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PUBLIC SUMMARY REPORT

RSPO

THIRD ANNUAL SURVEILLANCE ASSESSMENT (ASA3)

IOI CORPORATION Bhd Sakilan Mill and supply base

Located in Sandakan – Sabah, Malaysia

Report Author:

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SUMMARY

BSi has conducted the Third Annual Surveillance Assessment (ASA3) of IOI Corporation Bhd Sakilan operations located in Sandakan – Sabah, Malaysia comprising one mill, three company oil palm estates, support services and infrastructure. BSi concludes that IOI Sakilan operations comply with the RSPO requirements [RSPO P&C MY-NI 2010; RSPO Certification System June 2007 (revised March 2011) including Annex 4: Procedures for Annual Surveillance; and Supply Chain Certification Standard: November 2011, Module D – CPO Mills: Segregation

BSi recommends the continuation of the approval of IOI Sakilan operations as a producer of RSPO Certified Sustainable Palm Oil.

ABBREVIATIONS USED

ASA1	Annual Surveillance Assessment 1
ASA2	Annual Surveillance Assessment 2
ASA3	Annual Surveillance Assessment 3
BOD	Biological Oxygen Demand
CAR	Corrective Action Request (for nonconformity)
CHRA	Chemical Health Risk Assessment
CPO	Crude Palm Oil
DOE	Department of Environment
DOSH	Department of Occupational Safety & Health
EFB	Empty Fruit Bunch
EMS	Environmental Management System
FFB	Fresh Fruit Bunch
HCV	High Conservation Value
IPM	Integrated Pest Management
MSDS	Material Safety Data Sheet
MY-NI	Malaysian National Interpretation
NUPW	National Union of Plantation Workers
PK	Palm Kernel
PPE	Personal Protective Equipment
SEIA	Social & Environmental Impact Assessment
SIA	Social Impact Assessment
SOP	Standard Operating Procedure

1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 Identity of Certification Unit

The Sakilan mill and estates are located in Johor, Malaysia (Figure 1). The oil mill is central to the estates located near Kluang – Johor, Malaysia. The GPS location of the mill is shown in Table 1.

Table 1: Mills GPS Locations

MILL	EASTING	NORTHING
Sakilan (Capacity: 40 mt/hr)	117 50' 37"	5 50' 21"

1.2 Production Volume

The estimated tonnages reported for the ASA2 and the actual production since previous year are detailed in Table 2. It should be noted that the Actual tonnages are for only part of a year from the date of ASA02 assessment on 16 March 2012 to 28 Feb 2013. The projected tonnages for the 2013–2014 period of the Certificate are based on the annual budget of three yearly bases.

Table 2: Production tonnages

Sakilan Mill	Estimate at ASA2 08/03/12 – 07/03/13	Actual 08/03/12 – 07/02/13	Projected 08/03/13– 07/03/14
CPO	29,110	25,524.07	28,000
PK	7,080	6,928.08	7,350

1.3 Certification details

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

BSi RSPO Certificate No: SPO 543161

Date of previous Assessment (ASA2): 13 – 17/02/2012

Date of Certification: 08/03/2010

1.4 Description of Supply Base and Supply Chain

The supply base is the FFB from three (3) IOI owned Estates that supplied 100.0% of the FFB processed at the Mill between 08 March 2012 and 07 March 2013. All of the IOI estates are RSPO-Certified. The actual FFB production from IOI owned Estates for the second year of the Certificate and projected for the third year of the Certificate are listed in Table 3. The projected tonnages were based on the potential yield achieved due to planting material and age profile of palms where within this year of 2013 the immature palms areas are converted into mature palms.

Table 3: Estate FFB Tonnages Processed

Source	Estimate at ASA2 08/03/12 – 07/03/13	Actual 08/03/12 – 07/02/13	Projected 08/03/13– 07/03/14
Estates:			
1. Sakilan	55,000	53,992.69	57,000
2. Linbar 1	26,377	25,236.13	26,500
3. Linbar 2	52,806	47,710.26	47,500
TOTAL	125,000	124,335.54	131,000

The projected figures show increment compared with estimation at ASA2 and also with the actual productions. This is due to in 2013 there are some immature areas are converted into mature area which increasing FFB production in each estate. The age profile of the palms is shown in Table 4a. The areas of mature and immature palms are detailed in Table 4b for each of the Estates.

Table 4a: Age Profile of Palms

AGE (years)	% of PLANTED AREA
31 – 35	0
21 – 30	36.25
11 – 20	41.13
4 – 10	0
0 – 3	22.62

**Table 4b: Estates and Areas Planted
(As of January 2013)**

Estate	Mature (ha)	Immature (ha)	Unplanted/ others	Total
Sakilan	2,142	0	154.37	2,296.37
Linbar 1	996	1,456	176.17	2,628.17
Linbar 2	1,842	0	370	2,212
TOTAL	4,980	1,456	700.54	7,136.54

1.5 Other Certifications Held

The Sakilan Group of IOI Corporation holds ISCC System GmbH from SGS.

1.6 Organisational Information / Contact Person

IOI Corporation Bhd
 Head Office: Level 8, Two IOI Square
 IOI Resort 62502 Putrajaya
 MALAYSIA

Contact Person: Mr Too Heng Liew
 Head of Sustainability (Malaysia & Indonesia)

Phone: +603-8947-8691
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 Email: sustainability@ioigroup.com

The Sakilan Group is part of IOI Corporation Berhad.

Contact Person: Mr.Yeap Su Jeen
 Sustainability Manager

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 Email: sustainable.palm.oil@gmail.com

1.7 Progress against Time Bound Plan

IOI Corporation Berhad owns and operates 12 Oil Mills with a supply base of 76 Estates in Peninsular Malaysia and Sabah. The crop from three additional IOI Estates (Sugut, Sejam and Tegai Estates) located in Sarawak, is processed at Mills owned by other companies who have not yet set a target date for RSPO Certification of their mills. IOI Corporation Berhad is implementing a programme to achieve RSPO Certified Sustainable Palm

Oil for all of its 12 Oil Mills and 76 Estates in Malaysia by the end of 2016.

Latest progress of a claim breached by IOI against RSPO Code of Conduct 2.3 and Certification Systems 4.2.4 (c) where IOI has until February 2013 responded formally to the claims. One of the claims relates a land dispute at Sarawak and the other to land development in Indonesia. Up to 4th February 2013, RSPO Dispute Settlement Facility (DSF) has been requested to step-up pre-mediation works with the parties, with a view to bringing the parties to the table by July 2013, for further mediated negotiations to resolve the conflict. The RSPO Complaint Panel (formerly known as the Grievance Panel) has met up in November 2012 to review the status of the IOI-LTK case. The Panel recognizes the efforts and challenges faced by both parties in moving towards resolving the case. Meanwhile, the *Complaint Panel has agreed to lift the suspensions of new certifications by IOI with the exception of IOI-Pelita Plantation (Sarawak), which will not be certifiable until this dispute is being resolved.* For more information about the dispute and historical updates can be found on following website:

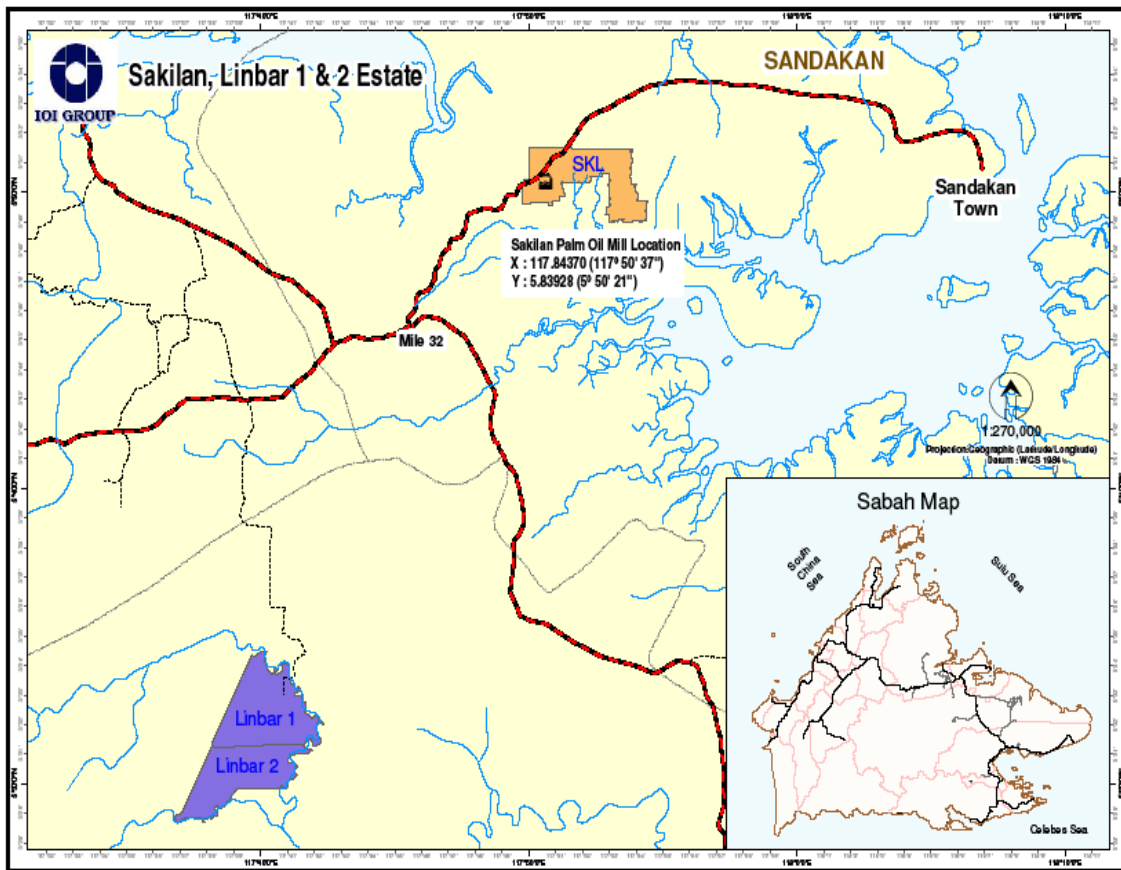
http://www.rspo.org/en/status_of_complaint&cpid=4

IOI has advised BSi that there presently are no labor disputes or any known legal non compliances at its oil palm operations. BSi has reviewed IOI's Time Bound Plan and considers the programme to be challenging to implement as it will require a uniform, across the geographic spread of its operations in Peninsular Malaysia, Sabah and Indonesia. BSi considers IOI's Time Bound Plan to conform to the RSPO requirements for Partial Certification, subject to the clarification and resolution of the claims. IOI Time Bound Plan is included as Appendix F.

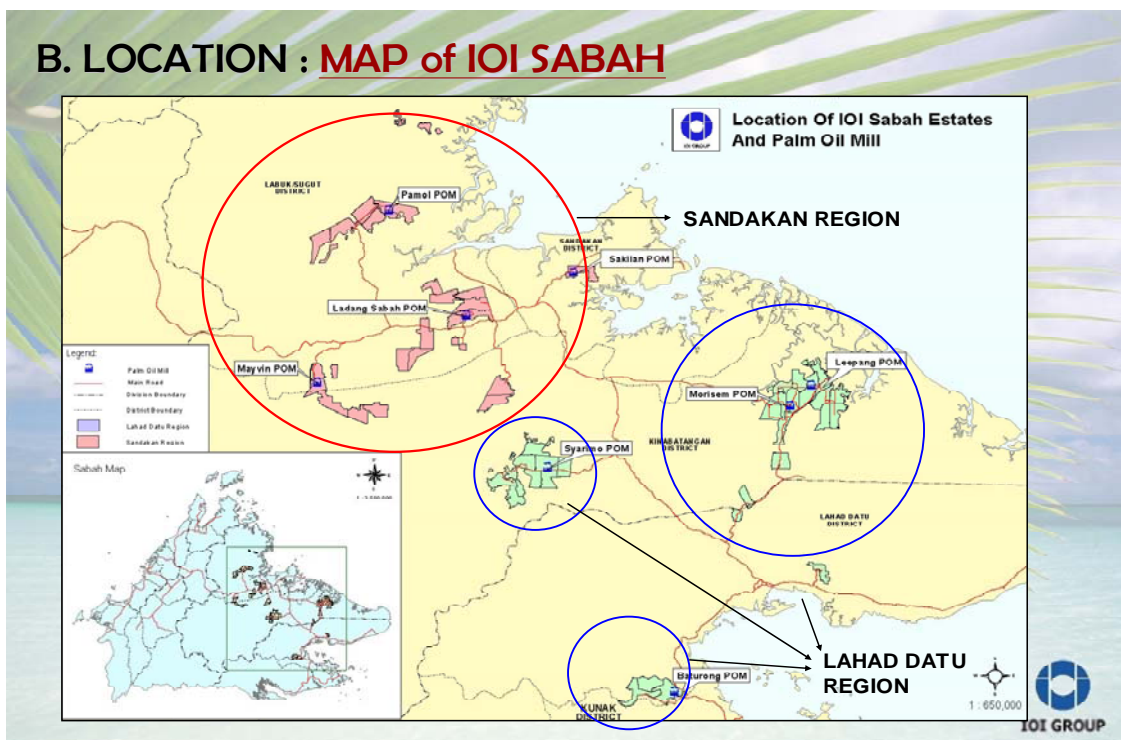
Progress of Associated Smallholders/Outgrowers towards RSPO Compliance

IOI Sakilan does not purchase crop from smallholders.

Figure 1. IOI Sakilan Location Maps at Sandakan – Sabah, Malaysia



B. LOCATION : MAP of IOI SABAH



2.0 ASSESSMENT PROCESS

2.1 Certification Body

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BSi is a leading global provider of management systems assessment and certification, with more than 60,000 certified locations and clients in over 100 countries. BSi Standards is the UK's National Standards Body. BSi provides independent, third-party certification of management systems. BSi has a Regional Office in Singapore, and an Office in Kuala Lumpur, Jakarta and Bangkok.

2.2 Qualifications of the Lead Assessor and Assessment Team

Aryo Gustomo - Lead Assessor

He holds a degree in Agricultural Science majoring in Agronomy - on the subject of oil palm plantation management; He graduated from Bogor Agriculture University. He had more than 5 (five) years working experience related to oil palm industries i.e. as a Plant - Breeder/Agronomist -with one of the Malaysian oil palm seed producers and as a Field Assistant –with a oil palm plantation company in Indonesia. He has been involved in RSPO implementation and assessment since 2009 as a team member and subsequently as a lead auditor with a RSPO approved certification body covering assessment with RSPO P&C and RSPO NPP in Malaysia and Indonesia. - He has completed several training programmes on - ISO 9001, 14001 and attended the RSPO Lead Auditor courses as well as trainings on HCV identification and management. Currently, he works for BSi Group as a RSPO Scheme Manager for ASEAN and is a RSPO lead auditor/auditor. He has an excellent oral and written command of Bahasa Indonesia and English. During this assessment, he assessed on the aspect of legal, environment, HCV, mill and estate best practices, working safety and emergency preparedness, and supply chain requirement for CPO mill.

Muhammad Haris B. Abdullah – Assessor

He is a Malaysian citizen and has graduated from the Open University Malaysia with a Bachelor of Business Administration (Hons) Majored in Human Resource Development and currently pursuing his Master's Degree in Business Administration from the University Utara Malaysia. He has more than 3 years working experience in oil palm plantation and conducting social impact assessments of agriculture sector, agriculture best practices, and environmental impact assessment as

well as workers welfare. He had assisted with conducting audits of oil palm plantation for more than 8 companies against the RSPO P&C in Malaysia for the past 4 years. During this assessment, he assessed on the aspect of Legal, Social and community engagements, Stakeholders consultation, and workers welfare.

Pratama Agung Sedayu - Assessor

He graduated from University of Jenderal Soedirman on 2008, Indonesia, majoring in Social Economic of Agriculture. He involved in RSPO certification since 2009 as a team member covering assessment with RSPO P&C in Indonesian and Malaysia. He completed the ISO 9001 and OHS 18001 Lead Auditor training, HCV identification and management, ISPO auditor training, and has planned to attend RSPO Lead auditor endorsed course in May 2013. He can communicate fluently in Bahasa Indonesia and English both oral and written. During this assessment, he assessed estate best practices, environment, working safety, and emergency preparedness.

2.3 Assessment Methodology, Programme, Site Visits

The Initial Certification Audit was conducted between 25th and 28th November 2008. Certificate issuance was on 08 March 2010. The ASA1 was conducted from 25 -28 January 2011. The ASA2 was held between 13 and 17 February 2012.

The Third Annual Surveillance Assessment (ASA3) was conducted on 25-27 February 2013. The audit programme is included as Appendix C.

The approach to the audit was to treat the mill and its supply base as an RSPO Certification Unit. Mill was audited together with the sample estates (two samples were chosen i.e. Sakilan and Linbar 2 Estates). A range of environmental and social factors were covered. These included consideration of topography, palm age, proximity to areas with HCVs, declared conservation areas and local communities.

The methodology for collection of objective evidence included physical site inspections, observation of tasks and processes, interviews of staff, workers and their families, review of documentation and monitoring data. Checklists of standard requirements were used to guide the collection of information. The comments made by external stakeholders were also taken into account in the assessment.

The Nonconformities that were assigned and the Observations that were identified during the ASA2 were followed up to check the effectiveness of corrective actions. The ASA3 findings are detailed in Section 3.2 Page 14.

This report is structured to provide a summary for each Principle, together with details for selected Criterion and indicators. The assessment was based on random

samples and therefore nonconformities may exist that have not been identified.

Mr. Senniah Appalasamy, who has been involved in BSI RSPO activities and one of the BSI internal reviewer, reviewed this report for conformance with BSI Procedure, RSPO Certification System and RSPO Procedure for Annual Surveillance Assessment.

2.4 Stakeholder Consultation

Stakeholder consultation involved internal and external stakeholders. External stakeholders were contacted by telephone to arrange meetings at a location convenient to them to discuss Sakilan's environmental and social performance.

Meetings were conducted with stakeholders to seek their views on the performance of the company with respect to the RSPO requirements and aspects where they considered that improvements could be made. At the start of each meeting, the interviewer explained the purpose of the audit followed by an evaluation of the relationship between the stakeholder and the company before discussions proceeded. The interviewer recorded comments made by stakeholders and these have been incorporated into the assessment findings.

Structured worker interviews with male and female workers and staff were held in private at the workplace in the mill and the estates. Fieldworkers were interviewed informally in small groups in the field. In addition, the wives of workers and staff were interviewed in informal group meetings at their housing. Separate visits were made to each of the local communities to meet with the village head and residents. Company officials were not present at any of the internal or external stakeholder interviews. A list of Stakeholders contacted is included as Appendix E.

2.5 Date of Next Surveillance Visit

The date of next surveillance visit will be approximately scheduled on December 2013 or January 2014.

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

As outlined in Section 2.3, objective evidence was obtained separately for each Principle, together with details for selected Criterion and indicators for the Mill and the Estates. The results for each selected Criterion and indicator from each of these operational areas have been aggregated to provide an assessment of overall conformance of the Company's operations with conclusion of each Criterion. A statement is provided for each of the Indicators to support the finding of the assessment team.

During the ASA3, there were two (2) Major nonconformities against Indicator 5.2.2 of RSPO P&C and indicator D.3.4; D.4.1 of RSPO Supply chain for CPO Mills; one (1) Minor nonconformity against indicator

2.1.4 of RSPO P&C; and nine (9) Observations/Opportunities for improvement were identified. IOI Sakilan operations have prepared a Corrective Action Plan (Appendix D) for addressing the identified minor nonconformities that was reviewed and accepted by BSI. The IOI Sakilan operations had also submitted evidence for closing two Major nonconformities that was reviewed and accepted by BSI.

One (1) nonconformities that assigned during the ASA2 against Minor Compliance Indicators 6.1.3, and also the several Observations that were identified were also followed up to check the effectiveness of corrective actions – Refer Section 3.3 Page 15 for details.

BSi recommends continuation of Certification for IOI Sakilan operations as a producer of RSPO Certified Sustainable Palm Oil.

PRINCIPLE 1: Commitment to Transparency

Criterion 1.1: Oil palm growers and millers provide adequate information to other stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in appropriate languages & forms to allow for effective participation in decision making.

IOI Sakilan maintained a system to response information request from stakeholders. Upon any request received will be directly to local mill and estate manager. IOI Sakilan is also maintains a request book to record all request and complaints and action taken were recorded with the dates

All of request had been immediately responded to the requestor from stakeholders. Interview with the SK Sakilan Desa HM (Mrs. Jumani) confirmed that the school received satisfy timely responses for their request. The Sakilan Mill has a record of request and responds file for each individual stakeholder's e.g: School, MPOB, and workers.

Follow up from previous Observation 01 (1.1.1) - Sakilan School requested for additional sheltered cover on 19 January 2012. The Cadet Assistant personally went to meet the school Head Master (HM) to discuss and pending for the structure plan and costing. This was confirmed during interview with the school HM. However there was no written reply given by the estate to the School. Estate takes immediate action by replying formally on 15 February 2012 once this situation was highlighted.

ASA3 findings: Estate has immediately responded to requests from stakeholders. Interview with the Sekolah Kebangsaan Sakilan Desa HM (Mrs. Jumani) confirmed that the school receives timely written responses for their requests. Estate has also maintained a request book (i.e. Request Book of Sakilan Estate) to record all request and complaints and action taken were recorded with the dates.

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.

IOI maintained public documents at the mill and estates; for example visit to Sakilan and Linbar 2 Estates held each copy of management documents (land titles/user right, health and safety plan, plan and impact assessment relating to environmental and social impacts, and other related documents). Sample records taken: copy of Land title of Sakilan Estate covering total hectares of 2,296.37; Land title of Linbar 2 Estate covering total area of 2,211.83 ha; Environmental aspect-impact assessment with latest review on 15 February 2013; health and safety policy and Plan for 2013 is available covering OSH activities, building & structure inspection.; and Social Impact Assessment with latest review on February 2013.

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.

The Mill and Estates have kept an up to date list of legal requirements, latest update on 30 January 2013. The latest update regulation in particular for Sabah region was also listed. Company has kept mechanism to ensure all relevant legal requirements are comply, record name: document of Mechanism on Tracking of Law Changes which includes list of laws, regulation reference, permit and license to manage. The Sustainability team ensures the mechanism is implemented properly by checking regularly once a year. In addition, each operation has a List of Licenses showing the expiry dates and these are updated. For Example:

Estate:

- MPOB license (Akta Lembaga Sawit Malaysia 1998):503335002000 valid till 31/7/2013
- Air compressor permit – SB PMT 735 valid till 5/2/2014
- Deduction permit: 11(0421) SDK valid till 9/1/2014.
- Approval to employ foreign workers: JTK.H.SDK.600-4/1/1/01261 valid till 29/9/2013 for 210 workers. 40 Filipino workers work permit are in the process through the government's 5P programme for legalising illegal workers. E.g.: worker Ahmad Abdul Hamid - 5P slip No.: 0860795230316136 dated 14/6/2012
- HA certificate: No.: 02223 Pn. Jalinah Binti Rachman valid till 31 December 2013

Mill:

- Weighbridge permit: B414371 valid till 25 July 2013
- Diesel engine permit for 19,000 ltr, serial No.: S003456 valid till 18 Nov 2013
- DOE licence: No. APU.2 (J83/136/99)

Minor Non conformity raised against 2.1.3 (reference number: A848092/1): In Linbar 2 Estate, it was noted that the monthly "Health & Mortality return and notification of infectious disease" to the Health Department was not submitted consistently by the Estate staff. The last report was submitted on the March 2012. There should be a mechanism for ensuring that this is implemented accordingly.

Criterion 2.2 – The right to use the land can be demonstrated and is not legitimately contested by local communities with demonstrable rights.

Land tenure history and legal ownership are fully recorded. Land title clearly stated the land term as oil palm plantation. Review on two estates sample confirmed both are hold legal land ownership, for example, Sakilan Estate holds 3 land titles covering total hectares of 2,296.37 with land title No: 075471242, 075471260 and 075471288. The planted area is 2,142 ha; Linbar 2 holds Land title No.: CL-095311667 covering total area of 2,211.83 ha. The planted area is 1,842 ha

The land is not encumbered by Customary Rights and the right to use the land is not disputed. This was confirmed with local government during stakeholder consultation.

Maps indicating the neighbouring estates, forest reserve and small holders are presented. Boundaries are marked with red packs and visibly maintained. Review on documentation of two sampled Estates found the maps showing the locations of boundary stones that have been physically located and marked.

Criterion 2.3 – Use of the land for oil palm does not diminish the legal rights of other users without their free, prior and informed consent.

Similar to previous ASA02 finding that the Mill and Estates are located on Freehold Land that IOI acquired from government permission. IOI does not restrict access through the estates, except in relation to trucks. Interview of local community representatives confirmed there is no land dispute or any claim of customary land within the Estates. Interview with some neighbor local villager during ASA03 confirmed no land dispute within the estate.

PRINCIPLE 3: Commitment to Long Term Economic and Financial Viability

Criterion 3.1: There is an implemented management plan that aims to achieve long-term economic and financial viability.

The annual budget with minimum 2 years projection is available under 5 years business management plan consisted of crop statement by year of planting such as crop projection 2012/2013 to 2014/2015 with monthly breakdown. The business plan is also cover Human

resources requirement for 2011/2012 to 2015/2016, Costing statement for 2011/2012 to 2015/2016, and Capital requirement with depreciation calculation.

Review documentation of two estates sample, Linbar 2 Estate has schedule for replanting programme commencing on 2013/2014 - 2018/2019. Executive management carried out yearly review based on palm performance indicator such as trend production, planting material, etc.

PRINCIPLE 4: Use of Appropriate Best Practices by the Growers and Millers

Criterion 4.1: Operating procedures are appropriately documented and consistently implemented and monitored.

Sakilan's operations refer to Group Standard Operating Procedures (StOPs) for Estate and Mill Operations. The procedure comprise of all activities applicable for the mill and each particular estate. For instance, Sakilan estate applicable activities are manuring of mature and immature palm, EFB mulching, POME application, fertilizer sampling tests. Planning and organization of fertilizer application, pest and disease control (rat control, bag worm, rhinoceros beetle control), harvesting activities (FFB harvesting, monitoring on FFB quality, pruning, FFB evacuation and transport, buffalo assisted harvesting system) Road maintenance Workshop, Buffalo healthcare, Foliar sampling.

Record of each operation activity was recorded under Monthly Report of estate and mill.

Criterion 4.2: Practices maintain soil fertility at, or where possible improve soil fertility, to a level that ensures optimal and sustained yield.

Fertilizer recommendation is commonly based on Leaf and soil sampling and visual analysis conducted once a year. The latest result for leaf sampling was on 2012 and soil sampling result was on February 2013. The result used as recommendation of fertilizer application within 2013.

Application of by product such as EFB and POME was controlled and recorded. As for EFB, for 2012/2013 the EFB application has been reduced because most of the EFB were utilized into fibre for boiler fuel by the mill. POME was applied into land application covers 126 ha in Sakilan Estate.

Estate manager alongside with Research Centre carried monitoring of fertiliser, EFB, and POME application once a month. Record held on Estate Monthly Report, keep in Estate manager office.

Criterion 4.3: Practices minimise and control erosion and degradation of soils.

The soil map showing soil type and the topography for each estate is available. Area with steep slope, left aside, and unplanted area were identified on the map. This area was designated as conservation area. Based on soil map and field visit there is no peat soil in Sakilan and

Linbar 2 Estates. The predominant soil type is under category of Kumansi (sandy-loam) characteristic.

Based on field observation, terraces are being implemented and maintained on certain slope area. Frond stacking across contour line implemented to reduce surface run-off and erosion. Natural vegetation kept as no barren soil observed. There is no planting on area with slopes 25 degrees or more.

Road maintenance programmes for all estates were documented and reported in Road Maintenance Programme for July 2012 – June 2013. However soil type and climate condition are always challenge for road maintenance especially during heavy rain. It is unavoidable due to heavy rain almost every day for the past few months. This together with flash flooding in some places has taken on the roads.

Criterion 4.4: Practices maintain the quality and availability of surface and groundwater.

Based on field visit to Sakilan and Linbar 2 Estates, the natural vegetation maintained as protection from erosion and minimising sedimentation into the waterways. There is no indication of spraying and fertilizer application along the riparian. Buffer zone demarcated through paint on palm trees and signs erected to warn the worker not to spray and put fertilizer beyond the buffer zone. No bunds/weirs/dams were constructed across the main waterways in the estate. Interview with spraying workers, the company's policy of protection on riparian area is well understood.

Estate conducted monitoring on waterways, including water stream of Bulu river in Sakilan Estate and Lokan River in Linbar 2 Estate. The water sample was taken from upstream and downstream and tested by Enfirst Laboratories Sdn Bhd twice a year. Record of water quality test result is maintained. Review on record of water sample reported on 5 November 2012, for period of July 2012 – December 2012, the result shows the parameter tested (such as dissolved oxygen, biological oxygen demand, chemical oxygen demand, ammoniacal nitrogen, total suspended solids and pH) were within the limits of Class III of Interim National Water Quality Standards (INWQS), where this means the activities of the mill and estates do not have any negative effects on the water sources.

The latest record in February 2013 of Sakilan Mill effluent discharge is in compliance with Government Guidelines for treated effluent discharge in relation to BOD; and within the limits for other indices such as Oil & Grease and Suspended solids. Record observed by auditor was Effluent Test Report and Certificate of Analysis issued by Dynakey Laboratories Sdn Bhd.

Observation 01 (4.4.3) – Consideration should be taken to provide analysis of water quality test if any parameter tested above the standard and prepare the action plan.

Mill and Estates maintained a monthly monitoring of rainfall data, record held on file "Rainfall Report" and up

to date until February 2013. Record shows heavy rain in the past few months (since October 2012) caused bad road condition, and noted 16 rainy days in average for a month.

Sakilan mill has maintained monitoring of daily water usage for Mill processing and domestic consumption (M3/tonne FFB) and it recorded every month. Sample record reviewed by auditor was Water consumption of Sakilan Mill – December 2012 to January 2013.

Water management plan for is available under Water Management Plan for IOI Sakilan Group. Prepared 22 September 2010, last review on 22 September 2011 and date of next review would be 22 September 2012. The water management plan for consist of soil moisture conservation through pruned frond inter row, terrace, buffer zone of stream and river, land irrigation, and water for domestic use. Field visits to Linbar 2 Estate confirmed the plan was implemented accordingly.

Criterion 4.5: Pests, diseases, weeds and invasive introduced species are effectively managed using appropriate Integrated Pest Management (IPM) techniques.

The estates have continued to implement biological control pest in the plantation, for example in Linbar 2 Estate, The Barn owl boxes were installed. Rat damage censuses are done in each field to identify the actual damage level and controlling of rat bait usage. Beneficial plans such as *Turnera subulata*, *Antigonon* and *Cassia* as biological control over leaf eating pest were also planted around the estates and it was sighted during field visits.

Estate committed to prioritize biological pest control rather than chemical means. Chemical will be applied when the pest census result exceed allowable limit. Monitoring of pesticide use is held by estate in term the Pesticide usage units per hectare or per ton crop and recorded under document of "5 years chemical usage". Record shows small quantity of chemical was used.

Pest monitoring on rat attack conducted through daily infield FFB bunches report. For example in Sakilan Estate, the Daily infield FFB report Div I, block 97H dated 21 December 2012 shows 2.9% for Rat New and 3.5% for Rat Old. The Estate was using "Ebor" Rat baiting to control the rat infestation. Rat baiting application was recorded; for Division I, 40 kg applied for 97G and 30 kg applied for 97H.

Observation 02 (4.5.3) - Care should be taken on rat baiting for area near housing (in Sakilan Estate). Careful monitoring and correct justification needed for this area as it may pose hazard to the people. Based record review, monitoring of rat attack on 97G and 97H on February 2013, rat attack was below threshold.

Observation 03 (4.5.4) - Management of Linbar 2 Estate could consistently calculate the a.i. used for Metsulfuron

methyl and Glyphosate application in 2012/2013, as in 2011/2012.

Criterion 4.6: Agrochemicals are used in a way that does not endanger health or the environment. There is no prophylactic use of pesticides, except in specific situations identified in national Best Practice guidelines. Where agrochemicals are used that are categorised as World Health Organisation Type 1A or 1B, or are listed by the Stockholm or Rotterdam Conventions, growers are actively seeking to identify alternatives and this is documented.

General guidelines of herbicide or mixture of herbicide for general weed control in circles and path of oil palm stated in Group Standard Operating Procedure (StOP) for Weeding. Justification of agrochemical used listed on General Guidance of Herbicide/mixture for common target weeds. Register of Chemical Hazardous to Health latest update was on 5 February 2013

Inspection of the Chemical Stores and records of Sakilan and Linbar 2 Estates confirmed the Estates hold and use only chemicals that are registered under the Pesticides Act 1974. There were also no Class 1&2 agrochemical stored in the chemical store. MSDS are available at stores. No *Monocrotophos* was stored.

Annual Medical Surveillance Programme applied for chemical sprayer workers. Based on the latest medical result on 2012, doctor stated that the workers are fit to work with chemicals. Interview with some chemical sprayers and chemical store housekeeper have gained routine medical check up. Records of worker medical check were held in Mill and Estates offices. No serious medical problems were detected during that time.

Criterion 4.7: An occupational health and safety plan is documented, effectively communicated and implemented.

Safety Management Plan for 2013 is in place, prepared on January 2013. This was sighted in Sakilan Mill, Sakilan and Linbar 2 Estates.

All Mill and Estates operations have been risk assessed and documented. Training was provided for worker who's got accident, after they get back to work. Based on field inspection, PPE used by harvester (safety helmet, sickle cover, axe cover, rubber boot) and chemical sprayers, first aid equipment available with the field supervisor. The PPE was provided free of charge.

Interview with Mill and Estates workers confirmed The Health and safety meeting took place routinely.

Observation 04 (4.7.1) - Management need to ensure distribution of latest risk assessment to the workers, once it reviewed (Linbar 2 Estate).

Follow up from previous Observation 02 (4.7.1) – In Linbar 1 Estate, inspection to PPE issuance record

indicated handling over of PPE to the workers. However, the record can be improved by stating jobs function to ensure the right person receives appropriate PPE. For example, estate needs to ensure that sprayers be provided with respirators.

ASA3 findings: Job Function for each worker has recorded under PPE Issuance record, to ensure appropriate PPE supplied to sprayers based on risk assessment. Record shows respirator masks provided for nine sprayers on 14/11/2012; Apron provided for 11 sprayers on 29/01/2013.

Follow up from previous Observation 03 (4.7.1) – in Sakilan Mill, OHS risk assessment did not reflect the real situation where several activities identified as having potential extreme hazard, which required the mill to be shut down where in fact the activity did not bearing extreme hazard as identified in the OHS risk assessment.

ASA3 findings: Mill is now provide evidence of revision on Safety and Health Risk Assessment - Sakilan Palm Oil Mill, latest review on 2nd January 2013, due date of next review on 2nd January 2014. Several activities identified as having potential extreme hazard are now been revised in accordance to real condition.

Record of work accident kept under "Daftar Kemalangan, Kejadian Berbahaya, Keracunan Pekerjaan dan Penyakit Pekerjaan" year 2012. Two cases of accident recorded on February 2012. Accident investigations have been taken, resulting in refreshment training for the worker.

Reviewed on workers profile records found all the workers are covered by the accident insurances. Malaysian workers are covered by SOCSO or Perkeso (*Pertubuhan Keselamatan Sosial*) and MSIG Insurance; while for Foreign workers are covered by MSIG foreign workers compensation scheme, Policy Number DJ-08542354-FWC covering 99 workers valid till 30 Sep 2013.. All the insurance registration is still valid.

Safety and Health Training programme 2013 is available for chemical handling, first aid, SOP harvesting, MSDS/CSDS, SOP Spraying, SOP manuring, ramp operator, FFB loader, tractor passenger, Emergency Response Plan, tractor driver, etc. The training programme completed with the targeted worker, hour, date and trainer.

Record of training on safety and health recorded under Safety and Health Formal Training. For example: 23 January 2013, first aid training, record shows the training material, photograph, list of attendance (17 personnel attended); 30 January 2013, chemical handling, record shows the training material, emergency procedure, photograph, list of attendance (7 sprayers attended); 24 September 2012, chemical handling, record shows training material, emergency procedure, photograph and list of attendance (2 chemical store keeper attended); 20 April 2012, tractor driver training, record shows training material, emergency response procedure, photograph and list of attendance (10 tractor drivers attended).

Estate provided the evaluation related to Occupational Health and Safety under OSH training analysis. Ex: record of training evaluation and analysis conducted on 23 January 2013. Record of training evaluation and analysis conducted on 20 April 2012.

Criterion 4.8: All staff, workers, smallholders and contractors are appropriately trained.

Auditor team was not assessed in detail for this Criterion due to surveillance visit rules is allowed to assess selected criterion. However, during this assessment, auditor found in general most of the staff and workers are able to demonstrate their capability for each work; where it means that proper training have been gained. Evidence observed by auditor was based on interview with several workers and staff such as Chemical sprayer and store keeper, harvesters, mill boiler and engine room operators, estate field supervisor, estate field assistant, Estate and Mill managers, as well as EFB contractor.

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 continuous improvement.

The latest annual review of environmental impacts in term of Environmental Impact Assessment management Action Plans and Continuous Improvement Plans was on 15 February 2013 for it implementation of 2013. The record was held in the Mill and Estates offices.

A list of Actions for Improvement of environmental performance has been revised for each of the significant impacts. Under the environmental aspect-impact assessment there is also environment improvement plan for identified aspects. The status of implementation from action plan, monitoring, and continuous improvement plan.

Observation 05 (5.1.2) - Environmental improvement plan for Schedule waste store in Sakilan Mill need to be reviewed to avoid any future negative impact (e.g. rain water, bird) since the current store is not covered by the proper wall.

Follow up from previous Observation 04 (5.1.2): In Sakilan Mill, EAI (Environmental Aspect Impact) could be improved by putting the priority of action taken on the particular identified impact and indicate the current status of a number of improvements made to show progress of implementation (e.g. percentage of

achievement). The EAI should only cover environmental aspect and excluded OHS issues.

ASA3 findings: The EAI has now been reviewed where latest review was on 10 February 2013. The priority of action taken from previous identified programme was provided including the current status of progress on implementation. The mill is also provides follow up programme of action taken from previous programme for implementation of 2012-2013. No OHS issued is included at this time.

Criterion 5.2: The status of rare, threatened or endangered species and 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 their conservation taken into account in management plans and operations.

Similar to previous year, at the time of the original development all of the land within the Estate leases was planted to oil palm except for a number of small Government Riparian Reserves and steep hillsides. IOI has carried out an assessment of the possible presence of HCVs within and adjacent to the Estates. The report was held in each Estate office. HCV Assessment report was prepared 22 September 2010 by internal qualified HCV assessor of IOI.

Observation 06 (5.2.1) - HCV assessment report will need to review (refer back to HCV Toolkit for Malaysia) and follow the HCV assessment report for RSPO certification in particular of reporting requirements.

Estate management discourage illegal or inappropriate hunting by putting "no hunting" signs, communicating the importance of wildlife to workers and conduct regular patrol. Estate management developed "patrolling book" in which records estate staff has done weekly observation on Segaliud-Lokan forest boundary and wildlife sighted. Based on worker interview, confirmed hunting and poaching is prohibited.

Observation 07 (5.2.3):

- Considerations maybe taken on collecting information related to wildlife characteristic and behaviour; and also develop better measure to avoid human-wildlife conflicts.
- Estate management may need to adjust the patrol schedule as per HCV management plan (weekly basis) and conducted to other HCV areas (Linbar 2 Estate).
- Management may take benefit recording wildlife activities based on report from other sources such as worker or other staff.

Follow up from previous Observation 05 (5.2.2): Linbar 1 estate has set aside riparian reserve for 50 meters width along boundary with Segaliud Lokan Forest Reserve. Inspection to the field indicated the estate have not yet remove palm planted at the designated buffer zone and enrichment with local native species have not been planted. The estates also need to ensure no disturbance against buffer zone occurred.

ASA3 findings: Limited progress since the last assessment. Based on field visit, the buffer zone 50 meters from boundary between forest reserve and estate has been demarcated. Record shows only 138 palms (around 1 hectare) were removed. Enrichment with local native species have not been planted. The programme for this particular activity was also not in place. The observation is upgraded into nonconformity (see NC reference number: A848092/1)

Major Non conformity against indicator 5.2.2 (reference number: A848092/1): Based on field visit to Linbar 1 estate, the buffer zone 50 meters from boundary between forest reserve and estate has been demarcated. Record shows only 138 palms (around 1 hectare) were removed. Enrichment with local native species has not been planted. The programme for this particular activity was also not in place.

Corrective Action taken:

Linbar 1 Estate together with GIS staff of IOI developed a map showing ground survey in the affected areas of forest reserve boundaries (50 meters). IOI Sakilan has also submitted several photograph evidences to the auditor showing that Linbar 1 Estate has removed the palms planted in the buffer and some regeneration/rehabilitation. Management decided to chip the palms within buffer zone. Those activities was started on early March 2013 and ended on second weeks of April 2013. **Major non conformity is considered to be closed on 17 April 2013.**

Criterion 5.3: Waste is reduced recycled, re-used and disposed of in an environmentally and socially responsible manner.

IOI Sakilan has continued managing scheduled waste stores at the Mill and each of the Estates not to less than 180 days in accordance with the requirements of the *Environmental Quality Act 1974 (Scheduled Wastes), Regulations, 2005*.

Recycle waste record, showing the amount of plastic, glass, aluminium and paper as per February 2013. Schedule waste record, showing the amount of hazardous waste kept in the store. The scheduled wastes consist of used oil filter, used battery (30 units), empty pail grease (15 units), and used lubricant oil (500 litres).

The recycled wastes such as plastic (empty chemical container) were sold to contractor 25 November 2012, for 400 kg.

Follow up from previous Observation 06 (5.3.3): The mill uses POME for land irrigation purposes using terracing system. Interview with officers indicated the last terrace has not been emptied for buffer in case of emergency overflow. Monitoring of river water quality should be conducted for upstream and downstream as required by DOE permit. In 2011, the mill carried out monitored for upstream sampling point only which was not meet permit requirement. The mill has rectified the situation

by carried out at both sampling point (upstream and downstream) as required.

ASA3 findings: The mill has now monitored monthly water quality on the upstream and downstream since January 2012. Monitoring of river water quality conducted on six sampling points of water stream. The tested parameters were referred to permit requirement (DOE license number 001246 issued in 25 June 2006). The water quality testing was conducted by KL-Kepong (Sabah) Sdn Bhd KDC Laboratory. Review on testing result showed all parameter have met with permissible limit. Interview with land irrigation operator, it has now they are keeping three up to four trenches empty as buffer in case of emergency. Field visit confirmed, four rows of trenchers were not filled with POME as precaution of emergency overflow. During rainy season, six rows of trenches are not treated with POME.

Criterion 5.4: Efficiency of energy use and use of renewable energy is maximised.

Record of monitoring of boiler fuel and fossil fuel are in place in term of Summary of Boiler Fuel Monitoring and Summary of Fossil Fuel Monitoring since July 2009 – June 2012. The company has optimized the use of renewable energy since 2009/2010 up to 2011/2012 as sighted in monitoring records. Management review on boiler and fossil fuels monitoring was conducted once a year. The monitoring record for 2012/2013 was still undergone.

Criterion 5.5: Use of fire for waste disposal and for preparing land for replanting is avoided except in specific situation, as identified in the ASEAN guidelines or other regional best practice.

IOI has implemented Zero burning policies in all workplace area at the Mill and estates.

Inspection to worker housing of Sakilan and Linbar 2 Estates, and also to Mill worker housing, found no evidence of burning waste including domestic waste. Recycling programme for domestic waste is being carried out and also segregation is done before land fill at each collection center.

Criterion 5.6: Plans to reduce pollution and emissions, including greenhouse gases are developed, implemented and monitored.

The Mill and Estates Pollution Prevention Plan are documented in the Environmental Impacts Identification and Improvement Plan, prepared September 2008 with the latest reviewed on 15 February 2013. Inspection confirmed the Mill and Estates have implemented appropriate controls for preventing pollution from point source emissions to air and discharges of wastewater, such as the mill drains.

Smoke emission quality test at the mill was done every 6 month in accordance to the Environmental Quality

(Clean Air) Regulation 1928. The test was conducted by the Green Environmental Services Sdn Bhd. The latest test was 30 June 2012 and 16 October of 2012. Record shows all parameters were complied with the standard requirements. E.g. dust, NOx, Sox, and Dark Smoke. These have been reported to Environmental Agency (Jabatan Alam Sekitar).

Follow up from previous Minor non conformity against 5.6.2 (reference number: A704230/7): Measurement of black smoke duration have not been carried out properly following the change of recording system from circular graphic to longitudinal graphic. Supervisor must check the monitoring form to ensure proper recording of the black smoke quality indicator. Further training need to be conducted to the operator and supervisor in order to prevent future mistakes.

ASA3 findings: During the last year, the boiler operator was newly join with company and has not been familiar with black smoke measurement. During ASA03, the operator has been attended an internal training on 25 February 2012 conducted by engineering assistant of Sakilan Mill. The refreshment training for boiler operator was also conducted on 2 February 2013 by subcontractor who provided the smoke density meter tools. Interview with boiler operator showed proper understanding on the recording of black smoke measurement. The operator has aware they role to measure and provide proper action to the result of black smoke measurement. Relevant record to black smoke measurement for example: Records of "Jadual Pelepasan Asap Hitam dari Cerobong Dandang" No.1 for January 2013, and Longitudinal graphic of boiler.

PRINCIPLE 6: Responsible Consideration of Employees and of Individuals and Communities by Growers and Millers

Criterion 6.1: Aspects of plantation and mill management, including replanting, that have social impacts 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 continuous improvement.

SIA was prepared on September 2008 with the participation of local community and updated annually. The social action plan was reviewed and updated on February 2013. Stakeholder feedbacks have been included in the assessment and mitigation plans with the time bound stated clearly.

The meeting was attended by internal stakeholders (staffs and workers) and external stakeholders (suppliers, contractor, NGO's, Government departments, etc) Record of meeting with attendance list and minute of meeting are available as attachment.

Follow up from previous Observation 08 (6.1.3): During the assessment it was found that the company has not properly updated SIA action plan; no updates to make the plan current, lengthy list of action measure to be

taken, and fails to differentiate between social and OHS issues. Company take immediate action by revised the action plan during the as per requested at 15 January 2012.

ASA3 findings: As similar to indicator 5.1.2 findings, the SIA has been revised and updated in February 2013. Stakeholder feedbacks have been included in the assessment and mitigation plans with the time bound stated clearly. OHS issues were removed from the SIA. The social liaison officer has been appointed as a person in charge.

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.

Similar to ASA02, the Consultation and communication procedure for stakeholders is maintained through IOI website: www.ioigroup.com otherwise for those who do not have Internet connection follows Stakeholders Request Procedure. Verbal request by phone call IOI Group General Line: +60389478888 or written request to Two IOI Square, IOI resort, 62502 Putrajaya, Malaysia. Written procedure held on file Management Plan point 10.0 Stakeholders Request Procedure.

Social Liaison Officer or Estate Manager (or Estate Manager) is the person responsible for communications with communities and other stakeholders.

A formal list of stakeholder (updated as at Nov 2012) has been prepared consisting of suppliers, contractor, NGO's, Government departments, etc complete with address, contact number and persons in charge. Records are held on file List of Stakeholders.

Criterion 6.3: There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all parties.

Similar to previous ASA02, a grievance procedure has been developed and included in the "Management Plan". Complaint and grievances have been recorded in "Complaint/Grievance Book" since July 2009/2010. The "Grievance/Complaints" book is used to record all enquiries not only complaints and grievances. Inspection of the records indicated that the system resolved all disputes in a timely manner.

There were no documented external disputes at the time of the audit. The ECC (Employment Consultative Committee) is open to external parties including foreign workers. It was confirmed during interview that foreign workers have their representatives in ECC.

Criterion 6.4: Any negotiations concerning compensation for loss of legal or customary 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.

Similar to ASA02, IOI maintained a procedure of "Grievance Procedure of Land Owner Issues" that is applicable for assessing legal and customary land issue. The procedures is available on "Group Social Impact Assessments and Management Action Plan" dated 25 January 2008.

There has been no land issue since 2009/2010. Interview of local community (such as Kampong Lung Manis) confirmed that currently no outstanding land dispute in this property.

Criterion 6.5: Pay and conditions for employees and for employees of contractors always meet at least legal or industry minimum standards and are sufficient to provide decent living wages.

All workers have contract agreement stating basic pay, annual and medical leaves, other wages, and overtime claims including probation period of 6 months.

Similar to ASA02, the migrant workers from Indonesia make up the majority of the workforce. Pay and conditions are documented in the employment agreement between the company and workers and calculated in line with the current MAPA/NUPW award rate. For local workers, IOI follows "Sabah Labour Ordinance (Sabah Cap.67), Amended as at 10.02.2005 by Act A1238) that includes detailed pay and conditions of the contract. Inspection of contracts of both local and foreign workers confirmed that pay and conditions are available in Bahasa Malaysia.

The Pay slips are in Bahasa Malaysia, and interviews with workers indicated understanding of the details of payment in the pay slip. Minimum wages of RM 800 for Sabah is imposed. Review on Workers payslip for the month of Jan 2013 shows that all workers have been paid above RM 800.

Field inspection to the worker housing complex at Linbar 2 Estate confirmed all new brick houses has just been installed and that meet government regulation.

Follow up from previous Observation 09 (6.5.3): At Linbar 2 estate, inspection indicated there is no record of chlorine use at the water treatment. This can lead to overdose of chlorine concentration in the drinking water. Upon highlighted the estate started record keeping of chlorine usage.

ASA3 findings: Record of chlorine use at the water treatment is being recorded accordingly including quantity used, current stock and monthly total usage (Objective evidence: Chlorine Use Record Book of Linbar 2 Estate). Based on the record, there is no overdose of chlorine concentration in drinking water. The person in-charge does the recording is Water Treatment Operator and verified by Assistant Manager.

Criterion 6.6: The employer respects the right 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.

There were no Worker Union has been formed. Workers are allowed to highlight any disputes or complaints through Employee Consultative Committee (ECC) meeting were conducted regularly. Latest meeting in Sakilan Estate was done on the 21st December 2012 attended by 23 workers. At Linbar 2 Estate, Latest meeting conducted on the 15 February 2013 attended by 17 participants.

Criterion 6.7: Children are not employed or exploited. Work by children is acceptable on family farms, under adult supervision and when not interfering with education programmes. Children are not exposed to hazardous working conditions.

Inspection to some of employee contracts agreement confirmed that copy of ID or passport for foreign worker are held, and found no workers are under age. During field visit children were not observed at any of the working place at both mill and estate. Interview with workers confirmed the understanding of company policy on children workers.

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.

An equal opportunity policy is displayed at notice board at muster in the mill and estates. Interview of male and female workers at the mill and estates confirmed understanding and awareness of the policy.

Criterion 6.9: A Policy to prevent sexual harassment and all other forms of violence against women and to protect their reproductive rights is developed and applied.

Similar to ASA02, a Policy on Sexual harassment approved on 04 January 2008 is in place in workplaces at the mill and estates. A female staff's member has been appointed as gender committee member at every location. The company has developed specific grievance mechanism on sexual harassment and violence in Bahasa Malaysia. Latest Gender committee meeting was done on 17 October 2012 attended by 9 workers. No negative issue were recorded. Interview with Female workers confirmed understanding of the mechanism and no issue was raised during the audit.

Observation 08 (6.9.2) - in Linbar 2 Estate: It has noted that the Gender committee meetings were conducted

together for male and female workers. This will not serve the actual purpose of the gender committee formation which to discuss gender issues especially for women rights.

Criterion 6.10: Growers and mills deal fairly and transparently with smallholders and other local businesses.

Similar to ASA02, Mill only process FFB harvested from company estates. No FFB Reception from smallholders or outgrowers.

Interview with the EFB contractor reveals that the contract is clear and payments are made on time as per the contract.

Criterion 6.11: Growers and millers contribute to local sustainable development wherever appropriate.

IOI continued to provide assistant for local communities surrounding for example: provide scholarship for the children, provides free treated water and electricity to Sakilan Desa School. The social activities have been recorded properly in the Social Activity Book.

Interview with the local community and school headmaster confirmed that there were lot of contributions made by the management towards their development.

Principle 7: Responsible Development of New Plantings

Sakilan Group has not carried out any new oil palm developments and there are no plans for expansion of plantings. Principle 7 is not applicable to this Assessment.

PRINCIPLE 8: Commitment to Continuous Improvement in Key Areas of Activity

Criterion 8.1: Growers and millers regularly monitor and review their activities and develop and implement action plans that allow demonstrable continuous improvement in key operations.

IOI has carried out an annual review of the environmental and social aspects of Sakilan operations, with a view to identifying improvements.

With point sources of pollutants well controlled, the company's Improvement Plan is to reduce the use of fossil fuels as much as practical through the use of the steam turbine to generate electricity and optimisation of FFB transport. The Social Action Plan has continued to work towards improving stakeholder relationship through engagement and dialogue.

3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions

Corrective actions with respect to a nonconformity raised at the last assessment (ASA2) have been reviewed and found to be effectively implemented. During ASA3, two Major non conformities, one Minor Nonconformity and eight (8) Observations/Opportunities for improvement were identified. Sakilan has submitted evidence for Corrective action taken to close out Major nonconformity and prepared Corrective Action Plan for addressing the identified Minor Nonconformity. The Audit Team has reviewed and accepted the Sakilan Corrective Action taken to address Major non conformity and Corrective Action Plan to address Minor non conformity. Implementation of corrective action plan will be followed up during the next Surveillance Assessment (ASA4).

Major Nonconformity

Two (2) Major nonconformities assigned against Major compliance indicator 5.2.2 of RSPO P&C and indicator D.3.4; D.4.1 of RSPO SCCS for CPO Mills. IOI has submitted evidence for corrective action taken, and Audit team has reviewed and accepted. Both Major nonconformities are closed. The details of these Nonconformities are provided below:

A848092/1: (5.2.2) Limited progress since the last assessment (ASA2). Based on field visit to Linbar 1 Estate, the buffer zone 50 meters from boundary between forest reserve and estate has been demarcated. Record shows only 138 palms (around 1 hectare) were removed. Enrichment with local native species has not been planted. The programme for this particular activity was also not in place. Previous Observation was escalated into Major Nonconformity.

Corrective Action Taken: Linbar 1 Estate together with GIS staff of IOI developed a map showing ground survey in the affected areas of forest reserve boundaries (50 meters). IOI Sakilan has also submitted several photograph evidences to the auditor showing that Linbar 1 Estate has removed the palms planted in the buffer and some regeneration/ rehabilitation. Management decided to chip the palms within buffer zone. Those activities was started on early March 2013 and ended on second weeks of April 2013. **Major non conformity is considered to be closed on 17 April 2013.**

A848092/2: (D.3.4; D.4.1)

Inconsistencies implementation of the current procedure on stamping of supply chain model in documents related to sales and purchase contract. Sample records were reviewed, and found there are no stamp of CSPO SG in weight bridge ticket and Delivery Order issued by Sakilan Mill. The weight bridge ticket operator informed that this was applied since September 2012.

Corrective Action Taken: Refreshment training was conducted 2nd March 2013. During the training, all relevant personnel were reminded to follow the SOP

without deviation. Proposed changes should be discussed with SOP Department of IOI. Weighbridge clerks were also reminded that they are to notify the management immediately if any irregularities are noticed. The refinery has also been asked to inform the mill management of any irregularities in the documents so that immediate action can be taken. Once refreshment training completed, Sakilan Mill immediately continue to implement procedure on stamping of supply chain model in documents related to sales and purchase contract. **Major non conformity is considered to be closed on 17 April 2013.**

Minor Nonconformities

One (1) Nonconformity was assigned against Minor Compliance Indicators 2.1.3. IOI has prepared Corrective Action Plan and Auditor has reviewed and accepted. Implementation of corrective action plan will be followed up during the next Surveillance Assessment (ASA4). The details of these Nonconformities are provided below:

A848092/1: (2.1.3) At Linbar 2 Estate, it was noted that the monthly "Health & Mortality return and notification of infectious disease" to the health department was not submitted consistently by the Health Assistant. The last report was submitted on the March 2012. There should be a mechanism for ensuring that this is implemented accordingly.

Corrective Action Plan:

A new Health Assistant shall be recruited for Linbar 2 Estate. In the event the estate is unable to recruit a new officer, Linbar 1 Estate Health Assistant shall assist in Linbar 2 Estate and ensure that the records are duly submitted. The Senior Medical Assistant for IOI Ladang Sabah group together with the estate managers to ensure that the records are submitted monthly.

BSI has reviewed and accepted the corrective action plan. Implementation of this corrective action plan will be followed up during next surveillance assessment (ASA4)

Observation/Opportunity for improvement

There are Eight (8) Observations/Opportunities for improvements were identified. The progress with the Observations/Opportunities for Improvement will be checked at the next Annual Surveillance Assessment (ASA4). The Details are of below:

OBS1 (4.3.3): Consideration should be taken to provide analysis of water quality test if any parameter tested above the standard and prepare the action plan (at Sakilan Mill).

OBS2 (4.5.3): Care should be taken on rat baiting for area near housing (in Sakilan Estate). Careful monitoring and correct justification needed for this area as it may pose hazard to the people. Based record review, monitoring of rat attack on 97G and 97H on February 2013, rat attack was below threshold.

OBS3 (4.5.4): Management of Linbar 2 Estate could consistently calculate the a.i. used for Metsulfuron methyl and Glyphosate application in 2012/2013, as in 2011/2012.

OBS4 (4.7.1): Management need to ensure distribution of latest risk assessment to the workers, once it reviewed (at Linbar 2 Estate).

OBS5 (5.1.2): Environmental improvement plan for Schedule waste store in Sakilan Mill need to be reviewed to avoid any future negative impact (e.g. rain water, bird) since the current store is not covered by the proper wall.

OBS6 (5.2.1): HCV assessment report will need to review (refer back to HCV Toolkit for Malaysia) and follow the HCV assessment report for RSPO certification in particular of reporting requirements.

OBS7 (5.2.3):

- Consideration maybe taken on collecting information related to wildlife characteristic and behaviour and develops a better measure to avoid human-wildlife conflicts.
- Estate management may need to adjust the patrol schedule as per HCV management plan (weekly basis) and conducted to other HCV areas (Linbar 2 Estate).
- Management may take benefit recording wildlife activities based on report from other sources such as worker or other staff.

OBS8 (6.9.2): in Linbar 2 Estate: It has noted that the Gender committee meetings were conducted together for male and female workers. This will not serve the actual purpose of the gender committee formation which to discuss gender issues especially for women rights.

Noteworthy Positive Components

- ✓ The Mill has consistently maximised the use of renewable fuel for generating electricity by running the steam turbine outside of processing hours.
- ✓ Proceeds from the sale of “recyclables” collected from domestic waste are distributed to the residents.
- ✓ The status of the OHS throughout the Sakilan Group is complied with IOI procedures. All workers are wearing correctly the PPE supplied by the company and treating it to prevent damage. The records of OHS incidents shows that OHS measures being taken are effective.

3.3. Status of Nonconformities (Major and Minor) Previously Identified

Corrective Actions for Nonconformities identified during the ASA2 has been effectively and consistently implemented and the nonconformity remains closed.

Minor Nonconformities

A704230/7: (5.6.2) Measurement of black smoke duration have not been carried out properly following the change of recording system from circular graphic to longitudinal graphic. Supervisor must check the monitoring form to ensure proper recording of the black smoke quality indicator. Further training need to be conducted to the operator and supervisor in order to prevent future mistakes.

ASA3 findings: During the last year, the boiler operator was newly join with company and has not been familiar with black smoke measurement. During ASA03, the operator has been attended an internal training on 25 February 2012 conducted by engineering assistant of Sakilan Mill. The refreshment training for boiler operator was also conducted on 2 February 2013 by subcontractor who provided the smoke density meter tools. Interview with boiler operator showed proper understanding on the recording of black smoke measurement. The operator has aware they role to measure and provide proper action to the result of black smoke measurement. Relevant record to black smoke measurement for example: Records of Jadual Pelepasan Asap Hitam dari Cerobong Dandang No.1 for January 2013, and Longitudinal graphic of boiler. **Minor NC is closed on 27 February 2013.**

3.3 Review of progress with Observations/ Opportunities for improvement identified during Initial Certification assessment

OBS1 (1.1.1): Sakilan School requested for additional sheltered cover on 19 January 2012. The Cadet Assistant personally went to meet the school Head Master (HM) to discuss and pending for the structure plan and costing. This was confirmed during interview with the school HM. However there was no written reply given by the estate to the School. Estate takes immediate action by replying formally on 15 February 2012 once this situation was highlighted.

ASA3 Findings: Estate has immediately responded to requests from stakeholders. Interview with the Sekolah Kebangsaan Sakilan Desa HM (Mrs. Jumani) confirmed that the school receives timely written responses for their requests. Estate has also maintained a request book (i.e. Request Book of Sakilan Estate) to record all request and complaints and action taken were recorded with the dates.

OBS2 (4.7.1): In Linbar 1 Estate, inspection to PPE issuance record indicated handling over of PPE to the workers. However, the record can be improved by stating jobs function to ensure the right person receives appropriate PPE. For example, estate needs to ensure that sprayers be provided with respirators.

ASA3 findings: Job Function for each worker has recorded under PPE Issuance record, to ensure appropriate PPE supplied to sprayers based on risk assessment. Record shows respirator masks provided for

nine sprayers on 14/11/2012; Apron provided for 11 sprayers on 29/01/2013.

OBS3 (4.7.1): *in Sakilan Mill, OHS risk assessment did not reflect the real situation where several activities identified as having potential extreme hazard, which required the mill to be shut down where in fact the activity did not bearing extreme hazard as identified in the OHS risk assessment.*

ASA3 findings: Mill is now provide evidence of revision on Safety and Health Risk Assessment - Sakilan Palm Oil Mill, latest review on 2nd January 2013, due date of next review on 2nd January 2014. Several activities identified as having potential extreme hazard are now been revised in accordance to real condition.

OBS4 (5.1.2): *In Sakilan Mill, EAI (Environmental Aspect Impact) could be improved by putting the priority of action taken on the particular identified impact and indicate the current status of a number of improvements made to show progress of implementation (e.g. percentage of achievement). The EAI should only cover environmental aspect and excluded OHS issues.*

ASA3 findings: The EAI has now been reviewed where latest review was on 10 February 2013. The priority of action taken from previous identified programme was provided including the current status of progress on implementation. The mill is also provides follow up programme of action taken from previous programme for implementation of 2012-2013. No OHS issued is included at this time.

OBS5 (5.2.2): *Linbar 1 estate has set aside riparian reserve for 50 meters width along boundary with Segaliud Lokan Forest Reserve. Inspection to the field indicated the estate have not yet remove palm planted at the designated buffer zone and enrichment with local native species have not been planted. The estates also need to ensure no disturbance against buffer zone occurred.*

ASA3 findings: Limited progress since the last assessment. Based on field visit, the buffer zone 50 meters from boundary between forest reserve and estate has been demarcated. Record shows only 138 palms (around 1 hectare) were removed. Enrichment with local native species have not been planted. The programme for this particular activity was also not in place. The observation is upgraded into nonconformity (see NC reference number: A848092/1)

OBS6 (5.3.3): *The mill uses POME for land irrigation purposes using terracing system. Interview with officers indicated the last terrace has not been emptied for buffer in case of emergency overflow. Monitoring of river water quality should be conducted for upstream and downstream as required by DOE permit. In 2011, the mill carried out monitored for upstream sampling point only which was not meet permit requirement. The mill has rectified the situation by carried out at both sampling point (upstream and downstream) as required.*

ASA3 findings: The mill has now monitored monthly water quality on the upstream and downstream since January 2012. Monitoring of river water quality

conducted on six sampling points of water stream. The tested parameters were referred to permit requirement (DOE license number 001246 issued in 25 June 2006). The water quality testing was conducted by KL-Kepong (Sabah) Sdn Bhd KDC Laboratory. Review on testing result showed all parameter have met with permissible limit. Interview with land irrigation operator, it has now they are keeping three up to four trenches empty as buffer in case of emergency. Field visit confirmed, four rows of trenchers were not filled with POME as precaution of emergency overflow. During rainy season, six rows of trenches are not treated with POME.

OBS8 (6.1.3): *During the assessment it was found that the company has not properly updated SIA action plan; no updates to make the plan current, lengthy list of action measure to be taken, and fails to differentiate between social and OHS issues. Company take immediate action by revised the action plan during the as per requested at 15 January 2012.*

ASA3 findings: As similar to indicator 5.1.2 findings, the SIA has been revised and updated in February 2013. Stakeholder feedbacks have been included in the assessment and mitigation plans with the time bound stated clearly. OHS issues were removed from the SIA. The social liaison officer has been appointed as a person in charge.

OBS9 (6.5.3): *At Linbar 2 estate, inspection indicated there is no record of chlorine use at the water treatment. This can lead to overdose of chlorine concentration in the drinking water. Upon highlighted the estate started record keeping of chlorine usage.*

ASA3 findings: Record of chlorine use at the water treatment is being recorded accordingly including quantity used, current stock and monthly total usage (Objective evidence: Chlorine Use Record Book of Linbar 2 Estate). Based on the record, there is no overdose of chlorine concentration in drinking water. The person in-charge does the recording is Water Treatment Operator and verified by Assistant Manager.

3.4 Issues Raised By Stakeholders and Findings with Respect To Each Issue

During this ASA3, the majority of stakeholders had positive comments about Sakilan. For the situations where stakeholders raised issues, the company's response is stated with immediate responses for requests. Villagers are allowed to meet the Manager directly if there are any issues. Job opportunity for local community is widely open E.g Pn. Nurul Asyikin (Kampung Lung Manis villager) formerly has worked as a office clerk at the Linbar 2 estate. Road maintenance for the villagers

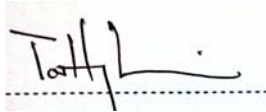
**4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT
OF INTERNAL RESPONSIBILITY****4.1 Date of Next Surveillance Visit**

The next surveillance visit will be scheduled not later than twelve months of the ASA3 date.

**4.2 Acknowledgement of Internal Responsibility and
Formal Sign-off of Assessment Findings**

Please sign below to acknowledge receipt of the assessment visit described in this report and confirm the acceptance of the assessment report contents including assessment findings.

Signed for on behalf of
IOI Corporation Bhd – Sakilan



Too Heng Liew
Head of Sustainability (Malaysia & Indonesia)
Date: 17/04/2013

Signed for on behalf of
BSi Group Singapore Pte Ltd



.....
Mr Aryo Gustomo
BSI RSPO Lead Auditor
Date: 17/04/2013

Appendix “A”

Supply Chain Certification Audits

Main Report Details

Standard: Supply Chain Certification requirement for CPO Mills – Module D Segregation

Location: Sakilan Mill, Date: 25/02/2013

- Total last transaction in UTZ system for period of March 2013 to February 2013 is 27,479.72 mt with the balance stock as per 28 February 2013 is 39,86.07 mt. This was checked through eTrace system with total up the quantity entered in the months stated above.

- Total last transaction in Green Palm for period March 2012 up to February 2013 is 87 mt.

D.1. Documented procedures

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. This shall include at minimum the following:

a) Complete and up to date procedures covering the implementation of all the elements in these requirements.

Complies – Procedure is current and include all elements of the Supply Chain for controlling the receipt, sale and dispatch of palm products. IOI has updated and replace previous procedure with RSPO Supply Chain Module D – CPO Mills: Segregation dated 15 September 2012 (ref: RSPOSC/SOP/SG/3)

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. *Complies – similar to previous ASA2, the Mill Manager has responsibility for the Supply Chain aspects of FFB receipts, processing and shipping of palm products. Interview confirmed their knowledge of the RSPO Supply Chain requirements for the respective areas of the operations.*

D.1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFB.

Procedure of RSPO Supply Chain Module D – CPO Mills: Segregation dated 15 September 2012 (ref: RSPOSC/SOP/SG/3) is cover receiving of FFB from certified supply base, processing and storage, and recording the dispatch of certified oil and palm kernel.

D.2. Purchasing and goods in

D.2.1 The facility shall verify and document the volumes of certified and non-certified FFBs received. *Complies – Mechanism, is in place, the Mill records tonnages received at the weighbridge and these are reported daily to Head Office.*

D.2.2 The facility shall inform the CB immediately if there is a projected overproduction. *Complies – the company has a mechanism for advising the CB of production variations, which are monitored internally.*

D.3. Record keeping

D.3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements. *Complies – Inspection of records at the Mill confirmed these were updated daily. For example: Daily report 25 February 2013.*

D.3.2 Retention times for all records and reports shall be at least five (5) years. *Complies – Records are archived and stored for 5 years as per SOP as mentioned in indicator D.1.1*

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. *Complies – these are updated every three month and reported to Head Office. Record: Mass Balance Table report 2012/2013.*

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 Segregation. The supply chain model used should be clearly indicated. *Major nonconformity A848092/2: (D.3.4; D.4.1) Inconsistencies implementation of the current procedure on stamping of supply chain model in documents related to sales and purchase contract. Sample records were reviewed, and found there are no stamp of CSPO SG in weight bridge ticket and Delivery Order issued by Sakilan Mill. The weight bridge ticket operator informed that this was applied since September 2012. **Corrective Action Taken:** Refreshment training was conducted 2nd March 2013. During the training, all relevant personnel were reminded to follow the SOP without deviation. Proposed changes should be discussed with SOP Department of IOI. Weighbridge clerks were also reminded that they are to notify the management immediately if any irregularities are noticed. The refinery has also been asked to inform the mill management of any irregularities in the documents so that immediate action can be taken. Once refreshment training completed, Sakilan Mill immediately continue to implement procedure on stamping of supply chain model in documents related to sales and purchase contract. **Major non conformity is considered to be closed on 17 April 2013.***

D.4. Sales and good out

D.4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information:

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 or Mass Balance)

d) The quantity of the products delivered;

e) Reference to related transport documentation.

See indicator D.3.4 – closing out major non conformity.

D.5. Processing

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 it 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 material; up to 5 % contamination is allowed. *Complies – The company has owned mechanism on the processing facility in term of working instruction and procedure. Review and site visit confirms all mechanisms are available for each station in the mill, and most of the mill workers are aware.*

D.5.2 The facility shall provide documented proof that the RSPO certified palm oil can be traced back to only certified segregated material. *Complies – Sakilan Mill has owned several procedure which might be easily traced back, e.g. Daily report, monthly progress report. The content of these documents showed FFB receipt and processed, CPO and PK produced.*

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 crush operator conforms to these requirements for segregation; The crush is covered through a signed and enforceable agreement. *Not Applicable – The mill is not equipped with palm kernel crushing plant. The palm kernel sells to several palm kernel crushing plants through local sales. The example of kernel crushing plant is IOI edibles Oil.*

D.6. Training

D.6.1 The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems. *Complies – The company maintains records of training similar as previous ASA2.*

D.7. Claims

D.7.1 The facility shall only make claims regarding the use of or support of RSPO certified oil palm products that are in compliance with the RSPO Rules for Communications and Claims. *Complies – As of the Assessor's knowledge, the company has not made claims outside of the RSPO rules for Communications and claim.*

Appendix “B”

RSPO Certificate Details

IOI Corporation Berhad
 Sakilan Palm Oil Mill
 Sandakan Regional Office
 Mile 45 Sandakan / Telupid, wdt 164
 Sandakan, 90009
 Malaysia

Certificate Number: **SPO 543161**

Applicable Standards: RSPO Certification System June 2007 (revised March 2011) including Annex 4: Procedures for Annual Surveillance; RSPO P&C MY-NIWG 2010; and RSPO Supply Chain requirements for CPO Mill Module D – Segregation; November 2011.

Sakilan Palm Oil Mill and Supply Base	
Location Address	West of Sandakan, Sabah, Malaysia Mile 45 Sandakan / Telupid, wdt 164 Sandakan, 90009, Malaysia
GPS Location	E 117° 50' 37" N 5° 50' 21"
CPO Tonnage Total (Projected 2013-2014)	28,000
PK Tonnage Total (Projected 2013-2014)	7,350
Own estates FFB Tonnage (Projected 2013-2014)	131,000
Non-company Suppliers FFB Tonnage	Nil

IOI estates	Mature (ha)	Immature (ha)	Unplantable/ others	Total land lease
Sakilan	2,142	0	154.37	2,296.37
Linbar 1	996	1,456	176.17	2,628.17
Linbar 2	1,842	0	370	2,212.00
TOTAL	4,980	1,456	700.54	7,136.54

Appendix “C”

3rd Annual Surveillance Assessment Programme

Assessment Programme February 25th – 27th, 2013

Date	Time	Subjects	Aryo	Haris	Sedayu
Sunday, 24/02/2013	09.55 – 12.55	Aryo and Sedayu depart for KL from Jakarta	√	-	√
	15.40 – 18.25	Team travelling from KL to Sandakan Pick up by IOI Sakilan	√	√	√
	18.25 – 20.00	Overnight in Sandakan Town	√	√	√
Monday, 25/02/2013	08.00 – 08.30	Opening Meeting e.g.: <ul style="list-style-type: none"> • Introduction • Presentation by the company representative (Estate and mill activities, Supply Chain related to the FFB supplied to the mill, progress of previous NCs and time bound plan). • Presentation by Audit Team Leader and confirmation on the assessment scope • Finalize Audit schedule (including stakeholders consultation) • Other business 	√	√	√
	08.30 – 12.00	Document review for Sakilan Mill and Sakilan Estate (General Documentation e.g. Legal, Manual and Procedure, HCV identification, SEIA documents, Health and Safety, Time bound plan verification etc)	√	√	√
	12.00 – 13.30	Break/lunch/pray	√	√	√
	13.30 – 17.00	Continuing Document review for Sakilan Mill and Sakilan Estate	√	√	√
	Evening	Auditor Meeting	√	√	√
Tuesday, 26/02/2013	08.00 – 12.00	Sakilan Mill – Review on the documents, Inspection, warehouse, workshop, mill wastes, working safety, Supply chain for CPO mill, etc	√	-	-
	08.00 – 12.00	Meeting and interview with stakeholders from surrounding Linbar 1 and 2 Estates such as Local government, head of village, NGO, etc)	-	√	-
	08.00 – 12.00	Linbar 2 Estate – Inspections e.g. Office, worker housing, Clinic, Landfill, Chemical store and mixing, Fertiliser, field spraying & harvesting,	-	-	√
	12.00 – 13.00	Break/lunch/pray	√	√	√
	13.00 – 17.00	Continuing Sakilan Mill – Inspection, warehouse, workshop, mill wastes, working safety, Supply chain for CPO mill, etc	√	-	-
	13.00 – 17.00	Continuing meeting and interview with stakeholders from surrounding Linbar 1 and 2 Estates such as Local government, head of village, NGO, etc)	-	√	-
	13.00 – 17.00	Continuing Linbar 2 Estate e.g. Office, worker housing, Clinic, Landfill, Chemical store and mixing, Fertiliser, field spraying & harvesting,	-	-	√
	Evening	Auditor meeting	√	√	√
Wednesday, 27/02/2013	08.00 – 12.00	Linbar 1 Estate – Inspections e.g. Office, worker housing, Clinic, Landfill, Chemical store and mixing, Fertiliser, field spraying & harvesting, HCV areas etc.	-	√	√
	08.00 – 12.00	Inspect area around Estates – Social issues etc	-	√	√
	12.00 – 13.00	Break/lunch/pray	√	√	√

Date	Time	Subjects	Aryo	Haris	Sedayu
	13.00 – 15.00	Closing meeting preparation (Reports, etc)	√	√	√
	15.00 – 16.00	Closing meeting	√	√	√
Thursday, 28/02/2013	11.45 – 14.30	Team travelling depart for KL from Sandakan	√	√	√
	18.05 – 19.05	Aryo and Sedayu depart for Jakarta from KL	√	-	√

Appendix “D”

Corrective Action Plan of the ASA3 findings

Details of Minor Non-Conformities/Observation and Corrective Action Plans for Sakilan Region 3rd RSPO Surveillance Audit

Non-conformity/ Observation	Cause	Corrective Action	Preventive Action	Person Responsible	Due Date	Remarks
<p>Area/ Process: Linbar 2 Estate 2.1.3 Minor</p> <p>It was noted that the monthly "Health & Mortality return and notification of infections disease" to the Health Department was not submitted consistently by the HA. The last report was submitted on the March 2012.</p> <p>There should be a mechanism for ensuring that this is implemented accordingly.</p> <p>Requirements: (Legal requirements) A mechanism for ensuring that they are implemented.</p> <p>Objective evidence: Report of Health & Mortality return and notification of infection disease; interview with</p>	<p>This was caused by the HA resigning and a replacement HA has not yet been recruited.</p>	<p>A new HA shall be recruited. In the event the estate is unable to recruit a new HA, Linbar 1 HA shall assist in Linbar 2 and ensure that the records are duly submitted.</p>	<p>The Senior Medical Assistant for Ladang Sabah group together with the estate manager to ensure that the records are submitted monthly.</p>	<p>Linbar 2 Manager</p>	<p>March 2013</p>	

Non-conformity/ Observation	Cause	Corrective Action	Preventive Action	Person Responsible	Due Date	Remarks
Hospital Assistant officer.						
<p>4.3.3 Observation: in Linbar 1 Estate, consideration should be taken by management to improve the road maintenance programme implementation. Based on field visit, poor road condition may posed real challenge for FFB evacuation and other operational activities. Meanwhile in Linbar 2 Estate, it may consider to put measured parameter to track down the progress of implementation against the road maintenance programme.</p>	<p>The high rainfall on an almost daily basis is the main cause of this. Road repairs cannot be done during wet weather as it would churn up the road and destabilize its structure due to water infiltration.</p>	<p>Road patching is continuously done but they usually result in roads that are not pretty but are passable. Full repairs can only be done after the rains have stopped and the roads have dried.</p>	<p>Roadside pruning, early maintenance of the road before rainy season.</p>	<p>Linbar 1 Manager, Linbar 2 Manager</p>	<p>March 2013</p>	<p>The estates request the auditors to reconsider this. The damage to the road was caused by the unceasing rain. The roads have been repaired and maintained during the dry season but the daily rains have damaged the roads and this cannot easily be corrected as major road repairs during rainy weather would further deteriorate the road condition. Only small patching works may be done and even then must be done with minimal disturbance to the road to avoid making it worse.</p>
<p>4.4.3 Observation:</p>	<p>This is an oversight where the water</p>	<p>The estate shall start comparing the data for</p>	<p>NA</p>	<p>Sakilan Estate Manager</p>	<p>March 2013</p>	

Non-conformity/ Observation	Cause	Corrective Action	Preventive Action	Person Responsible	Due Date	Remarks
Consideration should be taken to provide analysis of water quality test if any parameter tested above the standard and prepare the action plan.	analysis was filed away without any analysis or trending of the data to gauge the performance and take action when necessary.	every report received and whenever necessary shall take appropriate action.				
4.5.3 Observation: Care should be taken on rat baiting for area near housing (in Sakilan Estate). Careful monitoring and correct justification needed for this area as it may pose hazard to the people. Based record review, monitoring of rat attack on 97G and 97H on February 2013, rat attack was below threshold.	The localized rat baiting done below the threshold level was a precautionary measure to prevent the increase of the rat population and possible spread to the housing area.	All rat baiting has been stopped and any future baiting shall be initiated only if rat population exceeds the threshold level.	Rat census before baiting. Rat activity is also monitored at the housing areas on a weekly basis.	Sakilan Estate Manager	March 2013	
4.5.4 Observation: Management (Linbar 2 Estate) could consistently calculate the a.i. used for Metsulforon methyl and Glyphosate application in 2012/2013, as in 2011/2012.	This was an oversight.	The calculation has been updated to include the said chemicals.	Assistant Managers to verify document and manager to confirm this.	Linbar 2 Estate Manager	April 2013	
4.7.1 Observation: Management need to	Oversight	The risk assessment shall be shared with the workers during the	NA	Linbar 2 Manager	March 2013	

Non-conformity/ Observation	Cause	Corrective Action	Preventive Action	Person Responsible	Due Date	Remarks
ensure distribution of latest risk assessment to the workers, once it reviewed (Linbar 2 Estate).		upcoming safety and health committee meeting. A summary shall also be announced during morning muster.				
5.1.2 Observation: Environmental improvement plan for Schedule waste store in Sakilan Mill need to be reviewed to avoid any future negative impact (e.g. rain water, bird) since the current store is not covered by the proper wall.	Environmental improvement plan did not include this as we have not found any negative effects from this. However, this is a valid point and we shall include this in the plan as well as follow the recommendations.	EAI has been reviewed and Sakilan Mill shall extend the roof of the SW store and shall wall up the store.	More thorough in reviewing EAI/ Environmental improvement plan	Mill Manager – extend roof and install wall. SPO Department & Mill Management to review EAI and Plans.	April 2013	
5.2.1 Observation: HCV assessment report will need to review (refer back to HCV Toolkit for Malaysia) and follow the HCV assessment report for RSPO certification in particular of reporting requirements.	HCV assessment was conducted by persons whom have since left the company before the RSPO requirements was released.	HCV assessment to be reviewed and updated	Training for SPO personnel. More thorough review of HCV documentation and management plans.	SPO Department	October 2013	
5.2.3 Observation: - Consideration maybe taken on collecting	Patrolling did not include wildlife characteristics and behaviour. Elephant	Information on wildlife characteristics and behaviour is being collected. Elephant	Manager shall ensure that the patrols are done diligently.	Environmental liason officer, Estate Manager	March 2013	

Non-conformity/ Observation	Cause	Corrective Action	Preventive Action	Person Responsible	Due Date	Remarks
<p>information related to wildlife characteristic and behaviour and develop a better measure to avoid human-wildlife conflicts.</p> <ul style="list-style-type: none"> - Estate management may need to adjust the patrol schedule as per HCV management plan (weekly basis) and conducted to other HCV areas (Linbar 2 Estate). - Management may take benefit recording wildlife activities based on report from other sources such as worker or other staff. 	<p>incursions were accepted as regular seasonal occurrences and need not be recorded.</p> <p>The patrolling was conducted only for the most sensitive areas.</p>	<p>incursions shall be included in the reports and patrolling shall include all HCV areas on a weekly basis.</p>				
<p>6.9.2 Observation: in Linbar 2 Estate: It has noted that the Gender committee meetings were conducted together for male and female workers. This will not serve the actual purpose of the gender committee formation which to discuss gender issues especially for women rights.</p>	<p>The meetings included males as well to create awareness amongst the community of gender issues.</p>	<p>Gender committee meetings are conducted by the committee exclusively for females.</p>	<p>NA</p>	<p>Linbar 2 Manager</p>	<p>March 2013</p>	

Appendix “E”

List of Stakeholders Contacted

LIST OF STAKEHOLDERS CONTACTED

INTERNAL STAKEHOLDERS

<i>Sakilan Mill</i> Mill manager and staffs 1 boiler operators 1 engine room operators 1 chemical store officer 1 chief of central workshop 1 Clinic/hospital assistants	<i>Sakilan Estate</i> Estate manager and staffs 2 field supervisor/mandor 2 harvester 4 females spraying operator 1 female estate administrator 1 chemical store officer 1 chief of central workshop	<i>Linbar 1 Estate</i> Estate manager and staffs 2 field supervisor/mandor 1 chief of central workshop 1 chemical store officer 1 harvester 1 Health Assistant
<i>Linbar 2 Estate</i> Estate manager and staffs 1 field supervisor/mandor 1 chief of central workshop 1 chemical store officer 2 harvester 1 Health Assistant		

EXTERNAL STAKEHOLDERS

<i>GOVERNMENT DEPARTMENTS</i> <ul style="list-style-type: none">• Department of Health	<i>NGOs and others</i> Workers UNION EFB Contractor	<i>Local Communities</i> Sakilan Desa School Head Master Kampung Lung Manis
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Appendix “F”

Progress of Time Bound Plan

Schedule for Sustainability Auditing in IOI Group Mills and FFB Supplying Estates

Jan'08	Feb'08	Mar'08	Apr'08	May'08	Jun'08	Jul'08	Aug'08	Sep'08	Oct'08	Nov'08	Dec'08
--	--	--	--	Sakilan Sabah Oil Mill (Covering 6 Estates)	--	--	--	--	--	Sakilan Oil Mill (Covering 3 Estates)	--
Jan'09	Feb'09	Mar'09	Apr'09	May'09	Jun'09	Jul'09	Aug'09	Sep'09	Oct'09	Nov'09	Dec'09
--	--	Sakilan Kluang Oil Mill (Covering 6 Estates)	--	--	--	--	Gomali Oil Mill (Covering 11 Estates)	Baturong Oil Mill (Covering 4 Estates)	--	--	--
Jan'10	Feb'10	Mar'10	Apr'10	May'10	Jun'10	Jul'10	Aug'10	Sep'10	Oct'10	Nov'10	Dec'10
--	--	--	Bukit Leelau Region RSPO Main Audit (Covering 1 Oil Mill & 6 Estates)	--	--	Mayvin Grouping Main Audit (Covering 1 Oil Mill & 5 Estates)	--	--	--	--	Pukin Region RSPO Main Audit (Covering 1 Oil Mill & 4 Estates)
Jan'11	Feb'11	Mar'11	Apr'11	May'11	Jun'11	Jul'11	Aug'11	Sep'11	Oct'11	Nov'11	Dec'11
Sakilan & Sakilan Sabah Grouping RSPO Surveillance Audit	--	Sakilan Kluang Region RSPO Surveillance Audit	Syarimo Grouping RSPO Main Audit (Covering 1 Oil Mill & 9 Estates)	--	--	Gomali Region RSPO Surveillance Audit & Ladang Sabah Grouping RSPO Main Audit	--	Baturong Grouping RSPO Surveillance Audit	Bukit Leelau Region RSPO Surveillance Audit & Leepang Grouping RSPO Main Audit	--	Grouping RSPO Surveillance Audit & Morisem Grouping Main Audit (Covering 1 Oil Mill & 9 Estates)

						(Covering 1 Oil Mill & 8 Estates)			(Covering 1 Oil Mill & 7 Estates)		
Jan'12	Feb'12	Mar'12	Apr'12	May'12	Jun'12	Jul'12	Aug'12	Sep'12	Oct'12	Nov'12	Dec'12
--	--	--	Ladang Sabah Region RSPO Main Audit (Covering 8 estates) <i>*Audit date is depending on uplifting on suspension</i>	--	--	Syarimo Region RSPO Main Audit (covering 9 estates) <i>*Audit date is depending on uplifting on suspension</i>	--	Leepang Region RSPO Main Audit (covering 7 estates) <i>*Audit date is depending on uplifting on suspension</i>	--	--	--
Jan'13	Feb'13	Mar'13	Apr'13	May'13	Jun'13	Jul'13	Aug'13	Sep'13	Oct'13	Nov'13	Dec'13
Morisem Region RSPO Main Audit (covering 9 estates) <i>*Audit date is depending on uplifting on suspension</i>	--	--	--	--	--	--	--	--	--	--	--
Jan'14	Feb'14	Mar'14	Apr'14	May'14	Jun'14	Jul'14	Aug'14	Sep'14	Oct'14	Nov'14	Dec'14
--	--	--	--	--	IOI-Pelita RSPO Main Audit (covering 2 estates)	--	--	--	--	--	--

					<i>*Audit date is depending on uplifting on suspension</i>						
Jan'15	Feb'15	Mar'15	Apr'15	May'15	Jun'15	Jul'15	Aug'15	Sep'15	Oct'15	Nov'15	Dec'15
--	--	--	--	--	--	--	--	--	--	--	--
Jan'16	Feb'16	Mar'16	Apr'16	May'16	Jun'16	Jul'16	Aug'16	Sep'16	Oct'16	Nov'16	Dec'16
--	--	--	--	--	--	--	--	--	--	--	PT SKS & PT BNS RSPO Main Audit <i>*Audit date is depending on uplifting on suspension</i>