Oil Policy ("SPOP") and other relevant policies.

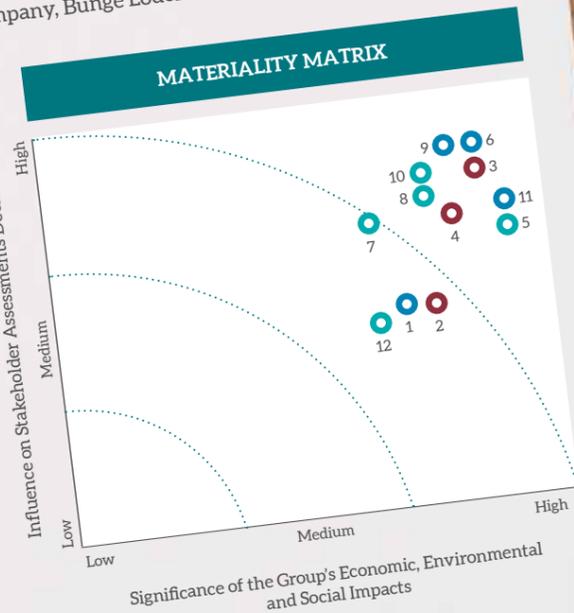
The Group has also reviewed other palm oil sustainability initiatives during the preparation of this report, including Zoological Society of London's ("ZSL") Sustainable Palm Oil Transparency Initiative ("SPOTT"), CDP, Ceres Reporting Guidance for Responsible Palm, and the Fair and Free Labour Principles for Palm Oil Production.

This Report contains the Group's sustainability management approach, performance data as well as risks and opportunities for our material economic, environmental and social ("EES") matters for the reporting period of 1 July 2018 to 30 June 2019, in line with IOI's 2019 financial year. We publish sustainability report on an annual basis, whereby our most recent publication was in September 2018. There have been no significant changes to IOI's size, structure, ownership or supply chain during this reporting period.

The scope of this Report covers entities included in our consolidated financial statements. These entities are our headquarters in Putrajaya, Malaysia and core businesses including IOI Plantation (estates and mills), Resource-Based Manufacturing (refineries and IOI Oleochemical operations), and IOI Commodity Marketing activities. This Report excludes IOI Group Sales Offices and the specialty oils and fats manufacturing business which is carried out by the Group's 30%-owned associate company, Bunge Loders Croklaan.

REPORTING PERIOD AND SCOPE

We keep abreast to the global standards of sustainability reporting to provide a fair comparison between industry peers, better clarity of contents, and ensure that we meet and exceed all stakeholder expectations. The Report refers to the Bursa Malaysia Sustainability Reporting Guide (2nd Edition) which sets out the sustainability-related disclosure obligations prescribed in the Main Market Listing Requirements of Bursa Malaysia Berhad, and reporting framework recommendations. In line with Bursa Malaysia's recommendations, this Report has been prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards"): Core Option and adopted the content elements of the International Integrated Reporting <IR> Framework.



OUR MATERIAL SUSTAINABILITY MATTERS

IOI has adopted a holistic approach in identifying its sustainability matters as a Group instead of separate business units. Our approach is to continuously review potential sustainability topics to ensure the best representation of our current sustainability endeavours. We also remain anchored to our sustainability commitments based on the Group's Sustainable Palm Oil Policy ("SPOP") and performance as formulated in the Sustainability Implementation Plan ("SIP").

For our 2018 Sustainability Report, a long list of potential materiality topics was identified. This was done based on a review of peers, industry standards, environmental, social and governance ("ESG") rating systems, and global initiatives (such as the SDGs). From this long-list, IOI consolidated the topics to represent the 12 most prominent sustainability issues for our business.



Materiality topics are not all equally important, steps involved assessment and prioritisation of the 12 topics. As shown in the Materiality Matrix, there are two dimensions of importance:

1. The Significance of the Group's Economic, Environmental and Social Impacts (x-axis); and
2. The Influence on Stakeholder Assessment Decisions (y-axis).

ORDER OF SIGNIFICANCE (MATERIALITY)	IOI'S SUSTAINABILITY MATTERS 2019
1	Anti-corruption, governance and grievance
2	Community relations, corporate social responsibilities ("CSRs") and land issue
3	Workers' rights and welfare
4	Occupational safety & health and process safety
5	Best management practices: waste, pest & chemicals, water impact and fire
6	Sustainability certification
7	GHGs and energy efficiency
8	Peat, biodiversity and conservation
9	Responsible sourcing and traceability
10	High Conservation Value ("HCV") and High Carbon Stock ("HCS")
11	Regulatory compliance
12	Technology and innovation

A range of internal and external stakeholders were engaged using a variety of techniques (including direct engagement and email surveys), and results presented to the Group Sustainability Steering Committee ("GSSC"). IOI has reviewed industry related ESG standards and ratings system, frameworks, initiatives, and responses from external stakeholders. Further prioritisation of materiality matters was done through discussion with internal stakeholders. The set of materiality topics was prepared in combination of both qualitative and quantitative analysis. Each of the 12 issues shown in the materiality matrix is important and covered in this report, and we adhere to the quality principles of accuracy, balance, clarity, comparability, reliability and timeliness. The 'High' materiality topics are IOI's most material sustainability issues, with notable impacts and which are of high concern to stakeholders. For these topics, IOI tries to report more information about our approach, targets, performance and initiatives.



MESSAGE FROM OUR GROUP MANAGING DIRECTOR & CHIEF EXECUTIVE

DEAR STAKEHOLDERS,

During this financial year, IOI's sustainability journey has become increasingly affected by climate change and global market forces which require businesses to balance their planetary and societal responsibilities with the expectations of various stakeholders. At IOI, we understand that protection of the environment and responsibility to the community are key attributes of sustainability. However, we have also not forgotten about economic or business sustainability and have incorporated into our corporate governance and workplace practices, sustainability elements that will help us manage our performance to ensure our business continues to grow for generations to come.

We do this by embedding sustainability in our business objectives and operations, by subscribing closely to our Core Values and by focusing our efforts on addressing the most material issues based on our three pillars of sustainability (3Ps) namely People, Planet plus Prosperity. It cannot be denied that the challenges to overcome these global issues of protecting our environment while ensuring social obligations towards our people are complex. Understanding the urgency of the task before us, IOI realises that this journey cannot be travelled alone but with smart "Partnerships" to help create a more resilient, sustainable future.



The start of IOI digital transformation journey



Queries at the "3rd High Tea with CEO" event



At a site visit of one of IOI's manufacturing facilities



MESSAGE FROM OUR GROUP MANAGING DIRECTOR & CHIEF EXECUTIVE



In keeping with our sustainability philosophy of 3Ps plus "Partnership" and our embrace of the United Nations' Sustainable Development Goals ("SDGs"), we are accelerating our drive to help materialise our sustainability commitments because we believe that the economic wealth, social wellbeing and health of our employees and families as well as the wider communities are intertwined closely with our planet's environmental health and ultimately defines our prosperity in this one world.

As such, I would like to highlight how, with the 3Ps plus Partnership, IOI is harnessing sustainable partnerships together with the power of innovation and technology to align itself with the specific targets of the 6 SDGs most relevant to our operations, i.e., SDG 2 - Zero Hunger; SDG 8 - Decent

Work & Economic Growth; SDG 12 - Responsible Consumption & Production; SDG 13 - Climate Action; SDG 15 - Life on Land; SDG 17 - Partnership for the Goals.

The Mini Landscape Plan for Peatlands Adjacent to Bukit Leelau Estate, Pahang is a perfect example illustrating our encompassing philosophy. This multi-stakeholder's engagement between IOI's estates and the communities of adjacent areas, is in partnership with Government agencies like Department of Orang Asli Development ("JAKOA"), Department of Health, together with civil societies and other stakeholders (SDG 17). The project includes empowerment programmes for the Orang Asli community for better livelihood options (SDG 2 & SDG 8), rehabilitation of forest reserves (SDG 13), assessment of the surrounding peatland ecosystem and fire prevention measures (SDG 13 & 15).

Further evidence of our understanding of the interconnective nature of sustainability challenges and the recognition that a single party acting alone is not enough to achieve systemic change can be seen in the engagements and collaborations that we have undertaken. Some of the examples include: Working with Earthworm Foundation to engage, assess and support our supply chain towards meeting IOI's sustainability commitments via the utilisation of the online platform "Tools for Transformation"; Partnership with Aidenvironment to establish a land-use change, deforestation, and peat clearance monitoring programme to ensure compliance of our third-party suppliers to IOI's No Deforestation, No Planting on Peat and No Exploitation ("NDPE") commitments; Having an external party like Proforest verify IOI's sustainability commitments which involved reaching out to many stakeholders such as Finnwatch, Grassroots, Neste, Roundtable on Sustainable Palm Oil ("RSPO"), and the recruitment agencies; and Assisting the Sabah Wildlife Department in the operational process of the elephant translocation project.

An IOI's practice that shows how innovation and technology are important in meeting our sustainability imperatives is the use of palm biotechnology to produce superior high yielding oil palm clones with oil extraction rate up to 15% higher than the conventional seedlings. Together with this cutting-edge tissue culture technology and genomics research, IOI is looking to produce seeds that are more efficient in converting solar energy into oil. This means higher productivity and yield as well as more efficient land use which is very much in line with the targets in SDG 2, 13 and 15. Other than the palm biotechnology, IOI's Geographical Information System ("GIS") Department uses geospatial technology to capture images using Unmanned Aerial Vehicles ("UAV"), and Global Positioning System ("GPS") and builds a database of maps to enable us to identify areas which require management improvements within our oil palm plantations. This results in increased labour productivity, more precise planning and planting management, and better monitoring of flood-prone and HCV areas, and optimum utilisation of inputs such as pesticides and fertilisers.

Furthermore, with best management practices like minimising generation of wastes and maximising recycling, IOI has been integrating the circular economy model into the production of palm oil since we first ventured into the plantation business. This is exemplified by the utilisation of biomass like palm kernel shells & empty fruit bunches ("EFB") fibres for power generation in mills (approximately 98%) and EFB/POME as organic fertilisers for the plantations.

In manufacturing, IOI Oleo at Prai, through the smart utilisation of steam to reduce the load on process steam boilers thereby enabling savings in fuel, recently added another of this heat recovery system to help reduce energy use. On top of that, IOI Oleo has also successfully installed and commissioned a 6.5 MW capacity co-generation power plant in its Pasir Gudang plant, which will boost total energy efficiency to above 90%.

MOVING FORWARD

While we continue on our journey, embedding sustainability into our DNA and reaping the economic and social benefits associated with this more holistic approach, we would like to strive for a net zero impact or even restorative effect on the environment. This report will discuss in greater detail the progress we have made towards ensuring that the specific sustainability targets and the implementation of our sustainability initiatives continue to meet our strategic sustainability priorities.



IOI's participation in the government's campaign to foster love for palm oil



Dedicated business system teams receiving the necessary support and training



New equipment viewing during a visit to IOI Pan-Century

ABOUT IOI CORPORATION

WHO WE ARE



IOI Corporation Berhad ("IOI" or "the Group") is a leading global integrated and sustainable palm oil player listed on the Main Market of Bursa Malaysia Securities Berhad.

Since venturing into the plantation business in 1983, IOI Group has consistently been ranked as one of the most efficient major plantation owners producing one of the highest oil yields in the industry. Employing more than 28,000 people in several countries, our vertically-integrated business model covers the entire palm oil value chain from upstream plantations to downstream resource-based manufacturing.

The Group's oil palm operations are operated by the IOI Plantation division which currently expands more than 90 estates and 15 mills on more than 176,000 hectares of planted areas in Malaysia and Indonesia, making us one of the largest plantation owners in the industry. We practice a sustainable production and consumption cycle through investing in research and development to maximise our yield, driving mechanisation and innovation in our production line, and recycling our waste products.

A total fresh fruit bunches ("FFB") production of 3.4 million MT was produced in FY2019 as compared to 3.5 million MT for FY2018.

The Group's global resource-based manufacturing business comprises 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 products. IOI has six manufacturing facilities in Malaysia and Germany. The principal activities of the oleochemical sub-segment are the manufacturing and sales of fatty acids, glycerine, soap noodles and fatty esters and downstream oleochemical products such as fatty esters and specialty derivatives. These versatile products are used in a wide variety of applications from industrial sectors such as automotive, mining and plastic to food, nutrition, pharmaceutical and cosmetic. Our oleochemical products are exported to more than 80 countries worldwide. Our main customers are located in Japan, China, Europe and the United States, which include some of the world's most esteemed and well-known multinational corporations.

AWARDS AND RECOGNITIONS

1. HR Asia Awards

Best Companies to Work for in Asia 2018
October 2018

2. FTSE4Good Bursa Malaysia Index

FTSE4Good Index
December 2018

3. Carbon Disclosure Programme 2018

Most Improved Performance in Hong Kong and Southeast Asia
March 2019

4. Employer Branding Awards

Malaysia Best Employer Brand Awards 2019
April 2019

IOI Oleo Group

- Anugerah Industri Sawit Malaysia ("AISM")**
Best Oleochemical Company - Malaysian Palm Oil Board ("MPOB")
November 2018
- Responsible Care Awards 2017/18 and Chemical Industries Council of Malaysia ("CICM")**
April 2019

IOI Refinery

1. Winner of National Energy Awards 2018

Category 1 - Energy Efficiency (Energy Management in Large Industry)
October 2018

2. 2nd runner up of Energy Management in Buildings & Industries

(Large Industry Category in ASEAN) 2018
October 2018

3. Winner of IChemE Malaysia Award Winner

The Palm Oil Award
October 2018



BUSINESS PERFORMANCE



PROFIT BEFORE
INTEREST AND
TAXATION
(continuing operations)

RM1.08
billion

2018 - RM1.38 Billion



PROFIT ATTRIBUTABLE
TO OWNERS OF THE
PARENT
(continuing operations)

RM0.63
billion

2018 - RM1.23 Billion



EARNINGS PER
SHARE

10.05 sen

2018 - 48.70 Sen



DIVIDEND PER
SHARE

8.0 sen

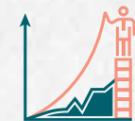
2018 - 20.5 Sen



SHARE PRICE

RM4.25

2018 - RM4.54



MARKET
CAPITALISATION

RM26.71
billion

2018 - RM28.53 Billion

ABOUT IOI CORPORATION LOCATIONS

GLOBAL PRESENCE



Plantation & Mill



Resource-Based Manufacturing



Sales/Procurement/Regional Office

North America

- 1 Channahon, USA*
- 2 New Jersey, USA
- 3 Toronto, Canada*

South America

- 4 Sao Paulo, Brazil*

Africa

- 5 Bobo Dioulasso, Burkina Faso*
- 6 Tema, Ghana*
- 7 Cairo, Egypt*

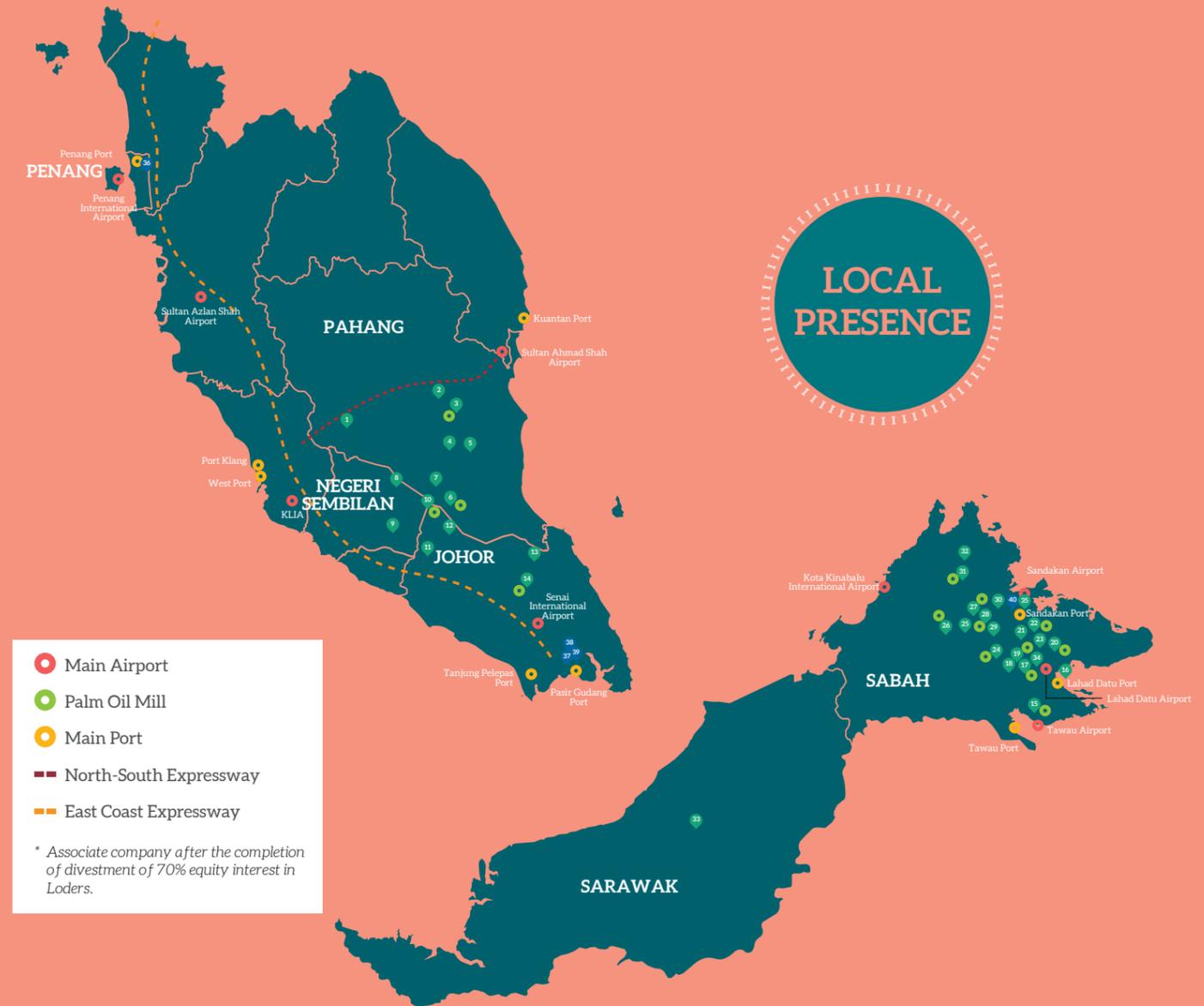
Europe

- 8 Rotterdam, The Netherlands*
- 9 Wormerveer, The Netherlands*
- 10 Witten, Germany
- 11 Hamburg, Germany
- 12 Wittenberge, Germany
- 13 Varese, Italy*
- 14 Warsaw, Poland*
- 15 Moscow, Russia*

Asia

- 16 Malaysia*
- 17 Xiamen, The People's Republic of China*
- 18 Shanghai, The People's Republic of China*
- 19 Kalimantan, Indonesia
- 20 Manila, The Philippines*

LOCAL PRESENCE



- Main Airport
- Palm Oil Mill
- Main Port
- North-South Expressway
- East Coast Expressway

* Associate company after the completion of divestment of 70% equity interest in Lodgers.



PLANTATION
(PENINSULAR)

- 1 Bukit Dinding Estate
- 2 Detas Estate
- 3 Bukit Leelau Estate
- 4 Leepang A Estate & Laukin A Estate
- 5 Mekassar Estate & Merchong Estate
- 6 Pukin Estate
- 7 Shahzan IOI 1 Estate & Shahzan IOI 2 Estate
- 8 Bahau Estate & Kuala Jelei Estate
- 9 IOI Research Centre & Regent Estate
- 10 Gomali Estate, Paya Lang Estate & Tambang Estate
- 11 Bukit Serampang Estate & Sagil Estate
- 12 Segamat Estate
- 13 Kahang Estate
- 14 Pamol Barat Estate, Mamor Timur Estate, Mamor Estate, Unijaya Estate & Pamol Research Centre



PLANTATION
(EAST MALAYSIA)

- 15 Baturong 1-3 Estates
- 16 Cantawan Estate
- 17 Unico 6 Estate
- 18 Halusah Estate
- 19 Tas Estate
- 20 Unico 1-5 Estates
- 21 Morisem 1-5 Estates
- 22 Leepang 1-5 Estates
- 23 Permodalan 1-4 Estates
- 24 Syarimo 1-9 Estates
- 25 Bimbingan 1-2 Estates
- 26 Mayvin 1-2 & 5-6 Estates & Tangkulap Estate
- 27 Laukin Estate
- 28 Ladang Sabah Estates, IOI Research Centre & Sandakan Regional Office
- 29 Linbar 1-2 Estates
- 30 Sakilan Estate
- 31 Pamol Sabah Estates & Pamol Sabah Research Centre
- 32 Sugut Estate
- 33 Sejap Estate & Tegai Estate
- 34 Lahad Datu Regional Office
- 35 Sandakan Regional Town Office



RESOURCE-BASED
MANUFACTURING

- 36 IOI Oleochemical Operations
- 37 IOI Pan-Century Oleochemical & Refinery Operations
- 38 Lipid Enzymtec Plant*
- 39 Palm Oil Refinery & Specialty Fats Operations*
- 40 IOI Palm Oil Refinery & Kernel Crushing Plant

* associate company after the completion of divestment of 70% equity interest in Lodgers Croklaan Group B.V.
* includes associate company's refinery and specialty oils and fats' operation

ABOUT IOI CORPORATION

AT A GLANCE

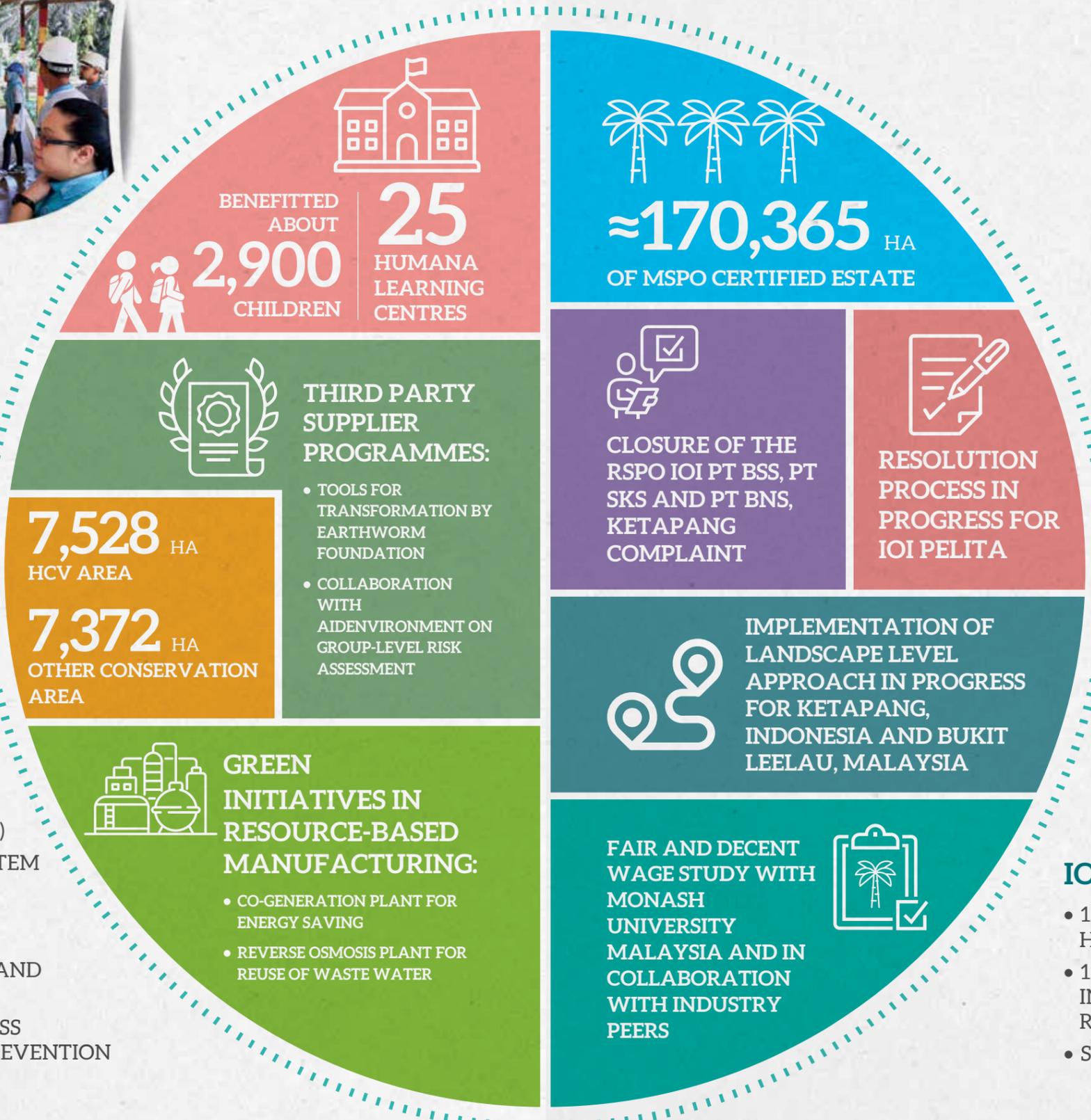
COMPLETION OF EXTERNAL VERIFICATION OF IOI COMMITMENTS IMPLEMENTATION

- VERIFICATION OF THE IMPLEMENTATION OF IOI'S SUSTAINABLE PALM OIL POLICY ("SPOP") AND RELATED COMMITMENTS
- COMPLETION AND PUBLIC REPORT IN JUNE 2019



FIRE MANAGEMENT

- EMERGENCY RESPONSE PROGRAMME ("ERP")
- ESTABLISHMENT OF FIRE MONITORING SYSTEM
 - A. FIRE ALERT INFORMATION SYSTEM
 - B. FIRE TOWERS & DRONES
 - C. PATROLLING
- TRAINING PROGRAMMES ON PREVENTION AND CONTROL TO RESPOND TO FIRE INCIDENT
- SOCIALISATION, DIALOGUE AND AWARENESS PROGRAMME IN FOREST AND LAND FIRE PREVENTION TO RELEVANT STAKEHOLDERS
- MEMBER OF FIRE FREE ALLIANCE



RSPO Roundtable on Sustainable Palm Oil



IOI OLEO GROUP ACHIEVEMENT

- 1,500,000 ACCIDENT-FREE HOURS IN SAFETY, HEALTH AND ENVIRONMENT ("SHE")
- 11 AWARDS AT THE PRESTIGIOUS CHEMICAL INDUSTRIES COUNCIL OF MALAYSIA ("CICM") RESPONSIBLE CARE AWARDS 2017/2018
- SUCCESSFULLY ISO 45001:2018 CERTIFIED

OUR YEAR IN SUMMARY

July
2018

IOI introduced a revised Agrochemical Management Policy and new Peatland Protection and Management Policy. The revised policy is available on IOI website.



August
2018

IOI and Aidenvironment finalised the design of the South Ketapang Landscape Initiative. The initiative addresses the most common and critical challenges facing the South Ketapang landscape such as peatland management and rehabilitation, biodiversity conservation, flood and fire prevention, and community livelihood development. Safekeeping Guideline.

September
2018

An agreement was signed between IOI Plantation and GEC on a series of planned activities for Bukit Leelau Mini Landscape Level Project. The planned activities include engagement with relevant stakeholders and empowerment programme for the *Orang Asli* community in the area.

October
2018

- Phase 1 (Document Review and Consultation) of the external verification of IOI's implementation of its commitments by Proforest was completed.
- RSPO Complaints Panel ("CP") officially closed the complaint case on IOI's subsidiary companies (PT SNA Group) in Ketapang, Indonesia.

February
2019

IOI Corporation Berhad and Aidenvironment entered into an agreement today to work together on the group-level risk assessment of IOI's third-party suppliers.



January
2019

IOI has achieved another important milestone in its sustainability performance by making good progress in the Carbon Disclosure Programme ("CDP") 2018 survey, organised by CDP, a not-for-profit organisation that promotes corporate transparency and the measurement of environmental action.

December
2018

IOI is now included in Bursa Malaysia Berhad's FTSE4Good Bursa Malaysia Index ("FTSE4Good Index"), effective 24 December 2018. IOI is among four public-listed companies that are added to the constituents of the FTSE4Good Index practices.

November
2018

- Concurrent with RSPO's annual conference, RT16, IOI conducted a Hi-Tea with Stakeholders event at the Pacific Sutera Hotel, Kota Kinabalu.
- IOI's overall scoring improved by 3.3% to 78.1% compared to the 2017 assessment, in the latest SPOTT assessment by the Zoological Society of London ("ZSL").

March
2019

- Two of IOI Oleo operations upgraded Occupational Health & Safety ("OHS") Management System to ISO 45001:2018.
- Social contribution following the national pollution crisis in Sungai Kim Kim, Pasir Gudang, Johor, Malaysia.

April
2019

IOI Plantation organised first Sustainability Outreach Programme together with relevant bodies to enhance awareness on environmental and wildlife management. Estate communities, HUMANA students, and IOI employees participated in the programme.



May
2019

As an integral part of the land dispute resolution process, IOI completed its Community Capacity Building Programme with all nine longhouses neighbouring the IOI Pelita estates located in the Tinjar area of Sarawak. IOI conducted a two-day workshop held in Miri with all the community leaders.



June
2019

The Phase 2 verification of IOI's sustainability commitments implementation, which involved "Field Assessment" as well as some "Document Review and Consultation" activities, was completed with the publication of a report by Proforest.



OUR SUSTAINABILITY APPROACH

IOI'S SUSTAINABILITY COMMITMENT

IOI is dedicated to integrate sustainability practices into the core operations since its establishment. The Group's Vision of being a leading corporation in our core businesses means our commitment to provide products and services of superior value, and sustaining consistent long-term growth in volume and profitability.

IOI sets out a sustainability vision whereby we take actions and make efforts to uphold our belief that the needs of the present can be realised without compromising future generations.

SUSTAINABILITY VISION

At IOI, we believe we should meet the needs of the present without compromising that of the future generations by:

Promoting, pioneering and implementing innovative solutions

Committing to protect, rehabilitate and preserve the environment where we live in

Safeguarding the economic, social welfare, health and safety of our employees and the wider communities



Our approach in achieving the visions and commitments is clear. We have to solicit important information and feedback from our stakeholders in order to understand which areas we can improve on and how sustainability can be defined within IOI. We set goals and targets to ensure that we strive for operational optimisation in the most sustainable possible way. Systems and processes are established to guarantee long-term value creation in our operations. In order to make meaningful progress, meet the current demands and tackle current challenges, we continue to monitor our performance and revisit any area that may require additional attention.

SUSTAINABLE PALM OIL POLICY

First established in 2014 and most recently revised in March 2018, the IOI Group Sustainable Palm Oil Policy ("SPOP") is a comprehensive guiding document used to accomplish our sustainability initiatives and our long-standing commitment to give back to our employees, surrounding communities and the environment, which serves as a support system as well as a base to our business operations.

IOI Key Commitments



Roundtable on Sustainable Palm Oil ("RSPO") in all our oil palm plantations



No deforestation, No peat, No exploitation ("NDPE") and Zero Burning Policy



Highest level of transparency and wider stakeholder engagement



Eliminate all forms of illegal, forced, bonded, compulsory or child labour in our operations or supply chains



Protection over High Conservation Values ("HCV") and High Carbon Stock ("HCS") areas in existing and new oil palm plantations



Ensure all our Malaysian plantations are Malaysian Sustainable Palm Oil ("MSPO") certified

IOI is committed to the sustainable management of its oil palm plantations and to the implementation of responsible, global palm oil supply chain. The scope of the SPOP applies to all IOI operations worldwide, including our subsidiary companies, joint venture and companies in which we have management control.

We stay committed to:

- comply with all applicable legislation and codes of practice;
- implement leading sustainability standards laid out in the SPOP for environmental management, human rights, workplace conditions, community development and social impact; and
- build a traceable supply chain and to support supplier transformation towards meeting our SPOP requirements.

The SPOP will be revised whenever necessary to ensure that it remains relevant as the main guiding principle for our initiatives and sustainability strategy. The revision will take into account the latest practices, internal policies, national and international initiatives implemented by IOI.

Sustainability Implementation Plan

To effectively meet our goals and commitments stated in the SPOP, we established a practical working document called the Sustainability Implementation Plan ("SIP") since August 2016 to showcase our ground implementation progress and reflect any stakeholder input. The SIP contains timelines, key milestones and relevant activities for the umbrella topics in which we pledge to improve upon in the SPOP. These umbrella topics

include existing plantations, additional commitments for new plantings, traceable supply chains and transparency and wider engagement. From 2019 onwards, the SIP will be updated bi-annually. All SIP documents are archived and made available on our website¹.

Verification of SPOP

In April 2017, we publicly committed to the commissioning of an independent verification for the implementation of our SPOP. Proforest was formally appointed to conduct the verification in May 2018 which applies to the palm oil operations of the IOI Group, including plantations and crude palm oil ("CPO") mills, and processing facilities, as well as our engagements with our third-party suppliers.

The verification process has been divided into two phases whereby the first stage involves document review and interviews with internal and external stakeholders, whereas the second stage involves site visits to assess the current implementation and performance of IOI's sustainability initiatives. It aims to evaluate IOI's performance against the sustainability requirements defined in the SPOP and SIP as well as identify opportunities for improvement.

One of our key commitments which is to "ensure all of our Malaysian plantations are MSPO certified by the end of 2018" was missed due to challenges in audit scheduling and auditor availability. However, the Group managed to get 11 out of 14 mills certified for MSPO certification in 2018.

Proforest's public report on verification findings is available through IOI's website².

¹ https://www.ioigroup.com/Content/S/S_SIP

² <https://www.ioigroup.com/Content/S/PDF/Proforest%20report%20Phase%202.pdf>

OUR SUSTAINABILITY APPROACH

OUR VALUE CREATION

As we progress further into our sustainability endeavours, we have developed a cohesive understanding of the ways in which our business activities transform inputs into outputs and outcomes to fulfil IOI's strategic purpose and create value over the short, medium and long term.

With value creation as the foundation of our strategy and all stakeholders as our beneficiaries, we seek to balance growth in the business with investment in our people and the wider community. We seek to create value across palm oil plantation cycles. Value creation goes beyond consideration of financial capital, and also includes manufactured, intellectual, human, social and natural capital. The essential message being that stocks of all six types of capital must be protected and replenished to achieve long-term sustainability.

Inputs

Natural Capital

Our estates, high-yielding planting materials and diverse age profile of our oil palm trees.

Financial Capital

Our good performance and management practices. Readily available funds and access to financial institutions.

Manufactured Capital

Our integrated estates, self-sustained mills, refineries, manufacturing facilities and research centres.

Human Capital

Our workforce diversity and unique IOI culture with succession and business continuity planning.

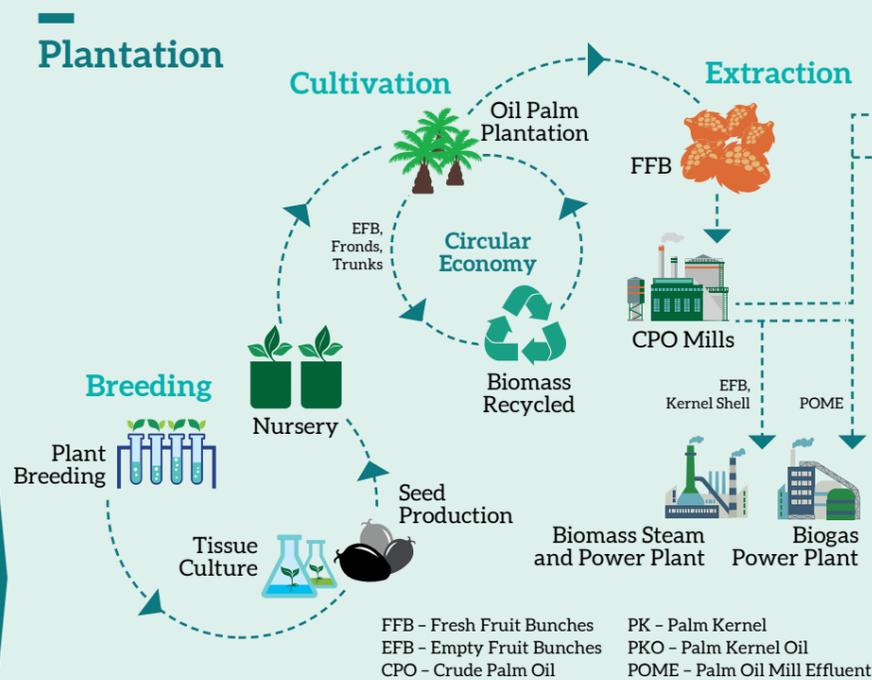
Intellectual Capital

Our research and development ("R&D") capability, best practices in estate management, robust sustainability and governance policies and practices.

Social & Relationships Capital

Our key stakeholders including shareholders, suppliers, non-governmental organisations ("NGOs"), regulators, communities and employees.

Our Integrated and Sustainable Value Chain



Contribution to Segment Results#

Excludes 1% contribution to segment from others

Upstream
46%
Plantation

Downstream
16% Refinery
33% Oleochemical
4% Associate - Bunge Loders*

* Associate company after the completion of divestment of 70% equity interest in Loders.

Our Competitive Edge

Integrated Value Chain
Industry-leading synergies across upstream and downstream businesses.

Integrated Systems
Operational excellence through ONE IOI Integrated Platform for greater efficiency.

Strength in R&D
In-house research and development capabilities for the production of high quality planting materials.

Efficiency Culture
Cost and production efficiency with minimal bureaucracy and flat management structure. Efficiency culture is entrenched in the mind of employees.

Sustainability Culture
Embedded within IOI's operations and Sustainability Vision. Further articulated in IOI's Sustainable Palm Oil Policy.

Innovation Culture
Apply new thinking, technology and applications to improve existing workflow and business processes.

Strong Partnerships
Strategic partnerships with leading corporations to secure market access and/or technology in downstream business.

Values We Create

People

- More motivated employees
- High quality and consistent products for customers
- Improve community livelihood

≥ 28,000
employees

Planet

- Balance growth and development with the protection of the environment

6
biogas power plants

Prosperity

- Sustainable profit for shareholders
- Better economy of scale for vendors
- Sustainable palm oil production

RM26.71
billion market capitalisation*

* as at 30 June 2019

OUR SUSTAINABILITY APPROACH

CORPORATE GOVERNANCE

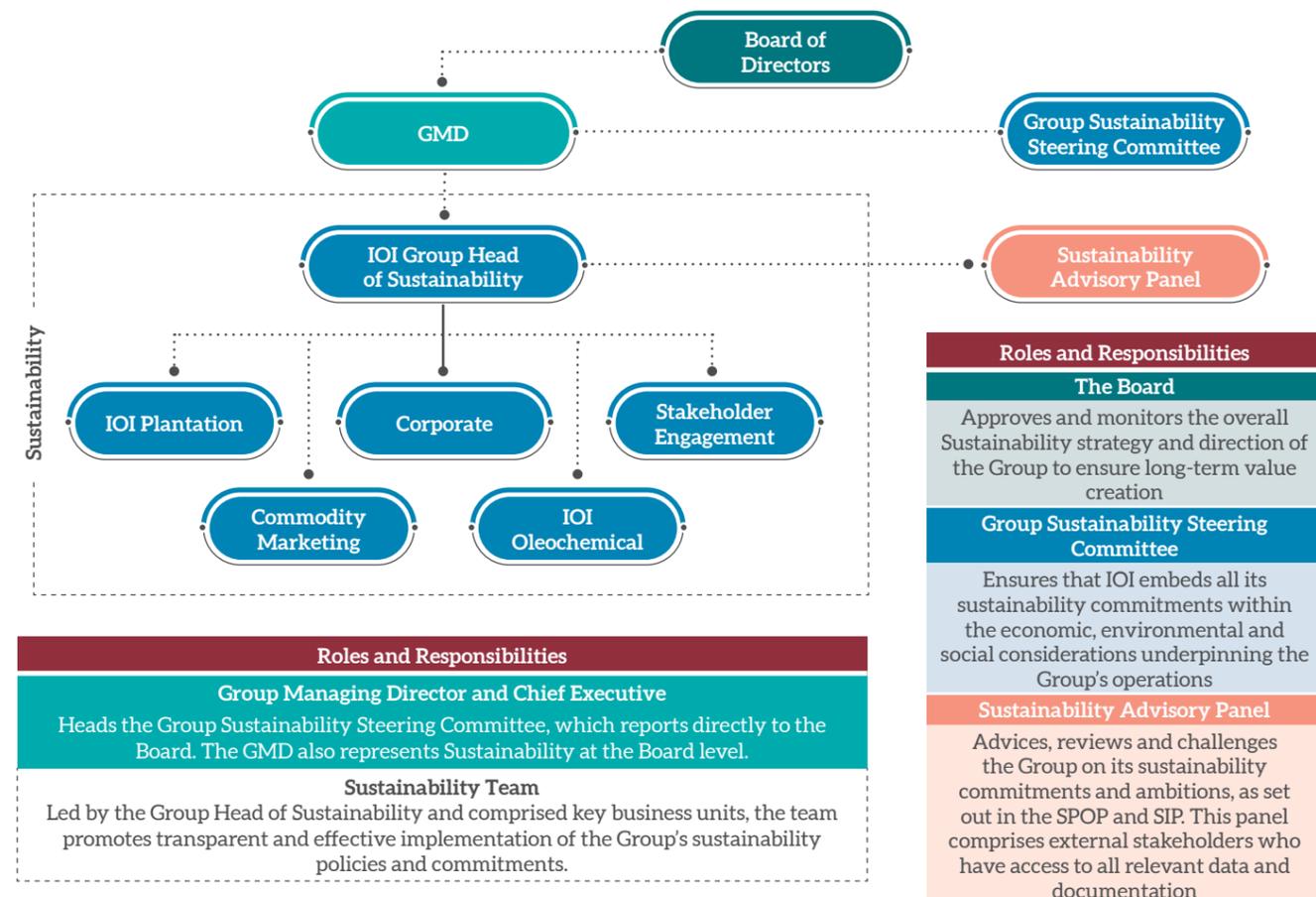
Sustainability Governance

The Board of Directors (“the Board”) is our highest governing body, and they are our strategic lead, setting the direction for the rest of the Group. They work closely with management team to ensure that IOI’s vision is achieved. Full details of IOI’s organisational structure is provided in our Annual Report 2019, including the roles and responsibilities of our other main committees.

The Group’s sustainability endeavours are organised as shown in figure below. IOI Sustainability Governance, which is headed by the Board at the apex. Working directly with the Board is the Group Sustainability Steering Committee (“SSC”) and the Group Managing Director and Chief Executive (“GMD”). The SSC comprises the GMD, heads of the operating divisions, Group Head of Sustainability and senior management from group support functions. During the reporting period, the SSC met once.

Day-to-day management of sustainability issues is led by IOI Group Head of Sustainability, who communicates and reports directly to the GMD to ensure that all of the Group’s sustainability policies, commitments and practices are implemented and strictly adhered to by the operations personnel. The Group Head of Sustainability is supported and advised by the Sustainability Advisory Panel (“SAP”) on important issues raised by key stakeholders including the Roundtable on Sustainable Palm Oil (“RSPO”) and other NGOs. As stated in the Terms of Reference¹ (“TOR”), the SAP meet four times a year with additional ad-hoc meetings when necessary. Their main role is to constructively critique and advise IOI Group, but it is not a decision-making body.

SUSTAINABILITY GOVERNANCE



Risk Management and Grievances

IOI is committed to provide a channel for all stakeholders to express and communicate their concerns over our operational impacts, areas we can improve on, and any relevant matters. By doing so, we will be able to understand our stakeholders better and highlight distressed issues to significantly reduce any potential adverse impacts and improve our overall business performance.

The Group has implemented an open and transparent whistleblowing approach to resolve both internal and external stakeholder grievances. We have established the IOI Group Grievance Procedure² which was recently revised in June 2018, in which we commit to address and deal with all filed grievances in a fair and timely manner and we will publicly disclose the results from this process. We also encourage our stakeholders to submit their grievances if they found any part of our supply chain not operating in line with the principles stated in the Group’s SPOP.

To effectively manage all of our sustainability and operational risks, the Group coordinates risks and audit oversight through the Enterprise Risk Management (“ERM”) framework which is maintained by the board-level Audit and Risk Management Committee (“ARMC”). For the full report and information on our effective audit, risk management and internal control processes, refer to pages 91 to 102 in the IOI Annual Report 2019.

The sustainability risks that concern our operations include human rights, local community grievances, occupational health and safety, fire management, deforestation, climate change, biodiversity, and peatland protection. These risks are managed at the business unit level and are guided by approved standard operating procedures (“SOPs”).

Issues raised are transparently disclosed in our website through the regularly updated and publicly available Grievance List³. Grievances can be submitted verbally or via a letter or e-mail through the following channels:

- ✉ grievance@ioigroup.com
- ☎ +603 8947 8707
- ✉ IOI Corporation Berhad, IOI City Tower Two, Lebuhr IRC, IOI Resort City, 62502 Putrajaya, Malaysia [Attention: Sustainability Department (Grievance Coordinator)]

Any employee or member of the public who has knowledge or is aware that any improper conduct has been, is being, or is likely to be committed within the Group is encouraged to make disclosure by filling a prescribed Whistleblower Report Form and submitting it through any of the following reporting channels:

- ✉ whistleblowing@ioigroup.com
- 📄 online whistleblowing form: https://www.ioigroup.com/Content/G/G_whistleblowing
- ☎ +603 8947 8958 (Whistleblowing Secretariat - Group Internal Audit)
- ☎ +603 8947 8888 (general line)
- 👤 in person to the respective Head of Business/ Operating Unit, or Head of Human Resources
- ✉ IOI Corporation Berhad, IOI City Tower 2, Lebuhr IRC, IOI Resort City, 62502 Putrajaya, Malaysia

Code of Conduct, Anti-corruption and Whistleblowing

The Group commits to working with integrity and upholds the highest standard of work ethics in line with our Code of Business Conduct and Ethics⁴ (“the Code”) and good corporate governance practices. The Code was established and approved by the Board. All new employees are communicated on the Code during their on-boarding training and the Code is available both in the employee’s domain and at each operational unit. The Code provides guidance on the standards of behaviour expected of all employees of IOI Group, whereas the supplementary Code of Ethics for Directors is formulated for new on-boarding and existing directors in order to establish expected standards of corporate governance and corporate behaviour.

Our stance on anti-corruption is outlined in the Group’s Business Ethics, Compliance, Anti-Corruption and Anti-Money Laundering Policy. It provides guidance to our employees, directors and third-party affiliates on how to avoid the different types of corruption that may arise. Topics covered include kickbacks, gifts, hospitality and entertainment, protection money and political contribution. This Policy is publicly available on our website and is communicated to all our employees through training/on-boarding sessions.

¹ <https://www.ioigroup.com/Content/S/PDF/IOI%20SAP%20TOR.pdf>
² https://www.ioigroup.com/Content/S/PDF/Grievance_mechanism.pdf
³ https://www.ioigroup.com/Content/S/PDF/Grievance_others.pdf
⁴ <https://www.ioigroup.com/Content/G/PDF/IOI%20Code%20of%20Business%20Conduct.pdf>

CONTRIBUTION TO UN SDGs

SETTING OUR TARGETS

We support the global initiative for a greener earth and sustainable future by responding to the United Nation's call for governments and organisations to contribute towards the Sustainable Development Goals ("SDGs"). This year, we have identified two additional priority goals that we can contribute towards which are SDG 2: Zero Hunger and SDG 17: Partnerships for the Goals.



2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality



8.2 Achieve higher levels of economic productivity through diversification, technological upgrading, and innovation, including through a focus on high-value added and labor-intensive sectors

8.8 Protect labor rights and promote safe and secure working environments of all workers including migrant workers, particularly women migrant, and those in precarious employment



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

12.A Support developing countries to strengthen their scientific and technological capacity to move towards more sustainable patterns of consumption and production



13.2 Integrate climate change measures into national policies, strategies and planning

15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystem and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements

15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species



17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries

17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships

OUR SUSTAINABILITY FOCUS AREAS

Topic	Material Sustainability Matter	SDG Contributions	Sustainability Pillar			
			People	Planet	Prosperity	Partnership
Palm Biotechnology	Technology and innovation	8.2, 12.4, 2.4		●	●	
Innovation in Manufacturing Processes and Products	Technology and innovation	8.2, 17.16		●	●	
Digital Integration	Technology and innovation	8.2, 17.16		●	●	
Geospatial Technology	Technology and innovation	8.2, 17.16		●	●	●
Sustainability Certifications	Sustainability certification	2.4, 8.2, 12.6	●	●	●	
Traceable Supply Chain	Responsible sourcing and traceability	12.6, 17.16, 17.17		●	●	●
Stakeholder Relation	Anti-corruption, governance and grievance; Community relations, corporate social responsibilities ("CSRs") and land issue	12.6, 17.16, 17.17	●	●	●	●
Academia Collaboration	Community relations, corporate social responsibilities ("CSRs")	12.A, 17.16, 17.17	●		●	●
Empowering Smallholders	Community relations, corporate social responsibilities ("CSRs") and land issue	17.16, 17.17	●		●	●
Collaboration with Governments and Civil Society	Community relations, corporate social responsibilities ("CSRs") and land issue	17.16, 17.17	●	●	●	●
Community Development and Social Impact	Community relations, corporate social responsibilities ("CSRs") and land issue	2.4, 17.16, 17.17	●		●	●
Land Use Plan	Best management practices: waste, pest & chemicals, water impact and fire; High Conservation Value ("HCV") and High Carbon Stock ("HCS")	15.1, 15.2, 15.5, 2.4		●	●	
Rehabilitation and Biodiversity for Land Management	Peat, biodiversity and conservation; High Conservation Value ("HCV") and High Carbon Stock ("HCS")	15.1, 15.2, 15.5		●	●	●
Fire Prevention and Response	Best management practices: waste, pest & chemicals, water impact and fire	13.2, 15.2		●		●
Operational Eco-Efficiency	Best management practices: waste, pest & chemicals, water impact and fire; GHGs and energy efficiency; Regulatory compliance	12.4		●	●	
Climate Strategy	GHGs and energy efficiency; Technology and innovation	13.2	●	●	●	●
Human Rights at Workplace	Workers' rights and welfare; Anti-corruption, governance and grievance; Regulatory compliance	8.2, 8.8	●		●	●
Capacity Building	Workers' rights and welfare	8.2, 8.8	●		●	
Occupational Health and Safety	Occupational safety & health and process safety	8.8	●			



Harnessing Sustainable Partnerships

Sustainable strategies require collaboration and networking for effective results. We are strengthening engagement with nature societies and wildlife protection authorities in order to find positive solutions to protect the natural habitats we impact.

IOI has come a long way since embarking on its sustainability journey and partnership is an essential value to support our journey to further progress.

IOI believes that collaboration and engagement between different stakeholders are the most effective way to ensure successful implementation of sustainability initiatives



HARNESSING SUSTAINABLE PARTNERSHIPS



STAKEHOLDER RELATIONS

OUR MANAGEMENT APPROACH

IOI defines key stakeholders as groups that our business may have a significant impact on or vice versa, and who have an interest in the way that we conduct business. We engage with stakeholders via multiple channels and follow these key principles with matters relating to stakeholders:



We also support:

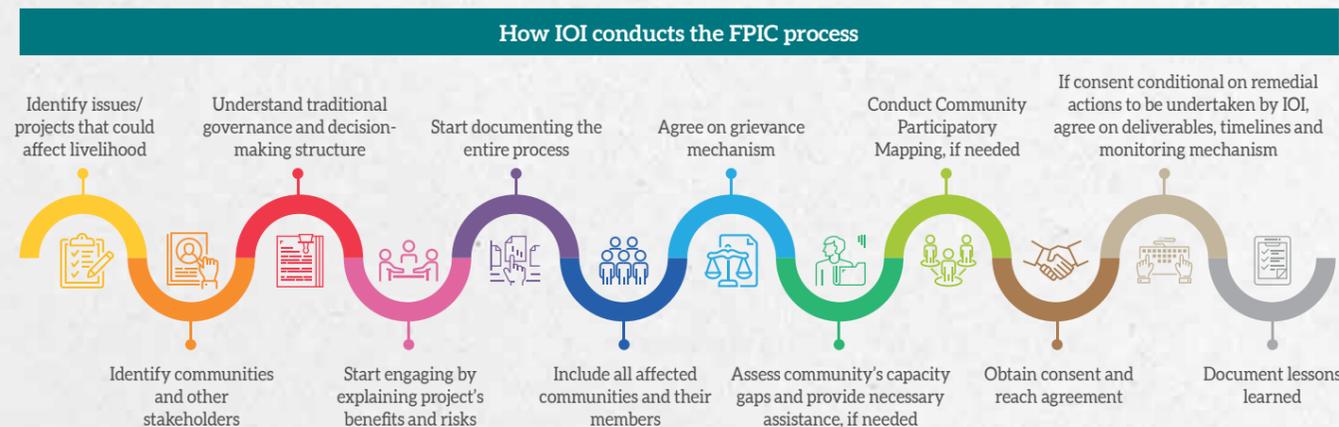
- ✓ The United Nations Universal Declaration of Human Rights ("UDHR")
- ✓ International Labour Organisation's Fundamental Conventions
- ✓ United Nations Guiding Principles on Business and Human Rights
- ✓ Principles of Free and Fair Labour in Palm Oil Production
- ✓ United Nations Declaration on the Rights of Indigenous Peoples ("UNDRIP")
- ✓ United Nations Sustainable Development Goals ("SDGs")

IOI is highly ambitious in leveraging our unique approach to partnerships, as collaborations and partnerships are at the core of the Group's stakeholder engagement approach. We see partners as fundamental to our success as a business, and we believe that they are critical to developing working solutions to the challenges that the SDGs present. As such, IOI holds an active membership and remains as an active participant in the following:

- Roundtable on Sustainable Palm Oil ("RSPO")
- Malaysian Palm Oil Association ("MPOA")
- Responsible Care Programme under the Chemicals Industries Council of Malaysia ("CICM")
- International Sustainability & Carbon Certification ("ISCC")
- Malaysian Palm Oil Board ("MPOB")
- Prai Chemical and Gas Group under Federation of Malaysian Manufacturers ("FMM")
- High Carbon Stock Approach Steering Group Member ("HCSA")
- Malaysian Oleochemical Manufacturers Group ("MOMG")
- SEDEX: Supplier B Membership
- CSR Asia Strategic Partnership
- Fire Free Alliance ("FFA")
- ASEAN Oleochemical Manufacturers Group ("AOMG")
- World Resources Institute ("WRI") Global Forest Watch partner
- Palm Oil Traceability Working Group
- Carbon Disclosure Project ("CDP")
- Ecovadis Business Sustainability Ratings

Through our active participation in these associations, we are able to strengthen the means of implementation and revitalise the global partnership for sustainable development.

IOI also adheres to the Free, Prior and Informed Consent ("FPIC") principle in support of UNDRIP to ensure the indigenous communities' rights are protected. IOI's FPIC process is as follows:



STAKEHOLDER PRIORITISATION

We continuously engage with our key stakeholders ranging from our internal workforce to external parties such as communities, civil societies, regulatory and governmental bodies, as well as partners in our supply chain. Through these engagements, we are able to keep abreast of our stakeholders' perceptions and expectations as well as of the market trends in the area of sustainability, and act on this input to improve our practices.

Key stakeholders		
Stakeholder group	Why these stakeholders matter	Stakeholder's concern or areas of interest
Employees	They form the backbone of our success	<ul style="list-style-type: none"> • Fair remuneration • Decent living condition • Being able to represent their interest collectively • Being able to voice their concerns • Worker Health and Safety • Training and Development
Customers	Our company's growth depends on the people that we serve	<ul style="list-style-type: none"> • Timely delivery • Adoption of sustainability practices throughout entire supply chain • Product quality • Good governance
Communities	Communities are our neighbours, and it is vital to maintain harmonious and mutually beneficial relations with them	<ul style="list-style-type: none"> • Fair dispute settlement • Respectful and mutually beneficial relationship based on FPIC principle • Responsible operational management • Livelihood improvement through shared benefits and CSR
Suppliers	Part of the Group's operational efficiency is attributable to the support we receive from suppliers	<ul style="list-style-type: none"> • Timely payment • Support in addressing common challenges • Fairness and transparency in our procurement practices
Civil Societies	Input on sustainability practices are enhanced through the support from civil societies	<ul style="list-style-type: none"> • Responsible social and environmental management • Transparency • Openness • Inclusiveness • Good governance
Regulators	Regulators establish the legal framework for our operations, with which we must comply	<ul style="list-style-type: none"> • Compliance • Reporting • Constructive consultation and feedback
Shareholders	Funds and other capital input are sourced from these individuals and organisations	<ul style="list-style-type: none"> • Return on investment
Industry Association	Co-producers having common interest areas and forming groups that can give a stronger voice for the industry. Both can liaise better with governmental agencies and share inter-regional matters for the betterment of the industry.	<ul style="list-style-type: none"> • Common industry interest in areas of process safety, regulatory and quality matters • Benchmarking in the areas of sustainability amongst industry members

To effectively manage stakeholder expectations and the relationships we have cultivated with them, the IOI Stakeholder Engagement team has been established to take the role of identifying stakeholders' concerns and areas of interests. Pro-active engagement with stakeholders will continue to play an important role in enhancing our value creation strategy and thus create better prospects for our business in a long term.

HARNESSING SUSTAINABLE PARTNERSHIPS

Identifying engagement objectives and approach

Following the identification and prioritisation of our material issues, we then conducted open and active engagements with stakeholders on the issues identified as important to them. This process ensures that we effectively address the opportunities and risks which may affect our sustainability performance. Throughout the 2019 reporting period, we have conducted engagements with all IOI's key stakeholders - the means through which we engaged them and the engagements frequency are disclosed as follows:



Customers participating in an IOI plantation tour

Stakeholders Engagement

Key engagements, objective and approach

Transparent, comprehensive, regular and timely reporting

Targeted, project-based engagement focused on critical sustainability issues

Client events

Participation in membership organisations, industry association, working groups and conferences

Direct dialogue with individual and grouped stakeholders

Supplier engagement programme

Related stakeholders

- Annual Report, Sustainability Report
- Website
- SIP
- Annual Communication of Progress ("ACOP") to RSPO
- Sustainability Progress Update
- IOI Pelita (RSPO, Grassroots, Communities Information and Communications Centre ("CICOM") (local NGOs), Forest Peoples Programme ("FPP"), communities, customers, local government)
- South Ketapang Landscape Initiative (Aidenvironment, Global Environment Centre ("GEC"), customers, NGOs, companies, government)
- Third-party supply chain approaches: monitoring, workshops and focus sessions (Aidenvironment, Earthworm Foundation, Mighty Earth, Rapid Response, clients)
- Collaboration with academia in research and development, e.g. fair and decent wage study with Monash University
- Earthworm Foundation's Tools for Transformation Platform (a digital engagement tool with assessment function and a library of guidance materials on best practices)
- Proforest verification
- (Hi-Tea with IOI event at RT 16 in Kota Kinabalu, downstream-led events, etc.)
- Hi-Tea with IOI event at RT 16 in Kota Kinabalu
- Downstream-led events
- Visits and meetings with individual customers, investors, communities, civil society organisations, targeted suppliers, industry association, industry peers and government representatives
- Internal meetings and townhall session with employees

Vendor CSR questionnaire

Frequency of engagement

- Annually
- Continuous
- Bi-annual publication
- Annually
- Every 4 months
- More than 50 engagement sessions in FY2019
- More than 50 engagement sessions
- As when required
- Regular & as when required
- Yearly and as often as supplier require guidance resources
- Regular & as when required
- Once or twice a year
- Regular & as when required
- Frequent & regular
- As when required

OUR PERFORMANCE

We value collaborations and engagements with stakeholders to resolve complex issues concerning our business risks and opportunities. Our success to date is attributed to the collective efforts of IOI personnel and relevant stakeholders in effectively managing challenges and prioritising matters which are significant to our business operations. Below are some of the key activities we have undertaken in partnership with our stakeholders.

IOI Pelita Land Dispute

The IOI Pelita case witnessed an improvement in relations with the affected communities and other stakeholders through the appointment of IOI's Head of Stakeholder Engagement in May 2018.



Socialisation visit to community resolution process

IOI worked with the RSPO Complaints Panel and other stakeholders including Grassroots and Pelita to develop a resolution plan that follows the FPIC spirit and meets the RSPO Principles and Criteria ("P&C") for conflict resolution. The IOI Pelita Land Dispute Resolution Plan ("Resolution Plan") received a conditional endorsement from the Complaints Panel in late June 2018. There are 3 main stages in the Resolution Plan:

Stage 1	Awareness/capacity building of the local communities
Stage 2	3D community participatory mapping for identification, validation and mapping of claims
Stage 3	Negotiation of settlement for fair and lasting resolution of the conflict (witnessed by stakeholders)

Full chronology¹ of the development and implementation of the Resolution Plan can be found on our website. Following are the key events that occurred up to date on the resolution of the IOI Pelita case.

Progress to date	Timeline
Resolution Plan finalised with input from RSPO, Grassroots, communities and other stakeholders.	June 2018
Resolution Plan Socialisation Programme conducted by IOI and witnessed by RSPO and Grassroots.	July 2018
Free Prior Informed Consent for Resolution Plan implementation granted by all nine affected communities.	March 2019
Implementation of Stage 1 of Resolution Plan (Community Capacity Building) launched	Feb 2019
Community Capacity Building Programme completed by local NGOs (CICOM)	June 2019
Stage 1 of Resolution Plan completed	June 2019
Implementation of Stage 2 (Community Participatory Mapping)	Sep - Nov 2019 (expected dates)
Implementation of Stage 3 (Negotiations for Final Settlement)	Jan - Jun 2020 (expected dates)



Introductory workshop on facilitation and capacity building in Miri, Sarawak

¹ https://www.ioigroup.com/Content/S/S_Chronology

HARNESSING SUSTAINABLE PARTNERSHIPS



COLLABORATION WITH GOVERNMENTS AND CIVIL SOCIETY

OUR MANAGEMENT APPROACH

Our stakeholders in assessing the overall performance of a company operating in the palm oil industry, are often lead by example of each obligations include in trade contracts, corporate policies, subcontract obligations and many others.

To maintain full compliance and understanding of our direct and indirect economic, environmental and social impacts, we continuously engage with civil society organisations to gather constructive feedback and work with governmental bodies who facilitate our operations through infrastructure provisions and other means of support.

The Group ensures consistency in delivering sustainability obligations through the adoption of best practices as outlined by the regulatory bodies and agencies. We collaborate with many different civil society organisations to obtain insights and guidance, create ongoing dialogues, and improve transparency and accountability. These engagements and collaborations include a series of technical workshops and roundtables covering topics such as peat, GHG emissions, labour, human rights, FPIC, traceability and certification requirements; training of staff on human-wildlife conflict; efforts on fire prevention and mitigation; and many more.



OUR PERFORMANCE

Love MY Palm Oil Campaign¹

The Love MY Palm Oil campaign involves various activities held throughout 2019 by the Ministry of Primary Industries ("MPI"), Malaysian Palm Oil Council ("MPOC") and palm oil industry players. Focusing on the five pillars (Country, Food, Health, People and Planet) that make Malaysian palm oil a five-star product, the Love MY Palm Oil campaign is aimed at different stakeholders such as school children, professionals and the public, industry members and the public.

IOI as a proactive member of the palm oil sector is involved in numerous engagements to communicate the positive message on palm oil and its benefit. We collaborated with MPOC and Malaysiakini in a short film contest to counter the anti-palm oil campaign and conduct workshops at colleges and universities in order to create awareness about palm oil.



Internal engagement activities for Love MY Palm Oil campaign



Shots taken by EF on estate operation activity for video to promote good practices (source: EF)

Earthworm Foundation

IOI uses the online platform, Tools for Transformation ("T4T") programme provided by the Earthworm Foundation ("EF"), to monitor our supply chain and adopt responsible practices. EF provided assistance and support to our direct suppliers to make satisfactory transformation progress on their NDPE policy commitments. Refer 'Traceable Supply Chain' to read further on their performance.

The second collaboration project with EF is a case study on promoting good practices in retaining workers in plantation sectors. Further reading can be found in page 57 of this report.

Collaboration with Aidenvironment Asia and Global Environment Centre

IOI collaborated with Aidenvironment Asia ("Aidenvironment") and Global Environment Centre ("GEC") in several sustainability initiatives. IOI works in partnership with Aidenvironment Asia and GEC in a multi-stakeholders project, the South Ketapang Landscape Initiatives with an overall, long-term goal of promoting sustainable economic growth without negative environmental consequences. Further details on the initiatives can be found on page 33.

We also collaborated with GEC in the Mini Landscape Plan for Peatlands Adjacent to Bukit Leelau Estate, Pahang project. The project involved engagement between IOI and the communities of adjacent areas which began in September 2018 to support the peat landscape management approach. Other partners include JAKOA, Pahang Forestry Department, Pekan District Officer, Tanah Makmur Berhad, *Jawatankuasa Kemajuan dan Keselamatan Kampung* ("JKKK") Runchang, and Pekan Department of Health. Planned activities include the rehabilitation of forest reserves and its buffer zones, fire prevention measures. It also serves as an empowerment programme for the *Orang Asli* community to better manage fire prevention and rehabilitation of degraded peatland areas as well as to provide better livelihood options in a better living environment. Read more on the project in the 'Rehabilitation and Biodiversity for Land Management' and 'Fire Prevention and Response' section.



Community in Bukit Leelau landscape project in nursery preparation for rehabilitation purpose (source: GEC)

The second partnership project with Aidenvironment for the reporting year is a near real-time deforestation monitoring to ensure our supply chain's compliance towards the No Deforestation, No Peat, No Exploitation ("NDPE") Policy by mapping areas within the palm oil supply chain and monitoring landscape via satellite images. More details of the initiative in 'Geospatial Technology' and 'Traceable Supply Chain' segments.

The Sustainable Palm Oil Choice

IOI is currently progressing to become a member of the Sustainable Palm Oil Choice, an initiative in partnership with Non-Governmental Organisations ("NGOs"), industry players, Fast-Moving Consumer Goods ("FMCG") companies and other stakeholders in the European Union ("EU") to promote sustainable palm oil. Members of the initiative are committed to produce, use and support sustainable palm oil. The guiding principle to define sustainable palm oil is following RSPO, NDPE and High Carbon Stock Approach Toolkit.

¹ <https://www.ioigroup.com/Content/MEDIA/PDF/BeritaIOI/Issue81.pdf>

HARNESSING SUSTAINABLE PARTNERSHIPS

Proforest

We have engaged Proforest, an independent mission-driven organisation working in the field of natural resource management and specialising in practical approaches to sustainability, to provide verification for the implementation of IOI's SPOP. Proforest has previously provided us consulting services relating to third-party suppliers.

As our appointed assurer, Proforest has reached out to other stakeholders including Aidenvironment, Business for Social Responsibility, Finnwatch, Forest Peoples Programme ("FPP"), Global Environment Centre ("GEC"), Grassroots, IOI's customers, Malaysian Palm Oil NGO Alliance ("PONGO Alliance"), Roundtable on Sustainable Palm Oil ("RSPO"), and recruitment agencies from source country (Indonesia, Nepal, India), as part of the verification process of our sustainability initiatives.



Proforest in the verification visit to IOI operation

Commentary by Proforest

Proforest was formally appointed by IOI Group in May 2018 to conduct an external verification of the implementation of their Sustainable Palm Oil Policy ("SPOP"), and related commitments. The verification process aimed to assess IOI's performance in terms of the implementation of its sustainability commitments, and in addition to identify opportunities for improvement. The process covered the palm oil operations of the IOI Group, including plantations and crude palm oil ("CPO") mills, and processing facilities, as well as the global third-party supply base supplying to IOI.

The overall external verification process was undertaken in two stages. Firstly, the Proforest team carried out a comprehensive review of documents over a series of visits to IOI's offices, and conducted interviews both with IOI personnel and a range of external stakeholders. A report of the interim findings from Stage 1 of the verification process

was released in October 2018. Secondly, field visits were undertaken to a small number of IOI's plantation operations to assess actual performance on the ground. The results from the field assessments are included in the final public summary of the verification report, released in June 2019, which describes the key findings at the conclusion of the process.

The final report details headline findings across the full range of policy commitments, including human rights and working conditions, HCV identification and management, IOI Pelita, Ketapang peatland management, third-party suppliers, and management systems. Overall, the findings demonstrate the progress made by IOI since first launching its SPOP in 2014, but also highlight the scope for improvement that remains in certain areas.

Neil Judd
Director of Proforest



Degraded peat in April 2016 in PT BSS (source: GEC)



Rehabilitated peat area in PT BSS in August 2018 following rewetting and fire prevention (source: GEC)

South Ketapang Landscape Initiative

The South Ketapang Landscape Initiative, launched in October 2018 by IOI in partnership with Aidenvironment Asia and GEC, stems from IOI's commitment to develop a collaborative way to handle critical issues such as peatland management, biodiversity and wildlife protection, flood and fire, and community livelihood development programme within the ecologically diverse South Ketapang landscape.

The Initiative was to bring together private companies, the government agencies and local communities and it will involve novel approaches and deliveries such as legally securing HCV and HCS areas, and capitalising on opportunities presented by the Indonesian Land Reform and Social Forestry Policy.

As a result of multiple engagements with the local oil palm and timber concessionaires, companies have started to share information on HCV areas in their areas of operation, which allowed the partners to develop an indicative connectivity map for conservation areas in the landscape. The companies also started sharing best practices in managing environmental and social challenges, allowing for a faster learning curve in tackling common issues such as floods fires and illegal hunting.

The Landscape partners are also in the process of establishing working groups, comprising various stakeholders, to lead specific, high priority, thematic activities.



Satellite image of basin peats in South Ketapang Landscape (source: planet.com)



Forested valley or basin peatlands between fire-prone grasslands in South Ketapang (source: GEC)

HARNESSING SUSTAINABLE PARTNERSHIPS



ACADEMIA COLLABORATION

OUR MANAGEMENT APPROACH

We recognise that progress in our business requires constant learning and investing in good education and research, to assure that the wellbeing of the future generation is not compromised and their needs safeguarded. As such, we proactively engage with educational institutions and disseminate awareness programmes to our internal stakeholders and the community as a whole.

OUR PERFORMANCE

Collaboration with Monash University: 'Fair and Decent Wage' Study

The 'Fair and Decent Wage' Study funded and led by Monash University, will develop a pragmatic benchmarking on fair and decent wage for the worker in the Peninsular Malaysia plantation. The study is supported by the Ministry of Primary Industries ("MPI") and technical assistance is given by the International Labour Organisation ("ILO"). Other than that, IOI together with other oil palm plantations and refineries are participating in this study.

The 'Fair and Decent Wage' Study adopts the Anker methodology in developing the practical fair and decent wage benchmarking for both local and foreign plantation workers in Malaysia. The study is aligned with the RSPO decent living wage framework. It involves interviews with civil society organisations in this area, field visits to five palm plantations and two typical points of origin for foreign workers. Data collected are quantitative and qualitative in nature.

The study charts the various labour practices used by growers in Peninsular Malaysia whilst noting best practices, gaps and areas of improvement (e.g. labour exploitation).

The study will:

- ✓ provide companies with estimations of 'decent wages' for their specific plantations;
- ✓ provide stakeholders (workers, civil society, etc.) with an estimation of 'decent wages' for plantation workers in Peninsular Malaysia; and
- ✓ facilitate an informed stakeholder discussion about the appropriate methodology for calculating a decent wage for foreign workers.



Monash University's team visited the worker's quarter during the field study

Research and development with University Malaya

IOI Group's charity arm, Yayasan Tan Sri Lee Shin Cheng ("Yayasan TSLSC") and University of Malaya ("UM") represented by its Faculty of Science have entered into the signing of a Memorandum of Agreement ("MoA") which marks our collaborative efforts to further enhance research and development in the field of sustainable palm oil plantation management.

The first phase of the research and development effort will consist of a collaborative research project for the study of species diversity of rats in palm oil plantations in Peninsular Malaysia and its control strategies.

This research collaboration enables both parties to share their existing know-hows and to tap the innovation potentials that could help unlock new commercial opportunities. With this MoA, we are able to combine our corporate objectives together with our educational welfare programmes in line with the government efforts in promoting Public Private Partnership ("PPPs"). Yayasan TSLSC and UM believe that this strategic collaboration will benefit both parties in nurturing talent and in creating impactful innovative strategies in the palm oil industry.

Supporting HUMANA Learning Centre

IOI has contributed over RM2.0 million to 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. To date, IOI has supported about 25 HUMANA learning centres in Sabah which has benefited about 2,900 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.



EMPOWERING SMALLHOLDERS

OUR MANAGEMENT APPROACH

Smallholders play a critical role in the palm oil supply chain, contributing up to 40% of the worldwide palm oil production. In almost all agricultural commodities, smallholders are significantly left behind compared to larger scale plantations, in terms of knowledge on how to increase their livelihoods in an environmentally friendly way.

IOI recognises our ability to empower smallholders and has made improvements in centralising our efforts for support programmes to aid in their business growth. We aim to deliver a positive impact to the communities and smallholders that we support.

By 2020, all smallholders will be required by the Malaysian government regulation to make MSPO certifications mandatory for all palm oil plantation areas. IOI has been engaging with the Malaysian Palm Oil Board ("MPOB") in providing MSPO-related trainings to the smallholders in our supply chain.

OUR PERFORMANCE

Improvements in centralising efforts to empower smallholders

IOI initiated a collaborative smallholders' programme called the *Initiatif Lestari Untuk Hasil Agrikultur Mampan* ("ILHAM"), at the central level together with the specific operating unit to provide agronomy support and agricultural advisory to the smallholders. The programme is run by the collaborative effort of Bunge Lodders Croklaan, Kerry Group and the Fortuna mill.

Project ILHAM aims to support smallholder farmers to improve their yields, thereby increasing production, without the need for additional land and helping to improve the livelihoods of smallholders. IOI conducts best practices workshops and trainings of the smallholders during the engagement. IOI's agronomist carried out extensive soil and foliar testing in Sugut, as this will allow us to make the final recommendation to the smallholders around the right quantity and quality of fertiliser to be used. In 2019, IOI will continue to co-organise Best Management Practice workshops to smallholders and training for Fortuna ground staff.



Event held for smallholders in Sabah

Unico Desa MSPO Awareness Programme

On 28 February 2019, IOI organised a training session to assist smallholders of Unico Desa in achieving MSPO certification. The training was given by Malaysian Palm Oil Board ("MPOB") officers, and content was based on Part 2 of the MSPO Standard for General Principles for Independent Smallholders. The training described the seven principles, 23 criteria and 33 indicators required by smallholders for MSPO compliance. It also covered the phases of audits that will be undertaken by MSPO as well as MPOB's Good Agriculture Practices ("GAP") certificate.

Through the training programme, the Unico Desa smallholders are better aware of the procedures and requirements of the MSPO certification. This has led them to express interest in obtaining MSPO certification.

MPOB offers to provide adequate training for smallholders on safety aspects and implementation of best management practices. They will also provide a full (100%) incentive for smallholders to obtain the MSPO certification as individual or in group known as the Smallholder Palm Oil Cluster ("SPOC").

HARNESSING SUSTAINABLE PARTNERSHIPS



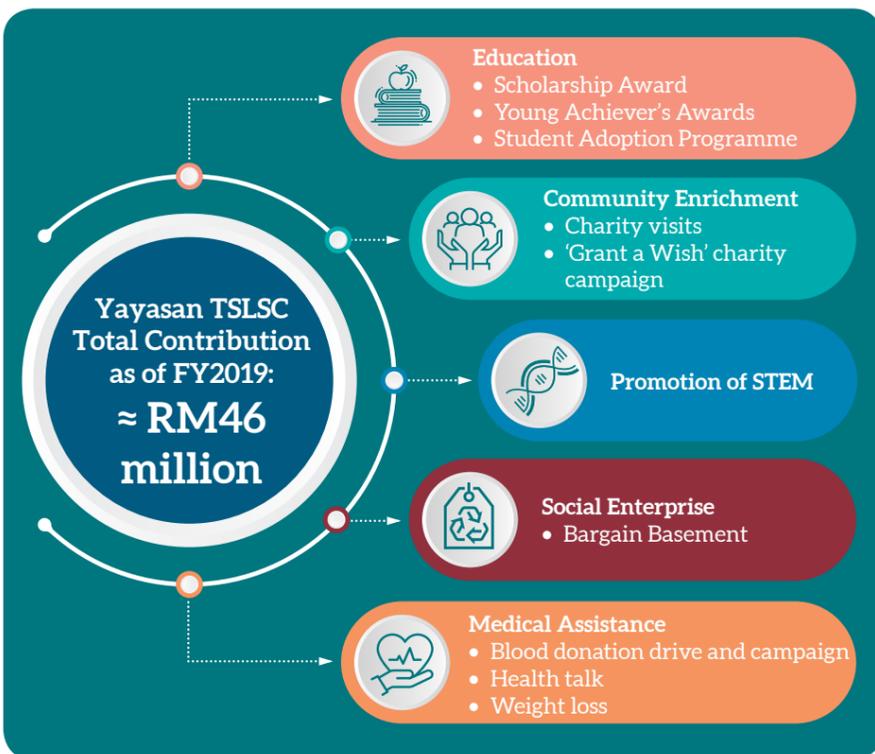
COMMUNITY DEVELOPMENT AND SOCIAL IMPACT

OUR MANAGEMENT APPROACH

We have grown aware of the role we play as a leading palm oil producer to serve the surrounding community and protect the environment, whilst creating a sustainable value chain. Going beyond ensuring that the rights, health, and safety of stakeholders are not impacted by our operations, IOI have been implementing a wide range of initiatives to enhance community wellbeing.

IOI strives 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 operation. 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.

OUR PERFORMANCE



Scholarship presentation ceremony held by Yayasan TSLSC

Yayasan Tan Sri Lee Shin Cheng

Yayasan Tan Sri Lee Shin Cheng ("TSLSC") has awarded top students with Young Achievers' Awards ("YAA") which brought together IOI employees and their high-achieving children from IOI Corporation Berhad's subsidiaries in Peninsular Malaysia. The Student Adoption Programme launched in 2008 had enable underprivileged students achieve a brighter future by providing equal access to good basic education. The adopted students will receive annual financial assistance as well as one-off school bags from Yayasan TSLSC until the completion of their primary and/or secondary education. Yayasan TSLSC also provides scholarships and career opportunities to outstanding student.

Bargain Basement, an initiative by Yayasan TSLSC, which is an innovative social enterprise to promote the 3R acts of Reducing, Reusing and Recycling by collecting pre-used household items and extending the usability and lifecycle of those items by reselling them for the benefit of the community and various charities. Bargain Basement hope to promote a responsible consumerism culture as we move towards a circular economy approach. Bargain Basement contributed a total of RM200,000 of its net proceeds to 15 beneficiaries during the event in conjunction with Christmas season.



Contribution during Pasir Gudang Pollution crisis

Extending Support during Adversity

On 27 June 2018, a fire incident destroyed houses at Kampung Gas in Sandakan which left 400 people, including 24 of IOI's employees, without shelter. During the incident, the Emergency Response Team ("ERT") from IOI Refinery provided on-site assistance to help evacuate people to safety, coordinated traffic assistance, and fire fighting to help the firemen and other rescue teams. The speedy response and assistance by the team helped to prevent further fire damage. A donation campaign was also initiated by IOI to be distributed to all 24 affected employees. The donation drive had seen the collection of clothing, household items and close to RM18,000 cash. IOI had also been involved in coordinating with various societies and organisations to assist in relocating the victims to a permanent place and to rebuild their homes.

In March 2019, the dumping of chemical substances into Sungai Kim Kim in Pasir Gudang, Johor affected almost 6,000 people due to the toxic fumes. Following the pollution crisis, IOI Oleo had taken various steps to extend assistance including distributed disposable face masks, consistently alerted all employees on the safety guidelines, constantly updated on the daily levels of air quality and distributed informative pamphlets and flyers from the Ministry of Health. Employees are cautioned to stay alert at all times and follow the safety precautions if they experience any eye irritation, chest pain, shortness of breath and/or breathing difficulty. IOI also contributed mineral water, face masks and loaned two oxygen cylinders to Pasir Gudang Emergency Mutual Aid ("PAGEMA"). Contingency plans was made by purchasing half facepiece respirators and Cartridge 6006 that offer reliable and convenient respiratory protection.

Promoting Good Health and Well-Being

At Prai, IOI Oleo promotes good health and well-being amongst its employees by organising a blood donation campaign, health talk covering the topic of 'Losing Weight and Healthy Eating for Employees', and weight loss challenge. A blood donation drive was also organised in Pasir Gudang. There was also a bowling session and Star Health Fun Run for employees at Prai to encourage an active lifestyle and visitation of employees' family who are medically boarded.

Other community initiatives

IOI Pan-Century ("IOI Pan-Cen") held a *Jom Gotong-Royong* activity on 5 April 2019 where 235 employees gathered in groups to clean the perimeter of the company premises as a green effort to preserve the environment and encourage interaction among the staff.



Blood Donation Drive organised in collaboration with Hospital Sultanah Aminah



Visiting victims of the fire incident in Sandakan

On 22 April 2019, IOI Pan-Century Oleochemicals Sdn Bhd ("IOI Pan-Cen Oleo") hosted 40 undergraduates from University Kebangsaan Malaysia ("UKM"). The objective of the visit was to enhance the collaboration between IOI Pan-Cen Oleo and UKM as well as research institutes and other industries through knowledge sharing of the best management practices, the latest technology, and research and development.

IOI Oleo at Prai organised a book donation and motivational talk for adopted schools, as well as *gotong-royong* in the vicinity of Lorong Perusahaan Satu involving IOI, FCM, PGA, Dupont, and City Council of Seberang Perai ("MPSP"). The German branch of IOI Oleochemicals Division, IOI Oleo GmbH contributed gifts to the school and fire brigade of Wittenberge.

Other CSR programmes can be found on the Berita IOI¹ publications available on our website.

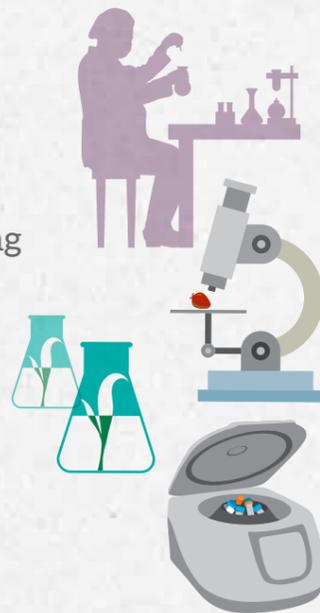
IOI Oleo CSR at Prai, Pasir Gudang and Wittenberge, Germany



¹ https://www.ioigroup.com/Content/MEDIA/M_Publications

Innovating to maximise yield

It is an operational imperative for our upstream operations to maximise the efficiency of our palm oil yields leading to efficient land use reduction of our reliance on more land for growth.



≥ 24%

OER since early 2019 for mills of estates planted with 30% to 50% clonal palm

10% to 50%

clonal palms in estate groups in Peninsular Malaysia and Sabah

14.8%

increase in OER for mills of estates planted with 30% to 50% clonal palm as compared to the average OER of 20.9% in FY2018



INNOVATING TO MAXIMISE YIELD



LAND USE PLAN

OUR MANAGEMENT APPROACH

IOI recognises the importance of land use plan for the sustainable growth in palm oil business. We uphold this commitment without depriving the environment or biodiversity through sustainable land use planning. The Group strives to be one of the most cost-efficient palm oil producers in the country by maximising crop/oil yields per hectare through the adoption of best agronomic practices, advancement in agricultural science and technology.

The Group approaches land preparation for cultivation of palm oil by ensuring:

- ✓ No deforestation and protection of High Conservation Value ("HCV") areas;
- ✓ No deforestation of High Carbon Stock ("HCS") forests,
- ✓ No development of peatland regardless of depth
- ✓ That our peatland management utilises RSPO Best Management Practices ("BMP") and drainability assessment conducted prior to replanting for existing plantation on peat.
- ✓ The use of precision agriculture for oil palm plantation management

Codified in our SPOP is our commitment to respect the land tenure rights of indigenous and local communities. This includes rights to 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 of Indigenous Peoples ("UNDRIP").



Improving palm oil yield through optimisation of planting material to minimise agricultural land use

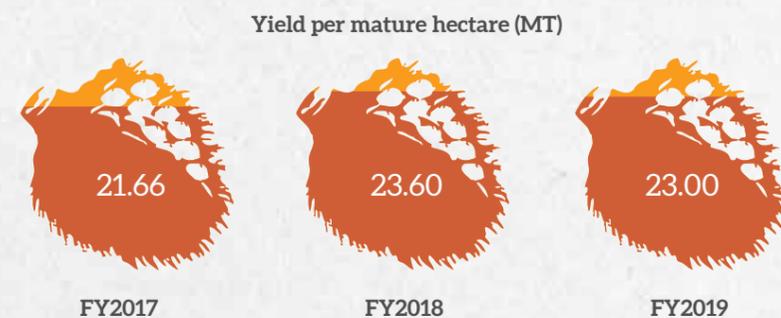
OUR PERFORMANCE

Increasing Palm Oil Yield to Reduced Reliance on Land for Growth

Improving yields of oil palm is a key part of our long-term strategy, as it allows us to maximise revenues, and minimise agricultural land use. Details on result of the research and development on oil palm yield improvement can be found under the 'Palm Biotechnology' section.

The new generation of high-yielding seedlings produce superior oil extraction rate compared to conventional seedlings. Through this innovation, IOI obtains a higher oil yield per unit area of land used, reducing our reliance on more land for growth.

Oil Palm Yield Performance



Lower yield in FY2019 was due to slow recovery from previous prolonged dry weather.

New Planting Procedure

IOI commits to implement the RSPO New Planting Procedure ("NPP") guides responsible planting using a set of assessments and verification activities, conducted by growers and certification bodies prior to a new oil palm development. This process means that new oil palm developments are only allowed following comprehensive stakeholder engagement and assessments (including ESIA, HCV and HCS assessment, LUC analysis, GHG assessment, soil suitability and topographic survey). Management Plans and a 'NPP Report' are key outputs, and must be independently certified.

IOI is fully committed to safeguard high HCV sites within our concessions and abides by the requirements to use a licensed assessor by HCV Resource Network for the preparation and submission of our NPP and pre-development planning.

High Carbon Stock Approach

IOI is a member of the High Carbon Stock Approach¹ ("HCSA") Steering Group, which is an organisation that oversees the development of a methodology designed to achieve no deforestation. IOI is also the Interim Co-Chair of the Executive Committee for the HCSA, a member of the No-Deforestation Joint Steering Group ("NDJSG") and Social Requirement Working Group.

Best Management Practices for Land Use

IOI implements sustainable agronomic practices which contribute to effective and efficient plantation management to maximise beneficial results and minimise conflicts and environmental impacts. IOI also implements BMP and precision agriculture for cultivation of its oil palm. As a result, our oil yield per hectare is higher than the national average which has a positive impact towards mitigating climate change as less land is required in our production of palm oil.

¹ <http://highcarbonstock.org/the-high-carbon-stock-approach/>

² <http://highcarbonstock.org/wp-content/uploads/2018/05/Summary-Report-PT-KPAM.pdf>



Aerial view of IOI plantation concession in Indonesia

IOI made an explicit commitment to using the revised HCSA methodology in IOI's last wholly unplanted concession area, PT KPAM in Ketapang, Indonesia covering 11,000 ha of agricultural licensed land area. The HCSA assessment has been carried out using the HCSA Toolkit (Version March 2015) as a guideline, in order to ensure the HCV and FPIC components are integrated. The HCS forest has been identified through the HCV-HCS-FPIC integration 9-step process:

HCV Identification Process (HCV-HCS-FPIC integration)		
1	Due diligence	
2	Information gathering	Pre-Assessment
3	Scoping study and initial stakeholder consultations	
4	Participatory field assessment	Assessment
5	Data analysis and forest patch analysis	
6	Consultation and quality control	
7	Integrated Conservation and Land Use Plan ("ICLUP")	Post-Assessment
8	Community agreement	
9	Implementation: Protection, Management and Monitoring Plan	

Best agronomic practices and efficient land utilisation not only led to higher productivity but also to reducing the usage of chemical fertiliser and pesticide, resulting in lower GHG emissions. Techniques that contribute to maximising yield includes optimising the use of fertilisers and controlling soil parameters which will be further discussed in the Innovating to Enhance Operational Eco-efficiency section.

INNOVATING TO MAXIMISE YIELD

HCSA Identification in PT KPAM

The report submitted to the HCSA secretariat in April 2018 and approved by the HCSA review panel. The HCS assessment was conducted by external assessors. The land cover class from HCS summary report³, is as shown in the table below:

Land cover class	Number of Hectares	% of total concession
Potential HCS classes:		
High Density Forest	-	-
Medium Density Forest	-	-
Low Density Forest	-	-
Young Regenerating Forest	129	1.17
Sub-total	129	1.17



PALM BIOTECHNOLOGY

OUR MANAGEMENT APPROACH

IOI is committed to be an innovative leader, and this includes extensive research and development ("R&D") in palm biotechnology. Thus, the Group's palm biotechnology's main mission is to commercially produce superior high-yielding oil palm clones using cutting-edge tissue culture technology developed through our in-house research and development since the late 1980s. We also conduct molecular markers and genomics research for continuous improvement in terms of the yield and quality of oil palm planting materials as part of IOI's sustainable palm oil production value chain.

OUR PERFORMANCE

Agronomy and Planting Material Improvement

Our 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. We do this methodically by evaluating the results of trials, with detailed records being collected not only of fruit yield but, more importantly, oil-bearing characteristics and tree morphology. This results in each new generation of seed being more efficient in converting solar energy into oil than the previous palm generation.



High-yielding oil palm clones being produced by tissue culture cloning technology

Prior to the introduction of new clonal palm, IOI's plantations were planted with the conventional oil palm planting material, Deli dura ("D") x AVROS pisifera ("P") seedling-originated oil palms, ("DxP"). A series of Clonal Oil Extraction Rate ("OER") Evaluation Tests were conducted between 2010 to 2015 to analyse the OER from DxP with OER from Clonal Palms.

Comparison of Oil Extraction Rate ("OER") between DxP and Clonal Palms¹



Based on the trial result, the clonal palm produced by the Palm Biotech Centre had been planted in stages: (i) Small-scale replicated clonal evaluation trials, (ii) Semi-commercial field planting, (iii) Large scale commercial field planting. Millions of high-yielding clonal palms has been produced and planted in IOI's estates.



Laboratory and field testing conducted regularly to track performance of oil palm planting material

Notable highlights:

+14.8%

oil extraction rate ("OER") from clonal palms compared to conventional seedlings

10% to 50%

estate located in Peninsular Malaysia and Sabah planted with the clonal palms

≥ 24%

OER for palm oil mills that received crops from estates planted with 30% to 50% of clonal palm

OER of Crude Palm Oil for FY2019 comparison

²Malaysia : **20.05%**

IOI : **21.44%**

32 years

of collaborating with IHLs to advance oil palm research

³ <http://highcarbonstock.org/wp-content/uploads/2018/05/Summary-Report-PT-KPAM.pdf>

¹ https://www.ioigroup.com/Content/BUSINESS/B_PalmBiotech

² <http://bepi.mpob.gov.my/index.php/en/statistics/oil-extraction-rate/374-oil-extraction-rate-2019.html>

Innovating to enhance efficiency

We are heading towards digital transformation in our operations. To extract the full synergies of our operations, we have implemented SAP which drives further integration across our operational supply chain.

operational



≥ 14,000 ha
HCV and other conservation areas

6
methane capture facilities in Malaysia

Total workforce
≥ 28,000

Fire Prevention and Response
In place for Indonesia and Malaysia plantation operations

INNOVATING TO ENHANCE OPERATIONAL EFFICIENCY



OPERATIONAL ECO-EFFICIENCY

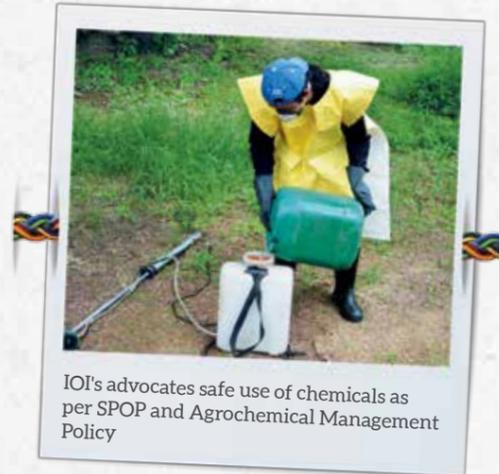
OUR MANAGEMENT APPROACH

IOI is dedicated to creating value while using fewer resources, generating less waste and reducing pollution. This section focuses on agrochemical, waste and water management, as part of our approach on better climate strategy and energy efficiency.

IOI uses chemicals including fertilisers, insecticides, pesticides and herbicides. IOI's Agrochemical Management Policy was published in 2018, and explains our commitment to comply with legislative requirements, and additional commitment of prohibiting the use of Paraquat and pesticides that are categorised as Class 1A or 1B under World Health Organisation. Further details—including limitation of usage on other Class 1 chemicals—is available on our website¹.

Pesticide/Chemical	Function
Glyphosate	Herbicide to control weeds
Tetramethylthiumram disulfide	Herbicide to control general fungus
Propined (dithiocarbamate)	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 phosphorothioate	Insecticide to control termites
[Cyano-(3-phenolxyphenyl) methyl]3-(2,2-dichloroethenyl)-2,2-dimethylcyclopropane-1-carboxylate	Insecticide to control bagworms and aphids
Nitrogen, Phosphorus, Potassium + TE	Fertiliser for seedlings
Phosphorus, TE	Fertiliser for all nursery stages

Palm oil milling wastes includes solids (empty fruit bunches from oil palm, fibre and shells) and liquids palm oil mill effluent ("POME"). IOI is committed to minimising generation of wastes and maximising recycling under its waste management protocol. For example, shells are utilised for power generation in mills and empty fruit bunches/POME as organic fertilisers in the plantation operation.



IOI's advocates safe use of chemicals as per SPOP and Agrochemical Management Policy

Water is a key element in the Group's operations, from plantation to manufacturing. It is also vital to the communities in which we operate. We use natural water sources such as rainwater and surface water whenever possible, and have strict requirements on our outgoing effluents beyond local regulations.

Our overall approach to eco-efficiency is guided by the best management practices described in the SPOP. Upon the initiation of IOI's Systems, Application, Products in Data Processing - Enterprise Resource Planning ("SAP-ERP") this year, it ensures that standards are kept consistent throughout the Group. SAP-ERP will help to define roles and responsibilities for eco-efficiency at estates, and assist with information management and monitoring. Plantation workers are provided with training to help them minimise water and chemical use, and to manage waste.

OUR PERFORMANCE

IOI has been integrating the circular economy model into the production of palm oil since we first ventured into the plantation business. The model adopts a circular pathway by reducing, reusing and recycling materials that are commonly underutilised in the current linear economy. We utilise usable material after the first processing cycle, by reintroducing it back into the second processing cycle as secondary raw materials. This value-added process will eventually translate into the optimisation of raw materials along the supply chain and minimisation of wastage from production, emissions and energy inefficiency.

Waste conversion

To reduce solid waste, fibres and EFB from the plantation operation are used as a renewable energy source to generate steam and electricity for mill processing. Liquid wastes are minimised and, whenever possible, treated POME and EFB are recycled back to the soil as natural fertilisers.

In IOI's Sandakan refinery facility and other mills and plantations, waste is segregated into: plastic, glass, metal, lubricant oil, and others. This best practice is currently being replicated at all IOI refinery facilities. IOI's biomass boiler utilises palm oil by-products for steam production.

Waste Generation

During the reporting period, IOI created about 686 MT of hazardous waste, and 680 MT of non-hazardous waste. All hazardous waste are being disposed by licensed third-party waste management partners and are managed responsibly to meet the local regulatory requirements and standards.

Recycling Initiatives

This year at the Sandakan refinery facility, paper was sent for recycling and spent bleaching earth weighing 11,712.36 MT was sent to EcoOils and Gamalux for oil recovery and reuse.



Cultivation of beneficial plants as part of our integrated pest management

Fertiliser application

Plantation operating teams work on fertiliser management which includes fertiliser requirement analysis and recommendations with IOI's in-house agronomists to optimise nutrient uptake of oil palm tree. This is part of the good agronomic practices in restoring soil fertility in order to reduce the need for additional fertilisers. Areas of focus also include studying the health of soil microbes and enhancement of beneficial microbe-palm relationships.

POME upcycling

Treated POME is always being utilised as additional fertiliser for the oil palms. IOI adopted application of green tube filtration system to remove solids from the POME which significantly reducing the level of biological oxygen demand ("BOD") within the regulatory permissible level prior to field application. POME application provides additional moisture, nutrients and organic matters to the soil and therefore helps to reduce dependency on inorganic fertilisers.

Integrated Pest Management

IOI reduces the usage of agrochemicals and implements Integrated Pest Management solutions to sustainably control pests. Prior to any application of chemical controls, IOI first undertakes a proper census on the threshold of pests. We commit to Good Agricultural Practices ("GAP") by conducting planting programmes of beneficial plants like Turnera, Cassia and Antigonon. These plant species act as hosts for predators that feed on commonly encountered pests (e.g. bagworm and nettle caterpillar larvae) which in return, will improve ecological balance and reduce the need for pesticide intervention at our plantations. Barn owls are also used as a natural pest control measure.

INNOVATING TO ENHANCE OPERATIONAL EFFICIENCY

Water Management

IOI works with communities to ensure that shared water resources are managed appropriately. At IOI, we safeguard this precious resource by enforcing these measures and practices:

- ✔ Installing water-gates at strategic locations along the main and collection drains to keep the water table at an optimum level;
- ✔ Maintaining optimum level of water to counter potential shortfall in rain and risk of fire;
- ✔ Maintaining riparian reserves to minimise soil run-off. Riparian reserves also serve as a filtration system to preserve the quality of water entering the waterways;
- ✔ Planting legume cover crops as a soil conservation measure to prevent run-off into the waterways and avoid any planting on steep terrain; and
- ✔ Monitoring and treating all POME and wastewater before discharging into the natural waterways. The treated POME will be used for land application.

IOI analyses water quality and consumption every month to gauge the health of the river ecosystem and the quality of the water supply.

Water Consumption

In IOI Oleo Prai and Pasir Gudang, up to 10%, of total water withdrawals are from recycled sources following treatment at Effluent Treatment Plants. IOI Edible Oil in Sandakan recycled about 75% to 80% of its withdrawn water for plant use.

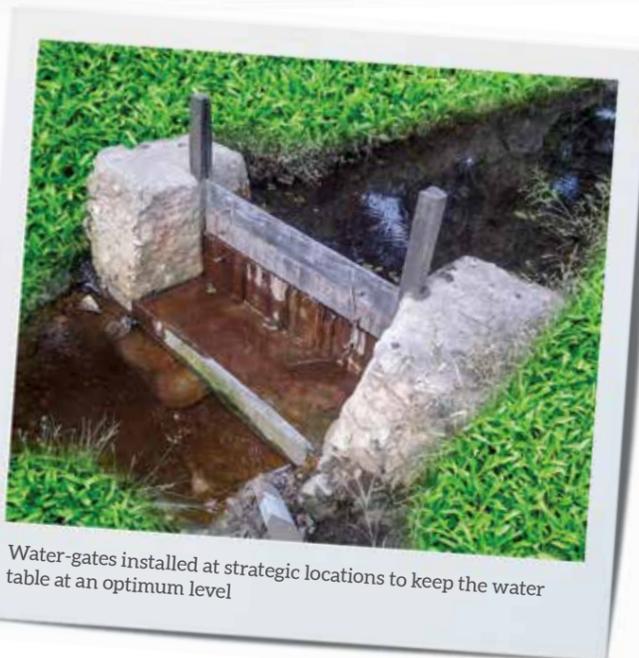
IOI water consumption and water discharge

Total water withdrawal	Total water consumption	Total water discharge
≈ 30 million m ³	≈ 27 million m ³	≈ 3 million m ³

* Data consolidated for plantation and mill operations, IOI Refinery and IOI Oleo Group



Recycling practices as part of the waste management in IOI



Water-gates installed at strategic locations to keep the water table at an optimum level

CDP Water Security Sector

The Carbon Disclosure Project ("CDP") drives companies to measure and disclose their water footprint data through the CDP Water Security questionnaire. IOI responded to the survey and scored B-, which is higher than the Asia regional average of C. Beginning with reporting, we are now on track to integrating CDP as part of our performance indicator to enhance our overall water management practices.



CLIMATE STRATEGY



IOI refinery facility in Sandakan received an award at the National Energy Awards 2018 for utilising energy efficiency measures in buildings and industries through innovative designs

OUR MANAGEMENT APPROACH

IOI is committed to progressively reduce GHG emissions, in line with the SPOP. Our efforts to reduce our climate change impacts include sourcing energy from the use of biomass obtained in the course of plantation operations and capturing our methane emissions using biogas plants.

Climate change is an issue which is related to many other sustainability topics, and as such is covered in multiple sections of this Sustainability Report. We have a strong commitment to maximising yields without expanding land use, as detailed in the 'Land Use Plan' and 'Palm Biotechnology' sections. Sustainable agronomic practices are implemented throughout the Group's operations, as detailed in the 'Operational Eco-efficiency' section.

Contributions to palm oil-related GHG emissions are fertiliser application, POME generation, diesel consumption and land use change, particular; the conversion of peatland. IOI is committed to no development of peatland (regardless of depth) and protection of peatlands through water management and fire prevention, as stated in the Group's SPOP. Whenever possible, we work with communities and experts to rehabilitate degraded peatland, for example, our Mini Landscape Plan for peatlands adjacent to Bukit Leelau Estate, Pahang and Ketapang Landcape Level.

IOI is finalising our GHG reduction strategy, which will build upon our current approach and set long-term targets for the reduction of GHG emissions. We will be using the RSPO PalmGHG calculator to estimate our emissions and intensities.

The measures that are currently being taken to reduce GHG emissions include:

- ✔ Installation of biogas capturing systems;
- ✔ Applying organic fertiliser such as EFB, POME and fronds to reduce dependability on inorganic fertiliser;
- ✔ Optimal fertiliser application according to recommendations from our research centre;
- ✔ Implementation of Best Management Practices ("BMP") in line with RSPO's BMP Manual;
- ✔ Maintenance of high ground water tables and good ground cover; and
- ✔ Planting of cover crop immediately after land clearing.

INNOVATING TO ENHANCE OPERATIONAL EFFICIENCY

OUR PERFORMANCE



Solar street-lamp installed at IOI operation in Indonesia

Utilising Green Energy: Solar

IOI Oleo in Prai had initiated solar panel system since 2013. Additional 90 kilowatt ("kW") capacity of solar panels are planned for installation and commissioning in July 2019 to provide most of the energy for the office's needs including air-conditioning. Our Pasir Gudang Plant plans to deploy more solar energy in its operations by preheating the medium-pressure ("MP") boiler feed water via solar thermal system which is pending approval from Malaysian Investment Development Authority ("MIDA").

In plantation operation, we utilised the use of solar street-lamp technology at the port area at our Indonesia operation.

Utilising Green Energy: Biomass

Almost all (98%) of our mills' energy is sourced from biomass (e.g., shells and EFBs) from our plantation operations.

IOI has a 15 Megawatt ("MW") capacity biomass co-generation power plant at our refinery in Sandakan, Sabah that uses kernel shells and EFBs from its own mills to satisfy almost all the steam and electricity requirements.

Whereas in Indonesia, biodiesel is utilised over the conventional diesel fuel for all our four plantation operations. The Group operational units also implement reduction plans and monitor the diesel consumption per FFB produced at monthly basis.

Methane Capture

Methane from POME is one of the main sources of IOI's GHG emissions. In order to reduce this impact, we commissioned a number of biogas plants in our facilities.

Methane Capture in IOI Palm Oil Mill operation

6 mills with methane capture;

- Peninsular Malaysia: Pukin Palm Oil Mill ("POM"), Gomali POM
- Sabah: Ladang Sabah POM, Leepang POM, Unico Desa POM, Syarimo POM

1 mill is expected to start operating in Q4 2019

3 mills are in the pipeline for methane capture installation for FY2020

Monitoring GHG Emissions

IOI is adopting the International Sustainability & Carbon Certification ("ISCC") and RSPO PalmGHG methodology to proactively monitor GHG emissions. During the year, IOI has made progress to ensure that data collection on GHG emissions is consistent across our operating units. This includes systematic data collection templates, and training on calculations and reporting.

In November 2018, IOI carried out an external GHG Calculation and Reporting for our plantations in Malaysia.

Manufacturing Efficiency

Efficiency is important both to reduce financial costs and GHG emissions. Throughout our operations, maximising outputs while minimising inputs is our aim. Some specific methods and initiatives include:

IOI Oleo

- IOI Acidchem has a low energy, high efficiency system in its packing facility including: a hot water vapour absorption chiller; a centralised chilled water system; and thermal oil heater economisers.
- IOI Pan-Cen Oleo commissioned Anaerobic Hybrid Reactor ("AHR") at its wastewater treatment plant in 2016. The treatment system, has a higher treatment efficiency, lower carbon footprint and lower power requirement than conventional anaerobic reactors.
- IOI Oleo at Prai recently added another heat recovery system to reduce energy use. Waste heat from flue gas emitted by the air preheater is used to reduce energy consumption of the thermal oil heater.
- 6.5 MW capacity co-generation power plant in IOI Pan-Cen Oleo, expected to boost total energy efficiency to above 90% compared to 39% and 75-85% efficiency for conventional power generation systems and other co-generation systems respectively. This is an extension of the co-gen unit in IOI Oleo Prai in 2015.
- At IOI Oleo GmbH, an exercise to modify the ester plant's condensate piping system allowed feeding back of additional condensate to the boiler house. The system has successfully commissioned in June 2019.

IOI Refinery

- Innovative and integrated unmanned weighing system to enable faster unloading.

IOI Oleo established a group-wide energy policy in 2018 that set short-term targets and long-term goals for its direct operations. IOI Oleo is working towards full ISO 50001: Energy Management certification whereby to date, 80% of IOI Oleo manufacturing sites are certified to ISO 50001 (Malaysia) and Audit Scheme, EMAS (Germany). Estimated 20% of total IOI Oleo energy cost will be saved annually excluding the solar panels in the office and solar thermal systems which are not installed in the reporting year. The savings take the energy reduction projects into account.

During the year, direct ("Scope 1") GHG emissions across our operations were about 197.52 MT CO₂e. Our indirect ("Scope 2") emissions were 0.073 MT CO₂e. A summary is shown in the table below.

GHG Emissions Performance

Scope 1 (MT CO₂e)

IOI Plantations	IOI Refinery	IOI Oleo Group
197.33	0.002	0.185

Scope 2 (MT CO₂e)

IOI Plantations	IOI Refinery	IOI Oleo Group
0.005	0.012	0.056

GHG Emission Intensity (ktCO₂e/MT)

IOI Plantations	IOI Refinery	IOI Oleo Group
0.06	0.000009	0.000141

Energy Reduction

Optimisation of steam use and consumption through steam traps and replacement with condensate water heating in the plants and tank farm

Savings of **400 MT CO₂/annum**

Co-generation power plants in IOI Oleo

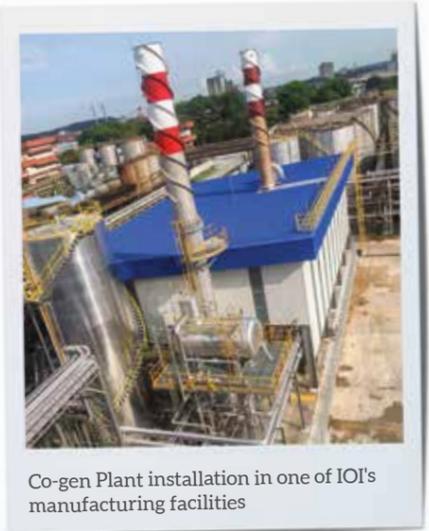
Cut energy costs by at least **40%**

IOI Acidchem packing facility system (hot water vapour absorption chiller; centralised chilled water system; thermal oil heater economisers)

Reduced electricity use intensity by around **25%**

Unmanned weighing system at IOI Edible Oil facility, Sandakan

Total reduction of **6,355.2 hours/year** for vehicle turnaround



Co-gen Plant installation in one of IOI's manufacturing facilities

IOI was one of the few Malaysian companies responded to all three CDP programmes (CDP Water, Forests (Palm Oil) and Climate Change). Our scores were 'B' for Forests—for which we received the 'Most Improved Performance in Hong Kong and Southeast Asia' award and 'C' for Climate Change.

Through the participation in the CDP Supply Chain Climate Change Programme last year, IOI Oleo has been providing data on GHG emissions per MT of our product sold to customers upon request. This increases our transparency and reputation within potential and existing customers regarding GHG emissions.



Awarded the Most Improved Performance in Hong Kong and Southeast Asia award for Forest (Palm Oil) segment 2018.

INNOVATING TO ENHANCE OPERATIONAL EFFICIENCY



REHABILITATION AND BIODIVERSITY FOR LAND MANAGEMENT



Socialisation of IOI's approach toward conservation of area is important to ensure effective implementation by internal and external stakeholders

OUR MANAGEMENT APPROACH

IOI has a responsibility to respect the ecosystems in and around its estates. With respect to biodiversity and land management, we commit to:

- ☑ Comply with all relevant laws;
- ☑ RSPO and MSPO Best Management Practices;
- ☑ ISCC certification principles;
- ☑ Identifying and protecting all High Conservation Value ("HCV") and High Carbon Stock ("HCS") areas;
- ☑ No new developments on peatlands regardless of depth, and to the protection of peatlands through water management and fire prevention;
- ☑ NDPE compliance from all direct and indirect suppliers.

IOI believes that collaboration is needed to promote biodiversity and, as such, our initiatives include multi-stakeholders and are focused on a shared vision for sustainable development. For example, IOI's HCV Management Plans include the creation of platforms to bring stakeholders together and assign roles and responsibilities.

OUR PERFORMANCE

Awareness Building and Stakeholder Relation

The key focus for IOI in the year ending 30 June 2019 has been capacity building for our people in particular for the protection of HCV and HCS areas. We have carried out trainings to our workers on subjects ranging from: Orangutan surveys and monitoring; HCS patches analyses for connectivity; water table modelling and zonation (peat swamp); forest classification for planning of tree planting programme (peat and natural forest); and tree mortality monitoring.

IOI also has specific commitments under our Integrated Management Plan in and around our four concession areas in Ketapang, West Kalimantan: to collaborate with local communities to develop a plan for peatland protection and rehabilitation. We have also signed an MoU with *Balai Konservasi Sumber Daya Alam* ("BKSDA") since 2016 on an action plan for HCV management & monitoring and forest fire prevention management. IOI has been reaching out to relevant stakeholders through different mechanisms to spread awareness on protection of conservation areas. In Indonesia, our people have taken initiatives to teach local young students on the importance of biodiversity and wildlife monitoring.

Wildlife Management and Protection

IOI employs forest rangers in Sabah to monitor the Rare, Threatened and Endangered ("RTE") species to ensure all regulations are adhered as well as provide assistance and awareness where necessary. We continuously engage and work with local stakeholders such as Sabah Wildlife Department ("SWD") and Civil Society Organisations.

In Peninsular Malaysia, we work closely with the Department of Wildlife and National Parks Peninsular Malaysia ("PERHILITAN") in managing issues related to wildlife.

For Indonesia, IOI operations conduct patrolling via Spatial Monitoring and Reporting Tool ("SMART") Patrol and engage with BKSDA for wildlife management and protection including mitigating impacts of wildlife-human conflicts. For example, Orangutan nests have been spotted in the HCV areas, and are suspected to have migrated from the nearby Cagar Alam forest. IOI also practices no hunting in and around our concession.



Rescue mission of 'Bimbingan 2', a male Borneo Pygmy elephant named after IOI Bimbingan 2 Estate

The events comprised various activities including:

- ☑ informative presentation on threatened animals and the standard procedure in reacting to and approaching Orangutan;
- ☑ awareness talks from civil society organisation on their effort to solve wildlife conflict, focus on wildlife monitoring, partnership in wildlife protection, and provide more background on key animals like sun bears, elephants and Orangutan;
- ☑ awareness talks from government representatives on the laws and regulations regarding wildlife, penalties, list of protected animals in Sabah;
- ☑ an exhibition showcasing daily working tools and their latest effort in animal protection and conservation, informative posters, and biology specimens;
- ☑ colouring contest for the HUMANA students; and
- ☑ meet and greet with workers' families.

Wildlife Management and Protection: Endangered Borneo Pygmy Elephant Rescue Mission

In November 2018, IOI collaborated with SWD and Wildlife Rescue Unit ("WRU") to rescue an endangered species Borneo Pygmy elephant (*Elephas maximus borneensis*) found wandering in the estate since October 2018.

The male elephant, aged about 8 - 10 years old, was nicknamed 'Bimbingan 2'. He has been collared for future movement monitoring via satellite tracking by World Wildlife Fund ("WWF") and SWD. 'Bimbingan 2' has since been translocated to his new home at Gunung Rara Luasong Forest Reserve in Tawau, Sabah. The translocation mission was completed in partnership between WRU, SWD as well as Sabah Forestry Department, Tawau District. In July 2018, IOI had presented RM7,000 to SWD as contribution to support in the operational process of the elephant translocation project.



Signboards were put in strategic locations as reminder on no hunting practice as part of wildlife protection

Wildlife Management and Protection: Sepilok Orangutan Conservation Outreach Programme

IOI together with the Sepilok Orangutan Rehabilitation Centre organised the Sepilok Orangutan Conservation Outreach programme at the Syarimo & Unico Grouping's estates and mills in Sabah. The first event was in May 2018, IOI in partnership with the Sepilok Orangutan Rehabilitation Centre organised the event at Syarimo Grouping's estates and mills in Sabah. Among the invited parties are the Borneo Sunbear Conservation Centre ("BSBCC"), Kinabatangan Orangutan Conservation Programme ("HUTAN-KOCP"), SWD Kinabatangan, and WRU.

A second session was organised in September 2018 for the Unico Grouping community in Sabah. Aside from continuous commitment from BSBCC, HUTAN-KOCP, SWD Kinabatangan and WRU, the event was also join by employees, plantation workers, students and teachers of SK Sri Ganda and a neighbouring estate.

Peatland Protection

In July 2018, IOI's Peatland Protection & Management Policy was published and applied throughout the Group and our third-party suppliers. The policy reaffirms our NDPE commitments and emphasis on implementing RSPO's Best Management Practices for existing plantations on peatland. The policy also includes our commitment in developing partnership with relevant stakeholders and landscape level integrated management plans in order to identify, protect, conserve, and rehabilitate peatlands (and forests) in and around IOI's plantations. Examples are the South Ketapang Landscape Initiative and the Mini Landscape Plan for Peatlands Adjacent to Bukit Leelau Estate, Pahang.

Peatland Protection: Bukit Leelau Mini Landscape Level Project

IOI is collaborating with GEC to protect peatlands adjacent to the Bukit Leelau Estate and Pekan Forest Reserve (extension), which is located in the globally important site of Southeast Pahang Peat Swamp Forest ("SEPPSF"), Pekan, Pahang. The SEPPSF is believed to be mainland Asia's largest and least disturbed peat swamp forest remaining in a single virtually contiguous complex.

INNOVATING TO ENHANCE OPERATIONAL EFFICIENCY

The Mini Landscape project for peatlands adjacent to Bukit Leelau Estate began in September 2018, and its objectives are to:

- ✔ Overcome the drainage problem at the forest reserve and its buffer zone (which is adjacent to Bukit Leelau);
- ✔ Prevent future fires in the area;
- ✔ Rehabilitate the degraded area within the forest reserve and buffer zone; and
- ✔ Implement an empowerment programme for the *Orang Asli* community in the area.

On the ground work included engagements with members of the *Orang Asli* community (via a socio-economic survey), engagement with local government agencies, and the construction of three canal blocks in order to raise water levels in peat areas and prevent fires.



One of the canal blockings in the Bukit Leelau project



Orang Asli community's socio-economic assessment, adjacent to Bukit Leelau Estate (source: GEC)

Outcomes from the project as of Q2 2019:

- ✔ Establishment of Sahabat Hutan Gambut Kampung Tanjung Kelapa ("SHGKTK")
- ✔ Significantly increased the water level at the degraded peatland area through the construction of 3 canal blocks
- ✔ Empowerment of communities through technical capacity in growing forest trees wildings, fire fighting and protection of peatland
- ✔ Collaboration of various stakeholders such as Pekan District Office, Pahang State Forestry Department, Department of *Orang Asli* Development ("JAKOA"), BOMBA and Ministry of Health

Peatland Protection: Soil and Peat Drainability Study

Prior to any replanting activity, a Peat Drainability Study has been conducted at our respective estates for existing plantation which are planted on peat. IOI conducted a soil and peat drainability study for its estates as a basis to set a time-bound plan for further replanting, or phasing out of old oil palm cultivation before reaching the natural gravity drainability limit for peat.

For existing oil palm cultivation on peat, IOI committed to follow appropriate Best Management Practices, as defined in the RSPO P&C and the RSPO manual on Best Management Practices for existing oil palm cultivation on peat. As for IOI's new development in Ketapang, there is no development on peat regardless of depth.

HCV areas (hectares)	Other conservation areas set aside excluding HCV areas (hectares)
7,527.52	7,372.24

HCV Assessments: HCV Management and Monitoring

Currently, in-house assessments are ongoing (aimed for completion by March 2020) and the assessments are updated in accordance with the latest HCV Resource Network ("HCVRN") Common Guidance for HCV Identification. HCV Quality Control Meeting is carried out by the Sabah Sustainability Regional Team in June 2019 to streamline with the HCV assessment template from the Peninsular Malaysia team which has been reviewed and acknowledged by Proforest.

In November 2018, IOI alongside Universiti Malaysia Sabah, hosted a workshop on HCV management. Attendees included representatives from Environment Protection Department, PONGO Alliance, Bunge Loders Croklaan, WWF Malaysia, Kinabatangan Wildlife Officer, Lahad Datu Wildlife Officer, Department of Irrigation and Drainage. The workshop succeeded in connecting different stakeholders in Sabah to discuss potential collaborations and partnerships for managing HCV areas.



FIRE PREVENTION AND RESPONSE

OUR MANAGEMENT APPROACH

IOI has a strict Zero Burning Policy¹ which we are committed to enforce throughout our operations. We are also committed to working with communities in areas adjacent to our concessions in order to help them prevent and where necessary, control fires.

IOI's Zero Burning Policy forbids any open burning across our concessions, unless absolutely necessary through ways permitted by local laws and guidelines (including the Malaysian Environment Quality Act 1974 and the ASEAN Policy on Zero Burning). IOI has informed all of our contractors and smallholders of this Policy. Action will be taken against any party who is found to be in non-compliance, including dismissal and legal proceedings where appropriate.

We recognise that fire risks must be mitigated at a landscape level, and so have provided training and awareness programme for local communities. Moving forward, IOI plans to expand the awareness programme into another four different *desa* (villages) in South Ketapang, in order to ensure all villagers that are living in and around our concessions are aware of the needs to prevent any forest or land fire. IOI is in the process of working with communities, civil society organisations and other stakeholders through a partnership programme, to socialise the fire prevention programme in accordance with the FPIC process with all the relevant stakeholders.



Implementation of water table management is important to reduce risk of fire

Monitoring and Emergency Response programme



OUR PERFORMANCE

Fire-Free Alliance

The fire-free alliance is a voluntary multi-stakeholder group of which IOI has been member since March 2017. As a FFA member, we collaborate with the government of Indonesia to share information, knowledge and resources in fire prevention and fire fighting response.

¹ <https://www.ioigroup.com/Content/S/PDF/Zero%20Burning%20Policy.pdf>

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Signboards were placed at strategic locations particularly in fire prone areas

Monitoring and Emergency Response Programme

In order to be effective in fire prevention and preparedness, IOI has established monitoring and emergency response programme at all of our plantations as shown on the diagram on page 55. Training has taken place at all of our operational sites such as the Fire Awareness Training through Manggala Agni Pontianak that we have been organising since 2016, to improve the “Fire Prevention and Patrolling Programme” in our concession areas. In 2018, more awareness programmes have been organised and supported by BKSDA and Indonesia Police Rangers (“POLHUT”) in Desa Dusun Air Hitam and Desa Jambi.

To ensure the effectiveness of its fire management teams, IOI provides full range of equipments and safety guidelines as detailed in its Standard Operating Procedures of the Emergency Response Programme. This includes steps to alert and work alongside local communities to control fires. Internal training and capacity building on this have been conducted in Malaysia and Indonesia during the reporting period.

For peatland areas, IOI has a programme to ensure effective monitoring of fire risk awareness, rapid response programme and active measures to prevent fire in its existing and new plantations, as well as adjacent peatland. This is achieved through fire patrolling using drones, constructing fire towers, water table management and working closely with the adjacent stakeholders and local fire brigades. During dry season, the frequency of water table monitoring and patrolling will be increased.

IOI also works with RSPO, including full compliance with the Fire Hotspot Monitoring Mechanism whereby daily alerts and, where necessary, ground verification take place to check for fires based on the geo coordinates of the fire alert.

For newly developed areas, including adjacent land, full-time fire guards will be deployed for the entire duration of the dry season.

Respond Activities in Bukit Leelau Wildfire Outbreak

In September 2018, a wildfire outbreak occurred in a forest reserve in Pekan, Pahang. Our project partner, GEC had alerted the Pahang State Forestry Department of the initial fire's outbreak. IOI provided assistance to prevent the fire from spreading to other areas. Few hotspots were detected in Pekan Forest Reserve (extension) with fires spreading very quickly within two days. During the incident, IOI had mobilised a team to build temporary blocks to act as fire break and emergency stakeholders' meeting was held to discuss on strategic fire-fighting and control measures to put out the fire where GEC also presented a map and support resource mobilisation of relevant government agencies to take immediate actions against the peat fire. The incident demonstrated the importance of shared-responsibility among different stakeholders in countering fire outbreak.

Fire Reports*

During the year ending 30 June 2019 there were 31 fire incidences reported within and adjacent to our concessions;

Region	Fire Incident Inside IOI Concession	Fire Incident Outside IOI Concession
Sabah	0	0
Sarawak	1	0
Peninsular Malaysia	0	1
Indonesia	13	16

* RSPO Fire Watch Report



CAPACITY BUILDING



Training in IOI provides our workforce with the skills to perform their job and to ensure operational consistency

OUR MANAGEMENT APPROACH

Our workers' welfare is important to us, and IOI is committed to paying all workers at least the statutory monthly minimum wage in accordance to the national labour regulations.

We are also committed in providing training and development to employees to ensure the achievement of their full potential. All new workers have to participate in Orientation and Induction Training, which is led by the Manager or Assistant Manager in each operating unit, with the assistance of an interpreter when required. Training material is currently available in English, Bahasa Malaysia and Bahasa Indonesia. IOI also has a “Train the Trainer” programme where senior workers are trained to provide briefing about IOI's policies and benefits to new workers.

OUR PERFORMANCE

Fair and Decent Wage

As part of their KPI, estate managers take proactive measures to increase workers' productivity, with targeted earnings of at least 20% more than the minimum wage for each worker during normal working hours. As set out in our Minimum Wages & Leave Pay Policies in Malaysia, our overtime rate is 1.5 times the hourly rate of pay.

Towards the end of 2018, IOI began a collaboration with Monash University on the 'Fair and Decent Wage' Study (for further details, please see 'Academia Collaboration, page 34), which focuses on all workers working in Peninsular Malaysia plantation operations.

Good Labour Practices and Worker Retention

IOI is also collaborating with Earthworm Foundation, an international non-profit organisation, to promote good labour practices in retaining workers. The goal of this project is to use communication tools to inspire transformation in industry employment practices in Malaysia by highlighting good practices.

Training Programmes

IOI's 'Coaching the Coach Programme' and 'Train the Trainer Programme' have been implemented to cultivate a culture for employees to deliver their best and be motivated at the workplace. Our suite of training for workers includes: best

INNOVATING TO ENHANCE OPERATIONAL EFFICIENCY

practice training for agriculture; environmental management; peat management; health and safety; and fire prevention techniques. Employee performance and career development review is one way in identifying training need for the employee further improvement. For senior management level, our training programme including business model innovation programme; senior management development programme and global leadership programme. Training is generally managed by the Training Department and Human Resource Department.

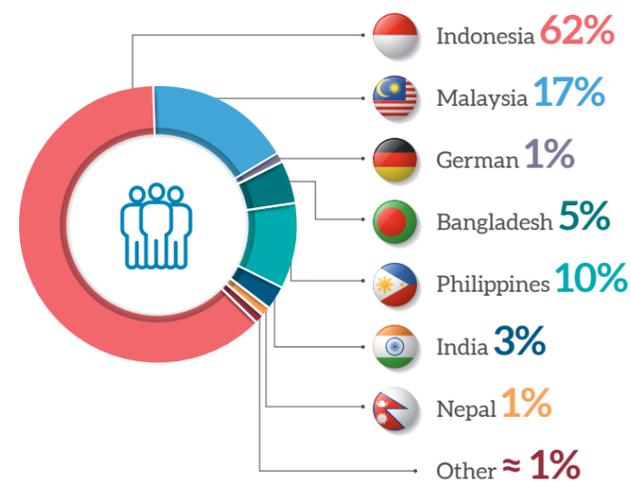
At the plantation level, the workers usually provided with daily routine trainings on SOP, policies, best practices, grievance management and relevant health and safety practices. Performance data on number of workforce, employee training hours and assessed employees can be found in Appendix. In November 2018, IOI was listed as one of the best companies to work for in 2018. In April 2019, we won 'Malaysia Best Employer Brand Awards'.

2019 Initiatives	Progress
Fair and Decent Wage Study	Visiting estates and interviews with workers. The study is expected to be completed by the end of IOI's FY2019 (for Peninsular Malaysia).
Good Labour Practices In Retaining Workers	The case study takes place at our Pukin Palm Oil Mill and Segamat Estate. In May 2019, a scoping visit has been conducted to obtain and explore more information regarding our good practices on the ground. As the outcome, EF will produce a video which portrays IOI's initiatives in implementing good labour practices on the ground, hence resulting in an optimal rate of worker retention at our plantation. This video is estimated to be published in October 2019.



Employee performance and career development review is done annually.

Demography of Workers in IOI



Data collected from Malaysia, Indonesia and Germany operations



HUMAN RIGHTS AT OUR WORKPLACE

OUR MANAGEMENT APPROACH

IOI is committed to upholding the rights of workers, leading to the improvement of welfare and conditions of work. Specifically, we will:

- Uphold the rights to freedom of association and recognise the rights to collective bargaining and allow trade unions to have access to our workers;
- Not to retain workers' passports/identity documents and withhold workers' wages other than as prescribed by law;
- Pay all workers at least the statutory monthly minimum wage and overtime compensation in accordance with local labour regulations;
- Provide fair and equal employment opportunities for all employees, regardless of race, nationality, religion or gender; and
- Promote a safe and healthy working environment that is free from sexual harassment.

We operate in accordance with local and national laws, and also with international standards including: the Universal Declaration of Human Rights; the International Labour Organisation's Core Conventions; the United Nation's Guiding Principles on Business and Human Rights; and the Principles of Free and Fair Labour in Palm Oil Production. The Group is committed to the elimination of all forms of illegal, forced, bonded, compulsory or child labour. We operate an open, transparent, and collaborative approach to resolving workers' and stakeholders' grievances.



Our policies related to labour and human rights are:

- Equal Opportunity Employment & Freedom of Association;
- Minimum Wages & Leave Pay Policies in Malaysia;
- Foreign Workers Recruitment Guideline & Procedures in Malaysia;
- Policy on Harassment at Workplace; and
- Terms of Reference ("TOR") of Employee Consultative Committee ("ECC") and Joint Consultative Committee ("JCC").

These policies (excluding drafts) are published on IOI's website and are communicated to all workers during their orientation, induction, or whenever necessary. All policies are available in English, with translation to Bahasa Malaysia, Hindi, Bengali and Tagalog based on our workers' nationality.

In line with the Group's SPOP, IOI's workers are provided with various channels to voice their grievances (including anonymous channels) and we have an internal grievance procedure to resolve issues, including an action plan for improvements. All reports are logged into IOI's Internal Grievance Log.

IOI also has a Gender Consultative Committee ("GCC") in place to address specific issues related to gender such as sexual harassment and any other form of harassments involving women at their workplace. In the coming year, we will revise the role of the committee to also include woman empowerment.

OUR PERFORMANCE

Incorporating Stakeholder Input

All of the written policies encompassed inputs from multiple group of stakeholders during consultation and engagement programmes. Stakeholders' inputs from both internal and external parties are addressed and incorporated in order to create a policy which comprehensively covers the respective parties or areas during the developing process. Upon approval from IOI's top management, policies need to be reviewed and endorsed by the respective stakeholders in order to ensure that all area of concerns are captured and covered under each respective policy.

Workers' Rights and Benefits

In order to ensure that workers understand their rights and that they are being fully implemented at all sites, IOI carries out scheduled internal sustainability audits such as labour rights monitoring at all of IOI's operating units. An internal grievance mechanism is set up to ensure that workers are able to channel their grievances to the management and relevant authority if necessary. Apart from that, IOI also conducts training on workers rights especially on their contract agreement to ensures they are fully aware of their rights and benefits.

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No Child Labour

IOI upholds strict child labour restrictions in all operating units. Our recruitment screening process includes reviewing documents such as identification cards and school records, to avoid any child labour. IOI's field staff, assistant managers and supervisors monitor operations to ensure that child labour is not present in estates. IOI had been partnering with Humana Child Aid Society to make sure the children in the plantation receive proper education and well taken care while their parents are at work. The Group is also taking initiatives to upgrade schools as well as to improve transportation and ease of access for children in and around the estates to attend school.



HUMANA school children are participating in one of the programmes organised by IOI

Ethical Recruitment including No Recruitment Fee

IOI plantations in Malaysia recruit workers from various countries including Indonesia, the Philippines, India, Nepal, and Bangladesh. Our comprehensive policy¹ was developed in collaboration with relevant NGOs and ensure ethical recruitment practices are followed. This includes guidelines for pre-employment, employment, and post-employment.

IOI has "No Recruitment Fee" policy in recruiting its foreign workers, and cover all legal costs without charges to the workers. Where possible, we ensure that workers are recruited directly and without engaging third-party agencies, mainly to avoid exploitation. If agencies are used, they are required to sign a letter of commitment adhering to IOI's policies and we maintain a list of preferred partners, based on their reputation. All workers' contracts are provided to them in their native language.

New employees' travel costs from their country of origin to Malaysia are borne by IOI, and verification interviews upon arrival are held to make sure that their human rights have not been violated at any stage of the recruitment process. Workers are free to decide how and where they want their passports to be kept, including an option of a centralised passport locker with 24 hour access.

Equal Opportunity Employment and Freedom of Association

All workers are treated on merit and competency, and without regard to gender, race, caste, nationality, religion, age, physical condition, sexual orientation, marital status, union activity or political affiliation. IOI also respects freedom of association and collective bargaining, and will not refuse any genuine opportunity to collectively bargain with workers. These rights are set out in more detail in our policy².

Internal Grievance Procedure

IOI Plantation division has an internal Staff Grievances Standard of Procedure whereby our estate and mill workers and employees can channel their issues through the estate's Green Book which are made available at each operating unit or a hotline number which are directed to our Human Resource Department located at the Headquarter or via WhatsApp as well as SMS.

Grievances Filed and Resolved

In the financial year ended 30 June 2019, IOI received 15 grievance reports altogether - four through our hotline number, eight through e-mails, and three through physical letters. All grievances were addressed and resolved.



Field verification visit by Proforest

For cases that we were able to provide an immediate response, we closed and recorded the case as per Stage 1: Resolution in our Staff Grievance SOP. For cases that require investigations, we proceed to Stage 2: Investigation whereby a Pre-Investigation & Discussion ("Report") by the Human Resources department needs to be completed. The Report is then sent to IOI's management and forwarded to the complainant for clarification, to then be reverted back to the management for the verdict.

Policies Made Transparent and Accessible

In the future, training about labour and human rights will be more focused on individual field workers, with training sessions taking place at least twice a year. IOI has initiated a Systems, Application, Products in Data Processing - Enterprise Resource Planning ("SAP-ERP") platform. This means that information about labour rights (e.g. payment rates and leave entitlement) is increasingly held at a centralised location at IOI, with better standardisation and transparency.

Aside from that, new workers will be shown several videos which explain their rights and benefits obtained during the employment period. There are two version of videos that will be shown to the new workers:

Introduction Video

To be shown during the recruitment process, prior to their departure from their home countries

Filmed in English, with voice-overs in Bahasa Malaysia, Bengali, Nepali, Hindi and Tagalog as well as English subtitles

Same content but simpler and shorter (not only limited to Labour Rights)

Orientation Video

To be shown during the Induction Training in Operating Centres

Filmed in English, with voice-overs in Bahasa Malaysia, Bengali, Nepali, Hindi and Tagalog as well as English subtitles

Same content

These videos, which are still in progress, contain comprehensive details on our labour rights and practices to enhance understanding among all of our workers, especially the newcomers.

Human Rights Assessment³ by Proforest

As part of Proforest's independent assessment regarding IOI's implementation of the SPOP (described in the 'Sustainable Palm Oil Policy' section of this report), a review of our human rights and working conditions has been reported. Proforest assessed all our human rights and labour practices as stated in SPOP and SIP together with field verification. Through Proforest verification, IOI had identified gaps or area for further improvement. This will be further addressed in the revised SIP.



Pre-employment
outlines the roles of IOI's human resource Department, external recruitment agencies and relevant procedures



Employment
includes procedures for arrival of the workers at the airport, orientation and induction training, health screening, passport handling, and grievance mechanism, amongst others



Post-employment
includes procedures for repatriation of unfit workers, contracts, work permit renewal and exit interviews

¹ <https://www.ioigroup.com/Content/S/PDF/Foreign%20Workers%20Recruitment%20Guideline%20Procedure.pdf>

² <https://www.ioigroup.com/Content/S/PDF/Foreign%20Workers%20Recruitment%20Guideline%20Procedure.pdf>

³ <https://www.ioigroup.com/Content/S/PDF/Proforest%20report%20Phase%20202.pdf>

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OCCUPATIONAL HEALTH AND SAFETY

OUR MANAGEMENT APPROACH

IOI's Occupational Safety and Health Manual contains policies, procedures and practices and is disseminated to all workers. Full details of IOI's commitments are available in our Occupational Safety and Health Policy¹, going beyond national laws and regulations to ensure safety throughout our operations and value chain. Our commitment includes the provision of adequate equipment and training on the implementation of the policy.

OUR PERFORMANCE

Occupational Health and Safety Management System

IOI has an Occupational Health and Safety ("OHS") Management System which meets world-class accreditation expectations such as the Occupational Health and Safety Assessment Series ("OHSAS") 18001 Standards. This has been implemented throughout the Group's operating sites, covering all activities. Potential hazards and risks are assessed based on the scope of operations involving both environment and social impacts in each of the operating units and undergoing continuous improvement.

There are no worker exclusions from the OHS Management System as under the requirements by OSHA 1994, all workers within the vicinity of the workplace controlled by IOI are covered under the OHS Management System, regardless of being direct employees or contractor-employed workers.

Health and Safety Grievances

Workers are encouraged to voice any health and safety concerns via grievance channels, on an anonymous basis if preferred. Grievances and

incidents are reviewed by our Safety and Health Committee ("SHC"), membership of which includes employees and management representatives. Each operating site has a SHC and meetings take place at least four times per year.

Good Agricultural Practices

IOI ensures that Good Agricultural Practices are carried out throughout our estates' operations. Scheduled inspections are carried out for all workplaces, machinery, vehicles and equipment. IOI also provides Standard Operating Procedures for specific risk activities including: chemical storage; fertiliser and pesticide application; tractor handling; and the usage of proper Personal Protective Equipment. Our commitments and further practices can be found on the website².

Safety, Health and Environmental Training

Worker training on OHS is essential, in order to embed a safety culture throughout the organisation. Each site's training needs are assessed as part of our bi-annual Training Needs Analysis according to the capacity and scopes needed in each operating unit, as well as the effectiveness of the training provided, including compliance with any changes in legal and regulatory requirements. To encourage OHS transparency and dialogue, departments conduct monthly meetings attended by operating units' managers or assistants and respective SHC members to discuss topics pertaining to safety, health, job requirements, and welfare.

Production staff are given daily briefings regarding general issues and job-specific requirements. A week-long safety, health and environment campaign is held throughout IOI every year to promote safety, health and environmental awareness.



IOI ensures Good Agricultural Practices are carried out throughout the operations

Responsible Care Awards

IOI Oleo Malaysia led with exemplary and industry-leading responsible care practices as two of its subsidiaries bagged a total of 11 awards at the prestigious Chemical Industries Council of Malaysia ("CICM") Responsible Care Awards 2017/2018.

IOI Pan Cen Oleo and IOI Acidchem were honoured under the Responsible Care's Six Codes of Management Practices in Malaysia. IOI Pan-Cen Oleo was bestowed with the Grand Award, which was introduced for the first time in the CICM Responsible Care Awards, based on the overall results that were achieved. Meanwhile, IOI Pan-Cen's Chief Operating Officer ("COO"), Mr. Gurdev Singh, was the winner of the Leadership Award 2017/2018 due to his achievements and contributions to Responsible Care.

Standards and Certifications

Safety audits are carried at all mills, refineries and oleochemical manufacturing plants on a regular basis. Equipment is inspected at least once every quarter and calibrated annually to promote safe and eco-efficient operations. To further safeguard the health of the workers, checks such as audiometric tests and medical checkup for affected workers were conducted periodically.

IOI's facilities are certified and accredited by globally recognised bodies, as shown in the table below.

Facility	Certifications
IOI Oleochemical	ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2007, ISO 45001:2018, ISO 50001:2011, FSSC 22000, European Federation for Cosmetic Ingredients (EFfCI), European Union-Good Manufacturing Practice (EU-GMP), ISO 22716, Eco-Management and Audit Scheme (EMAS), RSPO SCCS, MSPO SCCS and HACCP
IOI Refinery	ISO 9001:2015, GMP+ for animal feed, Halal Certificate, International Kosher Certificate, MS 1480:2077 HACCP Food Safety Certification, ISO 14001:2015 Environment Management System, ISO 45001:2018 Occupational Health and Safety Management Systems, RSPO SCCS and ISSC Certification for IP/SG/MB, MPOB Code of Good Crushing Practice for Palm Kernel Crushing and Good Refining Practice for Palm Oil Refineries, MSPO SCCS for SG/MB

1,500,000 Accident-Free Hours Recorded

In June 2019, IOI Oleo Prai celebrated an amazing 1.5 million accident-free hours have been recorded by the Safety, Health and Environment ("SHE") department.



Upgrade to ISO 45001:2018 from OHSAS 18001:2007

IOI Pan-Century Oleo and IOI Pan-Century Edible Oils Sdn. Bhd. have both successfully migrated and upgraded their OHS Management System from their current OHSAS 18001:2007 to the revised ISO 45001:2018. IOI Pan-Century Oleo is IOI Group's first subsidiary and the first oleochemical and edible oil plant to be certified with ISO 45001:2018. The three-year migration period is from 18 March 2017 until 17 March 2020.

Workplace Accident Free Week 2018

The Workplace Accident Free Week ("WAFEW") 2018 is a concept recently introduced by the Department of Safety and Health ("DOSH") Malaysia with the objective of reducing accidents and fatality rates at the workplace. Hence, in July 2018, IOI Pan-Cen organised various programmes to align with WAFEW for IOI Pan-Cen employees

and contractors to educate and provide exposure and understanding on the aspects of OSH at work with strong emphasis on hazard identification, risk assessment and risk control.

Joint Emergency Response Exercise

In October 2018, IOI Pan-Cen conducted its annual Joint Emergency Response Exercise as part of its Emergency Response Plan and Responsible Care programme and to ensure emergency preparedness at all times. IOI Pan-Cen hosted a mock drill of a Fire, Spillage, Evacuation and Search and Rescue (SAR) exercise. Pacific Oleo Sdn. Bhd., Felda Delima Oil Products Sdn. Bhd., Bunge Lodgers Crocklaan Asia, Royal Malaysian Police ("PDRM") and Hospital Penawar participated in the exercise while DOSH and the Fire and BOMBA attended as observers.

HSE Campaign

Themed 'Tomorrow: Your Reward for Working Safely Today', Health, Safety and Environment ("HSE") Campaign 2018 aims to create a positive health and safety culture within IOI Pan-Cen. During the month-long campaign, health talks, health screenings, traffic safety and narcotic talks by the PDRM, Personal Protective Equipments ("PPE") trainings and various programmes were held.

Work Safety Week at Witten Site

In September 2018, IOI Oleo GmbH conducted the Work Safety Week at Witten Site. The event provided all employees a platform to learn, participate and engage in safety and health related activities. These include lessons for a correct body posture and movement, medical check-up, skin protection, forklift training, noise reduction, and fire management.

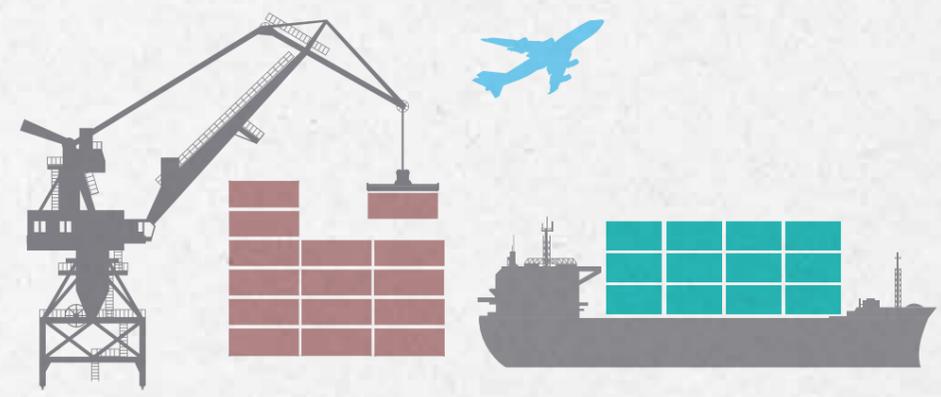
¹ https://www.ioigroup.com/content/S/pdf/OSHH_Dec_2018.pdf

² https://www.ioigroup.com/Content/BUSINESS/B_Health



Innovating to expand value delivery

We are advancing research into new specialised applications of oleochemicals and investing in new production capabilities in our downstream operations. IOI's implementation of Responsible Sourcing ensures a more transparent and sustainable supply chain.



4
Groupings certified for RSPO NEXT

Responsible Sourcing Programmes:

- Third Party supplier monitoring
- Supply chain compliance programme

2
Oleochemical plant complexes in Penang and Johor

2
Specialty ester plants in Germany
Opening of CARE Studio, the new R&D facility

INNOVATING TO EXPAND VALUE DELIVERY



INNOVATION IN MANUFACTURING PROCESSES AND PRODUCTS

OUR MANAGEMENT APPROACH

We are currently advancing research into new applications of oleochemicals in our downstream operations. In addition to traditional oleochemical applications, we are moving up the product value chain by focusing on specialised oleochemical products.

OUR PERFORMANCE

Eco-productivity application in the IOI's Oleo Division is related to climate impact via reduced consumption of natural resources and lower generation of waste. Further extension of this concept includes the production of eco-themed products such as our patented natural soaps that does not contain the notorious EDTA in common soaps, employ chemical-free processes such as physical separation for some of our

product range and utilising sustainable-certified raw material such as RSPO, MSPO and others.

In November 2018, IOI Oleo GmbH opened its new CARE Studio Application Lab in Hamburg. This state-of-the-art facility addresses the need for the development of more advanced formulation for safe application of product, in particular for skin care, hair care and colour cosmetic innovations. It will also provide a site to conduct customer seminars on how to use IOI's ingredients and raw materials. The CARE Studio complements IOI's other R&D facilities in Germany, such as our lab in Witten.

During the year, IOI have also invested in a new production plant for the efficient production of fatty acids in Prai, Penang. This will ensure our ability to meet the market demands and sustain our growth in the market.

Notable highlights:

714,131 MT
annual sales volume from
oleochemical sub-segment

2 oleochemical
plant complexes in Penang
and Johor

**2 specialty
ester plants**
in Germany

13
patent filings for
pharmaceutical
applications
in progress

Products

Glycerin, Palmsurf® MCT 60/40 and Palmsurf® MCT 70/30 are approved by ECOCERT Greenlife conform to the COSMOS standard as chemically processed Agro-ingredients

Manufacturing Process

Chemical-free technology through commissioned of dry fractionation plant. Dry Fractionation for oleic acid fractionation that utilises crystallisation technology instead of surfactants used in conventional wet fractionation process

Development of eco-themed product

Supply soaps without traditional chelants such as EDTA that has slow degradation in the environment



Caption



DIGITAL INTEGRATION

OUR MANAGEMENT APPROACH

IOI's operations are heading forward in digital transformation. To achieve full synergies of our operations, we have implemented the Systems Application and Products in Data Processing ("SAP") which will help drive further integration between our upstream and downstream operations.

Solutions provided by the system includes enhancement in the supply chain traceability system and automation of internal operational systems which will eventually strengthen our business fundamentals and our ability to create value as an organisation in the long run.

OUR PERFORMANCE

Integrated management system

IOI initiated a centralised management system with the introduction of SAP system at the Group level. The SAP system introduced a standardisation system on information and data management including accounting, payment rate, leaves entitlement, and operations, and can assist in the monitoring of such data.

The SAP system also allows departments to have access to information or data from other departments in real time and provides control over various business or operation processes. This eliminates duplication, discontinuity, and redundancy in data. IOI's SAP system went live by July 2019.

IOI have also utilised the Business Intelligence and Data Mining tool to consolidate the data of various



IOI embarked on a digital transformation journey to implement a Group-wide SAP system

subsidiaries to automatically produce consolidated financial statement and other reports. This tool enables us to undertake our projects with the least resource, reduced error and increased cost savings due to the reliable support delivered to us.

Centralised HCV data management

A centralised documentation system was introduced to include centralised geospatial mapping and consolidation of HCV data to ensure consistency and accuracy of data collected. This exercise is targeted to be completed by March 2020.

Moving forward, a centralised depository server at the HQ level where the regional team can upload the relevant documents needed is in the pipeline, targeted for completion by January 2020. Since it will be in a cloud server, the documents can be accessed from anywhere, whenever required.

Standardised documentation and monitoring system

IOI's sustainability team is also implementing a new standardised documentation and monitoring system equivalent to ISO 9001 documentation system at the group level.

Advancing Capabilities for Capacity Building

On 4 April 2019, training on Data Analysis Fundamentals was conducted for participants who wanted to take data analysis in Excel beyond formulas and add more advanced capabilities such as dashboards, hierarchies, and relationships. A total of 35 participants who attended were able to present their reports in clean and brief formats at the end of the training.

INNOVATING TO EXPAND VALUE DELIVERY



GEOSPATIAL TECHNOLOGY

OUR MANAGEMENT APPROACH

The Group's sustainable agricultural practices are increasingly incorporating technology to alleviate impacts on the areas in which we operate. We facilitate monitoring of our oil palm plantations as well as our supply chain through the utilisation of tools such as the spatial data and remote sensing information made available by the non-profit group, World Resource Institute's ("WRI") Global Forest Watch ("GFW") platform.

GFW is an interactive online platform which provides real-time information on forests via spatial information and monitoring. The GFW is able to provide daily information about forest fires, all the way to longer-term climate trends. RSPO utilises the GFW platform to map the concession areas of its member growers. As a member of RSPO, our stakeholders including civic society groups and the public community keep us accountable as they are able to track our progress through RSPO's app.

OUR PERFORMANCE

Precision agriculture

The Geographical Information System ("GIS") department at IOI Research Centre uses geospatial technology derived from images captured using Unmanned Aerial Vehicle ("UAV") and Global Positioning System ("GPS") tracking for precision agriculture. Other innovative technologies in the pipeline include Infrared Photoimaging using UAV for palm health screening, high accuracy palm counting/census using High Definition Imaging and near-infrared camera installation on fixed-wing drones to identify palms showing nutrient deficiency, moisture stress, and disease outbreak symptoms.



Image captured using UAV

The geospatial data captured by IOI's GIS department enable our estate operations to:

- ✓ Make well-informed decisions in plantation management based on inventory mapping reports and through the generation of digital maps;
- ✓ Obtain figures on actual planted areas by block;
- ✓ Identify vacant areas;
- ✓ Pinpoint non-plantable areas such as river riparian zones;
- ✓ Conduct palm censuses; and
- ✓ Manage internal road networks on a block basis.

NDPE monitoring

We partnered with Aidenvironment ("AE") to establish a near real-time deforestation monitoring capacity throughout geographies in Indonesia, Malaysia and Papua New Guinea where IOI's suppliers are operating, with the ultimate goal of ensuring that IOI's supply chain is NDPE-compliant particularly adhering to the deforestation-free regulation.

AE conducted the monitoring on a weekly basis with monthly reports produced to identify non-compliant suppliers. The monitoring covers forest, wildlife habitat and peat datasets along with (concessions mapping and mill locations) verification.

The use of tools and software such as UAV, 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.

Other IOI initiative such as IOI's real-time satellite monitoring programme allows us to detect deforestation and fires within the concession immediately as it happens.

An interactive map showing the locations of mills and estates in Peninsular Malaysia and Sabah is available through the dashboard¹.



SUSTAINABILITY CERTIFICATIONS

OUR MANAGEMENT APPROACH

International best practice initiatives and certification schemes encourage partnerships and collaborations among industrial players to collectively identify issues, innovative solutions and adopt an overarching approach that will collectively benefit our business and the livelihoods of surrounding communities.

IOI has embedded economic, environmental, social, and governance principles from these schemes including Roundtable on Sustainable Palm Oil ("RSPO"), RSPO NEXT, Malaysian Sustainable Palm Oil ("MSPO") and International Sustainability & Carbon Certification ("ISCC"), in the Group's SPOP and are steadily progressing with the time-bound certification plans published in the SIP.

The Group is committed to achieving full RSPO certification for its plantations in Malaysia by 2023, excluding IOI Pelita which is still under RSPO resolution process. As for MSPO, IOI is committed to achieve 100% certification for its plantations in Malaysia by 2018 but had missed this target due to challenges in audit scheduling and auditor availability. However, we aim to be 100% MPSO certified by 2020.

Sustainability assurance

IOI's full sustainability commitments as outlined in our SPOP are verified by Proforest, a non-profit organisation specialising in natural resource management and practical approaches to sustainability. The verification process has been divided into two phases. The first phase involves document review and interviews with internal and external stakeholders, whereas the second phase involves site visits to assess the current implementation and performance of IOI's sustainability initiatives.

Internally audits are conducted periodically by the Corporate Sustainability, Plantation Sustainability and the Regional Sustainability teams separately using different checklists.

Internal audits are mostly conducted to prepare for RSPO, MSPO, and ISCC annual audits using three separate checklists which would include elements of labour rights, depending on the certification requirements.

In addition, two specific internal labour audits were conducted in 2018 using an initial labour rights monitoring checklist. Results of the internal audits are shared with the managers of the operating units for further action or development of relevant action plans.

Dow Jones Sustainability Indices

Dow Jones Sustainability Indices ("DJSI") had published its annual Sustainability Yearbook 2018. Through this assessment on specific market capitalisation, IOI is ranked within the 30th percentile under the allocated Food Products industry group under the Emerging Market Index.

FTSE4Good Bursa Malaysia Index

IOI is now included in the FTSE4Good Bursa Malaysia Index ("FTSE4Good Index"), effective 24 December 2018.

Carbon Disclosure Project

The Carbon Disclosure Project ("CDP") is a global organisation that runs a global disclosure system that enables companies, cities and states to measure and manage their environmental impacts. On 14 March 2019, IOI received an award for "Most Improved Performance" in Hong Kong and Southeast Asia for disclosure on Forests Programme in 2018 by CDP.

EcoVadis Survey

EcoVadis is the world's most trusted provider of business sustainability ratings, intelligence and collaborative performance improvement tools for global supply chains. Combining People, Process and Platform, it operates the first collaborative online platform allowing companies to monitor environmental and social performance ("CSR") expertise to deliver simple and reliable supplier scorecards. IOI Acidchem Sdn. Bhd. scored Silver in 2018 in the EcoVadis CSR evaluation, based on the four themes of environment, social, ethics and supply chain.

OUR PERFORMANCE

Certification Progress

176,156 ha
Planted Oil Palm Area
173,443 ha
RSPO certified
170,364.79 ha
MSPO certified

Mills Owned
(14 in Malaysia, 1 in Indonesia)

100% Traceable
to Plantation



14 Mills
RSPO Certified



82 Estates
MSPO Part 3
Certified



13 Mills
MSPO Part 4
Certified



1 Refinery
7 Mills
ISCC Certified

4 Groupings

- Ladang Sabah Grouping
- Leepang Grouping
- Syarimo Grouping
- Pukin Grouping



¹ https://www.ioigroup.com/Content/S/S_Dashboard

INNOVATING TO EXPAND VALUE DELIVERY

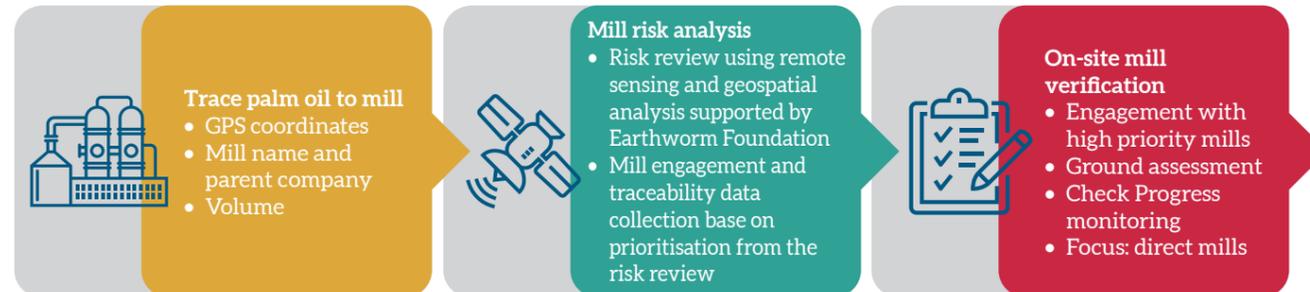


TRACEABLE SUPPLY CHAIN

OUR MANAGEMENT APPROACH

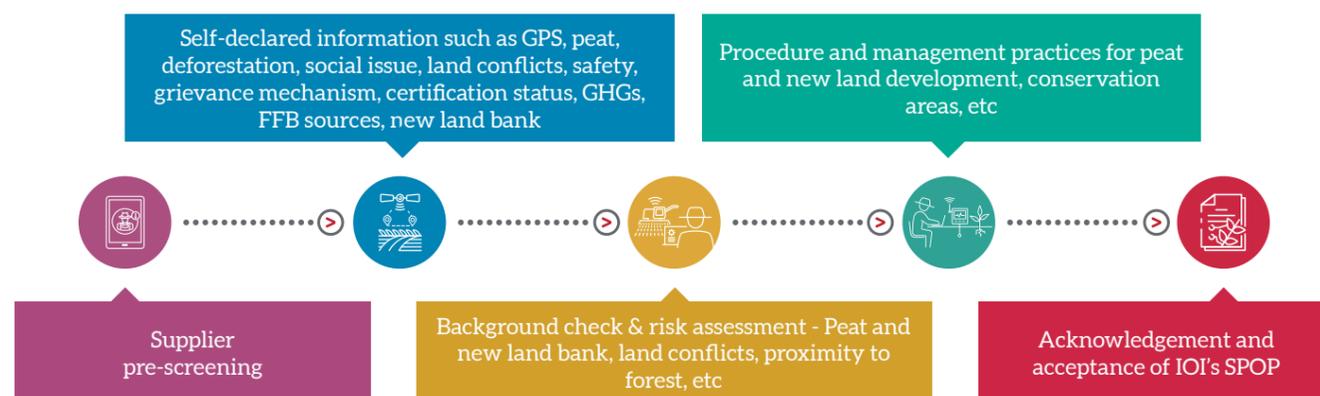
Tracing the origins of our oil allows us to monitor and engage with our suppliers to ensure a more transparent and sustainable supply chain. IOI's three-step palm oil verification approach requires that all mills and refineries in the supply chain disclose information such as GPS coordinates and ownership groups.

Traceability 3-step approach



IOI engages with new suppliers through a pre-qualification and screening process as articulated here to ensure the new suppliers meet IOI's sustainability requirements. New suppliers are screened using social and environmental criteria to meet the essential NDPE commitments. IOI will not approve any new suppliers that are unable to commit to these requirements.

New Supplier Pre-assessment and Screening



For existing third-party suppliers ("TPS"), IOI has implemented and communicated a proactive mill-level programme. This TPS Programme supports third-party mills, smallholders, and supplier companies to adopt sustainable practices that adhere with IOI's SPOP commitments.

IOI is also using Earthworm Foundation's Tools for Transformation ("T4T") digital platform to underpin engagement with our TPS in Malaysia. The self-assessment

platform and sustainability resource materials allows IOI to evaluate our TPS against our commitments whilst providing guidance and resources towards the adoption of sustainability best practices.

Non-compliance with IOI's SPOP will trigger corrective action plans and will require re-evaluation of commercial relationships for repeated failures.



Constant engagement with suppliers include policy socialisation and dialogue sessions



Supply Chain Compliance Workshop was held at IOI headquarters

OUR PERFORMANCE

Third-party supplier monitoring

IOI has contracted the services of Aidenvironment for land use change monitoring of our supply base. A pre-monitoring group-level risk assessment of IOI's third-party suppliers has been completed and this is followed by monthly reports, or as and when land use change occur. The services also include increasing awareness and enhancing capacity of both IOI and our third-party suppliers towards eliminating deforestation and new peat development. As for the compliance of indirect suppliers, these are mainly managed by our trading partners who hold NDPE and other sustainability commitments that are aligned with our policy. In addition, we will include indirect suppliers into our workshops and other interventions whenever possible.

Supply Chain Compliance Programme

In Sabah, our supply chain compliance programme commenced in August 2018 with an 18-month activity schedule which includes the collection of traceability data, supplier assessments using Earthworm Foundation's T4T platform, engagements, workshops, and capacity building. The planning of this programme is based on feedback from suppliers and stakeholders on their experience with past activities during 2016 and 2017. Peninsular Malaysia suppliers will undergo a similar set of programmes targeted to commence in Q4 2019.

Supply chain transformation

As of July 2019, three of our direct suppliers, NPC Resources Bhd., BLD Plantation Bhd. and Prosper Group, have adopted NDPE policy. NPC Resources Bhd. has similarly adopted NDPE commitments at the end of 2018 and have progressively completed improvement and rectification time-bound activities.

Over the past 12 months, IOI has been engaging with BLD Plantation Bhd. ("BLD") to support their adoption of sustainability best practices. During May 2019, BLD, under the guidance of Earthworm Foundation, published their Sustainable Palm Oil Policy which details their NDPE commitments. Since then BLD has been making satisfactory progress in the delivery of their policy commitments. They have prepared their policy implementation plan which includes a grievance mechanism and publishing of supplier mill list. This policy implementation plan has time bound objectives and milestones. We will continue to engage and provide support.

Prosper Group, similarly has adopted a Sustainable Palm oil policy which covers NDPE commitments. Earthworm Foundation is guiding Prosper Group in their development of a policy implementation plan along with a grievance mechanism.

Sustainable Policy Transparency Toolkit

In the latest Sustainable Policy Transparency Toolkit ("SPOTT") assessment by the Zoological Society of London ("ZSL") that was released in November 2018, IOI's overall scoring improved by 3.3% to 78.1% compared to the 2017 assessment, putting the company at rank 11 (out of 70 palm oil producers and traders listed) for the palm oil category.

Palm Oil Dashboard and concession maps

IOI's Palm Oil Dashboard was launched in December 2016 and contains information such as certified volumes, traceability numbers, supplier engagement and risk assessment as well as links to the latest IOI sustainability news and grievance list.

Concession boundaries for IOI's operations in Sabah and Kalimantan can be found on the Geo-RSPO platform. Indonesian concession map is also downloadable from IOI's website.

Mill lists including the name, coordinates and controlling group of each mill in IOI's supply chain are also published in the dashboard.

APPENDIX

SUSTAINABILITY PERFORMANCE METRICS

ECONOMIC PERFORMANCE DATA

In RM million unless otherwise stated	2019 MFRS	2018 MFRS	2017 MFRS	2016 MFRS	2015 MFRS
FINANCIAL					
Profit before interest and taxation	1,076.8	1,380.6	1,401.4	1,459.6	1,237.6
Profit attributable to owners of the parent	631.7	3,060.5	743.2	629.7	51.9
Equity attributable to owners of the parent	9,299.6	9,156.3	7,457.4	7,138.1	7,069.0
Return on average shareholders' equity (%)	6.85	36.84	10.18	8.86	0.68
Basic earnings per share (sen)	10.05	48.70	11.82	9.99	0.82
Dividend per share (sen)	8.0	20.5	9.5	8.0	9.0
PLANTATION					
FFB production (MT)	3,398,847	3,514,857	3,155,628	3,145,317	3,542,222
Total oil palm area (Ha)	176,156	174,234	174,396	179,271	178,768
MANUFACTURING					
Oleochemical					
Plant utilisation (%)	82	83	80	82	85
Sales (MT)	714,131	714,024	697,421	745,100	755,157
Refinery					
Plant utilisation (%)	65	69	63	62	66
Sales (MT)	1,708,668	2,152,800 ¹	2,414,773	2,427,326	2,591,197

Note:

¹ The sales (MT) of FY2018 includes eight (8) months' results of discontinued operations

Source : IOI Corporation Berhad Annual Report 2019

WORKPLACE PERFORMANCE

NUMBER OF EMPLOYEES AND DIVERSITY

GRI 102-8 Number of Employees, GRI 405-1 Diversity of Employees

Location	Number of Employees
Malaysia Employees	4,317
Male (%)	75%
Female (%)	25%
Indonesia Employees	1,371
Male (%)	91%
Female (%)	9%
Germany Employees	242
Male (%)	73%
Female (%)	26%
Workers	23,749
Male (%)	75%
Female (%)	25%
TOTAL WORKFORCE	29,679

* Numbers including foreign workers in the estates and mills

GRI 404-1: Employee Training Hours

Gender	Units	Employment Level				
		Senior Management	Middle Management	Executive	Non-executive	Workers
Male	Hours/year	512.00	2475.75	26333.50	23715.48	717039.00
Female	Hours/Person/Year	176.50	375.50	2194.50	7437.10	99436.50
Average Training by Level	Hours/Person/Year	23.74	18.64	45.14	11.02	34.70
Average Training Per Employee	Hours/Person/Year	32.4				
Average Training per Female	Hours/Person/Year	16.4				
Average Training per Male	Hours/Person/Year	37.6				

GRI 404-3: Performance Review

Employee Performance Review	Units	Employment Level				
		Senior Management	Middle Management	Executive	Non-executive	Workers
All employee	%	≈ 97%	≈ 96%	≈ 87%	≈ 94%	≈ 4%

OCCUPATIONAL HEALTH & SAFETY PERFORMANCE

GRI 403-9 & GRI 403-10: OCCUPATIONAL HEALTH & SAFETY DATA

Man-hours	Units	IOI Corporation Division		
		IOI Plantation	IOI Refinery	IOI Oleochemical
Employees	Hours	196,981,162	3,292,719	3,463,355
Non-employee workers ¹	Hours	154,230	0	395,989

Note:

¹ An individual who performs work for entity which provide services to IOI

Health and Safety Performance -Employee ¹	Units	IOI Corporation Division		
		IOI Plantation	IOI Refinery	IOI Oleochemical
Injury²				
Total number of injuries	Number	1,433.0000	4.000	18.0000
Total recordable injury frequency rate	Number/Million Hours	10.2123	1.4927	5.1973
Total number of fatalities	Number	6.0000	0	0
Fatality rate	Number/Million Hours	0.0368	0	0
Total number of high consequences injuries (excluding fatalities)	Number	2.0000	0	0
High consequence injuries rate (excluding fatalities)	Number/Million Hours	0.0355	0	0
Total number of lost time injuries	Number	2,327.0000	4.000	18.0000
Lost time injury frequency rate	Number/Million Hours	15.3490	1.4927	5.1973
Disease				
Total cases of recordable work-related ill health	Number	50.0000	0	0
Total fatalities as a result of ill health	Number	0	0	0
Occupational disease rate	Number/Million Hours	1.2375	0	0

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

APPENDIX

ENVIRONMENTAL PERFORMANCE DATA

ENERGY

GRI 302-1 & GRI 302-3: Energy Production and Consumption

Energy consumption	Units	IOI Corporation Division		
		IOI Plantation	IOI Refinery	IOI Oleochemical
A. Non-renewable fuels (coal, oil, natural gas, etc.) purchased and consumed.	GJ	395,291.16	455.58	3,292,632.03
B. Non-renewable electricity purchased	GJ	27,706.44	76,244.67	239,500.67
C. Steam / heating / cooling and other energy (non-renewable) purchased and consumed	GJ	0	0	173,254.03
D. Total renewable fuels (biogas, bio-diesel, biomass, etc.) purchased and consumed	GJ	2,773,947.69	1,174,821.90	34,050.56
E. Total renewable energy (wind, solar, biomass, hydroelectric, geothermal, etc.) purchased or generated	GJ	0	0	0
F. Total electricity sold	GJ	98,208.18	0	1,870.93
Total Energy Consumption	GJ	3,098,737.11	1,251,522.15	3,737,566.37
Energy Intensity	GJ/MT	0.91	0.73	6.33
Total Energy Consumption within the Organisation	GJ	8,087,825.63		

* 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).

EMISSIONS

GRI 305-1 & GRI 305-4: GHG Emission

Greenhouse Gas Emission	Units	IOI Corporation Division		
		IOI Plantation	IOI Refinery	IOI Oleochemical
A. Total direct (scope 1) emission	ktCO ₂ e	197,330.00	2.32	185.20
Total emission from fertiliser use	ktCO ₂ e	740.16	0	0
Total bio-genic emission	ktCO ₂ e	272.83	117.48	2.50
B. Total indirect (scope 2) emissions (purchase electricity and other energy)	ktCO ₂ e	5.43	12.24	55.57
Total GHG Emission Scope 1 + 2 (A+B)	ktCO₂e	197,335.43	14.56	240.77
GHG Emission Intensity	ktCO₂e/MT	0.06	0.000009	0.000141
Total GHG Emission by Organisation	ktCO₂e	197,590.76		

* 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

WATER

GRI303-3, GRI303-4 & GRI303-5: Water Consumption & Water Discharged

Water Consumption & Discharged by Source	Units	IOI Corporation Division		
		IOI Plantation	IOI Refinery	IOI Oleochemical
Total Freshwater Withdrawal (≤1,000 mg/L Total Dissolved Solids)	m ³	26,372,174.03	832,111.00	2,360,550.00
Total Other Water Withdrawal (>1,000 mg/L Total Dissolved Solids)	m ³	403,258.00	0	10,239.00
Total Water Withdrawal	m³	26,775,432.03	832,111.00	2,370,789.00
Total Water Consumption	m³	24,631,789.58	814,327.00	1,340,549.80
Total Water Discharge	m³	2,143,642.45	17,784.00	1,030,239.20

WASTE

GRI306-2: Total Waste by Type

Water Consumption & Discharged by Source	Units	IOI Corporation Division		
		IOI Plantation	IOI Refinery	IOI Oleochemical
Total Hazardous Waste	MT	512.56	18.25	155.10
Schedule waste	MT	505.94	18.25	155.10
Incineration	MT	0.34	0	0
Other disposed waste	MT	6.27	0	0
Landfill	MT	0	0	0
Total Non-hazardous Waste	MT	172,027.74	97.78	316.80
Reuse	MT	93,661.11	0	0
Recycle	MT	387.18	0	28.38
Composting (Self-fertiliser)	MT	4,854.18	0	0
Recovery, including energy recovery	MT	62,726.42	0	283.97
Incineration	MT	168.76	0	0.01
Landfill	MT	4,960.67	0	4.35
Other reuse/recycle waste	MT	5,093.58	0	0
Other disposed waste	MT	175.83	97.78	0.09
Total Waste Disposed	MT	5,817.81	116.03	159.55
Percentage of Waste Recycled		97%	0%	66%

SOCIAL CONTRIBUTION

GRI 413-1 Community Engagement

Community Engagement	Units	IOI Corporation Division		
		IOI Plantation	IOI Refinery	IOI Oleochemical
Local Community Engagement	%	51%	0%	50%
Impact Assessments	%	93%	0%	75%
Development Programs	%	63%	0%	75%

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GRI CONTENT INDEX

Material topic	GRI standard	Section	Page number	Additional information
General Disclosures				
Organisational Profile	102-1	Name of the organisation	Our Front Cover	1
	102-2	Activities, brands, products, and services	Who We Are	8
	102-3	Location of headquarters	Reporting Period and Scope	8
	102-4	Location of operations	Global and Local Presence	10-11
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	102-6	Markets served	Who We Are	8
	102-7	Scale of the organisation	Who We Are	8
	102-8	Information on employees and other workers	Sustainability Performance Metrics	72
	102-9	Supply chain	Our Business	18
	102-10	Significant changes to the organisation and its supply chain	Reporting Period and Scope; Traceable Supply Chain	2, 70
	102-11	Precautionary Principle or approach	Risk Management and Grievances	21
	102-12	External initiatives	Stakeholder Relation	26
	102-13	Memberships of associations	Stakeholder Relation	26
Strategy	102-14	Statement from senior decision-maker	Message from Our GMD	4
	102-15	Key impacts, risks, and opportunities	Risk Management and Grievances; Our Material Sustainability Matters	21, 3
Ethics and Integrity	102-16	Values, principles, standards, and norms of behaviour	IOI's Sustainability Commitment; Corporate Governance	16, 20
	102-17	Mechanisms for advice and concerns about ethics	Risk Management and Grievances; Code of Conduct, Anti-corruption and Whistleblowing	21
Governance	102-18	Governance structure	Sustainability Governance	20 IOI Annual Report 2019
Stakeholder Engagement	102-40	List of stakeholder groups	Stakeholder Relation	26
	102-41	Collective bargaining agreements	Human Rights at Our Workplace	59 IOI respect freedom of association and collective bargaining as part of our commitment to support the fair and equitable treatment of our workers. IOI will not refuse any genuine opportunity to collectively bargain with workers who want to do so (from IOI PLANTATION EQUAL OPPORTUNITY EMPLOYMENT & FREEDOM OF ASSOCIATION POLICIES).
	102-42	Identifying and selecting stakeholders	Stakeholder Relation	27
	102-43	Approach to stakeholder engagement	Stakeholder Relation	28
	102-44	Key topics and concerns raised	Stakeholder Relation	27

Material topic	GRI standard	Section	Page number	Additional information		
Reporting Practice	102-45	Entities included in the consolidated financial statements	Sustainability Performance Metrics - Economic Performance Data	12	This report covers Plantation and manufacturing segments for its financial statement. A full list of our entities included in the consolidated financial statements can be found within our Annual Report 2019.	
	102-46	Defining report content and topic boundaries	About This Report	2		
	102-47	List of material topics	Our Material Sustainability Matters	3		
	102-48	Restatements of information				There are no restatements of information.
	102-49	Changes in reporting	About This Report	2		Bunge Loders Croklaan ("BLC") is not included in this Report following IOI's 70% divestment of BLC; no changes in the list of material matters since FY2018.
	102-50	Reporting period	Reporting Period and Scope	2		
	102-51	Date of most recent report	Reporting Period and Scope	2		
	102-52	Reporting cycle	Reporting Period and Scope	2		
	102-53	Contact point for questions regarding the report	Feedback and Comments	1		
	102-54	Claims of reporting in accordance with the GRI Standards	Reporting Period and Scope	2		
	102-55	GRI Content Index	GRI Content Index	76		
	102-56	External assurance				This report is not externally assured.
	Management Approach					
	Stakeholder Relations	103-1	Explanation of the material topic and its Boundary	Stakeholder Relation		26
		103-2	The management approach and its components	Stakeholder Relation		26
103-3		Evaluation of the management approach	Stakeholder Relation	26		
Academia Collaboration	103-1	Explanation of the material topic and its Boundary	Academia Collaboration	34		
	103-2	The management approach and its components	Academia Collaboration	34		
	103-3	Evaluation of the management approach	Academia Collaboration	34		
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	103-2	The management approach and its components	Empowering Smallholders	35		
	103-3	Evaluation of the management approach	Empowering Smallholders	35		
Collaboration with Governments and Civil Societies	103-1	Explanation of the material topic and its Boundary	Collaboration with Governments and Civil Societies	30		
	103-2	The management approach and its components	Collaboration with Governments and Civil Societies	20		

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	103-2	The management approach and its components	36	Community Development and Social Impact
	103-3	Evaluation of the management approach	36	Community Development and Social Impact
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	103-2	The management approach and its components	40	Land Use Plan
	103-3	Evaluation of the management approach	40	Land Use Plan
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	103-3	Evaluation of the management approach	43	Palm Biotechnology
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	103-3	Evaluation of the management approach	50	Climate Strategy
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Material topic	GRI standard	Section	Page number	Additional information
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	303-3	Water withdrawal	Sustainability Performance Metrics – Environmental Performance Data	75	
	303-4	Water discharge	Sustainability Performance Metrics – Environmental Performance Data	75	
	303-5	Water consumption	Sustainability Performance Metrics – Environmental Performance Data	75	
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	305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Performance Metrics – Environmental Performance Data	74	
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	403-10	Work-related ill health	Sustainability Performance Metrics – Environmental Performance Data	73	Lack of data to report non-employee performance.
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	404-3	Percentage of employees receiving regular performance and career development reviews	Sustainability Performance Metrics – Workplace Performance	73	
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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 Labour 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.

APPENDIX

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 ("RSPOMB")	Sustainable palm oil from certified sources is mixed with ordinary palm oil throughout supply chain.
Roundtable on Sustainable Palm Oil Segregated ("RSPOSG")	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 programme 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.

IOI CORPORATE
GOVERNANCE
DEFINITION

IOI Corporation Berhad (“IOI” or “the Group”) is one of the world’s largest palm oil producers. The Group’s corporate governance practices are guided by its “Vision IOI” whereby responsible and balanced commercial success is to be achieved by addressing the interests of all stakeholders. A set of core values guides our employees at all levels in the conduct and management of the business and affairs of the Group. We believe that good corporate governance results in quantifiable and sustainable long-term success and value for the shareholders. Furthermore, IOI believes that by aligning its long-standing commitment to the three pillars (People, Planet, Prosperity), the Group will be able to accelerate its drive to materialise its sustainability priorities.



Eco-friendly labour quarters at one of IOI's estates at Sabah

EXTERNAL
ASSESSMENTS AND
COLLABORATIONS

As part of the Group’s commitment to continuous improvement in its human and labour rights practices, IOI has conducted several independent labour assessments since 2014. IOI collaborated with multiple civil society organisations and institutions to establish, monitor and refined the existing ethical recruitment practices including developing a more comprehensive recruitment procedure, study on fair and decent wage, equal opportunity employment, as well as development of empowerment programme for its stakeholders and communities.

With more than 28,000 workforce in our operating units in Malaysia and Indonesia, it is imperative for IOI to have commitments to ensure that our employees are treated fairly and appropriately under the ethical recruitment and employment standards.

Scope of assessment

- Human Rights policies and implementation
- Human capital development
- Ethical recruitment including no recruitment fee
- No forced labour
- No child labour
- Minimum wages
- Workers contract agreement such as working hour, pay and leave condition etc
- Orientation and induction training
- Compensation and benefits
- Protection from sexual harassment and abuse
- No retention of workers’ passports
- Freedom of association
- Equal opportunity and non-discrimination
- Grievances handling process and mechanism
- Fair & Decent Wage and workplace
- Women and Empowerment
- Living condition, utility, access to medical, services, transportation and education
- Details record of workers
- Social and community engagement
- Occupational safety and health including PPE

CAPACITY AND
COMMITMENT ON
SUSTAINABLE PALM
OIL POLICY (SPOP)

IOI stands firmly committed to the implementation of its sustainability policies and ensures that our stakeholders adhere to the commitments stated in our Sustainable Palm Oil Policy (“SPOP”).

- Respect and uphold the rights of all workers
- Right to freedom of association and collective bargaining
- Eliminate all forms of illegal, forced, bonded, compulsory or child labor
- No retention of workers’ identity documents
- Adhere to minimum wage and overtime compensation
- Provide fair and equal employment opportunities for all employees
- Safe and healthy working environment
- Training and development to employees
- Positive socio-economic impact for local communities
- Transparency and wider engagement
- Support inclusion of smallholders in the palm oil supply chain

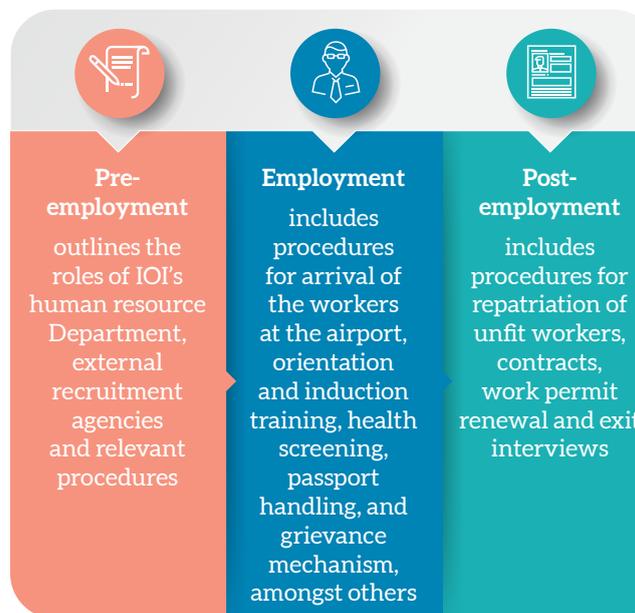
STRICT
COMMITMENT
TOWARDS
IMPLEMENTING
ETHICAL
RECRUITMENT
PRACTICES

IOI has a strict commitment towards ethical recruitment practices in its operations by ensuring that the practices are aligned with internationally-recognised standards such as; Universal Declaration of Human Rights; the International Labour Organisation’s Core Conventions; the United Nation’s Guiding Principles on Business and Human Rights; the Principles of Free and Fair Labour in Palm Oil Production, NDPE, and related certification standards (RSPO, MSPO, ISCC).

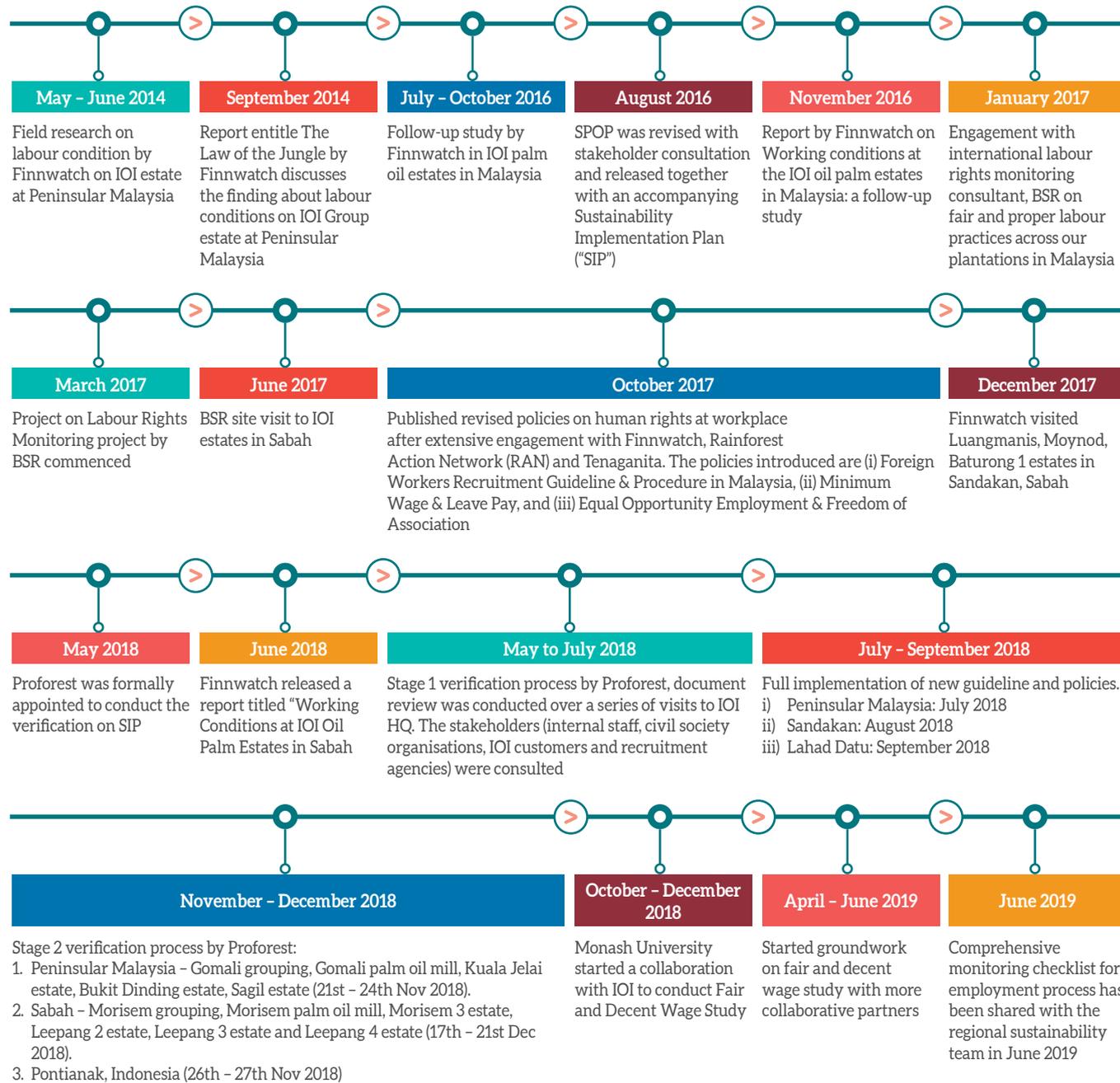
IOI supports the United Nation Sustainable Development Goals (“SDGs”) specifically SDG 2, 8, 12, 13, 15 and 17. On human right and labour commitment, the target adopted is:

SDG Goal 8, Target 8.8 : Protect labour rights and promote safe and secure working environments of all workers including migrant workers, particularly women migrants, and those in precarious employment

8 DECENT WORK AND
ECONOMIC GROWTH

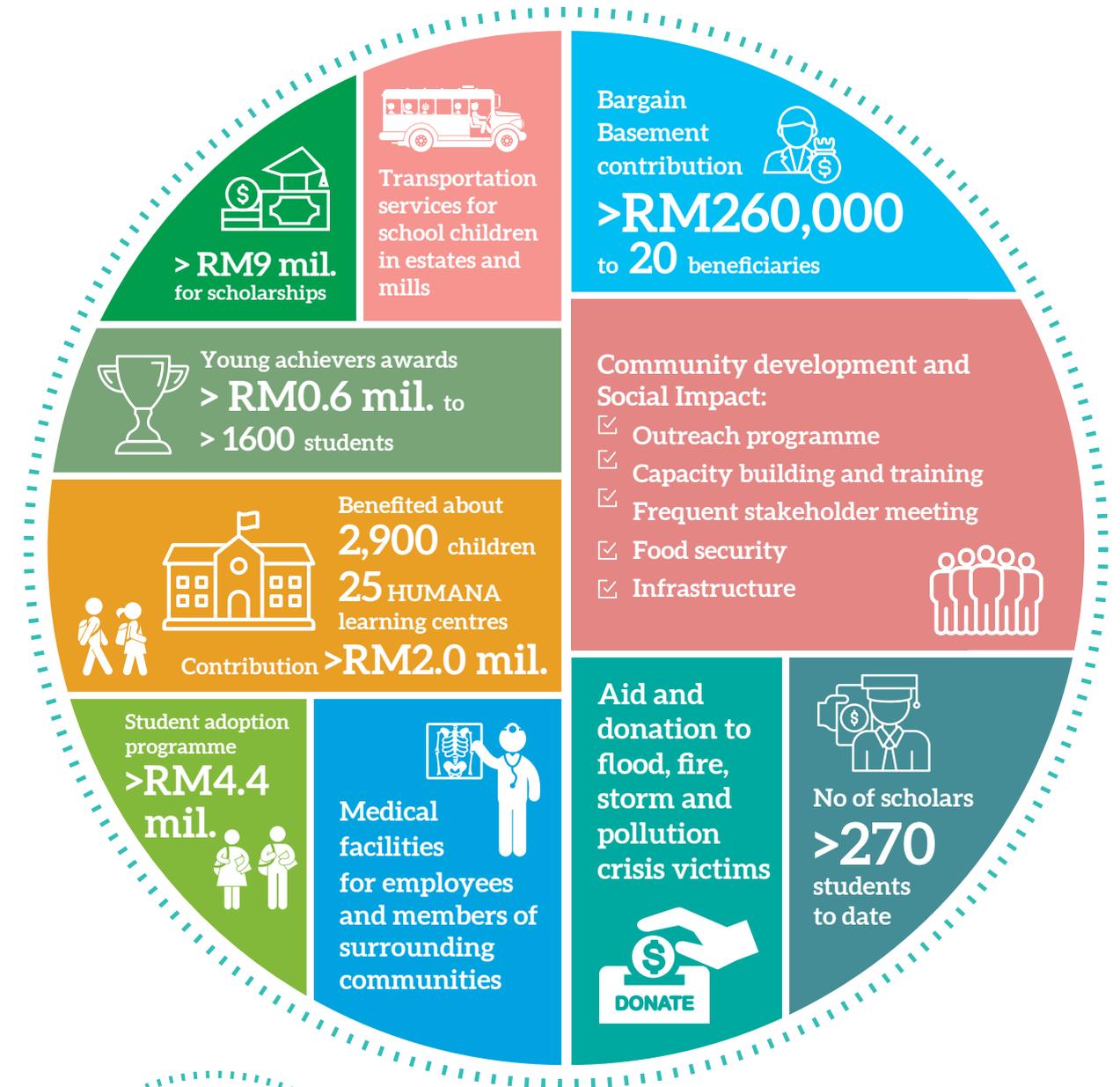


Journey on labour assessment and implementation from 2014 – 2019



SOCIAL IMPACT AND COMMUNITY DEVELOPMENT

- IOI strives to drive positive socio-economic impact and to enhance the wellbeing of the communities in which we operate. 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 our operations.
- As part of the equal opportunity of employment policy, IOI encourages participation and provides similar benefits to all employees regardless of gender. IOI also allows some of the women employees to work part-time so they are able to allocate their time both to their family and other income-generating activities. In order to prevent child labour issues, IOI provide schools and childcare centres to ensure the children are well taken care of while their parents are at work.



TRACKING LABOUR PRACTICES WITHIN IOI'S SUPPLY CHAIN

With our established good labour practices, we will also disseminate them along our supply chain. Where IOI supply chain players are concern, they are required to adhere to our NDPE and labour commitments.

IOI also engages with new suppliers through a pre-qualification and screening process to ensure the new suppliers meet IOI's sustainability requirements such as NDPE commitments. IOI will not approve any new suppliers that are unable to commit to these requirements.

For Sustainability inquiries, please contact:
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