



Sustainability Progress Update (October – December 2018)

IOI Corporation Berhad (“IOI”) is pleased to publish its progress update on its Sustainability Implementation (SIP) for Q4 2018 together with other sustainability related activities. The highlights of this progress update are summarised as follows:

- Phase 1 (Document Review and Consultation) of the external verification of IOI’s implementation of its commitments by Proforest was completed in October 2018. Phase 2 (Field Verification) commenced in November 2018 with field visits to Gomali, Johor and Pontianak, Indonesia, followed by Lahad Datu, Sabah in December 2018.
- The RSPO Complaints Panel (CP) officially closed the complaint case on IOI’s plantation subsidiary companies (PT SNA Group) in Ketapang, Indonesia on 12 October 2018.
- As of December 2018, all IOI’s groupings are audited for MSPO certification and are expected to be 100% certified by Q1 2019.
- IOI continued to engage key local stakeholders to regularly update them on the IOI Pelita land dispute resolution process. These stakeholders – local community leaders, local NGOs, Land Office, Land and Survey Department, Regent of Miri, State of Sarawak Government and lawyers representing individual communities - are familiar with the Resolution Plan and support it. As of end of December 2018, 8 out of 9 affected communities have given IOI their consent for the Resolution Plan to go ahead.
- IOI partnered with Aidenvironment and Global Environment Centre (GEC) to officially launch the South Ketapang Landscape Initiative on 19 October 2018 at IOI headquarters.
- Concurrent with RSPO’s annual conference, RT16, IOI conducted a Hi-Tea with Stakeholders event on 12 November 2018 at the Pacific Sutera Hotel, Kota Kinabalu. The event was well attended by IOI’s implementation partners, suppliers, customers and NGOs.
- 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) that was released in November 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.
- IOI is pleased to unveil its newly-revamped corporate website which aims to create an informative yet user-friendly browsing experience.

1. Proforest verification on IOI's Sustainability Implementation Plan (SIP)

Phase 1 of the external verification for the implementation of IOI's commitments has now been completed by Proforest in October 2018. Phase 1 (Document Review and Consultation) included a review of IOI's plans, procedures and records as well as interviews with staff and external stakeholders.

The interim findings by Proforest from Phase 1 can be accessed here: https://www.ioigroup.com/Content/S/pdf/Proforest_IOI_Stage1_public_report_final.pdf

Whilst these findings may change subject to the Fieldwork phase (Phase 2), they highlight a number of areas of progress against commitments as well as ongoing challenges to implementation. IOI's Group Sustainability Steering Committee has reviewed the interim findings in detail and the findings in Phase 1 has also been discussed with its Sustainability Advisory Panel (SAP).

IOI's response and action plan from the interim findings by Proforest can be accessed here: https://www.ioigroup.com/Content/S/pdf/IOI%20Action%20Plan%20to%20address%20Proforest%20findings_20181108.pdf

Phase 2 of the verification will involve a number of field verification visits to IOI operations in order to confirm implementation and current performance of IOI's sustainability commitments. It commenced in November 2018 with first, a visit to IOI's estates in Gomali, Johor, and Pontianak, Indonesia, followed by Lahad Datu, Sabah in December 2018.

The full report on Phase 2 verification is expected to be released in Q1 2019.

2. Closure of the RSPO - IOI PT BSS, PT SKS and PT BNS Ketapang Complaint

RSPO Complaints Panel (CP) officially closed the complaint case on IOI's plantation subsidiary companies (PT SNA Group) in Ketapang, Indonesia on 12 October 2018.

Following this closure, IOI will continue to work with the RSPO Investigative and Monitoring Unit (IMU) on the implementation of its Action Plans in Ketapang to ensure continuous sustainable development of its concession in Ketapang.

The company would like to further reiterate that it stands by its Sustainable Palm Oil Policy (SPOP) including its NDPE commitments and continue to be totally committed towards building a traceable, transparent and sustainable palm oil supply chain.

Details of the case can be found in the RSPO tracker:

<https://www.rspo.org/members/complaints/status-of-complaints/view/80>

3. Malaysian Sustainable Palm Oil (MSPO) Certification

The main assessment and Stage 2 audits for (i) UNICO Desa, (ii) Bukit Leelau, and (iii) Pamol Kluang have been completed. These groupings are currently pending for certificate issuance.

As of December 2019, all IOI's groupings are audited for MSPO certification and are expected to be 100% certified by Q1 2019.

4. Labour and Social

a. Stakeholder Engagement Trip to Miri, Sarawak

From 8 – 10 November 2018, IOI's Stakeholder Engagement team went to Miri to meet with local government representatives to discuss the progress of the IOI Pelita dispute resolution process. IOI team also met with the leaders of the two communities that have not decided yet to give their consent for IOI to go ahead with the implementation of the Resolution Plan. The other 7 communities have already agreed to it.

On 9 November, at the Deputy Regent's Office, representatives from various local government branches, met with the IOI team to discuss the progress of the dispute resolution process and more specifically to receive an update on the Individual Land Plot Survey conducted by IOI with an aim of identifying exact location and size of the individual plots of land that local communities have not been yet compensated for.

For full report on the visit, please click here:

<https://www.ioigroup.com/Content/MEDIA/NewsroomDetails?intNewsID=926>

b. Creating a harassment-free workplace

Harassment is a form of employee discrimination in the workplace and IOI is taking this very seriously. In order to create awareness and to prevent harassment from occurring, IOI's Plantation Division invited the National Labour Department (JTK) to provide briefings on sexual harassment at the workplace to employees in the Gomali, Pukin, Pamol, Lahad Datu and Sandakan Regions throughout Q4 2018.

The audience were introduced on definitions and types of sexual harassment, national laws and regulations related to sexual harassment, methods to channel complaints related to sexual harassment, and the roles and responsibilities of all workers, staff and management for handling sexual harassment.

Additionally, in October 2018, IOI's Corporate Sustainability Department also took the opportunity to brief the newly-introduced Policy on Harassment at Workplace to employees in the Lahad Datu Region. The policy covers all forms of harassment apart from sexual harassment, relevant channels such as the Gender Consultative Committee and hotline for employees to file their grievances that are related to harassment, as well as the responsibilities of the management. The briefings will be conducted on a regular basis to ensure that all IOI employees are aware of their rights at the workplace.



Mr Rijal Osman assuring IOI employees that everyone is protected from sexual harassment in the workplace.

5. Environment

a. IOI, Aidenvironment and GEC launch the South Ketapang Landscape Initiative, West Kalimantan, Indonesia

IOI, in partnership with Aidenvironment and Global Environment Centre (GEC), launched the South Ketapang Landscape Initiative on 19 October 2018 at the IOI headquarters. Aidenvironment is a non-governmental organisation well known for its expertise in sustainable landscape management while GEC is a non-profit organisation that specialises in community-based peatland management.

The initiative stems from IOIC's commitment to develop a collaborative way to tackle the most common and critical issues such as peatland management, biodiversity and wildlife protection, flood and fire prevention and control, and community livelihood development within the ecologically diverse South Ketapang landscape.

Following the official launch in Kuala Lumpur, the project team (IOIC, Aidenvironment and GEC) went to Ketapang on 27 to 30 November 2018 to discuss the program implementation with the local stakeholders. The team met with the Natural Resource Conservation Agency (Balai Konservasi Sumber Daya Alam) in Pontianak, the Regional Body for Planning and Development (Badan Perencanaan Pembangunan Daerah) in Ketapang City, and the district authorities in Kendawangan. This was followed by a fruitful engagement with PT SNA managers and a stakeholder meeting with local communities and other plantation companies on 29 November 2018 at the PT SNA Training Centre. The team also visited key conservation areas, including the largest one called Cagar Alam Muara Kendawangan, a 150,000 ha of land that is the priority area for the first phase of the initiative.

For full update, please click here
<https://www.ioigroup.com/Content/MEDIA/NewsroomDetails?intNewsID=925>



(left): Representatives from IOI, Aidenvironment and GEC at the South Ketapang Landscape Initiative launch at the IOI headquarters.

(right): A visit to Cagar Alam Muara Kendawangan,

c. Greenhouse gas (GHG) calculation and reporting training

A training on GHG calculation and reporting for the Peninsular region was conducted in November 2018 in Gomali Palm Oil Mill. The training was conducted by SGS.

Contents of the training include (i) introduction on ISO 14064: organisational carbon accounting

standard, (ii) GHG emission accounting for palm oil plantation, (iii) GHG calculation and reporting based on Palm GHG and ISCC principles, (iv) format standardisation, etc.

Similar training was also conducted in Sabah region in December 2018.

6. Transparency and Wider Engagement

a. IOI Hi-Tea with Stakeholders event

Happening concurrently with the RSPO's annual conference, RT16, IOI conducted its first Hi-Tea with Stakeholders event on 12 November 2018 at the Pacific Sutera Hotel, Kota Kinabalu. It was attended by IOI's implementation partners, suppliers, NGOs and customers.

The topics covered at the hi-tea include an overview of IOI's sustainability journey, initial findings of the Proforest's verification of IOI's Sustainability Implementation Plan (SIP), IOI's approach to ensuring compliance of third-party suppliers, progress updates on IOI-Pelita land dispute issue and the launch of the South Ketapang Landscape Initiative in West Kalimantan, Indonesia.

The feedback received from the event has been very positive, highlighting the progress made by IOI and for being proactive and transparent.



(left): Mr. Carl Dagenhart presenting on IOI Pelita Land Dispute Issue and South Ketapang Landscape Initiative

(right): Mr. Neil Judd presenting on Proforest's Verification of IOI's Sustainable Palm Oil Policy implementation

b. Sustainability Policy Transparency Toolkit (SPOTT) assessment

SPOTT assesses palm oil producers and traders on the public disclosure of their policies, operations and commitments to environmental, social and governance (ESG) best practice. In the latest SPOTT assessment by Zoological Society of London (ZSL) released in November 2018, IOI's overall scoring improved by 3.3% to 78.1% compared to the 2017 assessment.

IOI scored highest in its HCV, HCS and impact assessments, followed by (i) deforestation and biodiversity, (ii) governance and grievances, and (iii) community, land and labour rights, amongst others.

For full result of the assessment, please click here <https://www.spott.org/palm-oil/ioi-corporation-bhd/>

c. Management Review Meeting in Sabah

The 1st Management Review Meeting for Sabah team, which include both Sandakan and Lahad

Datu regions, was held in November 2018. The meeting was attended by the Plantation Director, Group Head of Sustainability, the senior management team, as well as other key employees from the HQ, mills, and estates.

Matters discussed include labour, HCV, other environmental issues, Proforest verification exercise, etc. The meeting served as a platform for our people on the ground to provide feedback to the HQ team, and vice versa, as well as to identify gaps in implementation and ways to improve IOI's sustainability practices and operations.

Moving forward, such meeting will be held again once every 6 months. The Management Review Meeting for the Peninsular region is expected to be held in Q1 2019.



Attendees at the Management Review Meeting for Sabah team.

d. IOI's inclusion in FTSE4Good Index

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 that measures the performance of public-listed companies demonstrating strong environmental, social and governance (ESG) practices.

The FTSE4Good Index constituents are drawn from public-listed companies from across the small, medium and large market capitalisation segments that are on the FTSE Bursa Malaysia EMAS Index. The index is reviewed every June and December against international benchmarks that are developed in collaboration with FTSE Russell.

e. IOI's brand-new website

In October 2018, IOI unveiled its newly-revamped corporate website which aims to create an informative yet user-friendly browsing experience. The website also served as a key platform to support IOI's connectivity with the worldwide audience.

The site also contains IOI's official social media platforms, namely LinkedIn, Instagram and YouTube, as another means to rapidly reach out to its stakeholders with timely and accurate information regarding events that are of interests to its stakeholders.



Please click www.ioigroup.com to have a look at IOI's brand-new website.

31 January 2019

