



IOI GROUP

# IOI Group Sustainability Policy

## 1. Introduction

Palm oil as the most widely used vegetable oil in the world, is an important commodity. Since oil palm plantations are considered labour 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, biodiversity and corresponding natural ecosystems, promote circularity, reduce greenhouse gas (“GHG”) emissions and respect the rights of indigenous peoples, employees, and local communities.

Over the years, we have built a traceable, transparent, sustainable palm oil supply chain. Our actions are guided by this **IOI Group Sustainability Policy<sup>1</sup> (formerly named “IOI Group Sustainable Palm Oil Policy”)** which is based on current best practices and is science-based.

## 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 plantations as well as alternative crops and resource-based manufacturing plants including implementation of responsible, global palm oil supply chains based on our three pillars of sustainability namely People, Planet, Prosperity (“3Ps”) plus Partnership and our embrace of the specific, relevant 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 of this policy and develop procedures for monitoring and acting on non-compliance regarding any element of this policy which is identified either within the organization or among our third-party suppliers.

This policy is effective immediately and supersedes the previous IOI Group Sustainable Palm Oil Policy.

## 3. Our Commitments

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

- ✓ To comply with all applicable legislation and codes of practice.
- ✓ To continue implementing leading sustainability standards laid out in this policy for environmental and social management including no deforestation, no new planting on peat and no social exploitation (“NDPE”), human rights, workplace conditions and community development.
- ✓ Utilizing the best management practices and strategies on climate change mitigation and adaptation to achieve Net-Zero emissions by 2040.
- ✓ Continue to build and ensure traceable supply chains such that all suppliers are also in compliance with our commitments as contained in our IOISP.
- ✓ 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 strive for the highest levels of transparency and stakeholder engagement.

<sup>1</sup> This policy is also applicable to all other commodities under IOI Group.

## 4. Governance

The board is directly involved in overseeing sustainability matters to ensure effective and successful implementation of the commitments as stated in this policy. Our top governance function as stated below:

- Board Sustainability Committee (“BSC”) shall have oversight of the sustainable development responsibilities and support the Board in setting high-level direction and strategic focus on sustainable business models within IOI.
- The Group Sustainability Steering Committee (“GSSC”) reports directly to the BSC to ensure IOI Group’s sustainability agenda, commitments and issues are effectively deliberated and implemented by management.

## 5. Our Operations

As a vertically integrated oil palm company, our value chain comprises of upstream Plantation (estates and mills) and downstream Resource-Based Manufacturing business segments (refineries and oleochemicals) operation activities in Malaysia, Indonesia and Germany. We will now build on this by:

- Committing towards sustainable production of palm oil and its continuous improvement as outlined in the RSPO, MSPO and ISPO including certifying uncertified area(s) as published in the timebound plan as well as the Supply Chain certification standards (for resource-based manufacturing).
- Having a robust labour monitoring system compliant with labour policy requirements and standards to ensure good welfare and working conditions. We will take meaningful corrective action(s) to address any identified non-compliances or breaches in labour practices.
- Implementation of decarbonisation programs to progressively reduce Greenhouse Gas (“GHG”) emissions through nature-based solutions, engineered solutions and supply chain management as mentioned in IOI’s Pathway to Net-Zero by 2040.

Specific commitments in terms of our social and environmental are identified below:

### Environmental Management

- Identification of High Conservation Value (“HCV”) and High Carbon Stock (“HCS”) areas, identified through an Integrated High Conservation Value and High Carbon Stock (“HCV-HCS”) Assessment.
- Protection of HCV and HCS areas by collaborating with relevant authorities in biodiversity conservation and protection of rare, endangered and threatened (“RTE”) species.
- For existing plantations on peat, appropriate management using best management practices (“BMP”), as defined in the 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, reforestation and ecosystem enhancement.
- Enforcement of IOI Group’s Zero Burning policy and Fire Management Guideline.
- Mitigation of the environmental impact from our operation based on our Environmental Impact Assessment (“EIA”) and best management practices.
- Practice environmentally friendly and energy efficient processes in our operation to ensure efficient use of natural resources and to minimise the environmental impact of our operation and products.
- Practice responsible water stewardship in accordance with IOI Group Water policy<sup>2</sup>, to ensure water is used in socially equitable, economically beneficial and environmentally sound way manner.

<sup>2</sup> Refer to the policy via this link:

[https://www.ioigroup.com/Files/sustainability/pdf/IOI\\_Group%20Water%20Policy.pdf](https://www.ioigroup.com/Files/sustainability/pdf/IOI_Group%20Water%20Policy.pdf)



## **Human Rights and Workplace**

- Respect and uphold the rights of all workers, including contract, temporary and migrant workers, as well as protecting human rights defenders against threats and retaliation in accordance with the Universal Declaration of Human Rights, the International Labour Organization's core conventions, United Nations Guiding Principles on Business and Human Rights, United Nations Global Compact on human rights, labour, environment and anti-corruption and the principles of Free and Fair Labour in Palm Oil Production.
- Uphold the right to freedom of association and recognise the right to collective bargaining and allow trade unions to have access to our workers.
- Eliminate all forms of illegal, forced, bonded and compulsory labour. Follow ethical recruitment practices including enforcement of no recruitment fee 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 at least the statutory monthly minimum wage and overtime compensation, in accordance with the current labour regulations.
- Provide fair and equal employment opportunities for all employees, regardless of race, nationality, religion, age, or gender.
- Provide training and development to employees to ensure achievement of their full potential.
- Provide adequate equipment and training on the implementation of occupational health and safety policies.
- Implement measures to promote a safe and healthy working environment that is also free from sexual harassment for all employees and others who may be affected by our operations.
- Protect reproductive health of women employees and promote women empowerment.
- Promote and protect children's rights to ensure the children are safe from harm and any form of exploitation.
- No use of Paraquat and pesticides categorized as Class 1A and 1B as specified in 'World Health Organization ("WHO") Recommended Classification of Pesticides by Hazard (2019)' document or chemicals listed under the Stockholm Convention and Rotterdam Convention as well as reducing the use of other chemical-based pesticides and fertilisers.

## **Community Development and Social Impact**

- Identify potential social impacts and measures to minimise 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").
- Drive positive socio-economic impact for local communities and contribute to the quality of life and well-being 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.

## 6. Traceable Supply Chains

Our supply chain commitments are defined below:

- Commit to building a traceable and sustainable palm oil supply chain.
- 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 and our progress can be tracked in our disclosures.
- Commit to achieve 100% traceability target for our supply chain in Malaysia through the traceability platform, MSPO Trace, based on the government's mandated MSPO certification scheme.
- Conduct appropriate due diligence on prospective suppliers, as stated in our Responsible Sourcing Guideline<sup>3</sup>, to assess compliance with our policy and if necessary, identify appropriate measures before entering into any contract.
- Expect all our third-party suppliers of palm oil products to adhere to the commitments in this IOISP, including the requirements for new plantings relating to NDPE, HCV and HCS.

## 7. 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:

- Continue to report our phased supply chain traceability progress 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 IOISP.
- Implement comprehensive and robust grievance procedure with involvement of affected stakeholders and resolve complaints or conflicts effectively and responsibly through an open and transparent grievance procedure covering our palm oil production and supply chain.
- Regularly communicate our sustainability initiatives, progress and performance through IOI's Annual Sustainability Report and company website.
- Collaborate with other palm oil producers, processors, food companies, NGOs and governmental bodies in improving industry-wide palm oil sustainability commitments.



**Dato' Lee Yeow Chor**  
Group Managing Director &  
Chief Executive



**Dr Surina Ismail**  
Chief Sustainability Officer

Published June 2024

<sup>3</sup> Refer to the guideline via this link:

[https://www.ioigroup.com/Files/sustainability/pdf/IOI\\_Responsible%20Sourcing%20Guidelines.pdf](https://www.ioigroup.com/Files/sustainability/pdf/IOI_Responsible%20Sourcing%20Guidelines.pdf)