

IOI CORPORATION BERHAD

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

PLANTATION MANAGEMENT UNIT

Morisem Grouping

Lahad Datu, Sabah, Malaysia



Valued Quality. Delivered.

Assessment Report

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INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

(188296-W)

Report No.: R9285/13-1 IOI Corporation Berhad
(Morisem Grouping: Main Assessment)

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MAIN ASSESSMENT REPORT ON RSPO CERTIFICATION

PUBLIC SUMMARY REPORT

IOI CORPORATION BERHAD

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

PLANTATION MANAGEMENT UNIT
Morisem Grouping
Lahad Datu, Sabah, Malaysia

Certificate No:

Issued date:

Expiry date:

RSPO 928588

18 December 2013

17 December 2018

Assessment Type

Initial Certification (Main Assessment)

Annual Surveillance Assessment (ASA-01)

Annual Surveillance Assessment (ASA-02)

Annual Surveillance Assessment (ASA-03)

Annual Surveillance Assessment (ASA-04)

Re-Certification

Assessment Dates

23 - 26 September 2013

Intertek Certification International Sdn Bhd

[formerly known as Moody International Certification (Malaysia) Sdn Bhd]

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1.0 SCOPE OF MAIN ASSESSMENT

1.1 Introduction

This Main Assessment was conducted on the Plantation Management Unit (PMU) Morisem Grouping of IOI Corporation Berhad (hereafter abbreviated as IOI), from 23-26 September 2013, to assess if the organization's operations of the mill and its supply bases for compliance against the RSPO Principles and Criteria (April 2013), Malaysian National Interpretation (November 2010) and the RSPO Supply Chain Certification Standard (November 2011) for Palm Oil Mill.

This assessment also includes a review of the changes made by the PMU to comply with the requirements of the ratified new RSPO Principles and Criteria (effective 25 April 2013). It was found that the PMU is aware of the new RSPO Principles and Criteria but yet make the necessary changes required.

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.

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

Morisem Grouping consists of one palm oil mill, namely Morisem Palm Oil Mill and 8 estates as indicated in Table 1 below, which includes the addresses and GPS locations of the mill and estates. The location maps are provided in **Appendix C**.

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

Name	Address	GPS Reference	
		Latitude	Longitude
Morisem POM (Capacity: 105 MT/hour)	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°29'38.65"N	118°22'8.54"E
1. Morisem 1	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°29'24.00"N	118°19'12.00"E
2. Morisem 2	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°27'36.00"N	118°21'36.00"E
3. Morisem 3	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°30'0.00"N	118°19'48.00"E
4. Morisem 4	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°20'24.00"N	118°20'24.00"E
5. Leepang 2	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°30'36.00"N	118°22'48.00"E
6. Leepang 3	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°31'48.00"N	118°23'24.00"E
7. Leepang 4	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°32'60.00"N	118°22'12.00"E
8. Ladang Asas	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°14'24.00"N	118°16'12.00"E

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1.3 Description of supply base (fruit sources)

The main supply base, i.e. FFB sources to the POM at Morisem Grouping PMU are from the abovementioned estates. There are also other estates from another PMU which are owned by IOI, which supplied FFB to the POM. The other supply base has also been considered in the overall assessment on Morisem PMU and has been verified to be part of the Time Bound Plan committed by IOI for certification. **(Refer to para.1.8)**

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

Table 2: Estate Area Summary - FY July 2012 / June 2013

Estate	Area Summary (ha)	
	Certified Area	Planted Area
1. Morisem 1	2,032.00	1,896.00
2. Morisem 2	2,042.14	1,889.00
3. Morisem 3	2,013.70	1,830.00
4. Morisem 4	2,023.00	1,900.00
5. Leepang 2	2,159.19	1,962.00
6. Leepang 3	1,914.43	1,838.00
7. Leepang 4	1,425.21	1,354.00
8. Ladang Asas (Tas & Halusah)	2,021.85	1,909.00
Total:	15,631.52	14,578.00

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 estates.
2. The estates sampled for this Assessment have been selected based on their potential risks on social, environmental and biodiversity issues such as their proximity to forest reserves, hill sides, riparian zones and high conservation value areas.

1.4 Summary of plantings and cycle

The 8 estates had been developed beginning from 1990 and the replanting in 2007 onwards at Morisem 1 and 2 estates, which are currently in the 2nd cycle of planting for the oil palms. The other estates are still in the 1st cycle of planting. The age profile is as shown in Table 3.

Table 3: Age Profile of Planted Oil Palm (Year: FY Jul 2012 / Jun 2013)

Estate Name	Year of Planting	Cycle of Planting	Mature OP (ha) – Above 3 years	Immature OP (ha) – 3 years & below
Morisem 1	1990-1991 2007-2010	2 nd cycle	1,896.00	-
Morisem 2	1990-1991 2008-2013	2 nd cycle	709.00	1,180.00
Morisem 3	1990-1991	1 st cycle	1,830.00	-
Morisem 4	1991-1992	1 st cycle	1,900.00	-
Leepang 2	1995-1999	1 st cycle	1,962.00	-
Leepang 3	1996-1997	1 st cycle	1,838.00	-
Leepang 4	1996-2003	1 st cycle	1,354.00	-
Ladang Asas (Tas & Halusah)	1992-1998	1 st cycle	1,909.00	-
		Total	13,398.00	1,180.00

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1.5 Summary of Conservation and HCV Areas

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

Table 4: Conservation and HCV Areas

#	Statement of Land Use (Ha)	Current FY Jul 2013 / Jun 2014 Hectarage – Ha
1	Planted Area (ha) – Oil Palm	
	- Mature	13,398.00
	- Immature	1,180.00
2	Conservation Area (ha)	
	- comprising buffer zones along small streams, hilly areas, swampy and unplatable areas	61.91
3	HCV Area (ha)	
	- comprising buffer zones near forest reserves, water catchments, burial & religious sites	13.33

1.6 Other certifications held and Use of RSPO Trademarks

There are no other certifications presently held under the IOI Morisem Grouping. The RSPO's trademarks and logo are not being used by the PMU audited. Instructions for use were provided and acknowledged by the PMU through a signed Memorandum of Agreement during the assessment

1.7 Organizational information / Contact Person

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1.8 Tonnes Verified for Certification

The breakdown of all the suppliers and their tonnages of FFB supplied to the **POM at Morisem Grouping** based on the reporting period for FY July 2012 / June 2013 are as follows:

#	Estate /Supplier	FFB Processed (MT)	Main Receiving Palm Oil Mill	RSPO P&C Certification By CB (year)
1.	Morisem 1	31,818.03	Morisem POM	-
2.	Morisem 2	11,473.82	Morisem POM	-
3.	Morisem 3	39,375.63	Morisem POM	-
4.	Morisem 4	45,472.36	Morisem POM	-
5.	Leepang 2	43,286.11	Morisem POM	-
6.	Leepang 3	44,199.75	Morisem POM	-
7.	Leepang 4	37,006.25	Morisem POM	-
8.	Ladang Asas (Tas & Halusah)	45,227.84	Morisem POM	-
	Sub-total from Morisem PMU estates:	297,859.79		
	Other IOI PMUs			
9	Permodalan 2	155.65	Leepang POM	-
10	Permodalan 3	14.57	Leepang POM	-
11	Permodalan 4	173.26	Leepang POM	-
	Sub-total from other IOI PMU estates:	343.48		
12	Other Suppliers:	0		
	Grand total:	298,203.27		

Note:

- Uncertified FFB is also received by Morisem POM from the Permodalan 2, 3, & 4 estates which are under the Leepang POM Grouping (the Leepang POM Grouping had been audited in Aug 2012 but report pending RSPO acceptance and approval). The Leepang PMU is also owned by IOI.

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

Estate / Supplier	FFB Processed in FY2012/13 – current		FFB Processed for FY2013/14 – projected	
	MT	%	MT	%
Morisem Group Estates	297,859.79	99.88	336,180	100.0
Uncertified IOI - PMUs	343.48	0.12	nil	0.0
Total	298,203.27	100.0	336,180	100.0
SCCS Model for POM	MB & SG		SG	

Note:

- Due to the pending certification of Leepang POM Grouping, the FFB supply from Leepang POM Grouping is categorized as uncertified FFB under Mass Balance – MB Module for FY 2012/13.

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The annual certifiable tonnages of CPO and PK production by Morisem Grouping from the supply base/suppliers as assessed and verified during the current assessment and projected for next FY period are detailed as follows:

Morisem POM	FY2012/13		FY2013/14 – projected	
Total certifiable FFB Processed (MT)	297,859.97		336,180	
Total CPO Production (MT)	61,061.26	OER: 20.50%	68,916.90	OER: 20.50%
Total PK Production (MT)	16,382.29	KER: 5.50%	19,330.35	KER: 5.75%

Note: Currently, the POM has established and maintained procedures for the book keeping and monitoring requirements for the CPO at the mill. It was verified the POM has procedures for both the ‘**Mass Balance – MB**’ and ‘**Segregation– SG**’ models 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

IOI Group operates 12 palm oil mills and 77 oil palm estates throughout Malaysia and 2 palm oil mills in Indonesia. The organization is a member of RSPO since 2004 and has been taking an active role in the RSPO certification.

Currently, a significant number of its Certification Units have been certified and the remainder is undergoing the certifying process in accordance with its time bound plan to achieve RSPO certification for all its plantation certification units by 2016.

Based on the due diligence conducted on IOI there were no significant land conflicts, no replacement of primary forest or any area containing HCVs since November 2005, no labour disputes that are not being resolved through an agreed process, no evidence of non-compliance with law in any of the non-certified holdings.

Details of the time bound plan as submitted by IOI are as per **Appendix E**. The time bound plan is subject to certain conditions on IOI-Pelita (Sarawak) as set by the RSPO Secretariat.

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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

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 Morisem Grouping regarding the environmental, biodiversity, community development and other relevant issues.

From 23-26 September 2013, the Assessment team conducted the Main Assessment in which 3 out of the 8 estates of Morisem Grouping, namely Morisem 1, Morisem 2 and Leepang 3 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, hectarage development, FFB, CPO and PK production, oil palm age profile, operational controls and measures, operational data and records, training records, etc. were reviewed and verified for compliance. The Assessment team using the process approach auditing technique 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).

Morisem Grouping POM was assessed against the requirements of RSPO Supply Chain Certification Standard for CPO mill. This assessment covered the verification of implementation of documented procedures and availability of records to demonstrate compliance against all the elements for both the Mass Balance - MB and Segregation - SG, 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.

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 Evaluation Panel prior to submission of the Public Summary Report to RSPO Secretariat for approval.

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

2.2 Date of next scheduled visit

The next scheduled visit will be the Surveillance Assessment which will be carried out within a 12-month period after RSPO acceptance of this report.

2.3 Qualifications of the Lead Assessor and Assessment Team

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

2.4 Certification Body

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

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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, WP | 10. Environment Protection Department Sabah |
| 2. Department of Environment, WP | 11. Department of Forestry, Sabah |
| 3. Department of Forestry Peninsular Malaysia | 12. Department of Immigration, Sabah |
| 4. Department of Immigration, WP | 13. Department of Irrigation & Drainage, Sabah |
| 5. Department of Irrigation & Drainage, WP | 14. Department of Labour, Sabah |
| 6. Department of Labour, WP | 15. Department of Occupational Safety & Health, Sabah |
| 7. Department of Occupational Safety & Health. WP | 16. Sabah Wildlife Department |
| 8. Department of Orang Asli Affairs, WP | 17. Land and Mines Office, Sabah |
| 9. Department of Wildlife & National Parks, WP | |

Statutory Bodies (by emails)

- | | |
|---|---|
| 18. Malaysian Palm Oil Board (MPOB) | 23. Malaysian Palm Oil Board (MPOB) - Sarawak Region |
| 19. Malaysian Palm Oil Board (MPOB) - Northern Region | 24. Malaysian Palm Oil Board (MPOB) - Sabah Region |
| 20. Malaysian Palm Oil Board (MPOB) - Central Region | 25. Malaysia Palm Oil Association (MPOA) |
| 21. Malaysian Palm Oil Board (MPOB) - Southern Region | 26. Malaysia Palm Oil Association Kuala Lumpur (MPOA) |
| 22. Malaysian Palm Oil Board (MPOB) - Eastern Region | 27. Malaysia Palm Oil Association Sabah (MPOA) |

NGOs (by emails)

- | | |
|--|---|
| 28. All Women's Action Society (AWAM) | 57. Malaysian Nature Society Terengganu |
| 29. BCSDM - Business Council for Sustainable Development in Malaysia | 58. Malaysian Plant Protection Society (MAPPS) |
| 30. Borneo Child Aid Society (HUMANA) | 59. Mountaineering and Outdoor Pursuits Association of Negeri Sembilan |
| 31. Borneo Resources Institute Malaysia (BRIMAS) | 60. National Council of Welfare & Social Development Malaysia - NCWSDM |
| 32. Borneo Rhino Alliance (BORA) | 61. National Union of Plantation Workers (NUPW) |
| 33. Center for Orang Asli Concerns COAC | 62. Partners of Community Organisations (PACOS) |
| 34. Centre for Environment, Technology and Development, Malaysia - CETDEM | 63. Penang Institute previously known as Socio-Economic & Environmental Research Institute (SERI) |
| 35. Consumers Association Of Penang - CAP | 64. Proforest - South East Asia Regional Office |
| 36. EcoKnights | 65. R.E.A.C.H. - Regional Environmental Awareness Cameron Highlands |
| 37. Environmental Management and Research Association of Malaysia (ENSEARCH) | 66. Sabah Wetlands Conservation Society (SWCS) |
| 38. Environmental Protection Society Malaysia (EPSM) | 67. SEPA - Sabah Environmental Protection Association |
| 39. Friends of the Earth, Malaysia | 68. SUARAM - Suara Rakyat Malaysia |
| 40. Future in Our Hands Society, Malaysia | 69. SUHAKAM - National Human Rights Society - Persatuan Kebangsaan Hak Asasi Manusia |
| 41. Global Environment Centre | 70. Sustainable Development Network Malaysia (SUSDEN) |
| 42. Institute of Foresters, Malaysia (IRIM) | 71. Tenaganita Sdn Bhd |
| 43. JUST - International Movement for a Just World | 72. The Malaysian Forum of Environmental Journalist (MFEJ) |
| 44. Malaysian Environmental NGOs - MENGO | 73. TRAFFIC - the wildlife trade monitoring network |
| 45. Malaysian National Animal Welfare Foundation - MNAWF | 74. TRAFFIC Southeast Asia - Wildlife trade & trafficking monitoring programme |
| 46. Malaysian Nature Society (MNS) Kuala Lumpur | 75. Transparency International - Malaysian Chapter |
| 47. Malaysian Nature Society Johor | 76. Treat Every Environment Special Sdn Bhd. (TrEES) |
| 48. Malaysian Nature Society Kedah | 77. United Nations Development Programme - UNDP Malaysia |
| 49. Malaysian Nature Society Kelantan | 78. Water Watch Penang (WWP) |
| 50. Malaysian Nature Society Kuching | 79. Wetlands International (Malaysia) |
| 51. Malaysian Nature Society Melaka/Negeri Sembilan | 80. Wild Asia Sdn Bhd |
| 52. Malaysian Nature Society Miri | 81. World Wide Fund for Nature (WWF) Malaysia |
| 53. Malaysian Nature Society Pahang | 82. World Wide Fund of Nature (WWF) Sabah |
| 54. Malaysian Nature Society Perak | 83. UNION - AMESU |
| 55. Malaysian Nature Society Pulau Pinang | 84. Malaysian CropLife & Public Health Association (MCPA) |
| 56. Malaysian Nature Society Sabah | 85. Pesticide Action Network Asia and the Pacific (PAN AP) |

Local community (On-site interviews)

- | | |
|---------------------------------------|---|
| 86. Gender representatives | 88. Suppliers & Contractors representatives |
| 87. Workers & Workers 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 on (environmental, social and/or legal) issues relevant to RSPO Criteria to relevant stakeholders for effective participation in decision making. Major Compliance	Adequate information on environmental, social and legal issues relevant to RSPO Criteria was made available to relevant stakeholders for effective participation in decision making. The PMU had conducted its stakeholder consultation in July and August 2013 and records of participants and feedback given was minuted and appropriate actions being taken.	Complied
1.1.2 Records of requests for information and responses shall be maintained. Major / Minor - TBF	The PMU had established and maintained an updated list of internal stakeholders, external stakeholders, government departments/agencies, consultants, contractors, suppliers, transporters, etc. The mill and audited estates have maintained their respective 'Correspondence & Stakeholders Meeting file'. Correspondences were updated till latest in September 2013 i.e. with local officials, local community associations and leaders. Feedbacks and requests were attended to in a timely manner. It was verified that there were no significant negative issues or grievances at the PMU. Records maintained were easily retrievable and made available upon request during the assessment.	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 Publicly available documents shall include, but are not necessarily limited to: Major Compliance • Land titles/user rights (Criterion 2.2);	Management documents' relating to environmental, social and legal issues was verified to be maintained and available to the public (notices and websites) and updated by IOI, HQ e.g. website link: http://www.ioigroup.com/business/busi_plantoverview.cfm The following types of mandatory documents are available to the public as required: <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, 	Complied

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	<ul style="list-style-type: none"> - negotiation procedures - continuous improvement plan 	
<ul style="list-style-type: none"> • Occupational health and safety plans (Criterion 4.7); 	<p>Occupational Safety and Health Plan has been established and approved by Group Plantation Director on 4/1/2008.</p> <p>The plan was annually reviewed i.e. in July 2013 by the Safety Manager for Mill & Estates and additional activities and action items were implemented such as wearing of PPE by external contractors.</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>SEIA reports were reviewed by the General Manager (Lahad Datu region), Sustainability Manager together with the respective Estate managers in a meeting on August 2013 which were evidenced in the minutes of meeting.</p> <p>Management documents relating to environmental and social issues were verified to be maintained and available to the public (notices and websites) and updated.</p>	Complied
<ul style="list-style-type: none"> • HCV documentation (Criteria 5.2 and 7.3); 	<p>The Assessment reports on 'Internal HCV and Conservation Areas' dated 20 July 2013 were available. It is verified that the Management Action Plans for HCV and Conservation areas were being monitored and progressively implemented at the respective Estates.</p> <p>See also findings under C5.2 and C7.3.</p>	Complied
<ul style="list-style-type: none"> • Pollution prevention and reduction plans (Criterion 5.6); 	<p>Pollution Prevention Management Plans were reviewed in August 2013. Among action items recorded was the mitigation needed in preparation for potential floodwaters during the heavier rainfalls period expected during mid-year i.e. June/July, and handling of landfills for domestic wastes during the said period.</p>	Complied
<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. ECC (Employees Consultative Committee) representatives interviewed had confirmed that there were no serious issues which warrant major actions from the PMU Management.</p> <p>Logbook entries till August 2013 were viewed and among the complaints recorded were issues on repairs needed to the workers housing/quarters facilities such as road maintenance, lighting and water supply which had been satisfactorily attended to.</p> <p>Employees Consultative Council (ECC) representatives interviewed had confirmed that there were no serious issues.</p>	Complied
<ul style="list-style-type: none"> • Negotiation procedures (Criterion 6.4); 	<p>Negotiation procedure and flowchart was available and maintained since July 2009. Additionally via website link: http://www.ioigroup.com/business/busi_plantoverview.cfm</p> <p>No borders at estates in Morisem grouping were adjacent to any villages or native land.</p> <p>Presently, there was no conflict/dispute requiring negotiation or compensation pertaining to this criterion.</p> <p>IOI had also uploaded the status on the land dispute/claim at</p>	Complied



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	the IOI Pelita plantation in Sarawak which is publicly available at website link: http://www.ioigroup.com/default.cfm	
• Continual improvement plans (Criterion 8.1);	Continuous Improvements Plans in key operations for the mill and estates have been developed which were regularly monitored and reviewed. This includes 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, and environmental and social programs. See also findings under C8.1	Complied
• Public summary of certification assessment report;	Public summary of certification assessment reports and their status for the IOI Group certified PMUs are made publicly available via weblink: http://www.ioigroup.com/business/busi_plantoverview.cfm	Complied
• Human Rights Policy (Criterion 6.13).	The Human Rights Policy has not yet been documented and communicated to all levels of the workforce and operations.	New requirement of RSPO P&C (2013) - Follow up will be done at Surveillance assessment.
Criterion 1.3		
Growers and millers commit to ethical conduct in all business operations and transactions.		
Indicators	Findings and Objective Evidence	Compliance
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. Major / Minor (TBF)	Policy of Commitment to a Code of Ethical Conduct and Integrity has not yet been documented and communicated to all levels of the workforce and operations.	New requirement of RSPO P&C (2013) - Follow up will be done at Surveillance assessment.

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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>A Legal Register covering the applicable local and international laws and regulations is available at the mill and estates.</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.</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>The PMU had participated in the Federal Government's 5P registration process for migrant workers.</p> <p>Based on the site observations, interviews and records checking at the field and mill, 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.</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>	Complied
<p>2.1.2 A documented system, which includes written information on legal requirements, shall be maintained.</p> <p>Minor Compliance</p>	<p>The assessment team found that the Social Impact Assessments and Management Plans were made available at all the estates. The listing of laws and regulations that were being monitored for changes had also made reference to the Sabah Labour Ordinance (Chapter 67).</p> <p>The documented system for identifying, determining, reviewing and updating applicable legal and other requirements that the PMU has subscribed to was maintained.</p> <p>List of laws and circulars received from regulatory bodies such as from DOE (Department of Environment) and DOSH (Department of Occupational Safety and Health) were maintained and complied with.</p>	Complied

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<p>2.1.3 A mechanism for ensuring compliance shall be implemented.</p> <p>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).</p> <p>Statutory returns to relevant authorities found to be in compliance.</p>	<p>Complied</p>
<p>2.1.4 A system for tracking any changes in the law shall be implemented.</p> <p>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. Tracking of changes in the relevant laws are communicated and received from the IOI Group HQ. Monitoring of changes to the applicable laws and regulations carried out through periodical review in accordance with the documented procedure and last performed in August 2013. This was evidenced in the review meetings minuted which was noted to be chaired by the GM (Lahad Datu region), Sustainability Manager with Mill and Estate Managers in attendance.</p> <p>Operating licenses and permits were displayed, renewed and evidenced to be valid e.g. MPOB (Malaysian Palm Oil Board) license for Mill – valid till 31 July 2014. Statutory returns were settled and receipts filed were sighted.</p> <p>Based on the site observations, interviews and records updated, the system used is appropriate to the operations at the PMU.</p>	<p>Complied</p>
<p>Criterion 2.2</p> <p>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>		
<p>Indicators</p>	<p>Findings and Objective Evidence</p>	<p>Compliance</p>
<p>2.2.1 Documents showing legal ownership or lease, history of land tenure and the actual legal use of the land shall be available.</p> <p>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 at KL (Kuala Lumpur). The legal use of the land confirmed to be for cultivation of oil palms and agricultural use.</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 audit.</p> <p>The land has been planted with oil palms since 1991. There has been no recorded dispute over the ownership during the tenure of the land.</p>	<p>Complied</p>
<p>2.2.2 Legal boundaries shall be clearly demarcated and visibly maintained.</p> <p>Major Compliance</p>	<p>It was verified that there has been no change to the stated land titles and designated use for cultivation of oil palms and agricultural use.</p> <p>Legal boundary markers were sighted and maintained along the perimeters of estate lands which were mapped with a 1-meter differential Global Positioning System (GPS).</p>	<p>Complied</p>

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	Locations of several boundary stones, pegs and markers were visited and found to have pole markers for easier identification and traceability.	
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). Major / Minor (TBF)	There has been no dispute on the land rights in Morisem PMU. As such, the process of fair compensation and FPIC is currently not required to be applied.	Complied
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 / Minor (TBF)	There were no land conflicts in Morisem PMU. The process for conflict resolution verified to be publicly available on company website: http://www.ioigroup.com/business/busi_plantoverview.cfm There has been no new land acquisition at the PMU since 2007.	Complied
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 where applicable). Major / Minor (TBF)	No conflict or dispute over the lands in Morisem PMU. As such the process of participatory mapping is not available for verification of implementation.	New requirement of RSPO P&C (2013) - Follow up action at next ASA.
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 / Minor (TBF)	No conflict or dispute over the lands in Morisem PMU. As such this process is not available for verification.	New requirement of RSPO P&C (2013) - Follow up action at next ASA.
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 the PMU. The lands are not encumbered by any customary lands or user rights and therefore the process of participatory mapping was not required.	Complied
2.3.2 Copies of negotiated agreements detailing the process of free, prior and informed consent (FPIC) (Criteria 2.2, 7.5 and 7.6) shall be available and shall include: a) Evidence that a plan has been developed through consultation and discussion with all affected groups in	The lands were acquired in 1980's from private plantation owners. Records are available to show such land acquisition comply with legal requirements and does not infringe on any legal rights that require free, prior and informed consent (FPIC).	Complied

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<p>the communities, and that information has been provided to all affected groups, including information on the steps that shall be taken to involve them in decision making;</p> <p>b) Evidence that the company has respected communities' decisions to give or withhold their consent to the operation at the time that this decision was taken;</p> <p>c) Evidence that the legal, economic, environmental and social implications for permitting operations on their land have been understood and accepted by affected communities, including the implications for the legal status of their land at the expiry of the company's title, concession or lease on the land.</p> <p>Minor Compliance</p>		
<p>2.3.3 All relevant information shall be available in appropriate forms and languages, including assessments of impacts, proposed benefit sharing, and legal arrangements.</p> <p>Major / Minor (TBF)</p>	<p>No conflict or dispute over the lands in Morisem PMU. As such this process is not available for verification.</p>	<p>Complied</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 / Minor (TBF)</p>	<p>No conflict or dispute over the lands in Morisem PMU. As such this process is not available for verification.</p>	<p>Complied</p>

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

<p>Criterion 3.1</p>		
<p>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>A 5-years Business Management Plan (FY 2012/2013 to FY 2016/2017) for the PMU has been documented.</p> <p>The Annual Budget for each of the 5 years Business Management Plan include the following:</p> <ul style="list-style-type: none"> (i) Planting materials (DXP seedling and cloned seedling); (ii) Crop projection = FFB yield/ha trends; (iii) Mill extraction rates = OER trends; (iv) Cost of Production = Cost/MT FFB trends; (v) Cost of Production = Cost/MT CPO trends; (vi) Forecast prices; (vii) Financial indicators=Cost of labour, cost of supervision, cost of manufacture, depreciation, etc.). 	<p>Complied</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>Annual replanting program had been prepared up to 2021/2022 for the estates.</p> <p>A replanting cycle of 25 years has been adopted by the group.</p>	<p>Complied</p>



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Minor Compliance	<p>At Morisem 1, there is no scheduled replanting for the next 10 years as the oldest palms were planted in 2007.</p> <p>At Morisem 2, replanting is scheduled to start from 2013.</p> <p>Replanting in Leepang 3 is scheduled to commence in 2019/20, then in 2020/21 and 2021/22.</p>	
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Principle 4: Use of appropriate best practices by growers and millers

Criterion 4.1		
Operating procedures are appropriately documented, consistently implemented and monitored.		
Indicators	Findings and Objective Evidence	Compliance
4.1.1 Standard Operating Procedures (SOPs) for estates and mills shall be documented. Major Compliance	The mill and the estates had a copy each of the Standard Operating Procedures and these were verified to be in order.	Complied
4.1.2 A mechanism to check consistent implementation of procedures shall be in place. Major / Minor (TBF)	Records had been kept by the staff concerned for each operation to monitor the procedure and progress of work, and these records would be checked by the Assistant Manager and the Manager regularly. These records were verified to be in order.	Complied
4.1.3 Records of monitoring and any actions taken shall be maintained and available, as appropriate. Minor Compliance	The records of monitoring and the actions taken had been maintained for more than 12 months on the mill and estates concerned. These records were verified to be in order	Complied
4.1.4 The mill shall record the origins of all third-party sourced Fresh Fruit Bunches (FFB). Major / Minor (TBF)	The mill did not source any FFB from third-party. The entire crop was supplied by the estates within the IOI Group of PMUs.	Complied
Criterion 4.2		
Practices maintain soil fertility at, or where possible improve soil fertility to, a level that ensures optimal and sustained yield.		
Indicators	Findings and Objective Evidence	Compliance
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>Annual fertilizer inputs had been monitored through fertilizer recommendations made by IOI Research Centre. Recommendations had been viewed and verified.</p> <p>Evidences provided were verified as following good agricultural practices. Soil sampling and leaf sampling records showed that adequate important guide for the maintenance of soil fertility and continuity. All recommendations had been properly followed at estate levels. During inspection of Field 12L at Morisem 2 estate, Jusni Bakthiar (mandore) and field workers were interviewed and able to demonstrate their work related knowledge and competency levels.</p>	Complied
4.2.2 Records of fertiliser inputs shall be maintained. Minor Compliance	Records of fertilizer application at the estates were maintained and had been verified.	Complied
4.2.3 There shall be evidence of periodic tissue and soil sampling to	Records noted were evident for the periodical checks for both soil and leaf sampling. Analytical records on 5 year	Complied

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monitor changes in nutrient status. Minor Compliance	cycle to determine soil fertility and nutrient efficiency were available which had been adopted and implemented in the fields.	
4.2.4 A nutrient recycling strategy shall be in place, and may include use of Empty Fruit Bunches (EFB), Palm Oil Mill Effluent (POME), and palm residues after replanting. Minor Compliance	EFB mulching had been carried out in mature area along the inter-row, and around the circle in the immature palms. POME land irrigation had been carried out in Morisem 2 over 187.9 ha with 31,077 meters of trenches by gravity feed. Records had been maintained and verified.	Complied
Criterion 4.3 Practices minimise and control erosion and degradation of soils.		
Indicators	Findings and Objective Evidence	Compliance
4.3.1 Maps of any fragile soils shall be available. Minor Compliance	Based on the soil maps available, there was no fragile soil on the estates.	Complied
4.3.2 A management strategy shall be in place for plantings on slopes above a certain limit (this needs to be soil and climate specific). Minor Compliance	Planting terraces had been constructed on land with slope >5°. Records and maps on terraces constructed had been verified on the estates. There was no soil erosion noted during the site visits.	Complied
4.3.3 A road maintenance programme shall be in place. Minor Compliance	Estate roads were found to be in good and satisfactory condition. Road maintenance programme had been found to be in order.	Complied
4.3.4 Subsidence of peat soils shall be minimised and monitored. A documented water and ground cover management programme shall be in place. Minor Compliance	Based on the estate soil maps and verification done via the field visit to the estates, it is confirmed that only Leepang estate has peat soil which cover 83% of the land area i.e. 1,516 hectares over 1,914.3 hectares. A documented water and ground cover management plan is available. Monitoring of the subsistence of the peat soil was implemented and records were verified. Water table levels were maintained at the minimum of 50 cm level.	Complied
4.3.5 Drainability assessments shall be required prior to replanting on peat to determine the long-term viability of the necessary drainage for oil palm growing. Minor Compliance	There has no replanting yet at Leepang 3 estate which is under peat soil. At the time of field site inspection, there is no drainability assessment made as yet.	Complied
4.3.6 A management strategy shall be in place for other fragile and problem soils (e.g. sandy, low organic matter, acid sulphate soils). Minor Compliance	Based on the estate soil maps and field visit made at the estates, there were no other fragile and problematic soils on these estates.	Complied
Criterion 4.4 Practices maintain the quality and availability of surface and ground water.		
Indicators	Findings and Objective Evidence	Compliance
4.4.1 An implemented water management plan shall be in place. Major / Minor - TBF	Documented water management plan and relevant records had been verified. The result of water analysis records found to be in order. The results of water samples sent for lab testing for the	Complied

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	POM and estates, have complied with the water quality specification limits allowed. Results over the last 3 months were sampled and found to be compliant.	
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	It was observed in F10D in Morisem 2 estate that in the buffer zone area, the grass around palm circle had been sprayed sometime prior to the assessment. Upon further checking, it was found that the PMU management had detected and reported the issue earlier in their internal audit which was also recorded in the minutes of meeting with the Estate Managers in August 2013. Disciplinary action had been taken against the worker concerned and re-training conducted. Records of re-training activities were available. However, an observation is issued as this matter requires further monitoring and need to be followed up at the next assessment.	Observation # NR-01
4.4.3 Appropriate treatment of mill effluent to required levels and regular monitoring of discharge quality, especially Biochemical Oxygen Demand (BOD), shall be in compliance with national regulations (Criteria 2.1 and 5.6). Major / Minor – TBF	In Morisem palm oil mill, water samples had been taken at monthly interval at the discharge point of effluent pond. BOD level had been in the range of 32 to 100 ppm for the past 12 months. The upper limit specified by D.O.E. Sabah is 50 ppm. The BOD levels over the past 3 months i.e. July to September 2013 were within the limits set by DOE.	Complied
4.4.4 Mill water use per tonne of Fresh Fruit Bunches (FFB) (see Criterion 5.6) shall be monitored. Minor Compliance	Water usage in the mill from July 2012 to June 2013 ranged from 0.8 to 1.2 m ³ /tonne FFB with an average usage of 1.0 m ³ /tonne FFB. The levels of water usage are within the industry norm.	Complied
Criterion 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. Minor Compliance	Records on planting of beneficial plants had been verified on the estates. Pest infestation was minimal on the estates. Programme for planting of beneficial plants such as <i>Turnera subulata</i> , <i>Cassia cobanensis</i> and <i>Antigonon leptopus</i> implemented. Records of areas planted verified together with the respective maps.	Complied
4.5.2 Training of those involved in IPM implementation shall be demonstrated. Minor Compliance	Training records for personnel on IPM implementation were available and was verified on-site during field assessment.	Complied
Criterion 4.6 Pesticides are used in ways that do not endanger health or the environment		
Indicators	Findings and Objective Evidence	Compliance
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	Written justification in Standard Operating Procedures of all agrochemicals use had been reviewed and found acceptable.	Complied

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species shall be used where available. Major Compliance	Basta with a.i. Glufosinate ammonium 13.5% had been used for circle spraying in immature palms due to its selective property.	
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	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 being kept for a minimum of 5 years. The monitoring of pesticide usage i.e. a.i used/tonne oil at POM has been performed for FY 2012/2013 with data available. Verified that records of monitoring were maintained.	Complied
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 national Best Practice guidelines. Major Compliance	It is the policy of the estates to minimize the use of pesticides in accordance with integrated pest management. No prophylactic use of pesticides had been carried out. Rat baiting would be carried out only should rat damage exceed 5 % on FFB. No rat baiting had been carried out on Morisem 2 and Leepang 3 estates in mature areas since 2009. However, rat baiting had been carried out in Morisem 2 in the newly planted immature areas when rat damage was encountered. Appropriate monitoring on the effectiveness of the rat baiting carried out.	Complied
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 national Best Practice guidelines. The use of such pesticides shall be minimised and eliminated as part of a plan, and shall only be used in exceptional circumstances. Major Compliance	Use of paraquat had been eliminated since 31 December 2011 in the IOI Group Estates. Alternatives such as Round up (Glyphosate Isopropylamine), Ally (Metsulfuron Methyl), and Starane (Floroxyr) had been used to replace paraquat.	Complied
4.6.5 Pesticides shall only be handled, used or applied by persons who have completed the necessary training and shall always be applied in accordance with the product label. Appropriate safety and application equipment shall be provided and used. All precautions attached to the products shall be properly observed, applied, and understood by workers (see Criterion 4.7). Major Compliance	All pesticide operators had been given training on the handling and application of the pesticides. Appropriate safety and application equipment had been provided and used by the operators. All precautions attached to the products had been observed, applied, and understood by the workers. Programme and training records verified to be in order.	Complied
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). Major Compliance	Storage of pesticides found to be in accordance with the Occupational Safety and Health Laws and Regulations and local laws on pesticides control. Used chemical containers were disposed of by DOE approved / registered Hazardous waste contractor.	Complied
4.6.7 Application of pesticides shall be by proven methods that minimise risk	Pesticides had been applied using the proven methods (Best Management Practices) that minimize risk and	Complied



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and impacts. Major Compliance	impacts.	
4.6.8 Pesticides shall be applied aerially only where there is documented justification. Communities shall be informed of impending aerial pesticide applications with all relevant information within reasonable time prior to application. Major Compliance	It is the policy of the company not to carry out any aerial application of pesticides.	Complied
4.6.9 Maintenance of employee and associated smallholder knowledge and skills on pesticide handling shall be demonstrated; including provision of appropriate information materials (see Criterion 4.8). Major Compliance	Periodic training on pesticide handling had been carried out. Information on the pesticides displayed on the notice board and next to the pesticides in the store.	Complied
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). Major Compliance	Scheduled waste had been sent for disposal through licensed contractor approved by DOE. Records of scheduled waste involved verified to be in order.	Complied
4.6.11 Specific annual medical surveillance for pesticide operators, and documented action to treat related health conditions, shall be demonstrated. Major Compliance	Morisem 1 Estate has sent 49 and 6 workers on 21 May and 17 September 2013 respectively for medical surveillance. Morisem 2 Estate has sent 11 and 66 of its workers on 25 May and 17 September 2013 respectively for medical surveillance. Leepang 3 Estate has sent 17 and 12 workers on 22 May and 20 September 2013 respectively for medical surveillance. Morisem POM has sent 23 and 4 workers on 23 May and 17 September 2013 respectively for medical surveillance. It was verified that the CHRA recommendations has been satisfactorily followed.	Complied
4.6.12 No work with pesticides shall be undertaken by pregnant or breast-feeding women. Major Compliance	No pregnant or breast-feeding woman working as pesticide operator.	Complied
Criterion 4.7		
An occupational health and safety plan is documented, effectively communicated and implemented.		
Indicators	Findings and Objective Evidence	Compliance
The health and safety plan shall cover the following: 4.7.1 A health and safety policy shall be in place. A health and safety plan covering all activities shall be documented and implemented, and its effectiveness monitored. Major Compliance	Occupational Safety and Health (OSH) plan in compliance with OSH Act and Factory Machinery Act had been established, documented and implemented. A safety and health policy had been verified. Records on training and analysis on understanding of training by the workers had been satisfactorily maintained.	Complied

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<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.</p> <p>Major Compliance</p>	<p>All operations had been risk assessed and procedures and actions documented and implemented.</p> <p>All precautions according to MSDS attached to the products found to be observed and applied by the workers.</p> <p>Wearing of proper PPE was seen.</p>	<p>Complied</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.</p> <p>Major Compliance</p>	<p>Awareness and training programme had been carried out.</p> <p>All workers involved had been adequately trained in safe working practices.</p> <p>Appropriate PPE had been provided at the place of work and worn by the workers when performing all potentially hazardous operations.</p>	<p>Complied</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. Concerns of all parties about health, safety and welfare shall be discussed at these meetings, and any issues raised shall be recorded.</p> <p>Major Compliance</p>	<p>The responsible person i.e. typically the Mandore or Field Supervisor had been identified.</p> <p>Records of regular meetings between the responsible person and workers to discuss about health and safety issues verified to be maintained.</p> <p>At Morisem 1 estate, regular health and safety committee meetings had been held. However, the title of the minutes of meetings had been omitted.</p> <p>Thus an observation is issued for further monitoring to ensure better traceability of the minutes and records at the PMU.</p>	<p>Observation # CFK-01</p>
<p>4.7.5 Accident and emergency procedures shall exist and instructions shall be clearly understood by all workers. Accident procedures shall be available in the appropriate language of the workforce. Assigned operatives trained in First Aid should be present in both field and other operations, and first aid equipment shall be available at worksites. Records of all accidents shall be kept and periodically reviewed.</p> <p>Major Compliance</p>	<p>Accident and emergency procedures had been documented and briefed to staff, workers, contractors and visitors.</p> <p>Records on all accidents had been maintained and periodically reviewed. Quarterly review on accident cases had been carried out during quarterly meeting of Environment, Safety, & Health (ESH)</p> <p>First Aid Kits were available with the workers at the work sites. However, at Morisem 1 Estate, the First Aid Kit for the circle spraying gang in Field 10C did not have cleansing agent such as Dettol or Eusol.</p> <p>Thus an observation is issued for further monitoring to ensure completeness of all items in the First Aid Kits at the PMU.</p>	<p>Observation # CFK-02</p>
<p>4.7.6 All workers shall be provided with medical care and covered by accident insurance.</p> <p>Major Compliance</p>	<p>Medical care had been provided to all the workers.</p> <p>Local workers are covered by SOCSO, whereas foreign workers are covered by Foreign Workers Compensation Scheme with RHB Insurance Berhad.</p>	<p>Complied</p>
<p>4.7.7 Occupational injuries shall be recorded using Lost Time Accident (LTA) metrics</p> <p>Major Compliance</p>	<p>Records on Lost Time Accident (LTA) metrics had been verified.</p>	<p>Complied</p>

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Criterion 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	<p>Training programme for various categories of operators, including all field and office staff, with regards to their duties had been reviewed and found acceptable.</p> <p>Training programme is based on training need assessment including need for RSPO programmes aimed to fulfill their jobs and responsibilities as per the relevant documented procedures. The programme has included the training on handling of hazardous chemicals for both existing and new workers with the records verified.</p>	Complied
4.8.2 Records of training for each employee shall be maintained. Major Compliance	Records of training being maintained for each employee.	Complied

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

Criterion 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
5.1.1 An environmental impact assessment (EIA) shall be documented. Major Compliance	<p>Documented aspects and impacts risk assessments including those raised through stake-holder consultations are implemented in accordance with RSPO and legal requirements.</p> <p>These are documented in "Environmental Impact Assessment, Management Action Plans, HCV Management Plans and Continuous Improvement Plans" for the mill and estates.</p> <p>Planning period for the above-mentioned documents is from August 2013 till July 2018. Date of next review is planned for July- August 2014.</p> <p>Documents have been reviewed and approved by the respective Mill/ Estate Manager as well as the Morisem Grouping General Manager. Current updated document dated August 2013.</p> <p>There has been no negative feedback from Sabah Forestry Department and local communities. Interview with the Sabah Forestry officers confirmed that their monthly inspections did not detect the presence of any ERTs along the boundary with the IOI estates.</p>	Complied
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 management plan. The management plan shall identify	<p>Environmental Aspect and Impact changes for 2012/ 2013 had included the following activities:</p> <ul style="list-style-type: none"> • Building new roads, new housing for workers at mill and estates and sanitation facilities; • Upgrade of mill i.e. fiberation and kernel crushing plant 	

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<p>the responsible person/persons.</p> <p>Major / Minor -TBF</p>	<p>and other infrastructure;</p> <ul style="list-style-type: none"> • Upgrade of drainage systems, siltation and oil traps POM & estates; • Management of mill effluents; • Monitoring of natural vegetation at designated riparian and buffer zones; • Replanting at the estates; <p>However, the management plan needs to clearly identify the specific person(s) responsible for each activity of the change/continuous improvement at the estates.</p> <p>In addition, the potential risk of CPO spillage into Kinabatangan River during transportation from mill need to be incorporated into identification of environment aspects and associated impacts and the significance risk evaluation need to be identified, documented and controlled. Thus an observation is issued for further monitoring to ensure completeness of the management plan at the PMU.</p>	<p>Observation # MT-01</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>Major / Minor -TBF</p>	<p>Implementation and monitoring of the documented environmental improvement plans were reviewed on an annual basis.</p> <p>For 2012/13, the review was done between May and July 2013 by the Mill Manager and respective Estate Managers.</p> <p>The review had considered the mitigation of negative impacts and promotion of positive ones such as the manual clearing of overgrown natural vegetation and debris along the streams and demarcated buffer zones (at estates) which were verified on-site during the assessment.</p> <p>The next review is scheduled to be done between July and August 2014 by the Mill Manager and respective Estate Managers.</p>	<p>Complied</p>
<p>Criterion 5.2</p> <p>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>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>Findings and Objective Evidence</p> <p>The Internal 'HCV & Conservation Areas' assessment report(s) for the IOI Morisem estates have been collated by the IOI Sustainability team from HQ, KL and reviewed in July 2013, and had incorporated feedbacks provided by the various governmental agencies such as Department of Forestry, Sabah, Sabah Wildlife Department, Environmental Protection Dept and Dept of Irrigation and Drainage. The assessment made was in accordance with the recommended RSPO – 'HCVF Toolkit'.</p> <p>The overall landscape surrounding the PMU, that includes wildlife corridors, had been considered in the HCV assessment reports. Location of forest reserves were identified such as the Sg. Simpang B and Pangsi Forest</p>	<p>Compliance</p> <p>Complied</p>

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	<p>Reserves which are partially bordering to Morisem 2 and Leepang 4 estate respectively. Morisem 1 was noted to be bordering with the Kinabatangan Wildlife Sanctuary. Stretches of riparian/ buffer zones along river tributaries which passes by the estates were identified such as Sungai Sukau (a tributary of Sungai Kinabatangan) at Morisem 1 and Leepang 4 estates.</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 a management plan.</p> <p>Major Compliance</p>	<p>Overall, the recommendations and feedback provided by the various parties during their internal HCV consultation has been considered in the 'HCV & Conservation Areas' management plans at the respective estates.</p> <p>The HCV reports had reviewed the conservation needed for the wildlife identified such as proboscis monkeys, estuarine crocodiles, pygmy elephants, orang utan, long and short tailed macaque, white beaked hornbills and other wildlife which are protected under the Protection of Wildlife Act 1972 (Act 76) and Sabah Wildlife Conservation Enactment 1997 and IUCN Red List 2008.</p> <p>Updated posters as provided by the Sabah Wildlife Department were noted to have been displayed at the estates offices and copies pasted in the estate Patrol Log Books.</p> <p>At Morisem 1 estate, it was noted that stretches of buffer zones and dug trenches had been established at the western side adjacent to the Kinabatangan Wildlife Sanctuary with electric wire fencing built and maintained along the trenches to prevent wildlife incursions. These were done to mitigate the incidences of incursions by wild elephants which had been reported in the patrols conducted by the estate personnel. The said measures were taken in accordance with proposals received from the Sabah Wildlife Department.</p> <p>Regular patrols on a weekly basis within the Morisem PMU had been carried out and recorded by the respective Estate executives to monitor the HCV and buffer areas. The occasional sightings of various types of wildlife encountered found to have been recorded.</p> <p>Monitoring and control of any illegal hunting, fishing or collecting activities was also implemented. Large signages that prohibit hunting, fishing and water polluting activities were verified on-site and found to have been satisfactorily maintained.</p>	<p style="text-align: center;">Complied</p>
<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 instigated 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>Major Compliance</p>	<p>There is evidence of commitment to discourage any illegal or inappropriate hunting, fishing or collecting activities via the signages erected which prohibit such activities.</p> <p>A programme has been established with ongoing consultation with the local Wildlife authorities, to regularly educate the plantation workers and other workforce about the status of RTE species and the consequences in accordance with company rules and national laws of any infringement.</p>	<p style="text-align: center;">Complied</p>

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<p>5.2.4 Where a management 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 management plan. <p>Major / Minor -TBF</p>	<p>Management plans were established and monitoring outcomes were reviewed by the estate managers. Ongoing monitoring of the management plan on the status of HCV and RTE is documented and evidences of reporting verified to be available.</p>	<p style="text-align: center;">Complied</p>
<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>Major / Minor -TBF</p>	<p>It was verified that there are no local communities or villages at the Morisem PMU. So far, there was no instance of HCV set-aside that conflicts with the rights of local communities. Thus negotiated agreement of such nature is not applicable.</p>	<p style="text-align: center;">Complied</p>
<p>Criterion 5.3 Waste is reduced, recycled, re-used and disposed of in an environmentally and socially responsible manner.</p>		
<p>Indicators</p>	<p>Findings and Objective Evidence</p>	<p>Compliance</p>
<p>5.3.1 All waste products and sources of pollution shall be identified and documented.</p> <p>Major Compliance</p>	<p>Following waste products and sources of pollution have been identified and documented at the PMU: scheduled waste, domestic waste, clinical waste, recyclable wastes (metal, plastic, paper, glass) and mill wastes (EFB, carp fibre, boiler ash, POME).</p> <p>Segregation of wastes i.e. general wastes and scheduled wastes was verified. Proper areas were identified for the storage of the recyclable wastes at the estates and mill. All mill and estates also have a proper Scheduled Waste Store for storing scheduled waste until time of disposal by DOE authorized waste disposal contractors.</p> <p>Scheduled Waste such as spent hydraulic oil (SW 305), spent lubricant oil (SW 306), used chemical containers / drums (SW 409), used filters (SW 410), clinical waste (SW 404), used batteries (SW 102) were properly labeled and stored.</p> <p>Appropriate secondary containment was verified to be maintained at the scheduled waste storage areas. The scheduled waste storage area had restricted access to authorized personnel only. MSDS/CSDS instructions were available and adhered to.</p> <p>It was verified on-site that the records and related documentation has been satisfactorily maintained at the Mill and respective estates.</p>	<p style="text-align: center;">Complied</p>
<p>5.3.2 All chemicals and their containers shall be disposed of responsibly.</p> <p>Major / Minor -TBF</p>	<p>All scheduled wastes have been disposed by licensed contractors within 180 days as stated. Disposal of scheduled wastes verified to be in compliance with EQ (Scheduled Waste) Regulation 2005.</p> <p>The last scheduled waste disposal for Morisem PMU Grouping was done on 26 Aug 2013. The scheduled waste</p>	<p style="text-align: center;">Complied</p>

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	disposal was done with proper documentation submitted by the approved SW contractors which is adequately filed and available at site.	
<p>5.3.3 A waste management and disposal plan to avoid or reduce pollution shall be documented and implemented.</p> <p>Major / Minor -TBF</p>	<p>Waste management and disposal plans were documented and implemented at the POM and estates.</p> <p>The 5-years (f2013 to 2018) solid waste management and disposal plan of sanitary landfills was available at the mill and estates.</p> <p>Verified that the 5 years landfill location planning and maps were available. Sampled landfills physically verified on site at the estates. The designated landfill areas at Morisem 1, Morisem 2, Leepang 3 and Leepang 2 estates were verified to be at least 50 m away from any streams / water sources and the landfill drain holes were noted to be disconnected and did not reach any of the streams or water sources. Thus the risk of contamination has been observed to be avoided.</p> <p>Recycling of crop residues / biomass i.e. EFB and POME had been implemented.</p> <p>Recycling bins of three different colour codes for specific recycle waste were available in the POM and estates and were used for solid waste segregation and recycling.</p>	Complied
<p>Criterion 5.4 Efficiency of fossil fuel use and the use of renewable energy is optimised.</p>		
Indicators	Findings and Objective Evidence	Compliance
<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>The use of energy in palm oil mill and line site was monitored monthly to compare the energy usage against the production of CPO. Electricity generation was through steam turbine and boiler where palm fiber and PK shells were used as renewable energy/fuel on a 70:30 ratio basis.</p> <p>Monthly records of energy consumption of non-renewable and renewable fuel per metric tonne of palm product at the POM were available.</p> <p>For July 2012/June 2013, diesel usage was 5.48 liters per mt CPO. A 10.3% reduction of direct fossil fuel use was achieved as compared to previous year data.</p> <p>For July 2012/June 2013, energy generated from renewable energy was about 145.63 kWh / mt CPO.</p> <p>Overall, energy usage has been reduced by about 1.5% as compared to previous year data.</p> <p>Currently, 2 POMs under the IOI Group are building the Methane (Biogas) Capture Plants in the Sandakan region and eventually progressively implemented to all POMs including Morisem POM. It is verified that there is a long term plan to reduce dependence on fossil fuel at the IOI POMs.</p>	Complied
<p>Criterion 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>		

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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>The PMU had adhered to the IOI group policy of 'Zero open burning' for any replanting at the estates.</p> <p>No evidence of open burning was found during on-site inspection at Morisem 1, Morisem 2, and Leepang 3 estates.</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>Previous crop felled were appropriately disposed back to the soil according to the practices required.</p> <p>The PMU has adhered to the 'zero burning' policy for replanting at the estates.</p> <p>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>Criterion 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>Annual review of environmental impact assessment on potential pollution to water, gaseous emissions to air and contamination on land was done in July 2013. The next annual review has been planned for July/ Aug 2014.</p> <p>Mill gas emissions as monitored online by DOE, Sandakan using the Continuous Emissions Monitoring System (CEMS) verified to be within the permissible limits of DOE.</p> <p>POME treatment, monitoring and land application were monitored, maintained and adhered to DOE regulations. (see also findings under C4.4)</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 / Minor -TBF</p>	<p>Significant pollutants and greenhouse gas (GHG) emissions were identified, e.g. POME, diesel / fuel and fertilizer usage have been documented at the PMU. This has been verified on-site.</p> <p>It is noted that the PMU has intended to undergo and achieve the ISCC EU certification for sustainable biofuels production before year end 2013. Thus the GHG emissions have been compiled for FY July 2012 /June 2013.</p>	<p>New requirement of RSPO P&C (2013) - Follow up action at next ASA.</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>Major / Minor -TBF</p>	<p>Monitoring and reporting of the significant pollutants to water, gaseous emissions to air and contamination on land are available.</p> <p>Tools and systems used include the DOE online CEMS monitoring for air emissions, water quality at discharge points as per DID regulations and SW disposal were adhering to DOE requirements. It was verified that the POME is treated using aerobic and anaerobic ponds (total of 8 ponds). Water samples were regularly taken every six months and tested by mill environment officer in charge and analyzed to ensure compliance to DOE requirements at final discharge point. The discharged water is 100% used for land application into Morisem 3 estate.</p> <p>Records are maintained and verified on-site to have met the permissible regulatory limits.</p>	Complied

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

Criterion 6.1

Aspects of plantation and mill management that have social impacts, including replanting, are identified in a participatory way, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continual improvement.

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>The PMU has documented a social impact assessment (SIA) with validity period from August 2013 to July 2018. Stakeholders' consultation with the participation of both internal and external stakeholders (including local expertise from Governmental organizations) was conducted on 13 September 2013 with a list of participants recorded. Invitation letters to the consultation and minutes of meetings as appended to the SIA Report were maintained.</p> <p>The stated objectives of SIA, among others, were:</p> <ul style="list-style-type: none"> • Handling of social issues, such as sexual harassment and gender equality • Maintaining welfare and safety of work, such as sufficient facilities for the workers as well as on time payment and payment scheme as specified by the laws • Grievances handling processes including the receiving complaints from internal stakeholders related to facilities provided as well as from external stakeholders related to the group contribution to the development of local communities and its immediate surroundings. • Being fair, open and transparent to all stakeholders. <p>The discussion covered both the positive and negative impacts. The SIA report covered issues including the following :</p> <ul style="list-style-type: none"> • Providing assistance and support to the HUMANA schools located within the grouping • Maintenance, repairing and new addition of workers' quarters • Road maintenance • Providing business opportunities to local contractors / suppliers. • Assistance and contribution towards the preservation of the flora and fauna found in the nearby forest reserve. <p>The SIA had adequately covered both positive and negative social impacts and time-bound action plans needed for progressive implementation.</p> <p>Minutes of the consultation meetings were adequately maintained and verified on site.</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>Verified from the minutes of the stakeholders' consultation conducted on 13 September 2013 that the assessment had been carried out with the participation of affected parties,</p>	<p>Complied</p>

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<p>Minor Compliance</p>	<p>viz; representatives from Governmental agencies, internal management staff and workers, gender and migrant worker representatives and local contractors/suppliers.</p> <p>Judging from the issues raised and from interview of stakeholders during audit, attendees of these meetings were seemed to be able to freely express their view during the identification of findings, impacts, mitigation plans. It was evident that the estate continued promoting the positive impacts and progressive monitoring of follow up actions are being implemented.</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 / Minor -TBF</p>	<p>A time-bound action plan based on the stakeholders' consultation was developed by management of each estate to address the issues raised.</p> <p>The mitigation is ongoing and monitored regularly at stated intervals.</p> <p>The plan included issues to be monitored, proposed mitigation, responsible persons, and expected date of completion. For example:</p> <ul style="list-style-type: none"> • Participation in any of the Forestry Department activities as well as extending an invitation to the department on any related activities organized by the PMU. • Mitigation plan to handle stray dogs in the workers' quarters by keeping the area clean from any leftover food being directly dumped at the drains at the back of the houses. • Mitigation plan to expedite the travelling time for CPO transporters crossing the Kinabatangan River by using new tug boats for existing barge. • Plan to build a new mosque for Morisem 1 Estate after the existing mosque is no longer suitable to accommodate increasing number of prayers. • A utility transport that provides free service to pregnant women to have their monthly ante-natal check- up in selected clinics in the PMU, i.e. Morisem 2 and Leepang 3 clinics. The check-up is provided by the mobile Klinik Kesihatan Ibu dan Kanak-kanak (KKIA) from Kinabatangan hospital. 	<p>Complied</p>
<p>6.1.4 The plans shall be reviewed as a minimum once every two years and updated as necessary, in those cases where the review has concluded that changes should be made to current practices.</p> <p>There shall be evidence that the review includes the participation of affected parties.</p> <p>Major / Minor -TBF</p>	<p>The company policy is to review the SIA plans every year in July for follow-up and updating to current practices. The review is to include the participation of affected parties</p> <p>Time-bound plan for mitigation of issues raised during the stakeholders' consultation is reviewed as and when the new development occurs.</p>	<p>Complied</p>
<p>6.1.5 Particular attention shall be paid to the impacts of smallholder schemes (where the plantation includes such a scheme).</p> <p>Major / Minor -TBF</p>	<p>The PMU does not have any smallholder schemes and therefore this requirement is not applicable..</p>	<p>N.A</p>

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Criterion 6.2 There are open and transparent methods for communication and consultation between growers and/or millers, local communities and other affected or interested parties.		
Indicators	Findings and Objective Evidence	Compliance
6.2.1 Consultation and communication procedures shall be documented. Major Compliance	Documented Policies and procedures are available for internal and external communication and consultation. Estate managers and their assistants are the nominated persons responsible for communication with the stakeholders. The organization has a list of stakeholders including local authorities, government departments, NGOs, service providers, suppliers and contractors. Interviews with representatives of Gender Committee, internal workers and their dependents and crèche ayahs revealed open and transparent communication and consultation. These interviews confirmed the effectiveness of PMU consultation and communication processes with the internal and external stakeholders.	Complied
6.2.2 A management official responsible for these issues shall be nominated. Minor Compliance	Records sighted show evidence of the existence of appointed teams headed by estate managers and assisted by assistant managers. The roles and responsibilities of these appointed officials are defined.	Complied
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	The List of stakeholders at the PMU is adequately maintained and the management has ensured that the list is kept current. The lists of stakeholders are updated on a monthly basis and records of meeting were maintained. List of stakeholders are sighted in "SIA Stakeholders Consultation [Internal & External]" file. Noted that there are open and transparent methods for communication and consultation which has taken into consideration the local conditions including migrant workers and languages. Verified that consultations with various stakeholders had been held and recorded in the minutes of meeting that include actions taken in response to input from stakeholders.	Complied
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.		
Indicators	Findings and Objective Evidence	Compliance
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.	The PMU has a documented system for dealing with complaints and grievances that is open to all affected parties. Procedures and flow chart established and documented to	Complied

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Major Compliance	<p>deal with complaints, dispute and resolution.</p> <p>So far the record shows the 'Complaints and Grievances Book' in all estates are still active in recording complaints/requests made by employees and actions taken.</p> <p>Grievances at the estates were also recorded in the Employee Consultative Committee (ECC) meetings, Gender Consultative Committee (GCC) meetings and the line-site inspection records conducted by the Estate Health Assistant (EHA).</p> <p>Interviews with staff and workers and their representatives revealed knowledge and understanding of the complaints, dispute and resolution mechanism. The mechanism provides for open and consensual agreements with relevant affected parties.</p> <p>The Stakeholder Request Procedure allows stakeholders to lodge requests or complaints directly to the HQ at Putrajaya i.e. via IOI Group website www.ioigroup.com.</p>	
<p>6.3.2 Documentation of both the process by which a dispute was resolved and the outcome shall be available.</p> <p>Minor Compliance</p>	<p>A standard record book 'Complaints and Grievances Book' is used in the estates. The complainants had to sign to acknowledge completion of request/resolution of complaints.</p> <p>The PMU have a system for handling compensation claim in an effective, timely and appropriate manner. So far there has not been any dispute raised which was verified during on-site interviews with the workers.</p>	Complied
<p>Criterion 6.4</p> <p>Any negotiations concerning compensation for loss of legal, customary or user rights are dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.</p>		
Indicators	Findings and Objective Evidence	Compliance
<p>6.4.1 A procedure for identifying legal, customary or user rights, and a procedure for identifying people entitled to compensation, shall be in place.</p> <p>Major Compliance</p>	<p>The IOI group procedure for the handling of grievances and compensation which may arise from any party claiming legal, customary or user rights is available at the PMU and is also available at the website link: http://www.ioigroup.com/business/busi_millsestates.cfm</p> <p>At the PMU, there were no borders at estates which were adjacent to any villages or native land that could cause such issues.</p> <p>So far, there are no cases requiring any negotiation or compensation pertaining to this criterion.</p>	Complied
<p>6.4.2 A procedure for calculating and distributing fair compensation (monetary or otherwise) shall be established and implemented, monitored and evaluated in a participatory way, and corrective actions taken as a result of this evaluation. This procedure shall take</p>	<p>The IOI Group has a procedure for calculating and distributing compensation which is available. To date, there has been no dispute by any parties relating to legal, customary or user rights at the PMU.</p>	Complied

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<p>into account: gender differences in the power to claim rights, ownership and access to land; differences of transmigrants and long-established communities; and differences in ethnic groups' proof of legal versus communal ownership of land.</p> <p>Minor Compliance</p>		
<p>6.4.3 The process and outcome of any negotiated agreements and compensation claims shall be documented, with evidence of the participation of affected parties, and made publicly available.</p> <p>Minor Compliance</p>	<p>To date, there has been no dispute by any parties relating to legal, customary or user rights at the PMU. 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>Pay and conditions are documented in the employment contract and found to be in accordance with the Sabah Labour Ordinance 2005 ("Kontrak Pekerjaan" Seksyen 18 Ordinan Buruh Sabah Bab 67 (Pindaan 2005)).</p> <p>The contract details all necessary employment terms and conditions including job/assignment, minimum wage per day, OT calculations, allowance, working hours, deductions, sick leave, holiday entitlement, reasons for dismissal, period of notice etc.</p> <p>A review of some field workers' pay slips showed that the calculation of pay is clearly itemized, for example:</p> <ul style="list-style-type: none"> • Normal day field work wage [Daily Rated or Piece Rated] • Normal working day overtime • Working rest day • Overtime for working rest day • Working public holiday • Overtime for working public holiday • Out-turn incentives [December pay slips only] • Conversion of unused annual leave into annual payment renewal [December pay slips only] <p>The documented pay and conditions verified to be satisfactorily implemented.</p>	Complied
<p>6.5.2 Labour laws, union agreements or direct contracts of employment detailing payments and conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc.) shall be available in the languages understood by the workers or explained carefully to them by a management official.</p>	<p>Review of relevant employment documents and interviews made with the newly recruited workers of various categories confirmed the following:</p> <ul style="list-style-type: none"> • Workers have sufficient knowledge and understanding of items stated on employment contract written in Bahasa Malaysia, which are understood by the workers. • Pay rates including calculation of over time claims are based on the newly implemented Minimum Wages Order, 2012. 	

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<p>Minor Compliance</p>	<ul style="list-style-type: none"> • Entitlement of 15 paid public holidays, paid annual leave and medical leave. • Other fringe benefits • Insurance coverage and etc. <p>The estate management had also revised the wages for piece-rated work on 1 August 2013. The new wage scheme is higher compared to the previous and work opportunities were given to the piece rated workers to achieve their daily and monthly minimum wages and beyond.</p> <p>Overall compliance to relevant labour laws is evident through random samples check in the POM and estates.</p> <p>However, there was a typographical error found in some of the workers contracts in Morisem 1 as the leave entitlement for workers with continuous service of equal or more than 5 years was typed as being the same instead of 12 days (for up to 5 years) and 16 days (for those with more than 5 years). Thus an observation is issued for further monitoring to ensure that there is no repeat of such errors for the new contracts at the PMU.</p>	<p>Observation # JMD-01</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 estate management was noted to have complied with Workers' Minimum Standard of Housing and Amenities Act 1990 (Act 446).</p> <p>Site visits to workers' homes 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 keep poultry around their houses in order to reduce the cost of living. The workers staying in the estate are provided with free electricity supply from 4am to 6am and from 5pm to 10pm. Executives and above are supplied with 24 hour electricity supply. Clean water supply comes from treated pond water which is supplied to the workers quarters twice a week to fill the two water tanks located in each house. Weekly line-site inspections are also carried out, i.e. first inspection covers the whole workers quarters and second inspection covers only the crèches. In all the estates, rubbish collection is scheduled at least twice a week.</p> <p>Linesite inspections at the Housing / Workers quarters were carried out at the estates. However, there was rubbish, including used tyres, found at the workers quarters of Morisem 2 estate, which was not properly managed. A nonconformity was raised on this issue. See also details under section 3.2</p> <p><u>Schools</u></p>	<p>NCR 1 of 1 - Minor</p>

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	<p>The migrant workers' children had received free education in HUMANA schools in the PMU.</p> <p><u>Sundry shops</u> The availability of sundry shops within the estates which helped the staff and workers get their sundries nearby. From interviews with the workers in PMU it was found that most household sundries, including frozen foodstuffs were available on sale. Fresh food, such as fish, chicken, vegetable and meat are 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> There is a crèche in every estate that provides free baby-sitting from 4.30 am to 2.00 pm to workers' children. Free infant formula milk is also provided to those children who are not weaned yet. Visits to all crèches showed that they are in reasonably clean condition. Crèche ayahs are well trained on how to use the medical kits provided in every crèche.</p> <p><u>Medical clinics</u> There is a clinic in every estate which is manned by an Estate Hospital Assistant (EHA). Visiting Medical Officer comes once a month to monitor the services provided and to review the referred cases. Basic medical treatment of minor ailment and first aids such as toilet and suturing (T&S) of small laceration wounds are provided. Sharp bins are available in all clinics and content of the bins are disposed through proper channel, i.e. delivered to IOI Syarimo estate before collected by licensed collector.</p>	
<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>Food for the workers provided through sundry shops in each of the PMU estates verified to be adequate and affordable. At the crèches, infant formula milk had been provided for free. The PMU also allows access to the food trucks supplying fresh food to the workers quarters at least twice a week.</p>	<p style="text-align: center;">Complied</p>
<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 / Minor -TBF</p>	<p>PMU has a published statement on "Equal Opportunity Employment & Freedom of Association Policies" recognizing freedom of association in English and Bahasa Malaysia languages, which is displayed in public areas.</p> <p>Due to the restrictions stated in Immigration Act 1959/63, in which foreign employees are not allowed to form or be affiliated to any society or association, the estate management had formed the Employee Consultative Committee (ECC) as an alternative mechanism to cater to the collective bargaining needs of the workers.</p>	<p style="text-align: center;">Complied</p>

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	It was verified that the ECC consists of representatives of both male and female and are from the workers and management levels.	
6.6.2 Minutes of meetings with main trade unions or workers representatives shall be documented. Major Compliance	ECC meetings were conducted once in every three months. Minutes of meetings were properly documented and filed.	Complied
Criterion 6.7 Children are not employed or exploited.		
Indicators	Findings and Objective Evidence	Compliance
6.7.1 There shall be documentary evidence that minimum age requirements are met. Major Compliance	PMU has a policy of not employing child labour (persons below 16 years) in accordance with Labour Act 350 as evident in "Policy Statement of No Child Labor". The age of new hires were verified against their birth dates in their identification cards. Verification done via random checks on "Employee Identification Cum Input Document" [Labour Card] and interviews with workers in all estates as well as the POM confirms that the policy has been followed.	Complied
Criterion 6.8 Any form of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age, is prohibited.		
Indicators	Findings and Objective Evidence	Compliance
6.8.1 A publicly available equal opportunities policy including identification of relevant/affected groups in the local environment shall be documented. Major Compliance	IOI Group document on "Equal Opportunity Employment & Freedom of Association Policies" was approved on 20 August 2009 by the IOI Group Plantation Director. The equal opportunity policy includes relevant and affected groups in the local environment. This policy is displayed at the front of POM and estate offices along with the other policies.	Complied
6.8.2 Evidence shall be provided that employees and groups including local communities, women, and migrant workers have not been discriminated against. Minor Compliance	There is a documented "Policy on Foreign Workers". Migrant workers are recruited within the framework of Employment Act 1955, Sabah Labor Ordinance 2005, immigration Act 1959/63 and Workmen's Compensation Act 1952. The employment of foreign workers was implemented without affecting the opportunities for local communities. Local workers are covered under SOCSO scheme and the migrant workers are covered under Foreign Workers Compensation scheme (FWCS). Interviews with migrant workers revealed their satisfaction with the PMU for job opportunities and many welfare amenities like free housing, free water and electricity supplies, medical care, crèche and transportation of school children. Migrant workers are aware of the grievance procedures through the various Committees, including the ECC, Gender Consultative Committee (GCC) and sprayer group communication through participation at the SIA consultative meetings. It was verified that there has been no issue of discrimination at the PMU.	Complied

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<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>Major / Minor -TBF</p>	<p>Under the employment process, applicants for field worker positions are usually accepted by the estate management with very minimal requirements due to a shortage of labour supply in the plantation industry.</p> <p>For management and supervisory positions, the PMU has considered the needs of technical and other related skills depending on the nature of the work offered.</p> <p>It was verified that the promotions to higher position at the estates and POM were based on evaluations which considered the skill, capabilities, qualities and medical fitness of the employees. It was evident from interviews with employees and verification of records that there has been no discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation or age.</p>	<p>Complied</p>
<p>Criterion 6.9 There is no harassment or abuse in the work place, and reproductive rights are protected.</p>		
<p>Indicators</p>	<p>Findings and Objective Evidence</p>	<p>Compliance</p>
<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 "Policy on Sexual Harassment" for prevention and eradication of sexual harassment in the workplace is available and verified to be communicated to all employees and implemented in the PMU.</p> <p>Record books for documenting such cases are available and kept under lock and key. So far, there had been no reported cases of sexual and other forms of harassment.</p> <p>Interviews with PMU field workers and office staff, both male and female, revealed their knowledge of the policy, their rights as male and female worker, the definition of sexual and other forms of harassment and understanding of the mechanism to lodge a complaint of sexual or other harassment.</p> <p>The GCC meetings are scheduled twice a year according to the Social Plans for Year 2013/2014 in all estates and POM. The GCCs comprised of both male and female representatives for both genders to communicate their grievances or complaints related to sexual harassment effectively.</p>	<p>Complied</p>
<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>Reproductive rights of the workers especially women are fully protected at the PMU. Local office staff is fully aware that they are entitled for two months paid maternity leave. Women field workers who are handling chemicals also know the right to be assigned to non-chemical / spraying handling jobs while pregnant or breastfeeding their infants.</p> <p>All pregnant local staff and migrant field workers are provided with free transportation service to attend their monthly ante-natal check- up in selected clinics in the PMU, i.e. Morisem 2 and Leepang 3 clinics. The check-up is provided by the mobile Klinik Kesehatan Ibu dan Kanak-</p>	<p>Complied</p>

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	kanak (KKIA) from Kinabatangan hospital.	
<p>6.9.3 A specific grievance mechanism which respects anonymity and protects complainants where requested shall be established, implemented, and communicated to all levels of the workforce.</p> <p>Major / Minor -TBF</p>	<p>A "Grievance procedure" is available to manage grievances from internal and external stakeholders and as well as from the general public. The procedure is explained in a flow chart and available in Bahasa Malaysia for easy understanding by the local people.</p> <p>The Grievance Procedure is displayed in the staff offices, muster call stations and at the public areas as verified on-site.</p> <p>Sensitive grievances and complaints are treated as private and confidential thus protecting the anonymity of the complainants such as the sexual harassment reports. The sexual harassment report books are kept under lock and key and accessible only to assigned personnel within the Gender Consultative Committee.</p>	Complied
<p>Criterion 6.10 Growers and millers deal fairly and transparently with smallholders and other local businesses.</p>		
Indicators	Findings and Objective Evidence	Compliance
<p>6.10.1 Current and past prices paid for Fresh Fruit Bunches (FFB) shall be publicly available.</p> <p>Major Compliance</p>	<p>The current monthly FFB pricing was displayed at the Mill and Estate offices. Data on past prices were maintained in the FFB pricing memos issued from the IOI HQ and were available upon request.</p>	Complied
<p>6.10.2 Evidence shall be available that growers/millers have explained FFB pricing, and pricing mechanisms for FFB and inputs/services shall be documented (where these are under the control of the mill or plantation).</p> <p>Major / Minor -TBF</p>	<p>The PMU maintained records on current and past prices paid for FFB. Monthly prices are displayed at the POM office and FFB price data and explanation of pricing mechanisms are available to the public upon request.</p>	Complied
<p>6.10.3 Evidence shall be available that all parties understand the contractual agreements they enter into, and that contracts are fair, legal and transparent.</p> <p>Minor Compliance</p>	<p>All parties having contractual agreements with PMU had entered their contracts with adequate understanding of the terms and conditions set between both parties. Evidence was from examination of the contracts sampled which among others included the office staff, field workers of both genders; various contractors providing labour, transport and maintenance works at the PMU.</p> <p>On site stakeholder interviews and consultation carried out with the various parties further confirmed their understanding of the contracts entered.</p> <p>Based on the documented contracts sighted, review of meeting minutes with stakeholders as maintained in the respective files, there was no evidence to suggest of any unfair, illegal or non-transparent practices in the PMU dealings with the local businesses.</p>	Complied
<p>6.10.4 Agreed payments shall be made in a timely manner.</p> <p>Minor Compliance</p>	<p>Payment of wages to office staff as well as the field workers has been made no later than seventh day of every month. Only on rare occasions when the seventh day of the month falls during on a weekend that the payment was made before tenth day of the month.</p>	Complied

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	The PMU has generally followed a business practice of paying local contractors within 60 days. This appears to be the standard practice locally and it was verified during the contractor interviews that the practice is normal. There have been no complaints concerning delayed payments during the interviews and verification.	
Criterion 6.11 Growers and millers contribute to local sustainable development where appropriate.		
Indicators	Findings and Objective Evidence	Compliance
6.11.1 Contributions to local development that are based on the results of consultation with local communities shall be demonstrated. Minor Compliance	The PMU's contribution towards local communities had been evidenced in several social areas and verified during on site visit as follows: <ul style="list-style-type: none"> • Providing of free ferry crossing services across the Kinabatangan River for the local people and authorities to and from the IOI jetty at Sukau. • Assisting migrant workers in the renewing their travel documents and permits e.g. appointing Agents to help on documents needed at Foreign Consulates and Sabah Immigration Department. • See also the contributions to local development (positive impacts) by the Estate management following inputs through SIA – a result of participative and consultative with stakeholders including action plans to improve the negative impacts, findings under 6.1.3 & 6.2 	Complied
6.11.2 Where there are scheme smallholders, there shall be evidence that efforts and/or resources have been allocated to improve smallholder productivity Major / Minor -TBF.	The PMU is not involved with any smallholder schemes. Therefore no records of any particular impacts pertaining to this criterion.	NA
Criterion 6.12 No forms of forced or trafficked labour are used.		
6.12.1 There shall be evidence that no forms of forced or trafficked labour are used. Major / Minor -TBF	The IOI Lahad Datu Regional Office handles the process of ensuring all migrant labour brought to work at the IOI PMUs including the Morisem PMU are legal and in accordance to current regulations. For this purpose, IOI engaged an employment agency to ensure that proper legal documents are processed for the migrant workers. There was evidence of proper documents i.e. copies of passports from the Indonesian Consulate and working permits endorsed by the Immigration Department for the migrant workers at the PMU. Interviews conducted with some of the migrant workers confirmed that they understood the company's policy of signing a release letter stating their consent to work at the PMU and the safekeeping of their documents by the Management, which will be returned to them should they want to leave the PMU. There has been no evidence of any forced or trafficked labour found during the verification audit.	Complied

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<p>6.12.2 Where applicable, it shall be demonstrated that no contract substitution has occurred. Major / Minor -TBF</p>	<p>There was no evidence of contract substitution and this was confirmed from interviews with 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 / Minor -TBF</p>	<p>The policy on 'Equal Opportunity and Non-Discrimination' adopted and implemented by PMU had covered the necessary aspects of migrant workers and verified to be adequately implemented.</p>	<p>Complied</p>
<p>Criterion 6.13 Growers and millers respect human rights.</p>		
<p>Indicators</p>	<p>Findings and Objective Evidence</p>	<p>Compliance</p>
<p>6.13.1 A policy to respect human rights shall be documented and communicated to all levels of the workforce and operations (see Criteria 1.2 and 2.1). Major / Minor -TBF</p>	<p>The Human Rights Policy has not yet been documented and communicated to all levels of the workforce and operations.</p>	<p>New requirement of RSPO P&C (2013) - Follow up action at next ASA.</p>

Principle 7: Responsible development of new plantings

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

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

<p>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.</p>		
<p>Indicators</p>	<p>Findings and Objective Evidence</p>	<p>Compliance</p>
<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. Major / Minor -TBF 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); • Optimising the yield of the supply base. 	<p>The PMU has identified the social and environmental impacts in the internal SEIA, which was verified to be implemented and monitored. Amongst the continual improvement activities planned and progressively implemented were:</p> <ul style="list-style-type: none"> • Increased planting of beneficial plants as direct bio-control, along the stretches of estate roads to reduce attacks by caterpillars and bag worms. • Maintenance and monitoring of the growth of natural vegetation at the buffer zones and riparian areas and clearance of debris and any clogging of the water flows. • Prompt reporting and disposal of Schedules Waste via e-consignment. • Better disposal of recyclable domestic waste such as used plastic and paper products. • Developing good relations and more open communications with the governmental and non-governmental organizations, local communities and stakeholders. • Support and assistance to the HUMANA schools for the children of migrant workers in the estates. • Encouraging subsistence activities such as providing each family living in the estate a small plot of land to 	<p>Complied</p>

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	<p>cultivate and graze poultry in order to reduce the cost of living.</p> <ul style="list-style-type: none"> • Providing free transport for pregnant office staff and field workers to attend their monthly ante-natal check-ups and proper child health services. • Tighter monitoring of yields from the estates and better planning ahead of seasonal monsoon and floods. 	
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3.1.1 Supply Chain Certification Standards Findings - on CPO Mill

The Supply Chain model applied at Morisem Grouping - POM during this assessment is Module D: Segregation (SG)

Details of findings are as follows:

D.1 Documented procedures		
Indicators	Findings and Objective Evidence	Compliance
<p>D.1.1 The facility shall have written procedures and/or work instructions to ensure the implementation of all the elements specified in these requirements.</p>	<p>Procedure for SG Module was revised and latest edition is: RSPO/SC/SOP/SG/31 issue 03, 15 Sep 2012.</p>	<p>Complied</p>
<p>This shall include at minimum the following: a) Complete and up to date procedures covering the implementation of all the elements in these requirements</p>	<p>The procedure covered the implementation of all elements of SG Module, including all the requirements for controlling the FFB receipt, processing, sales, CPO and PK dispatch, training and claims. The documented procedure and its implementation confirmed to have complied with all the specified requirements of Segregation (SG) Module D.</p>	<p>Complied</p>
<p>b) The name 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 facilities procedures for the implementation of this standard.</p>	<p>Mill manager, Mr. Stevenson De Cruz has the overall responsibility and authority for implementation and compliance with the documented procedure.</p> <p>He and other relevant staff under his charge demonstrated competence, skill and knowledge of the RSPO Supply Chain Certification Standard Module D requirements and its implementation.</p>	<p>Complied</p>
<p>D.1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFBs.</p>	<p>Ref Procedure: RSPO/SC/SOP/SG/31 issue 03, 15 Sep 2012 - SG Module.</p> <p>For the period FY 2012/2013, the POM received and processed FFB mainly from the 8 estates of Morisem PMU.</p> <p>However, it has also processed some uncertified FFB from 3 other estates i.e. Permodalan 2, Permodalan 3 and Permodalan 4 which are under the Leepang PMU which is pending approval of RSPO certification.</p> <p>All supplies of FFB were subjected to verification</p>	<p>Complied</p>

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	<p>of documents and quality checks by weighbridge personnel.</p> <p>The identification and documentation needed for supply and processing from the other sources or suppliers are adequately addressed under the procedure for SG Module.</p> <p>Morisem POM has 4 CPO storage tanks that stored the SG quantities.</p> <p>Since June 2013, the Morisem POM has implemented the SG Module as all the FFB are from its own 8 estates.</p>	
D.2 Purchasing and goods in		
Indicators	Findings and Objective Evidence	Compliance
D.2.1 The facility shall verify and document the volumes of certified and non-certified FFBs received.	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.	Complied
D.2.2 The facility shall inform the CB immediately if there is a projected overproduction.	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.	Complied
D.3 Record keeping		
Indicators	Findings and Objective Evidence	Compliance
D.3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements.	<p>The records and reports are available from the computerized system. Also, hard copies of records and reports are properly filed and readily accessible.</p> <p>Inspection of records and reports at the Mill confirmed these were accurate, complete and updated daily.</p>	Complied
D.3.2 Retention times for all records and reports shall be at least five (5) years.	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.3.3 The facility shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, PKO and palm kernel meal on a three-monthly basis.	<p>Transaction documents and bookkeeping of FFB, CPO and PK are done daily and monthly summary submitted to Head Office.</p> <p>A volume balance recording system that shows FFB deliveries, CPO and PK production and dispatch is balanced every 3 months.</p>	Complied
D.3.4 The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. *product name*/SG or Segregated. The supply chain model used should	Product type and supply chain model indicated as RSPO CSPO/SG on relevant documents.	Complied

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be clearly indicated.		
D.4 Sales and good out		
Indicators	Findings and Objective Evidence	Compliance
D.4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information:	The company invoices to CPO buyer include the following details: (i) name and address of buyer = IOI Edible Oil, Sandakan; (ii) date of issue of invoice; (iii) CPO or PK as applicable / SG Module; (iv) Quantity (MT) (v) Reference to Weighbridge Ticket and Delivery Order; (vi) CPO Specification / PK Specification.	Complied
a) The name and address of the buyer;		
b) The date on which the invoice was issued;		
c) A description of the product, including the applicable supply chain model (Segregated);		
d) The quantity of the products delivered;		
e) Reference to related transport documentation.		
D.5 Processing		
Indicators	Findings and Objective Evidence	Compliance
D.5.1 The facility shall assure and verify through clear procedures and record keeping that the RSPO certified palm oil is kept segregated from non certified material including during transport and storage and be able to demonstrate that is has taken all reasonable measures to ensure that contamination is avoided. The objective is for 100 % segregated material to be reached. The systems should guarantee the minimum standard of 95 % segregated physical materials; (up to 5 % contamination is allowed)	Ref Procedure: RSPO/SG/31 issue 03, 15 Sep 2012 - SG Module. Confirmed from records that Morisem POM only received and processed from its own estates since June 2013. The processing facility has established and implemented a clear procedure and mechanism for the RSPO CSPO/SG module in conjunction with the RSPO CSPO/MB module. Review and on-site verification confirmed that the mechanism was implemented and in compliance with the respective modules requirements at the mill including transport and storage. Since June 2013, the module implemented is SG i.e. FFB is solely from Morisem PMU estates.	Complied
D.5.2 The facility shall provide documented proof that the RSPO certified palm oil can be traced back to only certified segregated material.	Documents and records provided documented evidence for the FFB receipt and processed, CPO and PK produced to be traceable to certified material.	Complied
D.5.3 In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that:	The PK is sold to IOI Edible Oil and there is no outsourcing of the PK crush to an independent palm kernel crusher.	Complied
a) The crush operator conforms to these requirements for segregation		
b) The crush is covered through a signed and enforceable agreement		
D.6 Training		
Indicators	Findings and Objective Evidence	Compliance

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D.6.1 The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems.	All relevant personnel have been trained on RSPO Supply Chain System and its implementation - records of training on 13 August 2013.	Complied
D.7 Claims		
Indicators	Findings and Objective Evidence	Compliance
D.7.1 The facility shall only make claims regarding the use of or support of RSPO certified palm oil that are in compliance with the RSPO Rules for Communication and Claims.	Based on the records verified at site, there are no claims that can constitute a breach of the RSPO Rules for Communications and Claims as to date. Rules & Regulations for RSPO Certification Scheme given to the organization and Memorandum of Agreement signed.	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 Morisem POM has been able to comply with the requirements of the RSPO SCCS for both the 'Mass Balance – MB' and 'Segregation– SG' models. Currently, the SG module is solely used and thus the PMU is eligible for 'SG' trading for its palm products for year FY July 2013 / June 2014.

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)
Main Assessment	2013	1 – Minor (6.5.3)	5

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Year 2013: Main Assessment (1 NCR)

NCR #	MYNI Indicator	Details of NCR	
1 of 1 Minor	6.5.3	Date issued: 26 September 2013	Date closed: Next surveillance ASA-01
		Nonconformance: Linesite inspections at the Housing / Workers quarters were carried out at the estates. However, there was rubbish, including used tyres, found at the workers quarters of Morisem 2 estate, which was not properly managed.	
		Root Cause and Corrective Action: There was an oversight at the said workers quarters and the rubbish has been immediately cleared and properly disposed. The workers staying there has been re-briefed to follow proper disposal at the housing estates.	
		Verification (for effective closure): During ASA-01	

Year 2013: Main Assessment (5 Observations)

Ref No:	MYNI Indicator	Location	Details of Observation	Status		
				Opened date	Closed date	Remark, if any
MT-01	5.1.2	Morisem PMU	The management plan needs to clearly identify the specific person(s) responsible of each activity of the change/continuous improvement in the estates. In addition, the potential risk of CPO spillage into Kinabatangan River during transportation from mill need to be incorporated into identification of environment aspects and associated impacts and the significance risk evaluation need to be identified, controlled and documented. Thus an observation is issued for further monitoring to ensure completeness of the management plan at the PMU.	26 Sept 2013	-	To follow up during ASA-01
CFK-01	4.7.4	Morisem 1	At Morisem 1 estate, regular health and safety committee meetings had been held. However, the title of the minutes of meetings had been omitted. Thus an observation is issued for further monitoring to ensure better traceability of the minutes and records at the PMU.	26 Sept 2013	-	To follow up during ASA-01
CFK-02	4.7.5	Morisem 1	First Aid Kits were available with the workers at the work sites. However, at Morisem 1 Estate, the First Aid Kit for the Circle spraying gang in Field 10C. had no cleansing agent such as Dettol	26 Sept 2013	-	To follow up during ASA-01

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			<p>or Eusol.</p> <p>Thus an observation is issued for further monitoring to ensure completeness of all items of the First Aid Kits at the PMU.</p>			
NR-01	4.4.2	Morisem 2	<p>It has been observed in F10D in Morisem 2 estate that in the buffer zone area, the grass around palm circle had been sprayed sometime prior to the assessment. Upon further check, it was found that the PMU management had detected and reported the issue earlier in their internal audit which was also recorded in the minutes of meeting with the Estate Managers in August 2013. Disciplinary actions had been taken against the worker concerned and re-training conducted. Records of re-training activities were available.</p> <p>However, an observation is issued as this matter requires further monitoring and need to be followed up the next assessment.</p>	26 Sept 2013	-	To follow up during ASA-01
JMD-01	6.5.2	Morisem 1	<p>The Workers contracts at the estates have been verified to follow the Sabah Labour Ordinance 2005. However, there was a typographical error found in the some of the workers contracts in Morisem 1 as the leave entitlement for workers with continuous service of equal or more than 5 years was typed as being the same instead of 12 days (for up to 5 years) and 16 days (for those with more than 5 years).</p> <p>Thus an observation is issued for further monitoring to ensure that there is no repeat of such errors for the new contracts at the PMU.</p>	26 Sept 2013	-	To follow up during ASA-01

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3.2.2 Identified Positive Elements

- 1) IOI Morisem is involved in the ongoing restoration of riparian areas at the Lower Kinabatangan River adjacent to the Leepang 4 estate under Nestlé's Project Rileaf, which is a long term natural tree replanting programme.
- 2) IOI Corporation Berhad is one of the largest contributors to the Borneo Child Aid (HUMANA) organisation. About 63 teachers in HUMANA are paid by IOI and another 20 teachers are paid by the Government of Indonesia. HUMANA has provided education assistance for more than 2000 children of estate migrant workers.
- 3) Natural vegetation is seen to be returning at the riparian and buffer zones near watercourses which are within and bordering the IOI Morisem 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 Morisem 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:

Stakeholders' Feedback	PMU Response	MICM verification / comments
Government Agencies		
<p>Communication done via email on 19 August 2013. See list under para 2.5. Feedback on 25 September 2013 from Jabatan Perhutanan Sabah (Sabah Forestry Department) via teleconversation with suggestions as follows:</p> <ul style="list-style-type: none"> • IOI Morisem should continue to maintain awareness programme on wildlife monitoring. • Support programs for restoration of riparian areas with planting of natural forest trees. • The company to educate thier workers on the Do's and Dont's within Forest Reserves such as No Burning, No Hunting, No Felling Trees, No Littering and No Entering without permission 	<p>Conservation activities has been progressively implemented such as Awareness programmes on wildlife, establishment of riparian reserve, buffer zones adjacent to Forest reserves, signages against encroachment etc.</p> <p>Ongoing consultations with the Sabah Forestry Dept. will be maintained and improved accordingly.</p>	<p>Verified during on-site assessment that the PMU has been implementing the appropriate measures needed.</p>
Non-Governmental Organizations		
<p>Communication done via email on 19 August 2013. See list under para 2.5. Feedback received from HUTAN – Kinabatangan Orang-utan Conservation Programme on 30 August 2013: IOI Morisem to support the protection of the Bornean elephants, orang-utans which are located in areas of the Kinabatangan and passing through the oil palm plantations.</p>	<p>Conservation activities has been progressively implemented such as Awareness programmes on wildlife, establishment of riparian reserve, buffer zones adjacent to Forest reserves, signages against encroachment etc.</p> <p>Ongoing consultations with the HUTAN will be maintained and improved accordingly.</p>	<p>Verified during on-site assessment that the PMU has been communicating with the NGOs and appropriate measures are being implemented.</p>
Local Communities		
<p>A total of 32 stakeholders (comprising 12 - contractors, 6 - local community and 14 - employees) has been interviewed during the on-site assessment between 24-26 September 2013. Concerns and suggestions raised include:</p>	<p>Further improvement on road building & maintenance and waste management and Improvement for HUMANA School at the estate will be progressively made.</p>	<p>Verified during on-site assessment that the PMU has a mid and long term management plan for the improvment of infrastructure, social and environmental needs of the local</p>

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<ul style="list-style-type: none"> • PMU can improve on road building & maintenance and waste management activities. • Improvement for HUMANA School e.g. larger & better building and to contribute some computers which the company may no need after a few years of their office use. • Improvement for the creche facilities e.g. bigger quarters. 	<p>Ongoing consultations will be maintained.</p>	<p>community. See report details under P&C 4, 5, 6 & 8)</p>
<p>Other Interested parties</p>		
<p>Communication done via email on 19 August 2013. See list under para 2.5.</p> <ul style="list-style-type: none"> • Project Rileaf at Lower Kinabatangan by Nestle and supporting plantations (e.g. IOI Morisem under the Leepang 4 estate). Nestle Project Coordinator: Pn Kertijah Abdul Kadir mentioned the need for continued support of the forest trees replanting project at riparian areas. 	<p>Ongoing consultations and support will be maintained and improved where needed.</p>	<p>Verified during on-site assessment that the PMU has been providing the cooperation needed for the restoration of riparian areas within the Leepang 4 estate which are adjacent to the Lower Kinabatangan river.</p>

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4.0 ASSESSMENT CONCLUSION AND RECOMMENDATION

Based on the findings above, IOI Morisem Grouping had been able to demonstrate its compliance with the RSPO Principles and Criteria (April 2013), Malaysian National Interpretation (MY-NI November 2010) and the RSPO Supply Chain Certification Standard (November 2011) for Palm Oil Mill.

Therefore, it is recommended that the certification of IOI Morisem Grouping be approved.

Signed for and on behalf of
Intertek Certification International Sdn Bhd



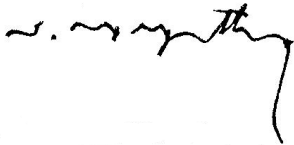
Mr. Augustine Loh
Lead Assessor

Date: 16 December 2013

4.1 Acknowledgement of Internal Responsibility and Confirmation of Assessment Findings

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

Signed for and on behalf of
IOI CORPORATION BERHAD



Mr. S.S. Ragupathy
General Manager (Lahad Datu Region)

Date: 17 December 2013

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

Certificate No:	RSPO 928588
Issue date:	18 December 2013
Expiry date:	17 December 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:	Morisem Grouping
Address of POM:	MDLD 5123, KM 2, Jalan Segama, Locked Bag No. 15, 91109 Lahad Datu, Sabah, Malaysia
Standards:	RSPO Principles and Criteria (April 2013); Malaysian National Interpretation (November 2010); RSPO Supply Chain Certification Standards (November 2011) for the Palm Oil Mill.
Certification scope:	Production of Crude Palm Oil and Palm Kernels
Supply Chain model for CPO & PK:	Segregation (SG)

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

Name	Address	GPS Reference	
		Latitude	Longitude
Morisem POM (Capacity: 105 MT/hour)	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°29'38.65"N	118°22'8.54"E
Morisem 1	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°29'24.00"N	118°19'12.00"E
Morisem 2	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°27'36.00"N	118°21'36.00"E
Morisem 3	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°30'0.00"N	118°19'48.00"E
Morisem 4	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°20'24.00"N	118°20'24.00"E
Leepang 2	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°30'36.00"N	118°22'48.00"E
Leepang 3	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°31'48.00"N	118°23'24.00"E
Leepang 4	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°32'60.00"N	118°22'12.00"E
Ladang Asas (Tas & Halusah)	MDLD 5123, KM 2, Jalan Segama, Locked bag No. 15, 91109 Lahad Datu, Sabah.	5°14'24.00"N	118°16'12.00"E

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

Estate / Supplier	FFB Processed in FY2012/13		FFB Processed for FY2013/14 – projected	
	MT	%	MT	%
Morisem Group Estates	297,859.79	99.88	336,180.00	100.00
Uncertified IOI - PMUs	343.48	0.12	nil	0.00
Total	298,203.27	100.00	336,180.00	100.00
SCCS Model for POM	MB & SG		SG	

The annual certifiable tonnages of CPO and PK production by Morisem Grouping from the supply base/suppliers as assessed and verified during the current assessment and projected for next FY period are detailed as follows:

Morisem POM	FY2012/13		FY2013/14 – projected	
Total certifiable FFB Processed (MT)	297,859.79		336,180	
Total CPO Production (MT)	61,061.26	OER: 20.50%	68,916.90	OER: 20.50%
Total PK Production (MT)	16,382.29	KER: 5.50%	19,330.35	KER: 5.75%