

SUSTAINABILITY IMPLEMENTATION PLAN



IOI GROUP



Foreword

This Sustainability Implementation Plan (SIP) serves as a **practical working document** that puts into practice the aspiration and commitments stated in IOI Corporation Berhad (IOIC)’s Sustainable Palm Oil Policy (SPOP). The SIP contains the issues and targets for each subject area outlined in the SPOP and is regularly updated over time to reflect stakeholders’ input and implementation progress on the ground.

We have been reporting our progress since Q3 2016 and have been reviewing our implementation plans bi-annually from 2019 onwards to better represent our current progress as well as to add new activities related to any new commitments in our on-going sustainability journey. In 2019, an external verification of the implementation of IOIC’s SPOP and related commitments was conducted. A report was published along with IOIC’s Management Response (MR) to both the findings of the verification exercise as well as the way forward in addressing the gaps identified in the report. This current SIP reflects to the progress reported from July 2019 to December 2019.

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COMMITMENT #1: HUMAN RIGHTS AND WORKING CONDITIONS

| ISSUES | TARGETS | PROGRESS |
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| 1. System for monitoring of human rights and labour conditions. | <p>Finalise labour rights monitoring checklist and integrate into the internal audit checklist by August 2019.</p> <p>Full monitoring on human rights & labour condition to complete in Q1 2020.</p> | <p>Comprehensive labour rights monitoring checklist was implemented at the plantations in Sabah and Peninsular and further expanded to PT Sawit Nabati Agri (SNA), Kalimantan in November 2019.</p> <p>Plantation Sustainability team continued to conduct internal audits on the monitoring of human rights and labour conditions.</p> |
| 2. Workers' understanding of labour rights | <p>Establish training program on social/labour awareness by August 2019.</p> <p>Frequency of at least twice a year.</p> | <p>Training program on topics such as worker's contract, minimum wage and grievance procedure etc. was established in September 2019.</p> <p>Earthworm Foundation completed a case study on the effect of positive labour practices such as freedom of association, availability of grievance mechanism, compliance to minimum wage, no recruitment fee, etc., in retaining migrant workers within IOI plantations. The video of the study is available here.</p> <p>Socialisation on the establishment of plantation workers' union was conducted in November 2019 at PT Sukses Karya Sawit (SKS) Training School, Indonesia.</p> |

COMMITMENT #2: HCV IDENTIFICATION AND MANAGEMENT

| ISSUES | TARGETS | PROGRESS |
|---|--|---|
| 1. HCV identification and assessment | <p>To ensure that all HCV assessment templates for IOI plantations are based on the latest HCV Resource Network (HCVRN) common guidance for HCV identification by Q1 2020.</p> <p>In-house HCV assessments based on the latest HCVRN common guidance for HCV identification to be completed by March 2020.</p> | <p>All IOI plantations are now utilizing the latest HCV templates based on the HCVRN common guidance for HCV identification.</p> <p>As of 31 December, 2019, about 60% of IOI plantation areas have undergone in-house HCV assessment according to the HCV Resource Network (HCVRN) guidelines.</p> |

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| <p>2. Landscape Level Approach (LLA) for existing plantations - Bukit Leelau Mini LLA</p> | <p>Activities on rehabilitation of forest reserves and its buffer zones, fire prevention and empowerment programmes for the <i>Orang Asli</i> to be completed by Q1 2020.</p> | <p>Bukit Leelau Mini LLA, a multi-stakeholder collaboration among IOI, NGO, local government and communities has completed the following activities:</p> <ol style="list-style-type: none"> Rehabilitation of 10 Ha degraded peatland by planting with <i>Macaranga pruinose</i>. Construction of 3 canal blockings to raise the peatland water table. Fire Prevention Awareness Program with the community. Establishment of a community group to support implementation and ensure continuity of the program. |
| <p>3. Collaboration work with relevant stakeholders as part of HCV management</p> | <p>A project proposal with the NGOs Hutan & PONGO to be finalised by October 2019 and the research activities to start in November 2019.</p> <p>Project may eventually expand to other types of umbrella species such as elephant, clouded leopard, etc.</p> | <p>Proposal of the collaboration project on <i>Orangutan</i> population study at Kinabatangan site has been agreed in October 2019. The ground work started with a preliminary survey on 16 - 19 December 2019 at IOIs' Morisem and Leepang estates. Subsequent plans for upcoming activities will be based on the preliminary survey report that will be completed by end January 2020.</p> |
| <p>4. Consolidation of HCV data as part of centralised data management</p> | <p>Centralised system management with consolidation of HCV data to be completed by March 2020.</p> <p>Centralised depository server at the HQ level to be ready in January 2020.</p> | <p>As of 31 December, 2019, 60% of the HCV maps that has been revised in accordance with the HCVRN Guidance has been consolidated as part of centralised documentation.</p> <p>Centralised depository server at HQ level is currently being tested for roll-out. HQ is also preparing the guideline on documentation system for socialization purpose. The documents uploaded by the regional sustainability teams will be shared internally through the system.</p> |
| <p>5. Buffer zone rehabilitation</p> | <p>Rehabilitation mapping and the SOPs for buffer zone rehabilitation to be completed by Q1 2020. Buffer zone rehabilitation program during replanting to be developed and implementation to be started by June 2020.</p> | <p>Development of pragmatic guidance on buffer zone rehabilitation is in progress. Currently, the focus of the rehabilitation process is on the riparian areas gazetted by the government. i.e. Kinabatangan river.</p> |

COMMITMENT #3: IOI-PELITA RESOLUTION

| ISSUES | TARGETS | PROGRESS |
|--------------------------------------|---|---|
| 1. IOI-Pelita resolution plan | Stage 1 – July 2019 Stage 2 – December 2019 Stage 3 – June 2020 | Stage 1 of the resolution plan, community capacity building, has been completed. Stage 2 of the resolution plan, 3D community participatory mapping, is still in progress and expected to be completed by February 2020. The exercise was delayed due to rainy season, festive seasons, etc. |

COMMITMENT #4: KETAPANG PEATLAND MANAGEMENT

| ISSUES | TARGETS | PROGRESS |
|---|---|---|
| 1. South Ketapang Landscape Initiative | 1 st year targets to be met by December 2019 | Three working groups (WG), each consisting of government, companies and community representatives, were established and tasked to share best practices and execute steps towards better management of conservation area, fire, community development, etc., within the South Ketapang landscape. IOI, together with Aidenvironment and Global Environment Centre, held a year-end forum in Ketapang City on 21 November. The forum was officiated by the Regent of Ketapang and attended by more than 100 stakeholders. The participants agreed on several measures to address key environmental and social challenges facing the regency. |

COMMITMENT #5: THIRD-PARTY SUPPLIERS

| ISSUES | TARGETS | PROGRESS |
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| 1 Supply chain compliance program | Timeline for completion of the collaboration programme: 18 months | IOI is currently in the 2 nd year of utilizing Earthworm's Tools for Transformation (T4T) for supplier's engagement in Sabah. 89% of the supplying mills to IOI Edible Oils have completed their self-assessment through T4T and 39% of the suppliers have prepared their action plans based on the gaps identified. IOI had also organized a supplier workshop to address the identified gaps on No Deforestation, No Peat and No Exploitation (NDPE) in its supply chain. |
| 2 Group-level risk assessment | Monthly reports and when critical changes have been detected | IOI continues to get support from Aidenvironment in providing monthly monitoring report as well as regular alerts on critical cases involving IOI's supply chain. Details of engagements and its progress are available in IOI's grievance register here . |

COMMITMENT #6: MANAGEMENT SYSTEMS

| ISSUES | TARGETS | PROGRESS |
|---|--|---|
| 1 Centralised management system | SAP system to go live in stages, starting in Q3 2019. | SAP system at 17 operating units in Pamol Kluang and Pamol Sabah has gone live in September 2019. The system is expected to be fully implemented in other operating units around Q1 2021. |
| 2 Standardised documentation and monitoring system | Group-level standardised documentation and monitoring system for Sustainability team to start in October 2019. | IOI is in the process of developing procedures for documentation controls on all its existing documents at the HQ and operating units based on ISO 9001:2015 system. |