

**MSPO CERTIFICATION
Annual Surveillance Assessment - 01**

SUMMARY REPORT

<p style="text-align: center;">IOI CORPORATION BERHAD</p> <p style="text-align: center;">Morisem Palm Oil Mill Sdn Bhd (POM)</p> <p style="text-align: center;">MPOB License Number: 500351504000</p> <p style="text-align: center;">Lahad Datu, Sabah, Malaysia</p>
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Certificate No:	INTERTEK MSPO 001A
Original Start date:	22 Feb 2018
New Start date (ASA-01):	22 Feb 2019
Expiry date:	21 Feb 2023
Audit Type	Audit Dates
Initial / Stage 2	25 - 28 Sep 2017
Annual Surveillance - 01	24 - 28 Sep 2018
Annual Surveillance - 02	
Annual Surveillance - 03	
Annual Surveillance - 04	
Re-Certification	

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1.0 SCOPE OF AUDIT

1.1 Introduction

This Annual Surveillance Assessment - 01 was conducted on the Morisem Palm Oil Mill and Estates of IOI Corporation Berhad (hereafter abbreviated as IOI), from **24 – 28 Sep 2018**, to assess the organization's operations of the Pam Oil Mill and its FFB supplying plantations / estates are in compliance against the **MSPO Standards for Palm Oil Mills (MSPO MS 2530-4: 2013)**.

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

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

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

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

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

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

1.3 Description of FFB supply base

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

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

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



Table 2: Estate Area Summary

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

Notes:

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

1.4 Summary of plantings and cycle

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

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

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

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



1.5 Summary of Conservation and HCV Areas

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

Table 4: Conservation and HCV Areas

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

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

1.6 Other certifications held and Use of MSPO Trademarks

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

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

1.7 Organizational information / Contact Person

At Head Office:

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

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



1.8 Tonnages Verified for Certification

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

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

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

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

Table 6: FFB Processed (tonnages)

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

1.8.3 The annual certified tonnages of CPO and PK production by the POM as verified during this current assessment are detailed as follows:

Table 7: Annual Certified FFB, CPO and PK Tonnages

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



1.9 Abbreviations Used

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



2.0 AUDITING PROCESS

2.1 Auditing Methodology, Plan and Site Visits

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

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

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

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

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

2.2 Date of next scheduled visit

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

2.3 Qualifications of the Lead Assessor and Audit Team

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

2.4 Certification Body

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

2.5 Process of stakeholder consultation

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

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.



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Among the list of key stakeholders consulted was the following:

Government Agencies (by emails)

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

Statutory Bodies (by emails)

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

NGOs and others (by emails)

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



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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 Palm Oil Mill Sdn Bhd – POM	
Auditor/s: Dr. Ooi Cheng Lee, Chin Bit Kee & Jumat Bin Majid	Audit Dates: 24 – 28 Sep 2018

P1: Management Commitment & Responsibility

Clause	Requirements	Evidence	Conformity
4.1.1	C1: MSPO Policy		
4.1.1.1	Indicator 1: Policy for the implementation of MSPO shall be established.	The company has a total of 18 policies. Verified that the policy on the implementation of MSPO is available. The policy was dated Jun 2017.	Complied
4.1.1.2	Indicator 2: The policy shall also emphasize on the commitment to continual improvement with the objective of improving the milling operation.	The policy verified to be appropriate. The policy had also clearly stated the company's commitment which included continual improvement in the overall aspects of plantation management and community development.	Complied
4.1.2	C2: Internal audit		
4.1.2.1	Indicator 1: Internal audit shall be planned and conducted regularly to determine the strong and weak points and potential area for further improvement.	There is a documented procedure for conducting Internal audit, which stated that internal audit shall be planned and conducted regularly, taking into consideration the risks of the operating units.	Complied
4.1.2.2	Indicator 2: The internal audit procedures and audit results shall be documented and evaluated, followed by the identification of strengths and root causes of nonconformities, in order to implement the necessary corrective action.	A procedure for internal audit was established and documented i.e. MSPO/SOP/IA/1 Rev 01 (01 Aug 2017). Internal audit on the POM was conducted on 20/07/2018. Corrective actions taken on the non-conformance raised. Improvement areas were also indicated. The internal audit was verified to be effective and reliable.	Complied
4.1.2.3	Indicator 3: Reports shall be made available to the management for their review.	The audit report was documented and made available for Management Review.	Complied
4.1.3	C3: Management review		
4.1.3.1	Indicator 1: The management shall periodically review the continuous suitability, adequacy and effectiveness of the requirements for effective implementation of MSPO and decide on any changes, improvement and modification.	Management review of the POM was conducted on 08/08/2018 and minutes of the review meeting were maintained. However, the minutes were not specifically clear concerning the following: (1) Findings of the MSPO Internal audit report, (2) Review of the effectiveness of implementation of MSPO and decide on any changes, improvement and modification.	Major NC# OCL-01
4.1.4	C4: Continual improvement		
4.1.4.1	Indicator 1: The action plan for continual improvement shall be based on a consideration of the main social and environmental impact and opportunities for the company.	There were action plans planned and implemented for continual improvement in the POM: 1. Big impact wrenches to improve maintenance works. 2. Lutron digital tachometer for preventive maintenance monitoring and record to check machine speed. 3. Laboratory equipment for the final effluent analysis. 4. Executive quarters and SPO Manager house.	Complied



		5. Installation of 20 units of rubbish traps at labour quarters drainage system to avoid environmental pollution.	
4.1.4.2	Indicator 2: The company should establish a system to improve practices in line with new information and techniques; and for disseminating this information throughout the workforce.	<p>Meetings and consultations were conducted for the introduction and implementation of any new information or technology that is feasible and applicable to the company.</p> <p>The management had approved the budget for the construction of a Biogas Plant for power generation for usage at POM and nearby estates and housing quarters.</p> <p>The most recent programme in the relation of introduction and implementation of new technology was the use of Lutron digital tachometer for preventive maintenance monitoring and recording to check the machine speed (RPM).</p>	Complied

P2: Transparency

Clause	Requirements	Evidence	Conformity
4.2.1	C1: Transparency of information and documents relevant to MSPO requirements		
4.2.1.1	Indicator 1: The management shall communicate adequate information to other stakeholders on environmental, social and legal issues relevant to sustainable practices in the relevant languages and forms.	<p>IOI has established and implemented documented procedures (Stakeholder Request – Corporate Level, Stakeholder Request – POM Level, Stakeholder Request – Estate Level) for providing adequate information on environmental, social and legal issues relevant to RSPO Criteria to relevant stakeholders for effective participation in decision making.</p> <p>The management has adopted an open and transparent method of communication and consultation when dealing with relevant parties, e.g. its workers, government agencies, contractors, neighbouring plantations by personal invitation to attend the internal and external stakeholders' consultation meetings. Communications are in Bahasa Malaysia, English and native dialects.</p> <p>Internal stakeholder meetings included Employee Consultative Committee (ECC) meetings & Gender Consultative committee (GCC) meetings, Safety & Health committee (SHC) meetings.</p>	Complied
4.2.1.2	Indicator 2: Management documents shall be publicly available, except where this is prevented by commercial 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		
4.2.2.1	Indicator 1: Procedures shall be established for consultation and communication with the relevant stakeholders.	<p>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).</p> <p>The POM and estates conducted a joint external stakeholders' consultation on 28/08/2018.</p> <p>The POM and estates had conducted their respective internal stakeholders' consultations in Sep 2018.</p> <p>Records of participants and feedback given were maintained and appropriate follow up actions were taken.</p>	Complied
4.2.2.2	Indicator 2: The management shall nominate management	The Mill Manager is responsible for issues raised by local communities and other affected or interested parties.	Complied



	officials at the operating unit responsible for issues related to Indicator 1 (4.2.2.1).	Social Liaison Officers are nominated to coordinate activities of the stakeholders, GCCs, ECCs and SHCs. Social Liaison Officer: Mr. Jamuih Kulipang appointed on 01/04/2016	
4.2.2.3	Indicator 3: A list of stakeholders, records of all consultation and communication and records of action taken in response to input from stakeholders shall be properly maintained.	The lists of stakeholders at the POM 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 commit itself to implement and maintain the requirements for traceability and shall establish a standard operation procedure for traceability.	The POM has established, implemented and maintained their procedure for Supply Chain traceability for their FFB, CPO and PK. The POM has maintained valid certifications in: RSPO Supply Chain requirements and ISCC Traceability and Supply Chain requirements	Complied
4.2.3.2	Indicator 2: The management shall conduct regular inspections on compliance with the established traceability system.	Inspections on compliance was done via the following: Internal Audits and Annual RSPO and ISCC certification audits.	Complied
4.2.3.3	Indicator 3: The management shall identify and assign suitable employees to implement and maintain the traceability system.	Assigned person is the Sustainability Palm Oil (SPO) Manager for Sabah Region who is supported by team of assistants. Letter of appointment letter was noted as follows: Mr. Agos Atan as Sustainability Manager (Sabah Region) appointed on 18/09/2017	Complied
4.2.3.4	Indicator 4: Records of storage, sales, delivery or transportation of crude palm oil and palm kernel shall be maintained.	All records of FFB transported and received, CPO processed and delivered out, on a daily basis, 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 shall be in compliance with applicable local, national and ratified international laws and regulations.	The POM has a documented system for identifying, determining, reviewing and updating applicable legal and other requirements. Verified applicable laws and regulations has been satisfactorily implemented and adhered.	Complied
4.3.1.2	Indicator 2: The management shall list all relevant laws related to their operations in a legal requirements register.	The Legal Register covering the applicable local and international laws and regulations is available at the POMs and was verified to be reviewed on 02/07/2018 for any relevant updates. The relevant legislations identified and listed were among others regarding safety and health, environmental management, pollution management, chemical handling, usage & storage, schedule waste management, labour laws, Unions, EPF, SOCSO, Housing and Amenities. 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	Complied



		<p>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 & 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 (DOSHS and Energy Commission). The POM has maintained a boiler register that indicate the date of commission, cleaned, inspected, tested or repaired. Valid certificates of fitness for boilers, sterilizers, air receivers, thermal deaerator, steam separator, vacuum oil dryer, etc. issued by DOSHS.</p> <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>Legal documents of foreign workers (including work permits and passports) are renewed and valid. Insurance coverage is maintained and available for foreign workers.</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. There were no cases of any violation or actions imposed by relevant authorities. Statutory returns to relevant authorities found to be in compliance. For example, JKPP8 for the reporting of incidences and accidents to DOSHS and the Quarterly Return Form as per First Schedule of the Environmental Quality (Prescribed Premises) (Crude Palm-Oil) Regulations, 1977.</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 DOSHS (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	<p>Tracking of changes in the relevant laws are communicated and received from the IOI Group HQ.</p> <p>The POM subsequently ensured that the changes were adequately updated. The changes to Environmental</p>	Complied



	update the changes in regulatory requirements.	related laws would be monitored by the Sustainability Team (Sabah Region) headed by Mr Agos Atan and the changes in the labour related laws will be monitored by the Senior GM – Mr SS Ragupathy (Sabah Region) as was stated in their respective Job Scope. Based on the site observations, interviews and records updated, the system used is appropriate to the operations at the POM.	
4.3.2	C2: Land use rights		
4.3.2.1	Indicator 1: The management shall ensure that their oil palm milling activities do not diminish the land use rights of other users.	Communities surrounding the POM and plantation areas are able to move freely without any issues or problems. Verified during site inspection that no such limitations had occurred.	Complied
4.3.2.2	Indicator 2: The management shall provide documents showing legal ownership or lease, history of land tenure and the actual legal use of the land.	Copies of the land titles of POM and estates were maintained and noted to be legally owned by the IOI Group. The original copies are maintained by the Corporate Head office in Putrajaya. The legal use of the POM land confirmed to be for the mill operation. There were no recorded or known disputes over the ownership of the land. No changes to the land ownership or new land acquisition since the last audit. There has been no recorded dispute over the ownership during the tenure of the land.	Complied
4.3.2.3	Indicator 3: Legal perimeter boundary markers should be clearly demarcated and visibly maintained on the ground, where practicable.	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. Locations of several boundary stones and pole markers were visited and verified to be within the boundary perimeter of the POM and estates. On-site verification confirmed that there has been no planting beyond the legal demarcated boundary areas of the mill and estates.	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 has been no dispute on the land rights. As such, the process of fair compensation and FPIC is currently not required to be applied.	Complied
4.3.3	C3: Customary land 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 POM were available. The land is legally owned by IOI Plantation Group and it is verified that there were no other users or affected parties in the land areas. There is no dispute on the land rights. The lands are not encumbered by any customary lands or user rights.	Complied



4.3.3.3	Indicator 3: Negotiation and FPIC shall be recorded and copies of the relevant agreements should be made available.	There were no borders at the POM which were adjacent to any villages or native land. There are no land disputes and as such the process of participatory mapping is not applicable for verification of implementation.	Complied
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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 should be implemented to mitigate the negative impacts and promote the positive ones.	<p>Social Impact Audit report and Management Plans at the mill was documented by the Sustainability Team. Social impacts in IOI Morisem group operations were assessed using various method including consultations, meetings, respond forms and interviews. External stakeholders' consultation was conducted for the whole grouping on 28/8/2018 and the consultation was properly documented. More than 45 participants attended the external stakeholder consultation including local communities, suppliers, contractors, government agencies and NGOs. Internal stakeholders consultations however conducted separately in each operating unit and in Morisem POM on 8/9/2018. Internal stakeholders consultation was attended by different categories of workers, e.g. different scope of work, gender, nationalities and levels. This consultation was also very well documented.</p> <p>For each comments received during meetings or interviews conducted by the POM, a time table of activities were developed with time frame on implementation plans and persons responsible. Comments received through the meetings, stakeholder logbook, etc., were recorded and also indicated with status either continuous, completed or pending. The plans included monitoring of negative impacts and enhancement of positive ones. Monitoring records were retained and made available as evidence that actions had been taken.</p>	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.	<p>Procedures on how to register complaints are available in public notice boards. Main person responsible in handling the complaints and grievances received from stakeholders is the Social Liaison Officer, i.e. Mr. Jamuih Kulipang, AM. Training and explanation on how to utilise this system were given and verified by the auditor.</p> <p>The system in place is verified to be effective in ensuring that complaints and grievance are addressed or resolved in timely and appropriate manner. Actions taken to address the complaints and grievances received are recorded appropriately.</p> <p>It is verified during on-site interviews that there were no incidences of dispute or grievance of a serious nature but since Feb 2013 IOI grouping had adopted "Whistleblowing Policy" available at https://www.ioigroup.com/Content/CI/PDF/Corp_WhistleblowingPolicy.pdf which was approved by Audit and Risk Management Committee revised in Nov 2017.</p>	Complied
4.4.2.2	Indicator 2: The system shall be able to resolves disputes in an effective, timely and appropriate	Complaints and grievances are investigated, addressed and resolved based on their severity. Minor complaints will	Complied



	manner, which is accepted by all parties.	normally be resolved within 2-3 working days, whilst major complaints and grievances will be resolved based on priority and budget availability. No complaints related to sexual harassment received so far, but the procedures stated such issues will be handled with the utmost privacy and confidentiality by the Gender Consultative Committee (GCC).	
4.4.2.3	Indicator 3: A complaint form should be made available at the premises, where employees and affected stakeholders can make complaints.	It was verified during the audit that a system to deal with complaints and grievances for all affected parties have been established and well implemented at the POM. Among others, the affected parties have several options to register their complaints and grievances, e.g. Grievance Book, annual stakeholder consultation, morning muster, during Joint Consultative Committee (JCC), GCC and Safety meetings. 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 surrounding communities should be made aware of its existence and that complaints or suggestions may be made at any time.	The management informed the invited employees and surrounding communities at the internal and external stakeholders' consultations regarding their complaint/ grievance procedure and feedback mechanism. The details of meetings held were noted as mentioned in 4.4.1.1	Complied
4.4.2.5	Indicator 5: Complaints and solutions within the past 24 months shall be documented and be made available to affected stakeholders upon request.	The Complaint and Grievance Books that recorded the nature of complaints and the resolutions had been maintained and available for more than 24 months.	Complied
4.4.3	C3: Commitment to contribute to local sustainable development		
4.4.3.1	Indicator 1: Palm oil millers should contribute to local development in consultation with the local communities. Where the mill is an integral part of a plantation, such contribution to local community development may be regarded as a joint effort by the mill and the plantation.	Main contribution of the POM and the estates to the local development was demonstrated in the provision of facilities and monetary contributions, where feasible. Examples of the contributions to the community are as follow; <ul style="list-style-type: none"> Contributed school bags for school children attending the HUMANA school. The HUMANA School building and associated facilities were provided by the plantation company (i.e. IOI group). The schools are presently concrete buildings with sufficient classrooms which are furnished with chairs, tables, white boards, cupboards, toilet facilities etc. for the school children including accommodation for external teachers. Playground space is also available for the physical education activities held for the school children. These are the children of the foreign workers mainly Indonesian. The POM management is involved in ensuring the achievement of Humana students and discussion on availability of replacement teachers at Humana schools. Free transportation to schools for primary, secondary and Humana students. Free housing for Humana teacher and contractor workers. 	Complied



		<ul style="list-style-type: none"> Free ambulance service to nearest government medical clinic. Maintenance of places of worships, e.g. mosques and chapel. Involvement in Department of Health activities, e.g. immunisation programme and Hepatitis B vaccination. New workers quarters in Morisem 1 Estate. 	
4.4.4	C4: Employees safety and health		
4.4.4.1	<p>Indicator 1: An occupational safety and health policy and plan which is in line with Occupational Safety and Health Act 1994 and Factories and Machinery Act 1967 (Act139) shall be documented, effectively communicated and implemented.</p>	<p>Occupational Safety and Health Policies and Plans were established and verified to be in accordance with the OSH Act, 1994 and FMA 1967 (Act 139).</p> <p>Annual review was conducted by the Group Safety & Environmental Manager (Sabah region) together with the respective Safety Officers for POM and estates.</p> <p>Documented Safety Policy and Hazard Identification, Risk Assessment and Risk Control (HIRARC) was reviewed for the POM. Training programs were planned and conducted for all groups of workers, both admin and field. Training records were maintained.</p> <p>Verified through interviews done with workers that they do have adequate understanding of the Safety and Health issues on PPE usage, MSDS/CSDS, First Aid and Emergency Response.</p> <p>Inspections (line site, fire extinguisher, first aid box, chemical store, ELCB, PPE checklist, Vehicle daily inspection, gen set maintenance, ramp inspection, bridge and tanks inspection), Monthly Safety inspection and audit was done by the Safety Officer and records available.</p>	Complied
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 chemicals used at the palm oil mill:</p> <p>i) all employees involved are adequately trained on safe working practices; and</p> <p>ii) all precautions attached to products should be properly observed and applied.</p> <p>d) The management shall provide the appropriate personal protective equipment</p>	<p>Safety Policy and HIRARC documented was reviewed for the POM. The OSH Programme 2017 include the following:</p> <ul style="list-style-type: none"> Safety & Health Committee meetings 4x/year Annual medical surveillance Accident Reporting & Investigation Workplace inspection CHRA Audit Air compressors annual inspection Warning signs Chemical Register SOP for safe work PPE usage MSDS/CSDS JKKP 8 reporting of accidents annually Emergency Response Plan (ERP) Emergency drills Inspections (line site, fire extinguisher, first aid box, chemical store, ELCB, PPE checklist, Vehicle daily inspection, gen set maintenance, ramp inspection, bridge and tanks inspection) Monthly KPI Report on HSE performance Monthly Safety inspection & audit by Safety Officer, CHRA report of Feb 2015 was maintained with validity till 2020. Surveillance programmes for protecting workers' health and safety were satisfactorily implemented. <p>Accident and emergency procedures had been established and briefed to staff, workers, contractors and visitors.</p>	



	<p>(PPE) at the place of work to cover all potentially hazardous operations as identified in the risk Audit and control such as Hazard Identification, Risk Audit and Risk Control (HIRARC).</p> <p>e) The management shall establish Standard Operating Procedure for handling of chemicals to ensure proper and safe handling and storage in accordance to Occupational Safety Health (Classification Packaging and Labeling) Regulation 1997 and Occupational Safety Health (Use and Standard of Exposure of Chemical Hazardous to Health) Regulation 2000.</p> <p>f) The management shall appoint responsible person(s) for workers' safety and health. The appointed person(s) of trust shall 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 that affect their business such as those related to employees' safety, health and welfare are discussed openly. Records from such meetings shall be kept and the concerns of the employees and any remedial actions taken shall be 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 shall be present at all mill operations. First Aid equipment 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>Workers trained in First Aid were present in the mill and field operations.</p> <p>First Aid Kits were available at worksites.</p> <p>Records on all accidents had been verified to be maintained satisfactorily.</p> <p>Quarterly review on accident cases had been carried out during quarterly meeting of Environment, Safety, & Health (ESH) committee.</p> <p>Medical care had been provided to all the workers.</p> <p>Local workers are covered by SOCSO, whereas foreign workers are covered by Foreign Workers Compensation Scheme (FWCS) with MSIG insurance noted to be valid.</p> <p>Records on Lost Time Accident (LTA) metrics and occupational injuries were available and verified to be satisfactorily maintained.</p>	
4.4.5	C5: Employment conditions		
4.4.5.1	Indicator 1: The management shall establish a policy on good social practice regarding human rights in respect of industrial	The management had established the "Group Sustainable Palm Oil Policy" in June 2017 signed by Group CEO, which	Complied



	harmony. The policy shall be signed by the top management and communicated to the employees.	covered the necessary aspects of human rights related issues. This policy can be accessed at IOI Group's website link https://www.ioigroup.com/Content/S/PDF/Sustainable Palm Oil Policy.pdf . The employees are informed about this policy through induction training for new intakes, briefing during morning muster, at the GCC and JCC meetings. The policy is also displayed at notice boards in the office.	
4.4.5.2	Indicator 2: The management shall not engage in or support discriminatory practices and shall provide equal opportunity and treatment regardless of race, colour, sex, religion, political opinion, nationality, social origin or any other distinguishing characteristics	Published statement on equal opportunities is mentioned in Sustainability Policy adopted by the IOI group in 2017. This policy clearly state that IOI Group including IOI Morisem grouping prohibits and will actively prevent any discrimination based on race, nationality, religion, or gender. Sighted records, such as pay conditions, fringe benefits, allowances, use of public amenities, etc., showed that this policy had been implemented and maintained.	Complied
4.4.5.3	Indicator 3: Management shall ensure that employees' pay and conditions meet legal or industry minimum standards as per 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 POM are available for verification. Employment agreement with foreign workers, who are mostly Indonesian, stated all statutory fringe benefits and eligible incentives, e.g. working hours, overtime, leave and medical benefits, maternity leave for women, insurance coverage, deductions, resignation notice period, company rules. Company procedures require the employment contract to be explained by management to potential migrant workers before contracts are signed. 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. Decision on workers' wages were based on a memorandum dated 20 June 2016 to all IOI groups in Sabah including Morisem grouping. According to this memorandum monthly minimum wages is RM920/month or RM35.38/day, provided that all qualifying conditions are satisfactory fulfilled. These conditions were then clearly outlined in the "IOI Plantation Minimum Wages & Leave Pay Policies in Malaysia" dated Oct 2017 signed by Mr. N.B. Sudhakaran, Plantation Director (https://www.ioigroup.com/Content/S/PDF/Minimum Wage Policy.pdf). Content of this policy is verified to be satisfactorily understood by workers in the PMU and fulfilled common industry standard as it is in accordance with the MAPA-NUPW agreement 2015 and Minimum Wages Order 2016.	Complied
4.4.5.5	Indicator 5: The management shall establish records that provide an accurate overview 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	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



	description, wage and the period of employment.		
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 shall be made available for each and every employee indicated in the employment records.	All employees including the contractor workers are provided with employment contracts in accordance with Kontrak Pekerjaan (Seksyen 18 Ordinan Buruh Sabah Bab 67 (Pindaan) 2005). The terms of employment are clearly specified in the contracts, which included position offered, period of employment, salary, overtime rate, rest days every Sundays, rate of pay when working on rest days, days and hours of work, approved deductions, termination of employment, holiday pay, rate of pay when working on holidays, leave pay, sick leave, maternity leave, passage expenses, expatriations of remains and burial arrangement, insurance. The employment contracts are signed by the Estate Managers or their Assistants and the employees. Interview with the employees confirmed that they received a copy of the employment contract.	Complied
4.4.5.7	Indicator 7: The management shall establish a time recording system that makes working hours and overtime transparent for both the employees and employers.	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 the individual worker indicated in the time records shall comply with legal regulations and collective agreements. Overtime shall be mutually agreed upon and shall meet the legal requirement applicable.	The working hours of the employees and overtime rates are specified in the employment contract i.e. 8 hours per day and overtime rates are in accordance with the Sabah Labour Ordinance (SLO) (Sabah Cap. 67).	Complied
4.4.5.9	Indicator 9: Wages and overtime payment documented on the pay slips shall be in line with legal regulations and collective agreements.	Pay slips clearly showed the basic pay or daily 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 community such as incentives for good work performance, bonus payment, support of professional development, medical care provisions and improvement of social surroundings	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.	The Workers' Minimum Standard of Housing and Amenities Act 1990 (Act 446) is yet to be enforced by Sabah Labour Department. However, Morisem Grouping is noted to have provided adequate amenities to their local and foreign workers as well as adequate housing, water supplies, medical, educational and public amenities.	Complied



		<p>The free living quarters provided are constructed of permanent materials that have living rooms, bedrooms, kitchen and toilets. All the houses are supplied with treated water and electricity.</p> <p>Sundry shops are available outside at each estate audited. From interviews with the workers it was found that most household sundries, including frozen foodstuffs were available on sale. The workers also go out to town once a month after pay day to buy sundries.</p> <p>Creche is available in each estate audited and well maintained. The crèche caretakers are well trained on procedures of using the first aid kits as well as fire extinguisher. Depending on the operating unit management, some crèche are provided with biscuits or formulated milk powder. During the audit, children were found in good health and the surrounding of the crèche are all well maintained. No overcrowded crèche found and ratio between caretakers with children are well balanced.</p> <p>Clinics are located in within the vicinity of the estates and the POM. Together with the management staff, the Health Attendance (HA) are also responsible on monitoring and maintaining acceptable living standard in the workers quarters, e.g. buildings maintenance, rubbish collection, drainage system, children education, etc. inspection by the staff conducted weekly, whilst inspection by HA conducted monthly. Visiting Medical Officer (VMO) make a monthly visit to the POM housing quarters and check upon a few areas, e.g. referred patients and purchase of the medicines at the clinics, workers quarters, crèche.</p>	
4.4.5.12	Indicator 12: The management shall establish a policy to prevent all forms of sexual harassment and violence at the workplace.	<p>Published statement on prevention of sexual and all other forms of harassment and violence is covered in Sustainability Policy adopted by the IOI group in 2017.</p> <p>GCC members who were interviewed confirmed that there is a clear and understandable protocol on receiving complaints or grievances related to sexual harassment. Apart from briefing on the policy mentioned above in muster ground to all workers and during stakeholder consultations, GCC meetings and training were also conducted at the POM, e.g. latest training was conducted on 19/8/2018. Meeting minutes of GCC was reviewed during the audit and concerns related to women was clearly covered including especially on sexual harassment and domestic violence. These practices, i.e. regular meetings between workers and the management, effective grievance procedures, etc. proved that content of this policy satisfactorily understood by workers and satisfactorily implemented in the PMU.</p>	Complied
4.4.5.13	Indicator 13: The management shall respect the right of all employees to form and join trade union and allow workers' own representative(s) to facilitate collective bargain in accordance with applicable laws and regulations. Employees shall be given freedom to join trade unions relevant to the industry or organize themselves for collective bargaining.	<p>Published statement recognising freedom of association is mentioned in Sustainability Policy adopted by the IOI group in 2017.</p> <p>As an alternative to workers union, IOI Morisem Grouping formed the JCC in each operating unit. This committee serve as a medium for workers to collectively bargain with the management. Members of JCC are representatives elected by the workers including both local and foreign. JCC meetings are scheduled quarterly and each meeting is minuted. It was verified that issues raised during the meetings are resolved in appropriate and timely manner. From sampled JCC meeting minutes, there was no major issue raised by the workers. Meeting minutes selected for verification was for Morisem POM conducted on 20/8/2018. This practice proved that content of this policy satisfactorily</p>	Complied



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	Employees shall have the right to organize and negotiate their work conditions. Employees exercising this right should not be discriminated against or suffer repercussions.	understood by workers and satisfactorily implemented in the PMU.	
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.	Published statement stating that the group will eliminate all forms of illegal, forced, bonded, compulsory, including child labour is mentioned in Sustainability Policy adopted by the IOI group in 2017. HUMANA schools and 'crèche' were established to cater to the need for proper education of the foreign workers children. Children at the appropriate age for secondary school attended the Community Learning Centre (CLC) which is also managed by HUMANA but was built with the help of the group. Inspection of the employment records including site visit to the estates and this practice proved that content of this policy satisfactorily understood by workers and satisfactorily implemented in the PMU.	Complied
4.4.6	C6: Training and competency		
4.4.6.1	Indicator 1: All employees and contractors shall be appropriately trained. A training programme shall include regular Audit of training needs and documentation, including records of training.	Training programme planned for year 2018 includes training for all categories of workers. The training programme included the various types of training such as firefighting and fire drill, exposure to high noise levels and control measures for protection of hearing and audiometric tests, understanding MSDS/CSDS and first aid training. The trainings were conducted for year 2018 and evaluation carried out on each of the trainings to determine its effectiveness. Appropriate PPE, e.g. safety helmets, safety boots, ear plugs/muffs, vest, had been provided to relevant workers to cover all potentially hazardous operations. Records of training for each employee, including new employees were maintained.	Complied
4.4.6.2	Indicator 2: Training needs of individual employees shall be identified prior to the planning and implementation of the training programmes in order to provide the specific skill and competency required to all employees based on their job description.	The training needs analysis discuss in Safety and Health meetings under the agenda of Safety & Health Training. Latest annual training programme is dated 3/1/2018. Training for various categories of operators, including all field and office staff, with regards to their duties and training needs had been reviewed and found acceptable.	Complied
4.4.6.3	Indicator 3: A continuous training programme shall 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.	Training programme planned for year 2018 includes all categories of workers and conducted based on categories of work stations. Sampled trainings and records include fire drill, fire extinguisher and safe driving for trailers and tractors.	Complied

P5: Environment, natural resources, biodiversity and ecosystem services

Clause	Requirements	Evidence	Conformity
4.5.1	C1: Environmental management plan		



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4.5.1.1	Indicator 1: An environmental policy and management plan which shall be in line with the relevant country and state environmental laws shall be established, effectively communicated and implemented.	The sustainability policy statement encompasses the protection of environment and the protection of wildlife. It is documented as one of the 18 policies available.	Complied										
4.5.1.2	Indicator 2: The environmental management plan shall cover the following: a) An environmental policy and objectives; b) The aspects and impacts analysis of all operations.	The Environmental Impact Audit (EIA) for the POM had been conducted and documented on 12/09/2018 by the Environmental Liaison Officer and approved by the Mill Manager. The environmental policy, objectives and the aspects/impacts analysis were included in the environmental management plan.	Complied										
4.5.1.3	Indicator 3: An environmental improvement plan to mitigate the negative impacts and to promote the positive ones, shall be developed, implemented and monitored.	The EIA document developed had also included the action plans and recommendations to mitigate the negative effects and to promote the positive ones applicable to the POM.	Complied										
4.5.1.4	Indicator 4: A programme to promote the positive impacts should be included in the continual improvement plan.	The EIA had also considered the mitigation of negative impacts and promotion of positive ones and translated into implantation of programmes such as waste management of POME, EFB, boiler ash, pollution prevention by emissions, segregation of recyclable wastes and handling of scheduled wastes.	Complied										
4.5.1.5	Indicator 5: An awareness and training programme shall be established and implemented to ensure that all employees understand the policy, objectives and management plans and are working towards achieving the objectives.	Verified that the documented training programme had been established and implemented. Trainings conducted include the following: 1. Effluent treatment SOP training on 16/05/2018. 2. Waste management training on 22/06/2018. 3. Oil trap SOP training on 08/05/2018. 4. Scheduled Waste training on 28/06/2018 Corrective action for the previous assessment (2017) Obs# 01 found to be effectively implemented.	Complied										
4.5.1.6	Indicator 6: Management shall organize regular meetings with workers where concerns of workers about the environmental quality are discussed.	Regular meetings and discussions or consultation with employees were conducted in relation to environmental quality issues. In addition, on the job briefings were also conducted by the personnel to the workers.	Complied										
4.5.2	C2: Efficiency of energy use and use of renewable energy												
4.5.2.1	Indicator 1: Consumption of non-renewable energy shall be optimized and closely monitored by establishing baseline values and trends shall be observed within an appropriate timeframe. There should be a plan to assess the usage of non-renewable energy including fossil fuel, electricity and energy efficiency in the operations over the base period.	Monthly records on energy consumption for non-renewable fuel (diesel) were maintained at the POM. Data compiled (5 years) for comparison and monitored to determine the trend in the use of non-renewable energy (diesel) in litres/MT CPO: <table border="1"> <thead> <tr> <th><u>FY2013/14</u></th> <th><u>FY2014/15</u></th> <th><u>FY2015/16</u></th> <th><u>FY2016/17</u></th> <th><u>FY2017/18</u></th> </tr> </thead> <tbody> <tr> <td>8.19</td> <td>10.52</td> <td>12.08</td> <td>10.90</td> <td>10.04</td> </tr> </tbody> </table> The POM has been using part of fibers and shells in the boiler operations for power generation and supply. This has helped to reduce the consumption of diesel.	<u>FY2013/14</u>	<u>FY2014/15</u>	<u>FY2015/16</u>	<u>FY2016/17</u>	<u>FY2017/18</u>	8.19	10.52	12.08	10.90	10.04	Complied
<u>FY2013/14</u>	<u>FY2014/15</u>	<u>FY2015/16</u>	<u>FY2016/17</u>	<u>FY2017/18</u>									
8.19	10.52	12.08	10.90	10.04									
4.5.2.2	Indicator 2: Palm oil millers shall estimate the direct usage of non-renewable energy for their operations, including fossil	Data compiled (5 years) for comparison and monitored to optimize the use of renewable energy.	Complied										



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	fuel, and electricity to determine energy efficiency of their operations.	Record presented had showed a satisfactory monitoring of the resources.											
4.5.2.3	Indicator 3: The use of renewable energy should be applied where possible.	<p>Apart from use of diesel for electricity, palm fiber and PK shells were used as renewable energy/fuel to generate electricity through steam turbine and boiler. The amount of electricity (kW-hr/MT CPO) from renewable fuel (palm fiber and PK shells):</p> <table border="1"> <thead> <tr> <th><u>FY2013/14</u></th> <th><u>FY2014/15</u></th> <th><u>FY2015/16</u></th> <th><u>FY2016/17</u></th> <th><u>FY2017/18</u></th> </tr> </thead> <tbody> <tr> <td>100.16</td> <td>98.85</td> <td>96.34</td> <td>100.18</td> <td>102.55</td> </tr> </tbody> </table>	<u>FY2013/14</u>	<u>FY2014/15</u>	<u>FY2015/16</u>	<u>FY2016/17</u>	<u>FY2017/18</u>	100.16	98.85	96.34	100.18	102.55	Complied
<u>FY2013/14</u>	<u>FY2014/15</u>	<u>FY2015/16</u>	<u>FY2016/17</u>	<u>FY2017/18</u>									
100.16	98.85	96.34	100.18	102.55									
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.	<p>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.</p> <p>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).</p>	Complied										
4.5.3.2	<p>Indicator 2: A waste management plan shall be developed and implemented, to avoid or reduce pollution. The waste management plan should include measures for:</p> <p>a) Identifying and monitoring sources of waste and pollution.</p> <p>b) Improving the efficiency and recycling potential of mill by-products by converting them into value-added products.</p>	<p>The waste management plan at the POM was documented and implemented.</p> <p>Segregation of wastes, i.e. general wastes and scheduled wastes was verified to be satisfactory practiced in the mill. Proper storage areas were identified for the storage of the recyclable wastes at the POM.</p> <p>Disposal of schedule waste was done by an appointed contractor that is licensed by the Department of Environment, i.e. Lagenda Bumimas Sdn Bhd. Records on the usage and disposal were well recorded and documented.</p> <p>The solid waste management and disposal plan using landfills was also available. The mill is also using the landfill located at Leepang 3 Estate for their domestic waste.</p> <p>Recycling of crop residues / biomass i.e. EFB and POME had been implemented. Recycling bins of three different colour codes for specific recycle waste were available in the POM and were used for solid waste segregation and recycling.</p> <p>Appropriate secondary containment for the diesel skid tanks, chemical and scheduled waste storage areas was verified to be properly maintained at the POM.</p>	Complied										
4.5.3.3	Indicator 3: The palm oil mill 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. Scheduled waste shall be disposed as per Environmental Quality Act 1974 (Scheduled Wastes) Regulations, 2005.	<p>Standard operating procedure for the handling of used chemicals classified as Scheduled Waste has been developed and implemented. Records on the usage and disposal were well recorded and documented at the POM.</p> <p>At the POM, the disposal of used chemicals and containers were done in accordance with regulatory requirements.</p> <p>Stores for scheduled waste were inspected. The mill and estates have proper Scheduled Waste Stores for storing scheduled waste until time of disposal by DOE authorized waste disposal contractor. Records of e-Consignments are in order. Latest disposal was done on 13/09/2018 by Lagenda Bumimas Sdn Bhd.</p>	Complied										
4.5.3.4	Domestic waste should be disposed as such to minimise	Domestic waste at line site was disposed using the designated landfill at the nearby estate. The landfill is	Complied										



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	the risk of contamination of the environment and watercourse.	located far away from settlement and from water courses and the management of the landfill is satisfactory.	
4.5.4	C4: Reduction of pollution and emission including greenhouse gas		
4.5.4.1	Indicator 1: An Audit of all polluting activities shall be conducted, including greenhouse gas emissions, particulate and soot emissions, scheduled wastes, solid wastes and effluent.	<p>Environmental impact assessment on potential pollution to water, gaseous emissions to air and contamination on land was conducted and reviewed for the POM.</p> <p>Environmental internal audits were conducted by Sustainability Team. The most recent MSPO internal audit held on 20/07/2018 had indicated that there were evidence of proper monitoring e.g. solid waste - landfill management, water pollution - water sampling and testing, water treatment for drinking purposes.</p> <p>Level of Greenhouse gases (GHG) emissions are monitored on yearly basis through the GHG calculation methodology accepted for RSPO and ISCC GHG calculations and certifications which are achieved and valid.</p>	Complied
4.5.4.2	Indicator 2: An action plan to reduce identified significant pollutants and emissions shall be established and implemented.	<p>Mill gas emissions also monitored online by DOE, Sandakan using the Continuous Emissions Monitoring System (CEMS) and it is verified to be within the permissible limits of DOE.</p> <p>POME treatment, monitoring and land application were monitored, maintained and adhered to DOE regulations. Land application of POME was channelled to the nearest estate, i.e. Leepang 2 Estate.</p>	Complied
4.5.4.3	Indicator 3: Palm oil mill effluent (POME) shall be treated to ensure compliance with standards as stipulated in the relevant Environmental Quality (Prescribed Premises) (Crude Palm Oil) Regulations 1977. POME discharge limits and method should be in accordance with the respective state and national policies and regulations.	<p>Significant pollutants and greenhouse gas (GHG) emissions were identified, e.g. POME, diesel / fuel and fertilizer usage have been documented at the POM. This has been verified on-site.</p> <p>In addition, the POM has achieved the ISCC EU certification for sustainable biofuels production. Thus the GHG emissions calculation is up to date and has been compiled for FY Jul 2017/Jun 2018.</p> <p>GHG calculation report has also been submitted to RSPO on 19/09/2018.</p> <p>Monitoring and reporting of the significant pollutants to water, gaseous emissions to air and contamination on land are available and adhered to.</p> <p>Tools and systems used include the DOE online CEMS monitoring for air emissions, water quality at discharge points as per DID regulations and SW disposal were adhering to DOE requirements.</p> <p>The daily CEMS reporting summary chart indicated a maximum of <40% max opacity (DOE permissible limit) and an average opacity of 12.27%.</p> <p>It was verified that the POME is treated using aerobic and anaerobic ponds (total of 8 ponds, consisting of 7 effluent ponds and 1 bio polishing pond)</p> <p>Water samples were regularly taken monthly and tested by mill environment officer in charge and analysed to ensure compliance to DOE requirements at the final discharge point. The discharged water is 100% used for land application into Leepang 2 Estate.</p> <p>Records are maintained and verified on-site to have met the permissible regulatory limits (e.g. BOD < 20 ppm).</p> <p>Water samples collected and analysis carried out at twice a year for treated water. The treated water for domestic use meets all the required parameters, including that of</p>	Complied



		bacterium count (WHO Specification for Drinking Water Quality). Quarterly report on the environmental monitoring was also done and submitted to DOE.	
4.5.5	C5: Natural water resources		
4.5.5.1	Indicator 1: The management shall establish water management plans to maintain the quality and availability of natural water resources (surface and ground water). The water management plan may include: a) Audit of water usage and sources. b) Monitoring of outgoing water which may have negative impacts into the natural waterways at a frequency that reflects the mill's current activities. c) Ways to optimise water and nutrient usage and reduce wastage (e.g. having in place systems for re-use, night application, maintenance of equipment to reduce leakage, collection of rainwater, etc.).	Documented water management plan verified to be in place for the POM. The water management plan had included the source of water and how it is being treated for mill and domestic use, their usage monitored and recorded. The plan includes steps such as soil stabilization, run-off control and sediment trapping to mitigate the disturbed earth entering waterways (streams/rivers). The water supply for domestic use to staff and workers' housing is piped water from the water treatment plant in the mill and estates. It is a requirement to ensure that tests are carried out on parameters to meet the Ministry of Health Specification for Drinking Water Quality, which include the requirement of 0 in 100 ml for E.coli. The results of the water analysis at every 3 months interval were reviewed by the Managers and the results complied with the requirements. Water samples were taken at monthly interval at the final discharge point of the palm oil mill effluent pond. Tests conducted for pH, BOD, COD, Total Solids, Suspended Solids, Oil & Grease, Ammoniacal Nitrogen and Total Nitrogen. Analysis results meet the DOE requirements. BOD levels had been in the range of 8.6 to 18.6 ppm for the period Jun 2017 to Jul 2018 with an average of 13.95 ppm. The current allowable upper limit specified by D.O.E. is < 20 ppm. Effluent was discharged to irrigation system at Morisem 2 estate as specified by DOE in the license. Rainfall data found to be monitored as part of the water management plan.	Complied
4.5.5.2	Indicator 2: Where open discharge of POME into water course is practiced, mills should undertake to gradually phase it out in accordance to the applicable state or national regulations.	The POME was discharged for land application at the nearest estate i.e. Morisem 2 and not to any water course.	Complied

P6: Best practices

Clause	Requirements	Evidence	Conformity
4.6.1	C1: Mill management		



4.6.1.1	Indicator 1: Standard operating procedures shall be appropriately documented and consistently implemented and monitored.	<p>POM has documented SOPs for its operations. The procedures included the following:</p> <ol style="list-style-type: none"> 1. Palm Oil Mill Operation from reception of FFB, Operations for Laboratory, mill operations, Water Treatment Plant, Boiler, Engine room, Workshops etc. for the processing until the delivery of processed oil and POME management. This was revised i.e. Doc No IOI/StOP/A on 01 July 2017 (Issue 02). 2. Quality, Environmental and Occupational Health & Safety Manual and Procedures of Palm Oil Mill - The SOP for pollution prevention includes measuring and monitoring mill effluents and waste disposal / recycling. 3. Procedure for Safe Work and Management of Safety and Health for Workers - The SOP for safe working practices in the POM includes hazards identification, risk Audit and control measures. The hazards include noise, chemicals, heat, fire, fuel spillage, working at heights, working in enclosed space, hot work, lightning, electrocution, machinery, etc. Control measures include the use of PPE, fire drill training, first aid training, etc. and “permit to work system” for the mill. 4. SOP for Mill - RSPO Supply Chain Certification System was revised on 01 Aug 2017 (Rev.1). Presently applied by POM is the Identity Preserved (IP) module. <p>Relevant Key Performance Indicators (KPIs) specified for quality, environment, safety and cost control.</p> <p>Corrective action for the previous assessment (2017) Minor NC# 01 found to be effectively Implemented.</p> <p>POM has used documented SOPs for its operations under RSPO certification for the MSPO system requirements. However, there was no referencing of the SOPs relating to the specific requirements and indicators of MSPO.</p>	Major NC# OCL-02
4.6.1.2	Indicator 2: All palm oil mills shall implement best practices.	<p>The POM had adhered to their SOPs and best management practices.</p> <p>Best Management Practices (BMP) implemented include Water Management, Monitoring of Emissions – Discharges & Pollution , Monitoring of Safety & Health of Workers, Water Ponds for Domestic & Recreational purposes</p>	Complied
4.6.2	C2: Economic and financial viability plan		
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 2017/2018 to FY 2021/2022) for the POM was documented and reviewed.</p> <p>The Annual Budget for each year include the following:</p> <ol style="list-style-type: none"> (1) Staff and Labour requirements; (2) FFB projection; (3) Mill extraction rates; OER and KER trends; (4) Cost of Production; Cost/mt FFB trends; (5) Cost of Production; Cost/MT CPO trends; (6) Financial indicators covering cost of labour, supervision, maintenance, depreciation, etc.). (7) Budget for Environmental, Social, Safety & Health, Training and Promotions. <p>The Mill and Estate Managers have monitored the operational performance against Key Performance Indications and targets (costs, FFB yields, quality, productivity, pesticides usage, fertilizers usage, etc.).</p>	Complied



		Records of monitoring of costs against budget to achieve specified targets were verified to be available. Performances are discussed in the monthly meetings held at the MU 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 General Manager.	
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 available at the POM office.	Complied
4.6.3.2	Indicator 2: All contracts shall be fair, legal and transparent and agreed payments shall be made in a 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: In case of the engagement of contractors, they shall be made to understand the MSPO requirements and shall provide the required documentation and information.	During external stakeholder's consultations and during training, the contractors are made to understand MSPO requirements. Information such as policies and procedures are provided. Monitoring records on Road Tax, Driving license and Insurances is available. Checks done on sample basis verified that the licenses and insurance coverage were still valid. Corrective action for the previous assessment (2017) Minor NC# 01 found to be effectively implemented.	Complied
4.6.4.2	Indicator 2: The management shall provide evidence of agreed contracts with the contractor.	Contract agreements are signed between the Mill Manager or his Assistant and the contractor. The terms and conditions of the contract are explained to the contractor. A copy of the contract is given to the contractors.	Complied
4.6.4.3 Minor	Indicator 3: The management shall accept MSPO approved auditors to verify the assessments through a physical inspection, if required.	Acceptance was obtained from the IOI Management. The acceptance was provided via signing by IOI Management on the Contract of Agreement for the MSPO Audit and confirmation of the Audit Plan & Auditors, before the actual audit.	Complied

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	1 (Minor)	1	Actions taken on the NCRs and OBS verified to be effective during Annual Surveillance - 01.
Annual Surveillance - 01	2018	2 (Major)	0	Next audit – Surveillance - 02



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

3.2.2 Year 2017: Initial Audit / Stage 2 (1 Minor NCR)

NCR	MSPO Indicator	Details of NCR	
Minor - 01	MS 2530-4 P6 Best Practices - POM 4.6.4.1	Date issued: 28 Sept 2017	
		Noncompliance: Monitoring mechanism of Road Tax, Driving license and Insurance is available. However, the monitoring of driving license of a driver (RBA) under the contractor Uniharvest Sdn Bhd, which expired on 8 August 2017 was not detected.	
		Root Cause: Monitoring form of contractor documents was implemented by Morisem Palm Oil Mill. However, mill management was overlooked to detect the expired driving license on 08 August 2017 by UniHarvest Sdn. Bhd	
		Corrective Action: A latest monitoring form with valid contractor's documents was provided by the mill management. This form will be updating every month.	
		At entrance point of MPOM, there is a Palm Kernel Trailer & Safety checklists document to be check by the security. Trainings are also given to the security and as well as to the mill management personnel which includes the critical control point operators (weighbridge, office and security) to ensure that the checklist will be used before any of the contractors enter the mill. The monitoring form will be counter checked by the mill's executive.	
		Verification (Corrective Action): Off-site verification carried out confirmed the following evidences of implementation of the corrective actions submitted on 31 Oct 2017: <ol style="list-style-type: none"> 1) Copy of the updated monitoring form of contractor's documents which includes details such as Driver's license and valid Road Tax. 2) Palm Kernel Trailer & Safety Checklists as implemented. 3) Record of training given to Assistant Managers & Mill Executives and critical control point. (<i>Latihan "Palm Kernel Trailer and Safety Checklist" dan Pemantauan Lesen Memandu Pemandu dan Cukai Jalan Lori/Trailer</i>). 4) Supporting photos of usage of monitoring form for contractor at security and weighbridge points. The corrective actions satisfactorily addressed the non-conformance.	
		<table border="1" style="width: 100%;"> <tr> <td style="width: 70%;">NC status verified by auditor: Closed by AL</td> <td style="width: 30%;">Date closed: 1 Nov 2017</td> </tr> </table>	
NC status verified by auditor: Closed by AL	Date closed: 1 Nov 2017		
Verification (for effectiveness): Verified at Annual Surveillance – 01 that the implementation of corrective action is effective.			
<table border="1" style="width: 100%;"> <tr> <td style="width: 70%;">NC status verified by auditor: OCL</td> <td style="width: 30%;">Date verified: 28/09/2018</td> </tr> </table>		NC status verified by auditor: OCL	Date verified: 28/09/2018
NC status verified by auditor: OCL	Date verified: 28/09/2018		

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

Ref No:	MSPO Indicator	Location	Details of Observation	Status		
				Opened date	Closed date	Remark (if any)
OBS-01	MS 2530-4	POM	The documented training programme established. However implementation level at the POM had not made special	28 Sep 2017	28 Sep 2018	-



	4.5.1.5		focus on the awareness and understanding of the objectives on Environmental management.			
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3.2.4 Year 2018: Annual Surveillance – 01: 2 Major NCRs

NCR	MSPO Indicator	Details of NCR
Major OCL-01	4.1.3.1 MS 2530-4 POM	Date issued: 28/09/2018
		Requirement:
		The management shall periodically review the continuous suitability, adequacy and effectiveness of the requirements for effective implementation of MSPO and decide on any changes, improvement and modification.
		Statement of Nonconformance:
		Management review minutes were not adequately documented.
		Evidence of Nonconformance:
		Location: Morisem POM Management review of the POM was conducted on 08/08/2018 and minutes of the review meeting were maintained. However, the minutes were not specifically clear concerning the following:
		(1) Findings of the MSPO Internal audit report, (2) Review of the effectiveness of implementation of MSPO and decide on any changes, improvement and modification.
		Root Cause and Corrective Action(s): by Auditee Representative
		Root cause: During the management review meeting, all the non-conformities have been discussed with all of the Head of Operating Units. The meeting is conducted to discuss the outcome of the internal audit for ISCC, MSPO and RSPO certification scheme in one shot rather than having one meeting for one certification scheme. During the preparation of the meeting minutes, the points of the discussion were not specifically divided into ISCC, MSPO and RSPO scheme. Rather, the common issue in the multiple certification schemes were grouped together and indicated in the minutes. Corrective Action: The preparation of the minutes of the meeting will be reviewed to reflect which issue is belonged to which certification scheme. The future agenda of the meeting will be reorganized to discuss issue in accordance to its specific certification scheme (ISCC, MSPO and RSPO) internal audit. A column of remarks on the effectiveness of MSPO implementation and decision to make changes or improvement will be added in the meeting minutes.
Verification on Corrective Action(s): by Lead Auditor / Auditor		



		<p><u>MAJOR NC:</u> On-site / Off-site Verification on date: 25/11/2018 Corrective actions taken: As stated by Auditee in their RC & CA Supportive evidences: Revised Management Review Meeting minutes with separation of MSPO and the other certification. Conclusion: <input checked="" type="checkbox"/> Yes - Evidences submitted as above for the corrective actions done with attached evidences at the audited sites were verified and considered to have satisfactorily addressed the issue and acceptable for closure. <input type="checkbox"/> No - Evidences submitted as above for the corrective actions done with attached evidences at the audited sites were verified and DID NOT satisfactorily address the issue and thus not acceptable for closure. Subject to further follow-up verification on (dates): Next Assessment</p>	
		<p><u>Minor NC: N.A</u> On-site / Off-site Verification on date:- Corrective Actions taken: - Supportive evidences:- Conclusion:- <input type="checkbox"/> Yes - Evidences submitted as above for the corrective actions done with attached evidences at the audited sites were verified and considered to have satisfactorily addressed the issue and acceptable for closure.</p>	
		NC status verified by auditor: Closed by OCL	Date closed: 25/11/2018
		Verification of effectiveness: Next Assessment	
		NC status verified by auditor: -	Date verified: -

NCR	MSPO Indicator	Details of NCR	
Major OCL-02	4.6.1.1 MS 2530-4 POM	Date issued: 28/09/2018	
		Requirement:	
		Standard operating procedures shall be appropriately documented and consistently implemented and monitored.	
		Statement of Nonconformance:	
		There was no referencing of the various SOPs for RSPO for meeting MSPO requirements.	
		Evidence of Nonconformance:	
		Location: Morisem POM POM has used documented SOPs for its operations under RSPO certification for the MSPO system requirements. However, there was no referencing of the SOPs relating to the specific requirements and indicators of MSPO.	
		Root Cause and Corrective Action(s): by Auditee Representative	
Root cause: The current MSPO certification scheme implementation is basically based on the RSPO SOP in the view of the similarity in both of the scheme. There is no reference to MSPO have been made in the exiting SOP.			
Corrective Action: The cross reference table will be prepared as a standard reference to identify which MSPO requirement is applicable to other scheme (e.g RSPO, ISCC), and vice versa.			



Verification on Corrective Action(s): by Lead Auditor / Auditor	
MAJOR NC: On-site / Off-site Verification on date: 25/11/2018 Corrective actions taken: As stated by Auditee in their RC & CA Supportive evidences: Cross Reference Table of MSPO, RSPO and ISCC. Conclusion: <input checked="" type="checkbox"/> Yes - Evidences submitted as above for the corrective actions done with attached evidences at the audited sites were verified and considered to have satisfactorily addressed the issue and acceptable for closure. <input type="checkbox"/> No - Evidences submitted as above for the corrective actions done with attached evidences at the audited sites were verified and DID NOT satisfactorily addressed the issue and thus not acceptable for closure. Subject to further follow-up verification on (dates): Next Assessment	
Minor NC: N.A On-site / Off-site Verification on date:- Corrective Actions taken: - Supportive evidences:- Conclusion:- <input type="checkbox"/> Yes - Evidences submitted as above for the corrective actions done with attached evidences at the audited sites were verified and considered to have satisfactorily addressed the issue and acceptable for closure.	
NC status verified by auditor: Closed by OCL	Date closed: 25/11/2018
Verification of effectiveness: Next Assessment	
NC status verified by auditor: -	Date verified: -

3.2.5 Year 2018: Annual Surveillance – 01: 0 Minor NCR

3.2.6 Year 2018: Annual Surveillance – 01: 0 Observation

3.2.7 Identified Positive Elements

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

3.3 Feedback Raised by Stakeholders and Findings

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

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

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

Stakeholders' Feedback	PMU Response	CB verification / comments	Follow up comments (if any)
Government Agencies: No feedback received.	Ongoing consultations will be maintained. No response needed.	Verified during on-site assessment that no response needed.	Nil



<p>Non-Governmental Organizations: No feedback received.</p>	<p>Ongoing consultations will be maintained. No response needed.</p>	<p>Verified during on-site assessment that no response needed.</p>	<p>Nil</p>
<p>Local Communities - Stakeholders' Consultation: Selected stakeholders representing the complete range of various stakeholder categories were invited for the Stakeholders' Consultation on 28/9/2018. A total of 5 stakeholders (including school, HUMANA and government agency) were present at the consultation. They were interviewed by the auditors without the presence of any of the PMU staff. Concerns and suggestions received during interviews and stakeholder consultations:</p> <ol style="list-style-type: none"> 1. Collaboration between schools and the group to conduct Perintis Industri Menengah Atas (PIMA). 2. Collaboration between the schools and the group to conduct Mud Ball Programme (environmental protection programme). 3. Estate Health Assistants to assist in malaria and dengue detection programme among workers. 4. Workers with infectious diseases confirmed during FOMEMA process must be sent back to the country of origins and not staying at the workers quarters. 5. External drinking water lab result should be submitted to Unit Kawalan Mutu Air Minuman, Kementerian Kesihatan Manusia for drinking water quality monitoring by the government. 6. Fund collection among workers for children measles immunisation. Measles found to have spread in certain years and could lead to mortality cases. 7. Improve ferry landing area for the convenience of the passengers. 8. Increase the number of signages from ferry to 	<p>PMU responded that this matter will be reviewed by the management</p>	<p>To be followed up during the next Assessment.</p>	<p>-</p>



<p>Morisem Mill to prevent visitors from straying to other places.</p> <p>9. Improve security at HUMANA schools especially during school holidays. The schools are always found to have been broken into during school holidays.</p> <p>10. Generally in plantations along Kinabatangan River child labours are observed. Management should take a concerted efforts to prevent this from happening in IOI estates.</p>			
<p>Local Communities - Interviews: Interviews of sampled staff and workers were also conducted by the auditors during field visits from 24 to 28 Sep 2018 at the PMU:</p> <p>Staff/Workers sampling: POM = 12 males, 13 females Estate = 45 males, 43 females</p> <p>No issues raised by the sampled staff and workers.</p>	<p>No response needed.</p>	<p>No response needed.</p>	<p>Nil</p>
<p>Other Interested parties: No feedback received.</p>	<p>No response needed.</p>	<p>No response needed.</p>	<p>Nil</p>



Report No.: M001A/17-2 IOI Corporation Berhad
Morisem POM: Annual Surveillance Assessment - 01

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 2530-4:2013) Standard for Palm Oil Mill.

Therefore, it is recommended that the certification of IOI Morisem Palm Oil Mill be approved.

Signed for and on behalf of
Intertek Certification International Sdn Bhd

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

4.1 Acknowledgement of Internal Responsibility and Confirmation of Audit Findings

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

Signed for and on behalf of
IOI Plantation Services Sdn Bhd

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



4.2 INTERTEK – MSPO Certificate details for the POM

Certificate No:	MSPO 001A
Original Start date:	22 February 2018
New Start date (ASA-01):	22 February 2019
Expiry date:	21 February 2023
Organisation	IOI Corporation Berhad
Address of Head Office:	Level 27, IOI City Tower 2, Lebuhr IRC, IOI Resort City, 62502 Putrajaya, Malaysia.
Name of POM	Morisem Palm Oil Mill Sdn Bhd
Address of POM	Jalan Jeroco Batu 13, KM 70, 91100 Lahad Datu, Sabah, Malaysia
MPOB License No:	500351504000
Standards:	MSPO MS 2530-4:2013 for the Palm Oil Mill.
Certification scope:	Production of Crude Palm Oil and Palm Kernel

Details of the Mill and Supply bases covered by this certificate and the tonnage approved are:

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



The annual tonnages produced at the POM are detailed as follows:

Morisem POM	Annual Tonnages (MT)
FFB	269,984
CPO	57,747
PK	12,899



APPENDIX A:

Qualifications of Lead Assessor and Audit Team

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

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

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

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

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

(Good Agriculture Practice, Integrated Pest Management and Social)

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

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

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

- BSc (Social Science)

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



Appendix B:
Audit Plan (Actual)

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

Date	Time	Assessors and Audit Activity		
		Assessment Team		
24 Sept 2018 Monday (Day 1)	8.30 am - 9.30 am	Opening Meeting and Briefing at POM Office (to be attended by representatives from the Estates as well)		
	9.30 am – 10.30 am	Document Review and Audit by all Auditors at POM		
	10.30 am – 12.30 pm	OCL	CBK	JMD
		Site Audit at Mill • P1 Management Commitment • P2 Transparency • P3 Compliance to Legal requirements • P5 Environment, natural resources, biodiversity and ecosystem services	Site Audit at Mill • P1 Management Commitment • P3 Compliance to Legal requirements • P6 Best Practices	Site Audit at Mill • P1 Management Commitment • P3 Compliance to Legal requirements • P4 Social responsibility, health, safety and employment condition
		• Verification of effectiveness of corrective actions for non-conformances (previous audit – if applicable)		
	12.30 pm – 1.30 pm	Lunch Break		
	1.30 pm – 5.00 pm	Continue site audit at POM		
	5.00 pm – 6.00 pm	Travel to Hotel & Break		
	6.00 pm – 7.00 pm	Team Meeting and Discussion		

Date	Time	Assessors and Assessment Activity		
		OCL	CBK	JMD
25 Sept 2018 Tuesday (Day 2)	8.30 am – 12.30pm	Site Audit at Morisem 1 Estate • P1 Management Commitment • P2 Transparency • P3 Compliance to Legal requirements • P5 Environment, natural resources, biodiversity and ecosystem service	Site Audit at Morisem 1 Estate • P1 Management Commitment • P3 Compliance to Legal requirement • P6 Best Practices • P7 New Planting (if any)	Site Audit at Morisem 1 Estate • P1 Management Commitment • P3 Compliance to Legal requirements • P4 Social responsibility, health, safety and employment condition
	12.30 pm – 1.30 pm	Lunch Break		
	1.30 pm - 5.30 pm	Continue site audit at Morisem 1 Estate		
	5.30 pm – 6.30 pm	Travel to Hotel & Break		
	6.30 pm – 7.30 pm	Team Meeting and Discussion		



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

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

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



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

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

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

Appendix: Audit Team Competency Matrix

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



APPENDIX C:

Location Map of Morisem Palm Oil Mill, Lahad Datu, Sabah

Scale 1: 200 km

