

**MSPO CERTIFICATION  
Annual Surveillance Assessment - 01**

**SUMMARY REPORT**

<p><b>IOI CORPORATION BERHAD</b></p> <p><b>Morisem Oil Palm Estates Grouping</b></p> <p><b>Lahad Datu, Sabah, Malaysia</b></p>
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<b>Certificate No:</b>	<b>INTERTEK MSPO 001B</b>
Original Start date:	22 Feb 2018
New Start date (ASA-01):	22 Feb 2019
Expiry date:	21 Feb 2023
<b>Audit Type</b>	
<b>Audit Dates</b>	
Initial / Stage 2	25 - 28 Sep 2017
Annual Surveillance - 01	24 - 28 Sep 2018
Annual Surveillance - 02	
Annual Surveillance - 03	
Annual Surveillance - 04	
Re-Certification	

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## 1.0 SCOPE OF AUDIT

### 1.1 Introduction

This Annual Surveillance Assessment - 01 was conducted on the Morisem Oil Palm Plantation / Estates of IOI Corporation Berhad (hereafter abbreviated as IOI), from **24 – 28 Sep 2018**, to assess the organization's operations of the Pam Oil Mill and its FFB supplying plantations / estates are in compliance against the **MSPO Standard for Oil Palm Plantations (MSPO MS 2530-3: 2013)**.

The Morisem Oil Palm Plantation are made up of a grouping of estates which are owned and managed under IOI Corporation Berhad (IOI). The plantation management unit (PMU) is equivalent to a certification unit consisting of one palm oil mill and its supply base which are made up of a grouping of estates owned by IOI.

### 1.2 Location (address, GPS and map) of Palm Oil Mill and estates

The Morisem Grouping consists of one (1) palm oil mill, namely Morisem Palm Oil Mill and seven (7) estates as indicated in Table 1 below, which includes the addresses and GPS locations of the mill and estates. The 7 estates are all IOI owned estates. The location maps are provided in **Appendix C**.

**Table 1: Address of Palm Oil Mill, Estates and GPS Location**

Name	Address	GPS Reference	
		Latitude	Longitude
Morisem POM (Capacity: 105 MT/hour)	Jalan Jeroco Batu 13, KM 70, 91100 Lahad Datu, Sabah, Malaysia	5°29'38.65"N	118°22'8.54"E
1. Morisem 1	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°29'24.00"N	118°19'12.00"E
2. Morisem 2	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°27'36.00"N	118°21'36.00"E
3. Morisem 3	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°30'0.00"N	118°19'48.00"E
4. Morisem 4	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°20'24.00"N	118°20'24.00"E
5. Leepang 2	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°30'36.00"N	118°22'48.00"E
6. Leepang 3	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°31'48.00"N	118°23'24.00"E
7. Leepang 4	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°32'60.00"N	118°22'12.00"E

Note: After the previous assessment, Ladang Asas (Tas & Halusah) Estate had been transferred from IOI Morisem Grouping to IOI UNICO Grouping.

### 1.3 Description of FFB supply base

The supply base i.e. FFB sources to the POM at Morisem Grouping are from the abovementioned 7 estates owned by IOI.

Verification done on site during the Audit confirmed that there were no outgrowers / independent suppliers / smallholders involved in the supply of FFB to the said POM.

Details of the planted hectareage for the FFB supply for the Morisem Grouping are as shown in Table 2 below.



Table 2: Estate Area Summary

Estate	Area Summary (ha) – Previous (Year 2017)		Area Summary (ha) – Current (Year 2018)	
	Certified Area	Planted Area	Certified Area	Planted Area
Morisem 1 Estate	2032.00	1896.00	2032.00	1896.00
Morisem 2 Estate	2042.14	1886.00	2042.14	1852.00
Morisem 3 Estate	2013.70	1819.00	2013.70	1812.00
Morisem 4 Estate	2023.00	1896.00	2023.00	1887.00
Leepang 2 Estate	2159.19	1962.00	2159.19	1962.00
Leepang 3 Estate	1914.43	1838.00	1914.43	1838.00
Leepang 4 Estate	1425.21	1354.00	1425.21	1354.00
Ladang Asas Estate (Tas & Halusah)	2021.85	1909.00	-	-
<b>Total:</b>	15,631.52	14,560.00	13,609.67	12,601.00
<b>Percentage:</b>	100 %	93.15%	100%	92.59%

Notes:

1. This Assessment covered the overall land use for oil palm plantation areas and the identified Conservation areas including HCV areas marked out at the selected estates.
2. The estates sampled for this Assessment have been selected based on their potential risks on social, environmental and biodiversity issues such as their proximity to forest reserves, hill sides, riparian zones and high conservation value areas.
3. After the previous assessment, Ladang Asas (Tas & Halusah) Estate had been transferred from IOI Morisem Grouping to IOI UNICO Grouping.

#### 1.4 Summary of plantings and cycle

The 7 estates had been developed beginning from 1990 and the replanting (2<sup>nd</sup> cycle) in 2007 onwards at the various estates. The age profile is as shown in Table 3.

Table 3: Age Profile of Planted Oil Palm (Year 2018)

Estate Name	Year of Planting	Cycle of Planting	Mature OP (ha) – Above 3 years	Immature OP (ha) – 3 years & below	Total (ha)
Morisem 1 Estate	2007-2010	2 <sup>nd</sup> Cycle	1896	0	1896
Morisem 2 Estate	2008-2014	2 <sup>nd</sup> Cycle	1852	0	1852
Morisem 3 Estate	1990-1991 2014-2018	1 <sup>st</sup> Cycle 2 <sup>nd</sup> Cycle	1331	481	1812
Morisem 4 Estate	1991-1992 2013-2018	1 <sup>st</sup> Cycle 2 <sup>nd</sup> Cycle	1504	383	1887
Leepang 2 Estate	1995-1999 2016-2017	1 <sup>st</sup> Cycle 2 <sup>nd</sup> Cycle	1637	325	1862
Leepang 3 Estate	1996-1997	1 <sup>st</sup> Cycle	1838	0	1838
Leepang 4 Estate	1996-2003	1 <sup>st</sup> Cycle	1354	0	1354
		<b>Total</b>	<b>11,412</b>	<b>1,189</b>	<b>12,601</b>

Note: There has been no New Planting in any of the certified areas.



### 1.5 Summary of Conservation and HCV Areas

The summary of Conservation and HCV Areas as identified in Morisem Grouping during this Audit is as shown in Table 4 below:

**Table 4: Conservation and HCV Areas**

#	Statement of Land Use (Ha)	Year 2017 Hectarage – Ha	Year 2018 Hectarage – Ha
<b>1</b>	<b>Planted Area (ha) – Oil Palm</b>		
	- Mature (Production)	14,567	12,601
	- Immature (Non-Production)	12,224	11,412
		2,343	1,189
<b>2</b>	<b>Conservation Area (ha)</b>		
	- Comprising unplantable areas such as steep & hilly areas and swampy areas.	430.62	366.32 (Note 1)
<b>3</b>	<b>HCV Area (ha)</b>		
	- comprising buffer areas near river riparian, forest reserves, water catchments, burial & religious sites.	97.50	97.50

Note 1. Reduction in conservation area due to Ladang Asas (Tas & Halusah) Estate been transferred from IOI Morisem Grouping to IOI UNICO Grouping after the previous assessment,

### 1.6 Other certifications held and Use of MSPO Trademarks

Currently, the other certification held by IOI Morisem POM and Estates Grouping has the RSPO P&C Certification and also the ISCC certification which are valid.

The MSPO's trademarks and logo are not used by the POM / Estates audited. Instructions for use were provided and acknowledged by the POM / Estates through a signed Memorandum of commitment agreeing to adhere to the latest "MSPO Rules on Communications & Claims" during the Audit.

### 1.7 Organizational information / Contact Person

At Head Office:

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Sustainability Head / Coordinator  
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At Morisem (Sabah) POM & Estates Grouping:

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General Manager (Sabah Region)  
IOI Plantation Services Sdn Bhd  
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Fax: 089 509100  
Email: ioi.ldro.sabah@gmail.com



### 1.8 Tonnages Verified for Certification

1.8.1 The breakdown of all the suppliers and their tonnages of FFB supplied to the POM at Morisem Grouping based on the actual tonnages is as in Table 5 below:

**Table 5: Tonnages Verified for Certification (Jan - Dec 2017)**

#	Estate /Supplier	FFB Processed (MT)	Main Receiving Mill	Certified By
1.	Morisem 1 estate	52,519.25	Morisem POM	Intertek
2.	Morisem 2 estate	33,564.73	Morisem POM	Intertek
3.	Morisem 3 estate	25,600.43	Morisem POM	Intertek
4.	Morisem 4 estate	31,682.33	Morisem POM	Intertek
5.	Leepang 2 estate	41,323.80	Morisem POM	Intertek
6.	Leepang 3 estate	34,272.37	Morisem POM	Intertek
7.	Leepang 4 estate	33,961.80	Morisem POM	Intertek
	<b>Sub-total for PMU estates</b>	<b>252,924.71</b>		
8.	Other IOI PMUs Estates:	0	-	-
9.	Outside Crop Producers (OCP):	0	-	-
	<b>Grand total</b>	<b>252,924.71</b>		

1.8.2 Total annual volumes / tonnages of FFB supplied from the supply base to Morisem Grouping POM during the previous, current and projected period are as follows:

**Table 6: FFB Processed (tonnages)**

Estate / Supplier	FFB Processed in Year 2017 - Actual		FFB Processed in Year 2018 - Actual & Projected		FFB for Processing in Year 2019 - Projected	
	MT	%	MT	%	MT	%
Morisem PMU Estates	252,924.71	100	259,646.11	100	269,984	100
Other certified IOI PMUs	0	0	0	0	0	0
<b>Certified FFB</b>	<b>252,924.71</b>	<b>100</b>	<b>259,646.11</b>	<b>100</b>	<b>269,984</b>	<b>100</b>
Non-certified FFB	0	0	0	0	0	0

1.8.3 The annual certified tonnages of CPO and PK production by the Morisem Grouping as verified during this current Audit and projected for next FY are detailed as follows:

**Table 7: Annual Certified FFB, CPO and PK Tonnages**

POM	Year 2017 - Actual		Year 2018 - Actual + Projected		Year 2019 - Projected	
Total certified FFB Processed (MT)	<b>252,924.71</b>		<b>259,646.11</b>		<b>269,984</b>	
Total certified CPO Production (MT)	51,181.20	OER: 20.24%	52,924.78	OER: 20.38%	57,747	OER: 21.39%
Total certified PK Production (MT)	12,025.81	KER: 4.75%	12,103.10	KER: 4.66%	12,899	KER: 4.78%



### 1.9 Abbreviations Used

CB	Certification Body	KER	Kernel Extraction Rate
CHRA	Chemical Health & Risk Audit	LTA	Lost Time Accidents
CPO	Crude Palm Oil	MPOB	Malaysian Palm Oil Board
CSDS	Chemical Safety Data Sheets	MPOCC	Malaysian Palm Oil Certification Council
CSPO	Certified Sustainable Palm Oil	MSDS	Material Safety Data Sheets
CSPK	Certified Sustainable Palm Kernel	MSPO	Malaysian Sustainable Palm Oil
EFB	Empty Fruit Bunch	MTCS	Malaysia Timber Certification Scheme
EHS	Environmental Health & Safety	MU	Management Unit
EIA	Environmental Impact Audit	NCR	Non-Conformance Report
ETP	Effluent Treatment Plant	NGO	Non-Government Organization
FFB	Fresh Fruit Bunch	OER	Oil Extraction Rate
GAP	Good Agriculture Practice	OHS	Occupational Health & Safety
HCV	High Conservation Values	PEFC	Programme for the Endorsement of Forest Certification
Intertek	Intertek Certification International Sdn Bhd	PK	Palm Kernel
IOI	IOI Corporation Berhad	POM	Palm Oil Mill
IPM	Integrated Pest Management	POME	Palm Oil Mill Effluent
ISCC	International Sustainability & Carbon Certification	PPE	Personal Protective Equipment
IUCN	International Union for Conservation of Nature	SCCS	Supply Chain Certification Standard
JCC	Joint Consultative Council	StOP	Standard Operating Procedure



## 2.0 AUDITING PROCESS

### 2.1 Auditing Methodology, Plan and Site Visits

Since **14 Aug 2018**, Intertek has initiated stakeholder communications and notifications via emails to the relevant stakeholders before the audit to provide feedback and comments on their concern (if any) on the Morisem Grouping regarding the environmental, biodiversity, community development and other relevant issues.

From **24 to 28 Sep 2018**, the Audit Team of Intertek conducted the assessment in which the Palm Oil Mill and **3 out of the 7 estates of Morisem Grouping**, namely Morisem 1, Morisem 3 and Leepang 3 Estates were audited for compliance against the respective MSPO Certification Standards for POM and Oil Palm Plantations.

The number of estates sampled was based on the MPOB / MPOCC Sampling Table & Methodology, i.e.  $(\sqrt{y}) \times Z$  where  $y$  is the number of estates and  $Z$  is the risk factor (i.e. Low risk: 1.0, Medium risk: 1.5 and High risk: 2.0). Considering that IOI Morisem Grouping had been certified to RSPO Principles & Criteria since Dec 2013 and all the estates had been sampled and audited at least twice during that certification period and demonstrated satisfactory performance, a low risk factor of 1.0 was assigned for the sampling of estates for this audit. Therefore, the sample size of 3 out of the 7 estates for this audit is justified.

During the on-site audit, relevant documents and records, including Standard Operating Procedures (SOP), management plans, hectare development, FFB, CPO and PK production, oil palm age profile, operational controls and measures, operational data and records, training records, etc. were reviewed and verified for compliance.

The Audit Team covered the palm oil mill and estate operations, agricultural practices, pest management, pesticide and fertilizer application, occupational health and safety, social accountability, environment and other requirements. Stakeholders' interviews were conducted during the audit and feedback obtained as part of information and evidence gathering. (See section 2.5 Process of stakeholder consultation).

The details of the Audit Plan (actual on-site) are provided in **Appendix B**.

Intertek has also performed the evaluation of conformity against the MSPO Certification System requirements for CBs. The audit report, findings and associated documents were evaluated through an independent review by the Intertek Internal Technical Review and the External Peer Reviews (only required for Initial/Re-Certification audit) prior to the approval of this report and decision on certification by Intertek.

### 2.2 Date of next scheduled visit

The next scheduled visit will be the Annual Surveillance Audit which will be carried out within a 12-month period of the certificate anniversary date.

### 2.3 Qualifications of the Lead Assessor and Audit Team

Competency details of the Lead Assessor and Audit Team are given in **Appendix A**.

### 2.4 Certification Body

Intertek Certification International Sdn Bhd is part of the Intertek Group, which is a worldwide technical services organisation dedicated to reducing clients' risks by providing technical inspection services, management system certification in quality, environmental, occupational safety & health and product certification, RSPO P&C, RSPO SCC, ISCC, Marine Sustainability Chain-of-Custody, MTCS and PEFC Chain-of Custody certification in applicable industry sectors including the agricultural and forestry sectors. Intertek operates globally providing clients with a wide-ranging technical inspection expertise and access to thousands of skilled specialists worldwide. Intertek Group's certification business is ranked in the top 10 worldwide, and is available globally offering certification across a wide range of industries.

### 2.5 Process of stakeholder consultation

Stakeholder consultations began with notification of the upcoming audit via e-mails sent to the relevant stakeholders including government agencies, NGOs and local communities. E-mails and telephone enquiries were made prior to the actual audit and stakeholder's response and feedback received were followed up accordingly.





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During the audit, stakeholders (who were available) were interviewed and their feedbacks were recorded and followed up during audit. Among the stakeholders consulted were workers, trade union leaders, women representatives; local community leaders, representatives of government departments / agencies and NGOs, suppliers and contractors.

Among the list of key stakeholders consulted was the following:

Government Agencies (by emails)

1. Department of Lands And Mines (Kuala Lumpur)
2. Department of Environment (Kuala Lumpur)
3. Department of Forestry Peninsular Malaysia (Kuala Lumpur)
4. Department of Immigration (Kuala Lumpur)
5. Department of Irrigation & Drainage (Kuala Lumpur)
6. Department of Labour (Kuala Lumpur)
7. Department of Occupational Safety & Health (Kuala Lumpur)
8. Department of Orang Asli Affairs (Kuala Lumpur)
9. Department of Wildlife & National Parks (Kuala Lumpur)
10. Environment Protection Department Sabah
11. Department of Forestry Sabah
12. Department of Immigration Sabah
13. Department of Irrigation & Drainage Sabah
14. Department of Labour Sabah
15. Department of Occupational Safety & Health Sabah
16. Department of Wildlife Sabah
17. Land and Mines Office Sabah
18. Department of Environment Sabah

Statutory Bodies (by emails)

19. Malaysian Palm Oil Board (MPOB) - HQ
20. Malaysian Palm Oil Board (MPOB) - Northern Region
21. Malaysian Palm Oil Board (MPOB) - Central Region
22. Malaysian Palm Oil Board (MPOB) - Southern Region
23. Malaysian Palm Oil Board (MPOB) - Eastern Region
24. Malaysian Palm Oil Board (MPOB) - Sarawak Region
25. Malaysian Palm Oil Board (MPOB) - Sabah Region
26. Malaysia Palm Oil Association Kuala Lumpur (MPOA)
27. Malaysia Palm Oil Association Sabah (MPOA)
28. National Union of Plantation Workers (NUPW)
29. UNION – AMESU

NGOs and others (by emails)

30. All Women's Action Society (AWAM)
31. BCSDM - Business Council for Sustainable Development in Malaysia
32. Borneo Child Aid Society (Humana)
33. Borneo Resources Institute Malaysia (BRIMAS)
34. Borneo Rhino Alliance (BORA)
35. Center for Orang Asli Concerns COAC
36. Centre for Environment, Technology and Development, Malaysia – CETDEM
37. EcoKnights
38. ENO Asia Environment
39. Environmental Protection Society Malaysia (EPSM)
40. Friends of the Earth, Malaysia
41. Global Environment Centre
42. HUTAN - Kinabatangan Orang-utan Conservation Programme
43. JUST - International Movement for a Just World
44. Malaysian CropLife & Public Health Association (MCPA)
45. Malaysian Environmental NGOs – MENGO
46. Malaysian National Animal Welfare Foundation – MNAWF
47. Malaysian Plant Protection Society (MAPPS)
48. National Council of Welfare & Social Development Malaysia – NCWSDM
49. Partners of Community Organisations (PACOS)
50. Socio-Economic & Environmental Research Institute (SERI)
51. Pesticide Action Network Asia and the Pacific (PAN AP)
52. Proforest - South East Asia Regional Office



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53. Sabah Wetlands Conservation Society (SWCS)
54. SEPA – Sabah Environmental Protection Association
55. SUARAM – Suara Rakyat Malaysia
56. SUHAKAM – National Human rights Society – Persatuan Kebangsaan Hak Asasi Manusia
57. Tenaganita Sdn Bhd
58. TRAFFIC – the wildlife trade monitoring network
59. Transparency International – Malaysian Chapter
60. Treat Every Environment Special Sdn Bhd (TrEES)
61. United Nations Development Programme – UNDP Malaysia
62. Wetlands International (Malaysia)
63. Wild Asia Sdn Bhd
64. World Wide Fund (WWF) - HQ
65. World Wide Fund (WWF) - Sabah

Local community (On-site interviews)

66. Consultative Committee & Gender representatives
67. Workers & Workers representatives
68. Village Heads & representatives
69. Suppliers & Contractors representatives



### 3.0 AUDIT FINDINGS

#### 3.1 Summary of findings

Certification Unit: Morisem Oil Palm Estates Grouping	
Auditor/s: Dr. Ooi Cheng Lee, Chin Bit Kee & Jumat Bin Majid	Audit Dates: 24 – 28 Sep 2018

#### P1: Management Commitment & Responsibility

Clause	Requirements	Evidence	Conformity
4.1.1	C1: MSPO Policy		
4.1.1.1	Indicator 1: A policy for the implementation of MSPO shall be established.	The company has a total of 18 policies. Verified that the policy on the implementation of MSPO is available. The policy was dated Jun 2017.	Complied
4.1.1.2	Indicator 2: The policy shall also emphasize commitment to continual improvement.	The policy verified to be appropriate. The policy had also clearly stated the company's commitment which included continual improvement in the overall aspects of plantation management and community development.	Complied
4.1.2	C2: Internal audit		
4.1.2.1	Indicator 1: Internal audit shall be planned and conducted regularly to determine the strong and weak points and potential area for further improvement.	There is a documented procedure for conducting Internal audit, which stated that internal audit shall be planned and conducted regularly, taking into consideration the risks of the operating units.	Complied
4.1.2.2	Indicator 2: The internal audit procedures and audit results shall be documented and evaluated, followed by the identification of strengths and root causes of nonconformities, in order to implement the necessary corrective action.	A procedure for internal audit was established and documented i.e. MSPO/SOP/IA/1 Rev 01 (01 Aug 2017). Internal audit on tMorisem 1, Morisem 3 and Leepang 3 Estates were conducted on 15/07/2018, 17/07/2018 and 16/07/2018 respectively. Corrective actions taken on the non-conformance raised. Improvement areas were also indicated. The internal audit was verified to be effective and reliable.	Complied
4.1.2.3	Indicator 3: Report shall be made available to the management for their review.	The audit report was documented and made available for Management Review.	Complied
4.1.3	C3: Management review		
4.1.3.1	Indicator 1: The management shall periodically review the continuous suitability, adequacy and effectiveness of the requirements for effective implementation of MSPO and decide on any changes, improvement and modification.	<b>Management review of all the estates were conducted on 08/08/2018 and minutes of the review meeting were maintained. However, the minutes were not specifically clear concerning the following:</b> <b>(1) Findings of the MSPO Internal audit report,</b> <b>(2) Review of the effectiveness of implementation of MSPO and decide on any changes, improvement and modification.</b>	<b>Major NC# OCL-01</b>
4.1.4	C4: Continual improvement		
4.1.4.1	Indicator 1: The action plan for continual improvement shall be based on consideration of the main social and environmental impact and opportunities of the company.	There were action plans planned and implemented for continual improvement in the estates: 1. Increased planting of all 3 types of beneficial plants. 2. Waste reduction (segregation and recycling). 3. Water treatment plant with bio-filter to improve water quality. 4. New metal ramp and tipping tractor. 5. Passenger trailer for safe transportation of workers.	Complied



		<p>6. Involvement in ensuring to the achievement of Humana students and discussion on availability of replacement teachers at Humana schools.</p> <p>7. Free transportation to schools for primary, secondary and Humana students.</p> <p>8. Free housing for Humana teacher and contractor workers.</p> <p>9. Free ambulance service to nearest government medical clinic.</p> <p>10. Maintenance of places of worships, e.g. mosque and chapel.</p> <p>11. Involvement in Department of Health activities, e.g. immunisation programme, Hepatitis B vaccination</p> <p>12. New workers quarters in Morisem 1 Estate.</p> <p>13. Ongoing RiLeaf project for the planting of forest tree species along river banks.</p>	
4.1.4.2	Indicator 2: The company shall establish a system to improve practices in line with new information and techniques or new industry standards and technology, where applicable, that are available and feasible for adoption.	<p>Meetings and consultations were conducted for the introduction and implementation of any new information or technology that is feasible and applicable to the company.</p> <p>The most recent programme in the relation of introduction and implementation of new techniques were as follows:</p> <ol style="list-style-type: none"> <li>1. Use of bins for FFB transportation.</li> <li>2. Rota slasher used to clear the pathway for harvesting.</li> <li>3. Use of back bucket for EFB transport and application at the field.</li> </ol>	Complied
4.1.4.3	Indicator 3: An action plan to provide the necessary resources including training, to implement the new techniques or new industry standard or technology (where applicable) shall be established.	<p>Training to workers in various aspects of plantation management were conducted throughout the year.</p> <p>Training was provided to Field Supervisors and Mandores use of the Portable Palm Data Devise at field operations for FFB bunch checking and data logging.</p>	Complied

**P2: Transparency**

Clause	Requirements	Evidence	Conformity
4.2.1	C1: Transparency of information and documents relevant to MSPO requirements		
4.2.1.1	Indicator 1: The management shall communicate the information requested by the relevant stakeholders in the appropriate languages and forms, except those limited by commercial confidentiality or disclosure that could result in negative environmental or social outcomes.	<p>IOI has established and implemented documented procedures (Stakeholder Request – Corporate Level, Stakeholder Request – POM Level, Stakeholder Request – Estate Level) for providing adequate information on environmental, social and legal issues relevant to RSPO Criteria to relevant stakeholders for effective participation in decision making.</p> <p>The management has adopted an open and transparent method of communication and consultation when dealing with relevant parties, e.g. its workers, government agencies, contractors, neighbouring plantations by personal invitation to attend the internal and external stakeholders' consultation meetings. Communications are in Bahasa Malaysia, English and native dialects.</p> <p>Internal stakeholder meetings included Employee Consultative Committee (ECC) meetings &amp; Gender Consultative committee (GCC) meetings, Safety &amp; Health committee (SHC) meetings.</p>	Complied
4.2.1.2	Indicator 2: Management documents shall be publicly available, except where this is prevented by commercial	Policies and procedures are available at the website and upon any special request.	Complied



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	confidentiality or where disclosure of information would result in negative environmental or social outcomes.		
4.2.2	C2: Transparent method of communication and consultation		
4.2.2.1	Indicator 1: Procedures shall be established for consultation and communication with the relevant stakeholders.	The management had established procedures and mechanisms to conduct stakeholders consultations, handle complaints and grievances through stakeholders meetings, Gender Consultative Committees (GCC), Employee Consultative Committees (ECC), Safety & Health Committees (SHC).  The POM and estates conducted a joint external stakeholders' consultation on 28/08/2018.  The POM and estates had conducted their respective internal stakeholders' consultations in Sep 2018.  Records of participants and feedback given were maintained and appropriate follow up actions were taken.	Complied
4.2.2.2	Indicator 2: A management official should be nominated to be responsible for issues related to Indicator 1 at each operating unit.	The Estate Managers are responsible for issues raised by local communities and other affected or interested parties. Social Liaison Officers are nominated to coordinate activities of the stakeholders, GCCs, ECCs and SHCs. Appointments letters as issued to the respective Social Liaison Officers at the estates audited were sighted.	Complied
4.2.2.3	Indicator 3: List of stakeholders, records of all consultation and communication and records of action taken in response to input from stakeholders should be properly maintained.	The lists of stakeholders at the estates are adequately maintained and kept current. The lists of stakeholders were used for inviting external stakeholders during external consultation.  Records of consultation and communication included attendance lists, minutes of the meetings, photographs of the meetings and meeting notes.  Minutes of meetings had noted deliberation of the issues raised and recommendations of actions to be taken and the follow-up.	Complied
4.2.3	C3: Traceability		
4.2.3.1	Indicator 1: The management shall establish, implement and maintain a standard operating procedure to comply with the requirements for traceability of the relevant product(s).	The estates have established, implemented and maintained their procedure for Supply Chain traceability for their FFB. The Morisem Grouping has maintained valid certification in: RSPO Supply Chain requirements and ISCC – Traceability and Supply Chain requirements	Complied
4.2.3.2	Indicator 2: The management shall conduct regular inspections on compliance with the established traceability system.	Inspections on compliance was done via the following:  Internal Audits and Annual RSPO and ISCC certification audits.	Complied
4.2.3.3	Indicator 3: The management should identify and assign suitable employees to implement and maintain the traceability system.	Assigned person is the Sustainability Palm Oil (SPO) Manager for Sabah Region who is supported by team of assistants.  Letter of appointment letter was noted as follows: Mr. Agos Atan as Sustainability Manager (Sabah Region) appointed on 18/09/2017	Complied
4.2.3.4	Indicator 4: Records of sales, delivery or transportation of FFB shall be maintained.	All records of FFB harvested, transported and delivered were maintained and verified to be traceable.	Complied



Clause	Requirements	Evidence	Conformity
4.3.1	C1: Regulatory requirements		
4.3.1.1	Indicator 1: All operations are in compliance with the applicable local, state, national and ratified international laws and regulations.	<p>The estates have a documented system for identifying, determining, reviewing and updating applicable legal and other requirements. Verified applicable laws and regulations has been satisfactorily implemented and adhered.</p> <p><b>Location: Leepang 3 Estate and Leepang 4 Estate</b> <b>Application for work permits for seven workers in Leepang 3 Estate and four workers in Leepang 4 Estate are still in progress since Sep 2017 and the workers are already working at the time of audit.</b></p>	<b>Major NC#</b> <b>JMD-01</b>
4.3.1.2	Indicator 2: The management shall list all laws applicable to their operations in a legal requirements register.	<p>The Legal Register covering the applicable local and international laws and regulations is available at the estates and was verified to be reviewed on 02/07/2018 for any relevant updates.</p> <p>The relevant legislations identified and listed were among others regarding safety and health, environmental management, pollution management, chemical handling, usage &amp; storage, schedule waste management, labour laws, Unions, EPF, SOCSO, Housing and Amenities.</p> <p>Levy and other deductions have been taken with the consent of the workers in accordance with the Sabah Labour Ordinance (Chapter 67). FOMEMA (The Foreign Workers Medical Screening Expert) fees, for the health screening of foreign workers which was borne by the company and carried out as per the Ministry of Health guidelines.</p> <p>Licenses and permits (License for Trading, License for Employment of Foreign Workers, Workers Wages Deduction Permit, Domestic and Consumer Permit for Keeping Diesel, Petrol &amp; Fertilizer, MPOB license, DOSH (Department of Occupational Safety and Health) Certificates, DOE (Department of Environment Permit, etc.) were renewed and evidenced to be valid.</p> <p>Environmental Quality Act 1974 and Environmental Quality (Scheduled Wastes) Regulations 2005: Scheduled wastes such as hydraulic and used motor oils, rags, empty chemical and lubricants containers collected at six monthly intervals by DOE licensed contractor.</p> <p>Weight and Measures Act 1972, regulations 16, 28A, 45): Weighbridges were duly calibrated.</p> <p>Factory and Machinery Act 1967, Regulations 1970: Steam engineers (Grade 1 and 2), electricians were noted to be with valid certificates from relevant authorities (DOSH and Energy Commission).</p> <p>Valid license for diesel generators issued by Energy Commission ("Suruhanjaya Tenaga").</p> <p>Occupational Health and Safety Act 1994 – safety and health meetings to be conducted at quarterly intervals.</p> <p>Legal documents of foreign workers (including work permits and passports) are renewed and valid. Insurance coverage is maintained and available for foreign workers in the estates.</p> <p>Based on the site observations, interviews and records checked, there was evidence of compliance with the relevant laws, regulations, local and international laws at the estates. Statutory returns to relevant authorities found to be in compliance. For example, JKKP8 for the reporting of incidences and accidents to DOSH and the Quarterly</p>	Complied



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		Return Form as per First Schedule of the Environmental Quality (Prescribed Premises) (Crude Palm-Oil) Regulations, 1977.	
4.3.1.3	Indicator 3: The legal requirements register shall be updated as and when there are any new amendments or any new regulations coming into force.	The documented system for identifying, determining, reviewing and updating applicable legal and other requirements has been satisfactorily implemented.  Listing of laws and regulations monitored for changes included the Sabah Labour Ordinance (Chapter 67), regulations and circulars received from bodies such as DOE (Department of Environment) and DOSH (Department of Occupational Safety and Health), DID (Dept. of Irrigation and Drainage), Forestry Dept. and Wildlife Dept. were maintained.	Complied
4.3.1.4	Indicator 4: The management should assign a person responsible to monitor compliance and to track and update the changes in regulatory requirements.	Tracking of changes in the relevant laws are communicated and received from the IOI Group HQ.  The estates subsequently ensured that the changes were adequately updated. The changes to Environmental related laws would be monitored by the Sustainability Team (Sabah Region) headed by Mr Agos Atan and the changes in the labour related laws will be monitored by the Senior GM – Mr SS Ragupathy (Sabah Region) as was stated in their respective Job Scope.  Based on the site observations, interviews and records updated, the system used is appropriate to the operations at the estates.	Complied
4.3.2	C2: Land use rights		
4.3.2.1	Indicator 1: The management shall ensure that their oil palm cultivation activities do not diminish the land use rights of other users.	Communities surrounding the POM and plantation areas are able to move freely without any issues or problems.  Verified during site inspection that no such limitations had occurred.	Complied
4.3.2.2	Indicator 2: The management shall provide documents showing legal ownership or lease, history of land tenure and the actual use of the land.	Copies of the land titles of all estates were maintained and noted to be legally owned by the IOI Group.  The original copies are maintained by the Corporate Head office in Putrajaya. The legal use of the land confirmed to be for cultivation of oil palms and agricultural use.  There were no recorded or known disputes over the ownership of the land. No changes to the land ownership or new land acquisition since the last audit.  There has been no recorded dispute over the ownership during the tenure of the land.	Complied
4.3.2.3	Indicator 3: Legal perimeter boundary markers should be clearly demarcated and visibly maintained on the ground where practicable.	Copies of the land titles of POM and estates were maintained and noted to be legally owned by the IOI Group.  The original copies are maintained by the Corporate Head office in Putrajaya. The legal use of the estate land confirmed to be for cultivation of oil palms and agricultural use.  There were no recorded or known disputes over the ownership of the land. No changes to the land ownership or new land acquisition since the last audit.  There has been no recorded dispute over the ownership during the tenure of the land.	Complied
4.3.2.4	Indicator 4: Where there are, or have been, disputes, documented proof of legal acquisition of land title and fair compensation that have been or are being made to previous	There has been no dispute on the land rights. As such, the process of fair compensation and FPIC is currently not required to be applied.	Complied



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	owners and occupants; shall be made available and that these should have been accepted with free prior informed consent (FPIC).		
4.3.3	C3: Customary rights		
4.3.3.1	Indicator 1: Where lands are encumbered by customary rights, the company shall demonstrate that these rights are understood and are not being threatened or reduced.	Not applicable as this is titled land which are not encumbered by customary rights.	Complied
4.3.3.2	Indicator 2: Maps of an appropriate scale showing extent of recognized customary rights shall be made available.	Maps showing the extent of the legal boundary of the estates were available. Re-survey was conducted on Dec 2016.  The land is legally owned by IOI Plantation Group and it is verified that there were no other users or affected parties in the land areas.  There is no dispute on the land rights. The lands are not encumbered by any customary lands or user rights.	Complied
4.3.3.3	Indicator 3: Negotiation and FPIC shall be recorded and copies of negotiated agreements should be made available.	There were no borders at the estates which were adjacent to any villages or native land. There are no land disputes and as such the process of participatory mapping is not applicable for verification of implementation.	Complied

**P4: Social responsibility, health, safety and employment condition**

Clause	Requirements	Evidence	Conformity
4.4.1	C1: Social impact Audit (SIA)		
4.4.1.1	Indicator 1: Social impacts should be identified and plans are implemented to mitigate the negative impacts and promote the positive ones.	Social Impact Audit report and Management Plans at the estates were documented by the Sustainability Team. Social impacts in IOI Morisem group operations were assessed using various method including consultations, meetings, respond forms and interviews. External stakeholders' consultation was conducted for the whole grouping on 28/8/2018 and the consultation was properly documented. More than 45 participants attended the external stakeholder consultation including local communities, suppliers, contractors, government agencies and NGOs. Internal stakeholders consultations however conducted separately in each operating unit, e.g. in Morisem 1 Estate on 7/9/2018 and in Morisem 3 Estate on 6/9/2018. Internal stakeholders consultations were attended by different categories of workers, e.g. different scope of work, gender, nationalities and levels. These consultations were also very well documented.  For each comments received during meetings or interviews conducted by the POM, a time table of activities were developed with time frame on implementation plans and persons responsible. Comments received through the meetings, stakeholder logbook, etc., were recorded and also indicated with status either continuous, completed or pending. The plans included monitoring of negative impacts and enhancement of positive ones. Monitoring	Complied





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		records were retained and made available as evidence that actions had been taken.	
4.4.2	C2: Complaints and grievances		
4.4.2.1	Indicator 1: A system for dealing with complaints and grievances shall be established and documented.	<p>Procedures on how to register complaints are available in public notice boards. Main person responsible in handling the complaints and grievances received from stakeholders is the Social Liaison Officers at the estates audited, e.g. Mr. Herche Saidi in Leepang 3 Estate, Muhammad Faqhrul Radzi in Leepang 4 Estate and Mr. Nirwan Moo, AM in Morisem 1 Estate. Training and explanation on how to utilise this system were given and verified by the auditor.</p> <p>The system in place is verified to be effective in ensuring that complaints and grievance are addressed or resolved in timely and appropriate manner. Actions taken to address the complaints and grievances received are recorded appropriately.</p> <p>It is verified during on-site interviews that there were no incidences of dispute or grievance of a serious nature but since Feb 2013 IOI grouping had adopted "Whistleblowing Policy" available at <a href="https://www.ioigroup.com/Content/CI/PDF/Corp_WhistleblowingPolicy.pdf">https://www.ioigroup.com/Content/CI/PDF/Corp_WhistleblowingPolicy.pdf</a> which was approved by Audit and Risk Management Committee revised in Nov 2017.</p>	Complied
4.4.2.2	Indicator 2: The system shall be able to resolve disputes in an effective, timely and appropriate manner that is accepted by all parties.	Complaints and grievances are investigated, addressed and resolved based on their severity. Minor complaints will normally be resolved within 2-3 working days, whilst major complaints and grievances will be resolved based on priority and budget availability. No complaints related to sexual harassment received so far, but the procedures stated such issues will be handled with the utmost privacy and confidentiality by the Gender Consultative Committee (GCC) in each estate audited.	Complied
4.4.2.3	Indicator 3: A complaint form should be made available at the premises, where employees and affected stakeholders can make a complaint.	<p>It was verified during the audit that a system to deal with complaints and grievances for all affected parties have been established and well implemented at the estates audited. Among others, the affected parties have several options to register their complaints and grievances, e.g. Grievance Book, annual stakeholder consultation, morning muster, during Joint Consultative Committee (JCC), GCC and Safety meetings.</p> <p>Complaint boxes are available at the entrances of offices where affected employees and other stakeholders can drop in their complaints to be acted upon by the Social Liaison Officers.</p>	Complied
4.4.2.4	Indicator 4: Employees and the surrounding communities should be made aware that complaints or suggestions can be made any time.	The management informed the invited employees and surrounding communities at the internal and external stakeholders consultations regarding their complaint/grievance procedure and feedback mechanism. The details of meetings held were noted as mentioned in 4.4.1.1	Complied
4.4.2.5	Indicator 5: Complaints and resolutions for the last 24 months shall be documented and made available to affected stakeholders upon request.	The Complaint and Grievance Books that recorded the nature of complaints and the resolutions had been maintained and available for more than 24 months.	Complied
4.4.3	C3: Commitment to contribute to local sustainable development		
4.4.3.1	Indicator 1: Growers should contribute to local development	Main contribution of the POM and the estates to the local development was demonstrated in the provision of facilities	Complied



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	in consultation with the local communities.	<p>and monetary contributions, where feasible. Examples of the contributions to the community are as follow;</p> <ul style="list-style-type: none"> <li>• Contributed school bags for school children attending the HUMANA school.</li> <li>• The HUMANA School building and associated facilities were provided by the plantation company (i.e. IOI group). The schools are presently concrete buildings with sufficient classrooms which are furnished with chairs, tables, white boards, cupboards, toilet facilities etc. for the school children including accommodation for external teachers. Playground space is also available for the physical education activities held for the school children. These are the children of the foreign workers mainly Indonesian.</li> <li>• The estate managements are involved in ensuring the achievement of Humana students and discussion on availability of replacement teachers at Humana schools.</li> <li>• Free transportation to schools for primary, secondary and Humana students.</li> <li>• Free housing for Humana teacher and contractor workers.</li> <li>• Free ambulance service to nearest government medical clinic.</li> <li>• Maintenance of places of worships, e.g. mosques and chapel.</li> <li>• Involvement in Department of Health activities, e.g. immunisation programme and Hepatitis B vaccination.</li> <li>• New workers quarters in Morisem 1 Estate.</li> </ul>	
4.4.4	C4: Employees safety and health		
4.4.4.1	Indicator 1: An occupational safety and health policy and plan shall be documented, effectively communicated and implemented.	<p>Occupational Safety and Health Policies and Plans were established and verified to be in accordance with the OSH Act, 1994 and FMA 1967 (Act 139).</p> <p>Annual review was conducted by the Group Safety &amp; Environmental Manager (Sabah region) together with the respective Safety Officers for the POM and estates.</p> <p>Documented Safety Policy and Hazard Identification, Risk Assessment and Risk Control (HIRARC) was reviewed for each estate audited. Training programs were planned and conducted for all groups of workers, both administration and field. Training records were maintained.</p> <p>Verified through interviews done with workers that they do have adequate understanding of the Safety and Health issues on PPE usage, MSDS/CSDS, First Aid and Emergency Response.</p> <p>Inspections (line site, fire extinguisher, first aid box, chemical store, ELCB, PPE checklist, Vehicle daily inspection, gen set maintenance, ramp inspection, bridge and tanks inspection), Monthly Safety inspection and audit was conducted and records are available.</p>	Complied
4.4.4.2	Indicator 2: The occupational safety and health plan shall cover the following:	<p>Safety Policy and HIRARC documented was reviewed for the estates audited. The OSH Programme 2018 include the following:</p> <ul style="list-style-type: none"> <li>• Safety &amp; Health Committee meetings 4x/year</li> <li>• Annual medical surveillance</li> <li>• Accident Reporting &amp; Investigation</li> </ul>	Complied



<p>a) A safety and health policy, which is communicated and implemented.</p> <p>b) The risks of all operations shall be assessed and documented.</p> <p>c) An awareness and training programme which includes the following requirements for employees exposed to pesticides:</p> <p style="padding-left: 40px;">i) all employees involved shall be adequately trained on safe working practices; and</p> <p style="padding-left: 40px;">ii) all precautions attached to products shall be properly observed and applied.</p> <p>d) The management shall provide the appropriate personal protective equipment (PPE) at the place of work to cover all potentially hazardous operations as identified in the risk Audit and control such as Hazard Identification, Risk Audit and Risk Control (HIRARC).</p> <p>e) The management shall establish Standard Operating Procedure for handling of chemicals to ensure proper and safe handling and storage in accordance to Occupational Safety Health (Classification Packaging and Labeling) Regulation 1997 and Occupational Safety Health (Use and Standard of Exposure of Chemical Hazardous to Health) Regulation 2000.</p> <p>f) The management shall appoint responsible person(s) for workers' safety and health. The appointed person(s) of trust must have knowledge and access to latest national regulations and collective agreements.</p> <p>g) The management shall conduct regular two-way communication with their employees where issues affecting their business such as employee's health, safety and welfare are discussed openly. Records from such meetings</p>	<ul style="list-style-type: none"> <li>• Workplace inspection</li> <li>• CHRA Audit</li> <li>• Air compressors annual inspection</li> <li>• Warning signs</li> <li>• Chemical Register</li> <li>• SOP for safe work</li> <li>• PPE usage</li> <li>• MSDS/CSDS</li> <li>• JKKP 8 reporting of accidents annually</li> <li>• Emergency Response Plan (ERP)</li> <li>• Emergency drills</li> <li>• Inspections (line site, fire extinguisher, first aid box, chemical store, ELCB, PPE checklist, Vehicle daily inspection, gen set maintenance, ramp inspection, bridge and tanks inspection)</li> <li>• Monthly KPI Report on HSE performance</li> <li>• Monthly Safety inspection &amp; audit by Safety Officer,</li> <li>• CHRA report of Feb 2015 was maintained with validity till 2020. Surveillance programmes for protecting workers' health and safety were satisfactorily implemented.</li> </ul> <p>Accident and emergency procedures had been established and briefed to staff, workers, contractors and visitors.</p> <p>Workers trained in First Aid were present in the estates audited and field operations.</p> <p>First Aid Kits were available at worksites.</p> <p>Records on all accidents had been verified to be maintained satisfactorily. Five cases of accidents in between 2017 – 2018 and all accidents have been investigated and corrective actions have been taken including training and counselling.</p> <p>Quarterly review on accident cases had been carried out during quarterly meeting of Environment, Safety, &amp; Health (ESH) committee.</p> <p>Medical care had been provided to all the workers.</p> <p>Local workers are covered by SOCSO, whereas foreign workers are covered by Foreign Workers Compensation Scheme (FWCS) with MSIG insurance noted to be valid.</p> <p>Records on Lost Time Accident (LTA) metrics and occupational injuries were available and verified to be satisfactorily maintained.</p>	
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	<p>are kept and the concerns of the employees and any remedial actions taken are recorded.</p> <p>h) Accident and emergency procedures shall exist and instructions shall be clearly understood by all employees.</p> <p>i) Employees trained in First Aid should be present at all field operations. A First Aid Kit equipped with approved contents should be available at each worksite.</p> <p>j) Records shall be kept of all accidents and be reviewed periodically at quarterly intervals.</p>		
4.4.5	C5: Employment conditions		
4.4.5.1	<p>Indicator 1: The management shall establish policy on good social practices regarding human rights in respect of industrial harmony. The policy shall be signed by the top management and effectively communicated to the employees.</p>	<p>The management had established the “Group Sustainable Palm Oil Policy” in June 2017 signed by Group CEO, which covered the necessary aspects of human rights related issues.</p> <p>This policy can be accessed at IOI Group’s website link <a href="https://www.ioigroup.com/Content/S/PDF/Sustainable Palm Oil Policy.pdf">https://www.ioigroup.com/Content/S/PDF/Sustainable Palm Oil Policy.pdf</a>.</p> <p>The employees are informed about this policy through induction training for new intakes, briefing during morning muster, at the GCC and JCC meetings. The policy is also displayed at notice boards in the office.</p>	Complied
4.4.5.2	<p>Indicator 2: The management shall not engage in or support discriminatory practices and shall provide equal opportunity and treatment regardless of race, colour, sex, religion, political opinion, nationality, social origin or any other distinguishing characteristics.</p>	<p>Published statement on equal opportunities is mentioned in <b>Sustainability Policy</b> adopted by the IOI group in 2017. This policy clearly state that IOI Group including IOI Morisem grouping prohibits and will actively prevent any discrimination based on race, nationality, religion, or gender.</p> <p>Sighted records, such as pay conditions, fringe benefits, allowances, use of public amenities, etc., showed that this policy had been implemented and maintained.</p>	Complied
4.4.5.3	<p>Indicator 3: Management shall ensure that employees’ pay and conditions meet legal or industry minimum standards and as per agreed Collective Agreements. The living wage should be sufficient to meet basic needs and provide some discretionary income based on minimum wage.</p>	<p>Documentation and conditions of pay for foreign workers hired at the estates audited are available for verification. Employment agreement with foreign workers, who are mostly Indonesian, stated all statutory fringe benefits and eligible incentives, e.g. working hours, overtime, leave and medical benefits, maternity leave for women, insurance coverage, deductions, resignation notice period, company rules. Company procedures require the employment contract to be explained by management to potential migrant workers before contracts are signed.</p> <p>Pay slips are available for verification showed the workers were able to earn living wage that meet the Minimum Wage Order 2016.</p>	Complied
4.4.5.4	<p>Indicator 4: Management should ensure employees of contractors are paid based on legal or industry minimum</p>	<p>The management ensured that employees of contractors are paid based on Minimum Wage Order 2016 by monitoring salary payment and interviewing the contractor’s employees. Decision on workers’ wages were</p>	Complied



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	standards according to the employment contract agreed between the contractor and his employee.	based on a memorandum dated 20 June 2016 to all IOI groups in Sabah including Morisem grouping. According to this memorandum monthly minimum wages is RM920/month or RM35.38/day, provided that all qualifying conditions are satisfactory fulfilled. These conditions were then clearly outlined in the <b>"IOI Plantation Minimum Wages &amp; Leave Pay Policies in Malaysia"</b> dated Oct 2017 signed by Mr. N.B. Sudhakaran, Plantation Director ( <a href="https://www.ioigroup.com/Content/S/PDF/Minimum Wage Policy.pdf">https://www.ioigroup.com/Content/S/PDF/Minimum Wage Policy.pdf</a> ). Content of this policy is verified to be satisfactorily understood by workers in the PMU and fulfilled common industry standard as it is in accordance with the MAPA-NUPW agreement 2015 and Minimum Wages Order 2016.	
4.4.5.5	Indicator 5: The management shall establish records that provide an accurate account of all employees (including seasonal workers and subcontracted workers on the premises). The records should contain full names, gender, date of birth, date of entry, a job description, wage and the period of employment.	The management maintained lists of employees that recorded the full names, gender, date of birth, date of entry, wage and period of employment.  A brief description of the work that the foreign workers will be performing is written into the employment contract. Full job descriptions are documented for senior positions, such as Managers, Social Liaison Officer, and Safety & Health Officer etc.	Complied
4.4.5.6	Indicator 6: All employees shall be provided with fair contracts that have been signed by both employee and employer. A copy of employment contract is available for each and every employee indicated in the employment records.	All employees including the contractor workers are provided with employment contracts in accordance with Kontrak Pekerjaan (Seksyen 18 Ordinan Buruh Sabah Bab 67 (Pindaan) 2005). The terms of employment are clearly specified in the contracts, which included position offered, period of employment, salary, overtime rate, rest days every Sundays, rate of pay when working on rest days, days and hours of work, approved deductions, termination of employment, holiday pay, rate of pay when working on holidays, leave pay, sick leave, maternity leave, passage expenses, expatriations of remains and burial arrangement, insurance.  The employment contracts are signed by the Estate Managers or their Assistants and the employees.  Interview with the employees confirmed that they received a copy of the employment contract.	Complied
4.4.5.7	Indicator 7: The management shall establish a time recording system that makes working hours and overtime transparent for both employees and employer.	At the estates audited, no biometric recording system was installed but instead attendance cards for general workers and Portable Palm Data Devise harvest recording systems for harvesters were used. In both systems working hours and overtime are transparent for both employees and the management.	Complied
4.4.5.8	Indicator 8: The working hours and breaks of each individual employee as indicated in the time records shall comply with legal regulations and collective agreements. Overtime shall be mutually agreed and shall always be compensated at the rate applicable and shall meet the applicable legal requirement.	The working hours of the employees and overtime rates are specified in the employment contract i.e. 8 hours per day and overtime rates are in accordance with the Sabah Labour Ordinance (SLO) (Sabah Cap. 67).	Complied
4.4.5.9	Indicator 9: Wages and overtime payment documented on the pay slips shall be in line	Pay slips clearly showed the basic pay or daily rate, number of days worked or total output, any allowable deductions and net amount.	Complied



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	with legal regulations and collective agreements.	Any overtime, holiday pay, working on rest days or Sundays or Holidays, when applicable, are also shown on the pay slips.	
4.4.5.10	Indicator 10: Other forms of social benefits should be offered by the employer to employees, their families or the community such as incentives for good work performance, bonus payment, professional development, medical care and health provisions.	The employees are offered incentives on output, provided training, access to medical care and other benefits such as free housing, free water supply and free electricity supply.	Complied
4.4.5.11	Indicator 11: In cases where on-site living quarters are provided, these quarters shall be habitable and have basic amenities and facilities in compliance with the Workers' Minimum Standards Housing and Amenities Act 1990 (Act 446) or any other applicable legislation.	<p>The Workers' Minimum Standard of Housing and Amenities Act 1990 (Act 446) is yet to be enforced by Sabah Labour Department. However, Morisem Grouping is noted to have provided adequate amenities to their local and foreign workers as well as adequate housing, water supplies, medical, educational and public amenities.</p> <p>The free living quarters provided are constructed of permanent materials that have living rooms, bedrooms, kitchen and toilets. All the houses are supplied with treated water and electricity.</p> <p>Sundry shops are available outside at each estate audited. From interviews with the workers it was found that most household sundries, including frozen foodstuffs were available on sale. The workers also go out to town once a month after pay day to buy sundries.</p> <p>Creche is available in each estate audited and well maintained. The crèche caretakers are well trained on procedures of using the first aid kits as well as fire extinguisher. Depending on the estate management, some crèche are provided with biscuits or formulated milk powder. During the audit, children were found in good health and the surrounding of the crèche are all well maintained. No overcrowded crèche found and ratio between caretakers with children are well balanced.</p> <p>Clinics are located in within the vicinity of the estates and the POM. Together with the management staff, the Health Attendance (HA) are also responsible on monitoring and maintaining acceptable living standard in the workers quarters, e.g. buildings maintenance, rubbish collection, drainage system, children education, etc. inspection by the staff conducted weekly, whilst inspection by HA conducted monthly. Visiting Medical Officer (VMO) make a monthly visit to the audited estates and check upon a few areas, e.g. referred patients and purchase of the medicines at the clinics, workers quarters, and crèche.</p>	Complied
4.4.5.12	Indicator 12: The management shall establish a policy and provide guidelines to prevent all forms of sexual harassment and violence at the workplace.	<p>Published statement on prevention of sexual and all other forms of harassment and violence is covered in <b>Sustainability Policy</b> adopted by the IOI group in 2017.</p> <p>GCC members who were interviewed confirmed that there is a clear and understandable protocol on receiving complaints or grievances related to sexual harassment. Apart from briefing on the policy mentioned above in muster ground to all workers and during stakeholder consultations, GCC meetings were also conducted in each operating unit audited. Examples are in Morisem 1 Estate, latest GCC meeting was on 9/7/2018. Meeting minutes of GCC was reviewed during the audit and concerns related to women was clearly covered including especially on sexual harassment and domestic violence. These</p>	Complied



		practices, i.e. regular meetings between workers and the management, effective grievance procedures, etc. proved that content of this policy satisfactorily understood by workers and satisfactorily implemented in the PMU.	
4.4.5.13	Indicator 13: The management shall respect the right of all employees to form or join trade union and allow workers own representative(s) to facilitate collective bargaining in accordance with applicable laws and regulations. Employees shall be given the freedom to join a trade union relevant to the industry or to organize themselves for collective bargaining. Employees shall have the right to organize and negotiate their work conditions. Employees exercising this right should not be discriminated against or suffer repercussions.	Published statement recognising freedom of association is mentioned in <b>Sustainability Policy</b> adopted by the IOI group in 2017.  As an alternative to workers union, IOI Morisem Grouping formed the JCC in each operating unit. This committee serve as a medium for workers to collectively bargain with the management. Members of JCC are representatives elected by the workers including both local and foreign. JCC meetings are scheduled quarterly and each meeting is minuted. It was verified that issues raised during the meetings are resolved in appropriate and timely manner. From sampled JCC meeting minutes, there was no major issue raised by the workers. Meeting minutes selected for verification was for Leepang 3 Estate conducted on 8/8/2018. This practice proved that content of this policy satisfactorily understood by workers and satisfactorily implemented in the PMU.	Complied
4.4.5.14	Indicator 14: Children and young persons shall not be employed or exploited. The minimum age shall comply with local, state and national legislation. Work by children and young persons is acceptable on family farms, under adult supervision, and when not interfering with their education. They shall not be exposed to hazardous working conditions.	Published statement stating that the group will eliminate all forms of illegal, forced, bonded, compulsory, including child labour is mentioned in <b>Sustainability Policy</b> adopted by the IOI group in 2017.  HUMANA schools and 'crèche' were established to cater to the need for proper education of the foreign workers children. Children at the appropriate age for secondary school attended the Community Learning Centre (CLC) which is also managed by HUMANA but was built with the help of the group. Inspection of the employment records including site visit to the estates and this practice proved that content of this policy satisfactorily understood by workers and satisfactorily implemented in the PMU.	Complied
4.4.6	C6: Training and competency		
4.4.6.1	Indicator 1: All employees, contractors and relevant smallholders are appropriately trained. A training programme (appropriate to the scale of the organization) that includes regular Audit of training needs and documentation, including records of training shall be kept.	Training programme planned for year 2018 includes training for all categories of workers. The training programme included the various types of training such as firefighting and fire drill, exposure to high noise levels and control measures for protection of hearing and audiometric tests, understanding MSDS/CSDS and first aid training. The trainings were conducted for year 2018 and evaluation carried out on each of the trainings to determine its effectiveness.  Appropriate PPE, e.g safety helmets, aprons, masks, gloves, goggles had been provided to relevant workers to cover all potentially hazardous operations.  Records of training for each employee, including new employees were maintained.	Complied
4.4.6.2	Indicator 2: Training needs of individual employees shall be identified prior to the planning and implementation of the training programmes in order to provide the specific skill and competency required to all	The training needs analysis discuss in Safety and Health meetings under the agenda of Safety & Health Training. Latest annual training programme is dated 3/1/2018. Training for various categories of operators, including all field and office staff, with regards to their duties and training needs had been reviewed and found acceptable.	Complied



	employees based on their job description.		
4.4.6.3	Indicator 3: A continuous training programme should be planned and implemented to ensure that all employees are well trained in their job function and responsibility, in accordance to the documented training procedure.	<p>Training programme planned for year 2018 includes all categories of workers and conducted based on categories of work stations. Sampled trainings and records include harvesting, spraying and manuring.</p> <p><b>A non-compliance is raised under this criteria due to it was found that training on safety for harvesters is not effective as seen from lack of understanding by the worker concerned. During the interview, a harvester confirmed that he carried the harvesting pole to the field while riding on a motorcycle. This is not in accordance with “Prosedur kerja Selamat Memotong Buah Sawit / Pelepah (Doc: IOI-OSH 3.2.2)” where it is stated that motorcycle is not allowed to be used for carrying harvesting pole, sickle or lance.</b></p>	Minor NC# JMD-01

**P5: Environment, natural resources, biodiversity and ecosystem services**

Clause	Requirements	Evidence	Conformity
4.5.1	C1: Environmental management plan		
4.5.1.1	Indicator 1: An environmental policy and management plan in compliance with the relevant country and state environmental laws shall be developed, effectively communicated and implemented.	The sustainability policy statement encompasses the protection of environment and the protection of wildlife. It is documented as one of the 18 policies available.	Complied
4.5.1.2	Indicator 2: The environmental management plan shall cover the following: a) An environmental policy and objectives. b) The aspects and impacts analysis of all operations.	The Environmental Impact Audit (EIA) for the estates had been conducted and documented on 13/09/2018 by the Environmental Liaison Officer and approved by the Estate Managers. The environmental policy, objectives and the aspects/impacts analysis were included in the environmental management plan.	Complied
4.5.1.3	Indicator 3: An environmental improvement plan to mitigate the negative impacts and to promote the positive ones, shall be developed, effectively implemented and monitored.	The EIA document developed had also included the action plans and recommendations to mitigate the negative effects and to promote the positive ones applicable to the estates.	Complied
4.5.1.4	Indicator 4: A programme to promote the positive impacts should be included in the continual improvement plan.	The EIA had also considered the mitigation of negative impacts and promotion of positive ones and translated into implantation of programmes such as the maintenance of the fencing for the water ponds, electrical fencing along forest borders and signages placed at strategic locations around the estates.	Complied
4.5.1.5	Indicator 5: An awareness and training programme shall be established and implemented to ensure that all employees understand the policy and objectives of the environmental management and improvement plans and are working towards achieving the objectives.	<p>Verified that the documented training programme had been established and implemented.</p> <p>Trainings/briefings conducted include the following:</p> <ol style="list-style-type: none"> <li>1. Chemical container, lubricants drums &amp; fertilizer bags training on 22/09/2018.</li> <li>2. Line-site rubbish segregation &amp; recycling training on 30/08/2018.</li> <li>3. Briefing on forest riparian reserve on 05/09/2018.</li> </ol> <p>Corrective action for the previous assessment (2017) Obs# 01 found to be effectively implemented.</p>	Complied





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4.5.1.6	Indicator 6: Management shall organize regular meetings with employees where their concerns about environmental quality are discussed.	Regular meetings and discussions or consultation with employees were conducted in relation to environmental quality issues.  In addition, on the job briefings were also conducted by the personnel to the workers.	Complied
4.5.2	C2: Efficiency of energy use and use of renewable energy		
4.5.2.1	Indicator 1: Consumption of non-renewable energy shall be optimized and closely monitored by establishing baseline values and trends shall be observed within an appropriate timeframe. There should be a plan to assess the usage of non-renewable energy including fossil fuel, electricity and energy efficiency in the operations over the base period.	Monthly records on energy consumption for non-renewable fuel (diesel) were maintained at the estates.  Data compiled (5 years) for comparison and monitored to determine the trend in the use of non-renewable energy (diesel).	Complied
4.5.2.2	Indicator 2: The oil palm premises shall estimate the direct usage of non-renewable energy for their operations, including fossil fuel, and electricity to determine energy efficiency of their operations. This shall include fuel use by contractors, including all transport and machinery operations.	<b>Location: Morisem 3 Estate</b> <b>Data were compiled for 5 years (from FY2013/2014 to FY2017/2018) for comparison and monitoring to improve efficiency of the use of diesel at the estates.</b> <b>The data used by Morisem 1, Leepang 3 and Leepang 4 Estates were based upon the volumes of litres of diesel used per MT of FFB used in FFB transportation. However, the data used by Morisem 3 Estate was different in that it included diesel used for other purpose such as road maintenance vehicles and gen set. The same basis for data should be used for consistency in comparison.</b>	<b>OBS# OCL-01</b>
4.5.2.3	Indicator 3: The use of renewable energy should be applied where possible.	Renewable energy was used at Morisem 2 estate, office and housing quarters, as the power was supplied from the POM nearby. The rest of estates in the grouping is still using diesel generated power supply pending the completion of the Biogas Plant at the POM and supply of renewable energy from it.	Complied
4.5.3	C3: Waste management and disposal		
4.5.3.1	Indicator 1: All waste products and sources of pollution shall be identified and documented.	The documentation and identification of all the waste products such as scheduled waste, domestic waste, , clinical waste and recyclable waste such as metal, plastic, recyclable mill waste and polluting materials e.g. EFB, POME, were maintained and monitored at the estates.  Scheduled Waste identified include spent hydraulic oil (SW 305), spent lubricant oil (SW 306), used chemical containers/drums (SW 409), used filters (SW 410), clinical waste (SW 404) and used batteries (SW 102).	Complied
4.5.3.2	Indicator 2: A waste management plan to avoid or reduce pollution shall be developed and implemented. The waste management plan should include measures for:  a) Identifying and monitoring sources of waste and pollution.  b) Improving the efficiency of resource utilization and recycling of potential wastes as nutrients or converting them into value-added by-products.	The waste management plan at the estates was documented and implemented.  Segregation of wastes, i.e. general wastes and scheduled wastes was verified to be satisfactory practiced in the mill. Proper storage areas were identified for the storage of the recyclable wastes at the estates.  Disposal of schedule waste was done by an appointed contractor that is licensed by the Department of Environment, i.e. Lagenda Bumimas Sdn Bhd. Records on the usage and disposal were well recorded and documented.	Complied



		<p>The solid waste management and disposal plan using landfills was also available. The landfills are located in the various estates.</p> <p>Recycling of crop residues / biomass i.e. EFB and POME had been implemented. Recycling bins of three different colour codes for specific recycle waste were available in the estates and were used for solid waste segregation and recycling.</p> <p>Appropriate secondary containment for the diesel skid tanks, chemical and scheduled waste storage areas was verified to be properly maintained at the estates.</p>	
4.5.3.3	<p>Indicator 3: The management shall establish Standard Operating Procedure for handling of used chemicals that are classified under Environment Quality Regulations (Scheduled Waste) 2005, Environmental Quality Act, 1974 to ensure proper and safe handling, storage and disposal.</p>	<p>Standard operating procedure for the handling of used chemicals classified as Scheduled Waste has been developed and implemented. Records on the usage and disposal were well recorded and documented at the estates.</p> <p>At the estates, the disposal of used chemicals and containers were done in accordance with regulatory requirements.</p> <p>Stores for scheduled waste were inspected. The mill and estates have proper Scheduled Waste Stores for storing scheduled waste until time of disposal by DOE authorized waste disposal contractor. Records of e-Consignments are in order. Latest disposal was done on 13/09/2018 by Lagenda Bumimas Sdn Bhd.</p>	Complied
4.5.3.4	<p>Indicator 4: Empty pesticide containers shall be punctured and disposed in an environmentally and socially responsible way, such that there is no risk of contamination of water sources or to human health. The disposal instructions on manufacturer's labels should be adhered to. Reference should be made to the national programme on recycling of used HDPE pesticide containers.</p>	<p>Unwanted empty pesticide containers were punctured and disposed of by the appointment of a licensed contractor handling such schedule waste. Empty pesticide containers is only recycled for the purpose of use as premix containers.</p> <p>The DOE licensed contractor is Lagenda Bumimas Sdn. Bhd (Sandakan) for the handling and disposal of schedule wastes. The license number and the various types of schedule waste categories permitted for transportation were noted to be listed and valid.</p>	Complied
4.5.3.5	<p>Indicator 5: Domestic waste should be disposed as such to minimize the risk of contamination of the environment and watercourses.</p>	<p>Domestic waste at line site was disposed using the designated landfill at the nearby estate. The landfill is located far away from settlement and from water courses and the management of the landfill is satisfactory.</p> <p>Corrective action for the previous assessment (2017) Minor NC# 02 found to be effectively Implemented.</p>	Complied
4.5.4	C4: Reduction of pollution and emission including greenhouse gas		
4.5.4.1	<p>Indicator 1: An Audit of all polluting activities shall be conducted, including greenhouse gas emissions, scheduled wastes, solid wastes and effluent.</p>	<p>Environmental impact assessment on potential pollution to water, gaseous emissions to air and contamination on land was conducted and reviewed for the estates.</p> <p>Environmental internal audits were conducted by Sustainability Team. The most recent MSPO internal audit held on 20/07/2018 had indicated that there were evidence of proper monitoring e.g. solid waste - landfill management, water pollution - water sampling and testing, water treatment for drinking purposes.</p> <p>Level of Greenhouse gases (GHG) emissions are monitored on yearly basis through the GHG calculation methodology accepted for RSPO and ISCC GHG calculations and certifications which are achieved and valid.</p>	Complied



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4.5.4.2	Indicator 2: An action plan to reduce identified significant pollutants and emissions shall be established and implemented.	The action plan has been established and implemented for the reduction in pollution from chemicals usage, emission from fossil fuel (diesel), segregation and recycling of wastes. Reports on the action plan taken were made available during the audit.	Complied
4.5.5 C5: Natural water resources			
4.5.5.1	<p>Indicator 1: The management shall establish a water management plan to maintain the quality and availability of natural water resources (surface and ground water). The water management plan may include:</p> <p>a) Audit of water usage and sources of supply.</p> <p>b) Monitoring of outgoing water which may have negative impacts into the natural waterways at a frequency that reflects the estate's current activities.</p> <p>c) Ways to optimize water and nutrient usage to reduce wastage (e.g. having in place systems for re-use, night application, maintenance of equipment to reduce leakage, collection of rainwater, etc.).</p> <p>d) Protection of water courses and wetlands, including maintaining and restoring appropriate riparian buffer zones at or before planting or replanting, along all natural waterways within the estate.</p> <p>e) Where natural vegetation in riparian areas has been removed, a plan with a timetable for restoration shall be established and implemented.</p> <p>f) Where bore well is being use for water supply, the level of the ground water table should be measured at least annually.</p>	<p>Documented Water Management Plan verified to be in place for the estates. Annual review of the Water Management Plan for the estates was done on 01/09/2018</p> <p>(a) The water management plan had included the source of water. The water supply for domestic use to staff and workers' housing is piped water from the water treatment plant in the mill and estates. There are water ponds in the POM and estates. Water samples of treated water collected at every 3 months interval and analysed. The analysis results were reviewed by the Managers and found to meet all the required parameters, including the requirement of 0 in 100 ml for E.Coli (Ministry of Health Specification for Drinking Water Quality).</p> <p>Records of water usage are taken daily by the estate management.</p> <p>(b) Stream water samples are taken on 4 monthly basis at upstream and downstream of waterways by the appointed environmental consultant, Kiwiheng Environmental Consultants Sdn. Bhd. Based from the water analysis results, there is no evidence of pollution to the water ways from the streams passing through the estates.</p> <p>Water samples were also taken at monthly interval at the final discharge point of the palm oil mill effluent pond. Tests conducted for pH, BOD, COD, Total Solids, Suspended Solids, Oil &amp; Grease, Ammoniacal Nitrogen and Total Nitrogen. Analysis results meet the DOE requirements. BOD levels had been in the range of 8.6 to 18.6 ppm for the period Jun 2017 to Jul 2018 with an average of 13.95 ppm. The current allowable upper limit specified by D.O.E. is &lt; 20 ppm.</p> <p>(c) Rainfall data found to be monitored as part of the water management plan. Rain water is also harvested for washing and cleaning. The Estates Management implement rain water harvesting through installation of the rain gutters into storage containers to ensure maximize the water trapping without fully relying on the water from just rivers and water ponds. The operating unit management monitors the condition of the water piping system in the estate through regular linesite inspection. Piping systems are checked for any leakages which are reported in the inspection record for Management action – if needed</p> <p>(d) The plan includes steps such as soil stabilization, run-off control and sediment trapping to mitigate the disturbed earth entering streams/rivers.</p> <p>(e) Site visits to HCV areas and environmentally sensitive areas were carried out and these areas were found to be satisfactorily maintained and monitored. Riparian buffer zones clearly demarcated and monitored. The natural vegetation in and along the riparian areas were adequately monitored. The existing palms planted over 10 years ago, which were found within riparian reserves will be removed during the replanting (planned within 5-10 years), as per the replanting programme time table. The area will be then being left for the natural vegetation growth to take over. Whenever needed, the Estates management will also try to</p>	Complied



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		plant the suitable tree species in the area, for example: tree planting programme conducted at Leepang 4 Estate under RiLeaf Project.  (f) There are no bore wells or underground water being extracted for use in the estates.	
4.5.5.2	Indicator 2: No construction of bunds, weirs and dams across main rivers or waterways passing through an estate.	There was no construction of bunds/weirs/dams across the waterways passing through the estates that could affect the water flow.	Complied
4.5.5.3	Indicator 3: Water harvesting practices should be implemented (e.g. water from road-side drains can be directed and stored in conservation terraces and various natural receptacles).	Rain water is harvested mostly at the line site for household purposes, used mainly for washing purposes.  Water source for domestic purposes in the estates are all sourced from the water collection ponds. The said water were treated through the water treatment plant before being supplied to the large water tanks installed at high grounds near the labour quarters, which are subsequently supplied to the quarters via gravity feed.	Complied
4.5.6	C6: Status of rare, threatened, or endangered species and high biodiversity value area		
4.5.6.1	Indicator 1: Information shall be collated that includes both the planted area itself and relevant wider landscape-level considerations (such as wildlife corridors). This information should cover:  a) Identification of high biodiversity value habitats, such as rare and threatened ecosystems, that could be significantly affected by the grower(s) activities.  b) Conservation status (e.g. The International Union on Conservation of Nature and Natural Resources (IUCN) status on legal protection, population status and habitat requirements of rare, threatened, or endangered species), that could be significantly affected by the grower(s) activities.	HCV assessment was conducted by the Sustainability Team and documented in reports dated 13/09/2018 for Morisem 1, Morisem 3 and Leepang 3 Estates..  The HCV reports incorporated feedbacks provided by the various governmental agencies such as Department of Forestry, Department of Irrigation and Drainage, Sabah Wildlife Department and Environmental Protection Department.  The exercise has taken into consideration all aspects of environmentally sensitive areas such as ponds, streams, buffer zones, steep slopes, forest reserve boundaries and was documented.  Morisem 1 Estate is bordered with the Lower Kinabatangan Wildlife Sanctuary on the west side and surrounded by oil palm estates on other sides. Conservation areas/ environmentally sensitive areas, i.e. buffer zones along the stretches of tributaries of Sungai Sukau, which pass through the Estate had been identified and being monitored.  Morisem 3 Estate is bordered with the Lower Kinabatangan Wildlife Sanctuary and Pangi Forest Reserve on the west side and surrounded by oil palm estates on other sides. The estate has a few patches of steep hills (totalling 56.31 ha) that were left unplanted and for natural vegetation to grow. There are tributaries flowing out to the Sungai Kinabatangan located outside the estate.  Leepang 3 Estate is surrounded by oil palm estates on all sides (Malbumi Estate on the north side, Leepang 4 Estate on the west side, Leepang 5 Estate on the east side, Leepang 5 Estate and Leepang 2 Estate on the south side).  The Lower Kinabatangan Wildlife Sanctuary and Pangi Forest Reserve are important habitats for some RTE (rare, threatened and endangered) flora and fauna such as hornbills, rhinoceros, pygmy elephants, wild buffaloes and orangutans.	Complied
4.5.6.2	Indicator 2: If rare, threatened or endangered species, or high biodiversity value, are present, appropriate measures for management planning and operations should include:	Overall, the recommendations and feedback provided by the various parties during their internal HCV consultation has been considered in the 'HCV & Conservation Areas' management plans at the respective estates.  The HCV report had reviewed the conservation needed for the wildlife identified such as proboscis monkeys, estuarine	Complied



	<p>a) Ensuring that any legal requirements relating to the protection of the species are met.</p> <p>b) Discouraging any illegal or inappropriate hunting, fishing or collecting activities and developing responsible measures to resolve human-wildlife conflicts.</p>	<p>crocodiles, pygmy elephants, orangutans, long and short tailed macaque, white beaked hornbills and other wildlife which are protected under the Protection of Wildlife Act 1972 (Act 76) and Sabah Wildlife Conservation Enactment 1997 and IUCN Red List 2008.</p> <p>Updated posters as provided by the Sabah Wildlife Department were noted to have been displayed at the estates offices and copies pasted in the estate Patrol Log Books.</p> <p>Trenches have been dug and electric wire fencing built along the boundaries to deter wildlife from going into the estates. These measures were taken as proposed by the Sabah Wildlife Department to mitigate the incidences of incursions by wild elephants which had been reported in the patrols conducted by the estate personnel.</p> <p>Regular patrols on a monthly basis to monitor the HCV buffer zones have been carried out by both the estate executives and the auxiliary patrol personnel and sightings were recorded in the record book.</p> <p>Also, signages that prohibit hunting, fishing and water polluting activities were verified on-site at all estates visited and found to have been satisfactorily maintained.</p> <p>The estates have taken appropriate measures to control any illegal or inappropriate hunting, fishing or collecting activities within the estates. 'Conservation Zone' signages and "no hunting" policy were prominently displayed and verified to be maintained during field visits.</p> <p>Information on RTE species have been disseminated to the workers through trainings conducted by all the audited estates (Morisem 1 Estate on 01/06/2018, Morisem 3 Estate on 23/05/2018 &amp; 06/08/2018, Leepang 3 Estate on 25/07/2018 &amp; 17/08/2018).</p> <p>In addition, a few estate personnel has also been appointed as Honorary Forest Warden to assist in the monitoring and liaison with other relevant departments.</p> <p>Ongoing monitoring of the management plan on the status of HCV and RTE had been carried out and evidences of reporting verified to be available.</p> <p>Management plans were established and monitoring outcomes were reviewed by the Estate managers.</p> <p>Verification at sites were also made and found to be satisfactory implemented at the estates.</p>	
4.5.6.3	Indicator 3: A management plan to comply with Indicator 1 shall be established and effectively implemented, if required.	A management plan was developed, established and effectively implemented. Document relating to the above was available.	Complied
4.5.7	C7: Zero burning practices		
4.5.7.1	Indicator 1: Use of fire for waste disposal and for preparing land for oil palm cultivation or replanting shall be avoided except in specific situations, as identified in regional best practice.	IOI Group had observed the policy of 'Zero open burning' for replanting, if any, at the estates. Field inspections made at estates assessed showed no evidence of open burning.	Complied
4.5.7.2	Indicator 2: A special approval from the relevant authorities shall be sought in areas where the previous crop is highly diseased and where there is a significant risk of disease	Not relevant at present.	Complied



	spread or continuation into the next crop.		
4.5.7.3	Indicator 3: Where controlled burning is allowed, it shall be carried out as prescribed by the Environmental Quality (Declared Activities) (Open Burning) Order 2003 or other applicable laws.	The company practiced a 'No open burning' policy. Visit to site confirmed no such activity took place.	Complied
4.5.7.4	Indicator 4: Previous crops should be felled or mowed down, chipped and shredded, windrowed or pulverized or ploughed and mulched.	During the audit, there were no replanting activities carried out at the estates. Also, there was no evidence of any burning of domestic waste at the housing line sites and at the sanitary landfills of the estate during on-site field assessment. Sanitary landfill was used and available at the estates. The landfill area is located far away from the village, line site and water sources.	Complied

**P6: Best practices**

Clause	Requirements	Evidence	Conformity
4.6.1	C1: Site management		
4.6.1.1 Major	Indicator 1: Standard operating procedures shall be appropriately documented and consistently implemented and monitored.	<p>The estates have the following SOPs:</p> <ol style="list-style-type: none"> <li>1. Sustainable Oil Palm Estate Operation Manual - The manual describes operational procedure of nursery practices, land preparation, planting practices, ground cover maintenance, roads, immature stage, harvesting, collection of fresh fruit bunches, manuring, pesticide application, pests &amp; diseases control. The SOP for pesticides specifies safe working practices and application of pesticides. It includes annual medical surveillance for pesticides operators.</li> <li>2. SOP for riparian zone management with specified buffer zones.</li> </ol> <p>All the SOPs were implemented and monitored by the Estate Managers and their Assistants. Records for the operations were available.</p> <p>Relevant Key Performance Indicators (KPIs) specified for quality, environment, safety and cost control.</p> <p><b>Location: Morisem 1, Morisem 3, Leepang 3 and Leepang 4 Estates</b></p> <p><b>The estates have used documented SOPs for its operations under RSPO certification for the MSPO system requirements. However, there was no referencing of the SOPs relating to the specific requirements and indicators of MSPO.</b></p> <p><b>Also, the SOP for traceability of FFB in the estates need to be established.</b></p>	Major NC# OCL-02
4.6.1.2 Major	Indicator 2: Where oil palm is grown within permitted levels on sloping land, appropriate soil conservation measures shall be implemented to prevent both soil erosion as well as siltation of drains and waterways. Measures shall be put in place to prevent contamination of surface and groundwater through runoff of either soil, nutrients or chemicals.	<p>Planting terraces were constructed on land with slope more than 6°. Terraces constructed had included proper stop bunds which were verified on the estates during field visits.</p> <p>It was observed during field visits that there was no planting at slopes of greater than 25°.</p> <p>The PMU has a SOP (Best Management Practices) for erosion control during replanting or any activities involving earth disturbance. Steps were taken for erosion control included soil stabilization, run-off control and sediment trapping to mitigate the disturbed earth entering waterways.</p> <p>There was no apparent soil erosion observed during the field inspections. Leguminous cover crop, <i>Macuna bracteata</i> was well established at the replanted field blocks.</p>	Complied



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4.6.1.3 Minor	Indicator 3: A visual identification or reference system shall be established for each field.	Field Block Maps with Block numbers and planting year has been established at each field.	Complied
<b>4.6.2</b>	<b>C2: Economic and financial viability plan</b>		
<b>4.6.2.1 Major</b>	Indicator 1: A documented business or management plan shall be established to demonstrate attention to economic and financial viability through long-term management planning.	The 5-year Business Management Plan (FY 2016/2017 to FY 2020/2021) for the PMU was documented and reviewed by the estate managers monthly, quarterly, half-yearly and yearly with reports submitted to the Regional General Manager.	Complied
<b>4.6.2.2 Major</b>	Indicator 2: Where applicable, an annual replanting programme shall be established. Long term replanting programme should be established and review annually, where applicable every 3-5 years.	The current business management plan included replanting programme and were reviewed monthly meetings chaired by the Regional General Manager.	Complied
<b>4.6.2.3 Major</b>	Indicator 3: The business or management plan may contain: a) Attention to quality of planting materials and FFB. b) Crop projection: site yield potential, age profile, FFB yield trends. c) Cost of production: cost per tonne of FFB. d) Price forecast. e) Financial indicators: cost benefit, discounted cash flow, return on investment.	The 5-year Business Management Plan (FY 2017/2018 to FY 2021/2022) for the PMU was documented and reviewed.  The Annual Budget for each year include the following: (1) Staff and Labour requirements; (2) Crop projection; FFB yield/ha trends; (3) Mill extraction rates; OER trends; (4) Cost of Production; Cost/mt FFB trends; (5) Cost of Production; Cost/MT CPO trends; (6) Financial indicators covering cost of labour, supervision, maintenance, depreciation, etc.). (7) Budget for Environmental, Social, Safety & Health, Training and Promotions.  The Mill and Estate Managers have monitored the operational performance against Key Performance Indications and targets (costs, FFB yields, quality, productivity, pesticides usage, fertilizers usage, etc.).  Records of monitoring of costs against budget to achieve specified targets were verified to be available.	Complied
<b>4.6.2.4 Major</b>	Indicator 4: The management plan shall be effectively implemented and the achievement of the goals and objectives shall be regularly monitored, periodically reviewed and documented.	Performances are discussed in the monthly meetings held at the PMU and issues and actions needed are recorded for follow up in the next monthly meeting. The records of these meetings were available and verified during the audit.  Monthly, quarterly, half-yearly and yearly reports are submitted to the Regional GM.	Complied
<b>4.6.3</b>	<b>C3: Transparent and fair price dealing</b>		
<b>4.6.3.1 Major</b>	Indicator 1: Pricing mechanisms for the products and other services shall be documented and effectively implemented.	All of the fresh fruit bunches (FFB) supplied to the mill are from IOI's own estates. The pricing for FFB is not applicable.	Complied
<b>4.6.3.2 Major</b>	Indicator 2: All contracts shall be fair, legal and transparent	Based on contracts agreed between contractors/service providers and POM, it is evident that all parties understand	Complied



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	and agreed payments shall be made in timely manner.	the contractual agreements they enter into, and that contracts are fair, legal and transparent. Interview with parties concerned confirmed that business practices with local businesses were conducted in a fair and transparent manner. It is further verified that payments to contractors and other service providers are paid within the period specified in the contract agreement.	
<b>4.6.4</b>	<b>C4: Contractor</b>		
<b>4.6.4.1 Major</b>	Indicator 1: Where contractors are engaged, they shall understand the MSPO requirements and shall provide the required documentation and information.	During external stakeholders' consultations and during training, the contractors are made to understand MSPO requirements. Information such as policies and procedures are provided.	Complied
<b>4.6.4.2 Major</b>	Indicator 2: The management shall provide evidence of agreed contracts with the contractor.	Contract agreements are signed between the Mill Manager or his Assistant and the contractor. The terms and conditions of the contract are explained to the contractor. A copy of the contract is given to the contractors.	Complied
4.6.4.3 Minor	Indicator 3: The management shall accept MSPO approved auditors to verify assessments through a physical inspection if required.	Acceptance is obtained from the Management.	Complied
<b>4.6.4.4 Major</b>	Indicator 4: The management shall be responsible for the observance of the control points applicable to the tasks performed by the contractor, by checking and signing the assessment of the contractor for each task and season contracted.	There was no contractor used for plantation operations except for FFB and EFB transportation which was monitored by the respective estate management.	Complied

**P7: Development of new plantings**

Clause	Requirements	Evidence	Conformity
4.7.1	C1: High biodiversity value		
4.7.1.1	Indicator 1: Oil palm shall not be planted on land with high biodiversity value unless it is carried out in compliance with the National and/or State Biodiversity Legislation.	The estates has been established with oil palm plantation since 1980's. There are no new plantings at the estates.	Complied
4.7.1.2	Indicator 2: No conversion of Environmentally Sensitive Areas (ESAs) to oil palm as required under Peninsular Malaysia's National Physical Plan (NPP) and the Sabah Forest Management Unit under the Sabah Forest Management License Agreement. For Sabah and Sarawak, new planting or replanting of an area 500ha or more requires an EIA. For areas below 500ha but above 100ha, a Proposal for Mitigation Measures (PMM) is required.	EIA for replanting as submitted in 2013 was approved and monitoring by Environmental Compliance Reports (ECR) has been submitted on 4 monthly basis as done by Consultant. Mitigation measures are monitored as verified in latest report of Aug 2018.	Complied
4.7.2	C2: Peat land		





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4.7.2.1	Indicator 1: New planting and replanting may be developed and implemented on peat land as per MPOB guidelines on peat land development or industry best practice.	It was verified during current audit on site that there are no peat soils at Morisem 1 and Morisem 3 Estates. Peat soils exists at Leepang 3 Estate only. Noted that SOP and a Water and Ground Cover Management Plan were documented for the monitoring of the subsistence of the peat soils. Water table levels were maintained at the minimum of 50 cm level at Leepang 3 Estate.  There is no replanting yet at Leepang 3 estate which has peat soil. Replanting is only due in year 2020. Drainability assessment is therefore not yet applicable.	Complied
4.7.3	C3: Social and Environmental Impact Audit (SEIA)		
4.7.3.1	Indicator 1: A comprehensive and participatory social and environmental impact Audit shall be conducted prior to establishing new plantings or operations.	There was no evidence of any new plantings at any areas in the estates lands.	Not Applicable
4.7.3.2	Indicator 2: SEIAs shall include previous land use or history and involve independent consultation as per national and state regulations, via participatory methodology which includes external stakeholders.	The respective Social Impact Audit reports and Management plans at all the estates were individually documented by the Sustainability Team of IOI.  External stakeholder consultation with local communities was conducted for the whole of the Estates grouping on 28/08/2018.  Internal stakeholder consultations were conducted at the POM and each respective estates.	Complied
4.7.3.3	Indicator 3: The results of the SEIA shall be incorporated into an appropriate management plan and operational procedures developed, implemented, monitored and reviewed.	Each estate had reviewed and updated their SIA and Management Plans respectively.	Complied
4.7.3.4	Indicator 4: Where the development includes smallholder schemes of above 500ha in total or small estates, the impacts and implications of how each scheme or small estate is to be managed should be documented and a plan to manage the impacts developed, implemented, monitored and reviewed.	There are no smallholder schemes at the estates.	Not Applicable
4.7.4	C4: Soil and topographic information		
4.7.4.1	Indicator 1: Information on soil types shall be adequate to establish the long-term suitability of the land for oil palm cultivation.	Soil maps area are available.  GAP for minimization of soil erosion and maintenance of soil fertility is maintained via the frond stacking and fertilizer application as per the recommendation provided by the Agronomist from IOI Research Centre.	Complied
4.7.4.2	Indicator 2: Topographic information shall be adequate to guide the planning of planting programmes, drainage and irrigation systems, roads and other infrastructure.	Topographic maps are available and being used for the planting, drainage, road maintenance and housing programmes.	Complied
4.7.5	C5: Planting on steep terrain, marginal and fragile soils		
4.7.5.1	Indicator 1: Extensive planting on steep terrain, marginal and fragile soils shall be avoided	Estate soils show no fragile or marginal soil existence. Soil types as indicated in soil maps were: Luangmanis (Mudstone & alluvium), Gomantong (limestone), Kretam (mudstone & sandstone) and Kinabatangan (alluvium).	Complied



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	unless permitted by local, state and national laws.	It was observed during field visits that there was no planting at slopes of greater than 25°.	
4.7.5.2	Indicator 2: Where planting on fragile and marginal soils is proposed, plans shall be developed and implemented to protect them and to minimize adverse impacts (e.g. hydrological) or significantly increased risks (e.g. fire risk) in areas outside the plantation.	Not applicable.	Not Applicable
4.7.5.3	Indicator 3: Marginal and fragile soils, including excessive gradients and peat soils, shall be identified prior to conversion.	Not applicable.	Not Applicable
4.7.6	C6: Customary land		
4.7.6.1	Indicator 1: No new plantings are established on recognised customary land without the owners' free, prior and informed consent, dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.	Not applicable.	Not Applicable
4.7.6.2	Indicator 2: Where new plantings on recognised customary lands are acceptable, management plans and operations should maintain sacred sites.	Not applicable.	Not Applicable
4.7.6.3	Indicator 3: Where recognized customary or legally owned lands have been taken-over, the documentary proof of the transfer of rights and of payment or provision of agreed compensation shall be made available.	Not applicable.	Not Applicable
4.7.6.4	Indicator 4: The owner of recognised customary land shall be compensated for any agreed land acquisitions and relinquishment of rights, subject to their free prior informed consent and negotiated agreement.	Not applicable.	Not Applicable
4.7.6.5	Indicator 5: Identification and Audit of legal and recognised customary rights shall be documented.	Not applicable.	Not Applicable
4.7.6.6	Indicator 6: A system for identifying people entitled to compensation and for calculating and distributing fair compensation shall be established and implemented.	Not applicable.	Not Applicable
4.7.6.7	Indicator 7: The process and outcome of any compensation	Not applicable.	Not Applicable



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	claims shall be documented and made publicly available.		
4.7.6.8	Indicator 8: Communities that have lost access and rights to land for plantation expansion should be given opportunities to benefit from the plantation development.	Not applicable.	Not Applicable

**3.2 Status of Identified Noncompliance and Corrective Actions, Observations and Positive Elements.**

The status of the Noncompliances (NCR) and Observations (OBS) identified against the MSPO Compliance Indicators is as per the details below:

Audit Type	Year	Noncompliance (NCR)	Observations (OBS)	Follow up status
Initial Audit / Stage 2	2017	2 (Minor)	1	Actions taken on the NCRs and OBS verified to be effective during Annual Surveillance - 01.
Annual Surveillance - 01	2018	4 (3 Major, 1 Minor)	1	Next audit – Surveillance - 02

**3.2.1 Year 2017: Initial Audit / Stage 2 (0 Major NCR)**

**3.2.2 Year 2017: Initial Audit / Stage 2 (2 Minor NCRs)**

NCR	MSPO Indicator	Details of NCR	
Minor - 01	MS 2530-3 P6 Best Practices - Estates 4.6.1.1	Date issued: 28 Sept 2017	
		<b>Noncompliance:</b>  <b>During field visit it was noted that several heaps of EFB for mulching were left as it was at Leepang 2 estate for quite some time and has not been attended to accordingly.</b>	
		Root Cause:  The EFB was not mulched/levelled due to the shortage of the workers for the said activity at the estate.  Corrective Action:  The identified locations of EFB heaping has been levelled immediately.  The SPO supervisor was instructed to include the EFB mulching status into their daily report. Further planning and instructions will be given by the Estate management for the levelling of the offloaded EFB heaps. A work programme for EFB levelling using the backhoe has been developed to ensure that all EFB offloaded for field application is levelled promptly.	
		Verification (Corrective Action): Off-site verification carried out confirmed the following evidences of implementation of the corrective actions submitted on 31 Oct 2017:  1) Copy of Daily report for SPO field supervisor to include EFB mulching / levelling status. 2) Copy of Work programme of backhoe which matches with the field block at which the EFB is applied. The corrective actions satisfactorily addressed the non-conformance.	
		<b>NC status verified by auditor: Closed by AL</b>	



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	Verification (for effectiveness): Verified at Annual Surveillance – 01 that the implementation of corrective action is effective.
NC status verified by auditor: OCL	Date verified: 28/09/2018

NCR	MSPO Indicator	Details of NCR
Minor - 02	MS 2530-3 P5 Environment - Estates 4.5.3.5	Date issued: 28 Sept 2017
		<p><b>Noncompliance:</b></p> <p><b>Landfill Management:</b></p> <p><b>The access road leading to the Landfill site at Morisem 1 estate has not been properly maintained. The condition of the road is poor and may lead to potential issues such as spillages, driver and vehicle safety.</b></p>
		<p>Root Cause:</p> <p>The poor road condition is due to rainy season in September 2017. This has prevented the road repairing to be done by the management on time according to the planning</p> <p>Corrective Action:</p> <p>The poor road condition observed during the audit has already been repaired by the management. A road maintenance plan/record that focused and emphasized on the main road and that are frequently used has also been made available. These roads include the road to the landfill, ramp, labour quarters etc.</p>
		<p>Verification (Corrective Action):</p> <p>Off-site verification carried out confirmed the following evidences of implementation of the corrective actions submitted on 31 Oct 2017:</p> <ol style="list-style-type: none"> <li>1) Copy of Record of rainfall book for September.</li> <li>2) Copy of Record of road maintenance done at the field block of the landfill.</li> <li>3) Copy of Record of work done and road maintenance programme at the road to the Landfill block (09L)</li> <li>4) Supporting photo of road maintenance done at Block 09L.</li> </ol> <p>The corrective actions satisfactorily addressed the non-conformance.</p>
		<p><b>NC status verified by auditor: Closed by AL</b></p> <p><b>Date closed: 1 Nov 2017</b></p>
		<p>Verification (for effectiveness): At next Audit</p> <p>Verification (Corrective Action):</p> <p>Off-site verification carried out confirmed the following evidences of implementation of the corrective actions submitted on 31 Oct 2017:</p> <ol style="list-style-type: none"> <li>1) Copy of the new Lists of Price items on the month of October 2017 and next 6 months till April 2018. The price items had included pricing items such as fish, meat, vegetables and chicken.</li> <li>2) A Tabulated lists of price items sold in Morisem 4 Estate and outside estate showing the price comparison between the estate shop and outside shops.</li> <li>3) Training record given to Social Liaison Officer (SLO), Executive level and SPO Staff on Inspection of Shops items and reasonably affordable pricing at estates.</li> </ol> <p>The corrective actions satisfactorily addressed the non-conformance.</p>
		<p><b>NC status verified by auditor: Closed by AL</b></p> <p><b>Date closed: 1 Nov 2017</b></p>



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		Verification (for effectiveness): Verified at Annual Surveillance – 01 that the implementation of corrective action is effective.
	NC status verified by auditor: OCL	Date verified: 28/09/2018

3.2.3 Year 2017: Initial Audit / Stage 2: 1 Observation

Ref No:	MSPO Indicator	Location	Details of Observation	Status		
				Opened date	Closed date	Remark (if any)
OBS-01	MS 2530-3 4.5.1.5	Estates	The documented training programme established. However implementation level at the Estates audited had not made special focus on the awareness and understanding of the objectives on Environmental management.	28 Sep 2017	28 Sep 2018	-

3.2.4 Year 2018: Annual Surveillance – 01: 3 Major NCRs

NCR	MSPO Indicator	Details of NCR
Major OCL-01	4.1.3.1 MS 2530-3 Estates	Date issued: 28/09/2018
		<b>Requirement:</b>
		The management shall periodically review the continuous suitability, adequacy and effectiveness of the requirements for effective implementation of MSPO and decide on any changes, improvement and modification.
		<b>Statement of Nonconformance:</b>
		<b>Management review minutes were not adequately documented.</b>
		<b>Evidence of Nonconformance:</b>
		<b>Location: Morisem 1, Morisem 3, Leepang 3 and Leepang 4 Estates</b> Management review of all the estates were conducted on 08/08/2018 and minutes of the review meeting were maintained. However, the minutes were not specifically clear concerning the following: (1) Findings of the MSPO Internal audit report, (2) Review of the effectiveness of implementation of MSPO and decide on any changes, improvement and modification.
<b>Root Cause and Corrective Action(s): by Auditee Representative</b>		



		<p><b>Root cause:</b></p> <p>During the management review meeting, all the non-conformities have been discussed with all of the Head of Operating Units. The meeting is conducted to discuss the outcome of the internal audit for ISCC, MSPO and RSPO certification scheme in one shot rather than having one meeting for one certification scheme.</p> <p>During the preparation of the meeting minutes, the points of the discussion were not specifically divided into ISCC, MSPO and RSPO scheme. Rather, the common issue in the multiple certification schemes were grouped together and indicated in the minutes.</p> <p><b>Corrective Action:</b></p> <p>The preparation of the minutes of the meeting will be reviewed to reflect which issue is belonged to which certification scheme.</p> <p>The future agenda of the meeting will be reorganized to discuss issue in accordance to its specific certification scheme (ISCC, MSPO and RSPO) internal audit.</p> <p>A column of remarks on the effectiveness of MSPO implementation and decision to make changes or improvement will be added in the meeting minutes.</p>	
		<p><b>Verification on Corrective Action(s): by Lead Auditor / Auditor</b></p>	
		<p><b>MAJOR NC:</b></p> <p>On-site / Off-site Verification on date: 25/11/2018</p> <p>Corrective actions taken: As stated by Auditee in their RC &amp; CA</p> <p>Supportive evidences:</p> <p>Revised Management Review Meeting minutes with separation of MSPO and the other certification.</p> <p>Conclusion:</p> <p><input checked="" type="checkbox"/> <b>Yes</b> - Evidences submitted as above for the corrective actions done with attached evidences at the audited sites were verified and considered to have satisfactorily addressed the issue and acceptable for closure.</p> <p><input type="checkbox"/> <b>No</b> - Evidences submitted as above for the corrective actions done with attached evidences at the audited sites were verified and DID NOT satisfactorily addressed the issue and thus not acceptable for closure.</p> <p>Subject to further follow-up verification on (dates): Next Assessment</p>	
		<p><b>Minor NC: N.A</b></p> <p>On-site / Off-site Verification on date:-</p> <p>Corrective Actions taken: -</p> <p>Supportive evidences:-</p> <p>Conclusion:-</p> <p><input type="checkbox"/> <b>Yes</b> - Evidences submitted as above for the corrective actions done with attached evidences at the audited sites were verified and considered to have satisfactorily addressed the issue and acceptable for closure.</p>	
		<p><b>NC status verified by auditor: Closed by OCL</b></p>	<p><b>Date closed: 25/11/2018</b></p>
		<p>Verification of effectiveness: Next Assessment</p>	
<p>NC status verified by auditor: -</p>	<p>Date verified: -</p>		

NCR	MSPO Indicator	Details of NCR
Major OCL-02	4.6.1.1 MS 2530-3 Estates	Date issued: 28/09/2018
		<b>Requirement:</b>
		Standard operating procedures shall be appropriately documented and consistently implemented and monitored.



	<b>Statement of Nonconformance:</b>	
	There was no referencing of the various SOPs for RSPO for meeting MSPO requirements.	
	<b>Evidence of Nonconformance:</b>	
	<b>Location: Morisem 1, Morisem 3, Leepang 3 and Leepang 4 Estates</b> The estates have used documented SOPs for its operations under RSPO certification for the MSPO system requirements. However, there was no referencing of the SOPs relating to the specific requirements and indicators of MSPO. Also, the SOP for traceability of FFB in the estates need to be established.	
	<b>Root Cause and Corrective Action(s): by Auditee Representative</b>	
	<b>Root cause:</b> The current MSPO certification scheme implementation is basically based on the RSPO SOP in the view of the similarity in both of the scheme. There is no reference to MSPO have been made in the exiting SOP.	
	<b>Corrective Action:</b> The cross reference table will be prepared as a standard reference to identify which MSPO requirement is applicable to other scheme (e.g RSPO, ISCC), and vice versa.	
	<b>Verification on Corrective Action(s): by Lead Auditor / Auditor</b>	
	<b>MAJOR NC:</b> On-site / Off-site Verification on date: 25/11/2018 Corrective actions taken: As stated by Auditee in their RC & CA Supportive evidences: Cross Reference Table of MSPO, RSPO and ISCC. Conclusion: <input checked="" type="checkbox"/> <b>Yes</b> - Evidences submitted as above for the corrective actions done with attached evidences at the audited sites were verified and considered to have satisfactorily addressed the issue and acceptable for closure. <input type="checkbox"/> <b>No</b> - Evidences submitted as above for the corrective actions done with attached evidences at the audited sites were verified and DID NOT satisfactorily addressed the issue and thus not acceptable for closure. Subject to further follow-up verification on (dates): Next Assessment	
	<b>Minor NC: N.A</b> On-site / Off-site Verification on date:- Corrective Actions taken: - Supportive evidences:- Conclusion:- <input type="checkbox"/> <b>Yes</b> - Evidences submitted as above for the corrective actions done with attached evidences at the audited sites were verified and considered to have satisfactorily addressed the issue and acceptable for closure.	
	<b>NC status verified by auditor: Closed by OCL</b>	<b>Date closed: 25/11/2018</b>
	Verification of effectiveness: Next Assessment	
NC status verified by auditor: -	Date verified: -	

NCR	MSPO Indicator	Details of NCR
Major JMD-01	4.3.1.1	Date issued: 28/09/2018
		Requirement:



<b>MS 2530-3 Estates</b>	All operations are in compliance with the applicable local, state, national and ratified international laws and regulations.
	<b>Statement of Nonconformance:</b>
	Valid work permits were not available for a few workers at time of audit.
	<b>Evidence of Nonconformance:</b>
	<b>Location: Leepang 3 Estate and Leepang 4 Estate</b> <b>Application for work permits for seven workers in Leepang 3 Estate and four workers in Leepang 4 Estate are still in progress since Sep 2017 and the workers are already working at the time of audit.</b>
	<b>Root Cause and Corrective Action(s): by Auditee Representative</b>
	<b>Root cause:</b> All the mentioned workers are actually have undergone legalization program under the government's 3+1 and Rehiring program. The related documents such as <i>Permohonan Membawa Masuk Pekerja Asing, Akuan Penerimaan Penyerahan, Penyerahan Dokumen Kompaun</i> , etc. from Immigration Department are all available on-site as the evidences that the workers has really gone through the program.  It is important to take note that these workers is already residing in Sabah for years. The reason why they did not acquire the legal status is probably because they have been moving from one company to another, or their previous employer did not employ them through a proper channel, or fail to retain their legal status (e.g. passport or work permit renewal). This is currently one of the biggest challenges faced by the industry player in Sabah, not in just in the mentioned estates.  Due to the long period needed for the legalization process to be completed, the management had decided to allow the workers to work during this processing period to ensure the workers can sustain their source of income. Otherwise, the workers are not going to be able to secure any income needed for maintain their daily subsistence cost along with their dependents who are currently depending on them.  This decision is made in consideration of human right and humanitarian basis to ensure all workers who are employed by the company will be well taken care and their welfare are secured and properly looked after.
	<b>Corrective Action:</b> The process is still on-going and as per the latest update, the workers are currently in the process to undergone FOMEMA health check. Subsequent to this, the process for the issuance of the work permit will be continuing which will be further guided by Immigration Department. The whole process usually will take one to two years period despite all the procedure for renewal of work permit had been taken and completed by the company.
	<b>Verification on Corrective Action(s): by Lead Auditor / Auditor</b>
	<b>MAJOR NC:</b> <del>On-site</del> / Off-site Verification on date: 25/11/2018 Corrective actions taken: As stated by Auditee in their RC & CA Supportive evidences: 1. Document of <i>Permohonan Membawa Masuk Pekerja Asing</i> from Immigration Department. 2. Document of <i>Akuan Penerimaan Penyerahan</i> Document from Immigration Department. 3. Document of <i>Penyerahan Dokumen Kompaun</i> from Immigration Department. 4. Official receipt of <i>Permohonan Baru Pas Khas – Tujuan lain-lain</i> . Conclusion: <b>[ x ] Yes</b> - Evidences submitted as above for the corrective actions done with attached evidences at the audited sites were verified and considered to have satisfactorily addressed the issue and acceptable for closure. <b>[ ] No</b> - Evidences submitted as above for the corrective actions done with attached evidences at the audited sites were verified and DID NOT satisfactorily addressed the issue and thus not acceptable for closure. Subject to further follow-up verification on (dates): Next Assessment





	<p><b>Minor NC: N.A</b></p> <p>On-site / Off-site Verification on date:- Corrective Actions taken: - Supportive evidences:- Conclusion:-</p> <p><input type="checkbox"/> <b>Yes</b> - Evidences submitted as above for the corrective actions done with attached evidences at the audited sites were verified and considered to have satisfactorily addressed the issue and acceptable for closure.</p>						
	<table border="1"> <tr> <td><b>NC status verified by auditor: Closed by OCL</b></td> <td><b>Date closed: 25/11/2018</b></td> </tr> <tr> <td colspan="2">Verification of effectiveness: Next Assessment</td> </tr> <tr> <td>NC status verified by auditor: -</td> <td>Date verified: -</td> </tr> </table>	<b>NC status verified by auditor: Closed by OCL</b>	<b>Date closed: 25/11/2018</b>	Verification of effectiveness: Next Assessment		NC status verified by auditor: -	Date verified: -
<b>NC status verified by auditor: Closed by OCL</b>	<b>Date closed: 25/11/2018</b>						
Verification of effectiveness: Next Assessment							
NC status verified by auditor: -	Date verified: -						

3.2.5 Year 2018: Annual Surveillance – 01: 1 Minor NCR

NCR	MSPPO Indicator	Details of NCR
Minor JMD-01	4.4.6.3 MS 2530-3 Estate	Date issued: 28/09/2018
		<b>Requirement:</b>
		A continuous training programme should be planned and implemented to ensure that all employees are well trained in their job function and responsibility, in accordance to the documented training procedure.
		<b>Statement of Nonconformance:</b>
		<b>Training on safety for harvesters is not effective as seen from lack of understanding by the worker concerned.</b>
		<b>Evidence of Nonconformance:</b>
		<b>Location: Leepang 4 Estate</b> <b>During the interview, a harvester confirmed that he carried the harvesting pole to the field while riding on a motorcycle.</b> <b>This is not in accordance with “Prosedur kerja Selamat Memotong Buah Sawit / Pelepah (Doc: IOI-OSH 3.2.2)” where it is stated that motorcycle is not allowed to be used for carrying harvesting pole, sickle or lance.</b>
		<b>Root Cause and Corrective Action(s): by Auditee Representative</b>
		<b>Root Cause:</b> Lack of understanding of the workers although already been given training and training analysis on the SOP of Harvesting.  <b>Corrective Action:</b> The management will conduct a refreshment training to all harvesters on SOP harvesting which also including the transporting of harvesting poles using tractors instead of motorcycle. Increase the frequency of morning briefing to the workers especially harvester to twice a week. Addition of signboard on prohibition of transporting harvesting poles by motorcycle. Monitoring of SPO supervisor/ AP during workplace inspection on the transport of harvesting pole Warning letter will be issued to the harvester if spotted doing so.
		<b>Verification on Corrective Action(s): by Lead Auditor / Auditor</b>



		<b>MAJOR NC: N.A</b>	
		On-Site / Off-site Verification on dates:	
		Corrective actions taken:	
		Supportive evidences:	
		Conclusion:	
<p><input type="checkbox"/> <b>Yes</b> - Evidences submitted as above for the corrective actions done with attached evidences at the audited sites were verified and considered to have satisfactorily addressed the issue and acceptable for closure.</p> <p><input type="checkbox"/> <b>No</b> - Evidences submitted as above for the corrective actions done with attached evidences at the audited sites were verified and DID NOT satisfactorily address the issue and thus not acceptable for closure.</p> <p>Subject to further follow-up verification on (dates):</p>			
<b>Minor NC:</b>			
On-site / Off-site Verification on date: 25/11/2018			
Corrective Actions taken: As stated by Auditee in their RC & CA			
Supportive evidences:			
<ol style="list-style-type: none"> <li>1. Training record for SOP harvesting</li> <li>2. Record of morning briefing twice a week</li> <li>3. Pictorial evidence of addition new signboards at linesite or strategic locations in field.</li> <li>4. Record of workplace inspection by SPO supervisor/ Auxiliary police.</li> <li>5. Sample of warning letter issued to harvester.</li> </ol>			
Conclusion:			
<p><input checked="" type="checkbox"/> <b>Yes</b> - Evidences submitted as above for the corrective actions done with attached evidences at the audited sites were verified and considered to have satisfactorily addressed the issue and acceptable for closure.</p>			
<b>NC status verified by auditor: Closed by OCL</b>		<b>Date closed: 25/11/2018</b>	
Verification of effectiveness: Next Assessment			
NC status verified by auditor: -		Date verified: -	

3.2.6 Year 2018: Annual Surveillance – 01: 1 Observation

Ref No:	MSPO Indicator	Details of Observation	Status		
			Opened date	Closed date	Remark, if any
OBS OCL-01	4.5.2.2	<p>Location: Morisem 3 Estate</p> <p>Data were compiled for 5 years (from FY2013/2014 to FY2017/2018) for comparison and monitoring to improve efficiency of the use of diesel at the estates.</p> <p>The data used by Morisem 1, Leepang 3 and Lepang 4 Estates were based upon the volumes of litres of diesel used per MT of FFB used in FFB transportation. However, the data used by Morisem 3 Estate was different in that it included diesel used for other purpose such as road maintenance vehicles and gen set. The same basis for data should be used for consistency in comparison.</p>	28/09/2018	Next Audit	-



**3.2.7 Identified Positive Elements**

- 1) IOI Corporation Berhad has continued to provide educational assistance in terms of school building and associated facilities for more than 2000 estate children of migrant workers both at the primary and secondary level under the Borneo Childcare (Social NGO) based HUMANA educational programme.
- 2) The organisation has contributed towards the local economy in terms of business and job opportunities and provided proper infrastructure such as road access, housing, sports and recreational facilities.

**3.3 Feedback Raised by Stakeholders and Findings**

Prior to and during the audit, written and verbal feedback communicated from the stakeholders on the environmental and social performance of Morisem Grouping operations were sourced. All pertinent feedback issues were reviewed and followed up for verification and these had been accordingly incorporated into the report findings. See table below:

**3.3.1 Feedback Raised by Stakeholders (Annual Surveillance – 01: Year 2018)**

Communication done via email on 14 Aug 2018 to various categories of stakeholders (see list under para 2.5):

Stakeholders' Feedback	PMU Response	CB verification / comments	Follow up comments (if any)
<b>Government Agencies:</b> No feedback received.	Ongoing consultations will be maintained. No response needed.	Verified during on-site assessment that no response needed.	Nil
<b>Non-Governmental Organizations:</b> No feedback received.	Ongoing consultations will be maintained. No response needed.	Verified during on-site assessment that no response needed.	Nil
<p><b>Local Communities - Stakeholders' Consultation:</b> Selected stakeholders representing the complete range of various stakeholder categories were invited for the Stakeholders' Consultation on 28/9/2018. A total of 5 stakeholders (including school, HUMANA and government agency) were present at the consultation. They were interviewed by the auditors without the presence of any of the PMU staff. Concerns and suggestions received during interviews and stakeholder consultations:</p> <ol style="list-style-type: none"> <li>1. Collaboration between schools and the group to conduct Perintis Industri Menengah Atas (PIMA).</li> <li>2. Collaboration between the schools and the group to conduct Mud Ball Programme (environmental protection programme).</li> <li>3. Estate Health Assistants to assist in malaria and dengue detection programme among workers.</li> <li>4. Workers with infectious diseases confirmed during FOMEMA process must be sent back to the country of origins and not staying at the workers quarters.</li> </ol>	PMU responded that this matter will be reviewed by the management	To be followed up during the next Assessment.	-



<p>5. External drinking water lab result should be submitted to Unit Kawalan Mutu Air Minuman, Kementerian Kesihatan Manusia for drinking water quality monitoring by the government.</p> <p>6. Fund collection among workers for children measles immunisation. Measles found to have spread in certain years and could lead to mortality cases.</p> <p>7. Improve ferry landing area for the convenience of the passengers.</p> <p>8. Increase the number of signages from ferry to Morisem Mill to prevent visitors from straying to other places.</p> <p>9. Improve security at HUMANA schools especially during school holidays. The schools are always found to have been broken into during school holidays.</p> <p>10. Generally in plantations along Kinabatangan River child labours are observed. Management should take a concerted efforts to prevent this from happening in IOI estates.</p>			
<p><b>Local Communities - Interviews:</b> Interviews of sampled staff and workers were also conducted by the auditors during field visits from 24 to 28 Sep 2018 at the PMU:</p> <p>Staff/Workers sampling: POM = 12 males, 13 females Estate = 45 males, 43 females</p> <p>No issues raised by the sampled staff and workers.</p>	No response needed.	No response needed.	Nil
<p><b>Other Interested parties:</b> No feedback received.</p>	No response needed.	No response needed.	Nil



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#### 4.0 AUDIT CONCLUSION AND RECOMMENDATION

Based on the findings above, IOI Morisem Grouping had been able to demonstrate its compliance with the MSPO MS 2530-3:2013 Standard for the Oil Palm Plantation.

Therefore, it is recommended that the certification of Morisem Oil Palm Estates Grouping be approved.

Signed for and on behalf of  
Intertek Certification International Sdn Bhd

Dr. Ooi Cheng Lee  
Lead Assessor  
Date: 28 Dec 2018

#### 4.1 Acknowledgement of Internal Responsibility and Confirmation of Audit Findings

This is to acknowledge and confirm the Audit visits described in this report and the acceptance of the contents and findings in this Audit report.

Signed for and on behalf of  
IOI Plantation Services Sdn Bhd

Mr. S.S. Ragupathy  
General Manager (Sabah Region)  
Date:



**4.2 INTERTEK – MSPO Certificate details for the Morisem Oil Palm Estates Grouping**

Certificate No:	<b>MSPO 001B</b>
Original Start date:	22 February 2018
New Start date (ASA-01):	22 February 2019
Expiry date:	21 February 2023
Organisation	IOI Corporation Berhad
Address of Head Office:	Level 27, IOI City Tower 2, Lebuhr IRC, IOI Resort City, 62502 Putrajaya, Malaysia.
Name of Estates	As per Table A (below)
Address of Estates	As per Table A (below)
Standards	MSPO MS 2530-3:2013 for the Oil Palm Plantation.
Certification scope:	Oil Palm Plantations Supplying FFB

Table A: Details of the Mill and Estates covered by this certificate and the tonnage approved are:

Name	Address	GPS Reference		Certified (Titled) Area - ha	Mature Planted Area - ha
		Latitude	Longitude		
Morisem POM (Capacity:105 MT/hour)	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°29'38.65"N	118°22'8.54"E	13, 609.67	Not applicable
Morisem 1 Estate	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°29'24.00"N	118°19'12.00"E		1896
Morisem 2 Estate	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°27'36.00"N	118°21'36.00"E		1852
Morisem 3 Estate	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°30'0.00"N	118°19'48.00"E		1331
Morisem 4 Estate	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°20'24.00"N	118°20'24.00"E		1504
Leepang 2 Estate	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°30'36.00"N	118°22'48.00"E		1637
Leepang 3 Estate	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°31'48.00"N	118°23'24.00"E		1838
Leepang 4 Estate	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°32'60.00"N	118°22'12.00"E		1354

The annual tonnages produced at the Estates Grouping are detailed as follows:

Morisem Estates	Annual Tonnages (MT)
FFB	269,984



## APPENDIX A:

### Qualifications of Lead Auditor and Audit Team

#### . Dr. Ooi Cheng Lee (OCL) Lead Assessor / Team Leader / Technical Expert

(Palm Oil Mill, Environment, OHSAS, Social, HCV, Land Use and Supply Chain)

- PhD in Welding, Cranfield University, UK
- M.Sc. (Engineering) in Metallurgy, University of Birmingham, UK
- B.App.Sc (Hons), Science University of Malaysia
- Diploma in Translation for Science and Technology, Malaysia Translation Society

Dr. Ooi Cheng Lee is an IRCA Lead Auditor and Lead Tutor for ISO 9001. He is also involved in auditing in other integrated management systems. He has successfully completed the RSPO Lead Assessor Course for Principles and Criteria (RSPO P&C) and the RSPO Supply Chain Certification (RSPO SCC). He is currently involved in the management of all types of system and process/product certification in Intertek. He has more than 32 years work experience in product and process specifications, research & development, inspection and testing, quality assurance, engineering development, training, product certification, auditing and quality management system certification. He has conducted assessments of organizations in Malaysia, Singapore, Indonesia, Vietnam, Philippines, China, Myanmar, Cambodia and other regional countries. Assessments include those of rubber and oil palm plantations in Malaysia and Indonesia. His previous position as the General Manager of Lloyd's Register Quality Assurance (LRQA) Malaysia include the management of all types of systems certification, including that of environmental (ISO 14001), safety & health (OHSAS 18001) and Clean Development Mechanisms (CDM). He is currently the General Manager in Intertek Certification International Sdn. Bhd. He is a member of the Internal Review Panel for RSPO Assessment reports since May 2011. He is part of the RSPO CB Assessment team which audited RSPO certified Plantation Management Units since 2012.

#### Mr. Chin Bit Kee (CBK) – Assessor / Technical Expert

(Good Agriculture Practice, Integrated Pest Management and Social)

– Degree in Food Technology from University of Reading, United Kingdom

Mr. Chin Bit Kee has more than 5 years working experience in the oil palm plantation, agriculture & social (worker welfare) related field. He has successfully participated in RSPO training conducted internally by Intertek on 17 April 2014 and completed a supervised period of training in practical auditing in agriculture industry and related field, with more than 15 days audit experience in at least 3 audits at different organizations. He has adequate knowledge on Palm Oil sector such as industry fundamentals sustainability, social and OHS issues (e.g. worker welfare issues and social matters such as employment terms, gender issues, worker welfare etc.) environmental matters (e.g. pollution control, conservation of resources). He is a member of the RSPO CB Assessment team which audited several RSPO certified Plantation Management Units since 2014.

#### Mr. Jumat Majid (JMD) – Assessor – Social Responsibility and Workers Welfare

– BSc (Social Science)

Mr Jumat Majid (JM) has over 13 years work experience in the agriculture sector. He has successfully completed the IRCA accredited Lead Auditor course in ISO 9001:2008 and RSPO P&C MY-NI Lead Assessor course. He has also successfully completed training programs in Organic Agriculture Development and had performed organic agriculture inspections and assessments for more than 6 years. He has been involved in NGO work in the areas of social impact assessments within the South East Asia region. He is part of the RSPO CB Assessment team which audited RSPO certified Plantation Management Units since 2010.



**Appendix B:**  
**Audit Plan (Actual)**

Date	Time	Assessors and Assessment Activity		
		OCL	JMD	CBK
23 Sept 2018 Sunday	8.30 am onward	Travel - Flight to Sandakan Travel from Sandakan airport to Morisem		

Date	Time	Assessors and Audit Activity		
		Assessment Team		
24 Sept 2018 Monday  (Day 1)	8.30 am - 9.30 am	<b>Opening Meeting and Briefing at POM Office (to be attended by representatives from the Estates as well)</b>		
	9.30 am – 10.30 am	Document Review and Audit by all Auditors at POM		
	10.30 am – 12.30 pm	<b>OCL</b>	<b>CBK</b>	<b>JMD</b>
		<b>Site Audit at Mill</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P2 Transparency</li> <li>• P3 Compliance to Legal requirements</li> <li>• P5 Environment, natural resources, biodiversity and ecosystem services</li> </ul>	<b>Site Audit at Mill</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P3 Compliance to Legal requirements</li> <li>• P6 Best Practices</li> </ul>	<b>Site Audit at Mill</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P3 Compliance to Legal requirements</li> <li>• P4 Social responsibility, health, safety and employment condition</li> </ul>
	• Verification of effectiveness of corrective actions for non-conformances (previous audit – if applicable)			
	12.30 pm – 1.30 pm	Lunch Break		
	1.30 pm – 5.00 pm	<b>Continue site audit at POM</b>		
	5.00 pm – 6.00 pm	Travel to Hotel & Break		
6.00 pm – 7.00 pm	Team Meeting and Discussion			

Date	Time	Assessors and Assessment Activity		
		OCL	CBK	JMD
25 Sept 2018 Tuesday  (Day 2)	8.30 am – 12.30pm	<b>Site Audit at Morisem 1 Estate</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P2 Transparency</li> <li>• P3 Compliance to Legal requirements</li> <li>• P5 Environment, natural resources, biodiversity and ecosystem service</li> </ul>	<b>Site Audit at Morisem 1 Estate</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P3 Compliance to Legal requirement</li> <li>• P6 Best Practices</li> <li>• P7 New Planting (if any)</li> </ul>	<b>Site Audit at Morisem 1 Estate</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P3 Compliance to Legal requirements</li> <li>• P4 Social responsibility, health, safety and employment condition</li> </ul>
		Lunch Break		
	1.30 pm - 5.30 pm	<b>Continue site audit at Morisem 1 Estate</b>		
	5.30 pm – 6.30 pm	Travel to Hotel & Break		
	6.30 pm – 7.30 pm	Team Meeting and Discussion		





Date	Time	Assessors and Assessment Activity		
		OCL	CBK	JMD
26 Sept 2018 Wednesday  (Day 3)	8.30 am – 12.30pm	<b>Site Audit at Morisem 3 Estate</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P2 Transparency</li> <li>• P3 Compliance to Legal requirements</li> <li>• P5 Environment, natural resources, biodiversity and ecosystem service</li> </ul>	<b>Site Audit at Morisem 3 Estate</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P3 Compliance to Legal requirement</li> <li>• P6 Best Practices</li> <li>• P7 New Planting (if any)</li> </ul>	<b>Site Audit at Morisem 3 Estate</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P3 Compliance to Legal requirements</li> <li>• P4 Social responsibility, health, safety and employment condition</li> </ul>
	12.30 pm – 1.30 pm	Lunch Break		
	1.30 pm – 5.30 pm	Continue site audit at Morisem 3 Estate		
	5.30 pm – 6.30 pm	Travel to Hotel & Break		
	6.30 pm – 7.30 pm	Team Meeting and Discussion		

Date	Time	Assessors and Assessment Activity		
		OCL	JMD	CBK
27 Sept 2018 Thursday  (Day 4)	8.30 am – 12.30pm	<b>Site assessment at Leepang 3 Estate</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P2 Transparency</li> <li>• P3 Compliance to Legal requirements</li> <li>• P5 Environment, natural resources, biodiversity and ecosystem service</li> </ul>	<b>Site assessment at Leepang 3 Estate</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P3 Compliance to Legal requirement</li> <li>• P6 Best Practices</li> <li>• P7 New Planting (if any)</li> </ul>	<b>Site assessment at Leepang 3 Estate</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P3 Compliance to Legal requirements</li> <li>• P4 Social responsibility, health, safety and employment condition</li> </ul>
	12.30 pm – 1.30 pm	Lunch Break		
	1.30 pm – 5.30 pm	Left vacant for RSPO assessment at Leepang 4 Estate		
	5.30 pm – 6.30 pm	Travel to Hotel & Break		
	6.30 pm – 7.30 pm	Team Meeting and Discussion		

Date	Time	Assessors and Assessment Activity		
		OCL	JMD	CBK
28 Sept 2018 Friday  (Day 5)	8.30 am – 10.30 am	<b>Site Audit at Mill</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P2 Transparency</li> <li>• P3 Compliance to Legal requirements</li> <li>• P5 Environment, natural resources, biodiversity and ecosystem services</li> </ul>	<b>Stakeholders' Consultation on the following categories (see Notes 1 and 2 below):</b> <ul style="list-style-type: none"> <li>• <b>Contractors</b></li> <li>• <b>Suppliers</b></li> <li>• <b>Transporters</b></li> <li>• <b>NGOs</b></li> <li>• <b>Government Department / Agencies</b></li> <li>• <b>Local Community</b></li> </ul>	
			Notes:	



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			<p>1. It is mandatory for the PMU to inform Intertek and provide the information (as a minimum the no. of stakeholders in each applicable category and contact number) on the stakeholders prior to the assessment.</p> <p>2. This will facilitate the random and impartial selection of stakeholders (including independent and organized smallholders, where applicable) and to meet the sample size requirement</p>
	10.30 am – 12.30 pm	Follow up on potential issues for POM and Estates	
	12.30 pm – 1.30 pm	Lunch Break	
	1.30 pm – 2.30 pm	Preparation for Closing Meeting	
	2.30 pm - 4.00 pm	Closing Meeting & Briefing at Palm Oil Mill Office	
	4.00 pm onward	Travel to Hotel, Sandakan (for overnight)	

Date	Time	Assessors and Assessment Activity		
29 Sept 2018 Saturday	8.30 am onward	OCL	JMD	CBK
		Travel - Flight back to KL		

**Special Note:** In cases of combined certification audits (e.g. combined with RSPO), then the arrangement can be adjusted to follow the certification audit schedule which allows for higher audit time / mandays (on-site).

**Appendix: Audit Team Competency Matrix**

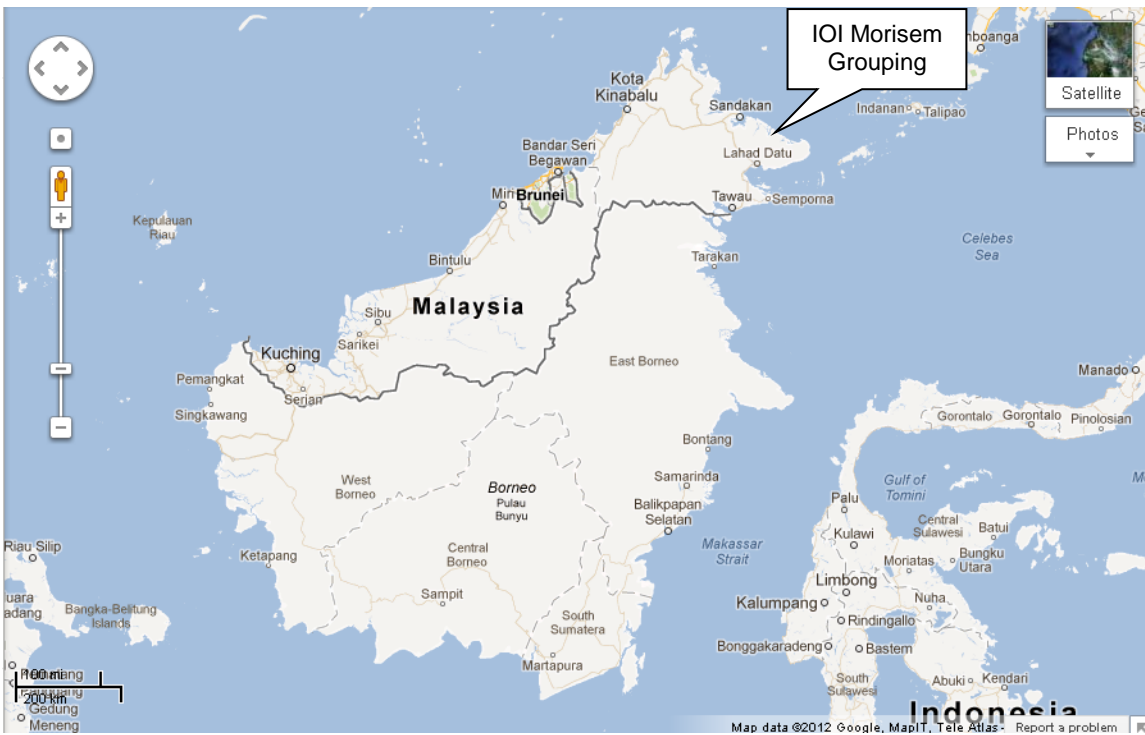
MSPO Principles	Areas	Lead Auditor (LA) Auditors (A) / Technical Experts (TE)		
		OCL (LA/TE)	CBK (A/TE)	JMD (A/TE)
P1	Management Commitment and Responsibility	√	√	√
P2	Transparency	√		
P3	Compliance to Legal requirements	√	√	√
P4	Social responsibility, health, safety and employment condition	√		√
P5	Environment, natural resources, biodiversity and ecosystem services	√		
P6	Best Practices at POM / Estates	√	√	
P7	New Plantings	√	√	



APPENDIX C-1:

Location Map of IOI Morisem Grouping, Lahad Datu, Sabah

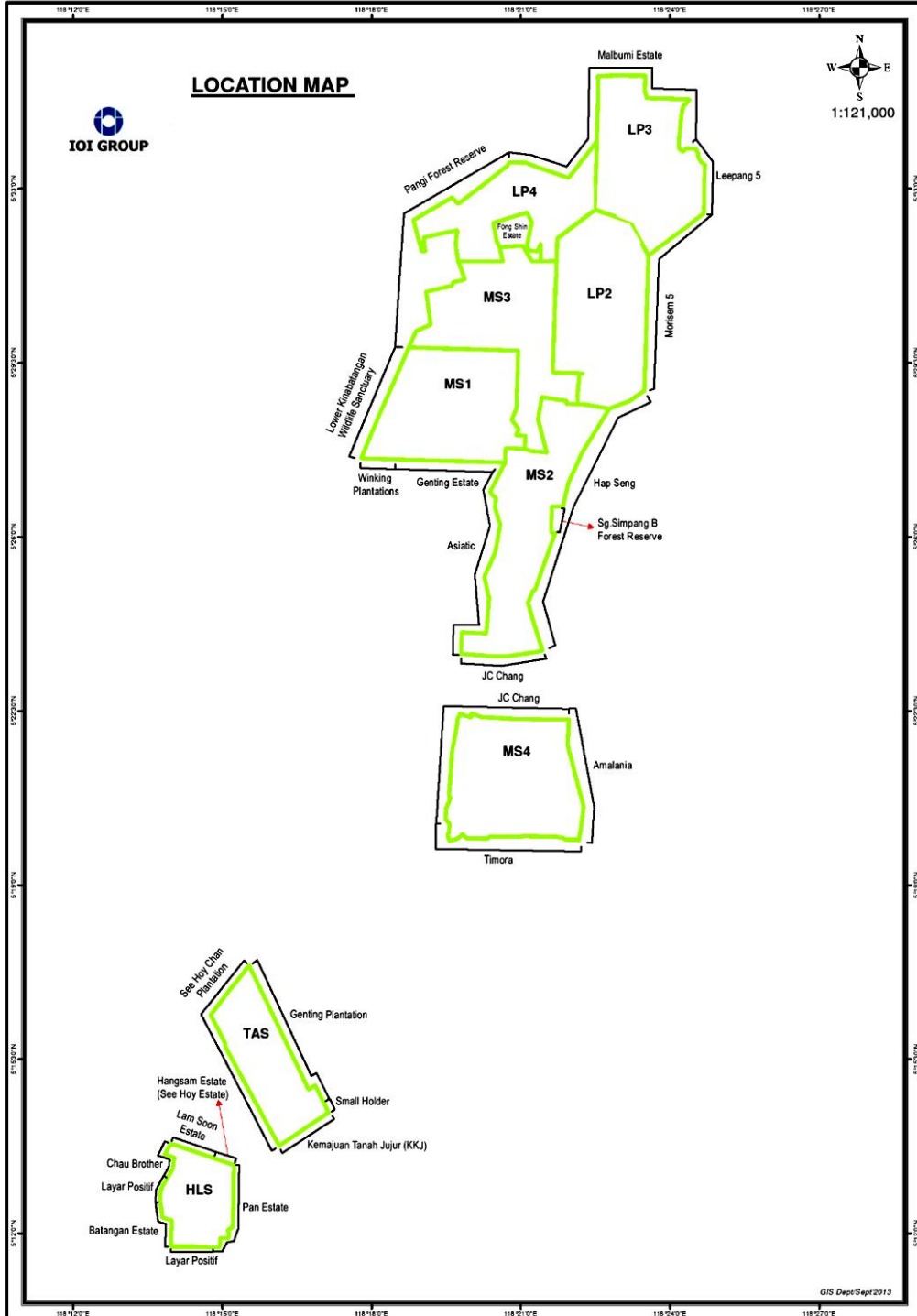
Scale 1 : 200 km





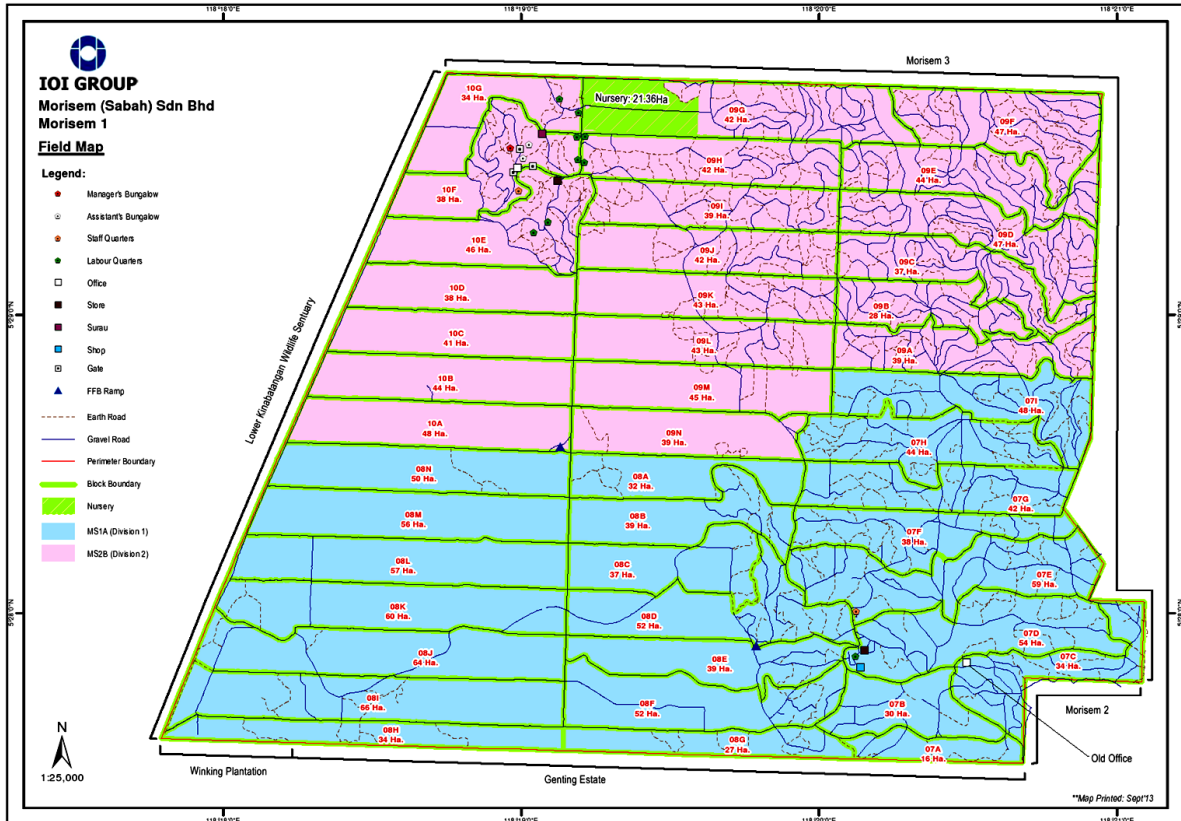
APPENDIX C-2:

Location Map of IOI Morisem Grouping, Lahad Datu, Sabah, Malaysia



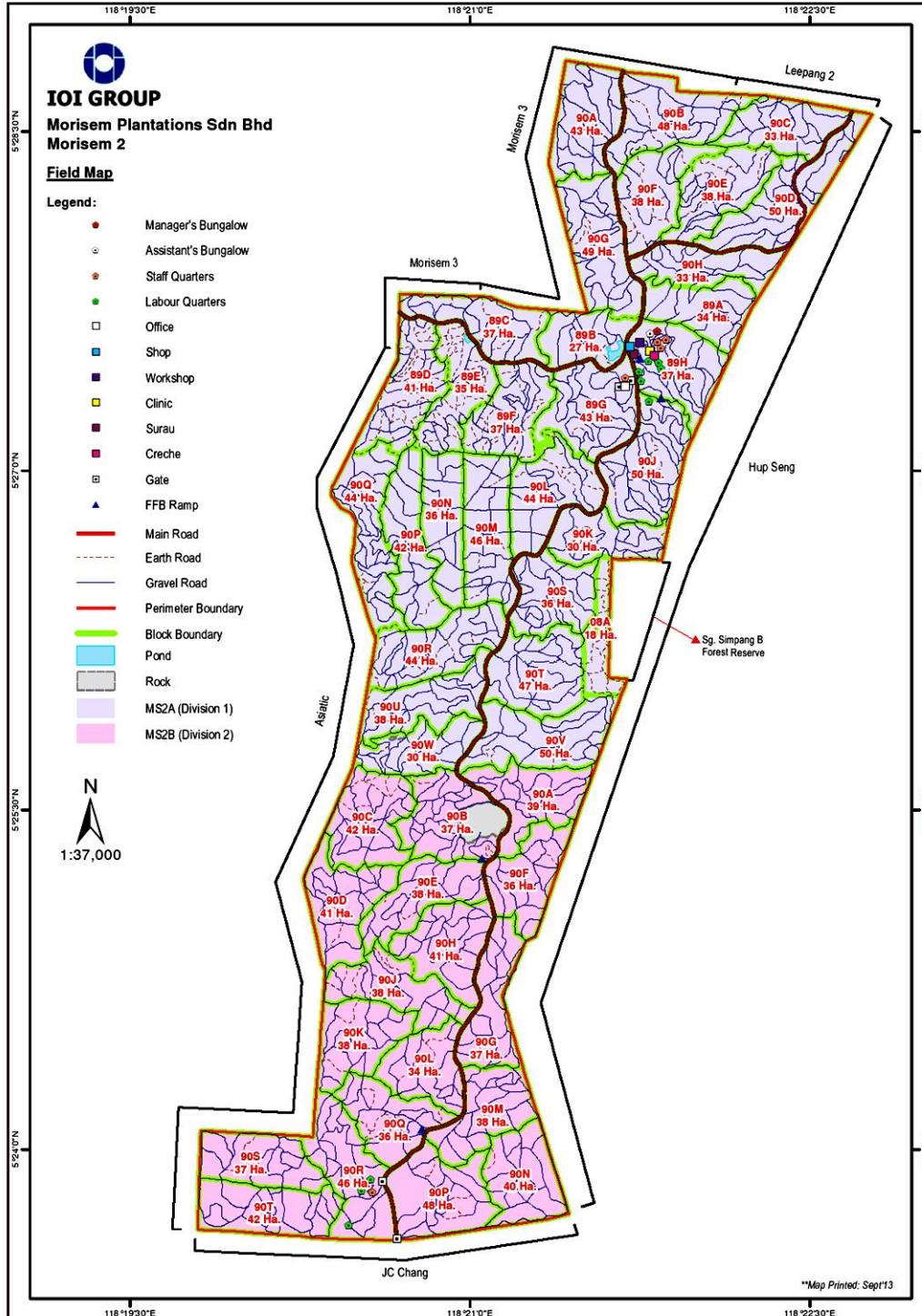


Appendix C-3-1:  
Morisem 1 Estate



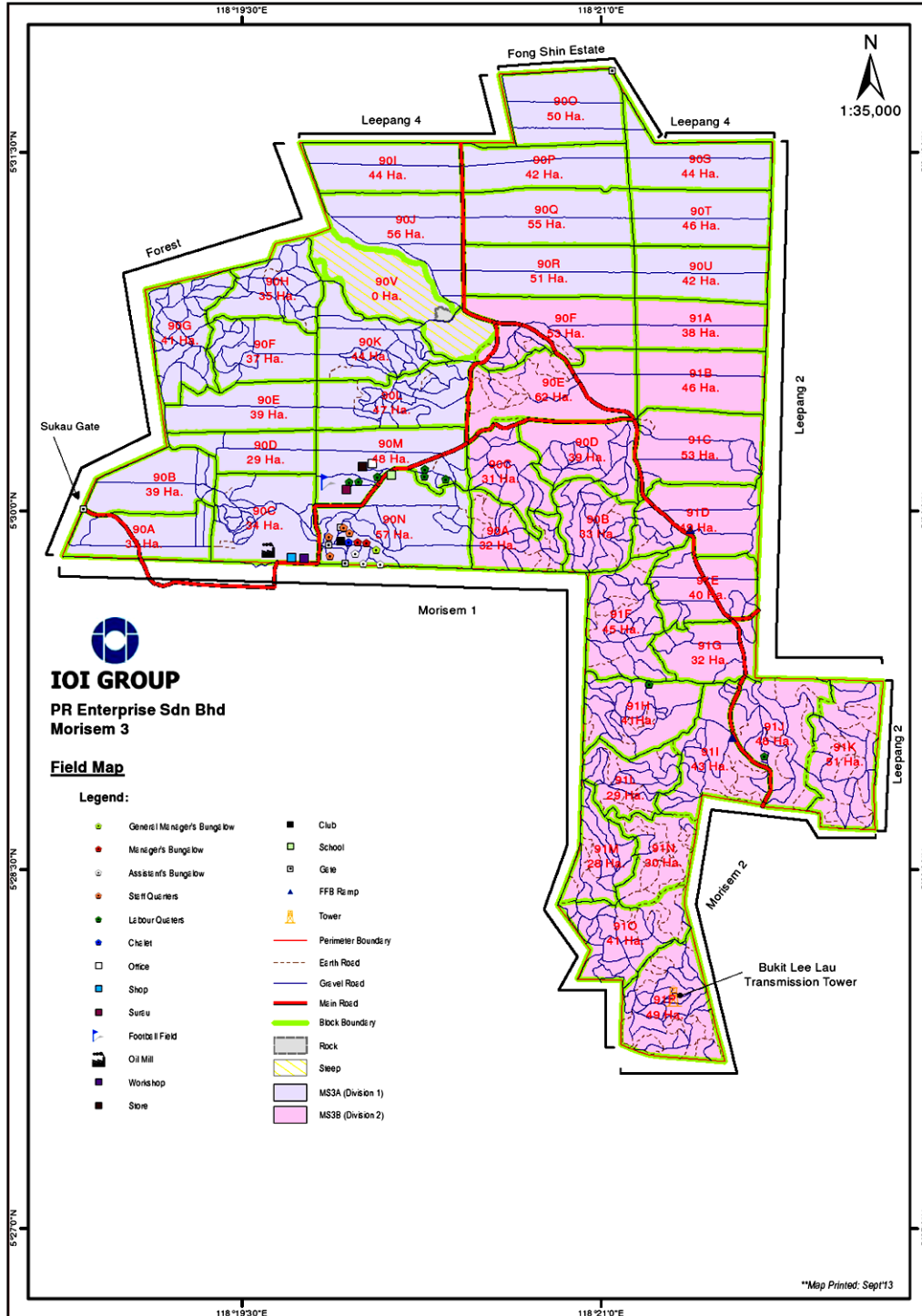


Appendix C-3-2:  
Morisem 2 Estate



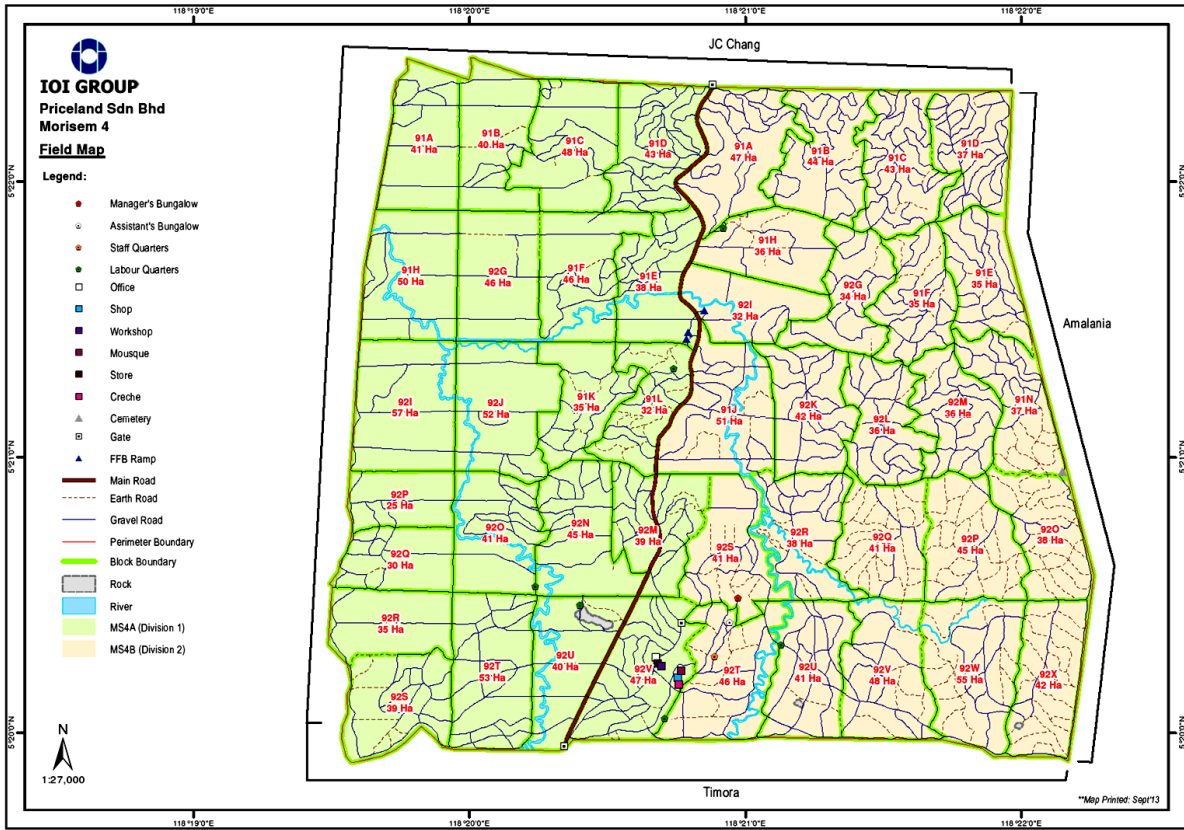


Appendix C-3-3:  
 Morisem 3 Estate





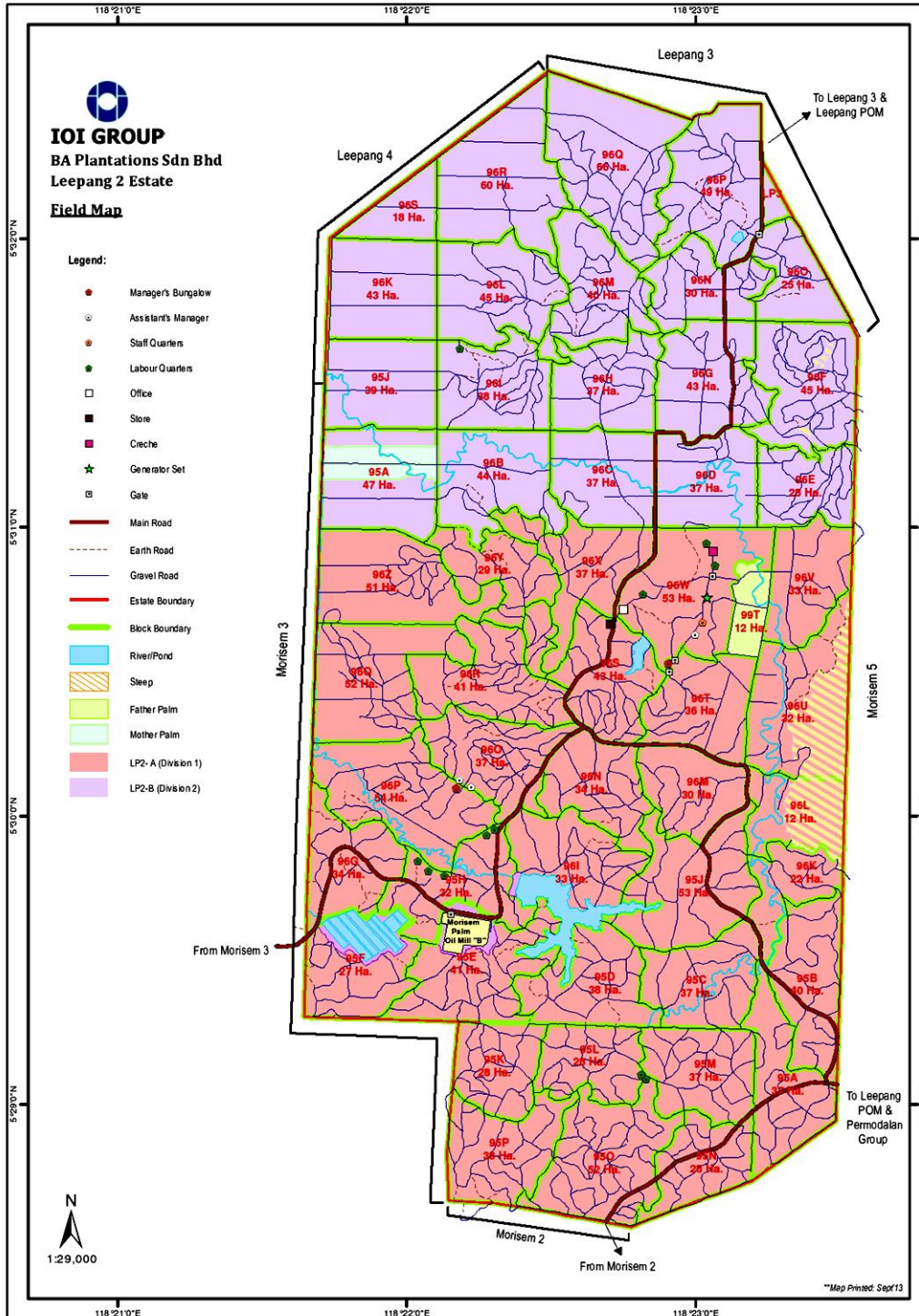
Appendix C-3-4:  
Morisem 4 Estate





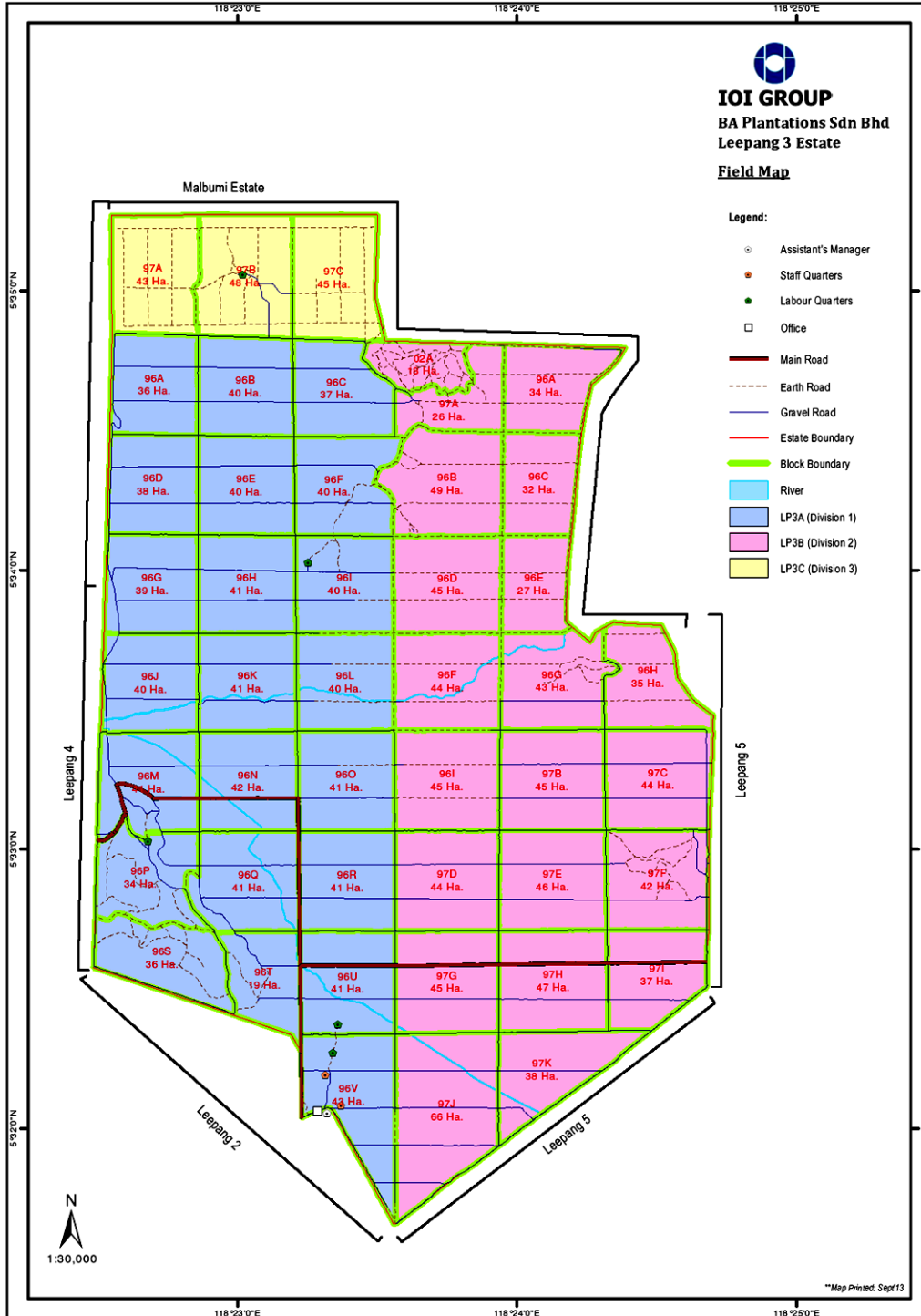


Appendix C-3-5:  
Leepang 2 Estate



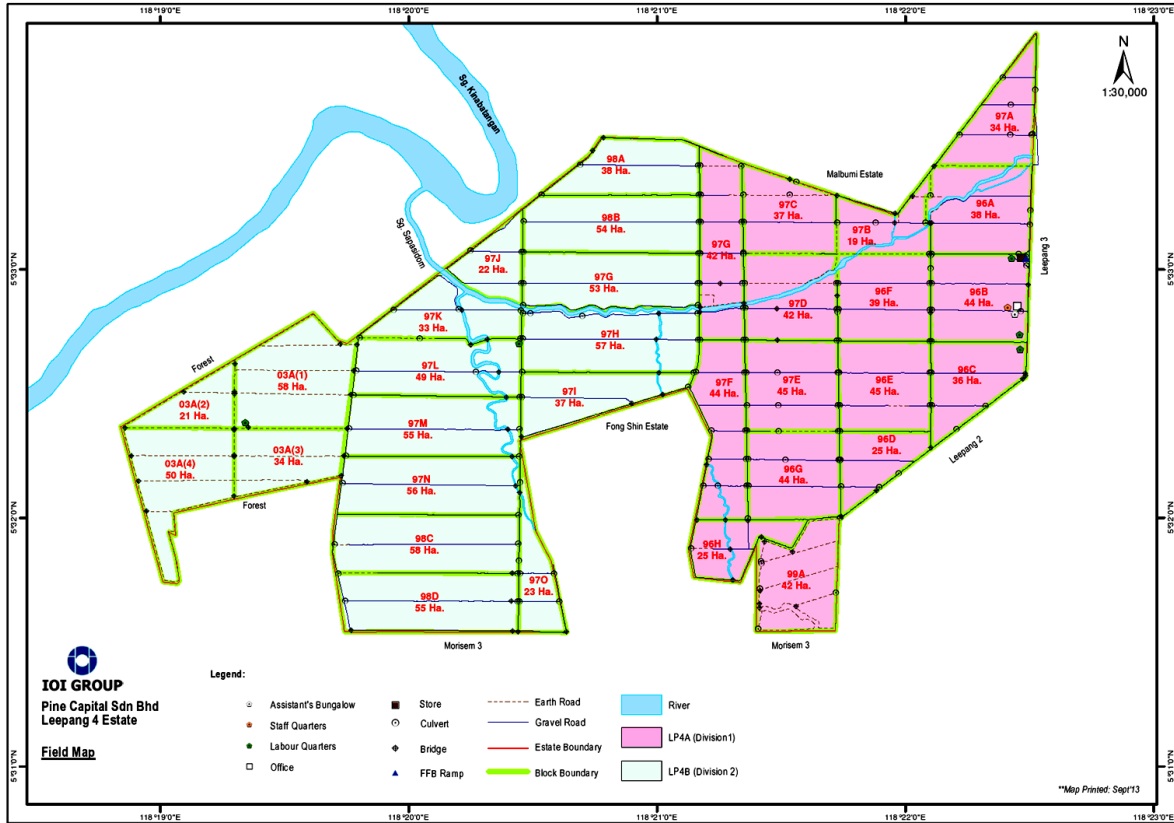


Appendix C-3-6:  
Leepang 3 Estate





Appendix C-3-7:  
Leepang 4 Estate





Appendix D:

Photographs of Audit findings

<p>Morisem 1 Estate – Boundary to the Lower Kinabatangan Wildlife Sanctuary</p>	<p>Morisem 1 Estate – Facility for the segregation of wastes at landfill site</p>
<p>Morisem 1 Estate – Signages at the riparian zone along the tributary flowing out of the estate</p>	<p>Morisem 3 Estate – Signages at the boundary to the Lower Kinabatangan Wildlife Sanctuary</p>
<p>Morisem 3 Estate – Boundary to the Pangli Forest Reserve</p>	<p>Morisem 3 Estate – Steep slope left unplanted as conservation area for growth of natural vegetation</p>