

Building Transparent and Sustainable Supply Chains



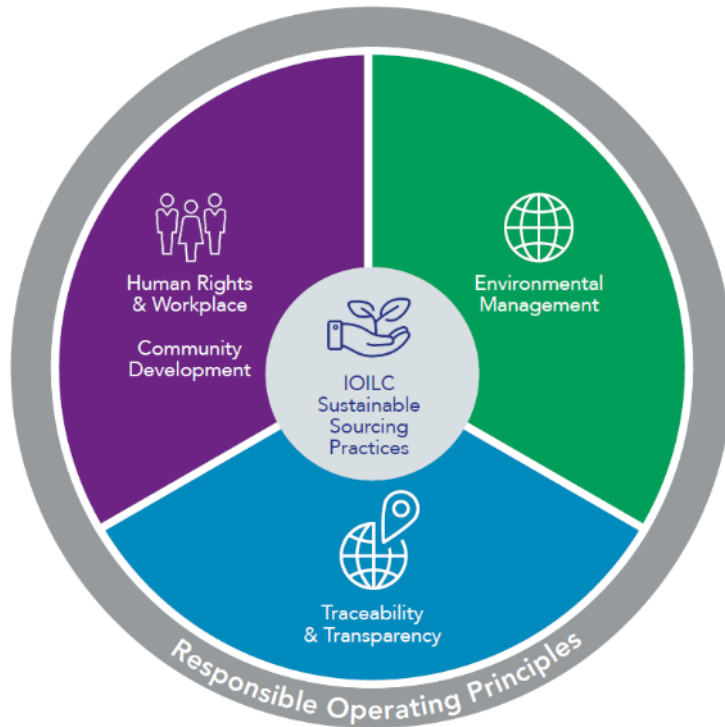
IOI Loders Croklaan

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IOI GROUP

Guided by Sustainable Practices in three areas



- ✓ Environmental Management
- ✓ Human Rights & Workplace and Community Development
- ✓ Traceability & Transparency

For the sourcing of palm and shea we are also guided by our **Sustainable Palm Oil Policy** and **Sustainable Shea Sourcing Practices**.



Palm Oil: the world's most widely used vegetable oil

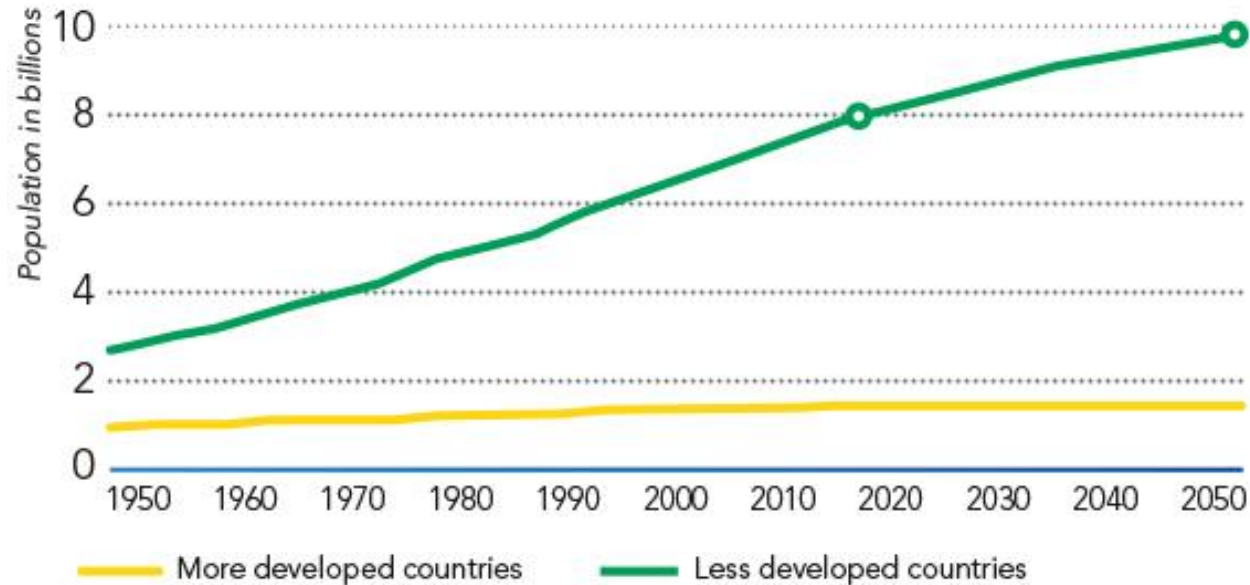
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More people need more vegetable oils



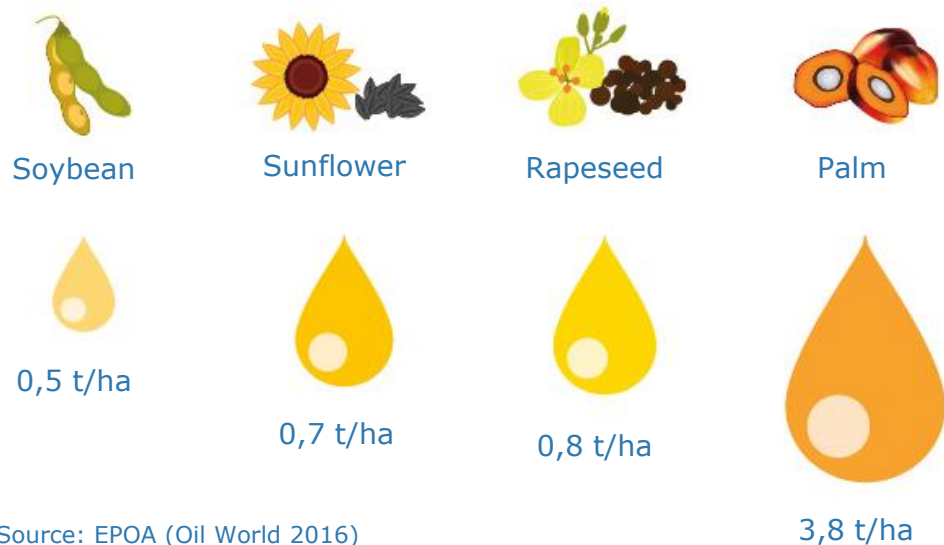
10 billion
mouths to
feed in 2050!

- Today we need **213M MT** of vegetable oils
- In 2050 another **30M MT extra** is needed to feed us all

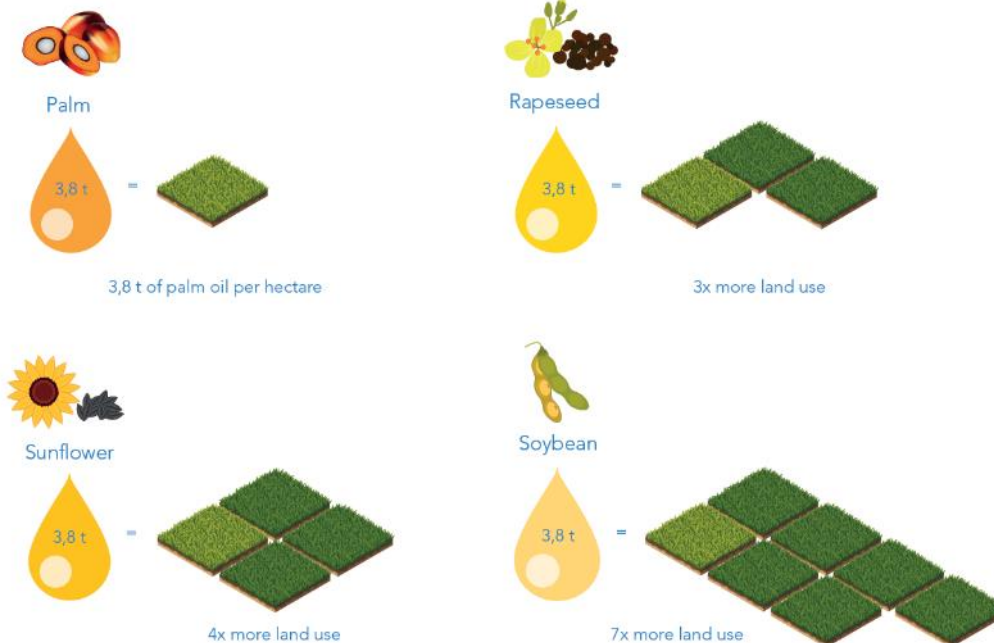
Palm oil is the **most efficient crop**

🔥 Average palm oil yield: **3.8mt/ha**

🔥 IOI yield: **4.61 mt/ha per year**



Source: EPOA (Oil World 2016)



Source: WWF

Harness huge palm benefits whilst ensuring sustainable practices

The palm industry needs to step up to fully embrace **NDPE** policies:

- **No Deforestation**
- **No Peat**
- **No Exploitation**

Our company addresses these challenges via industry collaboration, our Sustainable Palm Oil Policy and 3-step approach.



RSPO: Sustainability Certification for Palm



RSPO

Roundtable on Sustainable Palm Oil



Since 2004

3.422
members of
89
countries

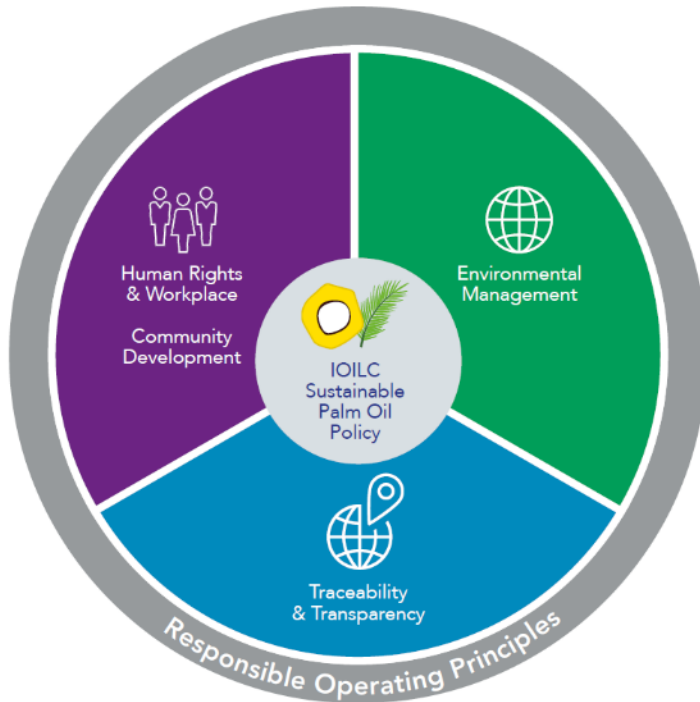
11.98
million
tonnes

Multi –
Stakeholder
initiative

3.2 million
hectares

19% of
Global palm
production

Our policy sets the industry standard, beyond RSPO



- ✓ Applicable to all suppliers, including **Third Party Suppliers** (Group-level)
- ✓ Accelerate the journey to **no deforestation** through the conservation of High Carbon Stock (HCS) forests, High Conservation Value (HCV) areas and the protection of peat areas regardless of depth.
- ✓ Build **a traceable and transparent supply chain**. Current traceability status: 100% traceability to mill level.
- ✓ **Respect the rights** of employees in the palm oil industry, indigenous peoples and local communities
- ✓ Increase the focus on driving beneficial economic change and to ensure a **positive social impact** on people and communities
- ✓ Application of **Free Prior and Informed Consent (FPIC)** in new developments
- ✓ Transparency on our performance and progress via our **Palm oil Dashboard**. Open and transparent **Grievance Procedure**.
- ✓ Wider **stakeholder engagement** through active participation in industry initiatives.

Three steps to ensure suppliers' compliance



Traceability & Transparency



Step 1

Traceability
Identifying the origins of our palm oil



Step 2

Risk assessments
Analyzing and prioritizing mills



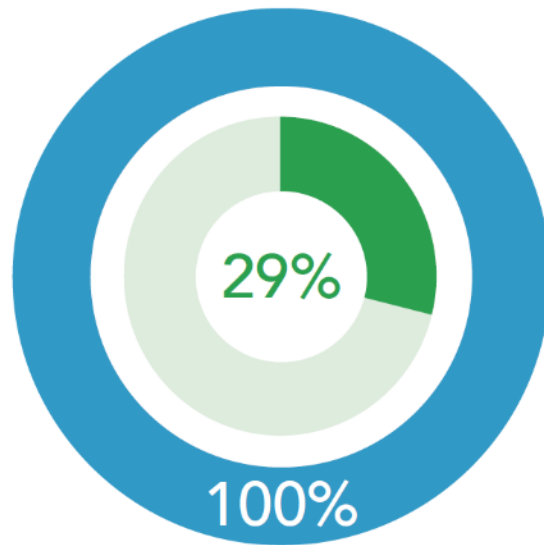
Step 3

**Supplier verification
& consultation**
Capacity building workshops

Today: 100% traceability to mill level



100% traceable palm oil to mill level for IOI Loders Croklaan



Traceability palm oil to mill



Traceability palm oil to plantation

Technical Supplier Workshops with industry experts



IOI Group organizes technical workshops to involve suppliers in its supplier program.

Aspiration: 100% traceability to plantation level



Our aspirations:

- 100% traceability to plantation level by 2020
- Continue supplier workshops to support suppliers with implementing policy requirements
- Landscape approach Sabah

Support landscape conservation



Environmental management

'We will direct our resources into existing priority landscapes and use our supply chain leverage to incentivize and support valuable landscape conservation initiatives'.

Landscape level protection



Landscape level protection plans



Protection of HCV and HCS via Ketapang peatland protection plan at landscape level.

Fire prevention program



IOI Group frequently conducts fire trainings for local communities and the estate teams.

Enhanced sector collaboration to transform the industry



Our aspirations:

- Collaboration with private sector, government and local communities to protect conservation area in West Kalimantan (– landscape approach –)
- Seeking for collaboration with trading partners on any other relevant area
- Installation of methane capture facilities at all IOI Group mills by 2020

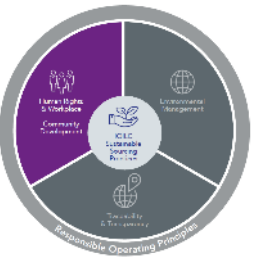
Sustainable future for communities



Human Rights in the Workplace and Community Development

'We are committed to creating a sustainable future for communities operating within our supply base. We stand for an inclusive supply chain for smallholders, small growers and grower companies in the palm oil sector'.

Respect and uphold all workers rights



Enhanced recruitment policies

- Equal Opportunity Employment & Freedom of Association Policy
- Minimum Wages & Leave Pay Policies in Malaysia
- Foreign Workers Recruitment Guideline & Procedures in Malaysia

Major Malaysian Palm Oil Company Announces Groundbreaking Labor Policies

Source: [Finnwatch 31/10/2017](#)

Respect all workers rights



In 2017 all IOI Group locations will have passport lockers for workers.

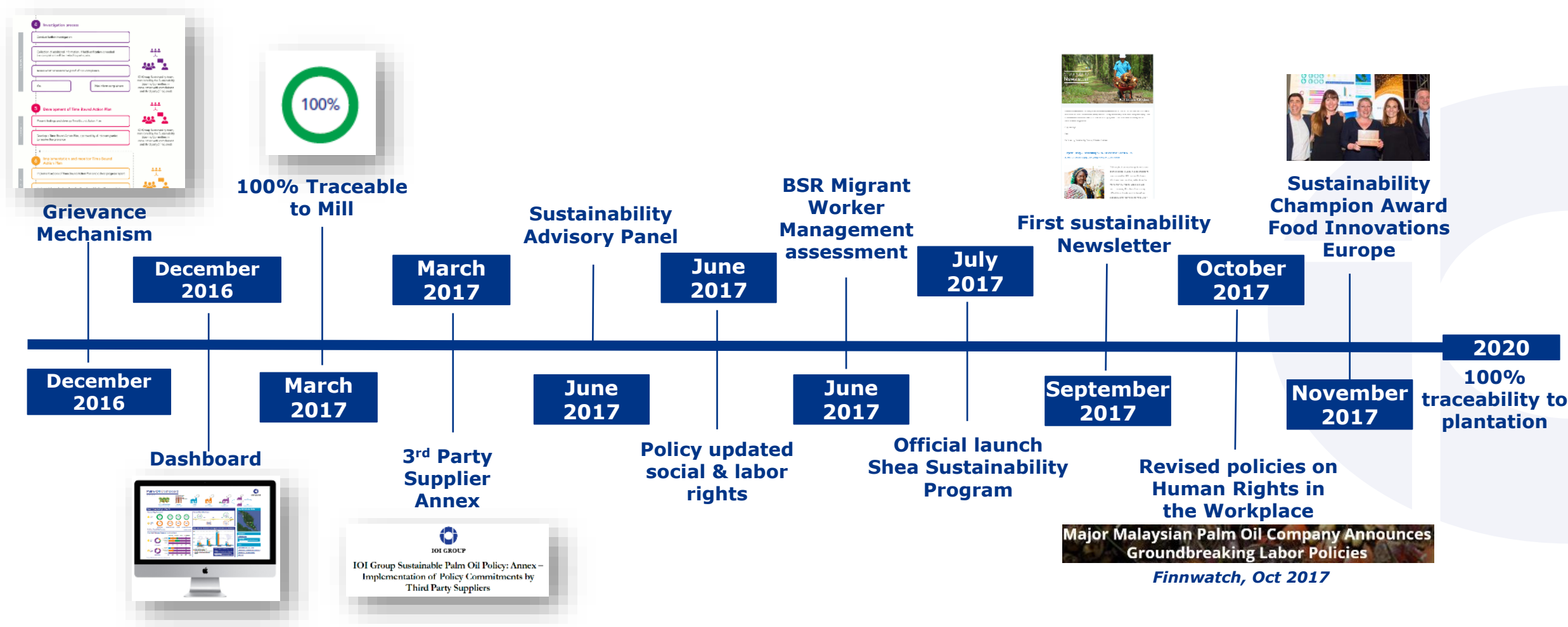
Focus on further smallholder inclusion



Our aspirations:

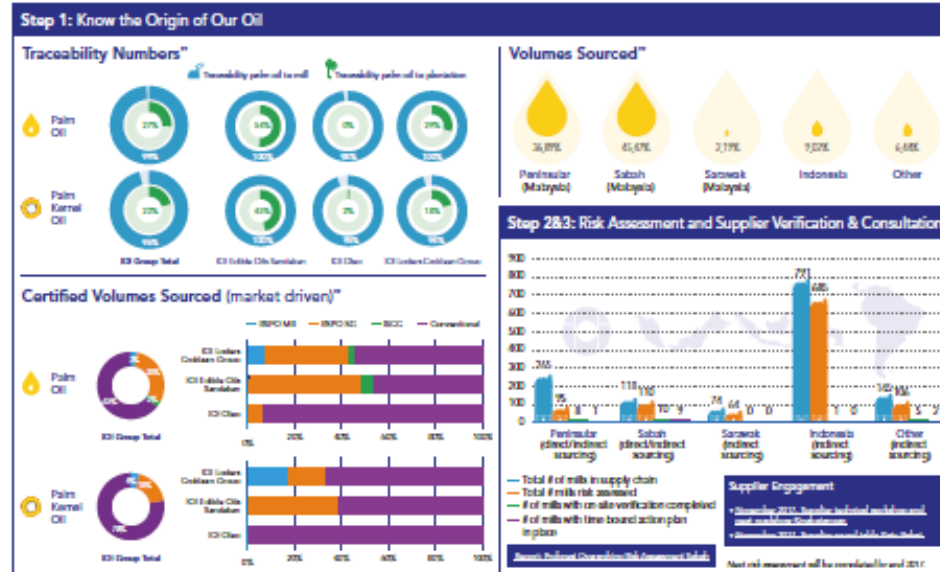
- Smallholder inclusion:
 - Participation in smallholder program initiated by industry stakeholders
 - Development of smallholder project at third party mill within IOI Group supply chain
 - Development of smallholder project in collaboration with customers
- Continue supplier workshops on social & labor aspects

Sustainability Journey



Progress

Palm Oil Dashboard



*Source: ISF World 2015, 2016 and IOI Group Annual Report 2017 **Numbers from October 2016 - Year-end 2017



Welcome to the first edition of this quarterly sustainability newsletter of IOI Lodars Croklaan. We invite you to take a few minutes and learn more about our journey towards building a sustainable, traceable and transparent supply chain. In this newsletter we will also take you to West Africa to highlight our contributions towards creating a more sustainable shea supply chain.

Enjoy reading!

Best,

Ben Vreburg, Sustainability Director, IOI Lodars Croklaan

Expert Blog - Reaching 98% Traceable Shea Nuts

By Joost van Ginneken, Supply Chain Manager AFRICA, IOI Lodars Croklaan



"Although shea may be quite unknown to the general public, it is an important raw material for IOI Lodars Croklaan. We have been working with shea for more than 50 years. Shea is a wild crop, meaning the shea tree is very difficult to cultivate and is therefore generally only found in the wild. Over

arterly Story

a concession project in Ghana and the shea nut roller distribution in Burkina Faso



As an active member of the Global Shea Alliance, IOI Lodars Croklaan committed to participate in a warehouse project in Apebikum, Ghana in 2016. The purpose of the project was to construct and donate a warehouse to the local women. This warehouse is used to store kernels, giving the women the possibility to sell larger quantities and earn more per kilo. The dry storage conditions of the warehouse will also lead to better quality of the nuts and the warehouse can generate additional income by renting it out to store other crops off-season.

IOI Lodars Croklaan piloted a roller tool to aid women in the shea fruits in the field. It is a major buyer to introduce and after the successful trial Croklaan has decided to



distribute an additional 100 rollers through its network directly to women across Burkina Faso in 2017. Read the full stories [here](#).

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