



IOI GROUP

Sustainability Progress Update (July - September 2018)

IOI Corporation Berhad (“IOI”) is pleased to publish its progress update on its Sustainability Implementation Plan (SIP) for Q3 2018 together with other sustainability related activities. The highlights of this progress update are summarised as follow:

- IOI published its 2nd annual Sustainability Report in September 2018. The theme of the report is “Attaining Balance” within its three pillars of sustainability of People, Planet and Prosperity. IOI believes that by focusing on “Attaining Balance”, it can strengthen the potential and value of its businesses. The report was prepared in accordance with the Global Reporting (GRI) Standards: Core Option.
- All IOI’s groupings in Sabah are now MSPO-certified, except for Mayvin Grouping and Unico Grouping. In Peninsular, Pukin and Gomali Groupings are now MSPO-certified.
- Having received a conditional endorsement from the RSPO Complaints Panel for the Draft Resolution Plan regarding the IOI Pelita land dispute, IOI and Grassroots embarked on an intensive socialisation campaign. The socialisation of the Draft Resolution Plan started with stakeholders’ visit to all 11 affected communities, which took place on 1-6 July 2018, and was followed by a workshop for community leaders, which was conducted jointly by IOI and local NGOs on 11 August 2018.
- The findings of Phase 1 (Document Review) of the Proforest’s verification exercise will be published in October 2018. Phase 2 (Ground Verification) of the verification exercise, which will see Proforest conducting on the ground verification in selected estates of its own choosing, is expected to commence in November 2018.
- In July 2018, IOI introduced a revised Agrochemical Management Policy, which covered the scope of storage, handling, transportation, usage and disposal of agrochemicals by its employees at all IOI’s plantations and operations including mills refineries.
- IOI has started to conduct training and socialisation programs in July 2018 on the revised “Policy on Harassment at Workplace”. This policy was finalized in June 2018.
- On 27 June 2018, an unfortunate fire incident destroyed 118 houses at Kampung Gas in Sandakan. The incident left 400 people, including 24 employees from IOI Edible Oils Sdn Bhd (IOIEO) employees, without shelter. Immediately after the disaster, a donation campaign was initiated by IOI to assist the fire victims.
- In July 2018, IOI introduced new Peatland Protection and Management Policy which further details IOI’s effort towards protection, conservation and management of peatlands.
- In 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.
- IOI Oleochemical (IOI Oleo division), manufacturing division of IOI further strengthened its sustainability commitment by establishing a pledge in three key areas: Energy and Water Policies and the Responsible Sourcing Guideline for non-palm materials.
- Moving forward, IOI will revamp the SIP to be more user-friendly. Next year, IOI will publish its update every 6 months and the first update with the new design will be in mid-2019.



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1. IOI published 2nd annual Sustainability Report

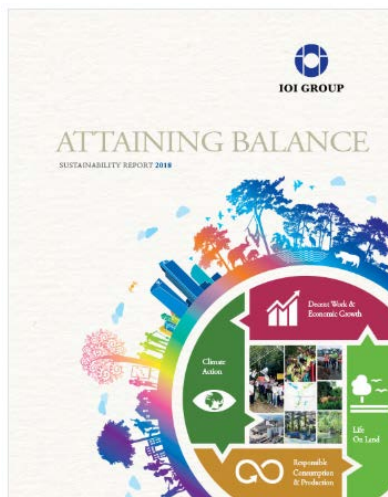
IOI published its 2nd annual Sustainability Report in September 2018. The theme of the report is “Attaining Balance” within its three pillars of sustainability of People, Planet and Prosperity. IOI believes that by focusing on “Attaining Balance”, it can strengthen the potential and value of its businesses. The report was prepared in accordance with the Global Reporting (GRI) Standards: Core Option.

IOI also believes that by aligning its long-standing commitment to the three pillars of its sustainability philosophy with that of the United Nations Sustainable Development Goals (UN SDGs) most relevant to IOI's operations, it can attain a harmonious balance and contribute to a winning combination for all.

Thus, the four UN SDGs identified (i. SDG 8 Decent Work and Economic Growth, ii. SDG 12 Responsible Consumption and Production, iii. SDG 13 Climate Action, and iv. SDG 15 Life on Land) best personifies all that IOI strives to achieve at this point of its sustainability journey.

Please click here to read the full report:

http://www.ioigroup.com/Content/NEWS/PDF/sustainability_report.pdf



Front cover of IOI's 2nd annual Sustainability Report

2. RSPO NEXT and RSPO Audits

a. RSPO NEXT Audits

Stage 2 RSPO NEXT audits were successfully conducted in Ladang Sabah mill, Pukin mill, Syarimo mill, and Leepang mill.

b. RSPO Audits

Unico Desa mill is now RSPO-certified. In addition, Unico mill also received RSPO certification in July 2018.

c. Brainstorming for smallholders

In August 2018, a meeting was organised by a NGO named FOREVER Sabah that was also attended by a representative from RSPO. The purpose of the meeting was to get information from mills which are certified by RSPO, ISCC or MSPO. The information will then be passed on to smallholders, so



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that they can learn be guided on their way of getting certifications.

3. Malaysian Sustainable Palm Oil (MSPO) Certification

All IOI's groupings in Sabah are now MSPO-certified, except for Mayvin Grouping and Unico Grouping. Mayvin Grouping has undergone complete main assessment, it is now pending for MSPO certification issuance. Meanwhile, Unico Grouping's MSPO certification process is expected to commence in March 2019.

In Peninsular, Pukin and Gomali Groupings are now MSPO-certified. A main assessment was conducted in September 2018 for Bukit Leelau Grouping. Meanwhile, audit will take place as scheduled in Pamol Kluang Grouping.

4. Labour and Social

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

During the first few months of 2018, IOI, the Complaints Panel and Grassroots have been working together on a Resolution Plan that would incorporate input from all stakeholders and be based on the FPIC process and RSPO standards on conflict resolution. Such Resolution Plan was finalised by the end of June 2018 and received a conditional endorsement from the Complaints Panel. This allowed IOI, Pelita and Grassroots to conduct a 7-day long Resolution Plan socialisation visit to the affected communities on 1-6 July 2018.

The socialisation program was witnessed by an RSPO representative. The communities were informed that in order for the Resolution Plan to go forward, they need to give their consent. IOI provided the communities with a list of local NGOs and legal experts who could provide additional information and advice to them.

In July 2018, Grassroots decided to drop their status as a complainant and instead participate more actively in the dispute resolution process by providing advice to IOI on the development and implementation of the Resolution Plan with an aim of achieving a long lasting and fair-to-all resolution of the conflict.

In order to further support the affected communities in their decision-making, IOI conducted a workshop on community capacity building and conflict resolution facilitation. The workshop was conducted in Miri on 11 August. The local NGO representatives and Dr. Ramy Bulan, a leading expert on native customary rights, informed the community leaders about their potential role in the dispute resolution process. In particular, the process of participatory mapping was highlighted to reassure the affected communities that all their concerns and grievances will be addressed, mapped and validated in the course of this exercise.

In August 2018, Dr. Ramy Bulan agreed to support the resolution process by performing the critical role of the lead facilitator.

As of end of September 2018, IOI received consent from 6 out of 9 affected communities. The remaining 3 communities are still seeking advice from their political mentors.



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(left): Socialisation program presentation at Long Teran Kanan A. (right): Community leaders at the workshop held on 11 August 2018 in Miri

b. Proforest Verification on Sustainability Implementation Plan (SIP)

In Q2 2018, IOI has appointed Proforest, a non-profit organisation with substantial experience in the palm oil sector and track record in second party verification, to undertake an external verification of the implementation of its Sustainable Palm Oil Policy (SPOP) and related commitments.

The first phase of the verification exercise, which involved mostly on document verification and interviews with IOI's Sustainability team personnel is near finalising stage. The second phase of the verification exercise, which will see Proforest conducting verification on the ground in selected estates of its own choosing, is expected to commence in November 2018.

c. Introduction on Revised Agrochemical Management Policy

In July 2018, IOI introduced a revised Agrochemical Management Policy, which covered the scope of storage, handling, transportation, usage and disposal of agrochemicals by its employees at all its plantations and operations including mills refineries. The Policy is in line with the Group's Sustainable Palm Oil Policy (SPOP), which state clearly its commitment towards the well-being, safety and health of its employees.

The full policy is available publicly and be accessed online here:

http://www.ioigroup.com/Content/S/PDF/agrochemical_mgmt_policy.pdf

d. Introduction on Policy on Harassment at Workplace

During Q2, IOI conducted several trainings and socialisation programs on the revised "Policy on Harassment at Workplace".

The Policy, which was finalized in June 2018, will serve as a guidance on handling matters related to harassment, which include sexual harassment. IOI views any form of harassment, including sexual harassment as a serious violation and against the Group's values and principles. IOI have zero tolerance for any form of harassment at the workplace and will treat all incidents seriously, and promptly investigate all allegations. Anyone found guilty of such act will face stern disciplinary action, including dismissal from employment and subject to the law of the land.

The full policy is available publicly and be accessed online here:

http://www.ioigroup.com/Content/S/PDF/policy_on_harassment_at_workplace.pdf



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e. Extending help to fire disaster victims

On 27 June 2018, an unfortunate fire incident destroyed 118 houses at Kampung Gas in Sandakan. The incident left 400 people, including 24 employees from IOI Edible Oils Sdn Bhd (IOIEO) employees, without shelter.

During the incident, the Emergency Response Team (ERT) from IOIEO and IOI Bio-Energy Sdn Bhd (IOIBE) provided on-site assistance to help evacuate people to safety and coordinated traffic to help the firemen and other rescue teams. The speedy response and assistance provided by the ERT team, which helped to prevent further fire damage, was commended by the Head of Sandakan Bomba.

Immediately after the disaster, a donation campaign was initiated by IOI to assist the fire victims. The total collection was distributed to all 24 affected employees. In addition, the Jabatan Perkhidmatan Kebajikan AM in Sandakan also reached out to provide each family with RM300 and daily supplies.



(left): Homes that have been destroyed by fires (right): Contributions for the fire victims

5. Environment

a. Introduction on Peatland Protection and Management Policy

In July 2018, IOI introduced new Peatland Protection and Management Policy which further details the Group's effort towards protection, conservation and management of peatlands.

The commitments made in the policy apply to IOI's plantation and manufacturing divisions globally, as well as to its third-party suppliers. IOI also commits to implement Best Management Practices (BMPs) for its existing plantations on peatland as stipulated in the RSPO's BMP guidelines for peatland, especially to formulate and to emphasise on adopting good water management practices. IOI is also committed to develop and implement BMPs for the rehabilitation and conservation of peatlands in its existing and new plantation.

The full policy is available publicly and be accessed online here:

http://www.ioigroup.com/Content/S/PDF/peatland_protection_policy.pdf

b. Sepilok Orangutan Outreach Conservation Program

The program was organised by the Sepilok Orangutan Rehabilitation Centre (SORC), in



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collaboration with IOI's Unico grouping and supported by the Sabah Wildlife Department, State Wildlife Rescue Unit, Kinabatangan Orangutan Conservation Program (HUTAN-KOCP), and Borneo Sun Bear Conservation Centre.

The 2-day program, aimed to raise awareness among the public on wildlife and rare, threatened and endangered (RTE) species, consist of talks, presentations on RTE species, such as orangutan, Borneo sun bear, etc., and contests for HUMANA school children.

The participants include staff and workers from Unico grouping and neighbouring estates, villagers, as well as school children from SK Sri Ganda, Lahad Datu.



(left) School children from HUMANA participating in colouring contest, (right) School children from SK Sri Ganda browsing pictures of RTE species

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

In August 2018, IOI and Aidenvironment finalised a project design to ensure it effectively addresses the most common and critical issues affecting the South Ketapang landscape such as peatland management and rehabilitation, biodiversity conservation, flood and fire prevention, and the community livelihood development.

The project will leverage on a collaborative effort of companies operating in the area, local government, communities and civil society which will be guided by a shared vision on sustainable development and conservation.

The project was approved by both parties in September 2018 and is expected to be implemented in stages, over a 5-year period, with the first 12-month program starting in October 2018.

b. Bukit Leelau Mini Landscape Level Project

The Bukit Leelau Mini Landscape Level Approach project is a collaboration between IOI and Global Environment Centre (GEC). The project is another landscape level approach for the Group that involved multi-stakeholder engagement and participation between IOI's Bukit Leelau Estate and communities of the adjacent areas.

The project involved ways to overcome the drainage problem at the forest reserve and its buffer zone which is adjacent to Bukit Leelau, activities to prevent future fires, and rehabilitation effort at the degraded area within the forest reserve and the adjacent buffer zone.

An agreement, effective 1 September 2018, was signed between IOI Plantation Services Sdn Bhd with GEC. Activities planned for the project include engagement with relevant stakeholders and empowerment program for the Orang Asli community in the area. Specifically, IOI and GEC



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conducted a rapid assessment of Bukit Leelau's peatland landscape which included stakeholder meeting with related government agencies, field study, and site visits to the Orang Asli community.

c. IOI Oleochemical launches new sustainability commitments

IOI Oleochemical (IOI Oleo division), manufacturing division of IOI further strengthened its sustainability commitment by establishing a pledge in three key areas: Energy and Water Policies and the Responsible Sourcing Guideline for non-palm materials. This inaugural sustainability pledge, which has been initiated since 18 June 2018, will harness synergy within the IOI Oleo division and standardise reporting of environmental and sustainability-related issues.

IOI Oleo division is committed to the importance and its inherent responsibilities for efficient use and conservation of energy and water resources across its manufacturing facilities and supply chain to safeguard the well-being of the planet and future generations.



Group photo of the management team at the launching ceremony.

In addition, IOI Oleo division also strengthened its joint venture partnership with Kao Corporation of Japan (Kao) through the inauguration of a new olefin plant at Fatty Chemical (M) Sdn Bhd (FCM), which is a subsidiary of Kao.

The launching ceremony was graced by the Guest of Honour, Minister of Primary Industries Yang Berhormat (YB) Puan Teresa Kok who officiated the new internal olefin plant in Prai. Also present were IOI Corporation Berhad Chief Executive Officer (CEO) Dato' Lee Yeow Chor, IOI Oleo division Executive Director Mr Tan Kean Hua, IOI Oleo division (Prai) Chief Operating Officer Mr Lai Choon Wah, Kao Managing Executive Director Officer and Senior Vice President Mr Motohiro Morimura, FCM Managing Director Mr Hideaki Ueoka, senior management teams as well as government authorities and agencies. The new facility costs RM165 million and will be producing novelty sustainable olefin that is targeted to dominate the future of surfactants.



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Dato' Lee with IOI Oleo division and IOI Esterchem's senior management team accompanying the minister and delegates on a facility tour.

6. Transparency and Wider Engagement

a. Revamping IOI's Sustainability Implementation Plan (SIP)

Since the launching of SIP in 2016, IOI has been reporting its sustainability activities and milestone on quarterly basis through its Sustainability Implementation Plan (SIP). The document is published with clear deliverables and timelines demonstrating the Group's commitment in sustainability practices, as laid out in IOI's Sustainable Palm Oil Policy (SPOP). Since then, the projects and implementation plans have grown more matured.

Moving forward, IOI will revamp the SIP to be more user-friendly. Next year, IOI will publish its update every 6 months and the first update will be in mid of 2019. However, it will still continuously publish its sustainability activities through the Sustainability Progress Update which will be published on a quarterly basis.

b. Sustainability Advisory Panel (SAP)

The next SAP meeting will be held in November 2018, in conjunction with RSPO RT16 in Sabah, Malaysia.

30 October 2018