



INTERHILL CORPORATE SOCIAL RESPONSIBILITY ACTION PLAN

Date: 30 September 2009

A BETTER FUTURE TOGETHER...

INTERHILL GROUP OF COMPANIES

Preliminary

1. This Corporate Social Responsibility Action Plan (hereinafter referred to as “Action Plan”) is formulated based on INTERHILL’s Corporate Philosophy and Corporate Social Responsibility Framework as set out in its web site at : www.interhill.com.my.

It also takes into consideration the Independent Fact-Finding Mission commissioned jointly by Interhill and Accor and the Mission Report produced thereafter dated September 10, 2009 by Hugh Blackett with regard to INTERHILL’s forestry harvesting operations (hereinafter referred to as “the Mission Report”).

2. The key direction and principles for this Action Plan are:
 - INFORM
 - EDUCATE
 - INNOVATE
 - ACTIVATE
3. A just understanding by all stakeholders, internal and external, of the corporate social responsibility principles and the stakes connected to sustainable development constitutes a key element of its applicability and its evolution. Too often the concept of sustainable development is associated only with the environmental aspect. A better understanding of the requirements and the environmental, social and economic stakes associated with sustainable development is required so that each feels concerned by this challenge and intervenes in a responsible and sustainable way. It is thus essential that its orientations and actions are part of a coherent approach, where the consideration of principles of sustainable development allows INTERHILL reasonable space and time to improve its actions and to enrich its decisions and recommendations.
4. Hence the key principles as set out in paragraph 2 are very important for all stakeholders to achieve a better understanding of the approach of sustainable development so that the principles of sustainable development can be integrated into reflections, decision-making, recommendations and actions.
5. To this end, the broad objectives are set out herein together with the requisite action to form the basis of this Action Plan. A calendar summarizing the deadlines is added at the end of the document.

Action Plan

Objective: Raise internal awareness on sustainable development.

- Action 1: Raise the awareness of shareholders, employees and management by giving them information about how to properly engage with stakeholders and what sustainable development is.
- Action 2: Implement activities which can contribute to such awareness. By the end of October 2009, INTERHILL will apply to the membership of the Business Council for Sustainable Development in Malaysia (BCSDM), which is part of the World Business Council for Sustainable Development (WBCSD) and aims among other things at assisting business sectors to develop their CSR policies.
- Action 3: Organize regular training and awareness sessions on sustainable development and how to implement it locally. For instance, INTERHILL proposes to circulate and distribute copies of the ACCA-SHELL-BCSDM Corporate Responsibility Guide for Busy Managers to all its employees by the end of October 2009. By the end of December 2009, INTERHILL proposes to provide at least one training session on sustainable development for all its managers.
- Action 4: Continue to update and expand on INTERHILL's existing internal CSR Report, "Our Promise to Our People", which is a living and dynamic document.

Objective: Collect stakeholders' feedbacks and expectations so that issues deemed sensitive can be addressed.

(Stakeholders are understood extensively: it refers not only to shareholders, directors, managers, employees and staff, but also to government, regulators, local communities, partners, suppliers, consumers and so on)

- Action 5: Conduct stakeholders' surveys to identify issues and ponder the relative importance of each. INTERHILL proposes to complete, by December 2009, a first stakeholders' survey in order to identify the issues arising and be in a position to assess and prioritize each issue.
- Action 6: Create a database to record all issues and monitor the management of each of them. This is to ensure that all past stakeholder consultations, dialogues and meetings are carefully documented and that all comments and

suggestions made are not lost. INTERHILL proposes to complete the setting up of such a systematic database by the end of March 2010.

Objective: Introduce a formal Investigation Committee for the handling of serious issues and the prevention of their recurrence.

Action 7: INTERHILL proposes to set up an Investigation Committee by the end of March 2010, which will comprise a Management Representative, a CSR Chairman, an internal auditor and an external CSR consultant. This Investigation Committee will examine raised issues, act as an advisory entity and make recommendations to the management of INTERHILL. It will also explore measures to prevent the recurrence of such serious issues.

Action 8: By the end of September 2010, INTERHILL proposes to establish a whistleblower system for employees to encourage early discovery and resolution of issues.

Action 9: Conduct awareness training and education about the said whistleblower system so that management and employees understand and are familiar with its procedures by the end of December 2010.

Objective: Encourage corporate transparency practices.

Action 10: At all material times, seek to publish on INTERHILL's website the results of investigations on and reports of its activities, as well as the measures implemented to prevent recurrence of serious issues.

Action 11: Provide timely release of any other pertinent information relating to the improvement measures implemented and issues raised.

Objective: Adopt good environmental practices.

Action 12: Engage an environment expert by the end of January 2010 to advise INTERHILL on best practices relating to forestry management.

Action 13: Seek expert advice on how to further develop standard operating procedures covering harvest planning, forest surveying, engineering works, erosion control, implementation of low impact logging, supervision of engineering

and harvesting activities as well as the introduction of safety measures and management of waste.

Action 14: By the end of March 2010, INTERHILL proposes to set up and provide a training program to ensure that all workers and supervisory staff are conversant with required procedures and are able to operate in a manner, which properly recognizes environmental obligations and mitigates the negative impacts.

Objective: Establish a proper documentation system in relation to agreements, financial aid, payments and donations.

Action 15: INTERHILL proposes to set up, by January 2010, a systematic record keeping and documentation process to track all financial payments, as well as the distribution of all financial aid and non-financial aid (such as donations or gifts). This may include the setting up of a practice of recording all events on video or audio material.

Objective: Establish clear disciplinary procedures for all employees who breach INTERHILL's regulations or are found guilty of misconduct.

Action 16: By the end of March 2010, INTERHILL proposes to set up clear disciplinary procedures and penalties for employees' misconduct and strictly enforce them.

Action 17: Ensure that more notices, signboards and posters relating to INTERHILL's regulations and disciplinary procedures are prominently displayed throughout the camps.

Objective: Improve notification procedures to tribal communities for commencement of forestry harvesting operations.

Action 18: By the end of March 2010, INTERHILL proposes to set up a clear and proper system of notification to the local tribal communities of impending forestry harvesting operations, so that a sufficiently reasonable time is given before the commencement of actual operations.

Action 19: INTERHILL proposes to set up, by the end of March 2010, a permanent Liaison Committee comprising of relevant authorities, licensee, contractors and local

tribal communities to serve as a forum for consultation and dispute resolution.

Action 20: Improve existing grievance mechanisms and further promote a tactful and diplomatic handling of complaints and grievances. In particular, INTERHILL will ensure that complaints can be lodged in a clear and culturally appropriate way, and that complainers are protected from any kind of cost or retribution.

Action 21: By the end of March 2010, INTERHILL proposes to install new and proper maps at forestry camps to facilitate an easier management of relationships with the tribal communities and their location thereof.

Objective: Improve social contribution to tribal communities and promote practices that lead to long-term benefits.

Action 22: By the end of March 2010, INTERHILL proposes to recruit additional staff, interns and/or volunteers to carry out further social community development activities in the indigenous villages at the forestry concession areas in the Middle Baram region.

Action 23: INTERHILL proposes to engage a social expert by the end of March 2010 to advise them on best practices relating to long-term benefits and sustainable development for tribal communities.

Such a social expert will be in charge of implementing several actions laid out in the present document, including:

- develop and improve relationships with the Penan through extensive dialogue that permits free, prior and informed consent in advance of any company activities that may have an impact on the Penan
- review and improve benefit accounting procedures so that all claims can be easily verified
- draft and negotiate agreements where none exist
- design and develop a program delivering sustainable support, training and education to the Penan, taking into consideration needs identified and requested by the Penan themselves
- establish an effective liaison committee to ensure that all relevant parties fully understand what activities are planned and how negative impacts will be mitigated, and to ensure that fair procedures are observed to resolve any conflict.

- Action 24: Implement activities deemed relevant with tribal communities. The focus may be on issues such as health and hygiene, women rights, sex education, the development of local kindergartens, skills training and the further development of community facilities.
- Action 25: By the end of October 2009, INTERHILL proposes to finalize with the Sarawak Tipun Penan Development Association to set up the STPDA-INTERHILL Scholarship/Grant, which will aim at sponsoring Penan students and helping them undertake further studies or skills/vocational training.

Conclusion

1. The Need for Feedback

What drives change within a network of stakeholders for any particular company is feedback. In the free market, in nature, and in every living system, feedback is the catalyst that drives innovation and improvement through adaptation. INTERHILL has taken the bold and unprecedented step of making public the Independent Fact-Finding Mission Report on its forestry operations by Hugh Blackett by publishing it on its corporate website. Companies savvy to these new developments, requirements and inputs know they must serve not just shareholders but an increasing array of stakeholders by listening and adapting to stakeholder feedback. INTERHILL intends to do just that.

Companies that fail to get feedback from all voices in their stakeholder network will fail to adapt. For INTERHILL, stakeholder engagement means gaining feedback from every stakeholder category in a company's marketplace. This feedback and input will assist to drive adaptation, innovation, improvement and future activities to build support from employees, customers and communities.

2. INTERHILL STAKEHOLDER ENGAGEMENT PRINCIPLES

Throughout the implementation of the above processes and actions, INTERHILL will be guided by the following INTERHILL STAKEHOLDER ENGAGEMENT PRINCIPLES:

- we believe in responsible forest management & a sustainable development policy
- we are openly accountable for our actions
- we respect and are sensitive to the diversity of stakeholders and recognize their needs
- we will listen and understand stakeholder views and perspectives
- we understand the limitations of stakeholder responsibilities and capacities
- we act professionally and with integrity, including being honest and courteous
- we act with care and diligence
- we give clear, timely and relevant information

Calendar

End of October 2009

- Action 2: Application to the Business Council for Sustainable Development in Malaysia
- Action 25: Setting up of Scholarship Grant to sponsor Penan students

End of December 2009

- Action 3: Distribution of the ACCA-SHELL-BCSDM Corporate Responsibility Guide to all managers and training sessions to secure its application

End of January 2010

- Action 12: Engagement of an environment expert to bring expertise and enforce actions
- Action 15: Setting up of a database to record all financial payments, aid and gifts

End of March 2010

- Action 6: Setting up of a database to record and monitor all sustainable development issues, so that all consultations and suggestions made with stakeholders are not lost
- Action 7: Setting up of Investigation Committee
- Action 14: Training so that employees are familiar with good environmental practices
- Action 16: Introduction of clear disciplinary procedures for employees' misconduct
- Action 18: Setting up of a proper notification system for impending harvesting operations
- Action 19: Setting up of a permanent Liaison Committee
- Action 21: Installation of new maps in forestry camps
- Action 22: Engagement of additional staff to carry out local development activities
- Action 23: Engagement of a social expert to bring expertise and enforce actions

End of September 2010

- Action 8: Introduction of a whistleblower system

End of December 2010

- Action 9: Training so that employees are familiar with the whistleblower system
