



IOI Group – Sustainability Progress Update

Introduction

We are pleased to publish our progress update on our Sustainability Implementation Plan (SIP). This progress update will also cover the recent enhancements made to our Sustainable Palm Oil Policy (SPOP).

Progress highlights include the following:

- Completion of the Grassroots and IOI's joint field verification visit to Long Teran Kanan with RSPO as observers, from 3 to 7 July 2017. A follow up meeting was held between IOI, Grassroots and RSPO on 18 July to discuss Grassroots recommendations, RSPO's role and the development of a corresponding IOI action plan. IOI will publish its action plan in August.
- Completion of the independent Labour Rights verification assessment work (desk and field work) by international consultant BSR. A final verification report is now being prepared by BSR and will be published by IOI in August.
- Enhancements to IOI's SPOP following dialogues with NGOs. Updates include a Third-Party Supplier Annex, a commitment to the revised High Carbon Stock Approach (HCSA), as well as commitments to no recruitment fees and no retention of worker passports. IOI is consulting with NGOs on the development of no recruitment fee guidelines and expects to finalise those in August.
- Completion of the LiDAR peatland flyover assessments in Ketapang. Ground "Truthing" is now underway and IOI expects to receive the final peatland data analysis in the next three months which will be used in the development of our Ketapang Landscape Level Approach. IOI has also approached and proposed a collaboration with the Palm Oil Innovation Group (POIG) in a pilot project to align and integrate relevant POIG indicators in our Ketapang Landscape Level Approach especially for projects related to peatlands.
- The completion of peatland exposure mapping and prioritisation in IOI's third-party supply chain.
- Submission of an IOI action plan and progress update to the RSPO Complaints Panel (CP) following ground verification visits to IOI's Ketapang concessions by the RSPO in September 2016 and February 2017.

1. Sustainable Palm Oil Policy (SPOP)

IOI Group further enhanced its SPOP and published an updated version on 12 June 2017. The changes covered the following:

- a. Implementation of Policy Commitments by Third Party Suppliers (Annex) namely supply chain policy commitments that apply to our third-party suppliers.
- b. Commitment to the revised High Carbon Stock Approach (HCSA) after agreement was reached at the High Carbon Stock (HCS) Convergence meetings.
- c. Human Rights and Workplace specifically on no recruitment fees, no retention of passport, freedom of association and ensuring minimum wage, which further strengthen our commitment towards the care and wellbeing of our workers.

2. RSPO

Regarding the RSPO's complaint case related to our concession in Ketapang, two independent ground verification visits by RSPO has been carried out at our Ketapang concession. The first visit was on 2 September 2016 and the second visit was on 17 February 2017. A field verification report on the latest visit which was expected to be issued by RSPO on the second week of March 2017, and deliberated by the RSPO's Complaints Panel (CP) by the third week of March was unfortunately delayed. The report was finally ready at the end of April 2017 and reviewed by the CP. On 20 June 2017, IOI submitted an action plan to the CP.



Verification visit at PT BSS, BNS and SKS by RSPO from 7 to 24 February 2017

3. Labour and Social

a. Labour Rights Monitoring System

IOI Group started a Labour Rights Monitoring System project with BSR, an international labour consultant, in March 2017. A meeting was held in May 2017 with BSR to discuss labour assessment document compilation such as business overview, stakeholder engagement, audit reports, human resources, occupational health and safety, and the progress of BSR works as well as the verification by BSR of the recommendations set out by Finnwatch in their November 2016 report. BSR conducted a field visit to Lahad Datu and Sandakan in Sabah in June 2017. They are currently in the midst of finalising a comprehensive report to IOI, which is expected to be delivered and publicly shared in early August 2017.



BSR representatives and the estate management during their verification visit in Sabah

b. Foreign workers hiring guideline and procedures

Following one of the Finnwatch's recommendations, IOI began developing a "No Recruitment Fee" guidelines and procedures for recruiting foreign workers. The guidelines will provide a framework and clarity on the process to meet the requirement of hiring foreign worker in the IOI Plantation sector. IOI is consulting with NGOs on the guidelines prior to finalisation and publication.

The establishment of the Employee Consultative Committee (ECC), a revised Grievance Procedure complete with Hotline numbers and Gender Committee are some of the various means for workers to air their grievance and ensure their rights are protected.

Implementation of recommendations cited in the November 2016 Finnwatch report is in progress. Ongoing discussions on the implementation of these recommendations with all regional team leads have been carried out. Induction course materials (videos, slide presentation) which covers our revised policies on Human Rights in the workplace, SOPs, Safety and Health, etc., are also in the process to be further standardised and used by all operating units.

c. Passport locker system

As stated in our SPOP, we are committed to no retention of workers' passport or any identity document as part of our effort in upholding human rights. We have started to install lockers at our estates. The lockers are a safe storage place controlled by the workers, not the estate management.

The first batch of new lockers has been installed at our Bukit Leelau estate, Pahang, Malaysia in April 2017. The workers are given the option of either putting their passports in the lockers or self-keeping them. By November 2017, all our estates will have lockers in place and by December 2017, IOI will not hold any workers' passports.



New centralised locker for passports in Bukit Leelan

d. Sexual harassment prevention talk

A talk on sexual harassment prevention was conducted for the male staff members and workers of the Leepang Palm Oil Mill in Lahad Datu, Sabah on 11 July 2017 as part of a Safety Campaign programme. The objective of the training is to raise awareness on sexual harassment among the workers and staff. The attendees were informed of the types of sexual harassment and actions to be taken against harasser.



Talk on Sexual Harassment Prevention was given by our IOI Lahad Datu SPO Executive who is responsible in monitoring of social issues in the region.

e. IOI-Pelita, Sarawak – land and harvesting dispute with local community

During a fact-finding mission conducted by IOI in January 2017, it was identified that there was poor understanding and awareness among the communities regarding the issues related to the dispute and the various proposals put forward to resolve the matter. In order to ensure that information flow smoothly to all the communities as well as back to IOI-Pelita, a Communications Officer who is also a local, was recently hired to act as a liaison officer for the communities.

A joint verification visit, planned by both IOI and Grassroots with RSPO acting as an observer, to the local community at IOI-Pelita Plantation in Sarawak, was also conducted from 3 to 7 July 2017.



Joint verification visit to the local community in the long house to conduct social study in Marudi, Miri

A follow-up meeting was then held on 18 July 2017, between IOI, RSPO and Grassroots to discuss action plans as a way forward to address the land disputes with the communities. IOI and Grassroots are expected to work together in resolving this issue. The action plans also include CSR activities that the group is intending to carry out.

4. Environment

a. Peatland Rehabilitation

As of June 2017, 3,474 out of 8,787 palm trees in PT SKS estate, Ketapang were removed for continuous rehabilitation. The land was planted with gelam, scientifically known as *melaleuca cajuputi*.

b. Peatland exposure mapping and supplier training

IOI has prioritised peatland landscapes in its supply base including the third-party supply chain. Supplier engagement and training on peatland best management practices were initiated.

c. Anti-pollution training

The anti-pollution training conducted by the acting Environmental Manager was to educate workers on responsible handling of waste oil in Mayvin 1 estate, Sandakan, Sabah on 13 June 2017.



The workers are being trained how to use drip tray (left) and oil trap (right).

d. Fire Prevention

As part of the implementation on Landscape Level Approaches, continuous buffer zone monitoring was conducted to ensure the effectiveness of fire prevention, mitigation management, peat management and biodiversity conservation. Monitoring activities across PT SKS estates, Cagar Alam buffer zone, fire watch towers were carried out using a drone on 12 July 2017.



Drone picture: Area of enrichment and rehabilitation in PT SKS

On 22 March 2017, training on fire prevention was conducted by the Estate Manager and Assistant Manager, for estate workers in the Mayvin 1 estate, Sandakan, Sabah. The purpose was to raise awareness on fire fighting and to teach the workers proper handling of fire extinguishers.



The workers are paying full attention in the training.

On 16 March 2017 and 4 May 2017, training on drainage and irrigation was conducted in Sandakan and Lahad Datu, Sabah respectively. The training was attended by all HODs of the estates and mills in both Sandakan and Lahad Datu regions. The speaker was the Head of Water Resources Management Section from the Department of Irrigation and Drainage, Sabah. The training highlighted the compliance requirements of the Sabah Water Resource Enactment. The enactments cover issues such as riparian buffer zones and rights to water usage. The training was a good opportunity for the estate and mill operating heads to look into matters related to their operation such as the stream identification and sustainable management practices to maintain a buffer zone and irrigation related to the mill operation.

Fire prevention awareness training was also conducted in July 2017 in Ketapang. The purpose of the training was to raise fire prevention awareness among the estate fire patrol team. It was also attended by the local communities.



Workers and villagers taking group photo with the forest firefighters in PT KPAM (left) and forest firefighters posing for a group photo in PT BSS (right)

e. Zero Burning Policy (Replanting)

As part of IOI Group's commitment to zero burning policy, the aged palm trees have been chopped and shredded for biomass retention and recycling during the replanting activity. The recent replanting was carried out in Luang Manis Estate, Sandakan, Sabah in March 2017.



Machines were used during the replanting exercise to carry out trunk chipping (left) and terracing (right)

f. Wildlife conservation

The IOI Sandakan Sustainable Palm Oil (SPO) Department organised a 3-day training in April 2017 to enhance the knowledge and skills of the local patrollers and environmental liaison officers in how to conduct patrolling on site, especially on bird species identification.

The 3-day training course involved a classroom lecture, field visit and a basic bird species identification test. The guest speaker was from the Rainforest Discovery Centre (RDC) of Sabah Forestry Department (SFD). A total of 65 participants attended the training.



Participants with their certificate of completion, having their photo taken with the trainers.

On 17 May 2017, a two-year-old baby orangutan was rescued near Sugut Estate in Sandakan, Sabah. The baby orangutan was initially found abandoned at the oil palm field block and rescued by the workers who were on their way to work. It was then handed over to Sepilok Orang Utan Rehabilitation Centre (SOURC).



The orangutan was named Awang Sugut.

g. Landscape and rural areas development workshop

A workshop on landscape and rural areas development was organised in Ketapang from 23 to 24 May 2017, by the Regional Development Planning Agency (BAPPEDA) of Ketapang Regency in collaboration with Aidenvironment. The main objectives of the workshop were to establish cross-sector communication, to create and strengthen commitments to actively participate in sustainable development activities and to optimise regional development methods.



Photos taken at the workshop

4 Traceable Supply Chains

a. IOI Supplier Technical Workshop Series Sandakan 2.0

IOI Group held its second Supplier Technical Workshop in Sandakan on 10 July 2017. The workshop, facilitated by Proforest, focused on common labour issues and legal requirements in the context of MSPO and RSPO. The invited guest speakers included relevant government agencies and stakeholders from the CSPO2025.

Consumer food manufacturers based in the UK also attended the event as observers. They had the opportunity to present their Sustainability Policies and their role in the palm oil supply chain.

A total of 70 participants from 23 parent companies representing 40 mills in Sabah attended the one-day workshop. The attendees participated in the Q&A sessions. Questions covered common labour issues within the industry such as minimum wage implementation, passport retention, workers' minimum housing and amenities and the no-recruitment fee policy.

They were also updated on the MSPO's latest scheme requirements, Sabah State's commitment to CSPO 2025, its work plans and priority sites for the next 5 years.



Participants attending the IOI Technical Workshop in Sandakan

b. Mill Verification and Monitoring

Based on execution of 3-step approach, the near real-time monitoring program for Sabah and Peninsular Malaysia is currently active. In addition, the supplier intelligence program at Group

level is also ongoing. Meanwhile, The Independent Mill Verification and Supplier Technical Workshop Series have been in place for the past two years.

5. **Transparency and Wider Engagement**

a. Commitment to stakeholder

On 7 July 2017, IOI published key milestones for the implementation of IOI Group's commitments as identified by Greenpeace, Grassroots, Rainforest Action Network, Finnwatch and Forest Peoples' Programme. The elements of the commitments and the progress can be accessed in this document KEY MILESTONES FOR IOI GROUP ([http://www.ioigroup.com/Content/S/PDF/Progress%20Update-IOI%20Milestones%20\(July%202017\).pdf](http://www.ioigroup.com/Content/S/PDF/Progress%20Update-IOI%20Milestones%20(July%202017).pdf))