

IOI CORPORATION BEHARD (IOI:MK)

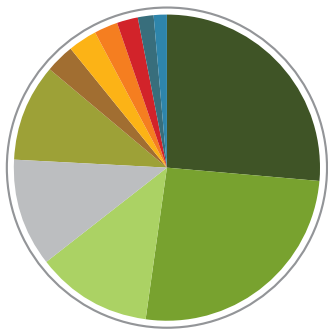


One of Malaysia's biggest corporations and a major producer and trader of palm oil, IOI Corporation, faces material ESG risks related to natural forest clearance, peatland drainage, forest fires and human rights violations in its own operations and those of its third-party suppliers. Following its suspension from the RSPO on March 14th 2016, 27 of its buyers ceased purchasing from IOI, and IOI's share price plummeted by nearly 20% (see Figure 6).

COMPANY PROFILE & SUSTAINABILITY COMMITMENTS

CEO	Dato' Lee Yeow Chor	FOREST RISK COMMODITIES	Palm oil
PARENT COMPANY	IOI Group	SUPPLY CHAIN EXPOSURE	Plantations, processing, trading, manufacturing, wholesale
MARKET CAP (USD)	6.8 billion USD ¹¹¹	AFFECTED TROPICAL FOREST AREAS	Indonesia, Malaysia, Latin America
ANNUAL REVENUE (USD)	FY2015 2.9 billion USD ¹¹²	RELEVANT SUBSIDIARIES	IOI Loders Croklaan, PT Bumi Sawit Sejahtera & IOI Pelita Plantations
HEADQUARTERS	Malaysia	KNOWN BUSINESS RELATIONSHIPS	Buyers: Mitsui, Ottogi, Wilmar, Musim Mas, GAR, Apical, Louis Dreyfus, Felda, Neste, General Mills & Hershey's
LANDBANK (HA)	Total: 197,935 ha Planted: 180,322 ha		
NDPE POLICY	No		
THIRD PARTY VERIFICATION	Partial – RSPO member. 21.4% of its plantation estates are not RSPO certified. ¹¹³ No commitment to third party verification beyond RSPO for entire supply chain.		
TRACEABILITY	Weak SPOTT score on traceability to mill: 41.7% ¹¹⁴		
TRANSPARENCY	Partial SPOTT scores: ¹¹⁵ RSPO reporting: 53.3% Landbank and maps: 50%		

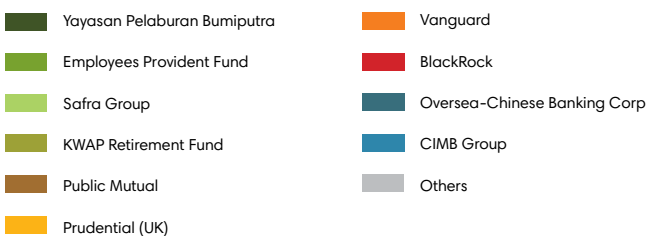
INVESTORS AND FINANCIERS



BOND AND SHAREHOLDINGS IN IOI GROUP

2,399 MILLION USD

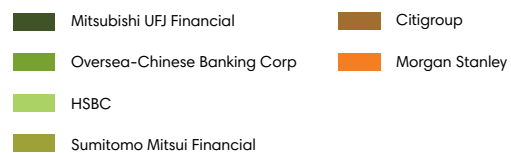
(MAY 2017, FOREST-RISK SECTOR ADJUSTED, INSTITUTIONAL INVESTORS ONLY)*



LOANS & UNDERWRITING TO IOI GROUP

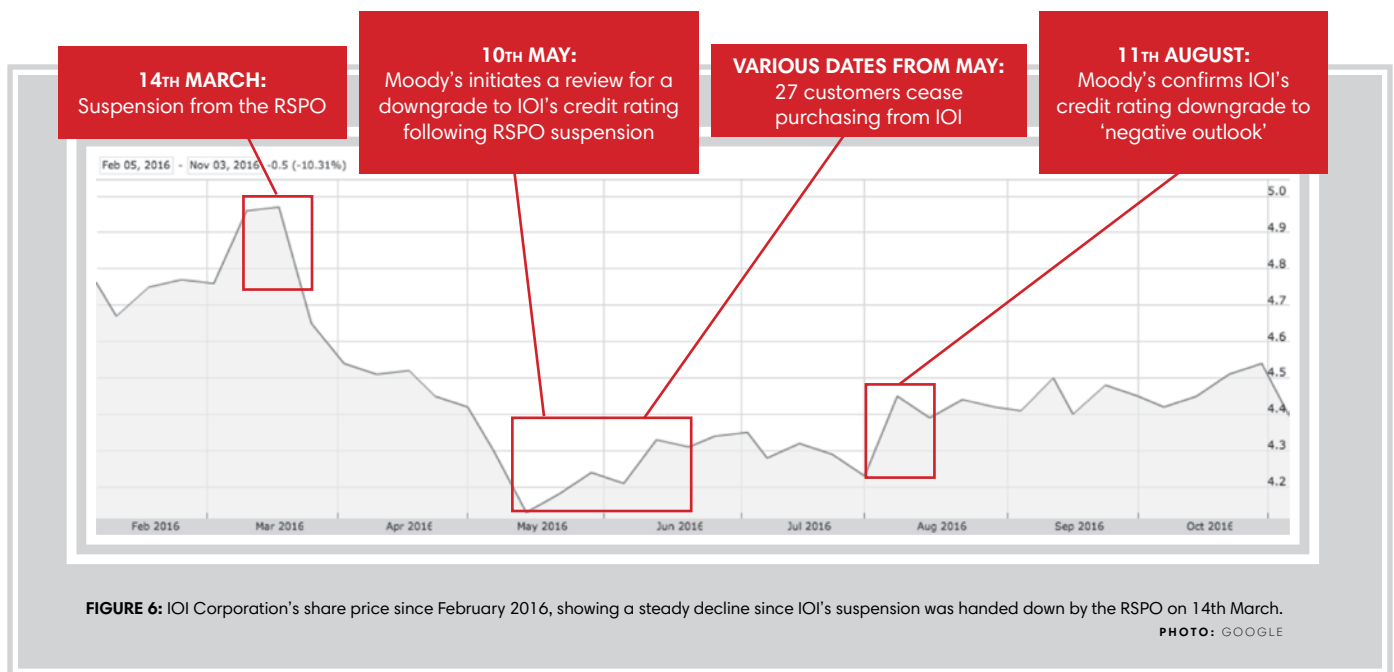
1,141 MILLION USD

(2010 - 2016, FOREST-RISK SECTOR ADJUSTED)*



SOURCE: 'EXPLORE THE DATA' | forestsandfinance.org

* Forest-sector adjusted financing at group company level. See methodology note on summary page.



ESG PERFORMANCE

HUMAN RIGHTS

- » In 2014, human and labor rights violations, including indicators of forced labor, were documented on IOI's plantations in Johor state in Peninsular, Malaysia.¹¹⁶ A 2016 follow-up investigation on the same plantations found problems still evident in recruitment (workers reported paying large fees and being recruited under false promises); workers still not being paid a minimum wage; problems with passport retention; and discrimination in employment contracts and recruitment.¹¹⁷
- » Subsidiary IOI Pelita Plantations' palm plantations in Sarawak, Malaysia, were first established without the free prior and informed consent (FPIC) of the Long Teran Kenan communities in violation of their established Native Customary Land tenure rights. In 2006, IOI group acquired the plantation but failed to respect these rights, provide remedy or engage in mediation efforts in good faith, resulting in a decade long land conflict. The communities filed an RSPO complaint in March 2010,¹¹⁸ and for years IOI failed to meet the dispute mediation conditions set by the RSPO. In January 2017, at least 7 of the communities rejected an offer that was made by IOI due to its inadequate terms and a flawed process.¹¹⁹ In March 2017, a civil society coalition published an open letter to IOI stating its shared concerns about the company's most recent attempt to resolve the dispute and recommendations for actions that IOI should take to uphold communities rights and resolve the conflict.¹²⁰

CLIMATE AND BIODIVERSITY

- » In December 2015, active fires were detected in High Conservation Value (HCV) areas of concessions operated by IOI's subsidiary, PT Bumi Sawit Sejahtera (PT BSS), with irreversible impacts on peat forest and the habitat of endangered species.¹²¹

- » In 2016, PT BSS illegally drained and developed peatland concessions in West Kalimantan despite sanctions and a government ban on peatland development.

GOVERNANCE

- » IOI's palm oil plantations have operated without necessary permits, used fire to clear forests and deep peat, and made fraudulent statements.¹²²
- » In April 2015, IOI was the subject of an RSPO complaint,¹²³ and was suspended from the RSPO in March 2016, leading Nestlé, Mars, Unilever, Kellogg, Hershey's, Cargill and 21 other customers to cease purchasing from the company.¹²⁴ IOI sued the RSPO over this decision.¹²⁵ While the RSPO certificate was reinstated in August 2016 after IOI submitted an action plan to address the complaints, IOI's response has so far been insufficient to address the ongoing risks in its operations.¹²⁶
- » IOI lacks a comprehensive NDPE policy that commits to the protection of High Carbon Stock (HCS) forests through the use of the HCS approach for its entire supply chain.
- » IOI has made various policy commitments, but is judged to have had poor implementation to date. Significant violations of its policy have been found in its third party supply chain, including clearance of natural forests, development on peat, labor (see Indofood profile) and other human rights abuses.¹²⁷ In May 2017, civil society groups published a set of policy and implementation milestones that IOI must meet to demonstrate real progress.¹²⁸
- » One quarter of IOI's landbank is estimated to be contested by local land owners as well as subject to peat land drainage and clearing of HCV areas.¹²⁹