



IOI GROUP

IOI Group – Sustainability Progress Update (April – June 2018)

We are pleased to publish our progress update on our Sustainability Implementation Plan (SIP) for Q2 2018. The highlights of this progress update are as follow:

- On the RSPO Ketapang complaint case, IOI commented on a draft report that was based on RSPO's verification visit in January 2018 at IOI's concession in Ketapang. The draft report which was received by IOI on 21 March 2018, was due to be discussed by RSPO's Complaints Panel (CP) in late April but was deferred to 18 June 2018 for several reasons. After follow-ups and meetings with RSPO on the outcome of the discussion on the report, IOI was informed that the decision on this matter will be given in July 2018.
- Concerning the IOI-Pelita case, IOI visited the communities affected in May 2018 to update and to continue the dialogues with them on the IOI's progress with RSPO in finalizing the draft resolution plan. This was followed by another round of socialisation session in June 2018, this time with Grassroots and RSPO representatives, to brief and consult with them regarding the draft resolution plan that has been developed with Grassroots and shared with RSPO.
- A Stage 2 RSPO NEXT audit was successfully conducted on Ladang Sabah Mill grouping in May 2018. Other main assessment audits are also expected to be conducted on Syarimo Mill grouping in July 2018 followed by Pukin Mill and Leepang Mill groupings in August 2018.
- In Q2 2018, three more groupings (Leepang, Syarimo and Ladang Sabah) successfully received the MSPO certifications, making the total number of MSPO certified groupings in IOI to six.
- Finnwatch released a report titled "Working Conditions at IOI Group's Oil Palm Estates in Sabah, Malaysia" which was based on Finnwatch's visit to IOI Sabah estates in Q4 2017. Finnwatch stated that "IOI Group has continued to make improvements to working conditions at its oil palm estates." IOI welcomes Finnwatch's acknowledgement on the improvements made, as IOI works towards ensuring no human rights violation at the workplace, in accordance with the Group's Sustainable Palm Oil Policy.
- Regarding the plans for Landscape Level Approach in our Ketapang concession in Indonesia, the IOI Stakeholders Engagement team visited PT. SNA and parts of the landscape surrounding it, including Cagar Alam, Belida Lake, buffer zones, and the Jambi village next to PT. KPAM, in June. The team also identified peat areas which are most suitable for the pilot rehabilitation project proposed to be conducted jointly with a certain NGO.
- IOI appointed Proforest, an international non-profit organisation with experience in the palm oil sector to conduct verification on IOI's Sustainability Implementation Plan (SIP). The first phase of the verification, which mostly involved documentation verification, was completed in end of June.
- IOI's Sustainability Advisory Panel (SAP) had a meeting on 24 June 2018 in Paris, France. Amongst issues discussed were progress update on IOI-Pelita, RSPO final field verification in Ketapang, suppliers (direct & indirect) compliance and SIP external verification.

1. Roundtable of Sustainable Palm Oil (RSPO) Ketapang Complaint Case (IOI SNA Group)

After a draft report, on the field visit to SNA conducted by RSPO, was received by IOI in 21 March 2018, IOI commented and submitted the draft report to RSPO in early April 2018. The Complaints Panel (CP) was due to discuss the report in late April but felt it could not make a full decision at that time following IOI edits to the draft report.

The re-scheduled CP discussion in May 2018 had to be deferred to 18 June 2018, as Aidenvironment, the complainant, had not received the draft report. After follow-ups and meetings with RSPO on the outcome, IOI was informed that the decision on this matter will be given in July 2018

2. RSPO NEXT and RSPO Audits

A Stage 2 RSPO NEXT audit was successfully conducted on Ladang Sabah Mill grouping in May 2018. Other main assessment audits are also expected to be conducted on Syarimo Mill grouping in July 2018, followed by Pukin Mill and Leepang Mill groupings in August 2018.



IOI staff and management team posing for photo with auditors.

For RSPO certification, Unico Desa mill grouping has successfully received RSPO certification on 16 May 2018. Meanwhile, Unico mill grouping underwent RSPO audits in April 2018 and is currently pending issuance of RSPO certification.

3. Malaysian Sustainable Palm Oil (MSPO) Certification

In Q2 2018, three more groupings (Leepang, Syarimo and Ladang Sabah) successfully received the MSPO certifications, making the total number of MSPO certified groupings in IOI to six.

4. Labour and Social

a. IOI-Pelita, Sarawak – Land and Harvesting Dispute with Local Community

In Q2, 2018, IOI has continued to work closely with all its stakeholders especially Grassroots and RSPO Complaints Panel (CP) concerning the IOI-Pelita case to resolve this long-standing dispute.

In May, IOI's Head of Stakeholders Engagement and his team visited all seven main longhouses and four smaller groups to update the communities on the Group's progress with RSPO and have open dialogues with them. The IOI team also met with both the new *Residen* of Miri and District Officer to brief them on the case and obtain their support. The outcomes of the engagement have

been shared with Grassroots and RSPO.

The resolution plan received a conditional endorsement from the Complaints Panel in end of June 2018. As a result, IOI's Stakeholder Engagement team, Grassroots and RSPO representatives conducted a socialisation session with each community individually to brief and consult them regarding the draft Resolution Plan and how it will benefit them in resolving the land dispute with IOI. The other objective of this socialisation is to obtain their consents in order for IOI to put the draft Resolution Plan into action.



(left): IOI team with the community members (right): community members listening to presentation by IOI

b. Labour Rights Monitoring

In June 2018, Finnwatch released a report titled “Working Conditions at IOI Group’s Oil Palm Estates in Sabah, Malaysia”. The report was based on Finnwatch’s visit to IOI Sabah estates in Q4 2017. Generally, Finnwatch’s response was positive as the NGO said, “the palm oil giant IOI Group has continued to make improvements to working conditions at its oil palm estates.”

IOI welcomes Finnwatch’s acknowledgement on the improvements made, as IOI works towards ensuring no human rights violation at the workplace, in accordance with the Group’s Sustainable Palm Oil Policy.

“During the Finnwatch investigation, no blatant violations of labour rights were found on the oil palm estates. In many respects, things have moved forward: as a general rule, minimum wage legislation is respected, charging recruitment fees to the workers has been reduced and the workers' passports are no longer confiscated. Workers' living quarters appear adequate and children in school”, said Sonja Vartiala, Finnwatch's Executive Director.

IOI will continue to address the gaps highlighted in the report.

The full media statement is available here: <https://finnwatch.org/en/news/556-working-conditions-at-ioi-estates-have-improved-also-in-sabah-in-malaysia>

The full report by Finnwatch is available here: http://finnwatch.org/images/pdf/Sabah_IOI_EN.pdf

c. Proforest verification on Sustainability Implementation Plan (SIP)

IOI has appointed Proforest, an international non-profit organisation with experience in the palm oil sector and track record in second party verification, to conduct verification on IOI's Sustainability Implementation Plan (SIP) and other commitments.

The verification will assess IOI Group's level of compliance against its public policy commitments, including its SPOP, Sustainability Implementation Plan (SIP) as well as the additional public commitments announced by the company in April 2017.

The first phase of verification, which mostly involves documentation verification was completed in end of June. A more detailed second phase verification is expected to begin in August 2018.

5. Environment

a. Forest Fire-fighting and Prevention Training

In Q2 2018, a series of training on Forest Fire-fighting and Prevention was conducted in Sabah region by the Sabah Forestry Department. The objectives of the training are as follows:

- i. To create awareness on dealing with forest fire
- ii. To enhance knowledge on enforcement on fire prevention in forest reserves
- iii. To prevent fire outbreak in peat area from happening
- iv. To enhance knowledge in use of tools and equipment



IOI plantation workers and staff attending training

b. IOI-SNA Plantation Program in South Ketapang, Kendawangan Landscape

Fire Prevention and Biodiversity Conservation

In Q2 2018, a socialisation on fire prevention and fire-fighting techniques was carried out to the surrounding communities in PT. SKS, together with Indonesia Forest Rangers and Natural Resources Conservation Agency (BKSDA). Further similar initiative between IOI and Manggala Agni (forest fire team) was carried out with the communities around Cagar Alam, Muara Kendawangan. In addition, IOI also had a meeting with Manggala Agni in May 2018 to discuss plans for more fire prevention training programs for 2018 and innovation in fire prevention.



(Left): Community posting with trainers (Right): IOI staff meeting with Manggala Ani members

c. Sepilok Orangutan Outreach Conservation Program

From 13-14 May 2018, IOI employees from the Syarimo grouping attended the Sepilok Orangutan Outreach Conservation (SORC) Program that aims to raise awareness on protected animal species. It was organised by SORC in collaboration with IOI's Sustainable Palm Oil Department, Syarimo 2 Estate, government bodies and non-governmental organisations such as the Borneo Sunbear Conservation Centre (BSBCC), Kinabatangan Orangutan Conservation Programme (HUTAN-KOCP), Sabah Wildlife Department (SWD), and Kinabatangan and Wildlife Rescue Unit (WRU).



(left): Trainer giving talks to audience (right): kids enjoying their colour drawing session

d. Management of HCV Areas

A consultation with external expert in HCV management and monitoring was carried out to discuss the HCV mitigation measures and monitoring program. The main topic discussed were (a) the potential mitigation measure that could be done in adjacent forest area and riparian reserve (b) monitoring program on orang-utans range as breeding populations within mixed oil palm and forest landscape.

IOI received a letter of support from the Sabah Ministry of Tourism, Environment and Culture in June 2018 to develop and implement an integrated management plan.

e. Ketapang Landscape Level Approach

The latest version of the South Ketapang Landscape Project proposal was submitted by Aidenvironment. The project will start as soon as an agreement on the budget and the roles of the implementing parties is reached.

In June, the IOI Stakeholder Engagement team visited PT. SNA and parts of the landscape surrounding it, including Cagar Alam, Belida Lake, buffer zones, and the Jambi village next to PT. KPAM. The team also identified peat areas which are most suitable for the pilot rehabilitation project proposed to be conducted jointly with selected NGO. This project, which will be located within the PT. SKS, will focus on paludiculture and will take place within the context of the landscape approach.



(left): IOI team meeting with Pak Rudy, Penghulu Desa, Jambi (right): Peat conservation area in PT SNA

6. Transparency and Wider Engagement

a. Sustainability Advisory Panel (SAP)

The SAP had a meeting on 24 June 2018 in Paris, France. Some of the issues discussed were on the progress update on IOI-Pelita, RSPO final field verification in Ketapang, addressing suppliers (direct & indirect) compliance, SIP external verification, etc.

A conference call of the SAP is expected to be held in either late July 2018 or early August to further discuss on the progress of the matters discussed in the meeting.

30 July 2018