



STATEMENT

Date: 12 October 2016

IOI GROUP

Detailed response to Greenpeace report and campaign

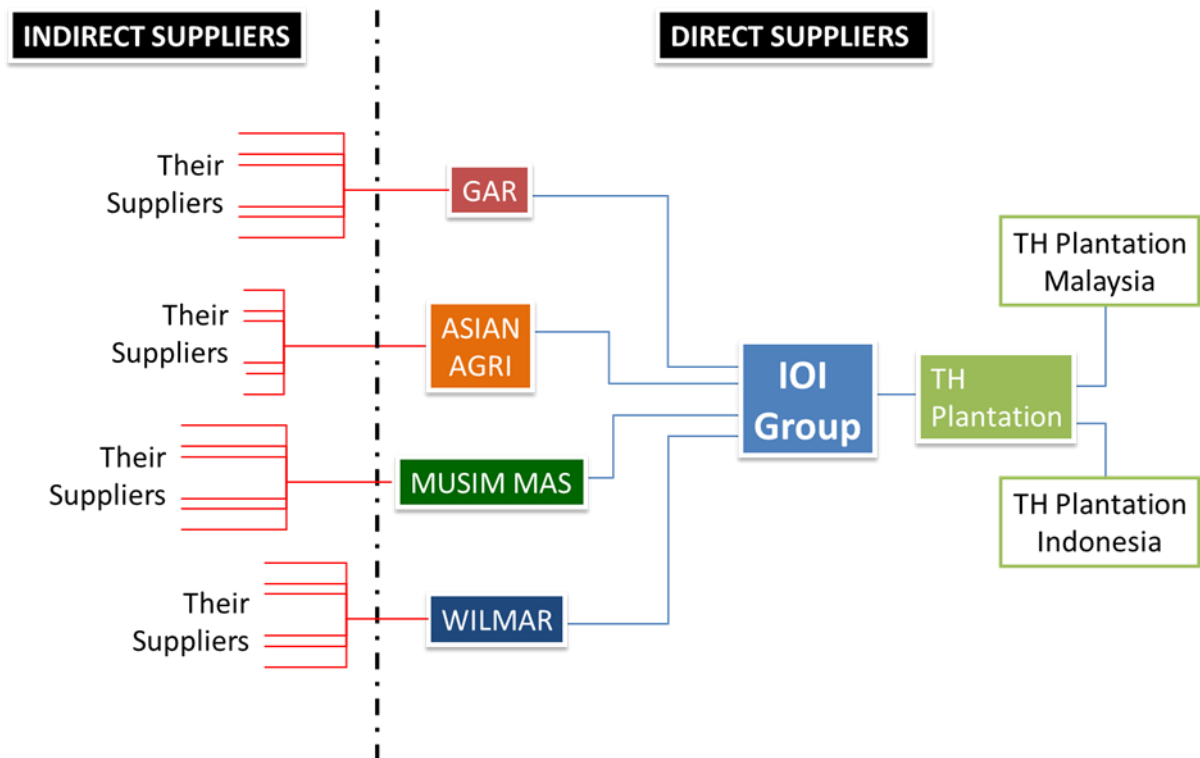
Following our initial response to Greenpeace report “A Deadly Trade-Off” dated 27 September 2016, which refers to policy violations in IOI’s third-party supply chain, we would like to provide to our stakeholders, the promised detailed response to the Greenpeace report and its recent “Stop the Haze” campaign. Included in this detailed response are our actions and responses in relation to our third party suppliers who are said to have carried out deforestation and exploitation as well as the progress that has been made on our Sustainability commitments and clarification on our positions.

IOI Group would like to make clear that we are **fully committed to the No Deforestation, No Planting on Peat and No Exploitation (NDPE) policies as stated in our Sustainable Palm Oil Policy (SPOP)**. We believe that the “Stop the Haze” campaign which claims that IOI’s deforestation has caused the haze problem in Indonesia is unhelpful and counterproductive. Whilst there have been fires in our Indonesian developments, these were not started by IOI. As a company, we have been practising zero burning on all new planting and replanting activities for more than 25 years and we are currently taking steps to jointly develop and implement – with our stakeholders – landscape approaches that contribute to effective fire prevention and mitigation as well as peat and biodiversity conservation in the immediate vicinity of our SNA developments.

With regard to our suppliers, we reiterate that we accept our own responsibilities as a producer and trader of palm oil in ensuring that the NDPE policies are adhered to. We would like to clarify that this detailed response is not about making excuses or shifting the blame to others, but aims to provide full transparency on the ground pertaining to how third-party suppliers and their activities are connected to IOI.

Details of IOI’s third party supply chain

The Greenpeace report correctly explains our connection, via our third party suppliers, to palm oil companies operating mills and concessions in both Indonesia and Malaysia. The report is also correct that IOI Group and IOI Loders Croklaan have a direct commercial relationship with only one company, TH Plantations, headquartered in Malaysia. In order to further clarify the statement above, please refer to our diagram below to illustrate how IOI is connected to third-party suppliers.



Specifically, IOI does not source directly or has any commercial relationship with the Korindo Group, Austindo Nusantara, Goodhope, Eagle High and Indofood/Salim who are named in the Greenpeace report but instead, oil from these companies enters our supply chain via shipments from our direct suppliers who are Wilmar, GAR, AAA and Musim Mas.

We have requested an update from our direct suppliers, although they have also reported several of the allegations on their grievance lists. We support our direct suppliers Wilmar, GAR, AAA and Musim Mas's move to further engage with or to stop purchasing from the named companies. We have requested our direct suppliers to provide us with further detailed updates of their findings with regard to Greenpeace's allegations by end of November 2016.

For more information on how IOI is handling these suppliers, please visit <http://ioiloders.com/>.

IOI Group source directly from TH Plantations in Malaysia and not from their plantations in Indonesia against which Greenpeace has made some allegations, and the amount supplied to us is 15,850 MT or 1.38% of our total Group purchased from third party suppliers in 2015. In any case, IOI in line with our commitment to our SPOP, has already classified the Malaysian mills of TH plantations as high priority mills following our risk assessment exercise. We have approached TH plantations for an on-site mill and supply base verification on several occasions but have not received any positive response. As such, we have decided to phase out TH Plantations from our supply chain.

Nevertheless, IOI will continue to engage with TH plantations to push for a verification visit and address the issues raised by Greenpeace in relation to their Indonesian operations. We acknowledge that, although oil from the concessions referenced in the Greenpeace report might not physically enter our supply chain, we and other industry players do have a responsibility to address these allegations at the group level of those

companies, as we do source from mills and concessions of these companies in other locations.

IOI's sustainability commitments

With regard to the **15 specific points Greenpeace has made on page 45 of its report**, IOI Group has already committed to take action on several of these as part of its Sustainability Implementation Plan (SIP) and Sustainable Palm Oil Policy (SPOP), announced in August this year.

Specifically, on points:

1. *Suspend contracts with all groups named in this report pending credible evidence of group-level compliance with NDPE policies.*

From IOI's past experiences, we have found that when we suspend contracts with our suppliers, we also cut off any opportunity to use our leverage and experience to help them change the way they do business and ultimately comply with our commitments. On the other hand, when we have stayed engaged, we have managed to achieve change and real successes. We will suspend contracts with the suppliers only as a last resort measure when all attempts at engagement fail or when no demonstrable progress has been made.

2. *Achieve an immediate moratorium on the destruction of forests and peat lands across its operations, including those of its third-party suppliers.*

IOI's revised Sustainability Palm Oil Policy (SPOP) sets out clear commitments in this regard. This includes the protection of High Conservation Value (HCV) areas, no deforestation of High Carbon Stock (HCS) areas using the HCS Approach (pending the definition of an integrated HCS methodology), and no development of peat lands regardless of depth. These commitments apply to our own operations as well as third party suppliers.

3. *Publish an ambitious time-bound plan with a deadline for third-party verification of compliance and termination of non-compliant suppliers.*

For the reasons stated in point 1, it is not practical to put a single or several deadlines for compliance by hundreds of third-party suppliers who are at different stages of development and facing different types of issues. Moreover, the list of our third-party suppliers changes regularly over time according to market dynamics. We would welcome a further discussion with Greenpeace on the question around third-party verification.

4. *Adopt a meaningful landscape approach to mitigate the impact of its operations on forests and peat lands across its supply chain, starting with its four concessions in Ketapang.*

As detailed in both our Policy and Sustainability Implementation Plan (SIP), we have engaged stakeholders in the immediate vicinity of the SNA Group subsidiaries to jointly develop and implement landscape approaches that contribute to effective fire prevention and mitigation and peat and biodiversity conservation. For example, we are working with the local communities and government agencies towards developing a partnership in fire prevention outside our concessions boundaries by raising awareness and training and we have signed an MOU with Balai Konservasi

Sumber Daya Alam (BKSDA) as our partner to work on an action plan on fire prevention.

We are committed to a landscape approach to manage peat land within and around our concession areas in the Ketapang landscape. This will be a major implementation focus area for us moving forward involving peat land mapping within and around our four concession areas as well as engaging with multiple other actors in the landscape in order to develop a robust landscape management plan. Further to this objective, we have recently signed an agreement for the commencement of LiDAR mapping of peat land areas within and around our Ketapang concession.

We recognise that the landscape approach is very much an evolving science in terms of the mapping methodologies and it also involves a new approach of engaging with the communities. We will therefore concentrate our efforts on getting it right in Ketapang before looking at whether it is applicable to other areas of our supply chain.

5. *Develop and implement a plan for extensive restoration of the forests and peat lands that it has destroyed.*

As detailed in our SIP, we have implemented a peat land rehabilitation plan for areas of degraded peat land in our palm oil concession, PT BSS, in Ketapang. This is the first step in a larger program of peat land rehabilitation being planned across other concessions in the Ketapang area which will be integrated into the larger landscape plan we will develop.

6. *Resolve outstanding grievances, including successfully concluding its dispute with the longhouse communities of Long Teran Kanan (LTK) in Sarawak by recognizing their rights to their customary lands, determined through community mapping, and re-negotiating the company's access and use of these lands subject to the Free, Prior and Informed Consent of the LTK and neighboring communities.*

IOI Group is committed to an open and transparent approach to resolving outstanding grievances with the involvement of affected stakeholders, including successfully concluding the mediation process with the affected longhouse communities in Sarawak, to the satisfaction of all parties. It is in our interest to find resolution to this dispute and we are working hard to achieve that.

In collaboration with the Land Custody and Development Authority (LCDA) of Sarawak (the minority shareholder in IOI-Pelita), the latest improved proposal which offers land ownership rights to the local communities has been put to their representatives last month. This is in the process of review by those communities, and there will be a follow up meeting with them in the next two months. We will continue to monitor progress on this and report back regularly.

We appreciate that the process of dispute resolution is frustratingly slow for some of our stakeholders but it is extremely complex and requires careful coordination with the government of Sarawak and the Resident of Miri who is mediating the whole process, and the agreement of more than 250 community households. In addition, in the interests of greater transparency, we will provide progress updates on the resolution to be published regularly via our new Grievance Mechanism.

7. *Uphold the rights of workers and tackle exploitative employment and trafficking of migrant workers documented in its operations.*

Our Policy clearly states our commitments in this regard, although we recognize it is the enforcement of these standards in our operations that will ensure they are upheld. Accordingly, we have committed to implement a labor-rights monitoring systems with the involvement of an external partner to verify labor conditions, to ensure compliance with our labor policy requirements (including responsible recruitment practice) and to improve welfare and working conditions. We will appoint an external partner in October this year with a remit to undertake a gap analysis of our operations and to support in the preparation of an action plan for the implementation of corrective actions where necessary.

Over the last several months, IOI Group has already taken steps to remind all recruitment agencies used by the company of their obligations to comply with IOI Group's requirements for responsible recruitment practice. A number of corrective actions have already been implemented pursuant to the engagement.

8. *Ensure transparent reporting backed by independent auditing of progress and publish concession maps, HCS and HCV assessments, a complete list of suppliers, and reporting on supplier compliance with its policies.*

IOI Group will report quarterly on its progress against its Policy and SIP. We will also be making available our Ketapang (Indonesian) concession maps whilst all other maps (Malaysia plantations) will be made available with the RSPO before the end of 2016. In order to verify compliance with our Sustainable Palm Oil Policy, we have been implementing a program of mill-level verification assessments across our supplier base since 2014. This is a three-step process comprising traceability, risk assessment and mill-level verification with on-site mill-level verification support provided by our supply chain partner Proforest. As part of this process, IOI Loders Crokiaan Group has already published its list of suppliers on their website. Risk assessments have been completed and 15 on-site mill visits have been conducted. We are now enhancing this program with supplier workshops and greater scrutiny of suppliers at Group level.

We will also introduce a public reporting system (company dashboard) to communicate traceability information, progress on resolution of outstanding complaints and updates on supplier engagement and verification by the end of this year.

We would welcome the chance to discuss the issues raised in the report with Greenpeace in detail, and face to face. We are committed to use whatever voice and influence we have in the palm oil industry to help achieve the outcomes both IOI and Greenpeace desire. Finally, we want to reiterate that we stand by our robust Sustainable Palm Oil Policy and remain totally committed towards building a traceable, transparent and sustainable palm oil supply chain.

Dato' Lee Yeow Chor
Chief Executive Officer
IOI Corporation Berhad

For further information contact:

Dr Surina Ismail

Group Head of Sustainability

IOI Corporation Berhad

Tel: +603-8947 8691

Email: surina@ioigroup.com

Karen Liew

Head of Corporate Communications

IOI Corporation Berhad

Tel: +603-8947 8956

Email: karen.liew@ioigroup.com



