

**MSPO CERTIFICATION  
INITIAL AUDIT**

**SUMMARY REPORT**

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

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## 1.0 SCOPE OF AUDIT

### 1.1 Introduction

This Initial Audit was conducted on the Morisem Oil Palm Plantation / Estates of IOI Corporation Berhad (hereafter abbreviated as IOI), from **25 – 28 Sept 2017**, 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).

### 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 eight (8) estates as indicated in Table 1 below, which includes the addresses and GPS locations of the mill and estates. The 8 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)	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°29'38.65"N	118°22'8.54"E
1. 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
2. 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
3. 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
4. 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
5. 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
6. 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
7. 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
8. Ladang Asas Estate (Tas & Halusah)	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°14'24.00"N	118°16'12.00"E



### 1.3 Description of FFB supply base

The FFB supply base to the POM at Morisem Grouping are from the abovementioned 8 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 Morisem Grouping are as shown in Table 2 below.

**Table 2: Estate Area Summary**

Estate	Area Summary (ha) – Previous (FY Jul 2015 / Jun 2016)		Area Summary (ha) – Current (FY Jul 2016 / Jun 2017)	
	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	1886.00
Morisem 3 estate	2013.70	1830.00	2013.70	1819.00
Morisem 4 estate	2023.00	1896.00	2023.00	1896.00
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	2021.85	1909.00
<b>Total:</b>	15,631.52	14,571.00	15,631.52	14,560.00
<b>Percentage:</b>	100 %	93.22%	100%	93.19%

Notes:

1. This Audit 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 Audit 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.



#### 1.4 Summary of plantings and cycle

The 8 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 (FY Jul 2016 / Jun 2017)**

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	1896.00
Morisem 2 estate	2008-2013	2 <sup>nd</sup> Cycle	1489	397	1886.00
Morisem 3 estate	1990-1991 2014-2015	1 <sup>st</sup> Cycle 2 <sup>nd</sup> Cycle	952	878	1830.00
Morisem 4 estate	1991-1992 2013-2014	2 <sup>nd</sup> Cycle	1304	592	1896
Leepang 2 estate	1995-1999 2015	1 <sup>st</sup> Cycle 2 <sup>nd</sup> Cycle	1751	211	1962
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
Ladang Asas estate (Tas & Halusah)	1992-1998 2015-2016	1 <sup>st</sup> Cycle 2 <sup>nd</sup> Cycle	1185	724	1909
		<b>Total</b>	<b>12,186.00</b>	<b>2385.00</b>	<b>14,571.00</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)	(FY Jul 2016 / Jun 2017) Hectarage – Ha
<b>1</b>	<b>Planted Area (ha) – Oil Palm</b>	
	- Mature	12,224
	- Immature	2,343
<b>2</b>	<b>Conservation Area (ha)</b>	
	- comprising buffer zones along small streams, hilly areas, swampy and unplatable areas	430.62
<b>3</b>	<b>HCV Area (ha)</b>	
	- comprising buffer zones near forest reserves, water catchments, burial & religious sites	97.50



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

Currently, the other certifications held by IOI Morisem POM and Estates Grouping are the RSPO P&C and the ISCC certifications 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:

Mr. N.B Sudhakaran

Plantations Director (Group)

IOI Plantation Services Sdn Bhd

Level 8, Two IOI Square,

IOI Resort, 62502, Putrajaya

Tel: 603-89478888

Fax: 603-89478988

Email: nbsudha@ioigroup.com

At Morisem (Sabah) POM & Estates Grouping:

Mr. S.S Ragupathy,

General Manager (Sabah Region)

IOI Plantation Services Sdn Bhd

Tel: 089 509101/102

Fax: 089 509100

Email: ragupathy@ioigroup.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 (FY Jul 2016 / Jun 2017)**

#	Estate /Supplier	FFB Processed (MT)	Main Receiving Mill	Certified By
1.	Morisem 1 estate	47,157.13	Morisem POM	Intertek
2.	Morisem 2 estate	25,097.07	Morisem POM	Intertek
3.	Morisem 3 estate	27,285.30	Morisem POM	Intertek
4.	Morisem 4 estate	31,725.68	Morisem POM	Intertek
5.	Leepang 2 estate	44,638.69	Morisem POM	Intertek
6.	Leepang 3 estate	34,871.18	Morisem POM	Intertek
7.	Leepang 4 estate	32,961.30	Morisem POM	Intertek
8.	Ladang Asas /Halusah estate	0	Diverted to Unico POM	-
	<b>Sub-total for PMU estates</b>	<b>243,736.35</b>		
9.	Other IOI PMUs Estates:	0	-	-
10.	Outside Crop Producers (OCP):	0	-	-
	<b>Grand total</b>	<b>243,736.35</b>		

Note: The entire FFB crop from Ladang Asas/Halusah estate has been diverted to Unico POM (another IOI Group POM nearby) for FY 2016 / 2017

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 FY Jul 2015 / Jun 2016 - Actual		FFB Processed in FY Jul 2016 / Jun 2017 - Actual		FFB Processed for FY Jul 2017 / Jun 2018 - Projected	
	MT	%	MT	%	MT	%
Morisem Grouping Estates	245,086.70	100	243,736.35	100	277,460	100
Other certified IOI PMUs	0	0	0	0	0	0
<b>Certified FFB</b>	<b>245,086.70</b>	<b>100</b>	<b>243,736.35</b>	<b>100</b>	<b>277,460</b>	<b>100</b>
Non-certified FFB	0	0	0	0	0	0
Total	245,086.70	100	243,736.35	100	277,460	100

Note: The FFB tonnages are currently certified under RSPO P&C certification.



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

**Table 7: Certified FFB Tonnages**

POM	FY Jul 2015 – Jun 2016 - Actual		FY Jul 2016 – Jun 2017 - Actual		FY Jul 2017 – Jun 2018 – Actual + Projected	
Total certified FFB Processed (MT)	245,086.70		243,736.35		277,460	
Total certified CPO Production (MT)	51,838.62	OER: 21.15%	49,997.07	OER: 20.51%	59,654	OER: 21.50%
Total certified PK Production (MT)	12,222.64	KER: 4.99%	11,846.97	KER: 4.86%	14,567	KER: 5.25%

Note: The FFB tonnages are currently certified under RSPO P&C certification.

**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 21 Aug 2017, 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 25 to 28 Sep 2017, the Audit team of Intertek conducted the Audit in which the Palm Oil Mill and 4 out of the 8 estates of Morisem Grouping, namely Morisem 1, Morisem 4, Leepang 2 and Leepang 4 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 sampling methodology with reference to the RSPO Certification Scheme i.e. minimum sample of X estates =  $(0.8\sqrt{Y}) \times Z$ , where Y is the number of estates and Z is the multiplier as defined by the risk audit. The Z multiplier value was determined as High risk for this POM and Estates grouping considering the geographical location and distance of the estates, complexity of the labour force, landscape setting and presence of HCV or peat, complexity of supply sheds, number of communities and known conflicts, legality etc. Additionally the estates selection was made based on their potential risks on environmental and biodiversity issues such as their proximity to forest reserves, hill sides, riparian zones and HCV areas.

Note: The number of estates sampled based on the above sampling methodology is higher and meets the minimum as provided under the MSPO Certification Scheme.

During the on-site audit, relevant documents and records, including Standard Operating Procedures (SOP), management plans, hectareage 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**.

After completion of the on-site field audit, Intertek also performed the evaluation of conformity against the MSPO Certification System requirements for CB. The audit report, findings and associated documents were evaluated through an independent review by the Intertek Internal Technical Review and the External Peer Reviews 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 Auditor and Audit Team

Competency details of the Lead Auditor 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.

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)



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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
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: Augustine Loh, Sazali Hasni & Chin Bit Kee	Audit Dates: 25 – 28 September 2017

**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 June 2017.	Complied
4.1.1.2	Indicator 2: The policy shall also emphasize commitment to continual improvement.	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 was a procedure for conducting Internal Audit.  The internal audit is planned to be conducted at least once a year.  Internal Audit members of IOI SPO Team Lahad Datu comprise; Lead : Mr. Agos Atan Member: Mdm. Zahidah Dahalan, Mdm. Asmawati Arsjad, Ms. Valerie Binati, Mr. Felix Francis, Ms. Sumarni Sudirman and Mr. Wee Siaw Hwen.	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, dated 1 Aug 2017) The recent internal audit was conducted on 21 <sup>st</sup> August 2017 accordingly to the planned schedule. There was no non-conformance raised. Improvement areas were also indicated. On overall, the 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	Management review was conducted on the 18 <sup>th</sup> September 2017 and had included all issues for the effective implementation of MSPO.	Complied



	decide on any changes, improvement and modification.		
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.	<p>There were action plans for the Continual Improvement being implemented and monitored.</p> <p>The planned and progressively implemented continual improvement activities in the Estates include: <u>Continual improvements for Estates:</u></p> <p>Increased planting of beneficial plants as such as Cassia cobanensis to 70% ratio as direct bio-control for the prevention of bag worm development. Reduce the usage of pesticides. Increase collection of plastic waste for recycling Additional palm top equipment for monitoring of yields from the estates. Leepang 2 estate: Installation of Electric fencing to ward of elephant incursions at the replanting areas. Leepang 3 &amp; 4 estate: New building for HUMANA school. Leepang 4 Estate: Introduction on the use of Barn owls for the reduction in chemical usage. Construction of the barn owls is in the initial stage. Ongoing RiLeaf project for the planting of forest tree species along river banks at Leepang 4. Evidence of progress monitoring and completion updates were available for the above continuous improvement action plans.</p>	Complied
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>Portable Palm Data Devise used at the field of estates for FFB bunch checking, counting and reporting.</p> <p>Portable Palm Data Devise training were conduct on:</p> <p>LP2: 12.12.2016 LP4: 15.12.2016 M4: 16.02.2017 M1: 13.02.2017</p>	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> <p>Portable Palm Data Devise training were conduct on:</p> <p>LP2: 12.12.2016 LP4: 15.12.2016 M4: 16.02.2017 M1: 13.02.2017</p>	Complied



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>The IOI's Group consultation and communication procedures are available via website link:</p> <p><a href="http://www.ioigroup.com/corporateresponsibility/environment_plantation.cfm">http://www.ioigroup.com/corporateresponsibility/environment_plantation.cfm</a></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.</p> <p>Communications are in Bahasa Malaysia, English and native dialects.</p> <p>Annual External Stakeholders meeting was held on:</p> <p>Internal stakeholder meetings included Employee Consultative Committee (ECC) meetings &amp; Gender Consultative committee (GCC) meetings, Safety &amp; Health committee (SHC) meetings.</p> <p>Internal stakeholder meetings held: LP2 : 13.09.2017 LP4: 25.08.2017 M4: 28.08.2017 M1: 11.09.2017</p> <p>ECC Meetings held: LP2: 27.02.2017, 06.04.2017, 06.06.2017, 10.08.2017 LP4: 28.02.2017, 28.04.2017, 19.06.2017, 29.08.2017 M4: 27.02.2017, 17.04.2017, 23.06.2017, 26.08.2017 M1: 15.02.2017, 27.04.2017, 23.06.2017, 18.08.2017</p> <p>GCC Meetings held: LP2: 14.06.2017 LP4: 20.02.2017, 20.06.2017 M4: 20.04.2017, 23.10.2017 M1: 14.06.2017</p> <p>All meeting minutes were sighted by the Social Auditor on-site during the audit.</p>	Complied
4.2.1.2	Indicator 2: Management documents shall be publicly available, except where this is prevented by commercial confidentiality or where disclosure of information would result in negative environmental or social outcomes.	Policies and procedures are available at the website and upon any special request.	Complied
4.2.2	C2: Transparent method of communication and consultation		



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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).	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 as follows:  LP2: Social Liaison Officer : Mr. Hamzah Nurdin appointed on 20.02.2016  LP4: Mr. Muhammad Zulazmi Bin Abdul Rahim appointed on 21.07.2016  M4: Mr. Suriansah Labaronko appointed on 18.02.2017  M1: Mr. Hamzah Hasan appointed on 05.04.2017	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 POM and 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 company has established, implemented and maintained their procedure for Supply chain traceability for their FFB, CPO and PK. Company 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  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 was noted as follows:	Complied



		Mr. Agos Atan as Sustainability Manager (Sabah region) appointed on 18.09.2017	
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 filed were maintained and verified to be traceable.	Complied

**P3: Compliance to legal requirements**

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.	The documented system for identifying, determining, reviewing and updating applicable legal and other requirements. Verified applicable laws and regulations has been satisfactorily implemented and adhered.	Complied
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 mill and estates and was verified to be reviewed for the POM and estates on 11 Jan 2017 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), boilermen and electricians were noted to be with valid certificates from relevant authorities (DOSH and Energy Commission). The POM has maintained a boiler register that indicate the date of commission, cleaned, inspected, tested or repaired.</p> <p>Valid certificates of fitness for boilers, sterilizers, air receivers, thermal deaerator, steam separator, vacuum oil dryer, etc. issued by DOSH.</p>	Complied





		<p>Valid license for diesel generators issued by Energy Commission (“Suruhanjaya Tenaga”).</p> <p>Valid licenses for authorized gas tester (ACT), authorized entrant and standby by person for confined space activities in POM.</p> <p>Occupational Health and Safety Act 1994 – safety and health meetings to be conducted at quarterly intervals.</p> <p>Noise Monitoring Report is available. Annual Audiometric testing of workers exposed to high noise levels were done on 15 May 2017. No workers found with hearing impairments.</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 POM and estates. There were no cases of any violation or actions imposed by relevant authorities. Statutory returns to relevant authorities found to be in compliance.</p>	
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.	<p>The documented system for identifying, determining, reviewing and updating applicable legal and other requirements has been satisfactorily implemented.</p> <p>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.</p>	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.	<p>Tracking of regulatory requirements and changes are done by Senior GM at the HQ, Putrajaya at Selangor.</p> <p>The mechanism of tracking the law changes as identified from the group HQ, would be distributed to all the Estates and POMs via email. 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.</p> <p>Monitoring of compliance was done by ESH Manager and SPO Head and team.</p>	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.	<p>Communities surrounding the company plantation areas are able to move freely without any issues or problems.</p> <p>Verified during site inspection that no such limitations had occurred.</p>	Complied
4.3.2.2	Indicator 2: The management shall provide documents showing legal ownership or	Copies of the land titles of all estates were maintained and noted to be legally owned by the IOI Group.	Complied



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	lease, history of land tenure and the actual use of the land.	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.	
4.3.2.3	Indicator 3: Legal perimeter boundary markers should be clearly demarcated and visibly maintained on the ground where practicable.	It was verified that there has been no change to the stated land titles and designated use for cultivation of oil palms and agricultural use. Legal boundary markers were sighted and maintained along the perimeters of estate lands which were mapped with a 1- meter differential Global Positioning System (GPS). Locations of several boundary stones, pegs and markers were visited and found to have pole markers for easier identification and traceability.	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 owners and occupants; shall be made available and that these should have been accepted with free prior informed consent (FPIC).	There were no borders at estates in Morisem grouping which were adjacent to any villages or native land.  Therefore, there has been no records of any negotiation or compensation.	Complied
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 lands at the PMU are 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 in the PMU. The lands are not encumbered by any customary lands or user rights and therefore the process of participatory mapping was not required.	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 estates in Morisem grouping which were adjacent to any villages or native land.  Therefore, there has been no records of any negotiation or compensation.	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 mill and the estates were documented by the Sustainability Team. The plans included monitoring of negative impacts and enhancement of positive ones.  Monitoring records were retained and made available as evidence that actions had been taken.	Complied
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.	The management had established the Prosedur Aduan and Carta Alir Laporan Aduan on 21 Aug 2017.	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.	The procedure and flowchart outlined the mechanism whereby all complaints or grievances will be received and be acted upon by the Social Liaison Officers who will investigate the matter and resolve with the affected parties.	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.	Employees and affected stakeholders can make complaints by recording in the Complaints & Grievance Book kept at the Estate offices. 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.	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 follows:  External Stakeholder Meeting: 28.08.2017 attended by representatives from Government (school, immigration department, police department, Sabah forestry etc.), neighbouring estates, external suppliers and contractors.  Internal stakeholder meetings were attended by Workers representative (local and foreign workers), Estates management and SPO Team as follows: LP2: 13.09.2017 LP4: 25.08.2017 M4: 28.08.2017 M1: 11.09.2017	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 the past 3 years.	Complied



4.4.3	C3: Commitment to contribute to local sustainable development		
4.4.3.1	Indicator 1: Growers should contribute to local development in consultation with the local communities.	<p>Main contribution of the mill and estates to the local development was demonstrated in the provision of facilities and monetary contributions, where feasible. The management also contributed school bags for school children attending the HUMANA school.</p> <p>The HUMANA school set up and functions were noted as follows:</p> <p>The HUMANA School building and associated facilities were provided by the plantation company (i.e. IOI group). The schools are presently concrete buildings with 6-8 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.</p>	Complied
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 Plan has been established. Annual review was conducted by the Group Safety &amp; Environmental Manager (Sabah region) together with the respective Safety Officers for POM and estates. Safety Policy and HIRAC documented was reviewed for the POM and estates.</p> <p>The OSH Programme 2017 include the following:</p> <p>Safety &amp; Health Committee meetings 4x/year,</p> <p>Annual medical surveillance,</p> <p>Accident Reporting &amp; Investigation,</p> <p>Workplace inspection,</p> <p>CHRA Audit,</p> <p>Air compressors annual inspection,</p> <p>Warning signs,</p> <p>Chemical Register,</p> <p>SOP for safe work,</p> <p>PPE usage,</p> <p>MSDS/CSDS,</p> <p>JKKP 8 reporting of accidents annually,</p> <p>Emergency Response Plan (ERP),</p> <p>Emergency drills,</p>	Complied



		<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),</p> <p>Monthly KPI Report on HSE performance,</p> <p>Monthly Safety inspection &amp; audit by Safety Officer,</p> <p>CHRA report of Feb 2015 was maintained with validity till 2020. Surveillance programmes for protecting workers' health and safety were satisfactorily implemented.</p>	
4.4.4.2	<p>Indicator 2: The occupational safety and health plan shall cover the following:</p> <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>i) all employees involved shall be adequately trained on safe working practices; and</p> <p>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</p>	<p>Occupational Safety and Health Plan has been established. Annual review was conducted by the Group Safety &amp; Environmental Manager (Sabah region) together with the respective Safety Officers for POM and estates. Safety Policy and HIRAC documented was reviewed for the POM and estates.</p> <p>The OSH Programme 2017 include the following:</p> <p>Safety &amp; Health Committee meetings 4x/year,</p> <p>Annual medical surveillance,</p> <p>Accident Reporting &amp; Investigation,</p> <p>Workplace inspection,</p> <p>CHRA Audit,</p> <p>Air compressors annual inspection,</p> <p>Warning signs,</p> <p>Chemical Register,</p> <p>SOP for safe work,</p> <p>PPE usage,</p> <p>MSDS/CSDS,</p> <p>JKKP 8 reporting of accidents annually,</p> <p>Emergency Response Plan (ERP),</p> <p>Emergency drills,</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),</p> <p>Monthly KPI Report on HSE performance,</p> <p>Monthly Safety inspection &amp; audit by Safety Officer,</p>	Complied



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	<p>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 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>	<p>CHRA report of Feb 2015 was maintained with validity till 2020. Surveillance programmes for protecting workers' health and safety were satisfactorily implemented.</p> <p>Accident and emergency procedures had been established and briefed to staff, workers, contractors and visitors. Workers trained in First Aid were present in the mill and field operations. First Aid Kits were available at worksites. Records on all accidents had been verified to be maintained satisfactorily.</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. Local workers are covered by SOCSO, whereas foreign workers are covered by Foreign Workers Compensation Scheme 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>	
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. This policy can be accessed at IOI Group's website link <a href="http://www.ioigroup.com/corporateresponsibility/environment_plantation.cfm">http://www.ioigroup.com/corporateresponsibility/environment_plantation.cfm</a></p> <p>The employees are informed through briefing during muster, at the GCC and ECC 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,</p>	<p>The management had established the Equal Job Opportunity Policy where the commitments included providing equal opportunities and treatment regardless of race, colour, sex, religion, political opinion, nationality, social origin or any other distinguishing characteristics. The Policy is available in local languages and English and displayed at the Mill's notice boards. Employment records</p>	Complied



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	social origin or any other distinguishing characteristics.	showed that this policy had been implemented and maintained.	
4.4.5.3	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.	Documentation and conditions of pay for foreign workers hired in the Mill are available. 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. Pay slips are available for verification showed the workers were able to earn living wage that meet the Minimum Wage Order 2016.	Complied
4.4.5.4	Indicator 4: Management should ensure employees of contractors are paid based on legal or industry minimum standards according to the employment contract agreed between the contractor and his employee.	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.  It is verified that Part XII of the Employment Act with regard to Public Holidays, Annual Leave, Sick Leave and overtime wages for the workers was adhered.	Complied
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 are provided with employment contracts in accordance with Kontrak Perkerjaan (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 contract is signed by the Estate Manager or his Assistant and the employee. 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.	The management had installed a biometric time recording machine that records the working hours and is linked to the database containing the details of each employee.  Data recorded by the time recording machine are used for calculating the working hours and overtime.	Complied
4.4.5.8	Indicator 8: The working hours and breaks of each individual	The working hours of the employees and overtime rates are specified in the employment contract i.e. 8 hours per	Complied



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	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.	day and overtime rates are in accordance with the Sabah Labour Ordinance.	
4.4.5.9	Indicator 9: Wages and overtime payment documented on the pay slips shall be in line with legal regulations and collective agreements.	Pay slips clearly showed the basic pay or piece rate, number of days worked or total output, any allowable deductions and net amount. Any overtime, holiday pay, working on rest days or Sundays or Holidays, when applicable, are also shown on the pay slips.	Complied
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.	The Workers' Minimum Standard of Housing and Amenities Act 1990 (Act 446) is yet to be enforced by Sabah Labour Department. However, the PMU is noted to have provided adequate amenities to their local and foreign workers as well the grouping has provided adequate housing, water supplies, medical, educational and public amenities.  Workers are provided free living quarters constructed of permanent materials that have living rooms, bedrooms, kitchen and toilets. All the houses are supplied with treated water and electricity.  The workers are provided with medical, educational and public amenities.	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.	The management had established the Policy On Prevention And Eradication Of Sexual Harassment In The Workplace. The policy is displayed at the notice board of the office and the workers are briefed about the policy during muster.	Complied
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	The management had established the Polisi Hak Sama Rata & Kebebasan Berpersatuan Pekerja which was approved by Group Plantation Director on 20 Aug 2009.  Due to the restriction stated in Immigration Act 1959/63, in which foreign employees are not allowed to form or be affiliated to any society or association, the mill management had formed the Employees Consultative Committee (ECC) as an alternative mechanism to cater to the collective bargaining needs of the workers.  The ECC meets every two months to discuss issues related to work conditions, complaints, living environment etc.	Complied





	exercising this right should not be discriminated against or suffer repercussions.		
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.	<p>Employees and workers profile, that included date of birth, maintained by the mill showed that there was no underage worker employed.</p> <p>The Child Labour policy 2009 adopted by IOI Group clearly stated that the minimum age of workers is 16 years as stated in the Children and Young Persons, Employment Act 1966 Act 350. In Sabah, the Sabah Labour Ordinance, however, stated that the minimum age for employment is 17 years old. Based on this, the IOI guidelines stated that only those persons of 18 years old and above are qualified to be employed.</p>	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.	<p>Training programme planned for year 2016 includes training for all categories of workers.</p> <p>Appropriate trainings on safe working practices are planned for:</p> <ul style="list-style-type: none"> <li>- workers exposed to machinery and high noise levels,</li> <li>- workers working in confined space,</li> <li>- harvesters</li> <li>- pesticides operators</li> <li>- manurers</li> </ul> <p>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 2017 and evaluation carried out on each of the trainings to determine its effectiveness.</p> <p>Appropriate PPE (safety helmets) had been provided to FFB harvesters and loaders at the place of work to cover all potentially hazardous operations.</p> <p>Records of training for each employee, including new employees were maintained.</p>	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 employees based on their job description.	<p>A formal training programme on all aspects of MSPO requirements have been established and implemented.</p> <p>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.</p> <p>The training needs analysis are reviewed annually and discussed in the quarterly Safety and Health meetings. Records of discussions held were as follows:</p> <p>LP2: 20.12.2017 LP4: 06.12.2017 M2: 21.12.2017 M4: 13.12.2017</p>	Complied



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 2016 includes training for all categories of workers.</p> <p>The trainings conducted were based on job categories such as:</p> <p>Harvesters: Prosedur Kerja Selamat Memotong dan Mengutip Buah Sawit &amp; PPE training</p> <p>Sprayers: Prosedur Kerja Selamat Menyembur Racun &amp; PPE training.</p> <p>Manurers: Prosedur Kerja Selamat Menabur Baja, PPE Training</p> <p>Other trainings include First Aider training, MSDS/CSDS Training, Prosedur Kerja Selamat Ular dan Panduan Keselamatan.</p>	Complied
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**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.	A policy on environment was developed in accordance with the relevant country and state laws. It is documented and communicated to all levels of the workforce through briefings and placement of the policy on notice boards.	Complied
4.5.1.2	<p>Indicator 2: The environmental management plan shall cover the following:</p> <p>a) An environmental policy and objectives.</p> <p>b) The aspects and impacts analysis of all operations.</p>	The Environmental Management Plan is prepared and documented and translated as The Environmental Impacts Audit. It included the environmental policy and also the objectives. The Audit documents had included the identification of aspects and impacts analysis from field activities and other operations and had also included the action plans and recommendations to mitigate the negative effects and to promote the positive ones such as relevant conservation activities applicable to the PMU.	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.	<p>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 PMU.</p> <p>Review of the EIA is done annually. Review for the Morisem 1 Estate, Morisem 4 Estate, Leepang 2 and Leepang 4 Estates were carried out on 12 Sep 2017, 18 Sep 2017, 14 Sep 2017 and 23 Sep 2017, respectively.</p> <p>Documented aspects and impacts risk Audits including those raised through stake-holders' consultations were implemented in accordance with legal requirements</p> <p>The implementation and monitoring of the documented environmental improvement plans were reviewed annually and satisfactorily implemented.</p>	Complied
4.5.1.4	Indicator 4: A programme to promote the positive impacts should be included in the continual improvement plan.	The reviewed EIA had considered the mitigation of negative impacts and promotion of positive ones and translated into programmes such as the maintenance of the fencing for the water ponds, electrical fencing along	Complied



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		forest borders and signages placed at strategic locations around the estates.	
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><b>The documented training programme established.</b></p> <p><b>However implementation level at the Estates audited had not made special focus on the awareness and understanding of the objectives on Environmental management.</b></p>	<b>OBS-01</b>
4.5.1.6	Indicator 6: Management shall organize regular meetings with employees where their concerns about environmental quality are discussed.	<p>Regular meetings and discussions or consultation with employees were conducted in relation to environmental quality issues.</p> <p>In addition, on the job briefings were also conducted by the personnel to the workers during chemical spraying and manuring works.</p> <p>Employee Consultative Committee meeting minutes had covered issues such as environmental monitoring, no spraying zones, proper wearing of PPE etc. The meetings held were as follows: LP2: 10.08.2017 LP4: 29.08.2017 M4: 26.08.2017 M1: 18.08.2017</p>	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.	<p>Usage of non-renewable energy is monitored monthly. Record on the usage of diesel and electricity is available for review. Monthly records on energy consumption for non-renewable fuel (diesel) were maintained at the Estates.</p> <p>Data compiled (5 years) for comparison and monitored to optimize the use of non-renewable energy.</p> <p>Records available were verified and showed satisfactory monitoring of the resources.</p>	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.	<p>Record on the usage of non-renewable energy for machineries involved in the plantation operations were maintained and available. Monthly records on energy consumption for both renewable fuel (palm fiber and PK shell) and non-renewable fuel (diesel) were maintained at the POM. Data compiled (5 years) for comparison and monitored to optimize the use of renewable energy.</p> <p>Records presented had showed a satisfactory monitoring of the resources.</p>	Complied
4.5.2.3	Indicator 3: The use of renewable energy should be applied where possible.	<p>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</p>	Complied



		completion of the Biogas plant at the POM and supply of renewable energy from it.	
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, mill waste and polluting materials e.g. EFB, POME, Stack emissions and boiler ashes were maintained and monitored at the POM and 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.	A waste management plan has been developed and is implemented satisfactorily. Segregation of wastes, i.e. general wastes, household wastes and scheduled wastes was verified to be satisfactory carried out in the estates. Proper storage areas were identified for the storage of the recyclable wastes at the estates.  Appropriate secondary containment for the diesel skid tanks, chemical and scheduled waste storage areas was verified to be properly maintained at the estates.	Complied
4.5.3.3	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.	Standard operating procedure for the handling of used chemicals classified as Scheduled Waste has been developed and adhered to. Records on the usage and disposal were well recorded and documented at both the mill and estates.	Complied
4.5.3.4	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.	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.  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.	Complied



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4.5.3.5	Indicator 5: Domestic waste should be disposed as such to minimize the risk of contamination of the environment and watercourses.	<p>Use of landfill is being practiced at the estate for the disposal of household waste. The landfill is located far away from settlement and from water courses.</p> <p><b>However a non-compliance was noted and issued on the Landfill Management as follows:</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>	Minor NC-02
4.5.4	C4: Reduction of pollution and emission		
4.5.4.1	Indicator 1: An Audit of all polluting activities shall be conducted, including greenhouse gas emissions, scheduled wastes, solid wastes and effluent.	<p>All polluting activities were assessed through the aspect and impact method, and is documented.</p> <p>Environmental internal audits were conducted by Sustainability Team. The most recent MSPO internal audit held on 21.08.2017 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. 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
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 implementation is ongoing. 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>Documented water management plan verified to be in place. The plan includes steps such as soil stabilization, run-off control and sediment trapping to mitigate the disturbed earth entering streams/rivers.</p> <p>a) Annual review of the Water management plan was done on 15 Sept 2017. Records of water usage are taken daily by the estate management. The water usage in the estate are mainly for the domestic purposes such as washing clothes and dishes, bathing, gardening, etc.</p> <p>b) Water samples were taken at monthly intervals at the upstream and downstream of waterways. Tests conducted for pH, BOD, COD, Total Solids, Suspended Solids, Oil &amp; Grease, Ammoniacal Nitrogen and Total Nitrogen. Analysis results meet the DOE requirements.</p> <p>There are water ponds in the POM and estates. Water samples collected and analysis carried out at least twice a year. The water for domestic use meets all the required parameters, including that of bacterium count (WHO Specification for Drinking Water Quality). Stream water analysis are conducted on 4 monthly basis by the appointed environmental consultant, Kiiwiheng Environmental Consultants Sdn. Bhd. based from the result there is no evidence of pollution to the water ways been identified in the stream/river which passing through the estate. Recent analysis was done on November 2016-</p>	Complied



	<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>February 2017 and results were within DOE permissible limits.</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) Reviews of the HCV for the Morisem 1 Estate, Morisem 4 Estate, Leepang 2 and Leepang 4 Estates were carried out on 12 Sep 2017, 18 Sep 2017, 14 Sep 2017 and 19 Sep 2017, respectively.</p> <p>Site visits to HCV areas and other environmentally sensitive areas were carried out and is satisfactorily maintained and monitored. Morisem 1 Estate is bordered with Wildlife Forest Reserve on the East side and surrounded by palm oil 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 4 Estate is surrounded by Oil palm estates on all its sides. Tributaries of Sungai Kretam flows inside the estate and buffer zones clearly demarcated and monitored. Leepang 2 is surrounded by oil palm plantations on all its sides and the existence of steep hills and ponds in the area. Leepang 4 Estate has the Pangi Forest and the Kinabatangan Wildlife Sanctuary on its west boundary. Other sides are borders with neighbouring palm oil estates. Sungai Sipasidom passes through the estate and lead to Sungai Kinabatangan. Riparian buffer zones clearly demarcated and monitored. The forest reserve is an important habitat for some RTE (rare, threatened and endangered) flora and fauna such as hornbills, rhinoceros, pygmy elephants, wild buffaloes and orangutans.</p> <p>e) 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 plant the suitable tree species in the area, for example: tree planting programme conducted at Leepang 4 under RiLeaf Project.</p> <p>f) There were no bore wells or underground water being extracted for use in the estates.</p>	
4.5.5.2	Indicator 2: No construction of bunds, weirs and dams across main rivers or waterways passing through an estate.	Visits to sites confirm that there was no construction of any structure across waterways that could affect the water flow.	Complied
4.5.5.3	Indicator 3: Water harvesting practices should be implemented (e.g. water from	Rain water is harvested mostly at the line site for household purposes, used mainly for washing purposes.	Complied



	road-side drains can be directed and stored in conservation terraces and various natural receptacles).	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.	
4.5.6	C6: Status of rare, threatened, or endangered species and high biodiversity value area		
4.5.6.1	<p>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:</p> <p>a) Identification of high biodiversity value habitats, such as rare and threatened ecosystems, that could be significantly affected by the grower(s) activities.</p> <p>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.</p>	<p>The initial HCV Audit was conducted by the IOI Group HQ and documented in a report dated Oct 2010 and reviewed annually and had incorporated feedbacks provided by the various governmental agencies such as Department of Forestry, Sabah, Department of Irrigation and Drainage, Sabah Wildlife Department and Environmental Protection Department.</p> <p>The exercise has taken into consideration all aspects of environmentally sensitive areas such as ponds, streams, buffer zones, forest reserve boundaries and was documented.</p>	Complied
4.5.6.2	<p>Indicator 2: If rare, threatened or endangered species, or high biodiversity value, are present, appropriate measures for management planning and operations should include:</p> <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>Overall, the recommendations and feedback provided by the various parties during their internal HCV consultation has been considered in the 'HCV &amp; Conservation Areas' management plans at the respective estates.</p> <p>The HCV report had reviewed the conservation needed for the wildlife identified such as proboscis monkeys, estuarine 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>	Complied



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		<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 training conducted by all the estates, ex. Morisem 1 estate on 14 Jun 2017 and Leepang 4 estate on 19 Jun 2017.</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 assessed.</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 spread or continuation into the next crop.	Not relevant at present.	Complied
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,	Visit to newly replanted areas at Morisem 1 proved that old crops were chipped and shredded.	Complied





	windrowed or pulverized or ploughed and mulched.		
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**P6: Best practices**

Clause	Requirements	Evidence	Conformity
4.6.1	C1: Site management		
4.6.1.1	Indicator 1: Standard operating procedures shall be appropriately documented and consistently implemented and monitored.	<p>The respective estates have documented SOPs for the operations. The procedures included the following:</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 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>Relevant Key Performance Indicators (KPIs) specified for quality, environment, safety and cost control.</p> <p><b>However a non-compliance found and issued as follows:</b></p> <p><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></p>	Minor NC-01
4.6.1.2	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 10°. 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
4.6.1.3	Indicator 3: A visual identification or reference system shall be established for each field.	Field Block Maps with Block no and planting year has been established at each field.	Complied
4.6.2	C2: Economic and financial viability plan		



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4.6.2.1	Indicator 1: A documented business or management plan shall be established to demonstrate attention to economic and financial viability through long-term management planning.	<p>The 5-year Business Management Plan (FY 2016/2017 to FY 2020/2021) for the respective Estates audited were documented and reviewed.</p> <p>The Annual Budget for each year include the following:</p> <ol style="list-style-type: none"> <li>1) Staff and Labour requirements;</li> <li>2) Crop projection; FFB yield/ha trends;</li> <li>3) Cost of Production; Cost/mt FFB trends;</li> <li>4) Financial indicators covering cost of labour, supervision, maintenance, depreciation, etc.);</li> <li>5) Budget for Environmental, Social, Safety &amp; Health, Training and Promotions.</li> </ol> <p>The Estate Managers have monitored the operational performance against Key Performance Indications and targets (costs, FFB yields, quality, productivity, pesticides usage, fertilizers usage, etc.).</p> <p>Records of monitoring of costs against budget to achieve specified targets were verified to be available.</p> <p>Performances are discussed in the monthly meetings held at POM office 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.</p> <p>Monthly, quarterly, half-yearly and yearly reports are submitted to the Regional GM of Lahad Datu.</p>	Complied
4.6.2.2	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.	<p>Annual replanting program had been prepared up to 2026/2027 for the estates. A replanting cycle of 25 years has been adopted by the Group.</p> <p>The replanting areas (ha) at the estates audited are as follows:</p> <p>Morisem 1: No replanting until 2027 (all palms are in 2<sup>nd</sup> cycle)</p> <p>Morisem 4: Replanting in 2017 to 2020 (est. 350 ha/year)</p> <p>Leepang 2: Replanting from 2019 to 2023 (est. 300 ha/year)</p> <p>Leepang 4: Replanting from 2020 onwards (est. 300 ha/year)</p> <p>The replanting program was annually reviewed by the GM together with the respective Estate Managers.</p>	Complied
4.6.2.3	<p>Indicator 3: The business or management plan may contain:</p> <ol style="list-style-type: none"> <li>a) Attention to quality of planting materials and FFB.</li> <li>b) Crop projection: site yield potential, age profile, FFB yield trends.</li> <li>c) Cost of production: cost per tonne of FFB.</li> <li>d) Price forecast.</li> <li>e) Financial indicators: cost benefit, discounted cash flow, return on investment.</li> </ol>	<p>The 5-year Business Management Plan (FY 2016/2017 to FY 2020/2021) for the PMU was documented and reviewed.</p> <p>The Annual Budget for each year include the following:</p> <ol style="list-style-type: none"> <li>1) Staff and Labour requirements;</li> <li>2) Crop projection; FFB yield/ha trends;</li> <li>3) Re-planting materials Clonal, DxP</li> <li>4) Cost of Production; Cost/mt FFB trends;</li> <li>5) Cost of Production; Cost/MT FFB forecast;</li> <li>6) Financial indicators covering cost of labour, supervision, maintenance, depreciation, etc.);</li> <li>7) Budget for Environmental, Social, Safety &amp; Health, Training and Promotions.</li> </ol> <p>The Estate Managers have monitored the operational performance against Key Performance Indications and targets (costs, FFB yields, quality, productivity, pesticides usage, fertilizers usage, etc.).</p>	Complied



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		Records of monitoring of costs against budget to achieve specified targets were verified to be available.	
4.6.2.4	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 POM office 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 of Lahad Datu.	Complied
4.6.3	C3: Transparent and fair price dealing		
4.6.3.1	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 an internal matter.	Complied
4.6.3.2	Indicator 2: All contracts shall be fair, legal and transparent and agreed payments shall be made in timely manner.	Based on contracts agreed between contractors/service providers and POM, it is evident that all parties understand 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.	Complied
4.6.4	C4: Contractor		
4.6.4.1	Indicator 1: Where contractors are engaged, they shall understand the MSPO requirements and shall provide the required documentation and information.	External contractors are FFB/ EFB Transporting companies whose workers are also provided training. The contractors workers were interviewed and do basically understand the MSPO requirements. Information such as policies and procedures are provided.	Complied
4.6.4.2	Indicator 2: The management shall provide evidence of agreed contracts with the contractor.	Contract agreements are signed between the respective Estate Managers and the Contractor. The terms and conditions of the contract are explained to the contractor. A copy of the contract is given to the contractor.	Complied
4.6.4.3	Indicator 3: The management shall accept MSPO approved auditors to verify Audits through a physical inspection if required.	Acceptance is confirmed by the Management.	Complied
4.6.4.4	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 Audit of the contractor for each task and season contracted.	There are no contractors used for plantation operations except for FFB and EFB transportation which is monitored by the respective Estate management.	Complied

**P7: Development of new plantings**



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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 August 2017.	Complied
4.7.2	C2: Peat land		
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, Morisem 4, Leepang 2 and Leepang 4 estates. Peat soils exists at Leepang 3 estate only and no peat soil in the other estates. Noted that SOP and Water and ground cover management plan was 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.	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 August 2017 at the IOI Lahad Datu Regional Office.  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,	Each Estate and the POM had reviewed and updated their SIAs and Management Plans accordingly as follows:  POM last revision on 20 Sep 2017	Complied



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	implemented, monitored and reviewed.	Morisem 1 Estate on 13 Sep 2017 Morisem 4 Estate on 18 Sep 2017 Leepang 4 Estate on 30 Aug 2017	
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.	NA
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 noted 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 unless permitted by local, state and national laws.	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).  It was observed during field visits that there was no planting at slopes of greater than 25°.	Complied
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.	NA
4.7.5.3	Indicator 3: Marginal and fragile soils, including excessive gradients and peat soils, shall be identified prior to conversion.	Not applicable.	NA
4.7.6	C6: Customary land		
4.7.6.1	Indicator 1: No new plantings are established on recognised	Not applicable.	NA



	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.		
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.	NA
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.	NA
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.	NA
4.7.6.5	Indicator 5: Identification and Audit of legal and recognised customary rights shall be documented.	Not applicable.	NA
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.	NA
4.7.6.7	Indicator 7: The process and outcome of any compensation claims shall be documented and made publicly available.	Not applicable.	NA
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.	NA



### 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	Next audit – Surveillance 1

#### 3.2.1 Year 2017: Initial Audit / Stage 2 (3 Minor NCR)

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>  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.
		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>   <b>Date closed: 1 Nov 2017</b>
		Verification (for effectiveness): At next Audit



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>
		<p>Verification (for effectiveness): At next Audit</p>	





### 3.2.2 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 Sept 2017	Next Audit	-

### 3.2.3 Identified Positive Elements

- 1) On overall, 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 and provided proper infrastructure such as road access, housing, sports and recreational facilities.



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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

Augustine Loh

Lead Auditor

Date: 13 Feb 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

Senior General Manager (Sabah Region)

Date: 14 Feb 2018



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

Certificate No:	<b>MSPO 001B</b>
Original Issue date:	22 February 2018
Expiry date:	21 February 2023
Organisation	IOI Corporation Berhad
Address of Head Office:	Level 8, Two IOI Square, IOI Resort, 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
		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	15,631.52
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	
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	
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	
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	
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	
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	
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	
Ladang Asas estate (Tas & Halusah)	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°14'24.00"N	118°16'12.00"E	

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

Morisem Estates	Annual Tonnages (MT)
FFB	277,460



## APPENDIX A:

### Qualifications of Lead Auditor and Audit Team

#### Mr. Augustine Loh (AL) – Lead Auditor / Technical Expert

(Palm Oil Mill, Environment & Social, Best Practices, GAP and Supply Chain)

Mr. Augustine Loh is an IRCA Third Party Audit (TPA) Lead Auditor and IRCA Lead Tutor for IRCA ISO 9001 and OHSAS 18001 Lead Auditor Courses as well as Tutor for RSPO Certification Programs and Integrated Management System in Intertek, Malaysia. He has over 25 years of fieldwork and experience in Palm based product survey, supply chain monitoring, inspection and testing. He has successfully completed the IRCA accredited Lead Auditor course in ISO 9001, ISO 14001, OHSAS 18001, ISO 22001, ISO 27001, RSPO Principles and Criteria Lead Auditor Course, RSPO Supply Chain Certification and the International Sustainable Carbon Certification (ISCC) Lead Auditor courses. He has also completed the RSPO training on RSPO P&C, RSPO Palm GHG tool and RSPO RED requirements. He has conducted Audits of organizations in Malaysia, Singapore, Indonesia, Brunei, Thailand, Cambodia and Australia. He is currently the RSPO Regional Program Manager of Intertek Certification International, Malaysia and has performed over 800 auditing days on quality, environmental and safety & health Audits in various sectors including oil palm plantations. He was the RSPO CB Audit Team Leader / Member which audited several RSPO certified Plantation Management Units since 2009. He was the CB Team Leader in the stakeholder consultation and development of the RSPO Cambodian Local Indicators. He is a member of the CB Internal Review Panel for RSPO Audit reports since 2010. He has attended numerous MPOB and MPOCC briefings, workshops and seminars held in 2015 – 2017 on the MSPO Certification requirements.

#### Mr. Sazali Hasni (SH) – Auditor / Technical Expert

(Environment, Conservation and HCV area)

Mr. Sazali Hasni has over 25 years work experience in the forestry sector. He is an IRCA Auditor for ISO 9001 and auditor for the PEFC Chain-of-Custody Certification. He has successfully completed training in the RSPO P&C, MYNI Lead Auditor course. He was a member in the stakeholder consultation and development of the Malaysian Criteria & Indicators (MC&I) for Forest management Certification. He has been involved in the auditing of Forest Management Certification for the Perak State Forestry Department and Pahang State Forestry Department. He has also been involved with a German based company in testing their criteria for carbon tracing in an oil palm plantation in 2011. He had also acted as the regional consultant to International Tropical Timber Organization (ITTO) for the Asia Pacific region in the Evaluation and Monitoring of Projects funded by the organization from 1994 to 1998. Projects funded are mainly forestry related such as reforestation, conservation, community forestry apart from other research based projects. He is a member of the RSPO CB Audit team which audited several RSPO certified Plantation Management Units since 2014. He has attended the Intertek In-House briefings on MSPO Certification requirements in 2017 on the MSPO Certification requirements

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

(Good Agriculture Practice, Integrated Pest Management and Social)

Mr. Chin Bit Kee has more than 10 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 has successfully completed training in the RSPO P&C, MYNI Lead Auditor course. He is a member of the RSPO CB Audit team which audited several RSPO certified Plantation Management Units since 2014. He has attended the Intertek In-House briefings on MSPO Certification requirements in 2017 on the MSPO Certification requirements.



Appendix B:

Audit Plan (Actual)

Date	Time	Auditors and Audit Activity		
		Audit Team		
25 Sep 2017  (Day 1)	8.00 am – 1.00 pm	Travel to Morisem Palm Oil Mill		
	1.00 pm – 2.00 pm	Lunch Break		
	2.00 pm – 2.30 pm	<b>Opening Meeting and Briefing at POM Office</b> <b>(to be attended by representatives from the Estates as well)</b>		
	2.30 pm – 5.00 pm	Document Review and Audit by all Auditors		
		<b>AL</b>	<b>CBK</b>	<b>SH</b>
		<b>Site Audit at Palm Oil 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>• P6 Best Practices</li> <li>• P7 New Planting</li> </ul>	<b>Site Audit at Palm Oil Mill</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P3 Compliance to Legal requirements</li> <li>• P4 Social Responsibility</li> <li>• P6 Best Practices</li> </ul>	<b>Site Audit at Palm Oil Mill</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P3 Compliance to Legal requirements</li> <li>• P5 Environment, Natural Resources, Biodiversity</li> <li>• P6 Best Practices</li> </ul>
	<ul style="list-style-type: none"> <li>• Verification of effectiveness of corrective actions for non-conformances</li> </ul>			
	5.00 pm – 6.00 pm	Travel to Hotel & Break		
6.00 pm – 7.00 pm	Team Meeting and Discussion			

Date	Time	Auditors and Audit Activity		
26 Sep 2017  (Day 2)	8.30 am – 12.30 pm	<b>AL</b>	<b>CBK</b>	<b>SH</b>
		<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>• P6 Best Practices</li> <li>• P7 New Planting</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</li> <li>• P6 Best Practices</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>• P5 Environment, Natural Resources, Biodiversity</li> <li>• P6 Best Practices</li> </ul>
	12.30 pm – 1.30 pm	Lunch Break		



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	1.30 pm - 5.30 pm	<b>Site Audit at Morisem 4 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>• P6 Best Practices</li> <li>• P7 New Planting</li> </ul>	<b>Site Audit at Morisem 4 estate</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P3 Compliance to Legal requirements</li> <li>• P4 Social Responsibility</li> <li>• P6 Best Practices</li> </ul>	<b>Site Audit at Morisem 4 estate</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P3 Compliance to Legal requirements</li> <li>• P5 Environment, Natural Resources, Biodiversity</li> <li>• P6 Best Practices</li> </ul>
	5.30 pm – 6.30 pm	Travel to Hotel & Break		
	6.30 pm – 7.30 pm	Team Meeting and Discussion		

Date	Time	Auditors and Audit Activity		
27 Sep 2017  (Day 3)	8.30 am – 12.30 pm	<b>AL</b>	<b>CBK</b>	<b>SH</b>
		<b>Site Audit at Leepang 2 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>• P6 Best Practices</li> <li>• P7 New Planting</li> </ul>	<b>Site Audit at Leepang 2 estate</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P3 Compliance to Legal requirements</li> <li>• P4 Social Responsibility</li> <li>• P6 Best Practices</li> </ul>	<b>Site Audit at Leepang 2 estate</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P3 Compliance to Legal requirements</li> <li>• P5 Environment, Natural Resources, Biodiversity</li> <li>• P6 Best Practices</li> </ul>
	12.30 pm – 1.30 pm	Lunch Break		
	1.30 pm - 5.30 pm	<b>Site Audit at Leepang 4 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>• P6 Best Practices</li> <li>• P7 New Planting</li> </ul>	<b>Site Audit at Leepang 4 estate</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P3 Compliance to Legal requirements</li> <li>• P4 Social Responsibility</li> <li>• P6 Best Practices</li> </ul>	<b>Site Audit at Leepang 4 estate</b> <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P3 Compliance to Legal requirements</li> <li>• P5 Environment, Natural Resources, Biodiversity</li> <li>• P6 Best Practices</li> </ul>
	5.30 pm – 6.30 pm	Travel to Hotel & Break		
	6.30 pm – 7.30 pm	Team Meeting and Discussion		

Date	Time	Auditors and Audit Activity		
		<b>AL</b>	<b>CBK</b>	<b>SH</b>



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28 Sep 2017  (Day 4)	8.30 am – 11.00 am	<b>Site Audit at Palm Oil 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>• P6 Best Practices</li> <li>• P7 New Planting</li> </ul>	<b>Site Audit at Palm Oil Mill</b>  <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P3 Compliance to Legal requirements</li> <li>• P4 Social Responsibility</li> <li>• P6 Best Practices</li> </ul>	<b>Site Audit at Palm Oil Mill</b>  <ul style="list-style-type: none"> <li>• P1 Management Commitment</li> <li>• P3 Compliance to Legal requirements</li> <li>• P5 Environment, Natural Resources, Biodiversity</li> <li>• P6 Best Practices</li> </ul>
	11.00 am – 12.30 pm	Site Audit at POM or estates to follow up on any specific criteria/areas		
	12.30 pm – 1.30 pm	Lunch Break		
	1.30 pm – 3.30 pm	Preparation for Closing Meeting		
	3.30 pm – 4.30 pm	Team Meeting and Discussions with POM Management Representative		
	4.30 pm – 5.30 pm	<b>Closing Meeting &amp; Briefing at Palm Oil Mill Office</b>		
	5.30 pm – 6.30 pm	Travel to Hotel		

Appendix: Audit Team Competency Matrix

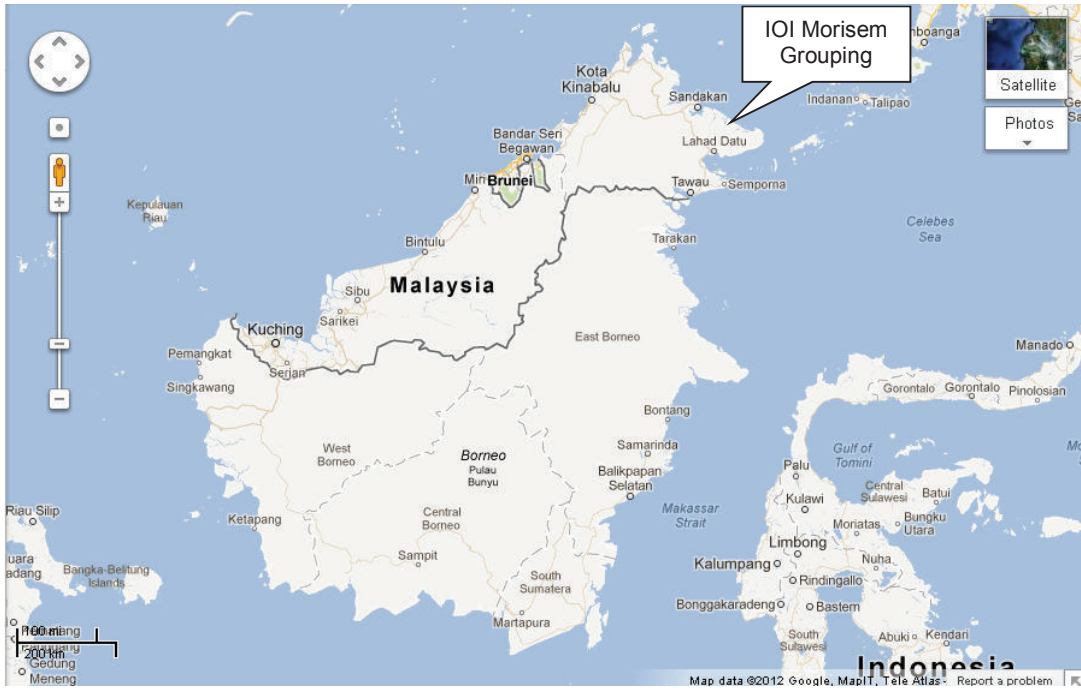
MSPO Principles	Areas	Auditors (A) / Technical Experts (TE)		
		AL (LA/TE)	SH (A/TE)	CBK (A/TE)
P1	Management Commitment and Responsibility	√	√	√
P2	Transparency	√		
P3	Compliance to Legal requirements	√	√	√
P4	Social responsibility, health, safety and employment condition	√		√
P5	Environment, natural 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

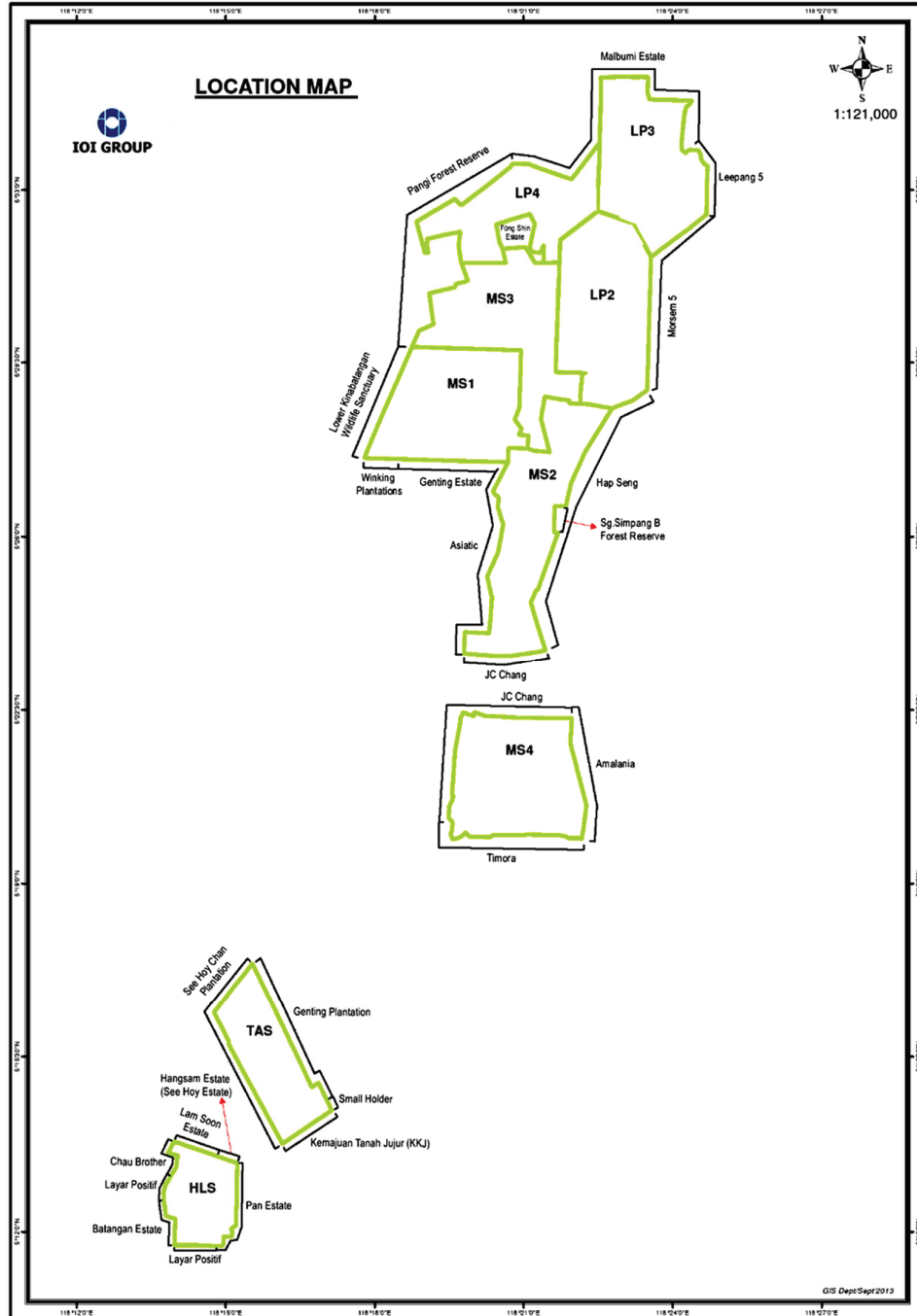






APPENDIX C-2:

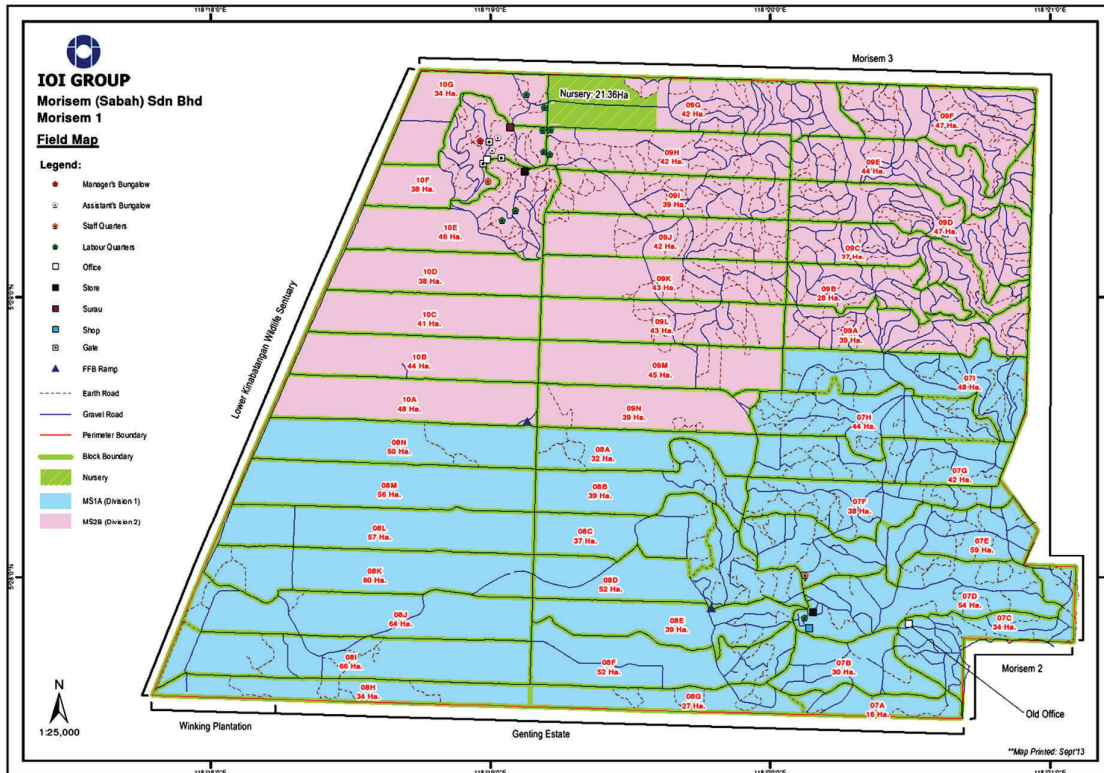
Location Map of IOI Morisem Grouping, Lahad Datu, Sabah, Malaysia





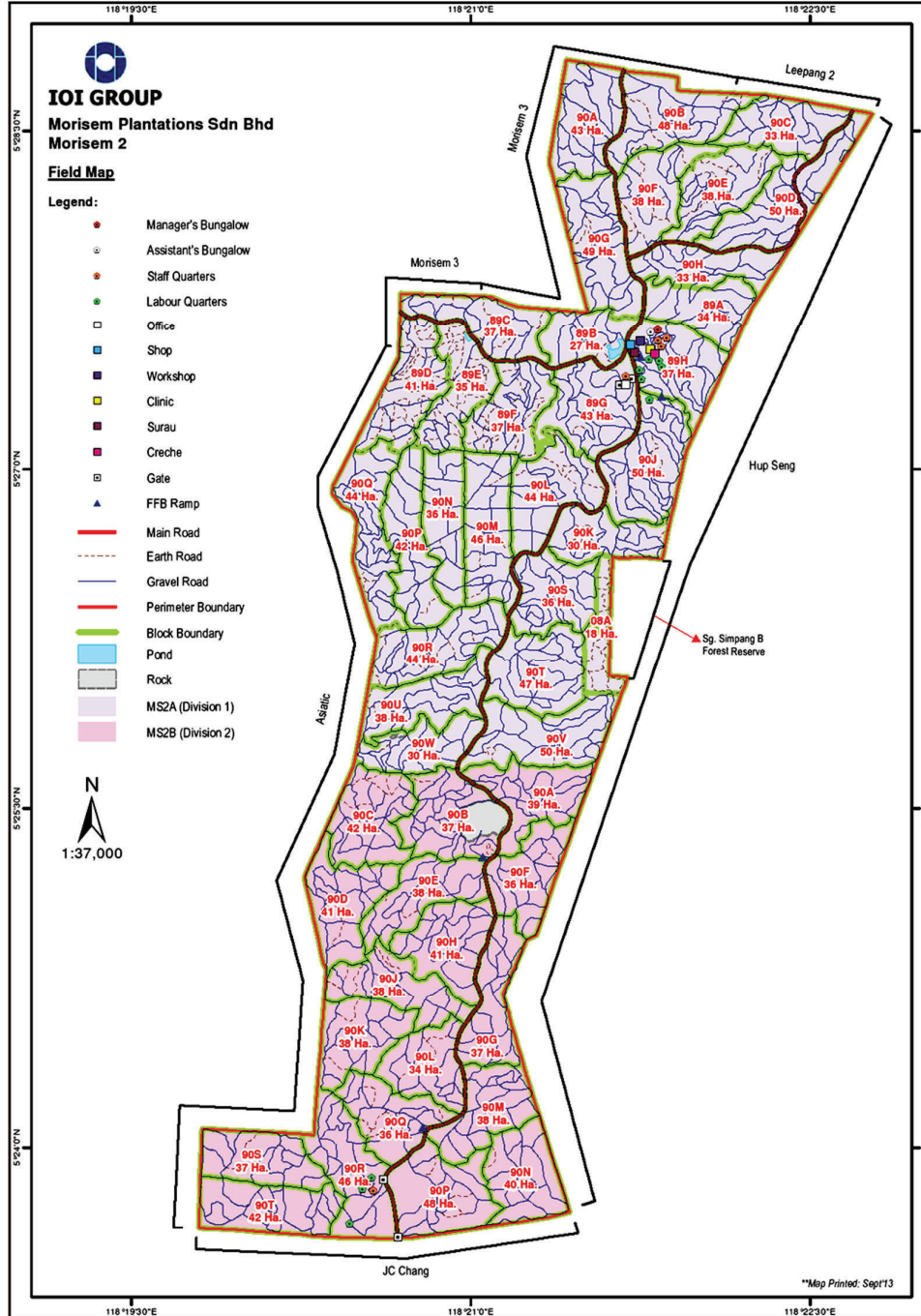
Appendix C-3-1:

Morisem 1 Estate



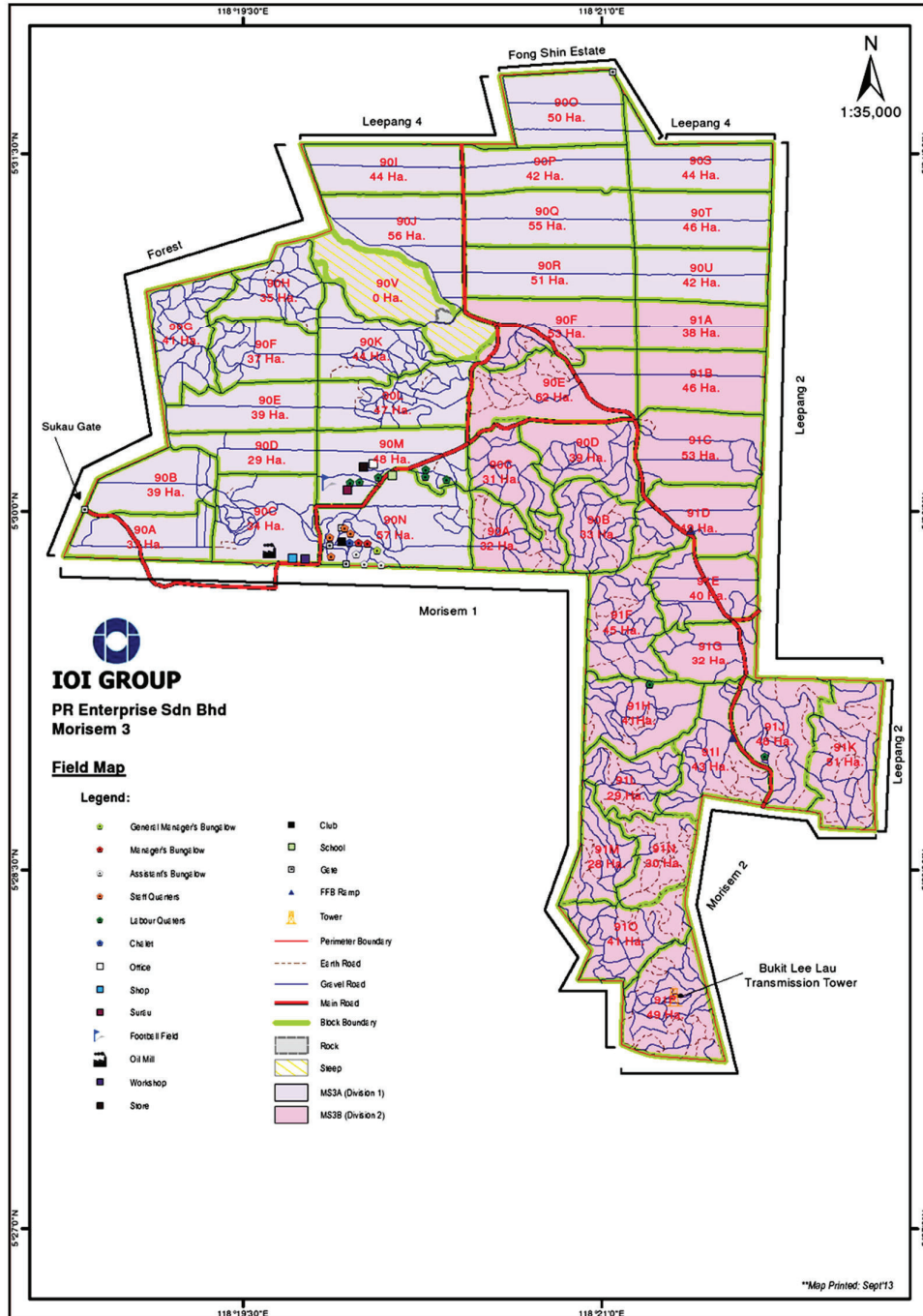


Appendix C-3-2:  
Morisem 2 Estate



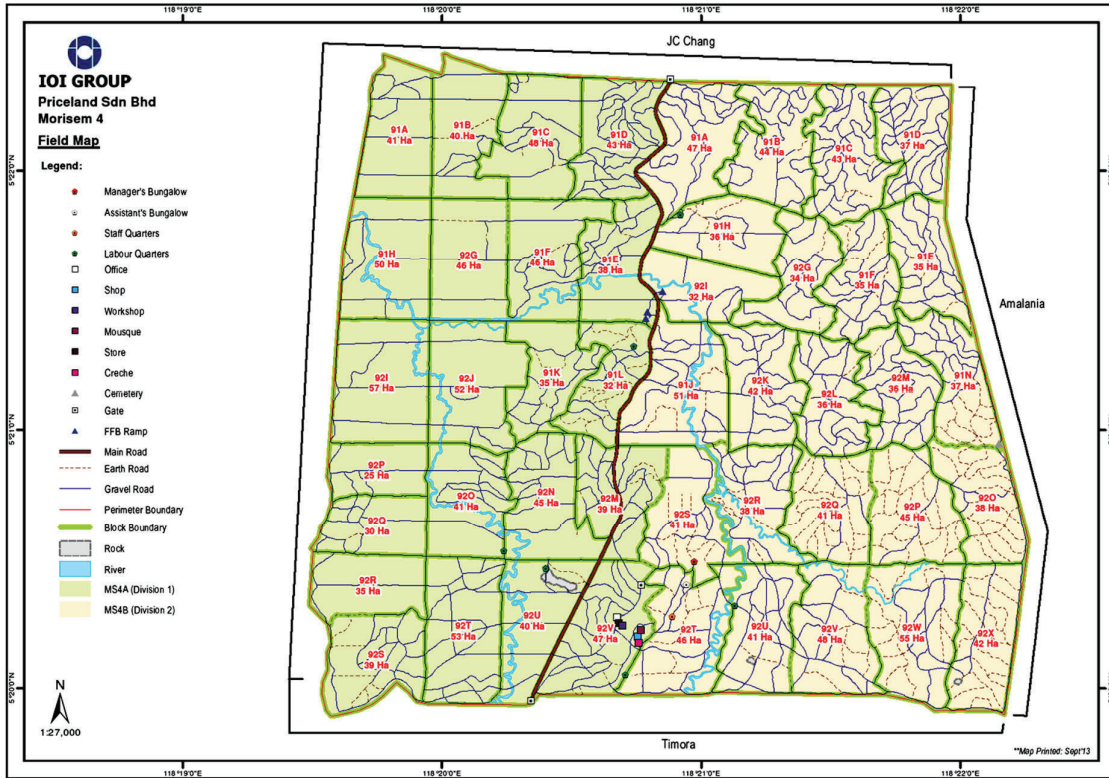


Appendix C-3-3:  
 Morisem 3 Estate



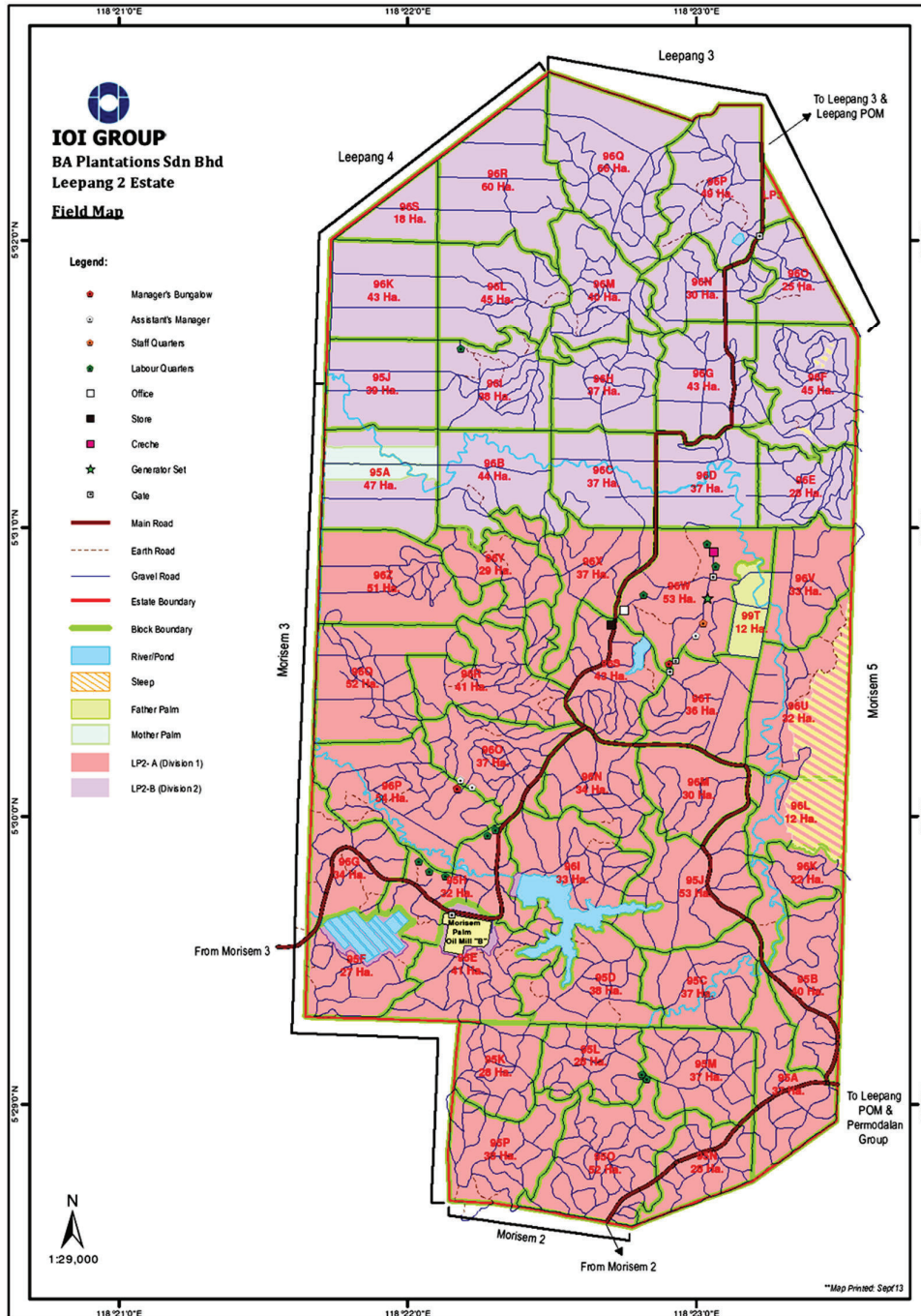


Appendix C-3-4:  
Morisem 4 Estate



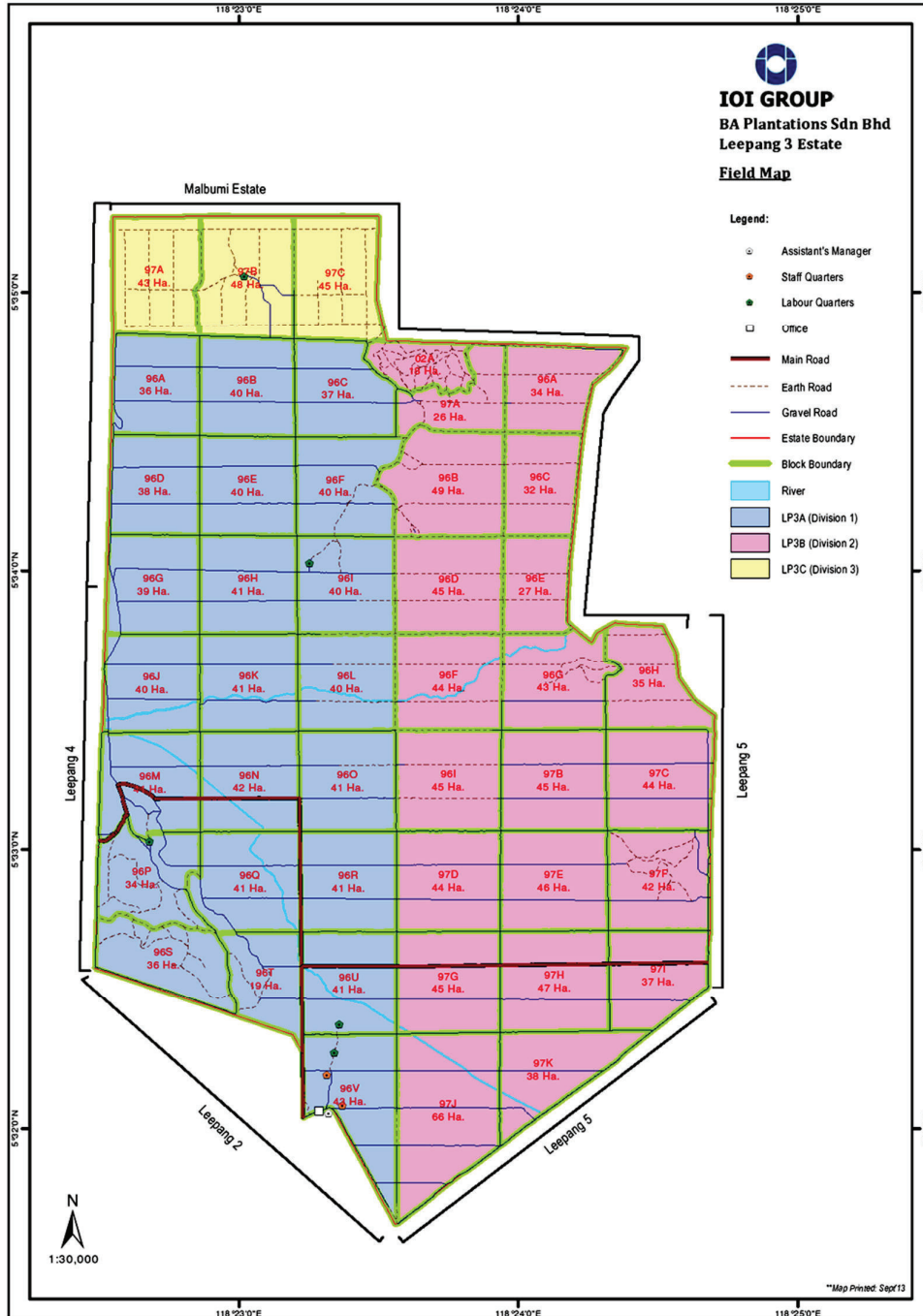


Appendix C-3-5:  
Leepang 2 Estate





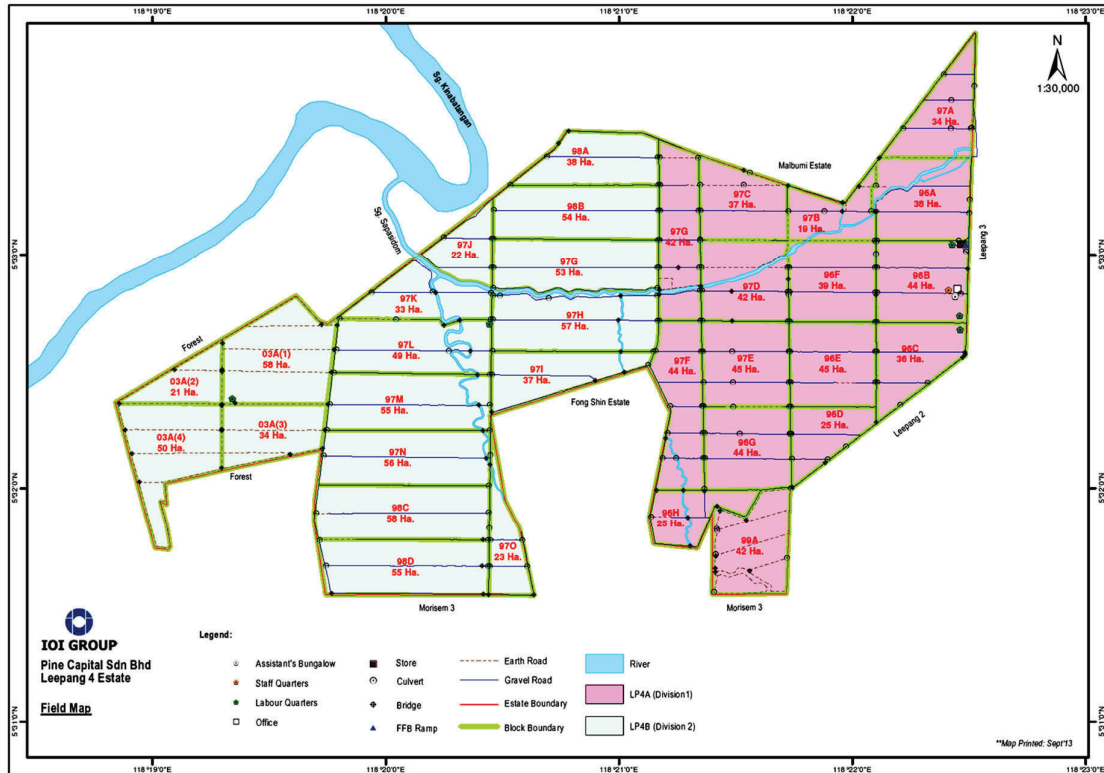
Appendix C-3-6:  
Leepang 3 Estate





Appendix C-3-7:

Leepang 4 Estate

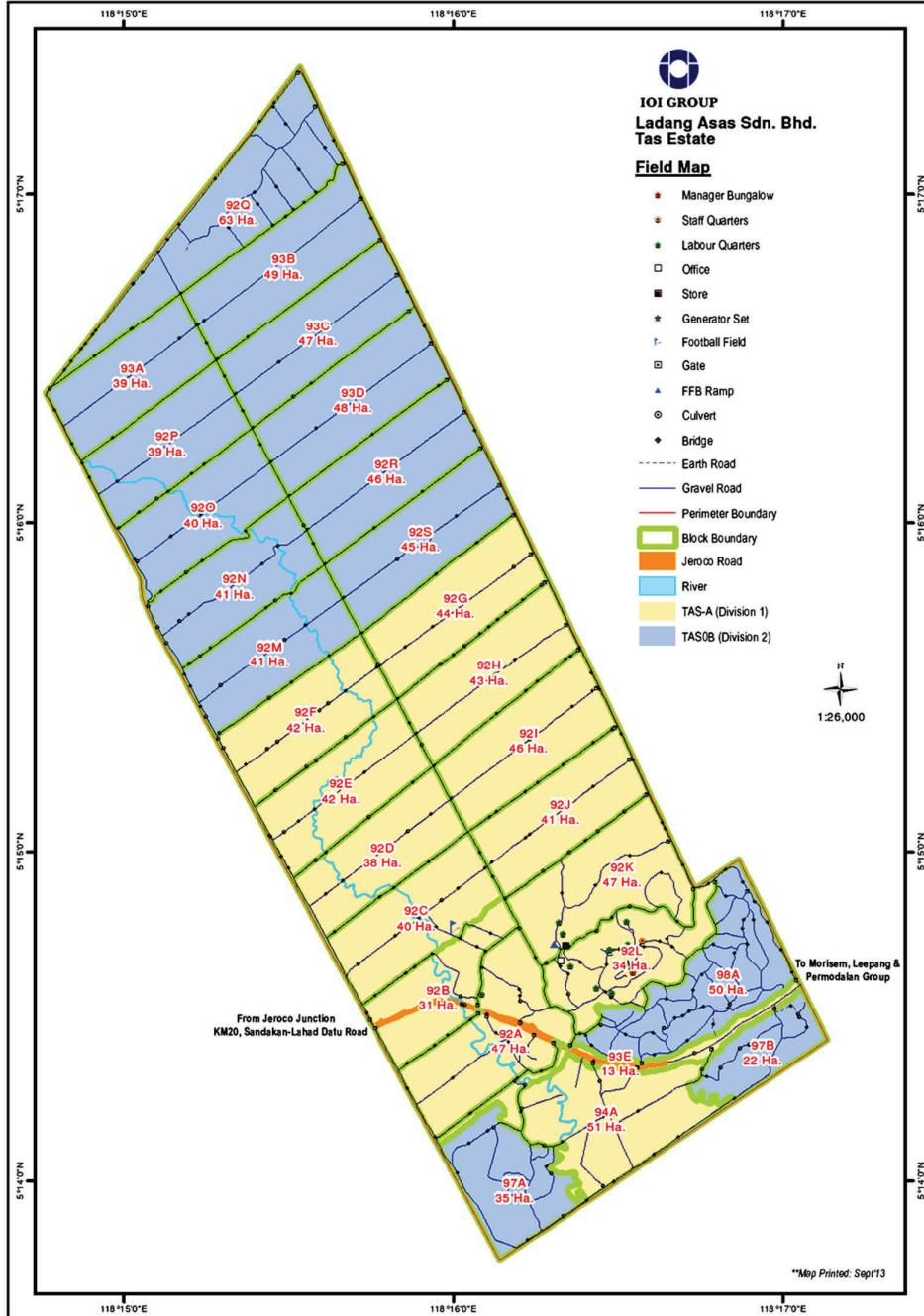






Appendix C-3-8a:

Ladang Asas (Tas and Halusah Estates)





Appendix C-3-8b:

Ladang Asas (Tas and Halusah Estates)

