

IOI CORPORATION BERHAD

RSPO Membership No: 2-0002-04-000-00

PLANTATION MANAGEMENT UNIT

Baturong Grouping

Kunak, Sabah, Malaysia



Valued Quality. Delivered.

Assessment Report

"This report (including any enclosures and attachments) has been prepared for the exclusive use and benefit of the addressee(s) and solely for the purpose for which it is provided. Unless we provide express prior written consent, no part of this report should be reproduced, distributed or communicated to any third party. We do not accept any liability if this report is used for an alternative purpose from which it is intended, nor do we owe any duty of care to any third party in respect of this report."

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD
(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 2 of 67

ANNUAL SURVEILLANCE ASSESSMENT REPORT
ON RSPO CERTIFICATION

PUBLIC SUMMARY REPORT

IOI CORPORATION BERHAD

RSPO Membership No: 2-0002-04-000-00

PLANTATION MANAGEMENT UNIT
Baturong Grouping
Kunak, Sabah, Malaysia

Certificate No:

Issued date:

Expiry date:

RSPO 930788

08 Oct 2015

07 Oct 2020

Assessment Type

Re-Certification

Annual Surveillance Assessment (ASA-01)

Annual Surveillance Assessment (ASA-03)

Annual Surveillance Assessment (ASA-03)

Annual Surveillance Assessment (ASA-04)

Re-Certification

Assessment Dates

27-30 Jul 2015

08-11 Aug 2016

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD
(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 3 of 67

TABLE OF CONTENTS

| Section | Content | Page No |
|-------------------|--|----------------|
| 1.0 | SCOPE OF ASSESSMENT | 4 |
| 1.1 | Introduction | 4 |
| 1.2 | Location (address, GPS and map) mill, estates and hectarage | 4 |
| 1.3 | Description of supply base (fruit sources) | 5 |
| 1.4 | Year of plantings and cycle | 5 |
| 1.5 | Summary of Land Use – Conservation and HCV Areas | 6 |
| 1.6 | Other certifications held and Use of RSPO Trademarks | 6 |
| 1.7 | Organizational information/contact person | 6 |
| 1.8 | Tonnages Verified for Certification | 7 |
| 1.9 | Time Bound Plan | 8 |
| 1.10 | Abbreviations Used | 9 |
| 2.0 | ASSESSMENT PROCESS | 10 |
| 2.1 | Assessment Methodology, Plan & Site Visits | 10 |
| 2.2 | Date of next scheduled visit | 10 |
| 2.3 | Qualifications of the Lead Assessor and Assessment Team | 10 |
| 2.4 | Certification Body | 10 |
| 2.5 | Process of Stakeholder consultation | 11-12 |
| 3.0 | ASSESSMENT FINDINGS | 13 |
| 3.1 | Summary of findings | 13-47 |
| 3.2 | Status of Identified Noncompliance and Corrective Actions, Observations and Identified Positive Elements | 47-50 |
| 3.3 | Summary of Feedback Received from Stakeholders and Findings | 50-51 |
| 4.0 | ASSESSMENT CONCLUSION AND RECOMMENDATION | 52 |
| 4.1 | Acknowledgement of Internal Responsibility and Confirmation of Assessment Findings | 52 |
| 4.2 | Intertek RSPO Certification Details for Baturong Grouping | 53-54 |
| APPENDICES | | |
| Appendix A | Qualifications of the Lead Assessor and Assessment Team | 55 |
| Appendix B | Assessment Plan | 56-57 |
| Appendix C | Maps of location – Mill, Estates, Conservation and HCV areas | 58-63 |
| Appendix D | Photographs of Assessment findings at Baturong Grouping | 64 |
| Appendix E | Time Bound Plan for Other Plantation Management Units | 65-66 |
| Appendix F | Summary of RSPO Complaints Panel Case Tracking and Decisions on IOI | 67 |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 4 of 67

1.0 SCOPE OF ASSESSMENT

1.1 Introduction

This Annual Surveillance Assessment (ASA-01) was conducted on the Plantation Management Unit (PMU) Baturong Grouping of IOI Corporation Berhad (hereafter abbreviated as IOI), from **08 – 11 Aug 2016**, to assess the organization's operations of the mill and its supply bases are in compliance against the RSPO Principles and Criteria (Apr 2013), Malaysian National Local Indicators (MYNI 2014) and the RSPO Supply Chain Certification Standard (Nov 2014) for Palm Oil Mill.

The plantation management unit (PMU) or management unit is equivalent to a certification unit as defined in the RSPO Certification Systems Document. Each PMU consists of one mill and its supply bases which are made up of estates owned by IOI Corporation Berhad (IOI).

1.2 Location (address, GPS and map) of palm oil mill and estates

The Baturong Grouping consists of one (1) palm oil mill, namely Baturong Palm Oil Mill and four (4) estates as indicated in Table 1 below, which includes the addresses and GPS locations of the mill and estates. The 4 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 |
| Baturong Palm Oil Mill (Capacity: 30 MT/hour) | Postal Address MDLD 5123, KM3 Jalan Segama, Lock Bag No 15, 91109, Lahad Datu, Sabah Location Address KM 52, Jalan Kunak-Tawau, Off Road KM3 , 91109 Lahad Datu, Sabah. | N 04° 45' 15" | E 118° 05' 18" |
| 1. Baturong 1 Estate | Postal Address MDLD 5123, KM3 Jalan Segama, Lock Bag No 15, 91109, Lahad Datu, Sabah Location Address KM 52, Jalan Kunak-Tawau, Off Road KM6 , 91109 Lahad Datu, Sabah. | N 04°45' 02.8" | E 118°05'28.5" |
| 2. Baturong 2 Estate | Postal Address MDLD 5123, KM3 Jalan Segama, Lock Bag No 15, 91109, Lahad Datu, Sabah Location Address KM 52, Jalan Kunak-Tawau, Off Road KM25 , 91109 Lahad Datu, Sabah. | N 04°45' 453" | E 118°00'126" |
| 3. Baturong 3 Estate | Postal Address MDLD 5123, KM3 Jalan Segama, Lock Bag No 15, 91109, Lahad Datu, Sabah Location Address KM 52, Jalan Kunak-Tawau, Off Road KM14 , 91109 Lahad Datu, Sabah. | N 04° 45' 944" | E 118° 01' 7" |
| 4. Cantawan Estate | Postal Address MDLD 5123, KM3 Jalan Segama, Lock Bag No 15, 91109, Lahad Datu, Sabah Location Address KM 20, Jalan Tungku-Lahad Datu, Off Road KM6, 91109 Lahad Datu, Sabah. | N 05° 03' 935" | E 118° 26' 853" |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 5 of 67

1.3 Description of supply base (fruit sources)

The supply base i.e. FFB sources to the POM at Baturong Grouping PMU are from the abovementioned 4 estates owned by IOI. Verification done on site during the assessment confirmed that there were no outgrowers / independent suppliers / smallholders involved in the supply of FFB to the said PMU.

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

Table 2: Estate Area Summary

| Estate | Area Summary (ha) – Previous (FY Jul 2015 / Jun 2016) | | Area Summary (ha) – Current (FY Jul 2016 / Jun 2017) | |
|---------------|--|--------------|---|--------------|
| | Certified Area | Planted Area | Certified Area | Planted Area |
| 1. Baturong 1 | 2,992.87 | 2,760 | 2,992.87 | 2,760 |
| 2. Baturong 2 | 2,434.52 | 2,350 | 2,434.52 | 2,350 |
| 3. Baturong 3 | 2,056.21 | 1,858 | 2,056.21 | 1,858 |
| 4. Cantawan | 1,452.41 | 1,307 | 1,452.41 | 1,307 |
| Total: | 8,936.01 | 8,275 | 8,936.01 | 8,275 |

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.

1.4 Summary of plantings and cycle

The 4 estates had been developed and planted from 1989 and are currently in the 1st and 2nd cycle of planting for the oil palms. The age profile is as shown in Table 3.

Table 3: Age Profile of Planted Oil Palm (FY Jul 2016 / Jun 2017)

| Estate Name | Year of Planting | Cycle of Planting | Mature OP (ha) – Above 3 years | Immature OP (ha) – 3 years & below |
|---------------|-----------------------|-------------------|-----------------------------------|---------------------------------------|
| 1. Baturong 1 | 1993 | 1 st | 774 | - |
| | 2008, 2010, 2012-2014 | 2 nd | 885 | 1,101 |
| 2. Baturong 2 | 1992, 1993 | 1 st | 1,536 | - |
| | 2013, 2015 | 2 nd | - | 814 |
| 3. Baturong 3 | 1993 | 1 st | 1,194 | - |
| | 2013 | 2 nd | - | 664 |
| 4. Cantawan | 1993, 1994, 1995 | 1 st | 741 | - |
| | 2013, 2014, 2015 | 2 nd | - | 566 |
| | | Total | 5,130 | 3,145 |

Note: There has been no New Planting in any of the 4 estates at the certified areas.

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 6 of 67

1.5 Summary of Conservation and HCV Areas

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

Table 4: Conservation and HCV Areas

| # | Statement of Land Use (Ha) | FY 2015/16 Hectarage - Ha | FY 2016/17 Hectarage - Ha |
|----------|--|------------------------------|------------------------------|
| 1 | Planted Area (ha) – Oil Palm | | |
| | - Mature | 6,807 | 5,130 |
| | - Immature | 1,468 | 3,145 |
| 2 | Conservation Area (ha) | | |
| | - comprising buffer zones along small streams, hilly areas, swampy and unplatable areas | 55.81 | 55.81 |
| 3 | HCV Area (ha) | | |
| | - comprising buffer zones near forest reserves, water catchments, burial & religious sites | 23.17 | 23.17 |

1.6 Other certifications held and Use of RSPO Trademarks

Currently, the other certification held by IOI Baturong Grouping PMU is the ISCC certification which is valid. The RSPO's trademarks and logo are not used by the PMU audited. Instructions for use were provided and acknowledged by the PMU through a signed Memorandum of commitment agreeing to adhere to the latest "RSPO Rules on Communications & Claims" during the assessment.

1.7 Organizational information / Contact Person

At Head Office:

Ms. Yeo Lee Nya
 Sustainability Manager
 IOI Corporation Berhad
 Level 8, Two IOI Square,
 IOI Resort, 62502, Putrajaya
 Tel: 603-89478888
 Fax: 603-89478988
 Email: yeo.leenya@ioigroup.com

At Baturong Grouping - PMU:
 Mr S.S Ragupathy,
 General Manager (Lahad Datu Region)

Mr. N.Raymond
 Senior Mill Manager
 IOI Plantation Services Sdn Bhd
 Baturong Palm Oil Mill
 Tel: 089 - 568 700
 Fax: 089- 568 120
 Email: ioiBaturong@gmail.com

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 7 of 67

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 Baturong Grouping based on the actual for FY Jul 2015 / Jun 2016 is as in Table 5 below:

Table 5: Tonnages Verified for Certification

| # | Estate /Supplier | FFB Processed (MT) | Main Receiving Mill | Certified By |
|----|--------------------|--------------------|---------------------|--------------|
| 1. | Baturong 1 estate | 33,930.40 | Baturong POM | Intertek |
| 2. | Baturong 2 estate | 40,079.87 | Baturong POM | Intertek |
| 3. | Baturong 3 estate | 36,204.49 | Baturong POM | Intertek |
| 4. | Cantawan estate | 17,369.94 | Baturong POM | Intertek |
| | Total (under PMU): | 127,584.70 | | |
| | Other Suppliers: | 0 | | |
| | Grand total | 127,584.70 | | |

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

Table 6: FFB Processed (Certified & Non-certified) tonnages

| Estate / Supplier | FFB Processed in FY Jul 2014 – Jun 2015 - Actual | | FFB Processed in FY Jul 2015 – Jun 2016 - Actual | | FFB Processed for FY Jul 2016 – Jun 2017 – Actual + Projected | |
|-------------------------------------|--|-----|--|-----|---|-----|
| | MT | % | MT | % | MT | % |
| Baturong PMU Estates (certified) | 171,362.87 | 100 | 127,584.70 | 100 | 138,380 | 100 |
| Other Suppliers (non-certified) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 171,362.87 | 100 | 127,584.70 | 100 | 138,380 | 100 |
| SCCS Model for POM | IP | | IP | | IP | |

Note. The reduction in FFB processed in FY2015/2016 compared to FY2014/2015 is due to replanting and the prolonged dry season.

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

Table 7: Certified FFB Tonnages

| POM | FY Jul 2014 – Jun 2015 - Actual | | FY Jul 2015 – Jun 2016 - Actual | | FY Jul 2016 – Jun 2017 – Actual + Projected | |
|--|------------------------------------|----------------|------------------------------------|----------------|--|----------------|
| Total certified FFB Processed (MT) | 171,362.87 | | 127,584.70 | | 138,380 | |
| Total certified CPO Production (MT) | 36,113.85 | OER: 21.07% | 27,076.90 | OER: 21.22% | 30,098 | OER: 21.76% |
| Total certified PK Production (MT) | 9,845.41 | KER: 5.74% | 6,998.06 | KER: 5.49% | 7,611 | KER: 5.50% |
| SCCS Model for POM | IP | | IP | | IP | |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 8 of 67

Notes:

The POM has established and maintained procedures for the book keeping and monitoring requirements for the CPO at the mill. It is verified the POM has procedures for the '**Identity Preserved – IP**' model in accordance with the RSPO Supply Chain Certification Standards (SCCS) requirements. Verified activities and checked items for the **SCCS of the POM are reported in section 3.1.1.**

1.9 Time Bound Plan for Other Plantation Management Units and Requirements for Partial Certification

The IOI Plantations Group is a member of RSPO since 2004 and has been taking an active role in support of the RSPO certification.

Today IOI Group manages a total of 19 Plantation Management Units (PMU) which comprise 16 palm oil mills and over 90 oil palm estates throughout Malaysia and Indonesia.

Currently, 12 of its PMUs have been certified with another 7 managed units still 'non-certified'.

IOI Group had reviewed their Time Bound Plan (TBP) from time to time with progressive declarations on new acquisitions of land for oil palm plantations since 2009 and recent years which have encountered operational issues at Sarawak, Malaysia and Kalimantan, Indonesia as stated under the updated Time Bound Plan.

On overall, IOI Group had declared its commitment to complete RSPO certifications on all its 'non-certified' units, targeted by 2019.

In addition, IOI Group had also submitted a positive assurance statement to assure its commitment to continued compliance with RSPO requirements for all its certified and non-certified units.

IOI had conducted an internal audit on the uncertified units to determine its compliance against Clause 4.2.4 (Rules on Partial Certification). The Internal audit reports had identified the issues involved, on-going corrective actions and monitoring.

Details of the updated Time Bound Plan as submitted by IOI and reviewed by Intertek are shown in **Appendix E**.

Intertek had also referred to the RSPO's Complaints website for the tracking of issues and the latest updates available on cases of legitimate complaints which may be filed against the IOI Group and also IOI's statements of response and actions currently being undertaken to comply with their Sustainability commitments which are indicated in **Appendix F**.

The publicly available updates of announcements on the progress of formal complaints as documented by RSPO and responses made by IOI Group are continually reviewed by Intertek to ensure that all issues as formally lodged and recorded against the IOI Group units are duly considered prior to conducting any new or ongoing certification assessments.

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 9 of 67

1.10 Abbreviations Used

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

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 10 of 67

2.0 ASSESSMENT PROCESS

2.1 Assessment Methodology, Plan and Site Visits

Since 04 Jul 2016, Intertek has initiated public communications and notifications and invited the relevant stakeholders before the assessment to provide feedback and comments on their concern (if any) on the Baturong Grouping regarding the environmental, biodiversity, community development and other relevant issues.

From 08 to 11 Aug 2016, the Assessment team of Intertek conducted the Assessment in which 2 out of the 4 estates of Baturong Grouping, namely Baturong 1 Estate and Cantawan Estate as well as the palm oil mill were assessed for compliance against the RSPO requirements. The number of estates sampled was based on a minimum sample of $0.8\sqrt{y}$ where y is the number of management sub-units and the selection was made 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.

During the on-site assessment, relevant documents and records, including Standard Operating Procedures (SOP), management plans, hectarage 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 Assessment 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 assessment and feedback obtained as part of information and evidence gathering. (See section 2.5 Process of stakeholder consultation).

Baturong Grouping POM was also assessed against the requirements for the Identity Preserved (IP) Module as specified in RSPO Supply Chain Certification Standard for CPO mill. This part of the assessment covered the verification of implementation of documented procedures and availability of records to demonstrate compliance against all the elements for IP Module requirements. These include documented procedure, purchasing and goods in, record keeping, sales and goods out, processing, monitoring and traceability of the CSPO and CSPK quantities, training for staff and claims.

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

After completion of the on-site field assessment, Intertek also performed the evaluation of conformity against the RSPO Certification System requirements for CB. The assessment report, findings and associated documents were evaluated through an independent review by the Intertek Internal Technical Reviewer/Panel prior to the approval of this report and decision on continued certification by Intertek.

2.2 Date of next scheduled visit

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

2.3 Qualifications of the Lead Assessor and Assessment Team

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

2.4 Certification Body

Intertek Certification International Sdn Bhd [formerly known as Moody International Certification (Malaysia) Sdn Bhd] is part of the Intertek Group, which is a worldwide technical services organization dedicated to reducing clients' risks by providing technical inspection services, management system certification in quality, environmental, occupational safety & health and product certification, 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.

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 11 of 67

2.5 Process of stakeholder consultation

Stakeholder consultations began with notification of the upcoming assessment through the websites of RSPO, IOI and Intertek. E-mails were sent to applicable stakeholders including government agencies, NGOs and local communities. E-mails and telephone enquiries were made prior to the actual assessment and stakeholder's response and feedback received were followed up accordingly.

During the assessment, stakeholders were interviewed and their feedbacks were recorded. Among the stakeholders consulted were workers, trade union leaders, women representatives; local community leaders, representatives of government departments / agencies and NGOs, fertilizer suppliers and contractors.

Details on stakeholders' feedback, PMU response and Intertek verification / comments are provided in **section 3.3**.

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. Consumers Association Of Penang – CAP
38. EcoKnights
39. ENO Asia Environment
40. Environmental Protection Society Malaysia (EPSM)
41. Friends of the Earth, Malaysia
42. Global Environment Centre

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

**Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01**

Page 12 of 67

43. HUTAN - Kinabatangan Orang-utan Conservation Programme
44. JUST - International Movement for a Just World
45. Malaysian CropLife & Public Health Association (MCPA)
46. Malaysian Environmental NGOs – MENGO
47. Malaysian National Animal Welfare Foundation – MNAWF
48. Malaysian Plant Protection Society (MAPPS)
49. National Council of Welfare & Social Development Malaysia – NCWSDM
50. Partners of Community Organisations (PACOS)
51. Penang Institute previously known as Socio-Economic & Environmental Research Institute (SERI)
52. Pesticide Action Network Asia and the Pacific (PAN AP)
53. Proforest - South East Asia Regional Office
54. R.E.A.C.H. – Regional Environmental Awareness Cameron Highlands
55. Sabah Wetlands Conservation Society (SWCS)
56. SEPA – Sabah Environmental Protection Association
57. SUARAM – Suara Rakyat Malaysia
58. SUHAKAM – National Human rights Society – Persatuan Kebangsaan Hak Asasi Manusia
59. Tenaganita Sdn Bhd
60. TRAFFIC – the wildlife trade monitoring network
61. Transparency International – Malaysian Chapter
62. Treat Every Environment Special Sdn Bhd (TrEES)
63. United Nations Development Programme – UNDP Malaysia
64. Wetlands International (Malaysia)
65. Wild Asia Sdn Bhd
66. World Wide Fund (WWF) - HQ
67. World Wide Fund (WWF) - Sabah

Local community (On-site interviews)

68. Consultative Committee & Gender representatives
69. Workers & Workers representatives
70. Village Heads & representatives
71. Suppliers & Contractors representatives

3.0 ASSESSMENT FINDINGS

3.1 Summary of findings

Principle 1: Commitment to transparency

| | | |
|---|--|-------------------|
| <p>Criterion 1.1 Growers and millers provide adequate information to relevant stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in appropriate languages and forms to allow for effective participation in decision making.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>1.1.1 There shall be evidence that growers and millers provide adequate information upon request for information on (environmental, social and/or legal) issues relevant to RSPO Criteria to relevant stakeholders for effective participation in decision making. Minor Compliance</p> | <p>The PMU has established and implemented a documented procedure for providing adequate information on environmental, social and legal issues relevant to RSPO Criteria to relevant stakeholders for effective participation in decision making. Date of public notification of this assessment of the PMU was made on 04 Jul 2016. As at the period of assessment, there were no additional requests for information from stakeholders for this PMU.</p> | Complied |
| <p>1.1.2 Records of requests for information and responses shall be maintained. Major Compliance</p> | <p>The PMU had established and maintained an updated site specific list of internal stakeholders, external stakeholders, government departments/agencies, consultants, contractors, suppliers, transporters, etc. The POM and estates had conducted its internal and external stakeholders' consultations for year 2016. Records of participants and feedback given were maintained and appropriate actions taken.</p> | Complied |
| <p>Criterion 1.2 Management documents are publicly available, except where this is prevented by commercial confidentiality or where disclosure of information would result in negative environmental or social outcomes.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>1.2.1 Management documents that are made available to the public shall include, but are not necessarily limited to: Major Compliance</p> | <p>Management documents relating to environmental, social and legal issues were verified to be maintained and available to the public (notices and websites) and updated by IOI, HQ e.g. website link: http://www.ioigroup.com/business/busi_plantoverview.cfm The following types of mandatory documents are available to the public upon request:</p> <ul style="list-style-type: none"> • land titles/user rights, • occupational health and safety plan, • plans and impact assessments relating to environment and social impacts, • pollution prevention plans, • details of complaints & grievances, • negotiation procedures • continuous improvement plan • Public summary of certification assessment report. • Human Rights Policy. <p>These publicly available documents include key indicators of performance like waste management and disposal plans</p> | Complied |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 14 of 67

| | | |
|---|---|----------|
| | for the mill and estates. Also, Continual Improvement Action Plans include targets for waste reduction and pollution prevention. | |
| • Land titles/user rights (Criterion 2.2); | Copies of all land titles were available and have been maintained at the POM and Estates. HQ kept the original copies. | Complied |
| • Occupational health and safety plans (Criterion 4.7); | Occupational Safety and Health Plan has been established. The plan was annually reviewed, i.e. on Jan 2016 by the Safety Officer for POM and estates. Policy and HIRAC documented and reviewed for the POM and estates - Risk Assessment Rev. F dated 02/01/2016. The OSH Programme 2016 include the following: <ul style="list-style-type: none"> • Safety & Health Committee meetings 4x/year, • Annual medical surveillance, • Accident Reporting & Investigation, • Workplace inspection, • CHRA assessment, • Air compressors annual inspection, • Warning signs, • Chemical Register, • SOP for safe work, • PPE usage, • MSDS/CSDS, • JKPP 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 was conducted on 17/02/2015. Next CHRA assessment scheduled for year 2020. Programmes for protecting workers' health and safety were satisfactorily implemented. | Complied |
| • Plans and impact assessments relating to environmental and social impacts (Criteria 5.1, 6.1, 7.1 and 7.8); | Environmental aspect and impact assessment conducted for the POM and estates. Management Plan and Continual Improvement Plan documented and implemented. Social Impact Assessment carried out. Positive and negative impacts identified. Action plans were documented and implemented. | Complied |
| • HCV documentation (Criteria 5.2 and 7.3); | The Internal "HCV and Conservation Areas" Assessment were reviewed in Jul 2016. Management plans for HCV and Conservation areas updated. The Management Action Plans were monitored and progressively implemented at the respective Estates. | Complied |
| • Pollution prevention and reduction plans (Criterion 5.6); | Pollution Prevention Management Plans were reviewed annually for FY2015/2016. Action items include mitigation measures for pollution control (smoke emission, POME / effluent discharge), pesticides reduction, scheduled wastes (chemicals, hydraulic oil, filters) and domestic wastes disposal, reuse and recycling (scrap iron, paper, glass, plastic). | Complied |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 15 of 67

| | | |
|--|---|--------------------------|
| <ul style="list-style-type: none"> • Details of complaints and grievances (Criterion 6.3); | <p>The mill and respective estates had maintained the Complaints and Grievances Logbook. Logbook entries were examined and found to be in order. Employees Consultative Council (ECC) representatives interviewed had confirmed that there were no serious issues.</p> | <p>Complied</p> |
| <ul style="list-style-type: none"> • Negotiation procedures (Criterion 6.4); | <p>Presently, there is no conflict/dispute requiring negotiation on compensation at this PMU. Negotiation procedure and flowchart was available and maintained.</p> <p>The status on the ongoing negotiations on land issues against IOI Group plantations in Sarawak and Kalimantan are accessible via website link: http://www.rspo.org/members/status-of-complaints</p> <p>Refer also to details in Section 1.9: Time bound Plan.</p> | <p>Complied</p> |
| <ul style="list-style-type: none"> • Continual improvement plans (Criterion 8.1); | <p>Continual Improvements Plans in key operations for the mill and estates have been identified, documented and implemented. The plans include the Integrated Pest Management (IPM) program for pest control and reduction in the consumption of chemical pesticides, the use of direct bio-control methods such as the cultivation of beneficial plants, environmental and social programs such as recycling and providing new housing quarters for the workers, assistance in the HUMANA schools for children of foreign workers and better medical facilities and benefits for all employees.</p> | <p>Complied</p> |
| <ul style="list-style-type: none"> • Public summary of certification assessment report; | <p>Public summary of certification assessment reports are available from the company upon request.</p> | <p>Complied</p> |
| <ul style="list-style-type: none"> • Human Rights Policy (Criterion 6.13). | <p>The Human Rights Policy has been documented and incorporated as part of the Sustainability Policy Statement issued in Mar 2014, signed by the CEO. Copies of the policy found to be displayed at prominent locations in the POM and estates. Briefing and communication to all levels of the workforce, both administrative and operations departments were provided.</p> | <p>Complied</p> |
| <p>Criterion 1.3 Growers and millers commit to ethical conduct in all business operations and transactions.</p> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <p>1.3.1 There shall be a written policy committing to a code of ethical conduct and integrity in all operations and transactions, which shall be documented and communicated to all levels of the workforce and operations.</p> <p>Minor Compliance</p> | <p>The IOI Group's Booklet "Code of Business Conduct and Ethics" is available with documented policy signed by the CEO. The following are included:</p> <ul style="list-style-type: none"> - Diversity and Respect in the workplace, - Equal Opportunity Employment, - Protecting the Environment, - Safety, Health and Security at Work, - Managing Documents, - Intellectual Property and Information, - Management and Security in our Computing Environment, - Data Privacy - Employee Privacy in the Communication and Computing Environment - Gifts, Benefits or Entertainment, | <p>Complied</p> |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 16 of 67

| | | |
|--|---|--|
| | <ul style="list-style-type: none"> - Bribes and Kickbacks, - Employment of Family Members and Relatives. <p>Copies of the policy found to be displayed at prominent locations in the POM and estates.</p> | |
|--|---|--|

Principle 2: Compliance with applicable laws and regulations

Criterion 2.1

There is compliance with all applicable local, national and ratified international laws and regulations.

| Indicators | Findings and Objective Evidence | Compliance |
|--|---|-----------------|
| <p>2.1.1 Evidence of compliance with relevant legal requirements shall be available.</p> <p>Major Compliance</p> | <p>The Legal Register covering the applicable local and international laws and regulations is available at the mill and estates and was verified to be reviewed for any relevant updates.</p> <p>The relevant legislations identified and listed were among others regarding safety and health, environmental management, pollution management, chemical handling, usage & storage, schedule waste management, labour laws, Unions, EPF, SOCSO, Housing and Amenities.</p> <p>Levy and other deductions have been taken with the consent of the workers in accordance with the Sabah Labour Ordinance (Chapter 67). FOMEMA (The Foreign Workers Medical Screening Expert) fees, for the health screening of foreign workers which was borne by the company and carried out as per the Ministry of Health guidelines.</p> <p>Licenses and permits (License for Trading, License for Employment of Foreign Workers, Workers Wages Deduction Permit, Domestic and Consumer Permit for Keeping Diesel, Petrol & Fertilizer, MPOB license, DOSH (Department of Occupational Safety and Health) Certificates, DOE (Department of Environment Permit, etc.) were renewed and evidenced to be valid.</p> <p>Environmental Quality Act 1974 and Environmental Quality (Scheduled Wastes) Regulations 2005: Scheduled wastes such as hydraulic and used motor oils, rags, empty chemical and lubricants containers collected at six monthly intervals by DOE licensed contractor.</p> <p>Weight and Measures Act 1972, regulations 16, 28A, 45): Weighbridges were duly calibrated.</p> <p>Factory and Machinery Act 1967, Regulations 1970: Steam engineers (Grade 1 and 2), boilermen and electricians were noted to be with valid certificates from relevant authorities (DOSH and Energy Commission). The POM has maintained a boiler register that indicate the date of commission, cleaned, inspected, tested or repaired. Valid certificates of fitness for boilers, sterilizers, air receivers, thermal deaerator, steam separator, vacuum oil dryer, etc. issued by DOSH.</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>Complied</p> |

| | | |
|---|---|-------------------|
| | <p>Occupational Health and Safety Act 1994 – safety and health meetings to be conducted at quarterly intervals. Noise Monitoring Report is available.</p> <p>Legal documents (work permits, passports) of foreign workers in the estates. Insurance coverage is available for foreign workers in the estates.</p> <p>Based on the site observations, interviews and records checked, there was evidence of compliance with the relevant laws, regulations, local and international laws at the POM and estates. There were no cases of any violation or actions imposed by relevant authorities. Statutory returns to relevant authorities found to be in compliance.</p> | |
| <p>2.1.2 A documented system, which includes written information on legal requirements, shall be maintained. Minor Compliance</p> | <p>The documented system for identifying, determining, reviewing and updating applicable legal and other requirements has been satisfactorily implemented.</p> <p>Listing of laws and regulations monitored for changes included the Sabah Labour Ordinance (Chapter 67), regulations and circulars received from bodies such as DOE (Department of Environment) and DOSH (Department of Occupational Safety and Health), DID (Dept of Irrigation and Drainage), Forestry Dept and Wildlife Dept were maintained.</p> | Complied |
| <p>2.1.3 A mechanism for ensuring compliance shall be implemented. Minor Compliance</p> | <p>The mechanism for ensuring compliance involved updating (when necessary) and an annual review with the compliance status indicated in the Legal Register (Flowchart on mechanism of tracking) was implemented.</p> | Complied |
| <p>2.1.4 A system for tracking any changes in the law shall be implemented. Minor Compliance</p> | <p>The listing of all the relevant laws applicable included the international laws and conventions ratified by the Malaysian government are documented in the Legal register.</p> <p>Tracking of changes in the relevant laws are communicated and received from the IOI Group HQ. Monitoring of changes to the applicable laws and regulations carried out through periodical review in accordance with the documented procedure.</p> <p>Based on the site observations, interviews and records updated, the system used is appropriate to the operations at the PMU.</p> | Complied |
| <p>Criterion 2.2 The right to use the land is demonstrated, and is not legitimately contested by local people who can demonstrate that they have legal, customary or user rights.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>2.2.1 Documents showing legal ownership or lease, history of land tenure (confirmation from community leaders based on history of customary land tenure, recognised Native Customary Right (NCR) land) and the actual legal use of the land shall be available. Major Compliance</p> | <p>Copies of the land titles of all estates were maintained and noted to be legally owned by the IOI Group.</p> <p>The original copies are maintained by the Corporate Head Office. The legal use of the land confirmed to be “for purpose of cultivation of agricultural crop of economic value.”</p> <p>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 assessment.</p> | Complied |
| <p>2.2.2 There is evidence that physical markers are located and visibly maintained along the legal boundaries particularly adjacent to state land, NCR land and reserves. Minor Compliance</p> | <p>It was verified that there has been no change to the stated land titles and designated use for cultivation of agricultural crop of economic value.</p> <p>Locations of several boundary stones and markers were visited and verified to be within the perimeters of the estate</p> | Complied |

| | | |
|--|--|-------------------|
| | lands. On-site verification confirmed that there has been no planting beyond the legal demarcated boundary of the estates. | |
| 2.2.3 Where there are or have been disputes, additional proof of legal acquisition of title and evidence that fair compensation has been made to previous owners and occupants shall be available, and that these have been accepted with free, prior and informed consent (FPIC). Minor Compliance | There has been no dispute on the land rights in this PMU. As such, the process of fair compensation and FPIC is currently not required to be applied. | Not applicable |
| 2.2.4 There shall be an absence of significant land conflict, unless requirements for acceptable conflict resolution processes (see Criteria 6.3 and 6.4) are implemented and accepted by the parties involved. Major Compliance | There were no land conflicts in this PMU. | Not applicable |
| 2.2.5 For any conflict or dispute over the land, the extent of the disputed area shall be mapped out in a participatory way with involvement of affected parties (including neighbouring communities and relevant authorities where applicable). Minor Compliance | No land disputes in this PMU. As such the process of participatory mapping is not applicable for verification of implementation. | Not applicable |
| 2.2.6 To avoid escalation of conflict, there shall be no evidence that palm oil operations have instigated violence in maintaining peace and order in their current and planned operations. Major Compliance | No evidence that the palm oil operations have instigated violence in maintaining peace and order in their current and planned operations. | Not applicable |
| Criterion 2.3 Use of the land for oil palm does not diminish the legal, customary or user rights of other users without their free, prior and informed consent. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| 2.3.1 Maps of an appropriate scale showing the extent of recognised legal, customary or user rights (Criteria 2.2, 7.5 and 7.6) shall be developed through participatory mapping involving affected parties (including neighbouring communities where applicable, and relevant authorities). Major Compliance | The lands at the PMU are legally owned by IOI Plantation Group and it is verified that there were no other users or affected parties in the land areas. There is no dispute on the land rights in this PMU. The lands are not encumbered by any customary lands or user rights and therefore the process of participatory mapping is not required. | Not applicable |
| 2.3.2 Copies of negotiated agreements detailing the process of free, prior and informed consent (FPIC) (Criteria 2.2, 7.5 and 7.6) shall be available and shall include: a) Evidence that a plan has been developed through consultation and discussion with all affected groups in | The lands were acquired in 1980's from private plantation owners. Records are available to show such land acquisition comply with legal requirements and does not infringe on any legal rights that require free, prior and informed consent (FPIC). | Complied |

| | | |
|---|---|-----------------------|
| <p>the communities, and that information has been provided to all affected groups, including information on the steps that shall be taken to involve them in decision making;</p> <p>b) Evidence that the company has respected communities' decisions to give or withhold their consent to the operation at the time that this decision was taken;</p> <p>c) Evidence that the legal, economic, environmental and social implications for permitting operations on their land have been understood and accepted by affected communities, including the implications for the legal status of their land at the expiry of the company's title, concession or lease on the land.</p> <p>Minor Compliance</p> | | |
| <p>2.3.3 All relevant information shall be available in appropriate forms and languages, including assessments of impacts, proposed benefit sharing, and legal arrangements.</p> <p>Minor Compliance</p> | <p>No cases of land claims in this PMU. As such this process is not applicable for verification.</p> | <p>Not applicable</p> |
| <p>2.3.4 Evidence shall be available to show that communities are represented through institutions or representatives of their own choosing, including legal counsel.</p> <p>Major Compliance</p> | <p>This process is not applicable during current assessment.</p> | <p>Not applicable</p> |

Principle 3: Commitment to long-term Economic & Financial Viability

| <p>Criterion 3.1 There is an implemented management plan that aims to achieve long-term economic and financial viability.</p> | | |
|---|---|-------------------|
| Indicators | Findings and Objective Evidence | Compliance |
| <p>3.1.1 A business or management plan (minimum three years) shall be documented that includes, where appropriate, a business case for scheme smallholders.</p> <p>Major Compliance</p> | <p>The 5-year Business Management Plan (FY 2015/2016 to FY 2019/2020) for the PMU was documented and reviewed.</p> <p>The Annual Budget for each year include the following:</p> <ol style="list-style-type: none"> (1) Staff and Labour requirements; (2) Crop projection; FFB yield/ha trends; (3) Mill extraction rates; OER trends; (4) Cost of Production; Cost/mt FFB trends; (5) Cost of Production; Cost/MT CPO trends; (6) Financial indicators covering cost of labour, supervision, maintenance, depreciation, etc.). (7) Budget for Environmental, Social, Safety & Health, Training and Promotions. <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> <p>Records of monitoring of costs against budget to achieve specified targets were verified to be available.</p> | <p>Complied</p> |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 20 of 67

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|---------------------------|---------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------|--|------------------|---------------------------|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|
| | <p>Performances are discussed in the monthly meetings held at the PMU and issues and actions needed are recorded for follow up in the next monthly meeting. The records of these meetings were available and verified during the audit.</p> <p>Monthly, quarterly, half-yearly and yearly reports are submitted to the Regional GM of Lahad Datu.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>3.1.2 An annual replanting programme projected for a minimum of five years (but longer where necessary to reflect the management of fragile soils, see Criterion 4.3), with yearly review, shall be available.</p> <p>Minor Compliance</p> | <p>Replanting Program for estates sighted. Evidence of the replanting program planned, reviewed and on-going implementation carried out.as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;"><u>Baturong 1 estate:</u></td> <td style="width: 50%; padding: 5px;"><u>Baturong 2 estate:</u></td> </tr> <tr> <td style="padding: 5px;">2015/16 - 186 ha</td> <td style="padding: 5px;">2015/16 – 618 ha</td> </tr> <tr> <td style="padding: 5px;">2016/17 – 215 ha</td> <td style="padding: 5px;">2016/17 – 236 ha</td> </tr> <tr> <td style="padding: 5px;">2017/18 – 306 ha</td> <td style="padding: 5px;">2017/18 – 291 ha</td> </tr> <tr> <td style="padding: 5px;">2018/19 – 204 ha</td> <td style="padding: 5px;">2018/19 – 319 ha</td> </tr> <tr> <td style="padding: 5px;">2019/20 – 264 ha</td> <td style="padding: 5px;">2019/20 – Nil</td> </tr> <tr> <td style="padding: 5px;"></td> <td style="padding: 5px;">2020/21 – 384 ha</td> </tr> <tr> <td style="padding: 5px;"><u>Baturong 3 estate:</u></td> <td style="padding: 5px;"><u>Cantawan estate:</u></td> </tr> <tr> <td style="padding: 5px;">2015/16 – 218 ha</td> <td style="padding: 5px;">2015/16 – 143 ha</td> </tr> <tr> <td style="padding: 5px;">2016/17 – 297 ha</td> <td style="padding: 5px;">2016/17 – 140 ha</td> </tr> <tr> <td style="padding: 5px;">2017/18 – 348 ha</td> <td style="padding: 5px;">2017/18 – 151 ha</td> </tr> <tr> <td style="padding: 5px;">2018/19 – 323 ha</td> <td style="padding: 5px;">2018/19 – 118 ha</td> </tr> <tr> <td style="padding: 5px;">2019/20 – 173 ha</td> <td style="padding: 5px;">2019/20 – 130 ha</td> </tr> <tr> <td style="padding: 5px;">2020/21 – 350 ha</td> <td style="padding: 5px;">2020/21 – 162 ha</td> </tr> </table> | <u>Baturong 1 estate:</u> | <u>Baturong 2 estate:</u> | 2015/16 - 186 ha | 2015/16 – 618 ha | 2016/17 – 215 ha | 2016/17 – 236 ha | 2017/18 – 306 ha | 2017/18 – 291 ha | 2018/19 – 204 ha | 2018/19 – 319 ha | 2019/20 – 264 ha | 2019/20 – Nil | | 2020/21 – 384 ha | <u>Baturong 3 estate:</u> | <u>Cantawan estate:</u> | 2015/16 – 218 ha | 2015/16 – 143 ha | 2016/17 – 297 ha | 2016/17 – 140 ha | 2017/18 – 348 ha | 2017/18 – 151 ha | 2018/19 – 323 ha | 2018/19 – 118 ha | 2019/20 – 173 ha | 2019/20 – 130 ha | 2020/21 – 350 ha | 2020/21 – 162 ha | <p>Complied</p> |
| <u>Baturong 1 estate:</u> | <u>Baturong 2 estate:</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2015/16 - 186 ha | 2015/16 – 618 ha | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2016/17 – 215 ha | 2016/17 – 236 ha | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2017/18 – 306 ha | 2017/18 – 291 ha | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2018/19 – 204 ha | 2018/19 – 319 ha | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2019/20 – 264 ha | 2019/20 – Nil | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2020/21 – 384 ha | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Baturong 3 estate:</u> | <u>Cantawan estate:</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2015/16 – 218 ha | 2015/16 – 143 ha | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2016/17 – 297 ha | 2016/17 – 140 ha | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2017/18 – 348 ha | 2017/18 – 151 ha | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2018/19 – 323 ha | 2018/19 – 118 ha | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2019/20 – 173 ha | 2019/20 – 130 ha | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2020/21 – 350 ha | 2020/21 – 162 ha | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Principle 4: Use of appropriate best practices by growers and millers

| <p>Criteria 4.1 Operating procedures are appropriately documented, consistently implemented and monitored.</p> | | |
|--|--|-----------------|
| Indicators | Findings and Objective Evidence | Compliance |
| <p>4.1.1 Standard Operating Procedures (SOPs) for estates and mills shall be documented.</p> <p>Major Compliance</p> | <p>POM has documented SOPs for the following :</p> <ol style="list-style-type: none"> 1. Palm Oil Mill Operation from reception of FFB until the delivery of processed oil and POME management. 2. Laboratory Operation Manual (Issue 1 dated 01/02/2008).. 3. 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. 4. 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 assessment 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. 5. SOP for Mill RSPO Supply Chain Certification System using the Identity Preserved (IP) module. <p>The estates have the following SOPs:</p> <ol style="list-style-type: none"> 1. Sustainable Oil Palm Estate Operation Manual - The | <p>Complied</p> |

| | | |
|--|---|-------------------|
| | <p>manual describes operational procedure of nursery practices, land preparation, planting practices, ground cover maintenance, roads, immature stage, harvesting, collection of bunches, manuring, pesticide application, pests & diseases control. The SOP for pesticides specifies safe working practices and application of pesticides. It includes annual medical surveillance for pesticides operators.</p> <p>2. SOP for riparian zone management with specified buffer zones.</p> <p>Relevant Key Performance Indicators (KPIs) specified for quality, environment, safety and cost control.</p> | |
| <p>4.1.2 A mechanism to check consistent implementation of procedures shall be in place. Minor Compliance</p> | <p>There is a mechanism to check the implementation of the SOPs. Records had been kept by the staff concerned for each operation to monitor the procedure and progress of work and these records would be checked by the Assistant Manager and the Manager regularly. These records had been verified to indicate satisfactory implementation during the visit.</p> <p>Internal Audit Report for internal audit conducted on 25/07/2016.</p> | Complied |
| <p>4.1.3 Records of monitoring and any actions taken shall be maintained and available, as appropriate. Minor Compliance</p> | <p>Records of monitoring and actions taken had been maintained for more than 12 months at the mill and estates. Overall, these records verified to be satisfactory.</p> <p>Daily Muster chits were available at estates and actual field activities were verified during on-site field inspection.</p> <p>Verified that spraying, manuring and harvesting activities were carried out as stated in the Muster chits.</p> | Complied |
| <p>4.1.4 The mill shall record the origins of all third-party sourced Fresh Fruit Bunches (FFB). Major Compliance</p> | <p>The mill did not source any FFB from third-party. The entire crop was supplied by Baturong PMU estates.</p> | Complied |
| <p>Criteria 4.2 Practices maintain soil fertility at, or where possible improve soil fertility to, a level that ensures optimal and sustained yield.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>4.2.1 There shall be evidence that good agriculture practices, as contained in Standard Operating Procedures (SOPs), are followed to manage soil fertility to a level that ensures optimal and sustained yield, where possible. Minor Compliance</p> | <p>Annual fertilizer inputs had been monitored through fertilizer recommendations made by Agronomist of IOI Research Centre, Sabah.</p> <p>Good Agricultural Practice (GAP) for minimization of soil erosion and maintenance of soil fertility are maintained via the frond stacking and fertilizer application as per the recommendations provided by the Agronomist.</p> <p>These had been verified through the records for fertilizer application. Estates provided the evidence of GAP and was verified during the audit.</p> <p>Soil sampling and leaf sampling records provided guide for the fertilizer application and all recommendations had been properly followed at estate levels.</p> <p>Noted that proper pesticide/herbicide spraying had also been done.</p> | Complied |
| <p>4.2.2 Records of fertiliser inputs shall be maintained. Minor Compliance</p> | <p>Records of fertilizer application at the estates were maintained and had been verified to be satisfactory.</p> | Complied |
| <p>4.2.3 There shall be evidence of</p> | <p>Leaf sampling and analysis had been carried out annually</p> | Complied |

| | | |
|--|---|--------------------------------------|
| <p>periodic tissue and soil sampling to monitor changes in nutrient status. Minor Compliance</p> | <p>and soil sampling and analysis on a 5 year cycle to determine the nutrient levels. Fertilizer recommendations by the Agronomist for identified estate blocks to sustain the long term soil fertility and nutrient efficiency. Records of the sampling and analysis had been verified to be satisfactory.</p> | |
| <p>4.2.4 A nutrient recycling strategy shall be in place, and may include use of Empty Fruit Bunches (EFB), Palm Oil Mill Effluent (POME), and palm residues. Minor Compliance</p> | <p>Geotubes used to filter the solid from the POME and the solid would be used by the estates for field application as organic fertilizer. All the EFB from the POM are delivered to the estates as evidenced by the "Daily/Monthly Summary Report of EFB" maintained by the POM. EFB Mulching Application and field maps indicate the amounts and locations of EFB application in the estates. EFB mulching had been carried out in mature area along the inter-row, and around the circle in the immature palms. Land application of POME through gravitation flow into the field in Baturong 1 estate, which is near to the POM.</p> | <p align="center">Complied</p> |
| <p>Criteria 4.3 Practices minimise and control erosion and degradation of soils.</p> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <p>4.3.1 Maps of any fragile/marginal soils shall be available. Major Compliance</p> | <p>Estate soils show no fragile or marginal soil existence. Soil types as indicated in soil maps are as follows: Baturong Estate 1: brantian, table, bang, gumpal. Cantawan Estate: buran, lumpongan, hatton.</p> | <p align="center">Complied</p> |
| <p>4.3.2 A management strategy shall be in place for plantings on slopes between 9 and 25 degrees unless specified otherwise by the company's SOP. Minor Compliance</p> | <p>Planting terraces constructed on land with slope more than 6° as indicated in the Terrace Map. Cantawan Estate is most hilly with slope up to 25°. No planting at slope > 25° Best Management Practices followed to control and minimize soil erosion and degradation during replanting or any activities involving earth disturbance. Steps taken for erosion control are soil stabilization, run-off control and sediment trapping to mitigate the disturbed earth entering waterways. There was no soil erosion noted during the field visit. Leguminous cover crop, <i>macuna bracteata</i> was well established.</p> | <p align="center">Complied</p> |
| <p>4.3.3 A road maintenance programme shall be in place. Minor Compliance</p> | <p>Estate roads were maintained in good and satisfactory condition. Road maintenance programme verified to be established and implemented. No road grading in progress at the time of assessment.</p> | <p align="center">Complied</p> |
| <p>4.3.4 Subsidence of peat soils shall be minimised and monitored. A documented water and ground cover management programme shall be in place. Major Compliance</p> | <p>It was confirmed during assessment on site that there is no peat soil on the PMU estates.</p> | <p align="center">Not Applicable</p> |
| <p>4.3.5 Drainability assessments where necessary will be conducted prior to replanting on peat to determine the long-term viability of the necessary drainage for oil palm growing. Minor Compliance</p> | <p>There was no peat soil on the PMU estates as confirmed by auditor's on-site assessment</p> | <p align="center">Not Applicable</p> |
| <p>4.3.6 A management strategy shall be in place for other fragile and problem</p> | <p>Based on the estate soil maps and visit to the estates, there</p> | <p align="center">Not Applicable</p> |

| | | |
|--|---|-------------------|
| soils (e.g. podzols and acid sulphate soils). Minor Compliance | were no other fragile and problematic soils on the estates. | |
| Criteria 4.4 Practices maintain the quality and availability of surface and ground water. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| 4.4.1 An implemented water management plan shall be in place. Minor Compliance | Documented Water Management Plan verified to be in place for the palm oil mill and estates and was reviewed on 20/07/2016. Rainfall data found to be monitored as part of the water management plan. The plan includes steps such as soil stabilization, run-off control and sediment trapping to mitigate the disturbed earth entering waterways. There are water ponds in the POM and estates. Water samples collected and analysis carried out at least twice a year. The water for domestic use meets all the required parameters, including that of bacterium count (WHO Specification for Drinking Water Quality). Rain water is also harvested for washing and cleaning. | Complied |
| 4.4.2 Protection of water courses and wetlands, including maintaining and restoring appropriate riparian and other buffer zones (refer to national best practice and national guidelines) shall be demonstrated. Major Compliance | Buffer zones had been maintained on both sides of streams in the estates as verified during on-site field inspection. No evidence of spraying around palms marked as boundary for the buffer zones. Appropriate signages were placed with demarcation of buffer zone area. Workers are aware of the non-usage of chemicals within the buffer zone, There are only streams and no major rivers passing through the estates audited. There was no construction of bunds/weirs/dams across the waterways passing through the estates. | Complied |
| 4.4.3 Appropriate treatment of mill effluent to required levels and regular monitoring of discharge quality, shall be in compliance with national regulations (Criteria 2.1 and 5.6). Minor Compliance | Water samples were taken at monthly interval at the final discharge point of the palm oil mill effluent pond and at upstream and downstream of waterways. 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 22.7 to 70.5 ppm for the period Jan to Dec 2016 with an average of 49.7 ppm. The current allowable upper limit specified by D.O.E. Sabah is 100 ppm (max.). Analysis results meet the following DOE limits specified for the water sample dated 09/06/2016: <ul style="list-style-type: none"> • BOD < 100 mg/l, • Total Suspended Solids < 400 mg/l, • Oil & Grease < 50 mg/l, • Ammonical Nitrogen < 150 mg/l, • Total Nitrogen < 20 mg/l, • pH = 5 to 9, • Temperature < 45°C | Complied |
| 4.4.4 Mill water use per tonne of Fresh Fruit Bunches (FFB) (see Criterion 5.6) shall be monitored. Minor Compliance | Water usage in the mill from Jul 2015 to Jun 2016 ranged from 1.75 to 2.11 m ³ /tonne FFB with an average of 1.94 m ³ /tonne FFB which is higher than the industrial norm of 1.2 m ³ to 1.5 m ³ /tonne FFB. The higher usage is due to increased frequency of cleaning the mill areas. | Complied |
| Criteria 4.5 Pests, diseases, weeds and invasive introduced species are effectively managed using appropriate Integrated Pest | | |

| Management techniques. | | |
|--|---|-------------------|
| Indicators | Findings and Objective Evidence | Compliance |
| <p>4.5.1 Implementation of Integrated Pest Management (IPM) plans shall be monitored. Major Compliance</p> | <p>IPM Plan includes the planting of beneficial plants and control of damage by rodents.</p> <p>Records on planting of beneficial plants had been verified on the estates. Pest infestation was noted to be minimal at the estates.</p> <p>Programme for planting of beneficial plants such as <i>Cassia cobanensis</i> (60%), <i>Turnera subulata</i> (20%), and <i>Antigonon leptopus</i> (20%) and records on areas planted had been verified together with the respective maps to be satisfactory.</p> <p>Spraying of Cypermethrin (5.5% and 16.0%), when necessary, have been carried out in the immature areas of the estates to control rhinoceros beetle.</p> <p>Rat baiting (using Broadifacoum 0.003% and 0.005%) would be carried out only should rat damage exceed 5 % on FFB as reviewed from the summary of grading of FFB for rat damage.</p> <p>There is no barn owl in the PMU estates.</p> <p>No reported infestation by other pests (bagworms). Pest infestation was minimal on the estates.</p> | Complied |
| <p>4.5.2 Training of those involved in IPM implementation shall be demonstrated. Minor Compliance</p> | <p>IPM training conducted by for all those involved in IPM implementation. Training records for staff and workers on IPM implementation were available and was verified on-site to be satisfactory during field assessment.</p> | Complied |
| <p>Criteria 4.6 Pesticides are used in ways that do not endanger health or the environment.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>4.6.1 Justification of all pesticides used shall be demonstrated. The use of selective products that are specific to the target pest, weed or disease and which have minimal effect on non-target species shall be used where available. Major Compliance</p> | <p>Written justification in Standard Operating Procedures of all agrochemicals use had been reviewed and found acceptable. The PMU has an Approved List of Pesticides registered under the Pesticide Board of Malaysia. The types of chemicals used are as follows:</p> <ol style="list-style-type: none"> (1) Glyphosate isopropyl amine (41% a.i.) (2) Metsulfuron methyl (20% a.i.) (3) Triclopyr butoxy ethyl ester (32.1% a.i.) (4) 2,4 Dimethylamine (60% a.i.) (5) Glufosinate ammonium (13.5% a.i.) <p>Specific pesticides had been used to deal with the respective target pest, weed, or disease.</p> | Complied |
| <p>4.6.2 Records of pesticides use (including active ingredients used and their LD50, area treated, amount of active ingredients applied per ha and number of applications) shall be provided. Major Compliance</p> | <p>Records of pesticides and their active ingredients used, LD50, area treated, amount of a.i. applied per ha, and number of applications had been maintained and kept for a minimum of 5 years. Verified that records of monitoring were satisfactorily.</p> | Complied |
| <p>4.6.3 Any use of pesticides shall be minimised as part of a plan, and in accordance with Integrated Pest Management (IPM) plans. There shall be no prophylactic use of pesticides, except in specific situations identified in industry's Best Practice. Major Compliance</p> | <p>It had been the policy of the estates to minimize the use of pesticides in accordance with IPM plan.</p> <p>The pesticide reduction program is monitored on usage per hectare basis. Overall, there has been a decline in pesticide usage per hectare on a year to year basis.</p> <p>No prophylactic use of pesticides had been carried out at the</p> | Complied |

| | | |
|--|--|----------|
| | estates for the period concerned. | |
| <p>4.6.4 Pesticides that are categorised as World Health Organisation Class 1A or 1B, or that are listed by the Stockholm or Rotterdam Conventions, and paraquat, are not used, except in specific situations identified in industry's Best Practice. The use of such pesticides shall be minimised and eliminated as part of a plan, and shall only be used in exceptional circumstances. Pesticides selected for use are those officially registered under the Pesticides Act 1974 (Act 149) and the relevant provision (Section 53A); and in accordance with USECHH Regulations (2000). Minor Compliance</p> | <p>Use of paraquat had been eliminated since 31 Dec 2011 in the IOI Group Estates. Alternatives such as Round up (Glyphosate Isopropylamine) had been used to replace paraquat.</p> <p>First Aid Kits found to be available during pesticides spraying in the fields (4th Schedule).</p> <p>Portable signboard noted to be displayed at areas of spraying activity (5th Schedule).</p> | Complied |
| <p>4.6.5 Pesticides shall only be handled, used or applied by persons who have completed the necessary training and shall always be applied in accordance with the product label. Appropriate safety and application equipment shall be provided and used. All precautions attached to the products shall be properly observed, applied, and understood by workers (see Criterion 4.7). Major Compliance</p> | <p>All pesticide operators (including the contractor's workers) have attended training on the safe handling and application of pesticides in compliance with Regulation 22 of the Pesticides Act 1974.</p> <p>Appropriate safety and application equipment (safety boots, safety helmets, rubber boots, cartridge masks, safety goggles, gloves, overalls) have been provided and used by the pesticides operators.</p> <p>All precautions attached to the pesticides (MSDS) have been observed, applied and understood by the workers.</p> <p>Programme and training records verified to be satisfactory. The training include spraying technique, precautions and symptoms of symptoms of toxic reactions such as skin disorders, rashes, mouth and throat pain, breathing difficulties or nail problems.</p> <p>The emergency shower and eye wash were verified to be available and in proper working order at the pesticide mixing area.</p> <p>The PMU has adequate facilities for mixing of pesticides and cleaning up after work. There are suitable storage areas for PPE.</p> | Complied |
| <p>4.6.6 Storage of all pesticides shall be according to recognised best practices. All pesticide containers shall be properly disposed of and not used for other purposes (see Criterion 5.3). Pesticides shall be stored in accordance to the Occupational Safety and Health Act 1994 (Act 514) and Regulations and Orders, Pesticides Act 1974 (Act 149) and Regulations. Major Compliance</p> | <p>Storage of pesticides found to be kept under lock and key and its use in accordance with the Occupational Safety and Health Laws and Regulation 9 of the Pesticides Act 1974. Emergency shower and eye wash are available near the pesticides store in case of accidents.</p> <p>Material Safety Data Sheets (MSDS) are available in the store. The MSDS are in English and Bahasa Malaysia (understood by the workers).</p> <p>Used chemical containers were either reused as containers for spraying solution. For disposal as scheduled waste, empty pesticide containers are triple rinsed and pierced at the bottom.</p> | Complied |
| <p>4.6.7 Application of pesticides shall be by proven methods that minimise risk and impacts. Minor Compliance</p> | <p>Pesticides had been applied using the Best Management Practices that minimize risk and impacts. The pesticide operators found to understand the use of the right nozzle, spray drift, spray quality and run-off. Warning notice displayed in the area being sprayed with pesticides</p> <p>Programme and training records verified to be satisfactory.</p> | Complied |
| <p>4.6.8 Pesticides shall be applied aerielly only where there is documented justification. Communities</p> | <p>It is the policy of the company not to carry out aerial application of pesticides. This policy has been followed by</p> | Complied |

| | | |
|--|---|--------------------------------|
| <p>shall be informed of impending aerial pesticide applications with all relevant information within reasonable time prior to application. Major Compliance</p> | <p>the PMU.</p> | |
| <p>4.6.9 Evidence of continual training to enhance knowledge and skills of employees and associated smallholders on pesticide handling shall be demonstrated or made available. (see Criterion 4.8). Minor Compliance</p> | <p>The Annual Training Plan includes training on pesticides handling. All new pesticides operators were trained before being assigned to work with pesticides. In addition, based upon training needs, the existing pesticide operators (including the contractor's workers) attended continual training to enhance their knowledge and skills on pesticides handling.</p> <p>Information and safety precautions on the pesticides displayed on the notice board and next to the pesticides in the store.</p> | <p align="center">Complied</p> |
| <p>4.6.10 Proper disposal of waste material, according to procedures that are fully understood by workers and managers shall be demonstrated (see Criterion 5.3). Minor Compliance</p> | <p>Scheduled waste of palm oil mill had been disposed of through a DOE licensed scheduled waste contractor.</p> <p>The scheduled wastes from the estates are sent to the POM for disposal.</p> <p>Empty pesticide containers are triple rinsed and pierced for disposal as scheduled waste.</p> <p>Records of scheduled waste collection at the mill verified to be satisfactory.</p> | <p align="center">Complied</p> |
| <p>4.6.11 Specific annual medical surveillance for pesticide operators, and documented action to treat related health conditions, shall be demonstrated. Major Compliance</p> | <p>Annual medical surveillance for all pesticide operators had been implemented in accordance with OSHA USECHH 2000 requirements Schedule 1 and 2. It was verified that the CHRA recommendations has been satisfactorily followed.</p> <p>Latest medical surveillance on 03/11/2015.</p> <p>Medical surveillance reports of individual sprayers were checked and no abnormalities reported by the Medical doctor. The medical reports showed that there was no case of low blood cholinesterase levels. Any worker with such health condition is unfit for work with pesticides. No such cases in the PMU as at the date of assessment.</p> <p>Pesticides operators were interviewed during field visits and feedback received that they do not have any symptoms of toxic reactions such as skin disorders, rashes, mouth and throat pain, breathing difficulties or nail problems.</p> <p>Besides the annual medical surveillance, monthly clinical tests (to check lungs, gastro intestinal, urinary system, pregnancy, nails, skin, etc.) also carried out by Health Assistant on sprayers and records maintained indicate no cases of toxic reactions.</p> | <p align="center">Complied</p> |
| <p>4.6.12 No work with pesticides shall be undertaken by pregnant or breast-feeding women. Major Compliance</p> | <p>Verified from records, field inspections and interviews that no pregnant or breast-feeding woman had been offered work as pesticide operator. Monthly clinical checks for pregnancy.</p> | <p align="center">Complied</p> |
| <p>Criteria 4.7 An occupational health and safety plan is documented, effectively communicated and implemented.</p> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <p>The occupational health and safety plan shall cover the following: 4.7.1 An occupational health and safety policy shall be in place. An</p> | <p>Occupational Safety and Health (OSH) plan in compliance with OSH Act and Factory Machinery Act was documented and implemented.</p> <p>OSH Policy found to be clearly displayed at POM and in the</p> | <p align="center">Complied</p> |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

**Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01**

Page 27 of 67

| | | |
|---|---|---|
| <p>occupational health and safety plan covering all activities shall be documented and implemented, and its effectiveness monitored. Major Compliance</p> | <p>estates office. Adequate posters, regulations, newsletters were prominently displayed on notice boards. Interviewed workers demonstrated awareness towards occupational safety and health.</p> <p>The Safety & Health Officer is in charge of safety and health planning, operation & coordination. Mill/Assistant Mill Managers and Estate Managers / Assistant Estate Managers are also directly involved.</p> | |
| <p>4.7.2 All operations where health and safety is an issue shall be risk assessed, and procedures and actions shall be documented and implemented to address the identified issues. All precautions attached to products shall be properly observed and applied to the workers. Major Compliance</p> | <p>Risk assessment carried out on operations where health and safety is an issue in order to determine the significant hazards. Significant hazards determined and documented include noise exposure, pesticides/chemicals exposure, accident, fire. Procedures and actions implemented to mitigate the hazards. Risk assessment reviewed on 02/01/2016.</p> <p>There was an assessment of noise levels in the POM on 21/06/2011 as seen in the Consultant Report. Work areas identified with high noise levels are the boiler station, engine room and sterilization unit where noise level exceeded 85 db. Mill management have taken steps to reduce the noise levels by more frequent lubrication of machinery, reducing the exposure time to high noise and mandatory use of ear plugs and ear mufflers.</p> <p>Annual audiometric test conducted for all mill staff and workers. The latest audiogram was carried out on 14/01/2016. The audiometric reports of five workers indicated as having mild to moderate hearing impairment and recommended to wear hearing protector. No worker have severe hearing impairment.</p> <p>Baseline audiogram and occupational and medical history records of workers maintained.</p> <p>The employees exposed to high noise levels were interviewed. The workers are aware of the danger of hearing loss due to prolonged exposure to high noise. The workers knew about the complaints process and mechanism available.</p> <p>“Permit to work” system applied at the POM. Staff and workers have been trained and certified by NIOSH for gas entrant and stand-by involving work in confined space.</p> <p>Appropriate PPE (safety boots, safety helmets, rubber boots, cartridge masks, safety goggles, gloves, overalls, ear plugs, ear mufflers) verified to be provided to and being used by the workers. Associated training provided to address safety and health issues.</p> <p>Warning signs sighted at high noise areas and ear plugs and ear mufflers to be worn. There are also warning signs to use other PPE such as helmet and safety boots.</p> <p>An audit for determining compliance with the minimum standards had been conducted on all types of PPE used.</p> <p>Adequate fire extinguishers and hose reels found to be located at strategic locations, operational and maintained in good conditions. Location map of fire extinguishers is available.</p> <p>First Aid equipment was available at POM, estates and at worksites. Samples of First Aid box was checked and contents found to be complete and in usable order during field visit. Training for workers in First Aid was carried out in</p> | <p style="text-align: center;">Complied</p> |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 28 of 67

| | | |
|--|--|-------------------|
| | <p>the mill and estates and records maintained.</p> <p>The POM and estates have established their accident reporting KPI and incident monitoring implemented. Yearly reporting of JKPP8 regulations was submitted to JKPP on time, i.e. in January of each year. The Safety & Health Officer maintains records on the rate of accidents to workmen, trends in rate of accidents, fatalities and non-fatalities captured to prevent mishaps.</p> | |
| <p>4.7.3 All workers involved in the operation shall be adequately trained in safe working practices (see Criterion 4.8). Adequate and appropriate protective equipment shall be available to all workers at the place of work to cover all potentially hazardous operations, such as pesticide application, machine operations, and land preparation, harvesting and, if it is used, burning. Major Compliance</p> | <p>Training programme planned for year 2016 includes training for all categories of workers.</p> <p>Appropriate trainings on safe working practices are planned for:</p> <ul style="list-style-type: none"> - workers exposed to machinery and high noise levels, - workers working in confined space, - harvesters - pesticides operators - manurers <p>The training programme included the various types of training such as fire fighting 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.</p> <p>Trainings records were available. Evaluation carried out on each of the trainings to determine its effectiveness.</p> | Complied |
| <p>4.7.4 The responsible person/persons shall be identified. There shall be records of regular meetings between the responsible person/s and workers. Concerns of all parties about health, safety and welfare shall be discussed at these meetings, and any issues raised shall be recorded. Major Compliance</p> | <p>The responsible person (usually the Mandore or Headman) had been identified.</p> <p>Records of regular meetings between the responsible person and workers to discuss about health and safety had been verified to be satisfactory.</p> | Complied |
| <p>4.7.5 Accident and emergency procedures shall exist and instructions shall be clearly understood by all workers. Accident procedures shall be available in the appropriate language of the workforce. Assigned operatives trained in First Aid should be present in both field and other operations, and first aid equipment shall be available at worksites. Records of all accidents shall be kept and periodically reviewed. Minor Compliance</p> | <p>Accident and emergency procedures had been written in English and Bahasa Malaysia and briefed to staff, workers, contractors and visitors.</p> <p>Workers trained in First Aid were present in the mill and field operations.</p> <p>First Aid Kits were available at worksites. Records on all accidents had been verified to be maintained satisfactorily.</p> <p>Quarterly review on accident cases had been carried out during quarterly meeting of Environment, Safety, & Health (ESH) Committee.</p> | Complied |
| <p>4.7.6 All workers shall be provided with medical care, and covered by accident insurance. Minor Compliance</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 with MSIG Insurance.</p> | Complied |
| <p>4.7.7 Occupational injuries shall be recorded using Lost Time Accident (LTA) metrics. Minor Compliance</p> | <p>Records on Lost Time Accident (LTA) metrics had been verified to be satisfactory.</p> | Complied |
| <p>Criteria 4.8 All staff, workers, smallholders and contract workers are appropriately trained.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 29 of 67

| | | |
|---|---|---|
| <p>4.8.1 A formal training programme shall be in place that covers all aspects of the RSPO Principles and Criteria, and that includes regular assessments of training needs and documentation of the programme. Major Compliance</p> | <p>A formal training programme on all aspects of RSPO Principles and Criteria and the Supply Chain Certification System have been established and implemented.</p> <p>Training for various categories of operators, including all field and office staff, with regards to their duties and training needs had been reviewed and found acceptable.</p> | <p style="text-align: center;">Complied</p> |
| <p>4.8.2 Records of training for each employee shall be maintained. Minor Compliance</p> | <p>Records of training for each employee, including new employees were maintained.</p> | <p style="text-align: center;">Complied</p> |

Principle 5: Environmental responsibility and conservation of natural resources and biodiversity

| <p>Criteria 5.1 Aspects of plantation and mill management, including replanting, that have environmental impacts are identified, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continual improvement.</p> | | |
|---|---|---|
| Indicators | Findings and Objective Evidence | Compliance |
| <p>5.1.1 An environmental impact assessment (EIA) shall be documented. Major Compliance</p> | <p>The Environmental Aspect and Impacts Assessment were conducted and well documented and reviewed in Jul 2016 and to be reviewed again annually. The assessment documents had included the identification of aspects from field activities that includes fertilizing, spraying, transportation of FFB, garbage disposal and also road maintenance. The report had also included the action plans and recommendations to mitigate the negative effects and to promote the positive ones such as relevant conservation activities applicable to the PMU.</p> | <p style="text-align: center;">Complied</p> |
| <p>5.1.2 Where the identification of impacts requires changes in current practices, in order to mitigate negative effects, a timetable for change shall be developed and implemented within a comprehensive action plan. The action plan shall identify the responsible person/persons. Minor Compliance</p> | <p>There were no major changes to the identified impacts since the establishment of the documents above.</p> <p>Impacts such as smoke emissions, noise levels, POME and EFB management were verified at the Baturong POM.</p> <p>A comprehensive action plan has also been developed and implemented to mitigate the negative effect. The estate manager and his assistant has been identified as the person responsible.</p> | <p style="text-align: center;">Complied</p> |
| <p>5.1.3 This plan shall incorporate a monitoring protocol, adaptive to operational changes, which shall be implemented to monitor the effectiveness of the mitigation measures. The plan shall be reviewed as a minimum every two years to reflect the results of monitoring and where there are operational changes that may have positive and negative environmental impacts. Minor Compliance</p> | <p>The monitoring of the documented environmental improvement plans is ongoing. Data is being collected, documented and the result is being monitored.</p> <p>Implementation and monitoring of the documented environmental improvement plans will be reviewed on an annual basis. The review will take into consideration the mitigation of negative impacts and promotion of positive ones such as the proper demarcation of buffer zone, clearing of overgrown natural vegetation and debris along the streams.</p> | <p style="text-align: center;">Complied</p> |
| <p>Criteria 5.2 The status of rare, threatened or endangered species and other High Conservation Value habitats, if any, that exist in the plantation or that could be affected by plantation or mill management, shall be identified and operations managed to best ensure that they are maintained and/or enhanced.</p> | | |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

**Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01**

Page 30 of 67

| Indicators | Findings and Objective Evidence | Compliance |
|--|---|-------------------|
| <p>5.2.1 Information shall be collated in a High Conservation Value (HCV) assessment that includes both the planted area itself and relevant wider landscape-level considerations (such as wildlife corridors).</p> <p>Major Compliance</p> | <p>HCV assessment was conducted by the IOI Group HQ and documented. It was reviewed in Jul 2016.</p> <p>The exercise has taken into consideration all aspects of environmentally sensitive areas such as ponds, streams, wildlife boundaries and was documented.</p> <p>HCV and other environmentally sensitive areas were documented and inspected on site. Perimeter boundaries bordering the plantation areas were well demarcated.</p> <p>Conservation areas/environmentally sensitive areas, i.e. buffer zones along the stretches of streams which pass through the estates had been identified and being monitored.</p> <p>Visits to site (Baturong 1 and Cantawan estates) also confirmed that they were surrounded by other palm oil estates belonging to others. None of the estates bordered any forested areas.</p> | Complied |
| <p>5.2.2 Where rare, threatened or endangered (RTE) species, or HCVs, are present or are affected by plantation or mill operations, appropriate measures that are expected to maintain and/or enhance them shall be implemented through an action plan.</p> <p>Major Compliance</p> | <p>Regular patrols within the POM and PMU were being carried out and findings recorded by the respective Estate Executives/Auxillary Police to monitor the conservation and buffer zone areas.</p> <p>Monitoring and control of any illegal hunting, fishing or collecting activities was also implemented.</p> <p>Also, signage that prohibit hunting, fishing and water polluting activities were verified on-site at all Baturong 1 and Cantawan Estates and found to have been satisfactorily maintained.</p> | Complied |
| <p>5.2.3 There shall be a programme to regularly educate the workforce about the status of these RTE species, and appropriate disciplinary measures shall be instituted in accordance with company rules and national law if any individual working for the company is found to capture, harm, collect or kill these species.</p> <p>Minor Compliance</p> | <p>There was evidence of commitment to discourage any illegal or inappropriate hunting, fishing or collecting activities via the signage erected around the affected areas which prohibit such activities.</p> <p>Training programme on RTE has also been organised and attended by personnel across the organisation.</p> | Complied |
| <p>5.2.4 Where an action plan has been created there shall be ongoing monitoring:</p> <ul style="list-style-type: none"> • The status of HCV and RTE species that are affected by plantation or mill operations shall be documented and reported; • Outcomes of monitoring shall be fed back into the action plan. <p>Minor Compliance</p> | <p>The overall management plan on the status of HCV/RTE of the Baturong PMU is collated, reviewed and monitored by the HQ sustainability team. It was reviewed in Jul 2016.</p> <p>Management plans were established and monitoring outcomes were reviewed by the Estate managers.</p> <p>Verification were also made during on-site assessment and found to be satisfactory implemented at both Baturong 1 and Cantawan Estates.</p> <p>A site (where past earthen wares were found) was already identified in Baturong 1 Estate. The site was found left in an unattended state, whereby it became hidden with overgrown bushes and signages were worn out.</p> | OBS# SH-01 |
| <p>5.2.5 Where HCV set-asides with existing rights of local communities have been identified, there shall be evidence of a negotiated agreement that optimally safeguards both the</p> | <p>It was verified that there has been no instance of HCV set-aside that conflicts with the rights of local communities at the PMU. Thus negotiated agreement of such nature is not applicable.</p> | Not Applicable |

| | | |
|---|--|-------------------|
| HCVs and these rights. | | |
| Minor Compliance | | |
| Criteria 5.3 | | |
| Waste is reduced, recycled, re-used and disposed of in an environmentally and socially responsible manner. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>5.3.1 All waste products and sources of pollution shall be identified and documented.</p> <p>Major Compliance</p> | <p>Visits made to the POM, Baturong 1 Estate and Cantawan Estate showed that all waste products and sources of pollution were identified and documented.</p> <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 ash were maintained and monitored at the POM.</p> <p>Scheduled Waste identified included 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> <p>Records on the usage and disposal were well recorded and documented.</p> <p>Segregation of wastes, i.e. general wastes and scheduled wastes was verified to be satisfactory carried out in the Baturong mill and estates. Proper storage areas were identified for the storage of the recyclable wastes at the mill and estates.</p> | Complied |
| <p>5.3.2 All chemicals and their containers shall be disposed of responsibly.</p> <p>Major Compliance</p> | <p>At the mill, the disposal of used chemicals and containers were done in accordance with their schedule on waste management as planned.</p> <p>Stores for scheduled waste were inspected and audited at site i.e. POM and disposal was done by scheduled waste disposal company authorized and licensed by Department of Environment.</p> <p>The mill has a proper Scheduled Waste Store for storing scheduled waste until time of disposal by DOE authorized waste disposal contractor (Lagenda Bumimas Sdn Bhd). Latest disposal was carried out on the 02/07/2016. Documentation relating to disposal and inventory of the schedule waste was satisfactorily documented.</p> | Complied |
| <p>5.3.3 A waste management and disposal plan to avoid or reduce pollution shall be documented and implemented.</p> <p>Minor Compliance</p> | <p>The waste management and disposal plan were in place at both the POM and estates. It has been documented and implemented as required and is being carried out responsibly.</p> <p>Segregation of wastes, i.e. general wastes and scheduled wastes was verified to be satisfactory in all the estates visited. Proper storage areas were identified for the storage of the recyclable wastes at the mill and estates.</p> <p>Waste disposal was done by an appointed contractor that is licensed by the Department of Environment.</p> <p>The solid waste management and disposal plan using landfills was available at both Baturong 1 and Cantawan estates. The landfill management was found to be satisfactory.</p> <p>Recycling of crop residues / biomass, i.e. EFB and POME had been implemented. Management EFB application plans and progress reports were verified to be satisfactory recorded.</p> | Complied |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 32 of 67

| | | |
|--|--|-------------------|
| | 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. | |
| Criteria 5.4 Efficiency of fossil fuel use and the use of renewable energy is optimised. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| 5.4.1 A plan for improving efficiency of the use of fossil fuels and to optimise renewable energy shall be in place and monitored. Minor Compliance | <p>Monthly record on energy consumption for both renewable and non-renewable sources were kept and documented. It is monitored to optimise use of renewable energy. Data is compiled for comparison and control for future improvement.</p> <p>Visit to Baturong mill showed evident that they are compiling the data, document it for further action to improve on their efficiency of using the renewable and non-renewable energy.</p> <p>Apart from use of diesel for generating electricity, palm fiber was also used to generate electricity through steam turbine and boiler. The processing of the CPO was done using the turbine generation.</p> <p>The use of energy in palm oil mill and line site was monitored monthly to compare the energy usage against the production of CPO. Electricity generation was through steam turbine and boiler where Palm fiber and PK shells were used as renewable energy/fuel.</p> <p>It was verified that energy usage are being monitored daily. Data is being collected at both the POM and estates.</p> | Complied |
| Criteria 5.5 Use of fire for preparing land or replanting is avoided, except in specific situations as identified in the ASEAN guidelines or other regional best practice. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| 5.5.1 There shall be no land preparation by burning, other than in specific situations as identified in the 'Guidelines for the Implementation of the ASEAN Policy on Zero Burning' 2003, or comparable guidelines in other regions. Major Compliance | <p>IOI Group had observed the policy of 'Zero open burning' for any replanting, if any, at the estates.</p> <p>Field inspections made at Baturong 1 estate and Cantawan estate showed no evidence of open burning.</p> | Complied |
| 5.5.2 Where fire has been used for preparing land for replanting, there shall be evidence of prior approval of the controlled burning as specified in 'Guidelines for the Implementation of the ASEAN Policy on Zero Burning' 2003, or comparable guidelines in other regions. Minor Compliance | <p>The PMUs shall adhere to the 'zero burning' policy for replanting at the estates.</p> <p>During the audit, there were no replanting activities carried out in the IOI Baturong plantation group.</p> <p>Also, there was no evidence of any burning of domestic waste at the housing line sites and at the sanitary landfills of the estates during on site field assessment. The sanitary landfill located at both Baturong 1 estate and Cantawan estate were located far away from the workers quarters, village and water sources.</p> | Complied |
| Criteria 5.6 Plans to reduce pollution and emissions, including greenhouse gases, are developed, implemented and monitored. | | |
| Indicators | Findings and Objective Evidence | Compliance |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

**Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01**

Page 33 of 67

| | | |
|---|--|---|
| <p>5.6.1 An assessment of all polluting activities shall be conducted, including gaseous emissions, particulate/soot emissions and effluent (see Criterion 4.4).</p> <p>Major Compliance</p> | <p>Monitoring of mill gas emissions is being done online using the Continuous Emissions Monitoring System (CEMS) and supported by the Ringelmann Smoke Chart. Report showed evident that the emission is within the permissible limits of DOE as verified by documents made available during the on-site visit to the Baturong mill.</p> <p>POME treatment, monitoring and land application is monitored, maintained and adhered to DOE regulations.</p> | <p style="text-align: center;">Complied</p> |
| <p>5.6.2 Significant pollutants and greenhouse gas (GHG) emissions shall be identified, and plans to reduce or minimise them implemented.</p> <p>Major Compliance</p> | <p>Identification of significant pollutants and greenhouse gas (GHG) emissions has been done, e.g. POME, diesel / fuel and fertilizer. Their usage have been recorded and documented at both the POM and estates.</p> <p>GHG report calculation has also been submitted to RSPO on 02/08/2016 using the PalmGHG v2.1.1.</p> | <p style="text-align: center;">Complied</p> |
| <p>5.6.3 A monitoring system shall be in place, with regular reporting on progress for these significant pollutants and emissions from estate and mill operations, using appropriate tools.</p> <p>Minor Compliance</p> | <p>Monitoring and reporting of the significant pollutants to water, gaseous emissions to air and contamination on land are in place.</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>Water samples were regularly taken and tested by mill environment officer in charge and analyzed to ensure compliance to DOE requirements at final discharge points. The water samples were sent for analysis. This was conducted by Multi Serve Enterprise on a monthly basis. Records are maintained and verified on-site to have met the permissible regulatory limits (Domestic Water Discharge Quality Report dated Mar 2015).</p> | <p style="text-align: center;">Complied</p> |

Principle 6: Responsible consideration of employees, and of individuals and communities affected by growers and mills.

| | | |
|--|---|---|
| <p>Criterion 6.1 Aspects of plantation and mill management that have social impacts, including replanting, are identified in a participatory way, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continual improvement.</p> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <p>6.1.1 A social impact assessment (SIA) including records of meetings shall be documented.</p> <p>Major Compliance</p> | <p>At the PMU, the respective Social Impact Assessment reports and Management Plans at all estates and mill were individually documented by the Sustainability Team of IOI. The SIA contains inputs from external stakeholders' consultation with the local communities and employees which was held on 02 Jun 2016 for the mill and Baturong 1 Estate. In Cantawan Estate, external stakeholder consultation was conducted separately, i.e. on 16 Jun 2016. In each external stakeholders' consultation conducted, participation of external stakeholders were verified, e.g. 19 external stakeholders participated in stakeholder consultation for the mill and Baturong 1 Estate. There were 14 participants in the stakeholder consultation for Cantawan Estate. Participants of these stakeholders' consultations include contractors, suppliers, government agencies, police, neighbouring estate, etc. Final revision of SIAs for each management units were dated 1 Jul 2016.</p> | <p style="text-align: center;">Complied</p> |
| <p>6.1.2 There shall be evidence that the</p> | <p>The group has considered issues of social impact to</p> | <p style="text-align: center;">Complied</p> |

| | | |
|---|---|--------------------------------------|
| <p>assessment has been done with the participation of affected parties.</p> <p>Major Compliance</p> | <p>employees and communities affected by their activities. Records of meeting with stakeholders indicated discussions held were generally on matters pertaining to access roads and use rights, working conditions, cultural/festival activities, health facilities and other community concerns.</p> <p>In all meeting minutes of ECC and Gender Committee, list of attendance and photos of the session were kept in file showing evidence of participation of affected parties. Through verification of entries made in the Complaints & Grievance Book in POM and estates and interviews made, it was clear that the workers are well informed of issues related to their rights.</p> | |
| <p>6.1.3 Plans for avoidance or mitigation of negative impacts and promotion of the positive ones, and monitoring of impacts identified, shall be developed in consultation with the affected parties, documented and timetabled, including responsibilities for implementation.</p> <p>Major Compliance</p> | <p>A time table of activities identified was sighted with time frame on implementation plans. Site inspection carried out confirmed that the implementations were in progress. Latest Social Plans sighted are for the period of May 2016-Jun 2017 at both estates audited and from Jan-Dec 2016 for the POM. Complaints submitted through ECC meetings, grievance book, etc., received by the management were recorded and also indicated with status either continuous, completed or pending.</p> | <p align="center">Complied</p> |
| <p>6.1.4 The plans shall be reviewed as a minimum once every two years and updated as necessary, in those cases where the review has concluded that changes should be made to current practices.</p> <p>There shall be evidence that the review includes the participation of affected parties.</p> <p>Minor Compliance</p> | <p>The plans are reviewed annually together with affected parties as mentioned especially the workers were consulted during the ECC meetings, daily morning muster and individual reports made in the Grievance Books maintained.</p> | <p align="center">Complied</p> |
| <p>6.1.5 Particular attention shall be paid to the impacts of smallholder schemes (where the plantation includes such a scheme).</p> <p>Minor Compliance</p> | <p>There are no smallholders at the PMU. Thus this is not applicable.</p> | <p align="center">Not Applicable</p> |
| <p>Criterion 6.2</p> <p>There are open and transparent methods for communication and consultation between growers and/or millers, local communities and other affected or interested parties.</p> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <p>6.2.1 Consultation and communication procedures shall be documented.</p> <p>Major Compliance</p> | <p>IOI's Group consultation and communication procedures are available via website link: http://www.ioigroup.com/Corporateresponsibility/environment_plantation.cfm</p> <p>The PMU has adopted an open and transparent method of communication and consultation when dealing with relevant parties, e.g. its workers, government agencies, contractors, neighbouring plantations by personal invitation to attend the internal and external stakeholders' consultation meetings.</p> | <p align="center">Complied</p> |
| <p>6.2.2 A management official responsible for these issues shall be nominated.</p> <p>Minor Compliance</p> | <p>Records sighted show evidence of the existence of appointed teams headed by estate managers assisted by assistant managers. E.g. Mr. Rodricks Rajesh, Assistant Manager is identified in the SIA as Social Liaison Officer for the the POM. In Baturong 1 Estate Mr. Agus Sinring, Assistant Manager is identified in the SIA as Social Liaison Officer and similarly Mr. Agus Sinring, Assistant Manager in Cantawan</p> | <p align="center">Complied</p> |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 35 of 67

| | | |
|--|--|-------------------|
| | Estate. | |
| <p>6.2.3 A list of stakeholders, records of all communication, including confirmation of receipt and that effort are made to ensure understanding by affected parties, and records of actions taken in response to input from stakeholders, shall be maintained.</p> <p>Minor Compliance</p> | <p>The list of stakeholders, communication and actions taken were maintained in Stakeholders File. Consultations with various stakeholders held and meeting minutes have been verified during the audit.</p> | Complied |
| <p>Criterion 6.3</p> <p>There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all affected parties.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>6.3.1 The system, open to all affected parties, shall resolve disputes in an effective, timely and appropriate manner, ensuring anonymity of complainants and whistleblowers, where requested.</p> <p>Major Compliance</p> | <p>All estates in the PMU have established complaints and grievances procedures and they were all well implemented. Complaints and Grievances logbooks were sighted in all audited estates and actively used by workers.</p> <p>Timelines for response to complaints and grievances are either indicated in the logbook or ECC representatives are appropriately established and implemented. Generally respond time for minor requests will be within 2-3 days.</p> <p>Complaints and Grievances Logbooks are for complaints which are not private and confidential in nature. For reports which are related to private matters such as sexual harassment reports separate logbooks are prepared and always kept under lock and key locations. Complainants are given the option whether the make the report personally or through nominated workers' representatives.</p> <p>It is verified during on-site interviews that there were no incidents of dispute or grievance of a serious nature.</p> <p>Since Feb 2014, IOI had developed "Dasar Pemberi Maklumat (Whistleblowing)" which was approved by "Jawatankuasa Audit dan Pengurusan Risiko".</p> | Complied |
| <p>6.3.2 Documentation of both the process by which a dispute was resolved and the outcome shall be available.</p> <p>Minor Compliance</p> | <p>The PMU have a system for handling compensation claim in an effective, timely and appropriate manner. So far there has not been any dispute raised which was verified during on-site interviews with the workers.</p> | Complied |
| <p>Criterion 6.4</p> <p>Any negotiations concerning compensation for loss of legal, customary or user rights are dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>6.4.1 A procedure for identifying legal, customary or user rights, and a procedure for identifying people entitled to compensation, shall be in place.</p> <p>Major Compliance</p> | <p>There are no borders adjacent to any village at the estates audited in the PMU.</p> <p>No changes in status as of audit day hence no negotiation or compensation pertaining to this criterion</p> | Not Applicable |
| <p>6.4.2 A procedure for calculating and distributing fair compensation (monetary or otherwise) shall be established and implemented, monitored and evaluated in a</p> | <p>The IOI Group has a procedure for calculating and distributing compensation which is available. To the date, there has been no dispute by any parties reported at the PMU.</p> | Complied |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

**Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01**

Page 36 of 67

| | | |
|---|---|--------------------------|
| <p>participatory way, and corrective actions taken as a result of this evaluation. This procedure shall take into account: gender differences in the power to claim rights, ownership and access to land; differences of transmigrants and long-established communities; and differences in ethnic groups' proof of legal versus communal ownership of land.</p> <p>Minor Compliance</p> | | |
| <p>6.4.3 The process and outcome of any negotiated agreements and compensation claims shall be documented, with evidence of the participation of affected parties, and made publicly available.</p> <p>Major Compliance</p> | <p>To date, there has been no dispute by any parties reported. Therefore the process and outcome of compensation could not be observed.</p> | <p>Not Applicable</p> |
| <p>Criterion 6.5 Pay and conditions for employees and for contract workers always meet at least legal or industry minimum standards and are sufficient to provide decent living wages.</p> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <p>6.5.1 Documentation of pay and conditions shall be available.</p> <p>Major Compliance</p> | <p>Offer letters and work contracts for local staff and foreign workers are verified. The contracts met the industry minimum standards including included extra pays under the statutory fringe benefits.</p> <p>The pay slips for workers at the estates and mill were verified to contain all necessary information and can easily be understood by the workers, e.g. type and rate of works completed, days offered, days worked, days absent, total deduction, etc.</p> <p>Review of field workers' pay slips showed that the calculation of pay is clearly itemised, for example:</p> <ul style="list-style-type: none"> • Normal day field work wage [Daily Rated or Piece Rated] • Normal working day overtime • Working rest day • Overtime for working rest day • Working public holiday • Overtime for working public holiday • Out-turn incentives [December pay slips only] • Conversion of annual leave into annual payment renewal [December pay slips only] <p>Based on instruction circulated in IOI Memorandum dated 2 Feb. 2015 all estates and mill managements at the PMU are instructed to use workers contracts in national language of the foreign workers hired. Signed workers contract in Indonesian, Indian, Myanmar, Urdu, Malay and English languages were verified.</p> | <p>Complied</p> |
| <p>6.5.2 Labour laws, union agreements or direct contracts of employment detailing payments and conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc.) shall be available in the</p> | <p>On 20 Jun 2016, a memorandum has been distributed to IOI PMUs in Sabah including Baturong PMU with regards to the revised wages in accordance with Minimum Wages Order 2016. According to this memorandum monthly minimum wage is RM920/month or RM35.38/day. The employment contracts used are approved by the Sabah Human Resources Department, i.e. Jabatan Tenaga Kerja Sabah. The agreement covers all aspects such as working hours,</p> | <p>Complied</p> |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 37 of 67

| | | |
|---|---|-----------------|
| <p>languages understood by the workers or explained carefully to them by a management official.</p> <p>Minor Compliance</p> | <p>deductions, overtime, sickness, holiday entitlement, maternity leave, and reasons for dismissal, period of notice made available in Bahasa Malaysia which is understood by the workers.</p> <p>The passports, work permits, permits for deduction of wages are in proper order in all estates visited. The obligatory Foreign Workers Compensation Scheme [FWCS] for foreign workers were issued by MSIG and expired on 30 Sep 2016 in the POM and all estates audited.</p> <p>At the estates audited a number of field workers found to have received less than stipulated minimum wages and reasons provided by the management were absenteeism, long holidays and low productivity. These reasons were verified as true during the audit.</p> <p>Employment Act 1955, stated that “wages” is defined as the “...work done in respect of his contract of service...”.</p> <p>The Minimum Wages Order 2012, stated that it is also referring to the same definition of “wages” used in Employment Act 1955 [see Guideline to the Implementation of The Minimum Wages Order 2012, Annex A, First Schedule Employment Act 1955, Article 3]. Therefore the workers have to fulfill the terms of service (viz; to complete the assigned daily tasks, no. of working hours stipulated and not refusing assigned extra tasks other than their main work scope) in order to receive the minimum wages as defined above.</p> <p>The practice for payment of wages to workers who did not achieved the minimum wages to the workers due to non-fulfilment of the terms of service is clearly permitted by both Minimum Wages Order 2012 and Employment Act 1955.</p> <p>This is further confirmed by the interview (by the auditor) with Mr. Kamarul Izham Kamaruddin from Labour Dept. Kunak, he confirmed that the practice mentioned above, currently implemented by the PMU and the industry in general, is correct and complied with the Minimum Wages Order 2016.</p> <p>However, even with permission of the law to adopt such, these workers are identified and provided with an opportunity to explain their inability to achieve the minimum wages set by the law and the management. Workers explanation and the decision made by the management, if any, e.g. change to another type of job, offer to perform additional jobs, offer to work on less difficult location, are recorded in Senarai Pekerja Di Bawah Gaji Minimum Untuk Bulan in Cantawan Estate. This serves as evidence that the workers understood the reasons for them receiving wages less than required by law. In addition this also served as evidence for the efforts taken by the management to motivate and assist workers with under-performance issues. The form mentioned above is signed by the workers, workers representative as witness, the field supervisors and the management after completion.</p> <p>It was also found the workers received more than required minimum wages if the workers reached the daily target and working the whole month without absent. Payment is calculated based on piece rate, thus the workers have to reach certain target per day as well in order to reach the minimum pay of RM920/month.</p> | |
| <p>6.5.3 Growers and millers shall provide adequate housing, water supplies, medical, educational and welfare amenities to national standards or</p> | <p>The PMU has provided adequate housing, water supplies, medical, educational and welfare amenities in accordance with Local - Workers' Minimum Standard of Housing and</p> | <p>Complied</p> |

| | | |
|--|---|--------------------------------|
| <p>above, where no such public facilities are available or accessible.</p> <p>Minor Compliance</p> | <p>Amenities Act 1990 to the workers.</p> <p><u>Housing, electricity and water supply</u></p> <p>Workers are given a small patch of land to grow vegetables/ fruit trees and keep poultry around their houses in order to reduce the cost of living. The workers staying in the estate are provided with free electricity and treated pond water 24 hours daily. There were also some new workers quarters being built in the estates audited. Line site inspection is conducted weekly by the office and the Health Assistant (HA).</p> <p><u>Schools</u></p> <p>The migrant workers' children had received free education in a NGO-managed school, i.e. HUMANA. Maintenance of the school building, furniture, electric and water supplied are under the purview of the estate management. Furthermore, foreign teachers originally from Indonesia are paid by the estate management through HUMANA.</p> <p><u>Sundry shops</u></p> <p>Sundry shops available outside at each estate audited. From interviews with the workers in PMU it was found that most household sundries, including frozen foodstuffs were available on sale. Fresh food, such as fish, chicken, vegetable and meat are also brought in by fresh food suppliers into the estates in food trucks at least twice a week.</p> <p><u>Crèche (Rumah Asuhan Kanak-kanak)</u></p> <p>Creche is available in each estate and they are well maintained. The crèche ayahs are well trained on procedures of using the first aid kits. Depending on the estate management, some crèche are provided biscuits or chocolate drink. Creche inspection is conducted weekly by the HA.</p> <p><u>Medical clinics</u></p> <p>Clinic in Baturong 1 Estate is serving workers from the estate and the POM. The clinic in Cantawan Estate is wholly for the staff and workers in that estate. Both clinics are manned by experienced HA with sufficient health assistants. Medical and ambulance services for the PMU is free of charge. Record of visiting medical officer were also sighted. Medical fees for workers sent to local hospital are also covered by the management.</p> | |
| <p>6.5.4 Growers and millers shall make demonstrable efforts to monitor and improve workers' access to adequate, sufficient and affordable food.</p> <p>Minor Compliance</p> | <p>The PMU has ensured that the workers have access to adequate, sufficient and affordable food by providing the workers with local sundry shops within their compounds.</p> <p>Most of the estates visited however are located close the some small townships which are reachable by local transportation, e.g. Baturong 1 Estate is near to Kunak town, whilst Cantawan Estate is near to Lahad Datu town. Workers requested the estate management to organise night market at least once a month. Since there are night markets already organised at nearby estates, the estate management did not see the necessity to organise such market. These nearby estates are not belong to IOI, but they allowed access to their</p> | <p align="center">Complied</p> |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 39 of 67

| | | |
|---|---|-------------------|
| | compound during the night market. | |
| Criterion 6.6 The employer respects the rights of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, the employer facilitates parallel means of independent and free association and bargaining for all such personnel. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| 6.6.1 A published statement in local languages recognising freedom of association shall be available. Major Compliance | The published statements of policy which recognises employee's freedom of association, was noted to be available and widely displayed in Bahasa Malaysia. Each of the estates audited in the PMU had formed the ECC as a mechanism to cater the collective bargaining needs of the workers. Results of ECC meetings were minuted and available for verification. | Complied |
| 6.6.2 Minutes of meetings with main trade unions or workers representatives shall be documented. Minor Compliance | The PMU has published a statement (in local languages) recognizing freedom of association at the POM office. The representation from the different levels of workers is through the Employees Consultative Council (ECC). These representatives are elected by the workers. In all meetings, minutes of ECC, list of attendance and photos of the sessions were kept in file showing evidence of participation of affected parties. For example, latest ECC meeting in the POM was conducted on 27 May 2016 with attendance of 15 workers from different units. Chairperson of the ECC is Mr. Yusriyadi Mustaming. Inputs and request raised during ECC meetings were verified to be included in the continual improvement plans of the mill and estates. | Complied |
| Criterion 6.7 Children are not employed or exploited. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| 6.7.1 There shall be documentary evidence that minimum age requirements are met. Major Compliance | There was no evidence of any child labor being used at the PMU. The Child Labour Policy adopted by estate managements had stated that the minimum age of workers is 19 years. Site inspection of the employment records in all estates confirmed that this has been complied. 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 built with the help of the PMU. Inspection of the employment records including site visit to the estates confirmed that this criterion has been complied with. | Complied |
| Criterion 6.8 Any form of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age, is prohibited. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| 6.8.1 A publicly available equal opportunities policy including identification of relevant/affected groups in the local environment shall be documented. | The policy statements which recognize Equal Job Opportunity were widely available and displayed in local languages and English. Inspections including interviews in the estates of the PMU, checking of the employment records including migrant workers, pay slips and deductions of wages | Complied |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 40 of 67

| | | |
|---|--|-------------------|
| Major Compliance | (according to law) confirmed that this criteria have been maintained. | |
| 6.8.2 Evidence shall be provided that employees and groups including local communities, women, and migrant workers have not been discriminated against. Major Compliance | Based on interviews and feedback from the employees, migrant workers and review of ECC meeting minutes and Grievance Book, it is verified that there has been no issue of discrimination at the PMU. | Complied |
| 6.8.3 It shall be demonstrated that recruitment selection, hiring and promotion are based on skills, capabilities, qualities, and medical fitness necessary for the jobs available. Minor Compliance | The PMU demonstrated that staff are hired and promoted based on specific criteria. However, promotion to higher position sometime take a longer period due to the position sought is not yet vacant. For foreign workers, hiring is based on employment agencies recommendation. However, it was evident that no discrimination on promotion as both men and women, local and foreign workers have equal opportunity to be promoted. | Complied |
| Criterion 6.9 There is no harassment or abuse in the work place, and reproductive rights are protected. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| 6.9.1 A policy to prevent sexual and all other forms of harassment and violence shall be implemented and communicated to all levels of the workforce. Major Compliance | The established social policy has covered aspects on sexual harassment, gender and women reproductive rights. There are gender committees specifically to address areas of concerns to women. These committees headed by the managers and members are representatives from all areas of work. The minutes of meetings were documented and kept. For example, in the POM, latest Gender Consultative Committees (GCC) meeting, which is called as Permata Hati, was conducted on 08 Apr 2016 and chaired by Ms. Anita J. Rullado. In Cantawan Estate the GCC is called PERMANIS and latest meeting conducted was on 17 Jul 2016. The GCC in Baturong 1 Estate is called PERNITA and conducted a meeting on 17 May 2016. The policy statements on prevention of sexual harassment, protection of gender and women reproductive rights were widely available and displayed in local languages and English. Briefing sessions were conducted together with the GCC meetings in all estates audited as well at the POM for both male and female workers | Complied |
| 6.9.2 A policy to protect the reproductive rights of all, especially of women, shall be implemented and communicated to all levels of the workforce. Major Compliance | Pregnant and breastfeeding women were exempted from work associated with potentially hazardous chemicals and were given light duties such as work in and around the office and crèche. For example in Sep 2014, Ani Hamide was transferred to housemaid due to her pregnancy. However, in most cases based on the advice from the management, female workers found to be voluntarily resigned from work due to her pregnancy during the audit. Letter from the Visiting Medical Officer dated 12 Mar 2015 also recommended the same practice as high occurrences of habitual abortion, especially in Cantawan Estate were found. Protection of reproductive rights also carried out by providing free ante-natal services at the estate clinics and ambulance ride to nearest hospital. If the workers delivered their child at the quarters, the estate HA will collect all necessary data and fill in relevant forms to be submitted to the authorities, i.e. | Complied |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 41 of 67

| | | |
|--|--|-------------------|
| | government hospital. | |
| <p>6.9.3 A specific grievance mechanism which respects anonymity and protects complainants where requested shall be established, implemented, and communicated to all levels of the workforce.</p> <p>Minor Compliance</p> | <p>The Grievance process flowchart and procedures are displayed in the estate offices. The grievance mechanism established at the PMU has been maintained. There are gender committees specifically to address areas of concern to women. These committees headed by the managers and members are representatives from all areas of work. The minutes of meetings were documented and kept.</p> | Complied |
| <p>Criterion 6.10 Growers and millers deal fairly and transparently with smallholders and other local businesses.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>6.10.1 Current and past prices paid for Fresh Fruit Bunches (FFB) shall be publicly available.</p> <p>Minor Compliance</p> | <p>All estates in the PMU have no dealings with smallholders. No changes with regards to dealing with smallholders since last year and no evidence to suggest of any unfair business practices with the local businesses.</p> | Complied |
| <p>6.10.2 Evidence shall be available that growers/millers have explained FFB pricing, and pricing mechanisms for FFB and inputs/services shall be documented (where these are under the control of the mill or plantation).</p> <p>Major Compliance</p> | <p>The PMU maintained records on current and past prices paid for FFB. Monthly prices are displayed at the POM office and FFB price data are available to the public upon request.</p> | Complied |
| <p>6.10.3 Evidence shall be available that all parties understand the contractual agreements they enter into, and that contracts are fair, legal and transparent.</p> <p>Minor Compliance</p> | <p>Based on employee contracts and meeting minutes (between the PMU managements and employees) it is evidenced that all parties understand the contractual agreements they enter into, and that contracts are fair, legal and transparent. Interviews with parties concerned confirmed that business practices with local businesses are conducted in a fair and transparent manner. Work tenders are open to appropriate parties and reviewed by Tender Committee before approval. The contractors are monitored during work in progress to follow safety requirements.</p> | Complied |
| <p>6.10.4 Agreed payments shall be made in a timely manner.</p> <p>Minor Compliance</p> | <p>The PMU has a policy to ensure agreed payments were made in a timely manner as per the contracts of agreement made. Payments are made on time according to common practice of 60-day grace period.</p> | Complied |
| <p>Criterion 6.11 Growers and millers contribute to local sustainable development where appropriate.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>6.11.1 Contributions to local development that are based on the results of consultation with local communities shall be demonstrated.</p> <p>Minor Compliance</p> | <p>Main contribution of the estates to the local development can be demonstrated in the provision of facilities, services and where feasible, monetary. For example, based on cooperation with Sabah Immigration Department and Indonesian consulate, IOI has been assisting and sponsoring its foreign workers and their independents to acquire proper travelling documents if they do not have any.</p> <p>With regards to HUMANA, the PMU has been replacing old HUMANA buildings with the new ones for the past few years. The Community Learning Centre (CLC) was also built by the PMU in collaboration with HUMANA management in order to provide children completing primary school to still acquire necessary education suitable for their age. These HUMANA schools are not only for children within the PMU only but also open for children from surrounding areas. Free transport are</p> | Complied |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 42 of 67

| | | |
|--|--|----------------|
| | <p>provided by the office management for children to the schools. New workers quarters were also observed in all estates visited as well as at the POM. In Baturong 1 Estate especially, new fully covered futsal court is under construction during the assessment.</p> <p>Clinics are available in the line sites of both estates audited. From the interviews with the Medical/Health Assistant as well as the teachers from HUMANA schools, the clinics do provide treatment to the school children if it is really necessary especially during emergency.</p> | |
| <p>6.11.2 Where there are scheme smallholders, there shall be evidence that efforts and/or resources have been allocated to improve smallholder productivity</p> <p>Minor Compliance</p> | Not applicable | Not Applicable |
| <p>Criterion 6.12 No forms of forced or trafficked labour are used.</p> | | |
| <p>6.12.1 There shall be evidence that no forms of forced or trafficked labour are used.</p> <p>Major Compliance</p> | <p>Estate workers are sourced by the IOI appointed agents and handled via IOI Lahad Datu Region office [LDRO].</p> <p>All procedures of bringing in foreign workers are with the approval from the Immigration Office. Based on records verified and interviews with some of the workers, it is confirmed that there has been no occurrence of forced nor trafficked workers in IOI estates.</p> | Complied |
| <p>6.12.2 Where applicable, it shall be demonstrated that no contract substitution has occurred.</p> <p>Minor Compliance</p> | No issue of contract substitution has been found and this was confirmed through interviews with external stakeholders. | Complied |
| <p>6.12.3 Where temporary or migrant workers are employed, a special labour policy and procedures shall be established and implemented.</p> <p>Major Compliance</p> | A policy on Equal Opportunity was adopted and implemented by the PMU and verified to have covered all necessary aspects of migrant workers related issues. | Complied |
| <p>Criterion 6.13 Growers and millers respect human rights.</p> | | |
| <p>6.13.1 A policy to respect human rights shall be documented and communicated to all levels of the workforce and operations (see Criteria 1.2 and 2.1).</p> <p>Major Compliance</p> | <p>Clauses pertaining to Human Rights Policy were stated in the Equal Opportunity and Non-Discrimination Policy. Adoption of the Special Labour Policy and Procedures especially covering migrant workers on 01 Mar 2016 covers majority of the principles in 03 UN Guiding Principles on Business & Human Rights 2011.</p> | Complied |
| <p>6.13.2 As long as children of plantation workers of Sabah and Sarawak are not secured a right to go to government school, the plantation companies should engage in a process to secure the children of the plantation workers access to education as a moral obligation.</p> <p>Minor Compliance</p> | <p>The "Sustainability Policy Statement" dated Mar 2014 signed by Dato' Lee Yeow Chor recently adopted and implemented by the PMU verified to have covered the necessary aspects of human rights related issues, including access to education for the children of foreign workers.</p> | Complied |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 43 of 67

Principle 7: Responsible development of new plantings

Baturong PMU has documented procedures for this development but to date has not carried any new plantings after Nov 2005. Therefore, the requirements of Principle 7 are not applicable during this assessment.

Principle 8: Commitment to continuous improvement in key areas of activity

| Criterion 8.1 | | |
|--|--|-------------------|
| Growers and millers regularly monitor and review their activities, and develop and implement action plans that allow demonstrable continual improvement in key operations. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>8.1.1 The action plan for continual improvement shall be implemented, based on a consideration of the main social and environmental impacts and opportunities of the grower/mill, and shall include a range of Indicators covered by these Principles and Criteria.</p> <p>As a minimum, these shall include, but are not necessarily be limited to:</p> <ul style="list-style-type: none"> • Reduction in use of pesticides (Criterion 4.6); • Environmental impacts (Criteria 4.3, 5.1 and 5.2); • Waste reduction (Criterion 5.3); • Pollution and greenhouse gas (GHG) emissions (Criteria 5.6 and 7.8); • Social impacts (Criterion 6.1); • Encourage optimising the yield of the supply base. <p>Major Compliance</p> | <p>The POM has identified and implemented the following Continual Improvement Action Plans:</p> <ul style="list-style-type: none"> • Installation of 4 units of oil traps. • Increase usage of dewatering bags for desilting of effluent ponds. • New contractors' housing. • New block of executive houses. • New prayer building (surau) for POM. <p>The estates have identified and implemented the following Continual Improvement Action Plans:</p> <ul style="list-style-type: none"> • Planting of more cover crops along steep slopes • Ongoing planting of beneficial plants (<i>Turnera subulata</i>, <i>Cassia cobanensis</i> and <i>Antigonon leptopus</i>) along the roads. • Fertilizer bags are to be recycled and empty pesticide containers to be returned to supplier. In addition, waste will also be segregated accordingly to the plastic and organic materials, and is ongoing. • New contractors' housing. • New block of executive houses. • New prayer building (surau) for POM. • Reuse fertilizer bags for loose fruit collections. • Recycle the usage of pesticide containers for carrying pre-mixed pesticides for spraying. • Increase the quality and yield of FFB. • Humana School (facility, maintenance, transport). • Transportation provided for HUMANA CLC teachers located in Baturong 3 Estate to respective management units (requested during stakeholders' consultation). • Increment of wages for all mill workers starting Jul 2016 based on request made during internal stakeholders' consultation (Basic wages for mill workers are already complying with the Minimum Wages Order 2016 even without this current increment. However, increment is decided to ensure the mill workers do not feel left out when the estate workers are awarded with increment due to Minimum Wages Order 2016). | <p>Complied</p> |

| | | |
|--|--|--|
| | <ul style="list-style-type: none"> Improvement in domestic waste collection system with a temporary site to collect waste from houses before transported to landfill. Building of better multi-purpose sport arena which could accommodate futsal, takraw, badminton, volleyball courts in Baturong 1 esatte (Request for the sports arena during stakeholders' consultation). Annual school donation to HUMANA students, especially school bags. <p>Evidence of results was available for the above continuous improvement action plans.</p> | |
|--|--|--|

3.1.1 Supply Chain Certification Standards Findings - on CPO Mill

The Supply Chain model applied at IOI Baturong POM during this assessment is **Module D – CPO Mills: Identity Preserved (IP)**.

Details of findings are as follows:

| D.1 Definition | | |
|---|---|-------------------|
| Indicators | Findings and Objective Evidence | Compliance |
| <p>D.1.1</p> <p>A mill is deemed to be Identity Preserved (IP) if the FFB used by the mill are sourced from its own supply base certified to the RSPO Principles and Criteria (RSPO P&C). Certification for CPO mills is necessary to verify the volumes and sources of certified FFB entering the mill, the implementation of any processing controls (for example, if physical separation is used), and volume sales of RSPO certified products. A mill may be taking delivery of FFB from uncertified growers, in addition to those from its own certified land base. If a mill processes certified and uncertified FFB without physically separating the material then only Module E is applicable.</p> | <p>The POM only processed FFB from its own supply base (see Section 1.3). It was verified that there was no sources of FFB from any outgrowers or independent suppliers / smallholders. The CPO Mill is therefore applying the Identity Preserved (IP) module.</p> | Complied |
| D.2 Explanation | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>D.2.1</p> <p>The estimated tonnage of CPO and PK products that could potentially be produced by the certified mill must be recorded by the certification body (CB) in the public summary of the P&C certification report. This figure represents the total volume of certified palm oil product (CPO and PK) that the certified mill is allowed to deliver in a year. The actual tonnage produced shall then be recorded in each subsequent annual surveillance report.</p> | <p>The estimated tonnage of CPO and PK products that could potentially be produced by the POM is recorded in this Assessment Report. This figure represents the total volume of certified palm oil product (CPO and PK) that the certified mill is allowed to deliver in a year. The actual tonnage produced has been recorded in each annual surveillance report (see Section 1.8.2 Table 6 and Section 1.8.3 Table 7).</p> | Complied |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 45 of 67

| | | |
|--|--|--------------------------|
| <p>D.2.2 The mill must also meet all registration and reporting requirements for the appropriate supply chain through the RSPO supply chain managing organization (RSPO IT platform or book and claim).</p> | <p>The POM meets all registration and reporting requirements for the appropriate supply chain through the RSPO Supply Chain managing organization (RSPO IT platform or book and claim).</p> | <p>Complied</p> |
| <p>D.3 Documented procedures</p> | | |
| <p>D.3.1 The site shall have written procedures and/or work instructions to ensure the implementation of all the elements specified in these requirements. This shall include at minimum the following:</p> | <p>Documented procedure for IP Module is: RSPOSC/SOP/IP/3 issue 04, 02/01/2015. The procedure covered the implementation of all elements of IP Module.</p> | <p>Complied</p> |
| <p>a) Complete and up to date procedures covering the implementation of all the elements in these requirements</p> | <p>The documented procedure and its implementation confirmed to have complied with all the specified requirements of Identity Preserved (IP) Module D that include controlling the FFB receipt, processing, sales, CPO and PK dispatch, and records keeping.</p> | <p>Complied</p> |
| <p>b) The role of the person having overall responsibility for and authority over the implementation of these requirements and compliance with all applicable requirements. This person shall be able to demonstrate awareness of the site's procedures for the implementation of this standard.</p> | <p>Mill manager, Mr Kesavan Manohar has the overall responsibility and authority for implementation and compliance with the documented procedure. He and other relevant staff (e.g. Asst. Mill Manager, Mr. Rajesh P Rodricks) under his charge demonstrated competence, skill and knowledge of the RSPO Supply Chain Certification Standard Module D requirements and its implementation. Interviews of the relevant staff confirmed their knowledge of the RSPO Supply Chain Certification requirements for the respective areas of operations. The Palm Oil Mill Organization Chart and job responsibilities of employees (Mill Manager, Assistant Manager, Engineers, Assistant Engineers, Technical Executive, Supervisor, Weighbridge Operators Laboratory Chemist and clerks) have been suitably defined in the IOI Management System Manual.</p> | <p>Complied</p> |
| <p>D.3.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFBs.</p> | <p>For the period FY 2015/2016, the POM only received and processed FFB mainly from the PMU estates and some FFB from other certified IOI PMUs estates. The PMU did not receive any non-certified FFB from other sources or suppliers. All supplies of FFB were subjected to verification of documents and quality checks by weighbridge personnel. The identification and documentation needed for supply and processing from the other sources or suppliers are adequately addressed under the procedure. The POM has 4 CPO storage tanks that stored the IP quantities.</p> | <p>Complied</p> |
| <p>D.4 Purchasing and goods in</p> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <p>D.4.1 The facility shall verify and document the tonnages and sources of certified and</p> | <p>The Mill had maintained record of tonnages and supply source of FFB from the respective estates at the weighbridge station, in the dispatch chit and weighbridge</p> | <p>Complied</p> |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 46 of 67

| | | |
|--|--|-------------------|
| non-certified FFBs received. | ticket and these are reported daily to the Lahad Datu Regional office and weekly to the Head Office at Putrajaya. | |
| D.4.2 The facility shall inform the CB immediately if there is a projected overproduction of certified tonnage. | The Mill monitors FFB reception, CPO and PK production. IOI HQ and POM has an internal monitoring and reporting mechanism for advising the CB of production variations such as projected overproduction situation, when such issue arises. So far, there is no projected overproduction. | Complied |
| D.5 Record keeping | | |
| Indicators | Findings and Objective Evidence | Compliance |
| D.5.1 The site shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO and PK on a three-monthly basis. | The records and reports are available from the computerized system. Also, hard copies of records and reports are properly filed and readily accessible. Inspection of records and reports at the Mill confirmed these were accurate, complete and updated daily. As per the SOP, the records and reports are archived and stored in the Mill Office for a minimum period of 5 years. | Complied |
| D.6 Processing | | |
| Indicators | Findings and Objective Evidence | |
| D.6.1 The site shall assure and verify through documented procedures and record keeping that the RSPO certified oil palm product is kept segregated from non-certified material including during transport and storage. | Confirmed from records that the POM only received and processed certified FFB from its own estates and estates in other certified IOI PMUs for FY2015/2016. The processing facility has established and implemented a clear procedure and mechanism for the IP module. Review and on-site verification confirmed that the mechanism was implemented and in compliance with the module requirements at the mill, including transport and storage. Transaction documents and bookkeeping of FFB, CPO and PK are done daily and monthly summary submitted to Head Office. A volume balance recording system that shows FFB deliveries, CPO and PK production and dispatch is balanced every 3 months. The POM does not produce PKO. The PK is sold to IOI Edible Oil and there is no outsourcing of the PK crush to an independent palm kernel crusher. | |
| D.6.2 The objective is for 100 % segregated material to be reached. | Documents and records provided documented evidence that the FFB receipt and processed, and CPO and PK produced are traceable to 100% certified material. The product type and supply chain module indicated as CSPO/IP and CSPK/IP on relevant documents. | |

3.1.2 Status on Supply Chain on POM:

Based on the documents and records presented during the on-site verifications made, it is concluded that the POM has been able to comply with the requirements of the RSPO SCCS under the 'IP' module and is thus eligible for 'IP' trading for its palm products for year 2016/2017.

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 47 of 67

3.1.3 Monitoring of CSPO and CSPK traded:

Trading of the CSPO and CSPK was monitored by the POM via RSPO eTrace including RSPO GreenPalm and ISCC. The records maintained at the POM relied on internal communications of the trading done by the HQ, Kuala Lumpur on the CSPO delivered to IOI Edible Oils Sdn Bhd (Refinery). The volumes of CSPO traded as verified during assessment are as follows:

| | CSPO - Actual Jul 2014 / Jun 2015 (MT) | CSPK - Actual Jul 2014 / Jun 2015 (MT) | CSPO - Actual Jul 2015 / Jun 2016 (MT) | CSPK - Actual Jul 2015 / Jun 2016 (MT) |
|------------------------------|---|---|---|---|
| RSPO | 12,705.56 | 9,845.41 | 13,664.27 | 5,487.71 |
| Book & Claim (Green Palm) | 0 | 0 | 0 | 0 |
| ISCC | 16,798.48 | 0 | 2,188.31 | 0 |
| Total Traded | 29,504.04 | 9,845.41 | 15,852.58 | 5,487.71 |
| Actual Produced | 36,113.85 | 9,845.41 | 27,076.90 | 6,998.06 |

Notes:

- Based on records maintained at the POM, it was verified that the total tonnage of CSPO traded has not exceeded the annual certified quantity.
- The PK is entirely sold to IOI Edible Oil at Sandakan and there is no outsourcing of the PK crush to an independent palm kernel crusher.

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 MYNI Compliance Indicators is as per the details below:

| Assessment Type | Year | Noncompliance (NCR) | Observations (OBS) | Follow up status |
|--------------------------------|-------------|--------------------------------|-------------------------------|----------------------------------|
| Re-certification Assessment | 2015 | Nil | 6 | All OBS closed during ASA-01. |
| Annual Surveillance - 01 | 2016 | 1 Major | 1 | Next surveillance |

3.2.1 Year 2015: Re-certification (0 NCR)

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 48 of 67

3.2.2 Year 2016 ASA-01: 1 Major NCR

| NCR | MYNI Indicator | Details of NCR | |
|---------------------|---|--|---------------------------------------|
| Major OCL-01 | Clause 4.2.4 (i) of the RSPO Certification Standard | Date issued: 11/08/2016 | |
| | | <p>Nonconformance:</p> <p>Clause 4.2.4 (i) of the RSPO Certification Standard requires the Certification Body to assess compliance with the rules for partial certification at each and every assessment of any of the management units of the organization. The organization is required to submit a positive assurance statement, which is based upon self-assessment (i.e. internal audit) by the organization. This internal audit must be done against each of the requirements for uncertified management units and/or holdings as stated under Clause 4.2.4 (e) to (h). The uncertified management units referenced are:</p> <ul style="list-style-type: none"> - IOI-Pelita, Sarawak - Unico POM-1, Unico Desa POM-2, Sabah - PT SKS, PT BNS, PT BSS, PT KPAM, Indonesia <p>The IOI Baturong Grouping was not able to provide evidence of an internal audit report for IOI Group's uncertified management units for assessment by the Certification Body.</p> | |
| | | <p>Root Cause and Corrective Action:</p> <p><u>Root Cause:</u></p> <p>IOI Baturong Grouping has conducted an audit to determine compliance or non-compliance of uncertified units against the requirements of Clause 4.2.4 (i) of the RSPO Certification Standard and action plans and monitoring of progress. However, such evidence was not properly presented in an internal report format.</p> <p><u>Corrective Action:</u></p> <p>The evidence have been collated and presented as an internal audit report.</p> | |
| | | <p>Verification (Corrective Action):</p> <p>Off-site verification carried out. Verified that the internal audit report has clearly identified the status of uncertified units, actions taken and progress monitoring. The evidence were also verified against those in the RSPO Complaints Tracker. The corrective action satisfactorily addressed the non-conformance.</p> | |
| | | <p>NC status verified by auditor: Closed by OCL</p> | <p>Date closed: 06/09/2016</p> |
| | | <p>Verification (for effectiveness): At next ASA-02</p> | |

3.2.3 Year 2015: Re-certification: 6 Observations

| Ref No: | MYNI Indicator | Location | Details of Observation | Status | | |
|---------|----------------|-------------------|---|-------------|-------------|----------------------------|
| | | | | Opened date | Closed date | Follow up remarks (if any) |
| Obs# 01 | 2.1.1 | Palm Oil Mill | Land title for palm Oil Mill was not sighted although the mill is located within the Country Lease (CL) 245352587 dated 11 Jan 1985. | 27 Jul 2015 | 11 Aug 2016 | Closed |
| Obs# 02 | 4.7.3 | Baturong 2 Estate | In Baturong 2 Estate, although appropriate PPE was provided to the spray operators, the PPE apron of one operator was too short to protect from chemical contact or spray drift during operation. | 29 Jul 2015 | 11 Aug 2016 | Closed |
| Obs# 03 | 4.7.6 | Palm Oil Mill | Based on the Audiometry Testing Programme Report 2014 and the Audiometry Testing Programme | 27 Jul 2015 | 11 Aug 2016 | Closed |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 49 of 67

| | | | | | | |
|---------|--------|---|---|-------------|-------------|--------|
| | | | Year 2015 (Report: ATP/2014111201), a Trippler Operator – Sia Rente was identified with standard threshold shift (STS) in 2014, the action to shift the job or for the repeat test was not done and she was transferred to other job on 12/03/15 after the 2015 audiometry test. | | | |
| Obs# 04 | 5.1.2 | Palm Oil Mill, Baturong 2 Estate and Baturong 3 Estates | The Plans and Monitoring Programmes for the identified environmental impact in the Environmental Impact Assessment – Management Action Plans & Continuous Improvement Plan did not identify the responsible person/persons although the information was indicated in Review Document For Environment Impact Assessment. | 27 Jul 2015 | 11 Aug 2016 | Closed |
| Obs# 05 | 6.1.3 | Baturong 2 Estate and Baturong 3 Estates | Timetable with responsibilities for mitigation and monitoring of social aspects as stipulated in the estates and mill social management plans is available. The monitoring and revision of the timetable is conducted and updated as necessary. The record of such revision and monitoring is maintained. Recorded in Appendix 3 (Social Impact Assessment and Time Bound Action Plans for External and Internal Stakeholders Consultation). However, the plan for mitigation of negative impact at Estates does not clearly specified the time bound. Ref: <i>Appendix 3 (Social Impact Assessment and Time Bound Action Plans for External and Internal Stakeholders Consultation) of SIA report July 2015 for Baturong 2 and Baturong 3 Estates.</i> | 28 Jul 2015 | 11 Aug 2016 | Closed |
| Obs# 06 | 6.12.3 | Baturong Mill | Baturong Group (Lahad Datu Region) employs foreign workers. No temporary workers are employed to date. Policy on Foreign Workers is available. However, the recruitment procedure available for foreign workers lacks information such as a) Orientation program, b) Commitment to no contract substitution to ensure that recruiting is implemented according to immigration and national guidance. | 27 Jul 2015 | 11 Aug 2016 | Closed |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 50 of 67

3.2.4 Year 2016 ASA-01: 1 Observation

| Ref No: | MYNI Indicator | Location | Details of Observation | Status | | |
|------------|----------------|-------------------|--|-------------|-------------|----------------------------|
| | | | | Opened date | Closed date | Follow up remarks (if any) |
| Obs# SH-01 | 5.2.4 | Baturong 1 Estate | A site (where past earthen wares were found) was already identified in Baturong 1 Estate. The site was found left in an unattended state, whereby it became hidden with overgrown bushes and signages were worn out. | 11 Aug 2016 | - | At next assessment |

3.2.5 Identified Positive Elements

- 1) The PMU has contributed towards the education of children of estate migrant workers. IOI Corporation has provided has education assistance for more than 2000 children under the HUMANA programme.
- 2) The PMU has contributed towards the local economy and provided proper infrastructure such as roads, housing and sport facilities.

3.3 Feedback Raised by Stakeholders and Findings

Prior to and during the Assessment, written and verbal feedback communicated from the stakeholders on the environmental and social performance of IOI Baturong PMU 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 (Re-certification – Year 2015)

The previous (Re-certification) assessment was conducted by SGS and stakeholders' feedback obtained prior and during that assessment were stated in the SGS Malaysia report as follows: "Baturong Group (Lahad Datu Region) and SGS Malaysia did not receive any feedback or comments from stakeholders in writing regarding the Baturong Group (Lahad Datu Region)'s environmental and social performance. All interviewed stakeholders had positive comments about Baturong Group (Lahad Datu Region).

3.3.2 Feedback Raised by Stakeholders (Surveillance Assessment ASA-01 – Year 2016)

Communication done via email on 04 Jul 2016 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: Feedback via email dated 19 Jul 2016 from Environment Protection Department, Kota Kinabalu, Sabah. This feedback is concerning the status of compliance of the PMU against the requirements of the EIA report. Details of the feedback are in the attached document below: | The PMU had taken actions as required by the Environment Protection Department, Kota Kinabalu, Sabah. | Verified during on-site assessment that the PMU had implemented the actions and responded to the Environment Protection Department, Kota Kinabalu, Sabah as evidenced in a letter dated 21/07/2016. | No further action required. |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 51 of 67

| | | | |
|---|--|---|-----|
|  Feedback IOI Baturong ASA 01 2016 | | | |
| Non-Governmental Organizations: No feedback received. | Ongoing consultations will be maintained. No response needed. | Verified during on-site assessment that no response needed. | Nil |
| Local Communities - Stakeholders' Consultation: At this PMU, a total of 9 stakeholders were present at the Stakeholders Consultation representing various stakeholder categories. They were interviewed by the auditors without the presence of any of the PMU staff. Concerns and suggestions received during interviews and stakeholder consultations: 1. Positive comments given by the stakeholders 2. No negative comments 3. Suggestion by the police for the PMU management to remind the managers to extend full cooperation by reporting to the police on any undesirable/criminal activities. | The PMU will communicate the suggestion to the managers. | To be followed up during the next Annual Surveillance Assessment. | - |
| Local Communities - Interviews: Interviews of sampled staff and workers were also conducted by the auditors during field visits from 08 to 11 Aug 2015 at the PMU: Staff/Workers sampling: POM = 14 males, 11 females Estate Offices = 7 males, 8 females Field/sites visit = 24 males, 34 females No issues raised by the sampled staff and workers. | No response needed. | No response needed. | Nil |
| Other Interested parties: No feedback received. | No response needed. | No response needed. | Nil |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01


Page 52 of 67

4.0 ASSESSMENT CONCLUSION AND RECOMMENDATION

Based on the findings above, IOI Baturong Grouping had been able to demonstrate its compliance with the RSPO Principles and Criteria (Apr 2013), Malaysian National Interpretation (MY-NI 2014) and the RSPO Supply Chain Certification Standard (Nov 2014) for Palm Oil Mill.

Therefore, it is recommended that the certification of IOI Baturong Grouping be approved and continued.

Signed for and on behalf of
Intertek Certification International Sdn Bhd




Dr. Ooi Cheng Lee
Lead Assessor
Date: 22 Sep 2016

4.1 Acknowledgement of Internal Responsibility and Confirmation of Assessment Findings

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

Signed for and on behalf of
IOI CORPORATION BERHAD



Mr. S.S. Ragupathy
General Manager (Lahad Datu Region)
Date: 22 Sep 2016

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 53 of 67

4.2 INTERTEK- RSPO P&C Certificate details for Baturong Grouping

| | |
|----------------------------------|--|
| Certificate No: | RSPO 930788 |
| Original Issue date: | 08 Oct 2010 |
| New issue date (ASA-03): | 08 Oct 2015 |
| Expiry date: | 07 Oct 2020 |
| Organization | IOI Corporation Berhad |
| Address of Head Office: | Level 8, Two IOI Square, IOI Resort, 62502 Putrajaya, Malaysia |
| RSPO Membership No: | 2-0002-04-000-00 |
| Plantation Management Unit: | Baturong Grouping |
| Address of POM: | KM 52, Jalan Kunak-Tawau, Off Road KM3 , 91109 Lahad Datu, Sabah. |
| Standards: | RSPO Principles and Criteria (Apr 2013); Malaysian National Interpretation (MY-NI 2014); RSPO Supply Chain Certification Standards (Nov 2014) for the Palm Oil Mill. |
| Certification scope: | Production of Crude Palm Oil and Palm Kernel |
| Supply Chain model for CPO & PK: | Identity Preserved (IP) |

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

| Name | Address | GPS Reference | | Certified (Titled) Area (ha) |
|--|--|----------------|----------------|------------------------------|
| | | Latitude | Longitude | |
| Baturong Palm Oil Mill (Capacity: 30 MT/hour) | <u>Postal Address</u> MDLD 5123, KM3 Jalan Segama, Lock Bag No 15, 91109, Lahad Datu, Sabah <u>Location Address</u> KM 52, Jalan Kunak-Tawau, Off Road KM3 , 91109 Lahad Datu, Sabah. | N 04° 45' 15" | E 118° 05' 18" | 8,936.01 |
| Baturong 1 estate | <u>Postal Address</u> MDLD 5123, KM3 Jalan Segama, Lock Bag No 15, 91109, Lahad Datu, Sabah <u>Location Address</u> KM 52, Jalan Kunak-Tawau, Off Road KM6 , 91109 Lahad Datu, Sabah. | N 04°45' 02.8" | E 118°05'28.5" | |
| Baturong 2 estate | <u>Postal Address</u> MDLD 5123, KM3 Jalan Segama, Lock Bag No 15, 91109, Lahad Datu, Sabah <u>Location Address</u> KM 52, Jalan Kunak-Tawau, Off Road KM25 , 91109 Lahad Datu, Sabah. | N 04°45' 453" | E 118°00'126" | |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 54 of 67

| | | | | |
|-------------------|--|----------------|-----------------|--|
| Baturong 3 estate | <p><u>Postal Address</u> MDLD 5123, KM3 Jalan Segama, Lock Bag No 15, 91109, Lahad Datu, Sabah</p> <p><u>Location Address</u> KM 52, Jalan Kunak-Tawau, Off Road KM14, 91109 Lahad Datu, Sabah.</p> | N 04° 45' 944" | E 118° 01' 7" | |
| Cantawan Estate | <p><u>Postal Address</u> MDLD 5123, KM3 Jalan Segama, Lock Bag No 15, 91109, Lahad Datu, Sabah</p> <p><u>Location Address</u> KM 20, Jalan Tungku-Lahad Datu, Off Road KM6, 91109 Lahad Datu, Sabah.</p> | N 05° 03' 935" | E 118° 26' 853" | |

The annual certified tonnages produced at the PMU are detailed as follows:

| Baturong POM | Annual Tonnages (MT) |
|---------------------|-------------------------|
| Certified FFB | 138,380 |
| Certified CPO | 30,098 |
| Certified PK | 7,611 |
| Supply chain module | Identity Preserved (IP) |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 55 of 67

Appendix A:

Qualifications of Lead Assessor and Assessment Team

Dr. Ooi Cheng Lee (OCL) Lead Assessor / 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 Certifications (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. Sazali Hasni – Assessor / Technical Expert

(Environment, Conservation and HCV area)

- Bachelor of Science (Forestry)

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

Mr. Jumat Majid – 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.

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 56 of 67

Appendix B:

Assessment Plan (Actual)

| Date | Time | Assessors and Assessment Activity | | |
|-----------------------------------|--|---|---|--|
| | | Assessment Team | | |
| 8 Aug 16 Monday (Day 1) | 8.00 am – 1.00 pm | Travel to Baturong Palm Oil Mill | | |
| | 1.00 pm – 2.00 pm | Lunch Break | | |
| | 2.00 pm – 2.30 pm | Opening Meeting and Briefing at POM Office (to be attended by representatives from the Estates as well) | | |
| | 2.30 pm – 5.00 pm | Document Review and Assessment by all Assessors on respective RSPO P&C:1 to 8 at POM | | |
| | | OCL | SH | JMD |
| | | Site assessment at Palm Oil Mill <ul style="list-style-type: none"> • P1 Transparency • P2 Laws & regulations • P3 Economic & Financial Viability • P4 Best Practices at Mill • P8 Continual Improvement • SCC for POM | Site assessment at Palm Oil Mill <ul style="list-style-type: none"> • P2 Laws & regulations • P5 Environmental, Conservation & HCV • P8 Continual Improvement | Site assessment at Palm Oil Mill <ul style="list-style-type: none"> • P2 Laws & regulations • P6 Employees, Individuals & Communities incl. Gender Issues • P8 Continual Improvement |
| | <ul style="list-style-type: none"> • Verification of effectiveness of corrective actions for non-conformances • Review of Time Bound Plan • Verification for compliance with rules on partial certification | | | |
| | 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 | SH | JMD |
| 9 Aug 16 Tuesday (Day 2) | 8.30 am – 12.30pm | Site assessment at Baturong 1 estate <ul style="list-style-type: none"> • P1 Transparency • P2 Laws & regulations • P3 Economic & Financial Viability • P4 Best Practices at Estates • P7 New Plantings • P8 Continual Improvement | Site assessment at Baturong 1 estate <ul style="list-style-type: none"> • P2 Laws & regulations • P5 Environmental, Conservation & HCV • P8 Continual Improvement | Site assessment at Baturong 1 estate <ul style="list-style-type: none"> • P2 Laws & regulations • P6 Employees, Individuals & Communities incl. Gender Issues • P8 Continual Improvement |
| | | Lunch Break | | |
| | | Continue site assessment at Cantawan estate | | |
| | | Travel to Hotel & Break | | |
| | 6.30 pm – 7.30 pm | Team Meeting and Discussion | | |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 57 of 67

| Date | Time | Assessors and Assessment Activity | | |
|---------------------------------------|--------------------|---|---|--|
| | | OCL | SH | JMD |
| 10 Aug 16 Wednesday (Day 3) | 8.30 am – 12.30pm | Site assessment at Cantawan estate <ul style="list-style-type: none"> • P1 Transparency • P2 Laws & regulations • P3 Economic & Financial Viability • P4 Best Practices at Estates • P7 New Plantings • P8 Continual Improvement | Site assessment at Cantawan estate <ul style="list-style-type: none"> • P2 Laws & regulations • P5 Environmental, Conservation & HCV • P8 Continual Improvement | Site assessment at Cantawan estate <ul style="list-style-type: none"> • P2 Laws & regulations • P6 Employees, Individuals & Communities incl. Gender Issues • P8 Continual Improvement |
| | 12.30 pm – 1.30 pm | Lunch Break | | |
| | 1.30 pm – 5.30 pm | Continue site assessment at Baturong 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 | SH | JMD |
| 11 Aug 16 Thursday (Day 4) | 8.30 am – 11.00 am | Site assessment at Palm Oil Mill <ul style="list-style-type: none"> • P1 Transparency • P2 Laws & regulations • P3 Economic & Financial Viability • P4 Best Practices at Mill • P8 Continual Improvement • SCC for POM | 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 <p>Notes</p> <p>1. It is mandatory for the PMU to inform Intertek and provide the information (as a minimum the no. of stakeholders in each applicable category and contact number) on the stakeholders <u>prior</u> to the assessment.</p> <p>2. This will facilitate the random and impartial selection of stakeholders (including independent and organized smallholders, where applicable) and to meet the sample size requirement</p> | |
| | 11.00 am – 12.30 pm | Site assessment at POM or estates to follow up on any specific criteria/areas | | |
| | 12.30 pm – 1.30 pm | Lunch Break | | |
| | 1.30 pm – 3.30 pm | Preparation for Closing Meeting | | |
| | 3.30 pm – 4.30 pm | Team Meeting and Discussions with POM Management Representative | | |
| | 4.30 pm – 5.30 pm | Closing Meeting & Briefing at Palm Oil Mill Office | | |
| | 5.30 pm – 6.30 pm | Travel to Hotel | | |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Appendix C-1:

Location Map of IOI Baturong Grouping, Lahad Datu, Sabah
Scale 1: 200 km



INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

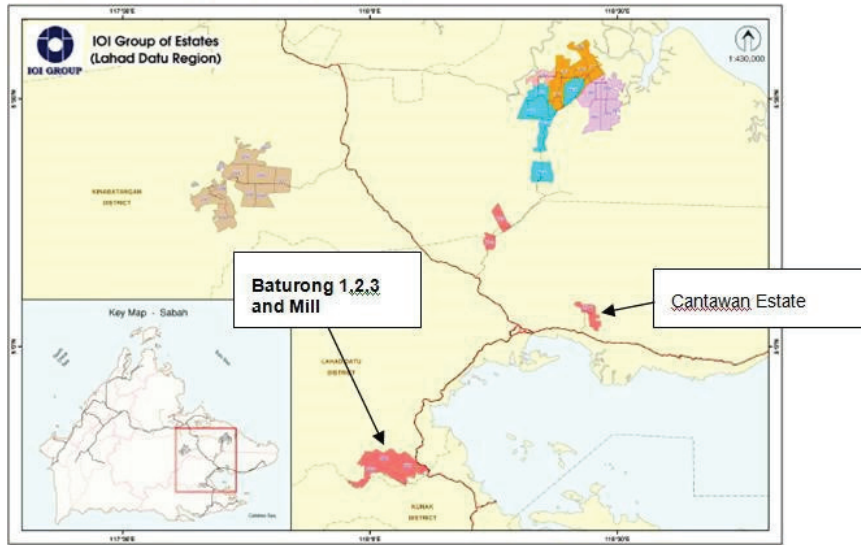
(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Appendix C-2:

Location Map of IOI Baturong Grouping (Estates), Lahad Datu, Sabah

LOCATION OF IOI ESTATES IN LAHAD DATU REGION

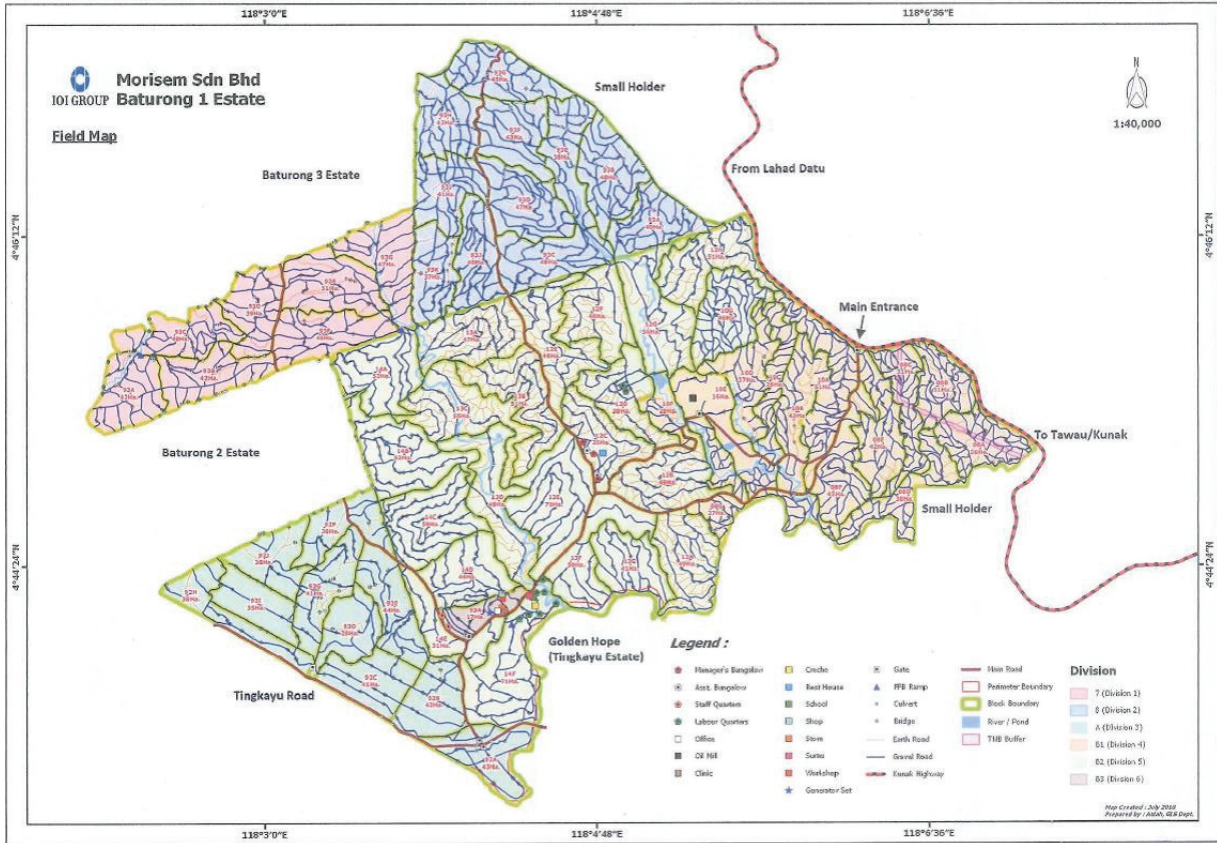


INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
 Baturong Grouping: ASA-01

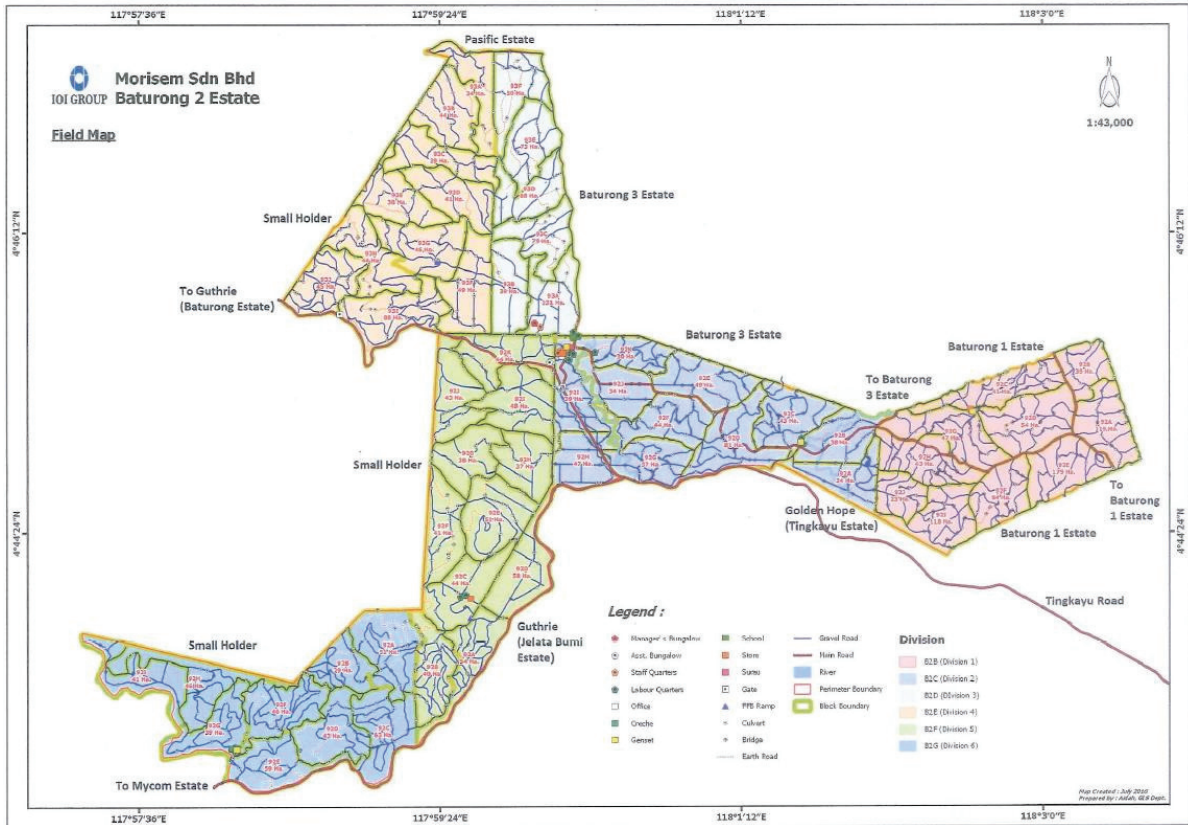
Appendix C-2-1: Map of Baturong 1 Estate



INTERTEK CERTIFICATION INTERNATIONAL SDN BHD
(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

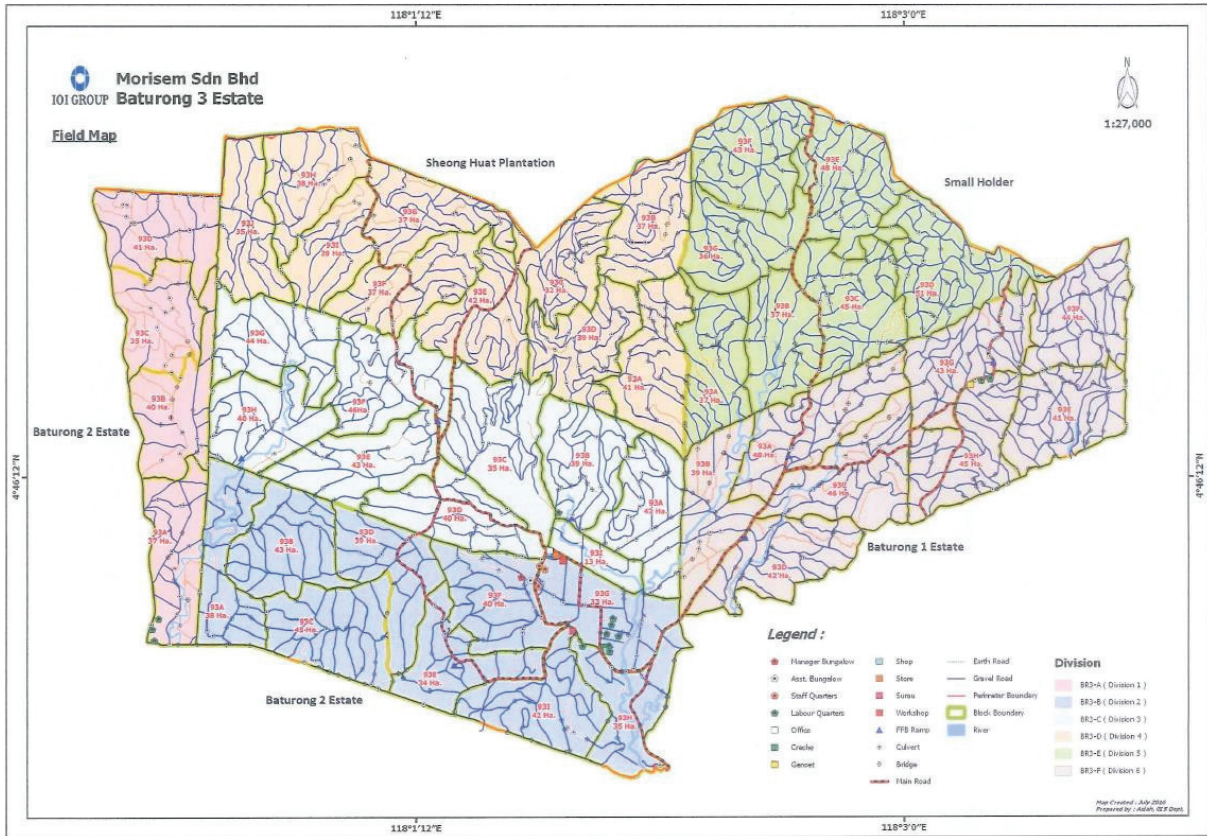
Appendix C-2-2: Map of Baturong 2 Estate



INTERTEK CERTIFICATION INTERNATIONAL SDN BHD
(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

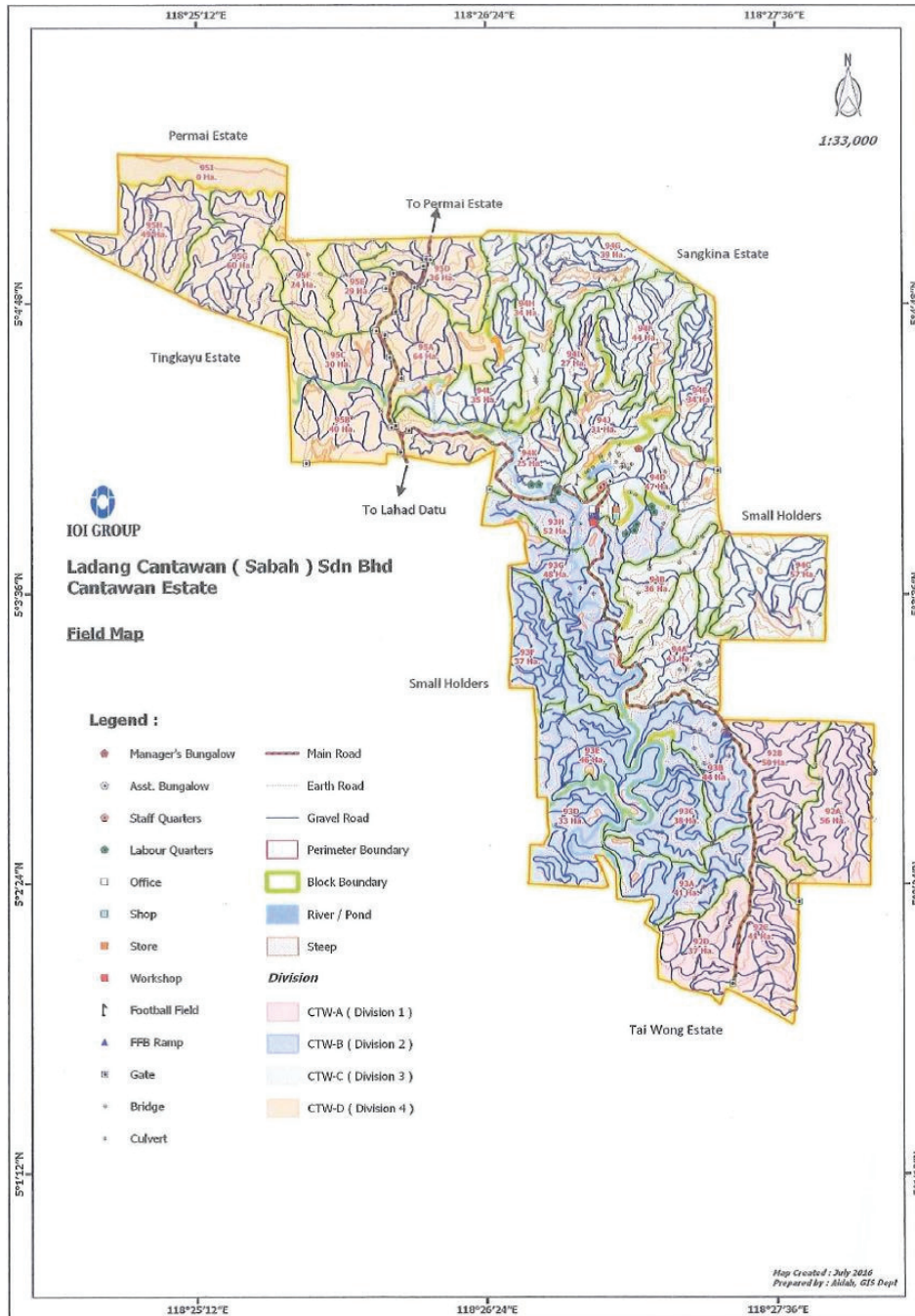
Appendix C-2-3: Map of Baturong 3 Estate



INTERTEK CERTIFICATION INTERNATIONAL SDN BHD
(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Appendix C-2-4: Map of Cantawan Estate



Appendix D:

Photographs of Assessment findings at Baturong PMU



Interviewing pesticide sprayers at Baturong 1 Estate.



Harvester at Cantawan Estate.



Geotube at Baturong POM.



Chemical store and shower/eye wash facility.

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 65 of 67

Appendix E:

Time Bound Plan

Details of Time Bound Plan as submitted by IOI Plantation Services Sdn Bhd (17 August 2016)

| No | PMU | Main Assessment | Certification Status | Current Status | Updated information for Partial Certification, Clause 4.2.4 RSPO Certification Systems for Certified and Uncertified units |
|-----|--------------------------------|---------------------------|--------------------------|---|---|
| 1. | Pamol POM, Sabah | May 2008 | Re-Certified in Feb 2014 | ASA-01 planned for 2016. | No outstanding issues |
| 2. | Sakilan POM | Nov 2008 | Certified in Mar 2010 | ASA-01 planned for 2016 | No outstanding issues |
| 3. | Pamol Kluang POM | Mar 2009 | Certified in Mar 2010 | ASA-01 planned for 2016 | No outstanding issues |
| 4. | Gomali POM, | Aug 2009 | Certified in Aug 2010 | ASA-01 planned for 2016 | No outstanding issues |
| 5. | Baturong POM | Sep 2009 | Certified in Oct 2010 | ASA-01 planned for 2016 | No outstanding issues |
| 6. | Bukit Leelau POM | Apr 2010 | Certified in Nov 2010 | ASA-01 planned for 2016 | No outstanding issues |
| 7. | Mayvin POM | Aug 2010 | Certified in Dec 2010 | ASA-01 planned for 2016 | No outstanding issues |
| 8. | Pukin POM Johor | Dec 2010 | Certified in Jun 2012 | Re-Certification assessment completed for 2016. | No outstanding issues |
| 9. | Leepang POM | Aug 2012 | Certified in Dec 2013 | ASA-03 planned for 2016. | No outstanding issues |
| 10. | Syarimo POM | Sep 2012 | Certified in Mar 2013 | ASA-03 planned for 2016. | No outstanding issues |
| 11. | Ladang Sabah POM | Oct 2012 | Certified in Apr 2013 | ASA-03 planned for 2016. | No outstanding issues |
| 12. | Morisem POM, Sabah | Sep 2013 | Certified in Dec 2013 | ASA-03 planned for 2016. | No outstanding issues |
| 13. | IOI-Pelita, Sarawak | Planned – 2019 | Uncertified unit | New certification for IOI-Pelita (Sarawak) is pending resolution of land dispute and RSPO decision. No POM yet. | Settlement Discussion with local community is presently still ongoing. A Dialogue and Mediation session with LTK Community was held on the 5 th August 2016. Ms. Oi Soo Chin from RSPO attended as an observer. Some preliminary agreements between the parties have been reached. Meeting notes are being finalized. |
| 14. | Unico POM-1, Sabah | Planned – 2018 | Uncertified unit | Acquired in 2014. Established OP plantation (before 2005). Supply base do consists of external / independent smallholders. | Certification preparations in progress |
| 15. | Unico Desa POM-2, Sabah | Planned – Sep 2017 | Uncertified unit | Acquired in 2014. Established OP plantation (before 2005). Supply base comprised of own estates. | Certification preparations in progress |
| 16. | PT SKS, Indonesia | Planned – 2017 | Uncertified unit | Acquired in 2009 (new concession land). POM was commission in Feb 2015 and Governmental 'Hak Guna Usaha' application in progress. | Update on the RSPO Suspension and complaint by Aidenvironment – After reviewing our progress reports and submission, RSPO on the 5 th August 2016 had lifted the Suspension effective 8 th August 2016 Certification preparations in progress |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 66 of 67

| | | | | | |
|-----|-------------------------------|---------------------------|-----------------------------|---|---|
| | | | | | Pending issuance of HGU. |
| 17. | PT BNS, Indonesia | Planned – 2017 | Uncertified unit | Acquired in 2009 (new concession land). POM was commission in Feb 2015 and Governmental HGU application in the process. | Update on the RSPO Suspension and complaint by Aidenvironment – After reviewing our progress reports and submission, RSPO on the 5 th August 2016 had lifted the Suspension effective 8 th August 2016 Certification preparations in progress. Pending the issuance of HGU. |
| 18. | PT BSS, Indonesia | Planned – 2019 | Uncertified unit | Acquired in 2009 (new concession land). No POM yet, still in development phase. Governmental 'Hak Guna Usaha' application in progress. | Update on the RSPO Suspension and complaint by Aidenvironment – After reviewing our progress reports and submission, RSPO on the 5 th August 2016 had lifted the Suspension effective 8 th August 2016 Certification preparations in progress. Pending the issuance of HGU. |
| 19. | PT KPAM, Indonesia | Planned – 2020 | Uncertified unit | Acquired in 2010 (new concession land). No POM planned yet, all necessary permits are up to date. | HCV assessment completed and the SEIA in progress. The NPP will be conducted upon completion of all reports and will be posted on the RSPO for Public Consultation. |

INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9307/16-1 IOI Corporation Berhad
Baturong Grouping: ASA-01

Page 67 of 67

Appendix F:

Summary of RSPO Complaints Panel Decisions and RSPO Case Tracking on IOI Group

- 1) Updated RSPO Announcement on IOI – Suspension of IOI's RSPO certificates is lifted by the RSPO Board of Governors effective 8 August 2016
Weblink: <http://www.rspo.org/news-and-events/announcements/update-on-the-status-of-ioi-groups-certification>

- 2) Monitoring by RSPO Complaints Panel (CP)
Weblink: <http://www.rspo.org/members/status-of-complaints?keywords=IOI&country=&category=>

RSPO Case Tracker on: PT SUKSES KARYA SAWIT (SKS), PT BERKAT NABATI SAWIT (PT BNS), PT BUMI SAWIT SEJAHTERA (PT BSS) SUBSIDIARY OF PT SAWIT NABATI AGRO (PT SNA), IOI Group
Weblink: <http://www.rspo.org/members/complaints/status-of-complaints/view/80>

- 3) Updated IOI Group Newsletters
Weblink: http://www.ioigroup.com/Content/News/N_Archive

IOI Launches Revised Palm Oil Sustainability Policy and Sustainability Implementation Plan (8 August 2016)
Weblink: <http://www.ioigroup.com/Content/News/NewsroomDetails?intNewsID=813>