



IOI GROUP

# IOI Group

## Sustainable Palm Oil Policy

### 1. Introduction

Palm oil is an important commodity; it is the most widely used vegetable oil in the world. Since oil palm plantations are labor intensive, crop production provides a livelihood to millions of people in tropical agricultural communities around the world. Of all vegetable oils, palm oil has the highest oil yield per hectare by far. Palm oil is well positioned to remain a crucial part of the food production process in the future as the global population increases, according to expectation, to 9 billion by 2050. This opportunity comes with the responsibility to implement palm oil production practices that are environmentally sound, protect forests and biodiversity, reduce greenhouse gas (“GHG”) emissions and respect the rights of indigenous peoples, workers and local communities.

We are on a journey to build a traceable, transparent, sustainable palm oil supply chain. Our actions are guided by this **Sustainable Palm Oil Policy (“SPOP”)**, which is based on current best practices informed by stakeholder input. Moving forward, in consultation with our stakeholders, we will review, adjust and improve our policy and its implementation. We will publicly disclose all implementation progress documents on a regular basis.

### 2. Scope

IOI Group commits to be a leading corporation in its core businesses, and a leader in integrating the highest sustainability standards into our business practices. Specifically, IOI Group is committed to the sustainable management of its oil palm plantations and to the implementation of responsible, global palm oil supply chains based on our three pillars of sustainability (“3Ps”) namely People, Planet plus Prosperity and our embrace of the United Nations’ Sustainable Development Goals (“SDGs”).

The provisions in this policy apply to all IOI operations worldwide, including our subsidiary companies, joint ventures and companies in which we have management control. We expect all our third-party suppliers of palm oil products, contractors and service providers to adhere to our sustainability policy commitments for their operations. We will build and maintain our internal capacity for implementation and enforcement and develop procedures for monitoring and acting on non-compliance with any element of this policy which is identified either within the organisation or among our third-party suppliers.

This updated policy is effective immediately and supersedes the version which was published in March 2018. To translate commitments into action we will concurrently publish a time-bound **Sustainability Implementation Plan (“SIP”)**. As a working document, the SIP will be regularly updated to reflect the progress of our implementation plan.

### 3. Our Commitments

IOI Group aims to ensure that our sustainability journey takes the company to a leadership position in both sustainable palm oil production and sourcing. Our Sustainability Policy is based upon the following principles:

- ✓ To comply with all applicable legislation and codes of practice.

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- ✓ To implement leading sustainability standards laid out in this policy for environmental management including no deforestation, no new planting on peat and no social exploitation (“NDPE”), human rights and workplace conditions, community development and social impact.
- ✓ Contribute to the United Nations Sustainable Development Goals (“UN SDGs”) in order to collectively achieve the 2030 Agenda of ensuring a sustainable future for all.
- ✓ To build traceable supply chains such that all suppliers are also in compliance with our commitments as contained in our Sustainability Policy on environmental management, human rights and workplace as well as community development and social impact.
- ✓ To strive for the highest levels of transparency and stakeholder engagement.

## 4. Our Operations

Our operations in Peninsular Malaysia and Sabah are 100% Roundtable on Sustainable Palm Oil (“RSPO”) certified and 100% Malaysian Sustainable Palm Oil (“MSPO”) certified. We will now build on this by:

- Certifying the outstanding management units in Indonesia, in accordance with the published time-bound plan.
- Committing towards sustainable production of palm oil and its continuous improvement as outlined in the MSPO guidelines and RSPO Principle & Criteria.
- Implementing a labour rights monitoring system, with the involvement of an external partner to verify labor conditions, compliance with labor policy requirements and improve welfare and working conditions. We will take meaningful corrective action to address any identified non-compliances or improper labor practices.
- Utilizing the best management practices and strategy on mitigating climate change.

Specific commitments in terms of our social and environmental performance, also applicable to our third-party suppliers, are identified below:

### Environmental Management

- Identification and protection of High Conservation Value (“HCV”) areas, working with relevant authorities in biodiversity conservation and protection of rare, endangered and threatened (“RTE”) species.
- Identification and protection of High Carbon Stock (“HCS”) areas, using the revised High Carbon Stock Approach (“HCSA”).
- For existing plantations on peat, appropriate management using best management practices (“BMP”), as defined in the 2018 RSPO P&C and the RSPO manual on BMP for existing oil palm cultivation on peat and marginal soil. Where areas are identified as unsuitable for oil palm replanting, based on drainability assessments or other reasons, plans will be developed for the appropriate management of such areas, which could include rehabilitation.
- Enforcement of IOI Group’s No-Burning policy and Fire Management Guideline.
- Implementation of programs to progressively reduce Greenhouse Gas (“GHG”) emissions, recycle/reuse of palm biomass and generate renewable energy by methane capturing.
- Mitigation of the environmental impact from our operation based on our Environmental Impact Assessment (“EIA”) and best management practices. In particular, we will adopt responsible water usage and management, energy-efficiency measures and controlled effluent discharge.
- No use of Paraquat and pesticides that are categorised as World Health Organization Class 1A or 1B, chemicals listed under the Stockholm Convention and Rotterdam Convention and reducing the use of other chemicals-based pesticides and fertilizers.

### Human Rights and Workplace

- Respect and uphold the rights of all workers, including contract, temporary, and migrant workers, in accordance with the Universal Declaration of Human Rights, the International

Labor Organization's core conventions, United Nations Guiding Principles on Business and Human Rights, United Nations Global Compact on human rights, labor, environment and anti-corruption and the principles of Free and Fair Labor in Palm Oil Production.

- Uphold the right to freedom of association and recognize the right to collective bargaining and allow trade unions to have access to our workers.
- Eliminate all forms of illegal, forced, bonded, compulsory or child labor. Follow responsible recruitment practices including not charging recruitment related fees at any stage in the recruitment process, whether by us, our contractors, our agents or their sub-agents in receiving and sending countries.
- No retention of workers' passports/identity documents or withholding of workers' wages other than that prescribed by law.
- Pay all workers the statutory monthly minimum wage and overtime compensation, in accordance to the current labour regulations.
- Provide fair and equal employment opportunities for all employees, regardless of race, nationality, religion or gender.
- Promote a safe and healthy working environment that is free from sexual harassment and other hazards.
- Protect reproductive health of women employees and promote women empowerment.
- Provide adequate equipment and training on the implementation of health and safety policies.
- Provide training and development to employees to ensure achievement of their full potential.

#### **Community Development and Social Impact**

- Identify potential social impacts and measures to minimize or eliminate the impacts through Social Impact Assessment ("SIA").
- Respect the land tenure rights of indigenous local communities, including their right to give or withhold 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") and HCSA's Social Requirements.
- Drive positive socio-economic impact for local communities and contribute to the quality of life and wellbeing of the communities in which we operate.
- Engage effectively with the communities in an open and transparent manner through consultation, supported by a grievance procedure in which existing and future complaints are resolved to the satisfaction of all stakeholders.
- Support the inclusion of smallholders in the palm oil supply chain and help them to comply with our sustainability commitments.

## **5. Traceable Supply Chains**

Our supply chain commitments are defined below:

- We commit to building a traceable and sustainable palm oil supply chain. Traceability is defined as traceable to a defined list of mills and plantations.
- Our goal is to ensure that all volumes of palm oil, palm oil fractions and palm kernel oil are traceable to the supplying mills. This commitment will be extended towards full traceability to plantations progressively.
- All volumes of palm oil, palm oil fractions and palm kernel oil are 100% traceable to the supplying mills. We commit to achieve full traceability to plantations in high risk landscape by end 2020.
- We commit to achieve 100% traceability target for our supply chain in Malaysia through the traceability platform, MSPO-TRACE, which was developed by the Malaysian Palm Oil Certification Council ("MPOCC") based on the government's mandated MSPO certification scheme.

- We will conduct appropriate due diligence on prospective suppliers to assess compliance with our policy, and if necessary, to identify appropriate measures to be carried out prior to entering into any contract.
- We will adopt a three-step palm oil supply chain verification approach that requires all third-party mills and refineries to disclose their supply chain traceability information, perform risk assessment using remote sensing and geospatial analysis, and conduct on-site verification and assessment on prioritized suppliers.
- We will actively promote and support the transformation of the palm oil supply chain through a process of supplier engagement. We will continue to engage with key suppliers to promote our policy commitments and build capacity of mills and supplier companies to ensure compliance. If there are suppliers who are unwilling to transform or prove to continuously miss the targets set in their time-bound plans, we will cease to do business with them.
- We expect all our third-party suppliers of palm oil products to adhere to the commitments in this Sustainability Policy, including the requirements for new plantings relating to HCV, HCS, peat and social impact.

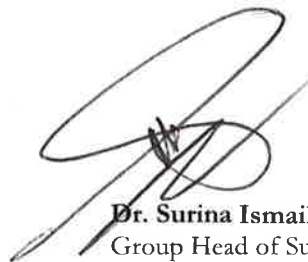
## 6. Transparency and Wider Engagement

Improving our level of engagement with stakeholders, including transparency on our performance and progress, is a key element in underpinning our policy commitments. We are committed to the following:

- Our phased supply chain traceability progress will be reported at quarterly basis through our Palm Oil Dashboard.
- Collaborate with various stakeholders including our suppliers, customers, non-governmental organizations (“NGOs”), governments and independent verification bodies in the implementation of our Sustainable Palm Oil Policy.
- Implement a comprehensive grievance procedure covering our palm oil production and sourcing with the involvement of affected stakeholders.
- Resolve complaints and conflicts effectively and responsibly through an open and transparent grievance procedure covering our palm oil production and sourcing.
- To collaborate with other palm oil producers and processors in improving industry-wide palm oil sustainability commitments.
- Regularly communicate our sustainability initiatives, progress and performance through IOI’s Annual Sustainability Report and company website.
- Continue to be an active supporter of certification schemes such as RSPO, MSPO, ISCC and ISPO and work to strengthen their standards.
- Collaborate with other palm oil producers, processors, food companies, NGOs and governmental bodies in improving industry-wide palm oil sustainability commitments.



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