

IOI CORPORATION BERHAD

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

PLANTATION MANAGEMENT UNIT

Leepang (Sabah) Grouping

Lahad Datu, Sabah, Malaysia



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Assessment Report

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INTERTEK CERTIFICATION INTERNATIONAL SDN BHD
(188296-W)

Report No.: R9308/16-1 IOI Corporation Berhad
Leepang (Sabah) Grouping: ASA-03

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**ANNUAL SURVEILLANCE ASSESSMENT REPORT
ON RSPO CERTIFICATION**

PUBLIC SUMMARY REPORT

IOI CORPORATION BERHAD

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

PLANTATION MANAGEMENT UNIT
Leepang (Sabah) Grouping
Lahad Datu, Sabah, Malaysia

Certificate No:

RSPO 930888

Original issued date (by previous CB):

16 Dec 2013

Issued date:

16 Dec 2016 (by Intertek)

Expiry date:

15 Dec 2018

Assessment Type

Assessment Dates

Annual Surveillance Assessment (ASA-03)
(Transfer CB)

10-14 Oct 2016

Annual Surveillance Assessment (ASA-04)
Re-Certification

Intertek Certification International Sdn Bhd

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1.0 SCOPE OF ASSESSMENT

1.1 Introduction

This Annual Surveillance Assessment (ASA-03) was conducted on the Plantation Management Unit (PMU) Leepang (Sabah) Grouping of IOI Corporation Berhad (hereafter abbreviated as IOI), from **10-14 Oct 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.

Note 1: 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).

Note 2: This assessment was conducted following the transfer of certification (Transfer Evaluation Report completed) from another CB on 29 Jun 2016.

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

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

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

| Name | Address | GPS Reference | |
|---|--|---------------|---------------|
| | | Latitude | Longitude |
| Leepang (Sabah) POM (Capacity: 40 MT/hour) | Morisem Pam Oil Mill Sdn Bhd, (Leepang Palm Oil Mill), MDLD 5123, KM 3 Jalan Segama, Locked Bag No. 15, 91109 Lahad Datu, Sabah, Malaysia. | N 5°32.864' | E 118°26.216' |
| 1) Leepang 1 Estate | MDLD 5123, KM 3 Jalan Segama, Locked Bag No. 15, 91109 Lahad Datu, Sabah, Malaysia. | N 5°33.954' | E 118°26.629' |
| 2) Leepang 5 Estate | MDLD 5123, KM 3 Jalan Segama, Locked Bag No. 15, 91109 Lahad Datu, Sabah, Malaysia. | N 5°32.778' | E 118°26.113' |
| 3) Morisem 5 Estate | MDLD 5123, KM 3 Jalan Segama, Locked Bag No. 15, 91109 Lahad Datu, Sabah, Malaysia. | N 5°30.525' | E 118°26.142' |
| 4) Permodalan 1 Estate | MDLD 5123, KM 3 Jalan Segama, Locked Bag No. 15, 91109 Lahad Datu, Sabah, Malaysia. | N 5°30.419' | E 118°27.909' |
| 5) Permodalan 2 Estate | MDLD 5123, KM 3 Jalan Segama, Locked Bag No. 15, 91109 Lahad Datu, Sabah, Malaysia. | N 5°30.467' | E 118°29.023' |
| 6) Permodalan 3 Estate | MDLD 5123, KM 3 Jalan Segama, Locked Bag No. 15, 91109 Lahad Datu, Sabah, Malaysia. | N 5°28.099' | E 118°28.847' |
| 7) Permodalan 4 Estate | MDLD 5123, KM 3 Jalan Segama, Locked Bag No. 15, 91109 Lahad Datu, Sabah, Malaysia. | N 5°26.943' | E 118°28.121' |

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1.3 Description of supply base (fruit sources)

The supply base i.e. FFB sources to the POM at Leepang (Sabah) Grouping PMU are from the abovementioned 7 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 hectarage for the FFB supply for Leepang (Sabah) Grouping are as shown in Table 2 below.

Table 2: Estate Area Summary

| Estate | Area Summary (ha) – Previous Jul 2015 / Jun 2016 | | Area Summary (ha) – Current Jul 2016 / Jun 2017 | |
|---------------------|---|---------------|--|---------------|
| | Certified Area | Planted Area | Certified Area | Planted Area |
| Leepang 1 Estate | 2,364.04 | 2,098 | 2,364.04 | 2,098 |
| Leepang 5 Estate | 1,690.67 | 1,461 | 1,690.67 | 1,461 |
| Morisem 5 Estate | 1,889.00 | 1,548 | 1,889.00 | 1,548 |
| Permodalan 1 Estate | 2,253.63 | 2,125 | 2,253.65 | 2,125 |
| Permodalan 2 Estate | 2,141.52 | 1,974 | 2,141.52 | 1,974 |
| Permodalan 3 Estate | 2,150.31 | 2,043 | 2,150.31 | 2,043 |
| Permodalan 4 Estate | 2,063.75 | 1,945 | 2,063.75 | 1,945 |
| Total: | 14,552.94 | 13,194 | 14,552.94 | 13,194 |
| Percentage: | 100% | 90.66% | 100% | 90.66% |

Notes:

1. This Assessment covered the overall land use for oil palm plantation areas and the identified Conservation areas including HCV areas marked out at the selected estates.
2. The estates sampled for this Assessment have been selected based on their potential risks on social, environmental and biodiversity issues such as their proximity to forest reserves, hill sides, riparian zones and high conservation value areas.
3. There has been no significant change in the current size of the certified land areas in comparison with the previous year data.

1.4 Summary of plantings and cycle

The estates had been developed and planted from 1995 onwards 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 2015 / Jun 2016)

| Estate Name | Year of Planting | Cycle of Planting | Mature OP (ha) – Above 3 years | Immature OP (ha) – 3 years & below | Total (ha) |
|--------------|---------------------|------------------------------------|-----------------------------------|------------------------------------|------------|
| Leepang 1 | 1995 - 2002 | 1 st | 2,098 | 0 | 2,098 |
| Leepang 5 | 1996 - 2003 | 1 st | 1,461 | 0 | 1,461 |
| Morisem 5 | 1993 2013 - 2014 | 1 st 2 nd | 754 98 | - 696 | 1,548 |
| Permodalan 1 | 1995 - 1997 2015 | 1 st 2 nd | 1,775 - | - 350 | 2,125 |



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| | | | | | |
|--------------|-----------------------------|------------------------------------|---------------|--------------|---------------|
| Permodalan 2 | 1995 - 1996 | 1 st | 1,974 | 0 | 1,974 |
| Permodalan 3 | 1996 - 1997, 2006 - 2008 | 1 st 2 nd | 2,043 | 0 | 2,043 |
| Permodalan 4 | 1996 - 1997 | 1 st | 1,945 | 0 | 1,945 |
| | | Total | 12,148 | 1,046 | 13,194 |

Note: There has been no New Planting in any of the 7 estates at the certified areas.

1.5 Summary of Conservation and HCV Areas

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

Table 4: Conservation and HCV Areas

| # | Statement of Land Use (Ha) | Hectarage (Ha) FY 2014/2015 | Hectarage (Ha) FY 2015/2016 |
|----------|---|--------------------------------|--------------------------------|
| 1 | Planted Area (ha) – Oil Palm | | |
| | - Mature | 12,400 | 12,148 |
| | - Immature | 794 | 1,046 |
| 2 | Conservation Area (ha) | | |
| | - comprising buffer zones along small streams, hilly areas, swampy and unplatable areas | 73.34 | 73.34 |
| 3 | HCV Area (ha) | | |
| | - comprising riparian / buffer zones near forest reserves, water catchments, burial & religious sites | 388.84 | 388.84 |

1.6 Other certifications held and Use of RSPO Trademarks

Currently, the other certification held by IOI Leepang (Sabah) 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.



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1.7 Organizational information / Contact Person

At Head Office:

Mr. Dickens Mambu
Plantation Sustainability Coordinator
IOI Corporation Berhad
Level 8, Two IOI Square,
IOI Resort, 62502, Putrajaya
Tel: 603-89478888
Fax: 603-89478988
Email: dickens,mambu@ioigroup.com

At Leepang (Sabah) Grouping - PMU:

Mr. Chew Beng Hock
General Manager (Leepang POM & Estates)
IOI Plantation Services Sdn Bhd
Leepang Palm Oil Mill
Tel: 089 - 568 700
Fax: 089- 568 120
Email: ioi.leepang@gmail.com



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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 Leepang (Sabah) Grouping based on the actual for FY Jul 2015 / Jun 2016 is shown in Table 5 below:

Table 5: Tonnages Verified for Certification

| # | Estate /Supplier | FFB Processed (MT) | Main Processing Mill | Certified By |
|----|-----------------------------------|--------------------|----------------------|--------------|
| 1. | Leepang 1 Estate | 52,967.69 | Leepang POM | Intertek |
| 2. | Leepang 5 Estate | 33,070.46 | Leepang POM | Intertek |
| 3. | Morisem 5 Estate | 18,177.53 | Leepang POM | Intertek |
| 4. | Permodalan 1 Estate | 45,264.78 | Leepang POM | Intertek |
| 5. | Permodalan 2 Estate | 49,677.09 | Leepang POM | Intertek |
| 6. | Permodalan 3 Estate | 50,682.10 | Leepang POM | Intertek |
| 7. | Permodalan 4 Estate | 45,224.17 | Leepang POM | Intertek |
| | PMU certified estates | 295,063.82 | | |
| | Other certified estates | 0 | | |
| | Non-certified supply / OCP | 0 | | |
| | Grand total | 295,063.82 | | |

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

Table 6: Annual Tonnages of FFB

| Estate / Supplier | FFB Processed in FY July 2014 / June 2015 - Actual | | FFB Processed in FY July 2015 / June 2016 - Actual | | FFB Processed for FY July 2016 / June 2017 - Projected | |
|--|--|-----|--|-----|--|-----|
| | MT | % | MT | % | MT | % |
| Leepang PMU estates - Certified | 323,103.88 | 100 | 295,063.82 | 100 | 325,000 | 100 |
| Other Suppliers (OCP) - Non-certified | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 323,103.88 | 100 | 295,063.82 | 100 | 325,000 | 100 |
| SCCS Model for POM | IP | | IP | | IP | |

Note. The decrease in FFB processed in FY2015/2016 as compared to previous FY2014/2015 was due to replanting activities at the estates and the reduced FFB output resulting from prolonged dry weather experienced.



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

Table 7: Certified Tonnages

| Leepang POM | FY July 2014 / June 2015 - Actual | | FY July 2015 / June 2016 - Actual | | FY July 2016 / June 2017 - Projected | |
|-------------------------------------|-----------------------------------|-------------|-----------------------------------|-------------|--------------------------------------|-------------|
| Total certified FFB Processed (MT) | 323,103.88 | | 295,063.82 | | 325,000 | |
| Total certified CPO Production (MT) | 67,839.504 | OER: 21.00% | 61,137.191 | OER: 20.72% | 68,250 | OER: 21.00% |
| Total certified PK Production (MT) | 16,900.349 | KER: 5.23% | 15,457.304 | KER: 5.24% | 17,875 | KER: 5.50% |
| SCCS Model for POM | IP | | IP | | IP | |

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.

To date 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.



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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 |



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2.0 ASSESSMENT PROCESS

2.1 Assessment Methodology, Plan and Site Visits

Since 9 Sept 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 Leepang (Sabah) Grouping regarding the environmental, biodiversity, community development and other relevant issues.

From 10-14 Oct 2016, the Assessment team of Intertek conducted the Assessment in which 3 out of the 7 estates of the PMU, namely Permodalan 2, Morisem 5 and Leepang 1 Estates 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, hectareage development, FFB, CPO and PK production, oil palm age profile, operational controls and measures, operational data and records, training records, etc. were reviewed and verified for compliance. The 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).

The 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 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.



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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. Eco Knights
39. ENO Asia Environment
40. Environmental Protection Society Malaysia (EPSM)
41. Friends of the Earth, Malaysia



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42. Global Environment Centre
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. Pesticide Action Network Asia and the Pacific (PAN AP)
51. Proforest - South East Asia Regional Office
52. Sabah Wetlands Conservation Society (SWCS)
53. SEPA – Sabah Environmental Protection Association
54. SUARAM – Suara Rakyat Malaysia
55. SUHAKAM – National Human Rights Society – Persatuan Kebangsaan Hak Asasi Manusia
56. Tenaganita Sdn Bhd
57. TRAFFIC – the wildlife trade monitoring network
58. Transparency International – Malaysian Chapter
59. Treat Every Environment Special Sdn Bhd (TrEES)
60. United Nations Development Programme – UNDP Malaysia
61. Wetlands International (Malaysia)
62. Wild Asia Sdn Bhd
63. World Wide Fund (WWF) - HQ
64. World Wide Fund (WWF) - Sabah

Local community (On-site interviews)

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



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3.0 ASSESSMENT FINDINGS

3.1 Summary of findings

Principle 1: Commitment to transparency

| 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. | | |
|--|--|------------|
| Indicators | Findings and Objective Evidence | Compliance |
| 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 | 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 9 Sept 2016. Prior to the assessment, the Assessment team has taken note that IOI had provided a detailed response to the Greenpeace report "A Deadly Trade-Off" dated 27 Sep 2016 concerning policy violations in IOI's third-party supply chain – for more details, please refer to: http://ioigroup.com/Content/NEWS/NewsroomDetails?intNewsID=819 | Complied |
| 1.1.2 Records of requests for information and responses shall be maintained. Major Compliance | 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. | Complied |
| 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. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| 1.2.1 Management documents that are made available to the public shall include, but are not necessarily limited to: Major Compliance | 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/Content/S/S_Sustainability http://www.ioigroup.com/Content/S/S_Policy The following types of mandatory documents are available to the public upon request: <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 | Complied |



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| | <ul style="list-style-type: none"> • 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 for the mill and estates. Also, Continual Improvement Action Plans include targets for waste reduction and pollution prevention.</p> | |
| <ul style="list-style-type: none"> • Land titles/user rights (Criterion 2.2); | <p>Copies of all land titles were available and have been maintained at the POM and Estates. HQ kept the original copies.</p> | Complied |
| <ul style="list-style-type: none"> • Occupational health and safety plans (Criterion 4.7); | <p>Verified that Occupational Safety and Health Plans had included risk identification, control measures and review of changes at the POM and estates. The plan was annually reviewed at POM and respective estates between Jan and Feb 2016.</p> <p>The OSH Programme 2016 include the following:</p> <ul style="list-style-type: none"> • Safety & Health Committee meetings 4x/year • CHRA report review • Annual medical surveillance and Health checks • Accident Reporting & Investigation, • Annual inspections of machineries • Chemical Register, • SOP for safe work and signages display • PPE usage, • MSDS/CSDS, • Annual JKKP 8 reporting of LTA • Emergency Response Plan (ERP) and 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, <p>Verified that the programmes for protecting workers' health and safety were satisfactorily implemented.</p> | Complied |
| <ul style="list-style-type: none"> • Plans and impact assessments relating to environmental and social impacts (Criteria 5.1, 6.1, 7.1 and 7.8); | <p>Environmental aspect and impact assessment conducted for the POM and estates. Management Plan and Continual Improvement Plan documented and implemented.</p> <p>Social Impact Assessment carried out. Positive and negative impacts identified. Action plans were documented and implemented.</p> | Complied |
| <ul style="list-style-type: none"> • HCV documentation (Criteria 5.2 and 7.3); | <p>The Internal "HCV and Conservation Areas" Assessment were reviewed in Aug 2016. Management plans for HCV and Conservation areas were updated. The Management Action Plans were monitored and progressively implemented at the respective Estates.</p> | Complied |
| <ul style="list-style-type: none"> • Pollution prevention and reduction plans (Criterion 5.6); | <p>Pollution Prevention Management Plans were reviewed annually for FY2015/2016.</p> <p>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 and plastic).</p> | Complied |



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| <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 Jul 2016, 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. 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> |



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| | <ul style="list-style-type: none"> - Bribes and Kickbacks, - Employment of Family Members and Relatives. <p>Verified that copies of the policy were found to be displayed at prominent locations in the POM and estates and easily viewed by the workers.</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>Verified that valid permits / licenses were noted to be displayed such the Energy Commission (“Suruhanjaya Tenaga”) permit for the Diesel generators, licenses for authorized gas tester (ACT), authorized entrant and standby by person for confined space activities in POM.</p> <p>Safety and health meetings were conducted at quarterly</p> | <p>Complied</p> |



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| | <p>intervals and records maintained. 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 Register of Legal requirements for identifying, determining, reviewing and updating of 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 was carried out through periodical review in accordance with the documented procedure. Noted that change had included the Minimum Wage Order 2016 which came into effect on 1 Jul 2016.</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</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> | Complied |



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| land and reserves. Minor Compliance | Locations of several boundary stones and markers were visited and verified to be within the perimeters of the estate land titled boundaries. On-site verification confirmed that there has been no planting beyond the legal demarcated boundary areas of the mill and 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 | Verified that 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 reported instances of any 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 | There was 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 | There was no evidence to suggest 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. | Complied |
| 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 | The lands were acquired 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 |



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| <p>developed through consultation and discussion with all affected groups in 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 as at 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 PMU has a documented 5-year Business Management Plan (FY 2015/2016 to FY 2019/2020) which found to be reviewed and updated annually.</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</p> | <p>Complied</p> |



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| | <p>specified targets were verified to be available.</p> <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>Verified that the 5-year replanting program for estates are available at the estates audited.</p> <p>The replanting programs were reviewed annually by the respective Estate Managers</p> <p>Currently replanting is noted to be progressively conducted at the Permodalan 1 estate. Replanting is planned to be conducted for Leepang 1, Leepang 2, Permodalan 2 and Permodalan 4 estates between year 2018 and 2022.</p> | Complied |

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

Criteria 4.1

Operating procedures are appropriately documented, consistently implemented and monitored.

| 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 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. 2. SOP for riparian zone management with specified buffer zones. <p>Copies of the SOPs were found displayed at the work stations in the mill and the office, while at the estates, these were also displayed at the muster ground, chemical mixing area, stores, gen-set room, and workshop.</p> <p>Key Performance Indicators (KPIs) were specified for quality, environment, safety and cost control.</p> | Complied |



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| <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 were checked by the respective Assistant Managers and Managers regularly.</p> <p>Verified that in cases of any non-compliance or disciplinary issues, the management committee had held meetings to handle the said issues.</p> <p>The records of implementation were satisfactorily maintained during the on-site visit.</p> <p>Internal Audit was conducted by the Sustainability Palm Oil team (Lahad Datu region) in Aug 2016 and follow-up on issues done.</p> | <p>Complied</p> |
| <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> | <p>Complied</p> |
| <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 the Leepang (Sabah) PMU estates only.</p> | <p>Complied</p> |
| <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>Fertilizer application at the estate fields had adhered to the recommendations at all estate levels.</p> | <p>Complied</p> |
| <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> | <p>Complied</p> |
| <p>4.2.3 There shall be evidence of periodic tissue and soil sampling to monitor changes in nutrient status. Minor Compliance</p> | <p>Leaf sampling and analysis had been carried out annually. Soil sampling and analysis were carried on a 5-7 year cycle to determine the nutrient levels.</p> <p>Fertilizer recommendations by the Agronomist for identified estate blocks to sustain the long term soil fertility and nutrient efficiency.</p> <p>Records of the sampling and analysis had been verified to be satisfactory.</p> | <p>Complied</p> |
| <p>4.2.4 A nutrient recycling strategy shall be in place, and may include use of Empty Fruit Bunches (EFB), Palm Oil</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.</p> | <p>Complied</p> |



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| <p>Mill Effluent (POME), and palm residues. Minor Compliance</p> | <p>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.</p> <p>EFB Mulching Application and field maps indicate the amounts and locations of EFB application in the estates.</p> <p>EFB mulching had been carried out in both the immature (via circle mulch) and the mature areas (along the inter-rows of the palms).</p> <p>Records of EFB delivery, mulching quantities and field locations were well maintained.</p> <p>Land application of POME was carried out through gravitation flow into the field in Leepang 1 estate, which is near to the POM. Sighted application being done in Field 96A over 176 ha during on-site visit.</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>Soil maps for all the estates were available.</p> <p>At Morisem 5 Estate, peat soil was present in north-western corner of the estate in Fields 93K and 93L with 22 ha and 25 ha respectively. The peat soil area was small considering the extent of the plantation size. Verified that it was sufficiently well managed.</p> | <p>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 had been constructed on slopes >10°, as stated in SOP.</p> <p>Verified at estates and field audited that the terraces were made and that fields were generally covered with soft grasses, ferns, and herbaceous plants in the mature area while leguminous cover crop had been maintained in the immature area.</p> <p>Generally, the Best Management Practices was followed to control and minimize soil erosion and degradation during replanting activities.</p> <p>Nonconformance finding: On Morisem 5 Estate:</p> <ol style="list-style-type: none"> 1. In F 14B (M), almost all the terraces were not having stop bund to control water flow along the terrace, and some terraces were not constructed along the contour. As a result, erosion had taken place at the lower section of the terrace. 2. In F 14B (E), there was a small area where the gradient of land was more than 10°, but no terrace (conservation or planting terrace) had been constructed. | <p>Minor NCR: CFK-01</p> |
| <p>4.3.3 A road maintenance programme shall be in place. Minor Compliance</p> | <p>Road maintenance programme and maintenance records had been verified on the estates.</p> <p>Nonconformance finding: On Morisem 5 Estate, F 14B (M), no scupper drain, where possible, had been constructed to lead the water from the road onto the terrace in order to reduce soil erosion on the road.</p> | <p>Minor NCR: CFK-02</p> |
| <p>4.3.4 Subsidence of peat soils shall be minimised and monitored. A documented water and ground cover</p> | <p>On Morisem 5 Estate, peat soil was present in north-western corner of the estate in Fields 93K and 93L with 22 ha and 25 ha respectively. The peat soil area was small considering the</p> | <p>Complied</p> |



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| <p>management programme shall be in place. Major Compliance</p> | <p>extent of the plantation size.</p> <p>Verified that water table management was implemented as follows:</p> <p>Pegs for measuring the soil subsidence and water level had been put up in the field and in the water collection drain. Sandbags were being used in the water collection drains to maintain the water level between 50 cm. and 70 cm. below ground surface, and records of monitoring had been verified.</p> <p>The water level had been monitored twice a month.</p> <p>Ground cover was mainly Nephrolipes as per the policy of the company in ground cover maintenance.</p> <p>It was further confirmed during assessment on site that there are no other peat soil areas at the other estates within the PMU.</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>Verified that the peat area in Morisem 5 estate was rather small and there has been no recorded experience of any flood in the area.</p> <p>As the environmental impact is deemed to be insignificant, it is confirmed that there is no necessity for a drainability assessment.</p> | Complied |
| <p>4.3.6 A management strategy shall be in place for other fragile and problem soils (e.g. podzols and acid sulphate soils). Minor Compliance</p> | <p>The Management practices for soil conditions at Morisem 5 estate was considered to be adequate.</p> <p>Based on the estates soil maps and visit to the estates, there were no other fragile and problematic soils on the other estates.</p> | Complied |
| <p>Criteria 4.4 Practices maintain the quality and availability of surface and ground water.</p> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <p>4.4.1 An implemented water management plan shall be in place. Minor Compliance</p> | <p>Documented Water Management Plan verified to be in place for the palm oil mill and estates, These plans were respectively reviewed between Jun and July 2016.</p> <p>The plan includes steps such as soil stabilization, run-off control and sediment trapping to mitigate the disturbed earth entering waterways.</p> <p>There are water ponds in the POM and estates. Water samples were collected and analysis carried out at least twice a year as part of Environmental Compliance Reporting.</p> <p>The water for domestic use meets all the required parameters, including that of bacterium count (WHO Specification for Drinking Water Quality).</p> <p>Rainfall data was monitored as part of the water management plan and rain water harvesting was practiced for washing and cleaning purposes.</p> | Complied |
| <p>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</p> | <p>Buffer zones had been generally maintained for streams passing in the estates as verified during on-site field inspection.</p> <p>During field inspection, there was no evidence of spraying around palms marked as boundary for the buffer zones.</p> <p>Appropriate signages were placed with demarcation of buffer zone area. Workers are aware of the non-usage of chemicals within the buffer zone.</p> <p>There was no construction of bunds/ weirs/dams across the main rivers or waterways passing through the estates.</p> | |



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| | Nonconformance finding: In Morisem 5 Estate, F14A (F), there was no buffer zone being marked along the stream, and some palms were planted next to the stream. | Major NCR: CFK-03 | | | | | | | | | | | | | | | | | | | | |
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| 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 | In palm oil mill, water samples had been taken at monthly interval at the discharge point of effluent pond. The BOD level from July 2015 to June 2016 had been in the range of 5.3 ppm (lowest) to 23.6 ppm (highest), with an average of 16.05 ppm. It was noted that the BOD level in Aug and Oct 2015 had slightly exceeded BOD maximum limit permitted of 20 ppm i.e. at 21.6 ppm and 23.6 ppm respectively. Actions were noted to have been taken to reduce the BOD levels in the subsequent months. The current upper limit specified by D.O.E. Sabah is stated at 20 ppm which was found to be complied from Jan 2016 till the time of audit. | 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 POM over past 12 months were monitored. From July 2015 to June 2016 usage ranged from 1.15 to 1.52 m ³ /tonne FFB with an average of 1.41 m ³ /tonne FFB. Verified that the slightly higher usage was age of mill and higher maintenance needed. | 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 | | | | | | | | | | | | | | | | | | | | |
| 4.5.1 Implementation of Integrated Pest Management (IPM) plans shall be monitored. Major Compliance | Verified that IPM Plans were monitored at the estates audited and that pest infestation was minimal. Programme for planting of beneficial plants such as Cassia cobanensis, Turnera subulata, and Antigonon leptopus, at the ratio of 60:20:20 respectively had been adopted, and records on areas planted had been verified together with the respective maps. Following data was noted: <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th colspan="3" style="text-align: center;"><u>Metres/points</u></th> </tr> <tr> <th></th> <th style="text-align: center;"><u>CC</u></th> <th style="text-align: center;"><u>TS</u></th> <th style="text-align: center;"><u>AL</u></th> </tr> </thead> <tbody> <tr> <td>Permodalan 2 Est.</td> <td style="text-align: center;">11468</td> <td style="text-align: center;">2015</td> <td style="text-align: center;">5401</td> </tr> <tr> <td>Leepang 1 Est.</td> <td style="text-align: center;">1120</td> <td style="text-align: center;">356</td> <td style="text-align: center;">373</td> </tr> <tr> <td>Morisem 5 Est.</td> <td style="text-align: center;">457 pt</td> <td style="text-align: center;">156 pt</td> <td style="text-align: center;">120 pt</td> </tr> </tbody> </table> <p>(1 pt = 12 plants for CC/TS, 2 plants for AL)</p> Rat baiting would be carried out based on the census of rat attack on FFB. The threshold limit was set at 5% prior to any rat baiting, which was found to have occasionally occurred. Under such incidences, rat baiting was applied and the records of the rat baiting performed were verified to have been properly maintained. | | <u>Metres/points</u> | | | | <u>CC</u> | <u>TS</u> | <u>AL</u> | Permodalan 2 Est. | 11468 | 2015 | 5401 | Leepang 1 Est. | 1120 | 356 | 373 | Morisem 5 Est. | 457 pt | 156 pt | 120 pt | Complied |
| | <u>Metres/points</u> | | | | | | | | | | | | | | | | | | | | | |
| | <u>CC</u> | <u>TS</u> | <u>AL</u> | | | | | | | | | | | | | | | | | | | |
| Permodalan 2 Est. | 11468 | 2015 | 5401 | | | | | | | | | | | | | | | | | | | |
| Leepang 1 Est. | 1120 | 356 | 373 | | | | | | | | | | | | | | | | | | | |
| Morisem 5 Est. | 457 pt | 156 pt | 120 pt | | | | | | | | | | | | | | | | | | | |
| 4.5.2 Training of those involved in IPM implementation shall be demonstrated. Minor Compliance | 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 satisfactorily maintained. | Complied | | | | | | | | | | | | | | | | | | | | |
| Criteria 4.6 Pesticides are used in ways that do not endanger health or the environment. | | | | | | | | | | | | | | | | | | | | | | |
| Indicators | Findings and Objective Evidence | Compliance | | | | | | | | | | | | | | | | | | | | |



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| <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: (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> <p>Specific pesticides had been used to deal with the respective target pest, weed, or disease.</p> <p>Verified that the pesticides were selected to deal with specific species of weeds or pests as listed in the SOP.</p> <p>These were reflected in the weed and pest control records maintained.</p> | <p>Complied</p> |
| <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.</p> <p>Verified that the records of monitoring were satisfactorily maintained.</p> | <p>Complied</p> |
| <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>The policy to minimize the use of pesticides in accordance with IPM plan is maintained at the Estates.</p> <p>Verified that no prophylactic use of pesticides had been carried out at the estates.</p> <p>It was noted at Permodalan 2 Estate data, that there was a higher usage of Metsulfuron methyl (Kenly) and Triclopyr butoxyethyl (Kenlon) as these were respectively used for selective spraying and removing parasitic plants on the older mature palms.</p> <p>Overall, the total pesticide usage per hectare on a year to year basis had decreased at the rest of estates.</p> | <p>Complied</p> |
| <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>The company had a complete list of WHO class 1A and class 1B and Stockholm or Rotterdam conventions pesticide.</p> <p>Paraquat had been eliminated since end of year 2011 for IOI Group Estates.</p> <p>Verified that alternatives such as Glyphosate Isopropylamine, Metsulfuron Methyl, and Triclopyr Butoxyethyl Esther had been used with the elimination of Paraquat.</p> | <p>Complied</p> |
| <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</p> | <p>All pesticide operators have been provided 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 and overalls) were provided to the field workers.</p> <p>Verified that pesticides operators had worn the proper PPE</p> | <p>Complied</p> |



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| <p>products shall be properly observed, applied, and understood by workers (see Criterion 4.7). Major Compliance</p> | <p>during field inspection.</p> <p>Precautions attached to the pesticides (MSDS) have been generally understood and followed by the workers.</p> <p>Training programmes were planned and training records verified to be satisfactorily maintained/ 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. Equipment such as spraying pumps were maintained to be in proper functioning condition.</p> <p>Note: Previous year (2015) OBS-01 was addressed and closed.</p> <p>First Aid Kits found to be available during pesticides spraying in the fields (as per 4th Schedule).</p> <p>Verified that portable signboard were displayed at areas of spraying activity (as per 5th Schedule).</p> | |
| <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.</p> <p>Emergency shower and eye wash are available near the pesticides store.</p> <p>Material Safety Data Sheets (MSDS) are available in the store. The MSDS are noted to be in English and Bahasa Malaysia version.</p> <p>Used chemical containers were mainly reused as containers for mixing of spraying solution and extras were disposed as scheduled waste for disposal by an approved DOE contractor. Verified that prior disposal the empty pesticide containers were triple rinsed and pierced at the bottom.</p> <p>Verified that there was no improper reuse of the chemical containers by the workers at the fields.</p> <p>Note: Previous year (2015) OBS-02 was addressed and closed.</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.</p> <p>Nonconformance finding: At Permodalan 2 Estate: In F 96E, when the spraying operators were doing strip and circle spraying, they were swinging the spraying lance left and right, sometime up to shoulder height. This is against the procedure of strip and circle spraying as stipulated in the SOP.</p> <p>At Leepang 1 Estate: The strip and circle spraying operators were holding the spraying lance with the trigger control up-side-down.</p> | Minor NCR: CFK-04 |
| <p>4.6.8 Pesticides shall be applied aerially only where there is documented justification. Communities shall be informed of impending aerial</p> | <p>The policy of the company was not to out any aerial application of pesticides. This was verified to be maintained during on-site field inspection.</p> | Complied |



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| <p>pesticide applications with all relevant information within reasonable time prior to application. Major Compliance</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>Verified that the Annual Training Plan has included training on pesticides handling. Noted that all new pesticides operators were trained before being assigned to work with pesticides. Existing pesticide operators were also given continual training to enhance their knowledge and skills on pesticides particularly in the handling of new spraying equipments. Information and safety precautions on the pesticides displayed on the notice board and next to the pesticides in the store were found to be satisfactorily maintained.</p> | <p style="text-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 the DOE licensed scheduled waste contractor i.e. Lagenda Bumimas. All scheduled wastes from the estates are sent to the POM for the proper disposal and records of transfer maintained. Records of scheduled waste collection at the mill verified to be satisfactory.</p> | <p style="text-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>The CHRA recommendations has been followed in accordance with OSHA USECHH 2000 requirements Schedule 1 and 2 as follows: 1) Annual Medical Surveillance for all pesticide handlers due to toxicity and highly hazardous nature of the pesticides. 2) Monthly Health checks for all manurers and other agrochemicals which are less hazardous in nature. Based on the above recommendations, it is verified that the following was carried out over the past 12 months: Records of Annual medical surveillance for pesticide handlers were maintained. Data sighted as follows: POM sent 37 workers on 19-5-2016. Permodalan 2 Estate sent 9 workers on 20-5-2016. Morisem 5 Estate sent 10 workers on 19-5-2016. Leepang 1 Estate sent 15 workers on 19-5-2016. The medical reports had showed that there was no case of low blood cholinesterase levels for any of the workers. No abnormalities were stated in the reports and the workers were individually found to be fit for the work with pesticides. Other health issues such as hypertension, diabetic or poor eyesight are occasionally noted in the report of several individuals. When these are reported, the individual worker is closely monitored in the monthly health checks done at the Estates clinics by the Estate Health Assistants (EHA). 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. Verified that monthly clinical tests (to check lungs, gastro intestinal, urinary system, pregnancy, nails, skin, etc.) are carried out by the Estate Health Assistant on all sprayers and</p> | <p style="text-align: center;">Complied</p> |



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| | <p>manurers.</p> <p>Records of the health checks were maintained. Verified that there were occasional cases of mild illness in which workers were accordingly given medical leave and rest. In more severe cases, the workers were sent to the nearest Hospital for the proper medical treatment.</p> <p>It is also verified that there were no reported cases of any blood poisoning amongst the workers at the PMU estates over the past 12 months.</p> | |
| <p>4.6.12 No work with pesticides shall be undertaken by pregnant or breast-feeding women. Major Compliance</p> | <p>No pregnant or breast-feeding woman had been offered work as pesticide operator.</p> <p>List of pesticide operators (with female workers identified) was available on the estates.</p> <p>Pregnant workers would seek medical attention at the clinic where they would be identified and the management would be notified accordingly.</p> <p>Verified that there were no pregnant female workers involved in handling pesticides on-site.</p> | Complied |
| <p>Criteria 4.7 An occupational health and safety plan is documented, effectively communicated and implemented.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>The occupational health and safety plan shall cover the following:</p> <p>4.7.1 An occupational health and safety policy shall be in place. An occupational health and safety plan covering all activities shall be documented and implemented, and its effectiveness monitored. Major Compliance</p> | <p>Occupational Safety and Health (OSH) plan in compliance with OSH Act and Factory Machinery Act was documented and implemented.</p> <p>The Safety and health policy, approved by the Group Plantation Director dated 11 Nov 2011, had been verified to be maintained. This policy had been explained to the foreign workers (Indonesian) by Field Supervisors in Indonesian language. Confirmed during site interviews of sample field workers that they do have basic understanding of the Safety and Health policy.</p> <p>Records on training and analysis on understanding of training provided by the Safety & Health Officers for the workers were available and verified.</p> | Complied |
| <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 at the various activities at the POM and Estates. Significant hazards determined and documented include noise exposure, pesticides/chemicals exposure, accident, fire etc. Procedures and actions were implemented to mitigate the hazards. Risk assessment was reviewed in Jan 2016.</p> <p>Incidences and accidents that occurred were notified and discussed in the OSH committee meetings. Noted that all workers were regularly reminded to adhere to safe working practices to avoid recurrence of accidents.</p> <p>Precautions as attached to the products via the MSDS had been observed to be complied by the workers.</p> <p>Assessment of noise levels in the POM was done in Feb 2016 as per 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</p> | Complied |



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| | <p>and ear muffers. Annual audiometric test conducted for all mill staff and workers in Feb 2016. The audiometric reports revealed that 6 workers has mild to moderate hearing impairment and were recommended to wear hearing protector. No worker have severe hearing impairment. Baseline audiogram and occupational and medical history records of workers were maintained. Sample of employees exposed to high noise levels were interviewed and they are aware of the danger of hearing loss due to prolonged exposure to high noise. The workers are also aware of the complaints process and mechanism available. Appropriate PPE (safety boots, safety helmets, rubber boots, cartridge masks, safety goggles, gloves, overalls, ear plugs, ear muffers) verified to be provided and being used by the workers. Internal Safety audit was done to ensuring compliance with the minimum standards needed for the types of PPE used. Fire extinguishers and hose reels found to be located at strategic locations and noted in functioning conditions. Location map of fire extinguishers is available at POM. First Aid equipment was available at POM, estates and at worksites and weekly checked. Samples of First Aid boxes checked and contents found to be complete and in usable order during field visit. Training for workers in First Aid was carried out in the mill and estates and records maintained. The POM and estates have established their accident reporting KPI and incident monitoring implemented. Yearly reporting of JKPP8 regulations was submitted to JKPP on 20 Jan 2016. Verified that records on the rate of accidents to workmen, trends in rate of accidents, fatalities and non-fatalities captured to prevent mishaps as maintained by the Safety Officer is up-to-date.</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>Awareness and training programme had been carried out, and training records had been verified. All workers involved had been adequately trained in safe working practices. Appropriate PPE had been provided at the place of work to cover all potentially hazardous operations, and all workers had been noted to be wearing the appropriate PPE. Observations issued: At Permodalan 2 estate: At field block F96W, a harvester, while resting, was observed to have hung the harvesting pole with sickle onto a frond of the palm. At Permodalan 2 and Leepang 1 estate: Training on firefighting are conducted regularly for workers in the said estates. However certain groups of workers or residents in the estates e.g. Crèche caretakers and HUMANA teachers were not present. The management should consider involving them in these trainings.</p> | <p>OBS: CFK-01 OBS: JMD-01</p> |
| <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.</p> | <p>The responsible person (usually the Mandore or Headman) had been identified. Records of regular meetings between the responsible person</p> | <p>Complied</p> |



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| Concerns of all parties about health, safety and welfare shall be discussed at these meetings, and any issues raised shall be recorded. Major Compliance | and workers to discuss about health and safety had been verified to be satisfactory. | |
| 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 | Accident and emergency procedures had been written in English and Bahasa Malaysia and briefed to staff, workers, contractors and visitors. Workers trained in First Aid were present in the mill and field operations. First Aid Kits were available at worksites. Records on all accidents had been verified to be maintained satisfactorily. Quarterly review on accident cases had been carried out during quarterly meeting of Environment, Safety, & Health (ESH) Committee. | Complied |
| 4.7.6 All workers shall be provided with medical care, and covered by accident insurance. Minor Compliance | Medical care had been provided to all the workers. Local workers are covered by SOCSO, whereas foreign workers are covered by Foreign Workers Compensation Scheme with MSIG Insurance. | Complied |
| 4.7.7 Occupational injuries shall be recorded using Lost Time Accident (LTA) metrics. Minor Compliance | Records on Lost Time Accident (LTA) metrics had been maintained and verified. JKKP8 reports had been sent to JKKP before end Jan of each year. | Complied |
| Criteria 4.8 All staff, workers, smallholders and contract workers are appropriately trained. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| 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 | The formal training programme on all aspects of RSPO Principles and Criteria and the Supply Chain Certification System have been established and implemented. Training for various categories of operators, including all field and office staff, with regards to their duties and training needs had been reviewed and found acceptable. | Complied |
| 4.8.2 Records of training for each employee shall be maintained. Minor Compliance | Records of training for each employee, including new employees were maintained. | Complied |

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

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.

| Indicators | Findings and Objective Evidence | Compliance |
|------------|---------------------------------|------------|
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| <p>5.1.1 An environmental impact assessment (EIA) shall be documented.</p> <p>Major Compliance</p> | <p>The PMU had submitted a new Environmental Aspect and Impacts Assessment (EIA) in Aug 2015 in accordance with the DOE & NREB requirement for Proposed Replanting Programme for all the estates under the grouping.</p> <p>The annual review of the approved EIA was done in Sept 2016 for the current year. 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>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.</p> <p>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 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>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.</p> <p>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 were reviewed on an annual basis. The review has taken 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>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> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <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>The HCV assessment conducted by the IOI Sustainability Team (Lahad Datu region) was documented and reviewed for the POM and all the estates on 30 Sept 2016.</p> <p>Verified that the review had considered all aspects of environmentally sensitive areas such as riparian areas, buffer zones near Forest reserves, water catchments near hills, natural watercourses such as streams, potential wildlife and the perimeter boundaries of the PMU.</p> <p>HCV and other environmentally sensitive areas were documented and inspected on site. The estates audited which were confirmed to have boundaries with environmentally sensitive areas were Leepang 1 (bordered with Mangrove swamps at the N & NE) and Permodalan 2 (bordered with the Sg. Gologop Forest Reserve at N and NE and Mangrove Swamp of Trusan Kinabatangan FR at E and SE). Noted Morisem 5 was surrounded by oil palm plantations only.</p> | <p>Complied</p> |

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| | <p>Perimeter boundaries bordering the plantation areas were visited and found to be properly demarcated.</p> <p>Conservation buffer zones along the stretches of streams which pass through the estates were identified and being monitored.</p> | |
| <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/Auxiliary 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>Signages that prohibit hunting, fishing and water polluting activities were verified on-site at all Leepang 1 and Permodalan 2 and Morisem 5 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>Records of awareness training programme on RTE were available and maintained.</p> <p>Observation: The programme to regularly educate the workforce on the awareness of RTE species is to be improved so that field workers are better able to identify some of species of wildlife which are encountered near boundaries with the Forest Reserves and Conservation areas during ongoing monitoring.</p> | OBS: AL-01 |
| <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 Leepang PMU as reviewed in Sept 2016 was verified to be collated, reviewed and monitored by the Sustainability team.</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 Leepang 1 and Permodalan 2 Estates.</p> | Complied |
| <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 HCVs and these rights.</p> <p>Minor Compliance</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 |
| <p>Criteria 5.3 Waste is reduced, recycled, re-used and disposed of in an environmentally and socially responsible manner.</p> | | |
| 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 and estates audited 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</p> | Complied |



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| | <p>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). 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 POM and estates. Proper storage areas were identified for the storage of the recyclable wastes at the mill and estates.</p> | |
| <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 8 Oct 2016. Documentation relating to disposal and inventory of the schedule waste was satisfactorily documented.</p> | <p style="text-align: center;">Complied</p> |
| <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 estates. The landfill management was found to be satisfactorily managed as was verified on-site the Leepang 1, Morisem 5 and Permodalan 2 estates.</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> <p>Recycling bins of three different colour codes for specific recycle waste were available in the POM and were used for solid waste segregation and recycling.</p> <p>The waste management and disposal plan was found to have been satisfactorily implemented at the mill and estates. Records of disposal of recyclable waste such as scrap metals and plastic bottles were available. Landfill sites were inspected and found to have satisfactorily implemented at the estates under the PMU.</p> <p>Thus previous year NCR (2015): Minor (m20) was addressed and closed.</p> | <p style="text-align: center;">Complied</p> |
| <p>Criteria 5.4 Efficiency of fossil fuel use and the use of renewable energy is optimised.</p> | | |



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| Indicators | Findings and Objective Evidence | Compliance |
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| <p>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.</p> <p>Minor Compliance</p> | <p>Verified that the POM has maintained records and data on fuel and energy consumption. Monthly data on energy consumption for both renewable and non-renewable sources were available and trends on consumption monitored to ensure improvements towards the optimal use of renewable energy sources such as palm fiber and kernel shells for electricity and steam generation for turbine and boiler operations.</p> <p>Verified that the trends on consumption data for CPO production and housing supply was reviewed and plans for more efficient use were documented.</p> | Complied |
| <p>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.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>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.</p> <p>Major Compliance</p> | <p>IOI Group had adhered to the policy of 'Zero open burning' for any replanting activities at the estates.</p> <p>This was verified during field inspections made at Morisem 5 estate which was still undergoing replanting since 2015. At the time of current assessment, there has been no evidence of any open burning in the ongoing replanting activities at the fields.</p> | Complied |
| <p>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.</p> <p>Minor Compliance</p> | <p>Verified that 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.</p> | Complied |
| <p>Criteria 5.6 Plans to reduce pollution and emissions, including greenhouse gases, are developed, implemented and monitored.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <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>The POM stack emission levels were monitored via the online Continuous Emissions Monitoring System (CEMS) and supported by the Ringelmann Smoke recorders and charts.</p> <p>Based on the recorded data available, the emission levels were found to be within the permissible limits as set by the DOE.</p> <p>POME treatment, monitoring and land application were monitored with records maintained which were verified to be have complied with the DOE regulations.</p> | Complied |
| <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>Significant pollutants and greenhouse gas (GHG) emissions were identified 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 in Aug 2016 using the PalmGHG v2.1.1.</p> | Complied |



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| | <p>The plan for the construction of a Biogas facility at the Leepang POM has been approved and tentatively construction works are expected to commence in mid-2017.</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>Verified that the 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 online CEMS monitoring for air emissions, scheduled waste disposal and water quality at discharge points (as per DOE regulations).</p> <p>Observation:</p> <p>Monitoring tools for stack emissions such via DOE online CEMS is being used. However, there was no back up monitoring and recording done during recent breakdown in the CEMS system since Sept 2016.</p> <p>The monthly water quality analysis reports at the final discharge points performed by Permalab Sdn Bhd (Sandakan) were available and maintained. Verified that the results had met the permissible limits set by DOE (e.g. BOD levels < 20 ppm).</p> | <p>OBS: AL-02</p> |

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

| <p>Criterion 6.1</p> <p>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> | | |
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| Indicators | Findings and Objective Evidence | Compliance |
| <p>6.1.1 A social impact assessment (SIA) including records of meetings shall be documented.</p> <p>Major Compliance</p> | <p>Social Impact Assessment [SIA] is conducted at the Leepang (Sabah) PMU annually, at the external and internal level. The process and the findings of the SIA is documented and available for verification. The SIA clearly covered issues such as access and use rights, economic livelihoods and proper working conditions, subsistence activities, etc. not only for the workers but for the communities surrounding the PMU.</p> <p>SIA document is available in each estate and the POM in the PMU and updated annually, e.g. for the POM last revision of their SIA was in Sep. 2016 by Social Liaison Officer, Mr. Bastean Baddu, AM and in Permodalan 2 Estate, the SIA was revised by Social Liaison Officer, Mr. Andi Patra A. Patiroi, AM.</p> | <p>Complied</p> |
| <p>6.1.2 There shall be evidence that the assessment has been done with the participation of affected parties.</p> <p>Major Compliance</p> | <p>The assessment made in the SIA involved consultation with the affected parties, externally and internally. External stakeholder consultation with local communities was conducted for the whole PMU on 8 Sep. 2016 with attendance of 16 participants from local villages, government agencies, suppliers and contractors.</p> <p>Internal stakeholders were also conducted in each of the estates and POM, e.g. internal stakeholder consultation with the employees was conducted by the Sustainability Palm Oil (SPO) team for the POM on 29 Sep. 2016 and in Leepang 2 Estate internal stakeholder consultation with the employees</p> | <p>Complied</p> |



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| | <p>conducted by the SPO team on 26 Sep. 2016.</p> <p>In all consultations, all participants are were able to express their own views freely. 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>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 for 2016/2017 were sighted at the all estates audited and at Leepang (Sabah) POM.</p> <p>The Social Impact Assessment reports and Management plans were reviewed and timetables established were also updated appropriately to reflect current changes. Reviewed process has been done with the participation of stakeholders (including migrant workers) appropriately. Records of meetings were available and indicated that concerns were generally working conditions, cultural/festival activities, health facilities and other community concerns.</p> | Complied |
| <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 PMU social plans are reviewed annually and the plans for 2016/2017 period are available for verification. During the site inspection it is confirmed that the mitigations plans identified were in progress or already completed.</p> | Complied |
| <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> | Not applicable |
| <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> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>6.2.1 Consultation and communication procedures shall be documented.</p> <p>Major Compliance</p> | <p>List of stakeholders are available in the PMU and IOI's Group consultation and communication procedures are available via website link:</p> <p>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>The communication procedures were also explained to all stakeholders, either externally or internally. in each consultation.</p> | Complied |
| <p>6.2.2 A management official</p> | <p>Nominated respective officers at the operating unit are</p> | Complied |



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| <p>responsible for these issues shall be nominated. Minor Compliance</p> | <p>responsible to represent the Leepang (Sabah) grouping when any relevant issues were raised by local communities and other affected or interested parties. For example in Permodalan 2 Estate Mr. Andi Patra A. Patiroi; in Morisem 5, Mr. Samsuddin Hamid and in Leepang 2, Mr. Nasri Baharun were all nominated as Social Liaison Officers in their respective estates.</p> | |
| <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. Minor Compliance</p> | <p>The maintenance of the list of stakeholders at the PMU is adequate and has ensured that the list is kept current. Noted that there are open and transparent methods for communication and consultation which has taken into consideration the local conditions. The lists of stakeholders from each estates and POM were used to send invitation to external stakeholders during the external consultation conducted on 8 Sep. 2016.</p> | Complied |
| <p>Criterion 6.3 There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all affected parties.</p> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <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. Major Compliance</p> | <p>In the PMU, complaints and grievances procedure is well implemented. Complaints and Grievances logbooks were sighted in all estates visited and are actively used by workers. The responsible persons are the as the Social Liaison identified in each estate and POM. Their names as well as their responsibilities were announced in public notice boards. ECC representatives interviewed understood that roles, responsibility and treated them as an important matter. Complaints and Grievances Logbooks are for complaints which are not private and confidential in nature. Reports which are related to private matters such as sexual harassment a separate logbooks are prepared and always kept under locked and key locations. Complainants are given the option whether the make the report personally or through nominated workers' representatives. It is verified during on-site interviews that there were no incidences of dispute or grievance of a serious nature.</p> | Complied |
| <p>6.3.2 Documentation of both the process by which a dispute was resolved and the outcome shall be available. Major 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 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> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <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. Major Compliance</p> | <p>There were no borders at estates in the PMU which were adjacent to any villages or native land. Therefore there has been no records of any negotiation or compensation pertaining to this criteria. No changes in status as of audit day hence no negotiation or compensation pertaining to this criterion</p> | Complied |
| <p>6.4.2 A procedure for calculating and distributing fair compensation</p> | <p>The PMU has a procedure for calculating and distributing compensation which is available. To the date, there has been</p> | Complied |



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| <p>(monetary or otherwise) shall be established and implemented, monitored and evaluated in a 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>no dispute by any parties reported at the PMU.</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> | Complied |
| <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> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>6.5.1 Documentation of pay and conditions shall be available.</p> <p>Major Compliance</p> | <p>There are different types of employment arrangements in offered in the PMU. The arrangements are stated clearly in the workers contract, e.g. permanent staff with monthly or daily wages and piece rated workers. Documentation and conditions of pay for foreign workers hired in the POM and all estates visited are available for verification. Employment agreement with foreign workers, who are mostly from Indonesia, stated all statutory fringe benefits and eligible incentives, e.g. working hours, overtime, leave and medical benefits, maternity leave for women, insurance coverage, deductions, resignation notice period, company rules.</p> <p>Verified during interviews with the foreign workers that their employment contracts had been explained by the management staff to them before they sign their contracts, This process was also stated in the IOI procedure.</p> <p>The payment slips for foreign workers at the POM and estates visited were easy to understand and this was also verified with the workers during interviews with them. Payments are made latest by 7th of each month. Payment slips for foreign and local workers hired by the contractors and settlers' cooperatives also verified as compliance to the Minimum Wages Order 2016.</p> <p>Holidays entitlements as required by the laws are satisfactorily fulfilled, e.g. annual leaves, public holidays and maternity leave. Vacation leave pay for 2014 was sighted at the POM and estate offices.</p> <p>Employment agreements between the management and the workers are available. However two workers agreements were found to have a difference in the date of births when checked with the dates indicated in the system.</p> <p>Therefore an Observation is issued.</p> | OBS: JMD-02 |
| <p>6.5.2 Labour laws, union agreements or</p> | <p>On 20 Jun 2016, a memorandum has been distributed to IOI</p> | Complied |



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| <p>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 languages understood by the workers or explained carefully to them by a management official.</p> <p>Major Compliance</p> | <p>PMUs in Sabah including Leepang (Sabah) PMU with regards to the revised wages in accordance with Minimum Wages Order 2016.</p> <p>Verified that the memorandum had stated that the monthly minimum wage as RM920/month for the State of Sabah. The employment contracts used were approved by the Sabah Human Resources Department, i.e. Jabatan Tenaga Kerja Sabah. The agreement covers all aspects such as working hours, 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>During current assessment, it is verified that the passports, work permits, permits for deduction of wages for the workers (both local and foreign) are in proper order at the estates audited.</p> <p>The obligatory Foreign Workers Compensation Scheme [FWCS] for foreign workers were issued by MSIG has been renewed for workers at both the POM and all estates and is noted to be valid till 30 Sep 2017.</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 stated reasons were also verified through interviews made with some of the workers concerned and was held 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 was confirmed during an interview conducted earlier at Baturong PMU audit (by the auditor) on 8 Aug. 2016 with Mr. Kamarul Izhah Kamaruddin from Labour Dept. Kunak, during which he confirmed that the practice mentioned above, currently implemented by the PMU and the industry in general, are allowed and still complied with the Minimum Wages Order 2016.</p> <p>It was also verified that the underperforming workers were 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 noted to be recorded on monthly basis in all estates.</p> <p>Thus there was evidence that the workers had understood the reasons for them receiving wages less than required by law.</p> | |
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| | <p>There was also evidence that efforts were taken by the management to motivate and assist workers with under-performance issues.</p> <p>The internal inquiry records maintained were found to be mutually signed by the respective workers with workers representative as witness, the field supervisors and the management after completion.</p> <p>It was further verified that the majority of workers (over 85 percent) had received more than required minimum wages of RM920 per month. These workers were the ones who were able to achieve the daily target and noted to have worked the minimum of 26 days per month without being absent (without acceptable reason).</p> | |
| <p>6.5.3 Growers and millers shall provide adequate housing, water supplies, medical, educational and welfare amenities to national standards or above, where no such public facilities are available or accessible.</p> <p>Minor Compliance</p> | <p>The Workers' Minimum Standard of Housing and Amenities Act 1990 (Act 446) is yet to be enforced by Sabah Labour Department. However, the PMU is noted to have provided adequate amenities to their local and foreign workers as well the PMU has provided adequate housing, water supplies, medical, educational and public amenities.</p> <p>Site visits to foreign workers' quarters as well as the staff quarters and interviews with their dependents revealed their general satisfaction with their housing conditions and amenities.</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 maintain barns to raise chicken at the back their houses in order to reduce the cost of living. Chicken barns are kept at a safe distance from the workers quarters. The workers staying in the estate are provided with free electricity and treated pond water 24 hours daily. There are still wooden quarters being used however the PMU is in the process of replacing them with brick terrace houses. Linesite inspection is conducted at least once a month by EHA to ensure the safety and cleanliness at the linesite.</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, the foreign teachers originally from Indonesia are paid by the estate management through Humana. Transport to and from the school for all local and foreign workers children is provided free of charge.</p> <p><u>Sundry shops</u></p> <p>Sundry shops available at each estate audited. From interviews with the workers in grouping 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</p> | |



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| | <p>of using the first aid kits. Depending on the estate management, some crèche are provided biscuits or chocolate drink.</p> <p>Clinics Health services are available at the audited estates. No limit for medical expenses for the workers. Public fogging is conducted annually at the POM workers quarters. Pregnant field workers are not allowed to work until their child is weaning. All workers are also covered by valid insurance underwritten by MSIG.</p> <p>The linesite inspection reports over the past 12 months are noted to be done. Thus previous year NCR (2015): Minor (m21) was addressed and closed.</p> <p>However the status of the findings from the previous inspections were still insufficiently stated in the inspection reports. Therefore a new observation is issued.</p> | OBS: JMD-03 |
| <p>6.5.4 Growers and millers shall make demonstrable efforts to monitor and improve workers' access to adequate, sufficient and affordable food. 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 compound.</p> <p>It is verified that office and field workers were provided with transport to go shopping for sundry items in town at month end i.e. after pay day.</p> | Complied |
| <p>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.</p> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <p>6.6.1 A published statement in local languages recognising freedom of association shall be available. Major Compliance</p> | <p>The published statements of policy which recognizes the employee's freedom of association, was noted to be available in Bahasa Malaysia and English.</p> <p>Each estates audited in the PMU had formed the ECC as a mechanism to cater to the collective bargaining needs of the workers. Minutes of the ECC meetings are available.</p> | Complied |
| <p>6.6.2 Minutes of meetings with main trade unions or workers representatives shall be documented. Minor Compliance</p> | <p>Minutes of ECC meetings are and in all meeting minutes of ECC, list of attendance and photos of the session were kept in file showing evidence of participation of affected parties.</p> | Complied |
| <p>Criterion 6.7 Children are not employed or exploited.</p> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <p>6.7.1 There shall be documentary evidence that minimum age requirements are met. Major Compliance</p> | <p>IOI employment guidelines stated that persons of 18 years old and above are qualified to be employed.</p> <p>Employees and workers profiles were sighted during the audit. No underage workers were found.</p> <p>The evidence was also verified through interviews with staff and workers in the PMU. Passport photos and dates of birth of the foreign workers hired at the estates and POM were checked and found to have met the minimum age.</p> | Complied |
| <p>Criterion 6.8</p> | | |



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| 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 |
| <p>6.8.1 A publicly available equal opportunities policy including identification of relevant/affected groups in the local environment shall be documented.</p> <p>Major Compliance</p> | <p>The policy statements which recognize Equal Job Opportunity were widely available and displayed both in Malay and English. Interviews in the estates and inspection of employment records, including foreign workers, pay slips and allowable deductions of wages confirmed that this criteria has been maintained.</p> | Complied |
| <p>6.8.2 Evidence shall be provided that employees and groups including local communities, women, and migrant workers have not been discriminated against.</p> <p>Major Compliance</p> | <p>Based on interviews and feedback from the employees, foreign workers including female workers; and review of ECC meeting minutes, it is verified that there has been no issue of discrimination at the PMU.</p> | Complied |
| <p>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.</p> <p>Minor Compliance</p> | <p>The PMU demonstrated that staff are hired and promoted based on specific criteria. However, promotion to higher position most of the time take a longer period due to the position sought is not yet vacant.</p> <p>For foreign workers, hiring is based on agents' recommendation or application if the workers are already in Sabah. Those foreign workers who are already in Sabah will be sent back to Tarakan, Indonesia within three months of employment to organise proper travel and working documents. These procedures are approved both by Sabah Immigration Office and Indonesian Consulate in order to legalise any Indonesian citizen currently already domiciled in Sabah without any travelling documents.</p> <p>In general, it was evident that no discrimination on promotion as both men and women, local and foreign workers have equal opportunity to be promoted.</p> | Complied |
| <p>Criterion 6.9 There is no harassment or abuse in the work place, and reproductive rights are protected.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>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.</p> <p>Major Compliance</p> | <p>The established social policy has covered aspects on sexual harassment, gender and women reproductive rights. There is a documented procedure on the management of sexual harassment. There is also a gender committee specifically to address areas of concern to women. This committee is headed by the manager and, has representatives from all areas of work. In Morisem 5 latest Gender Committee meeting was on 25 Aug. 2016 attended by 11 female and 12 male workers.</p> <p>Verified that the policy which prevents sexual and all other forms of harassment and violence was adhered and implemented.</p> | Complied |
| <p>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.</p> <p>Major Compliance</p> | <p>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.</p> <p>However, in most cases based on the advice from the management, female workers found to voluntarily resign from</p> | Complied |

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| | work due to their pregnancies. Letter from the Visiting Medical Officer dated 12 Mar. 2015 also recommended the same practice as high occurrences of habitual abortion occurred in the plantation sector. | |
| <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> | The Grievance process flowchart and procedures are displayed in the estate offices. The grievance mechanism established at the PMU has been maintained. There is a gender committee specifically to address areas of concern to women. This committee was headed by the manager and representatives from all areas of work. The minutes of meetings were documented and kept in file. | 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> | The PMU does not have any dealings with smallholders. There was also no evidence to suggest any unfair business practices with the local businesses. | 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> | 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. | 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> | Based on employee contracts and meeting minutes (between the management and employee) 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. | Complied |
| <p>6.10.4 Agreed payments shall be made in a timely manner.</p> <p>Minor Compliance</p> | The PMU has a policy to ensure agreed payments were made in a timely manner as per the contracts of agreement made. Payments most of the time are made on according to common practice of 60-day grace period. | 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> | Main contribution of the estates to the local development was demonstrated in the provision of facilities and monetary contributions, where feasible. The management also distribute annual aids to school going children including HUMANA with school bags, writing and reading materials. | Complied |
| <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> | The PMU had no scheme smallholders. | Not applicable |
| <p>Criterion 6.12</p> | | |

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| No forms of forced or trafficked labour are used. | | |
| <p>6.12.1 There shall be evidence that no forms of forced or trafficked labour are used. Major Compliance</p> | <p>For foreign workers, hiring is based on agents' recommendation or application if the workers are already in Sabah. Those foreign workers who are already in Sabah will be sent back to Tarakan, Indonesia within three months of employment to organise proper travel and working documents. These procedures are approved both by Sabah Immigration Office and Indonesian Consulate in order to legalise any Indonesian citizen currently already domiciled in Sabah. Recruitment procedures are handled by IOI Lahad Datu Regional Office [LDRO].</p> <p>All foreign workers hired signed a written permission for the office management to keep safe their travelling documents which is called as "Perjanjian Persetujuan Penyimpanan Dokumen Asal [Passport]". Upon request, the travelling documents will be released to the foreign workers. Withdrawal and returning of the travelling documents to the office are logged in "Rekod Peminjaman/ Pemulangan Passport".</p> <p>Passports are noted to be voluntarily handed by the foreign workers to management for safekeeping. However, no log book was maintained to keep track of the movement of the passports.</p> <p>Therefore, an Observation was issued.</p> | <p>OBS: JMD-04</p> |
| <p>6.12.2 Where applicable, it shall be demonstrated that no contract substitution has occurred. Minor Compliance</p> | <p>There were no evidence to suggest that contract substitution had occurred at the PMU. This was confirmed via interviews held with the workers and external stakeholders.</p> | <p>Complied</p> |
| <p>6.12.3 Where temporary or migrant workers are employed, a special labour policy and procedures shall be established and implemented. Major Compliance</p> | <p>A policy on Equal Opportunity was adopted and verified to be implemented for all workers both local and foreign at the PMU.</p> | <p>Complied</p> |
| <p>Criterion 6.13 Growers and millers respect human rights.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <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). Major Compliance</p> | <p>IOI adopted a human rights statement included in "Sustainability Policy Statement" dated Jul 2016 signed by CEO, Dato' Lee Yeow Chor which covered the necessary aspects of human rights related issues.</p> <p>New policy adopted by IOI is "IOI Group Sustainable Palm Oil Policy" covers mentioned explicitly human rights issues including ILO core conventions, freedom of association, force and/or child labour, retention of passports, equal opportunity, free sexual harassment working environment, etc.</p> <p>This is confirmed to have been explained to the different levels of workers interviewed during the assessment.</p> | <p>Complied</p> |
| <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. Minor Compliance</p> | <p>The PMU is in collaboration the HUMANA which is an NGO catering to the education needs of the children of school going age for the Indonesian foreign workers both primary and secondary.</p> <p>It was verified that transport has been provided free for children of the workers and the PMU has maintained contribution to the monthly operation of the primary school.</p> <p>Inspections of the employment records including field trips in the estates of the PMU confirmed that this criterion has been</p> | <p>Complied</p> |



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| | complied. | |
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Principle 7: Responsible development of new plantings

Leepang (Sabah) 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"> • Planned construction of a Biogas facility which will commence in mid-2017. <p>The estates have identified and implemented the following Continual Improvement Action Plans:</p> <ul style="list-style-type: none"> • EFB mulching in mature area and immature palms • Planting of beneficial plants to reduce the attack by caterpillars and bag worm, thereby reducing the use of pesticides. • Improving signages to enable easier understanding by the workers. • Recycling of domestic waste had been practiced. • Safety reflector for vehicles and trailers were installed. • Use of 'Palm Top' equipment had been introduced in July 2016 for more effective FFB record keeping. • Purchase of additional trucks for FFB transport • Construction of new wooden ramp and fertilizer store completed in May 2016. <p>Social improvements:</p> <ul style="list-style-type: none"> • Building of new workers quarters i.e. 1 Block x 6 units' and 2 Blocks x 6 units' at P2 and M5 estates respectively. • Started new building of Humana Schools in June and August 2016 at M5 and P2 estates. • Construction of a new Church in April 2016, which is expected to complete by end 2016 at LP 1 estate. • Providing teacher to teach reciting Al-Quran to children staying in the workers quarters. • Providing necessary assistance to workers during celebrations/festivities, e.g. wedding. • Free or minimal fee to workers belong to the contractors for medical services. | Complied |



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| | <ul style="list-style-type: none"> • Providing financial assistance to government school as and when requested. • 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 Leepang (Sabah) 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 |
| D.1.1 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. | 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. | Complied |
| D.2 Explanation | | |
| Indicators | Findings and Objective Evidence | Compliance |
| D.2.1 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. | 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). | Complied |
| 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). | 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). | Complied |
| D.3 Documented procedures | | |



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| <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> | Complied |
| <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> | Complied |
| <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. Edmund Norbert has the overall responsibility and authority for implementation and compliance with the documented procedure. He and other relevant staff (e.g. Asst. Mill Manager, En. Rosli Mohd Amin) under his charge demonstrated competence, skill and knowledge of the RSPO Supply Chain Certification Standard Module D requirements and its implementation. Training on the RSPO SCC standard was conducted on 21 Sept 2016 with total 19 personnel in attendance which included the Weighbridge, Store and Lab personnel. 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> | Complied |
| <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 from the PMU 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> | Complied |
| D.4 Purchasing and goods in | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>D.4.1 The facility shall verify and document the tonnages and sources of certified and non-certified FFBs received.</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 ticket and these are reported daily to the Lahad Datu Regional office and weekly to the Head Office at Putrajaya.</p> | Complied |
| <p>D.4.2 The facility shall inform the CB immediately if there is a projected overproduction of certified tonnage.</p> | <p>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.</p> | Complied |
| D.5 Record keeping | | |
| Indicators | Findings and Objective Evidence | Compliance |



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| 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 crushing to an independent palm kernel crusher. | Complied |
| 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. | Complied |

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.

3.1.3 Monitoring of Certified Products traded:

Trading of the certified products 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. The volumes of traded certified products 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 IP | 46,562.35 | 16,752.05 | 43,500.97 | 15,148.52 |
| Book & Claim (GreenPalm) | - | - | - | - |
| ISCC | 15,152.77 | 0 | 15,420.90 | 0 |
| Total Traded | 61,715.10 | 16,752.05 | 58,921.87 | 15,148.52 |
| Actual Produced | 67,839.504 | 16,900.349 | 61,137.191 | 15,457.304 |

Notes:

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- Based on records maintained at the POM, it was verified that the total tonnage of CSPO and CSPK 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 |
|---|------|----------------------|--------------------|---|
| Annual Surveillance-02 (by previous CB-SGS) | 2015 | 2 (Minor) | 2 | Actions taken on the NCRs and OBS were verified during ASA-03. Issues which were addressed and effectively implemented were closed accordingly. |
| Annual Surveillance-03 (by Intertek) | 2016 | 4 (1 Major, 3 Minor) | 7 | Next assessment (ASA-04) |

3.2.1 Year 2015: Re-Certification (2 Minor NCRs) by previous CB-SGS

| NCR | MYNI Indicator | Details of NCR | |
|-----------|----------------|--|-------------------------------|
| Minor-m20 | 5.3.3 | Date issued: 28 Oct 2015 | |
| | | Nonconformance: Recycled wastes (PET bottles, aluminum can etc.) was found disposed inappropriate manner at Leepang 5 landfill. In the Recycling site at PP3, a bag of SW material (2T oil containers) was found in the plastic centre. Empty Ellytech packs found thrown beside the empty container storage site. | |
| | | Root Cause and Corrective Action: There was a lack of monitoring on the waste management and disposal plan. Re-training on the proper disposal of recycle and SW as per the SOPs has been conducted to all staff and workers at the estates including Leepang 3. The respective Estate Managers and Assistants will be closely monitoring the waste management. | |
| | | Verification (Corrective Action): Records of re-training done as submitted was reviewed and accepted for closure. Note: Verification and close out of NCR was carried out by previous CB (SGS). | |
| | | NC status verified by auditor: Closed by SGS | Date closed: 25 Nov 2015 |
| | | Verification of effectiveness: The waste management and disposal plan was found to have been satisfactorily implemented at the mill and estates. Records of disposal of recyclable waste such as scrap metals and plastic bottles were available. Landfill sites were inspected and found to have satisfactorily implemented at the estates under the PMU. Verified during ASA-03 that the corrective action taken was implemented effectively. | |
| | | NC status verified by auditor: AL | Date verified: 10-14 Oct 2016 |

| NCR | MYNI Indicator | Details of NCR | |
|--------|----------------|--------------------------|--|
| Minor- | 6.5.3 | Date issued: 28 Oct 2015 | |

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| | | | | |
|--|-------------------------------|---|--|-------------------------------|
| m21 | | <p>Nonconformance: Improper/illegal electrical wiring (e.g. without casing/cover) are observed at houses visited at Leepang 5 and Permodalan 4 estates. Crèche at Leepang 5 estate also observed using high density wooden bar that is not properly installed to hold ' buaian' which may fall down and cause serious accident to the children.</p> | | |
| | | <p>Root Cause and Corrective Action: Linesite inspectors overlooked the issue of unsafe electrical extensions at the estates and unsafe wooden bar at the crèche at Leepang 5 estate. The unsafe electrical extensions has been removed at the respective workers houses and the ' buaian' has been dismantled and re-installed onto a strong and safe wooden beam instead. Linesite inspectors has been briefed to do better checking and close monitoring for any unsafe practices.</p> | | |
| | | <p>Verification (Corrective Action): Submitted evidence found satisfactorily addressed for closure. Further verification during the next surveillance audit. Note: Verification of NCR was carried out by previous CB (SGS).</p> | | |
| | | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">NC status verified by auditor: Closed by SGS</td> <td style="width: 40%;">Date closed: 25 Nov 2015</td> </tr> </table> | NC status verified by auditor: Closed by SGS | Date closed: 25 Nov 2015 |
| NC status verified by auditor: Closed by SGS | Date closed: 25 Nov 2015 | | | |
| | | <p>Verification of effectiveness: Verified during ASA-03 that the corrective action taken on the above issues are satisfactorily implemented at the estates audited.</p> | | |
| | | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">NC status verified by auditor: JM</td> <td style="width: 40%;">Date verified: 10-14 Oct 2016</td> </tr> </table> | NC status verified by auditor: JM | Date verified: 10-14 Oct 2016 |
| NC status verified by auditor: JM | Date verified: 10-14 Oct 2016 | | | |

3.2.2 Year 2015: ASA-02 (2 Observations) by previous CB-SGS

| Ref No: | MYNI Indicator | Location | Details of Observation | Status | | |
|---------|----------------|------------|--|-------------|-------------|------------------------|
| | | | | Opened date | Closed date | Remark, if any |
| OBS 01 | 4.6.5 | PP3 Estate | At PP3 in F97R, one of the female worker 'interpump' spray equipment was faulty and she was not able to stop the flow/spray. However, the mandore was able to manage the situation. | 28 Oct 2015 | 14 Oct 2016 | Adequate actions taken |
| OBS 02 | 4.6.6 | LP5 Estate | Sighting of loose fruit scrappers made of the green empty chemical containers used by the harvester sighted at F97P in PP3 as well as on the tractor used to transport the pre-mix chemicals in LP5. On the visit to the home at the linesite (harvester area) in LP5, the occupants were using a 20 litres green chemical container to store water. | 28 Oct 2015 | 14 Oct 2016 | Adequate actions taken |

3.2.3 Year 2016: ASA-03 (1 Major, 3 Minor NCRs)

| NCR | MYNI Indicator | Details of NCR |
|-------|----------------|--------------------------|
| Minor | 4.3.2 | Date issued: 14 Oct 2016 |



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| | | | | |
|---|-------------------------|---|---|-------------------------|
| NC: CFK-01 | | <p>Nonconformance:</p> <p>Construction of terraces: Morisem 5 Estate</p> <ol style="list-style-type: none"> 1. In F 14B (M), almost all the terraces were not having stop bund to control water flow along the terrace, and some terraces were not constructed along the contour. As a result, erosion had taken place at the lower section of the terrace. 2. In F 14B (E), there was a small area where the gradient of land was more than 10°, but no terrace (conservation or planting terrace) had been constructed. | | |
| | | <p>Root Cause and Corrective Action(s):</p> <p><u>Root Cause</u></p> <ol style="list-style-type: none"> 1. There are insufficient amount of monitoring and maintenance from the management side to ensure the bund is properly constructed during and after the terracing work being carried out by the contractors. 2. There are also lacks of awareness with regards to the terracing requirement at the slope area to ensure the contractors carrying out the work properly and sufficiently. <p><u>Corrective Action</u></p> <ol style="list-style-type: none"> 1. The stop bund will be constructed in the area where it was found not available and re-established in the area where it was found has not been in proper condition. 2. Training will be given to all responsible field staffs and executives for the replanting area to ensure they are equipped with sufficient amount of knowledge and awareness on the requirement on terracing work. | | |
| | | <p>Verification (Corrective Action):</p> <p>Evidences submitted i.e. copy of corrective actions done with attached photographs of constructed stop bunds at the audited sites were verified and considered to have satisfactorily addressed the issue and acceptable for closure.</p> | | |
| | | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">NC status verified by auditor: Closed by AL/CFK</td> <td style="width: 40%;">Date closed: 7 Nov 2016</td> </tr> </table> | NC status verified by auditor: Closed by AL/CFK | Date closed: 7 Nov 2016 |
| NC status verified by auditor: Closed by AL/CFK | Date closed: 7 Nov 2016 | | | |
| | | <p>Verification of effectiveness: Next assessment (ASA-04)</p> | | |
| | | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">NC status verified by auditor: -</td> <td style="width: 40%;">Date verified: -</td> </tr> </table> | NC status verified by auditor: - | Date verified: - |
| NC status verified by auditor: - | Date verified: - | | | |

| NCR | MYNI Indicator | Details of NCR |
|---------------------------------|----------------|--|
| Minor NC: CFK-02 | 4.3.3 | Date issued: 14 Oct 2016 |
| | | <p>Nonconformance:</p> <p>Mitigation of soil erosion: Morisem 5 Estate</p> <p>In F14B (M), no scupper drain, where possible, had been constructed to lead the water from the road onto the terrace in order to reduce soil erosion on the road.</p> |
| | | <p>Root Cause and Corrective Action(s):</p> <p><u>Root Cause</u></p> <ol style="list-style-type: none"> 1. Lack of awareness on the requirement on the construction of the scupper drains along the road to reduce the soil erosion on the roads. <p><u>Corrective Action</u></p> <ol style="list-style-type: none"> 1. The scupper drains will be provided in the strategic required areas along the roads within the estates. 2. Monitoring of the scupper drain shall be carry out as part of the road maintenance programme to ensure it will always be kept in a working condition. |
| | | <p>Verification (Corrective Action):</p> <p>Evidences submitted i.e. copy of corrective actions done with attached photographs of constructed scupper drains at the audited sites were verified and considered to have satisfactorily addressed the issue and acceptable for closure.</p> |



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| | | | |
|--|--|---|-------------------------|
| | | NC status verified by auditor: Closed by AL/CFK | Date closed: 7 Nov 2016 |
| | | Verification of effectiveness: Next assessment (ASA-04) | |
| | | NC status verified by auditor: - | Date verified: - |

| NCR | MYNI Indicator | Details of NCR | |
|---|----------------|---|--------------------------|
| Major NC: CFK-03 | 4.4.2 | Date issued: 14 Oct 2016 | |
| | | Nonconformance: | |
| | | Buffer zones along water courses: Morisem 5 Estate: In F14A (F), there was no buffer zone being marked along the stream, and some palms were planted next to the stream. | |
| | | Root Cause and Corrective Action(s): | |
| | | <u>Root Cause</u> | |
| | | <ol style="list-style-type: none"> 1. Buffer zone has already been provided for the natural stream in the estate, however it was previously does not covered the tributary waterways that goes into the stream, which are mostly formed as a result of running water from the hilly area of the estate. The waterways are also actually found dry most of the time except during the raining season. 2. Buffer zone in the estate was previously deemed to be sufficient as it was provided in accordance to the map of rivers from the state map as defined in the estate's EIA for replanting activities. | |
| | | <u>Corrective Action</u> | |
| <ol style="list-style-type: none"> 1. The tributary waterways to the stream running through the estate has been identified and mapped out in the estate map for reference of the estate management towards future maintenance of the area. 2. The buffer zone for the tributary waterways has been provided in accordance to the DID requirement on the width of buffer zone. | | | |
| Verification (Corrective Action): | | Off-site verification is done. The corrective actions taken which are supported by photographs taken at audited sites and proposed implementation of the Buffer zones for replanting at all the estates are considered to be acceptable for the closure. This is subject to follow-up verification during next assessment. | |
| | | NC status verified by auditor: Closed by AL/CFK | Date closed: 14 Nov 2016 |
| | | Verification of effectiveness: Next assessment (ASA-04) | |
| | | NC status verified by auditor: - | Date verified: - |

| NCR | MYNI Indicator | Details of NCR | |
|--------------|----------------|--------------------------|--|
| Minor | 4.6.7 | Date issued: 14 Oct 2016 | |



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| | | |
|---|--|--|
| NC: CFK-04 | | <p>Nonconformance:</p> <p>Permodalan 2 Estate In F 96E, when the spraying operators were doing strip and circle spraying, they were swinging the spraying lance left and right, sometime up to shoulder height. This is against the procedure of strip and circle spraying as stipulated in the SOP.</p> <p>Leepang 1 Estate The strip and circle spraying operators were holding the spraying lance with the trigger control up-side-down.</p> |
| <p>Root Cause and Corrective Action(s):</p> <p><u>Root Cause</u></p> <ol style="list-style-type: none"> 1. Lack of awareness among the workers on the correct way of handling fan jet spraying pump. There are also lack of monitoring from the supervision session from the management to ensure proper handling of the pump. <p><u>Corrective Action</u></p> <ol style="list-style-type: none"> 1. Training has been given to the spraying workers to train them on the proper handling of the fan jet spraying pump when carrying out their work in the field. 2. Proper handling of the pump will be included in the future workplace inspection session to identify any potential recurrence of the issue in the future. | | |
| <p>Verification (Corrective Action):</p> <p>Evidences submitted i.e. copy of Training records for workers which are supported by attached photographs were verified and considered to have satisfactorily addressed the issue and acceptable for closure.</p> | | |
| NC status verified by auditor: Closed by AL/CFK | | Date closed: 7 Nov 2016 |
| Verification of effectiveness: Next assessment (ASA-04) | | |
| NC status verified by auditor: - | | Date verified: - |

3.2.4 Year 2016: ASA-01 (7 Observations)

| Ref No: | MYNI Indicator | Location | Details of Observation | Status | | |
|----------------|----------------|---|---|-------------|-------------|------------------------|
| | | | | Opened date | Closed date | Remark (if any) |
| OBS: CFK-01 | 4.7.3 | Permodalan 2 Estate | At field block F96W, a harvester, while resting, was observed to have hung the harvesting pole with sickle onto a frond of the palm. | 14 Oct 2016 | | To follow-up in ASA-04 |
| OBS: AL-01 | 5.2.3 | Permodalan 2, Morisem 5 and Leepang 1 estates | The programme to regularly educate the workforce on the awareness of RTE species is to be improved so that field workers are better able to identify some of species of wildlife which are encountered near boundaries with the Forest Reserves and Conservation areas during ongoing monitoring. | 14 Oct 2016 | | To follow-up in ASA-04 |
| OBS: AL-02 | 5.6.3 | Leepang POM | Monitoring tools for stack emissions such via DOE online CEMS is being used. However, there was no back up monitoring and recording done during recent breakdown in the CEMS system | 14 Oct 2016 | | To follow-up in ASA-04 |



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| | | | | | | |
|----------------|--------|---------------------------------------|--|----------------|--|---------------------------|
| | | | since Sept 2016. | | | |
| OBS: JMD-01 | 4.7.3 | Permodalan 2, Leepang 1 estates | Training on firefighting are conducted regularly for workers in the estates. However certain groups of workers or residents in the said estates e.g. Crèche caretakers and HUMANA teachers were not present. The management should consider involving them in these trainings. | 14 Oct 2016 | | To follow-up in ASA-04 |
| OBS: JMD-02 | 6.5.1 | Leepang 1 estate | Employment agreements between the management and the workers are available. However two workers agreements were found to have a difference in the date of births when checked with the dates indicated in the system. | 14 Oct 2016 | | To follow-up in ASA-04 |
| OBS: JMD-03 | 6.5.3 | Permodalan 2 estate | The linesite inspection reports over the past 12 months are noted to be done. Previous year NCR m21 (2015) was addressed. However the status of the findings from the previous inspections were still insufficiently stated in the inspection reports. Therefore a new observation is issued. | 14 Oct 2016 | | To follow-up in ASA-04 |
| OBS: JMD-04 | 6.12.1 | Morisem 5 estate | Passports are noted to be voluntarily handed by the foreign workers to management for safekeeping. However, no log book was maintained to keep track of the movement of the passports. | 14 Oct 2016 | | To follow-up in ASA-04 |

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, sport facilities and financial support for the Government school located in the PMU.

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 Leepang 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 annual surveillance assessment (ASA-02) was conducted by SGS and stakeholders' feedback obtained prior and during that assessment were stated in the SGS Malaysia report as follows: "Leepang Group



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(Lahad Datu Region) and SGS Malaysia did not receive any feedback or comments from stakeholders in writing regarding the Leepang Group (Lahad Datu Region)'s environmental and social performance. All interviewed stakeholders had positive comments about Leepang Group (Lahad Datu Region)."

3.3.2 Feedback Raised by Stakeholders (Year 2016: Surveillance Assessment ASA-03)

Communication done via email on 9 Sept 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: No feedback received. | Ongoing consultations will be maintained. No response needed. | Verified during on-site assessment that no response needed. | No further action required. |
| 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 7 stakeholders were able to be 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. Proposal made by a Government School Principal that the existing school at the PMU should transfer the land ownership to the SK Sg. Bandera School. | Concerning item no. 3 i.e. the proposal made by the Government School Principal of SK Sg. Bandera, PMU response was that the proposal was not a new matter. The PMU Management had explained that they do not have the authority to act on the proposal as it involved IOI HQ level. The Principal was already advised to write his request to the State Education Ministry as the necessary step if he wishes to pursue the matter. | To be followed up during the next Annual Surveillance Assessment. | |
| Internal stakeholders/ Workers interviewed: Interviews of sampled staff and workers were also conducted by the auditors during field visits from 10 – 14 Oct 2016 at the PMU: Staff / Workers sampling: POM: 12 males, 10 females Estate Office staff: 10 males, 14 females Field workers (foreign workers): 27 males, 36 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 |



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4.0 ASSESSMENT CONCLUSION AND RECOMMENDATION

Based on the findings above, IOI Leepang (Sabah) 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 Leepang (Sabah) Grouping be approved and continued.

Signed for and on behalf of
Intertek Certification International Sdn Bhd

Augustine Loh
Lead Assessor
Date: 24 Nov 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. Chew Beng Hock
General Manager (Leepang POM & Estates)
Date: 24 Nov 2016



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4.2 INTERTEK- RSPO P&C Certificate details for Leepang (Sabah) Grouping

| | |
|-----------------------------|--|
| Certificate No: | RSPO 930888 |
| Original Issue date: | 16 Dec 2013 |
| New issue date (ASA-03): | 16 Dec 2016 |
| Expiry date: | 15 Dec 2018 |
| 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: | Leepang (Sabah) Grouping |
| Address of POM: | MDLD 5123, KM 3 Jalan Segama, Locked Bag No. 15, 91109 Lahad Datu, Sabah, Malaysia. |
| 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 module for POM | 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 | |
| Leepang (Sabah) POM (Capacity: 40 MT/hour) | Morisem Pam Oil Mill Sdn Bhd, (Leepang Palm Oil Mill), MDLD 5123, KM 3 Jalan Segama, Locked Bag No. 15, 91109 Lahad Datu, Sabah, Malaysia. | N 5°32.864' | E 118°26.216' | 14,552.94 |
| Leepang 1 Estate | MDLD 5123, KM 3 Jalan Segama, Locked Bag No. 15, 91109 Lahad Datu, Sabah, Malaysia. | N 5°33.954' | E 118°26.629' | |
| Leepang 5 Estate | MDLD 5123, KM 3 Jalan Segama, Locked Bag No. 15, 91109 Lahad Datu, Sabah, Malaysia. | N 5°32.778' | E 118°26.113' | |
| Morisem 5 Estate | MDLD 5123, KM 3 Jalan Segama, Locked Bag No. 15, 91109 Lahad Datu, Sabah, Malaysia. | N 5°30.525' | E 118°26.142' | |
| Permodalan 1 Estate | MDLD 5123, KM 3 Jalan Segama, Locked Bag No. 15, 91109 Lahad Datu, Sabah, Malaysia. | N 5°30.419' | E 118°27.909' | |
| Permodalan 2 Estate | MDLD 5123, KM 3 Jalan Segama, Locked Bag No. 15, 91109 Lahad Datu, Sabah, Malaysia. | N 5°30.467' | E 118°29.023' | |
| Permodalan 3 Estate | MDLD 5123, KM 3 Jalan Segama, Locked Bag No. 15, 91109 Lahad Datu, Sabah, Malaysia. | N 5°28.099' | E 118°28.847' | |
| Permodalan 4 Estate | MDLD 5123, KM 3 Jalan Segama, Locked Bag No. 15, 91109 Lahad Datu, Sabah, Malaysia. | N 5°26.943' | E 118°28.121' | |

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

| Leepang (Sabah) POM | Annual Tonnages (MT) |
|---------------------|-------------------------|
| Certified FFB | 325,000 |
| Certified CPO | 68,250 |
| Certified PK | 17,875 |
| Supply chain module | Identity Preserved (IP) |



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Appendix A:

Qualifications of Lead Assessor and Assessment Team

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

(Palm Oil Mill, Environment, Social, Conservation & HCV area, GAP, IPM, Land Use and Supply Chain)
– Master in Business Administration, USA and Diploma in Maritime Studies, Singapore

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

Mr. Chen Fai Kok (CFK) – Assessor / Technical Expert

(Palm Oil Mill, Good Agriculture Practice and Integrated Pest Management)
– Diploma in Agriculture

Mr. Chen Fai Kok has over 30 years work experience in the plantation sector. He has held a Senior Management role in the estate field operations including GAP and IPM. He had also served as the Branch Chairman of the Incorporated Society of Planters (ISP) in several branches for over 20 years. He has successfully completed training in Estate Management and the Intertek In House RSPO P&C, MYNI and Cambodian LI Assessor courses. He is a member of the RSPO CB Assessment team which audited several RSPO certified Plantation Management Units since 2009.

Mr. Jumat Majid (JMD) – Assessor / Technical Expert

(Social Responsibility, Workers Welfare and GAP)
– BSc (Social Science)

Mr Jumat Majid (JM) has over 15 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 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 a member of the RSPO Assessment team which audited several RSPO certified Plantation Management Units since 2010.



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Appendix B:

Assessment Plan (Actual)

| Date | Time | Assessors and Assessment Activity | | |
|------------------------------------|--|--|--|--|
| | | Assessment Team | | |
| 10 Oct 16 Monday (Day 1) | 8.00 am – 1.00 pm | Travel to Leepang (Sabah) 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 | | |
| | | AL | CFK | JMD |
| | | Site assessment at Palm Oil Mill <ul style="list-style-type: none"> • P1 Transparency • P2 Laws & regulations • P3 Economic & Financial Viability • P5 Environmental, Conservation & HCV • P8 Continual Improvement • SCC for POM | Site assessment at Palm Oil Mill <ul style="list-style-type: none"> • P2 Laws & regulations • P4 Best Practices at Mill • 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 | | |
|-------------------------------------|-------------------|---|---|--|
| | | AL | CFK | JMD |
| 11 Oct 16 Tuesday (Day 2) | 8.30 am – 12.30pm | Site assessment at Permodalan 2 estate <ul style="list-style-type: none"> • P1 Transparency • P2 Laws & regulations • P3 Economic & Financial Viability • P5 Environmental, Conservation & HCV • P8 Continual Improvement | Site assessment at Permodalan 2 estate <ul style="list-style-type: none"> • P2 Laws & regulations • P4 Best Practices at Estates • P7 New Plantings • P8 Continual Improvement | Site assessment at Permodalan 2 estate <ul style="list-style-type: none"> • P2 Laws & regulations • P6 Employees, Individuals & Communities incl. Gender Issues • P8 Continual Improvement |
| | | Lunch Break | | |
| | 1.30 pm - 5.30 pm | Continue site assessment at Permodalan 2 estate | | |
| | 5.30 pm – 6.30 pm | Travel to Hotel & Break | | |
| | 6.30 pm – 7.30 pm | Team Meeting and Discussion | | |

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| Date | Time | Assessors and Assessment Activity | | |
|---------------------------------------|--------------------|--|--|---|
| | | AL | CFK | JMD |
| 12 Oct 16 Wednesday (Day 3) | 8.30 am – 12.30pm | Site assessment at Morisem 5 estate <ul style="list-style-type: none"> • P1 Transparency • P2 Laws & regulations • P3 Economic & Financial Viability • P5 Environmental, Conservation & HCV • P8 Continual Improvement | Site assessment at Morisem 5 estate <ul style="list-style-type: none"> • P2 Laws & regulations • P4 Best Practices at Estates • P7 New Plantings • P8 Continual Improvement | Site assessment at Morisem 5 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 Morisem 5 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 | | |
|--------------------------------------|--------------------|--|--|---|
| | | AL | CFK | JMD |
| 13 Oct 16 Thursday (Day 4) | 8.30 am – 12.30pm | Site assessment at Leepang 1 estate <ul style="list-style-type: none"> • P1 Transparency • P2 Laws & regulations • P3 Economic & Financial Viability • P5 Environmental, Conservation & HCV • P8 Continual Improvement | Site assessment at Leepang 1 estate <ul style="list-style-type: none"> • P2 Laws & regulations • P4 Best Practices at Estates • P7 New Plantings • P8 Continual Improvement | Site assessment at Leepang 1 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 Leepang 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 | | |
|------------------------------------|--------------------|--|--|-----|
| | | AL | CFK | JMD |
| 14 Oct 16 Friday (Day 5) | 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 • P5 Environmental, Conservation & HCV • 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 | |
| | | Notes 1. It is mandatory for the PMU to inform Intertek and provide the information (as a minimum the no. of stakeholders in each applicable category and contact number) on the stakeholders prior to the assessment. | | |

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| | | |
|---------------------|---|---|
| | | 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 |
| 11.00 am – 12.00 pm | Preparation for Closing Meeting | |
| 12.00 pm – 12.30 pm | Team Meeting and Discussions with POM Management Representative | |
| 12.30 pm – 1.00 pm | Closing Meeting & Briefing at Palm Oil Mill Office | |
| 1.00 pm onwards | Travel back to Kuala Lumpur | |

Appendix C-1:

**Location Map of IOI Leepang (Sabah) Grouping, Lahad Datu, Sabah
Scale 1: 200 km**



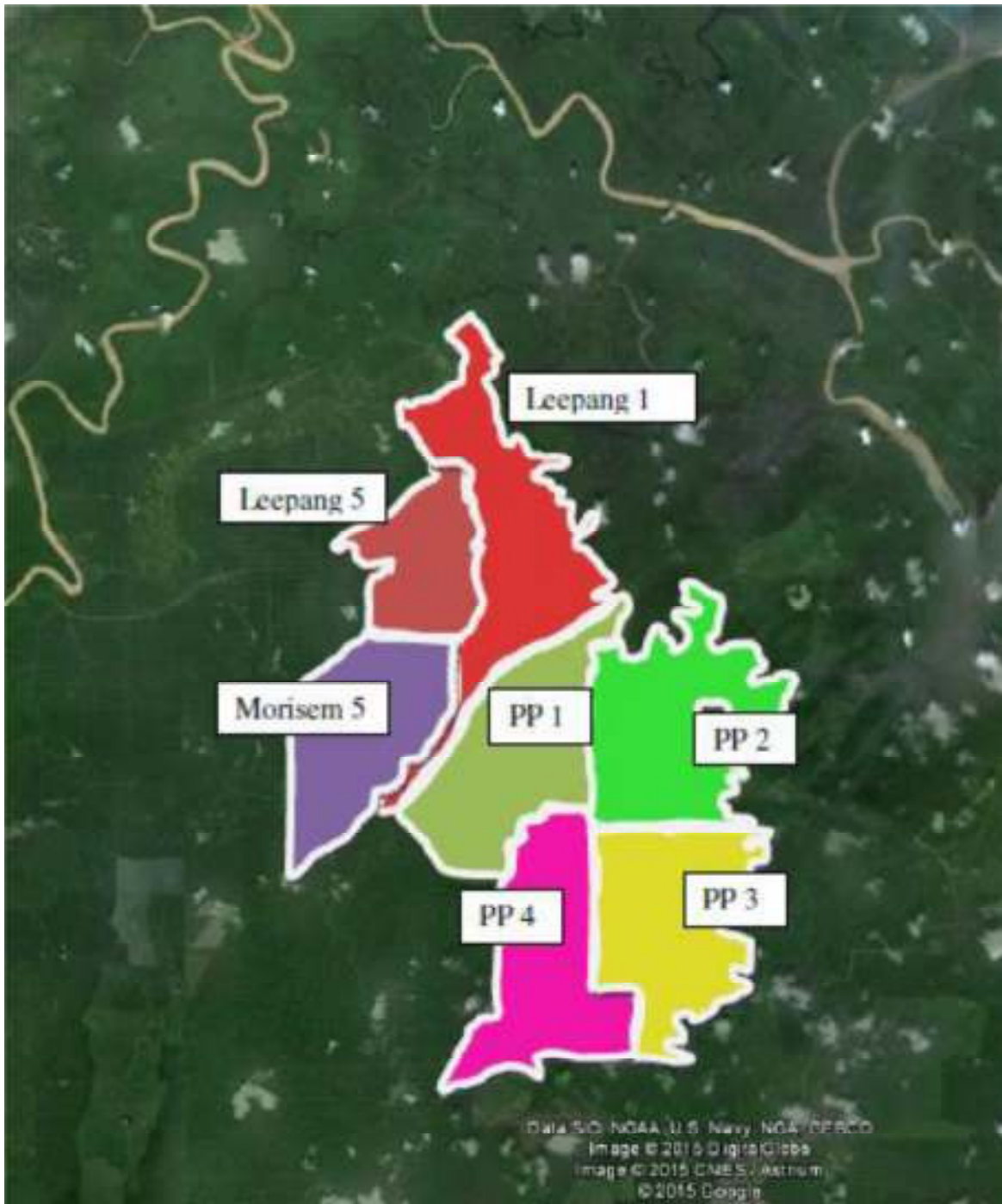
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Appendix C-2:

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

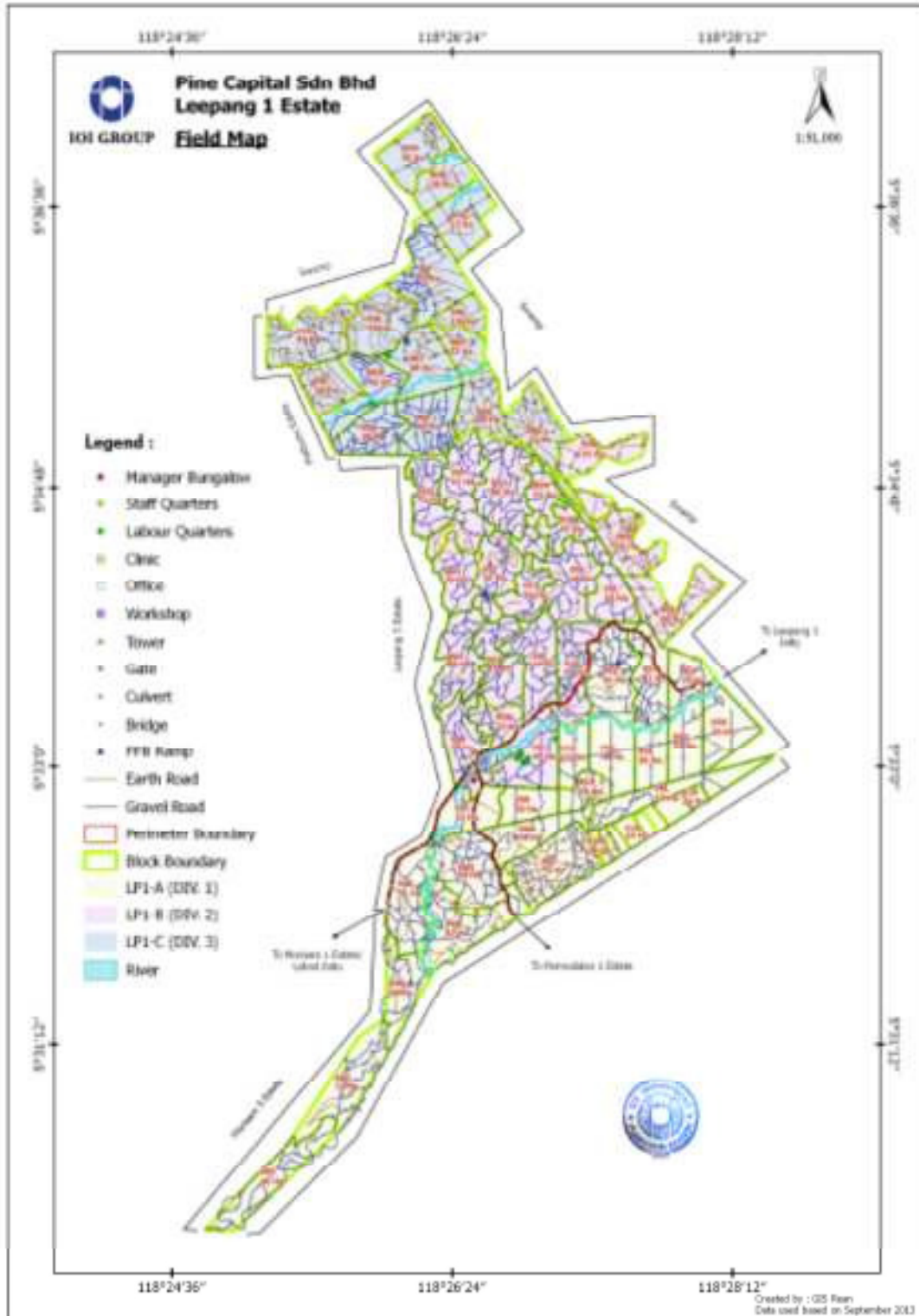


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Appendix C-2-1: Map of Leepang 1 estate



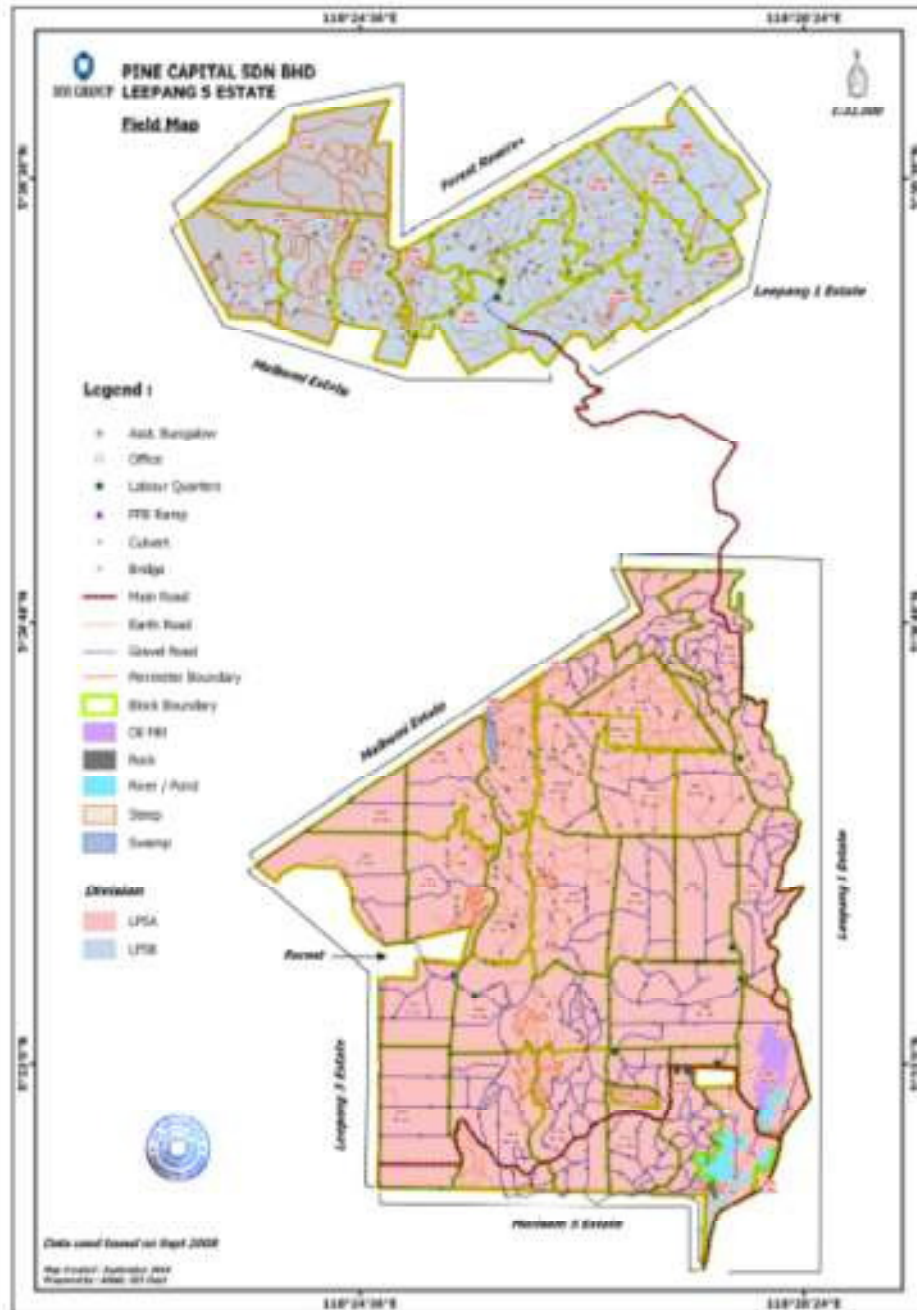
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Appendix C-2-2: Map of Leepang 5 estate



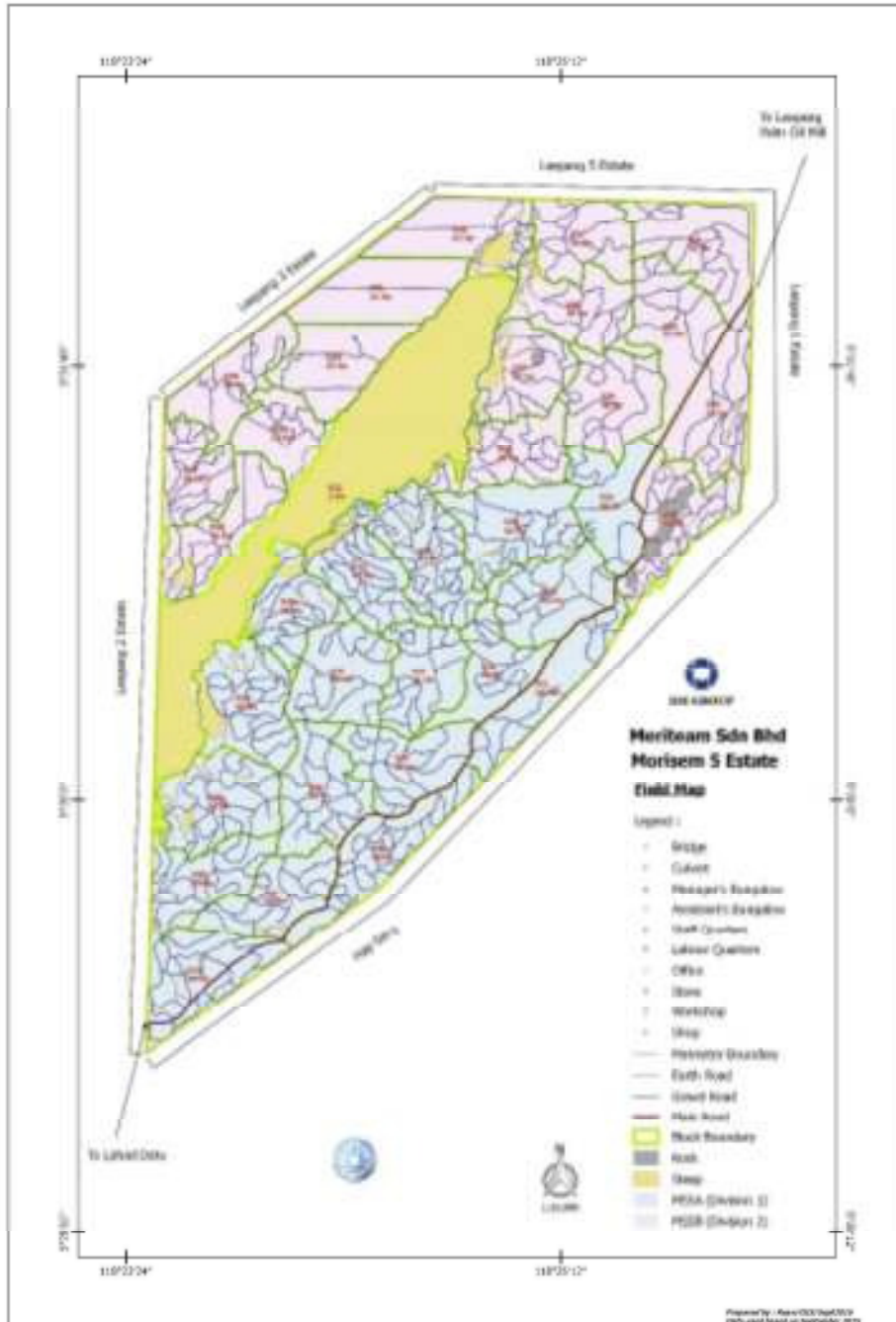
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Appendix C-2-3: Map of Morisem 5 estate

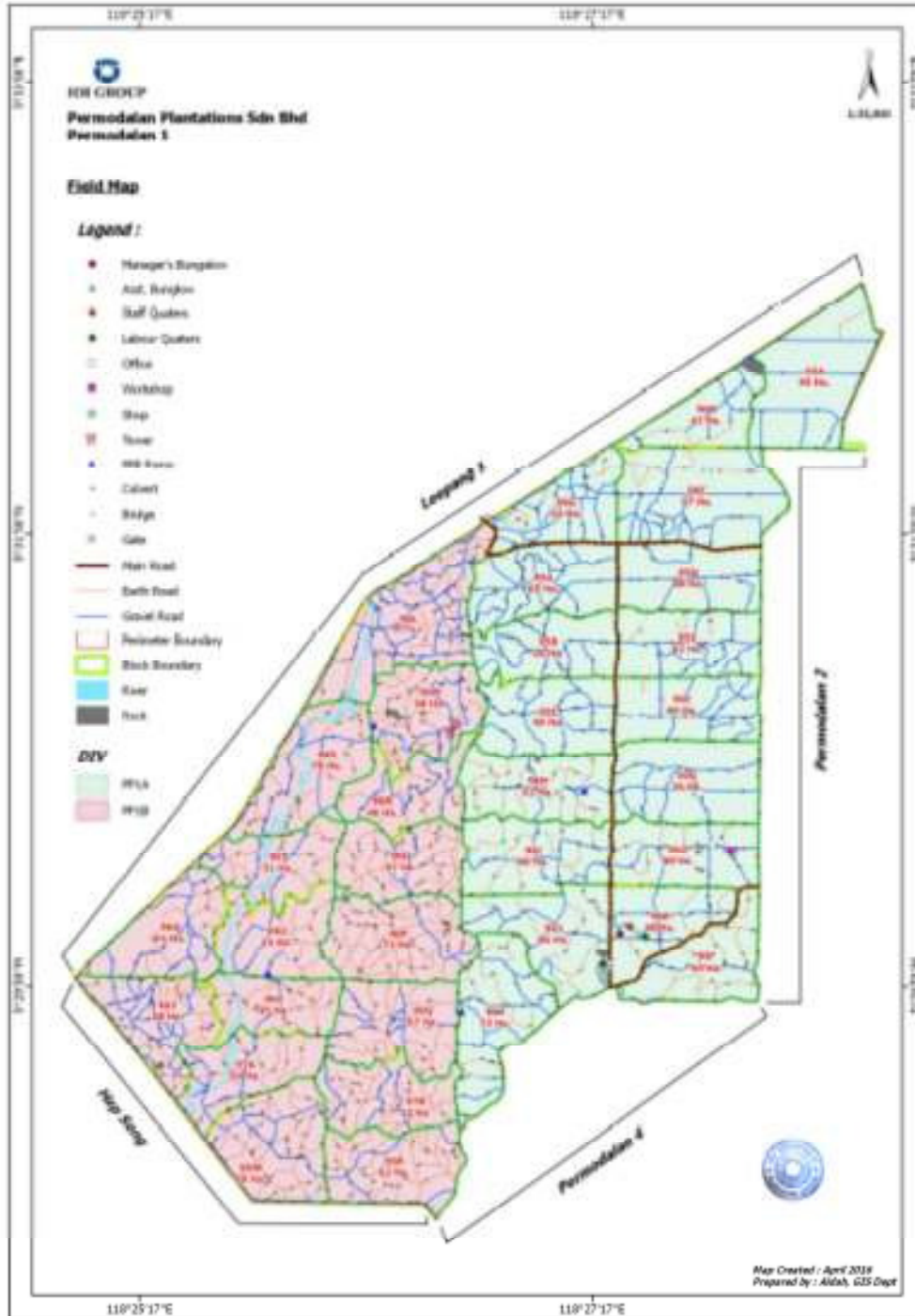


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Appendix C-2-4: Map of Permodalan 1 estate



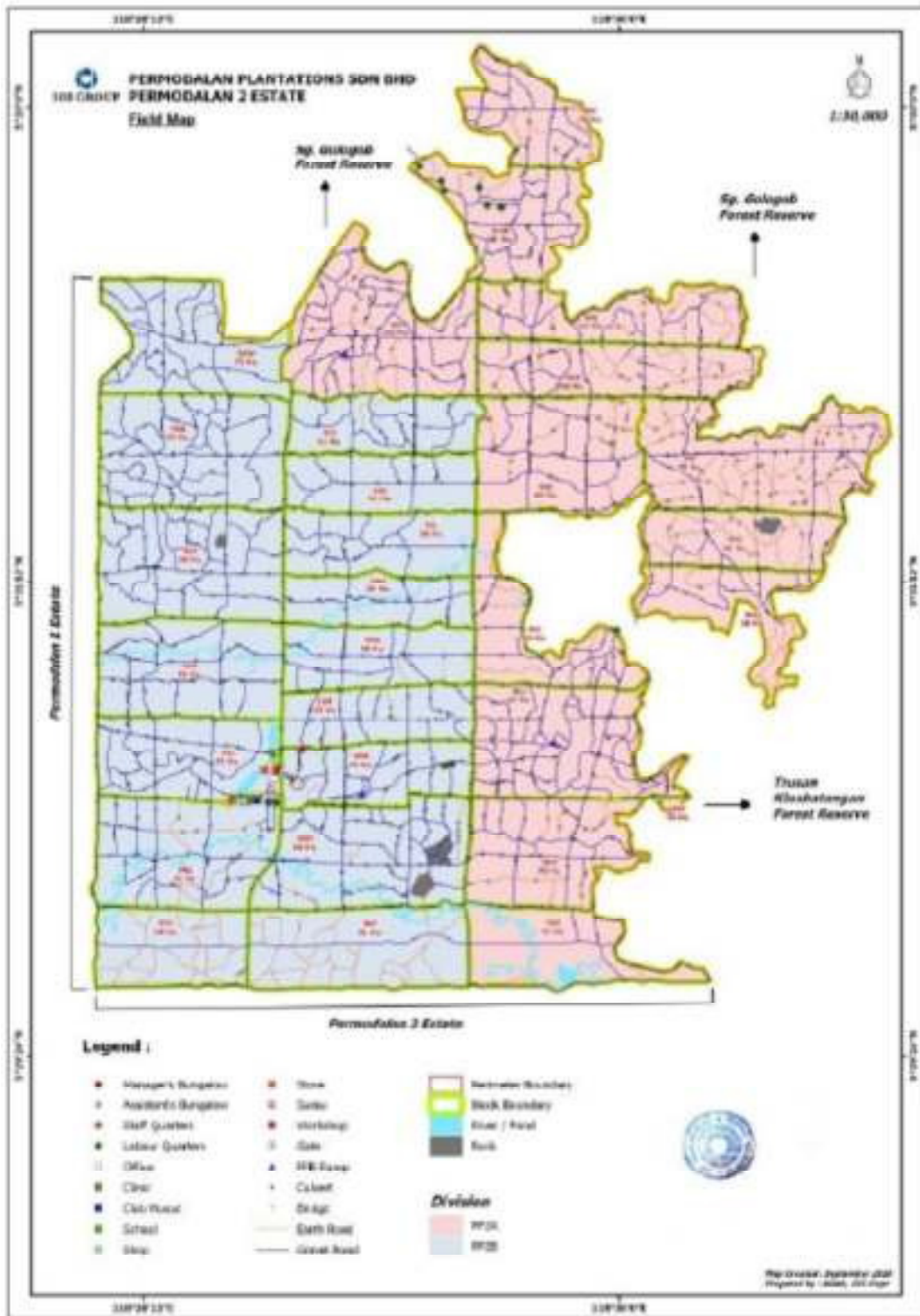
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Appendix C-2-5: Map of Permodalan 2 estate



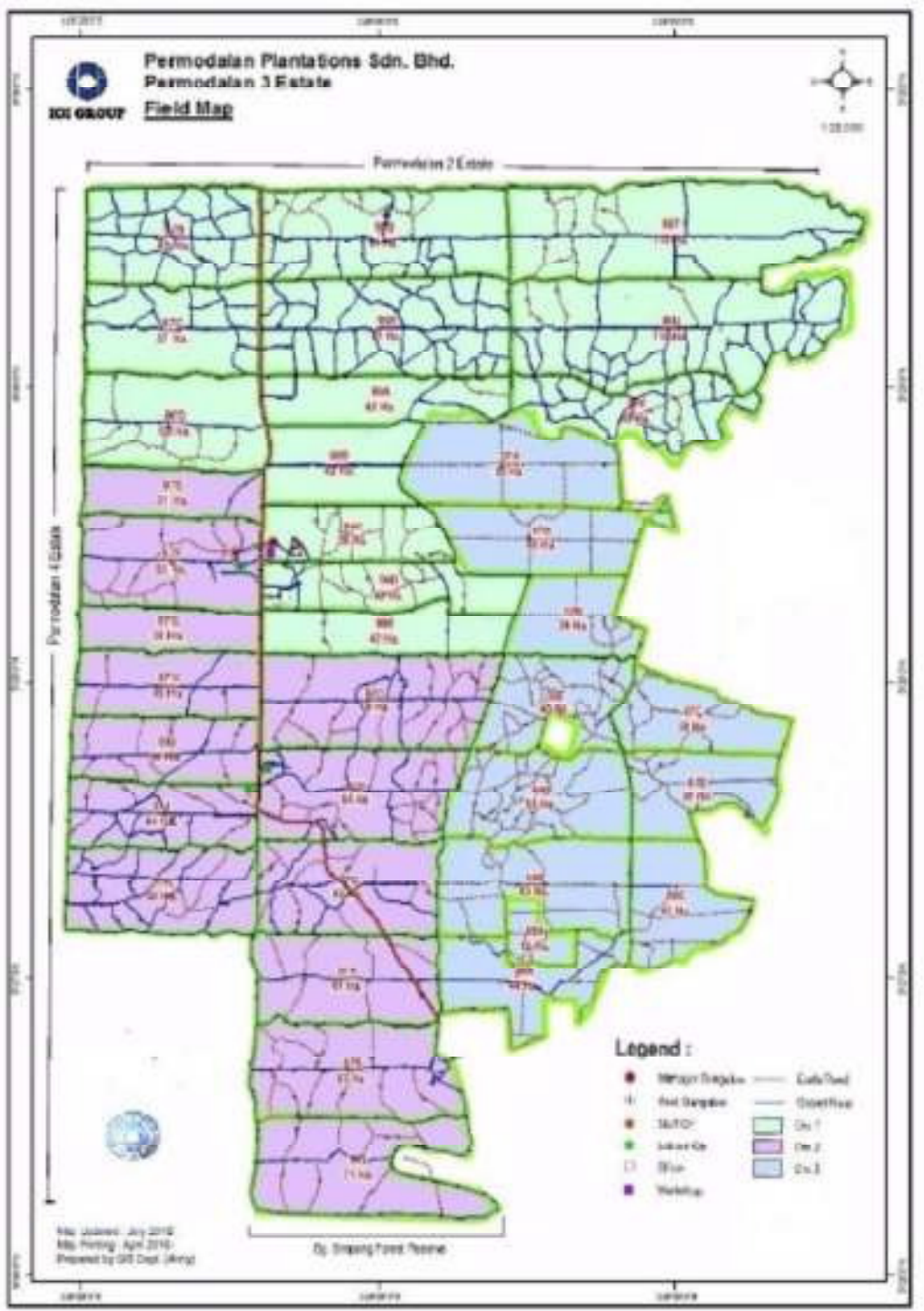
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Appendix C-2-6: Map of Permodalan 3 estate



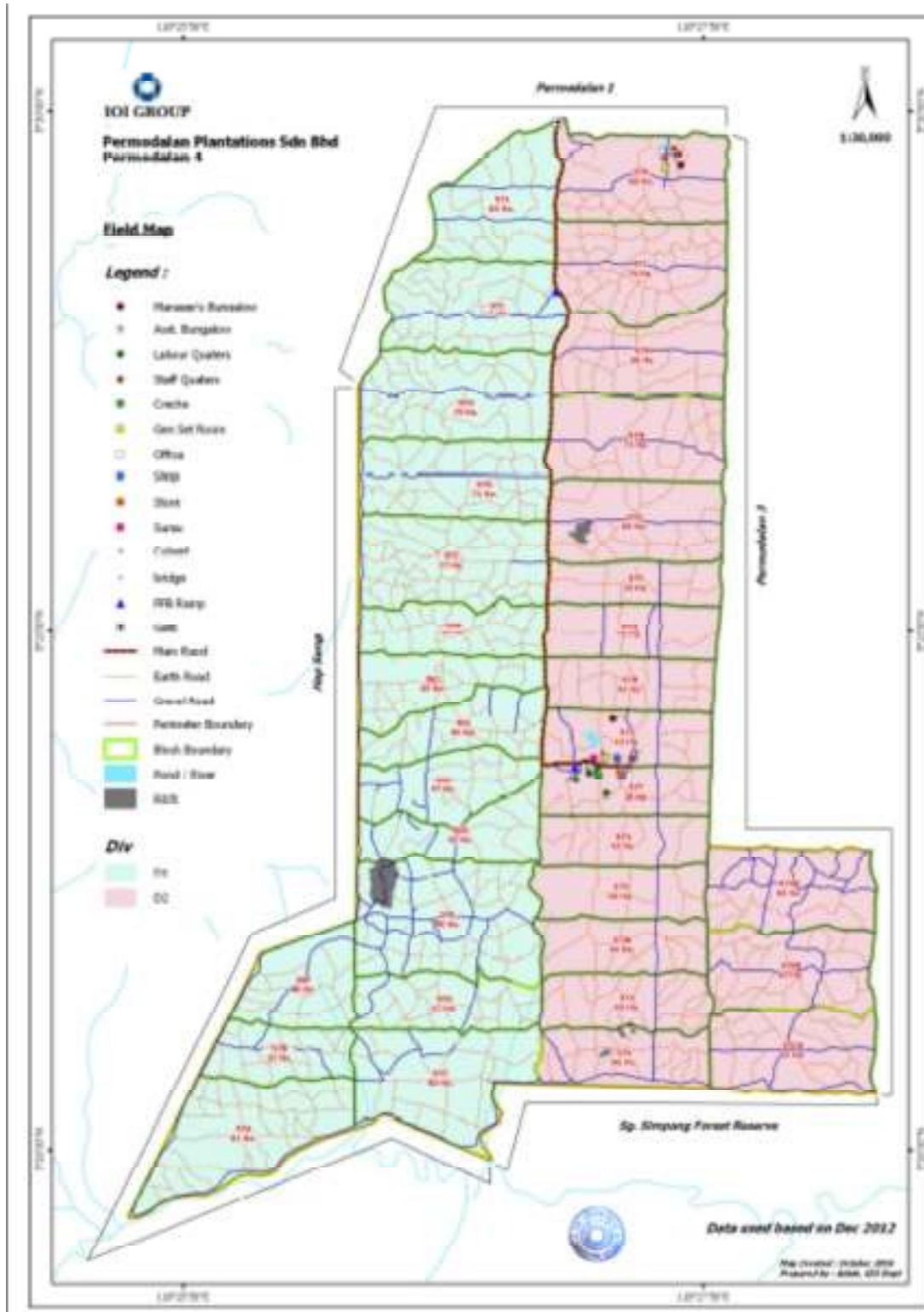
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Appendix C-2-7: Map of Permodalan 4 estate



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Appendix D:

Photographs of Assessment findings at Leepang (Sabah) PMU

| | |
|--|---|
| | |
| <p>Leepang (Sabah) Palm of Mill office</p> | <p>Effluent ponds at POM</p> |
| | |
| <p>Noise zones displayed at POM</p> | <p>Buffer zone signage for water pond at POM</p> |
| | |
| <p>Leepang 1 estate: Jetty and riparian zone</p> | <p>Leepang 1 estate: Buffer signages and zone near Forest Reserve</p> |

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Morisem 5 estate: Landfill site



Morisem 5 estate: Chemical store



Permodalan 2 estate: Boundary and buffer zone near Forest reserve.



Permodalan 2 estate: Buffer signage near steams.



Permodalan 2 estate office



Audit closing meeting at Leepang (Sabah) POM

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Appendix E:

Time Bound Plan

Details of Time Bound Plan as submitted by IOI Plantation Services Sdn Bhd (Oct 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 (Sabah) POM | May 2008 | Re-certified in Feb 2014 | Initial Assessment planned for Oct 2016. | No outstanding issues |
| 2. | Sakilan POM | Nov 2008 | Re-certified in 2015 | ASA-01 planned for 2016 | No outstanding issues |
| 3. | Pamol Kluang POM | Mar 2009 | Re-certified in 2015 | ASA-01 planned for 2016 | No outstanding issues |
| 4. | Gomali POM Johor | Aug 2009 | Re-certified in Aug 2015 | ASA-01 planned for 2016 | No outstanding issues |
| 5. | Baturong POM | Sep 2009 | Re-certified in Oct 2015 | ASA-01 planned for 2016 | No outstanding issues |
| 6. | Bukit Leelau POM | Apr 2010 | Re-certified in Nov 2015 | ASA-01 planned for 2016 | No outstanding issues |
| 7. | Mayvin POM | Aug 2010 | Re-certified in Dec 2015 | ASA-01 planned for 2016 | No outstanding issues |
| 8. | Pukin POM Johor | Dec 2010 | Re-certified in Jun 2016 | Re-Certification assessment completed for 2016. | No outstanding issues |
| 9. | Leepang (Sabah) 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 Pending issuance of HGU. |

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| | | | | | |
|-----|-------------------------------|---------------------------|-----------------------------|---|---|
| 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. |



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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>