



PUBLIC SUMMARY REPORT

SECOND RSPO SURVEILLANCE ASSESSMENT

IOI Corporation Berhad, Sakilan Group Sandakan, Sabah, Malaysia

Report Author

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SUMMARY

BSi has conducted a surveillance assessment of the Sakilan Group of IOI Corporation comprising one mill, three oil palm estates, support services and infrastructure. BSi concludes that SAKILAN GROUP operations comply with the requirements of RSPO Principles & Criteria: November 2007 and Malaysian National Interpretation Working Group MY NIWG) Indicators and Guidance: November 2010.

BSi recommends continuation of the approval of Sakilan Group comprising Sakilan Palm Oil Mill and its supply base of IOI Corporation as a producer of RSPO certified sustainable palm oil.

ABBREVIATIONS USED

a.i.	Active Ingredient
ASEAN	Association of South East Asian Nations
BOD	Biological Oxygen Demand
CHRA	Chemical Health Risk Assessment
COD	Chemical Oxygen Demand
CPO	Crude Palm Oil
DID	Department of Drainage and Irrigation, Malaysia
DO	Dissolved / Oxygen
DOE	Department of Environment, Malaysia
DOSH	Department of Safety and Health
ECC	Employees Consultative Committee
EFB	Empty Fruit Bunches
EIA	Environment Impact Assessment
EMS	Environmental Management System
EPD	Environmental Protection Department
EPF	Employees Provident Fund
ERT	Endangered, Rare and Threatened species
ESA	Environmentally Sensitive Area
FCCP	Final Contract Certificate of Payment
FFB	Fresh Fruit Bunch
Ha	Hectare (s)
HA	Hospital Assistant
HM	School Head Master
HCV	High Conservation Value
HDPE	High Density Polyethylene
INWQS	Interim National Water Quality Standards
IPM	Integrated Pest Management
IPMP	Integrated Pest Management Plan
IRCA	International Registration of Certified Auditors
IUCN	International Union for Conservation of Nature and Natural Resources
JCC	Joint Consultative Committee
K	Potassium
Kg	Kilogram (s)
KPD	Koperasi Pembangunan Desa
kW	Kilo Watt
LTI	Lost Time Injury(ies)
Mg	Magnesium
mg	Milligram
ml	Milliliter
MSDS	Material Safety Data Sheets
MSGAP-OP	Malaysian Standard Good Agriculture Practices-Oil Palm
N	Nitrogen

NCR	Non Conformance Report
NGO	Non Government Organisation
NO2	Nitrogen Dioxide
NO3-N	Nitrate Nitrogen
NPP	National Physical Plan
OER	Oil Extraction Rate
OSH	Occupational Safety & Health
P	Phosphate
PCD	Pollution Control Device
PMP	Pest Management Plan
POM	Palm Oil Mill
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
RAB-QSA	Quality Society of Australasia
RSPO	Round Table on Sustainable Palm Oil
SA	Social Accountability
SaOP	Safe Operating Procedure
SEIA	Social and Environment Impact Assessment
StOP	Standard Operating Procedures
SIA	Social Impact Assessment
SO2	Sulfur Dioxide
SOCSCO	Social Security Organization
SW	Schedule Waste
TDS	Total Dissolved Solid
TSS	Total Suspended Solid
USECHH	Use and Standards of Exposure of Chemicals Hazardous to Health
VMO	Visiting Medical Officer
WHO	World Health Organisation
WQI	Water Quality Index
(g)	Gram (s)
(L)	Litre (s)

1.0 SCOPE OF CERTIFICATION ASSESSMENT**1.1 National Interpretation Used**

The operations of the mill and its supply bases of FFB were assessed against the MY NIWG: November 2010 of the RSPO Principles and Criteria: 2007

1.2 Certification Scope

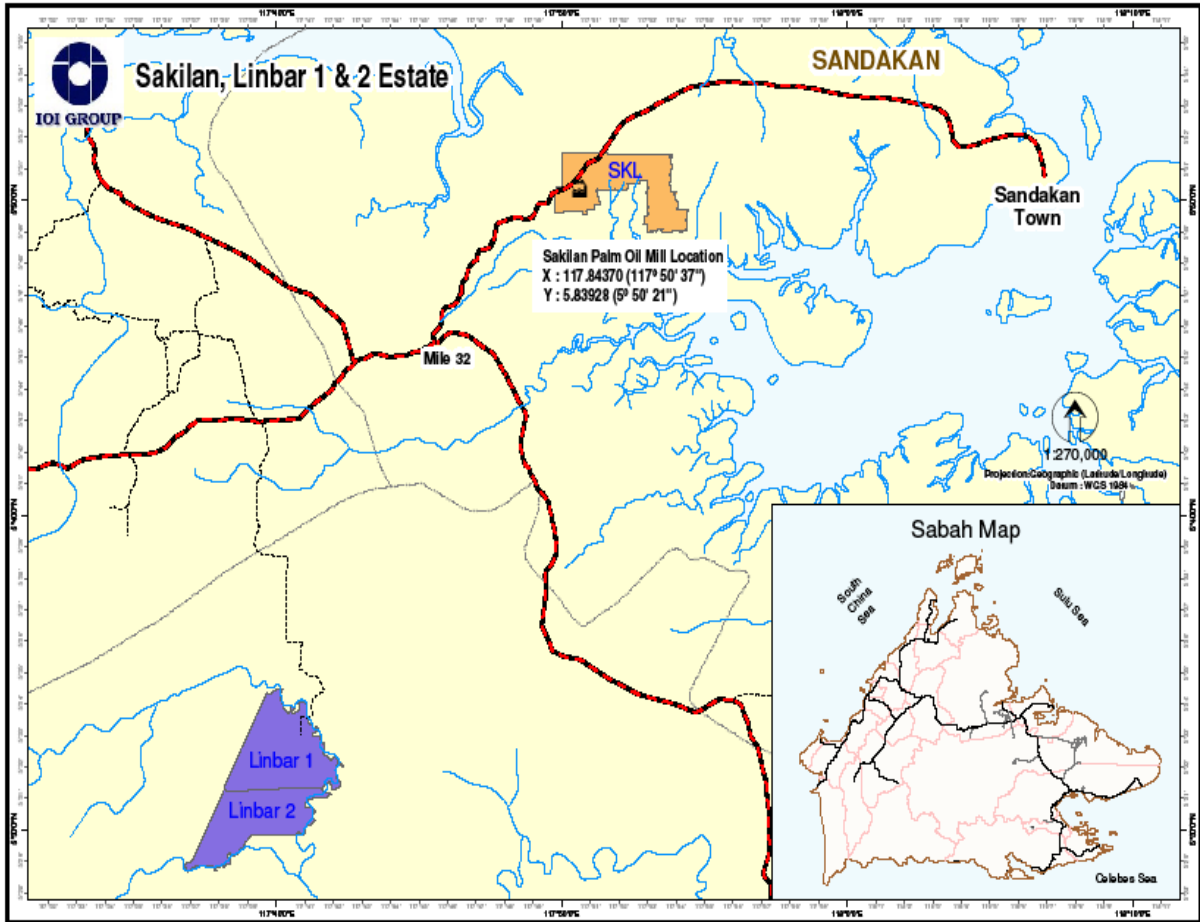
The scope of Certification covers one (1) Palm Oil Mill including the supply base comprising three (3) company owned oil palm Estates.

1.3 Location and Maps

The Sakilan Estates and Mill are located in the State of Sabah, near Sandakan in Malaysia (Figure 1). The GPS location of the mill is shown in **Table 1**.

Table 1. Mill GPS Location

Mill	Easting	Northing
Sakilan	117 50' 37"	+5 50' 21"



B. LOCATION : MAP of IOI SABAH

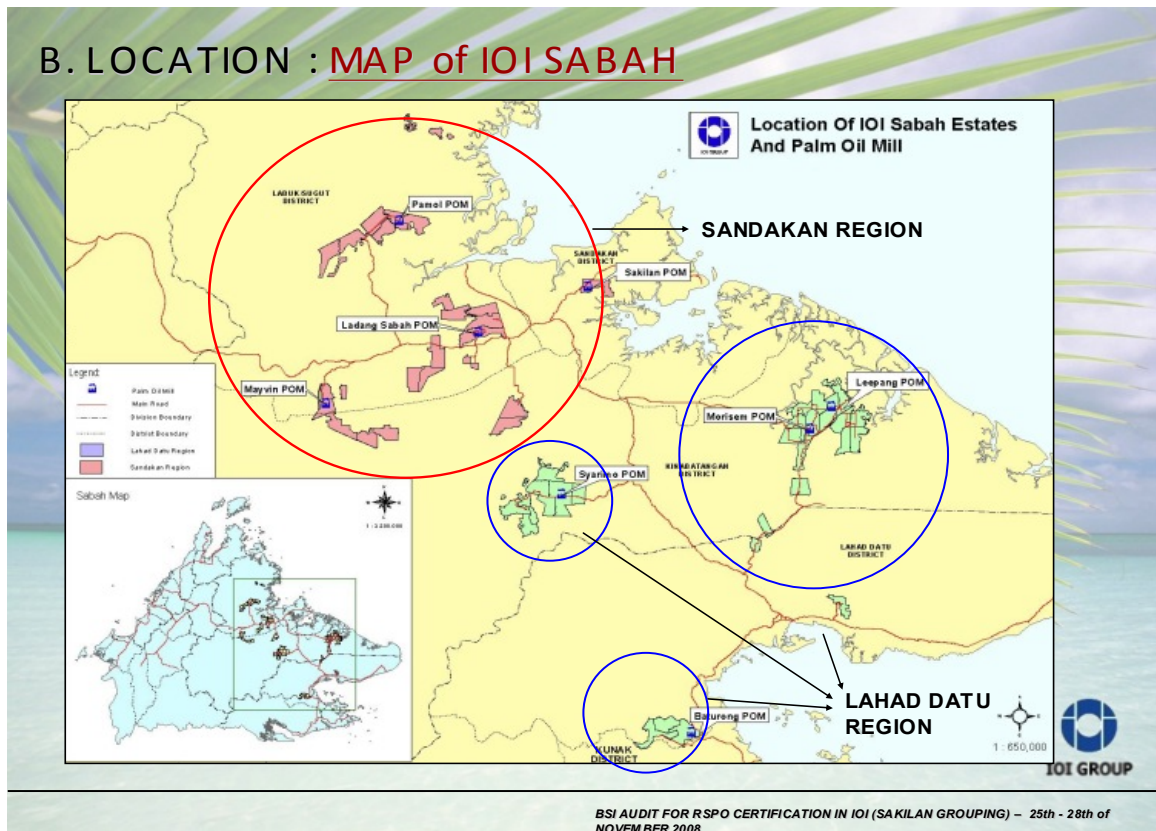


Figure 1. Location Map

1.4 Description of Supply Base

Oil palm fruit is sourced only from the company owned and managed estates. It was indicated that during a slightly short period company also received crops from Pamol Mill (a certified FFB) and uncertified FFB from Bimbingan 1, Bimbingan 2, and Labuk estate as indicated in **Table 2**. The uncertified product is account for approximately 18.25 percent of total FFB processed in the mill (see **Table 3**).

Table 2. Company Estate CPO and PK Production 2011

Estate	CPO Production (Mt)	PK Production (Mt)
Sakilan	11,779.00	2,779.10
Linbar 1	7,250.18	1,796.34
Linbar 2	9,464.01	2,336.80
Total	28,493.19	6,912.24
From Other Certified Sources (Pamol Mill Supply Base)		
Meliau	270.64	73.34
Nangoh	168.16	45.94
Rungus	157.06	43.20
Tindakon	21.14	5.78
Total	617.00	168.26
Non Certified Sources		
Bimbingan 1	2,111.28	539.852
Bimbingan 2	1,440.81	366.515
Labuk	2,627.90	660.244
Total	6,179.99	1,566.61
Grand Total	35,290.18	8,647.11

Table 3. Comparison of Certified and Non-Certified Product, 2011

Product	Certified Product	Non-certified Product
FFB	139,762.31	31,209.66
CPO	29,110.19	6,179.99
PK	7,080.49	1,566.61

The non-certified FFB entering the mill in different days than certified one. The CPO later been stored in dedicated tanks (CPO Tank 2) in the mill and transported by dedicated tanker to refinery which later also been store in dedicated CPO thank and handled separately from certified CPO.

1.5 Date of Plantings and Cycle

The property was initially cocoa plantation by KPD Holding in 1978 before later converted into oil palm. The age profile of company estate is shown in **Table 4**. The estate has now in the first replanting and is expected to be completed by 2011. As replanting is underway, there is a slight decrease of the FFB production in FY 2009/2010 but it has recently increased since FY 2010/2011 the trend that expected to continue with the maturity of the palm (see **Table 5**).

Table 4. Age Profile of Company Estate Planted Palms

Year Planting	Linbar 1	Linbar 2	Sakilan
1986	-	-	-
1987	440	-	-
1991	-	1,540	-
1992	793	-	-
1996	203	302	-
1997	-	-	2,142
2010	419	-	-
2011	597	-	-
Total	2,452	1,842	2,142

Table 5. Trend of Company Estate FFB Production 2011

Year	2007/08	2008/09	2009/10	2010/11
Total Company FFB	188,022	172,676	163,281	170,971
% Company	100	100	100	100

1.6 Other Certification Held

The Sakilan Group of IOI Corporation holds ISCC System GmbH from SGS, Certificate No. DE-B-BLE-BM-10-100-20110530 dated 30 December 2011.

1.7 Organization Information/Contact Person

The Sakilan Group is part of IOI Corporation Berhad.

Contact Person: Mr. Yeap Su Jeen
Sustainability Manager
Phone: +6089 509107
Fax: +6089 509106
Email: sustainable.palm.oil@gmail.com

1.8 Time Bound Plan for Other Management Units

IOI Corporation Berhad owns and operates a number of plantation locations in Malaysia and Indonesia.

At the time of the Audit, IOI certification process have been suspended by RSPO following RSPO notification to BSi on 06 April 2011 of a claimed breach by IOI of RSPO Code of Conduct 2.3 and Certification Systems 4.2.4 (c). IOI has until 02 May 2011 to respond formally to the claims. One of the claims relates to a land dispute at Sarawak and the other to land development in Indonesia. IOI has engaged independent auditors to investigate and report on the claims. At the time of surveillance all of no more new certification was carried out.

BSi has reviewed IOI's Time Bound Plan and considers the programme to be challenging to implement as it will require a uniform, high standard of performance across the geographic spread of its operations in Peninsula 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 notified by RSPO on 06 April 2011."

1.9 Area of Plantation

The hectare statement for the company owned Estates is shown in **Table 6**. HCV and conservation area is shown in **Table 7** with total HCV area is 264.00 ha and conservation area of 3.71 ha.

Table 6. Estates and Areas Planted

Estate	Mature (Ha)	Immature (Ha)
Sakilan	2,142	-
Linbar 1	1,436	1,016
Linbar 2	1,842	-
Total	5,420	1,016

Table 7. HCV and Conservation Area (Ha)

Estate	HCV (Ha)	Conservation (Ha)
Sakilan	13.55	0.00
Linbar 1	57.05	3.71
Linbar 2	204.00	0.00
Total	264.60	3.71

1.10 Approximate Tonnage Certified

The approximate tonnages of CPO and PK that would have been certified on the basis of 2011 production and projected for the next twelve months are shown in **Table 8**. The production in 2011-2012 is expected to decrease slightly (7 percent) due to replanting carried out in the last years.

Table 8. Approximate Tonnages Certified

Sakilan Mill	Estimate at First Surveillance	Actual (01/07/2010 to 30/06/2011)	Projected (01/07/2011 to 01/06/2012)
CPO	43,804.00	29,110.19	32,910.00
PK	10,951.00	7,080.50	8,419.00

1.11 Date Certificate Issued and Scope of Certificate

Scope of the Certificate is for the production from the one palm oil mill and the supply base (refer to **Table 8. Approximate Tonnages Certified** for tonnages).

Certificate details are included as Appendix A. The Certificate issue date will be the date of the RSPO approval of the Assessment Report.

2.0 ASSESSMENT PROCESS

2.1 Certification Body

BSi Group Singapore Pte Ltd
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Genting Centre Building
Singapore 088934
RSPO Scheme Manager: Mr Aryo Gustomo
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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 Management Systems provides independent, third party certification of management systems. BSi has a Regional Office in Singapore and an Office in Kuala Lumpur and Jakarta.

2.2 Qualifications of the Lead Assessor and Assessment Team

Iman Nawireja Lead Assessor

Iman Nawireja graduated with a Bachelor of Agricultural Science from the University of Bogor in 1997 and a Masters Degree in Communications from the University of Indonesia in 2002. He is a Lecturer in social statistics at the Bogor Agricultural University and has more than 15 years' experience in conducting social impact assessments of agriculture, mining and forestry projects. He has assisted with field studies on the effect of resource development projects on farmer and community incomes, health status and household division of labour. He has completed Lead Auditor training in ISO 9001 Management Systems, RSPO Lead

Auditor Training, and ISPO Lead Auditor Training. He has conducting a numbers of environmental and social assessments of oil palm projects during the past 8 years. He has also conducting audits of oil palm plantation companies against the RSPO P&C in Indonesia, Malaysia, and Papua New Guinea (PNG) for more than 50 mills.

Hendra Wijaya (Environment, EHS, and Best Practice – Mill)

He has graduated BSc in Chemical Engineering from the Bandung Institute of Technology in 1989 and MSc in Chemical Engineering, majoring on Environmental and Safety at the University of Indonesia, in 2009. He has completed lead auditor training in ISO 14001; Environmental Management Accounting training, Social and Environmental Impact Assessment Training (AMDAL); Industrial Wastewater Treatment, Pollution Prevention Cleaner Product, and Industrial Wastewater Treatment. He is a lead auditor in Environmental Audit since 1990s, including Compulsory Audit from the Ministry of Environment on various industries including oil palm mills, estates, and refineries. He has also assisted with audit of RSPO in Malaysia for pre assessment and main assessment.

Muhammad Haris (Environment, EHS, and Best Practice – Estate)

Muhammad Haris B. Abdullah graduated from the Open University Malaysia with a Bachelor of Business Administration (Hons) Majored in Human Resource Development and currently pursuing his Masters 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, agriculture best practices, and environmental impact assessment and workers welfare. He has assisted with conducting audits of oil palm plantation for more than 7 companies against the RSPO P&C in Indonesia and in Malaysia for the past 3 years.

This report was reviewed by Mr. Aryo Gustomo – BSI RSPO Scheme Manager.

2.3 Assessment Methodology, Programme, Site Visit

A pre-audit to RSPO Principles and Criteria was conducted between 22nd and 26th March 2008 to determine progress SAKILAN GROUP has made towards certification.

The Initial Certification Audit was conducted between 25th and 28th November 2008. At the original Certification Assessment 2 Major Non Conformities were raised. The assessment to close out Major Corrective Action Requests was conducted on the 15th and 16th of December 2008. All major nonconformities were successfully closed due to the action taken being effective. Certification for Sakilan Group was granted on 7th March 2010.

The 1st surveillance audit was conducted from 25 -28 January 2011. All minor nonconformities from the initial certification assessment were reviewed and actions examined and were successfully closed due to the action taken being affective and observations were all acted upon.

The 2nd surveillance audit was held between 13 to 17 February 2012. The audit programme is included as Appendix B.

The approach to the audit was to treat the mill and its supply base as an RSPO Certification Unit. The mill was audited together with the plantations of its supply base. 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 and questionnaires were used to guide the collection of information. The comments made by external stakeholders were also taken into account in the assessment.

During the short period last year, the mill also process FFB from Meliau, Rungus, Nangoh and Tindakon—a certified RSPO FFB supplied to Pamol Mill by SGS—due to flooding that affected Pamol mill. Beside that, the mill also has recently received uncertified FFB from company own estates, e.g. Bimbingan 1, Bimbingan 2, and Labuk Estates. Those mention estates were not assessed during this surveillance visit.

2.4 Stakeholder Consultation and List of Stakeholders Contacted

Stakeholder consultation involved external and internal stakeholders. As part of the audit, interview was carried out with stakeholders to seek their views on the performance of the company with respect to the sustainability practices outlined in the RSPO and aspects where improvements could be made.

Stakeholders included those immediately linked with the operation of the company such as employees; sub-contractors, and suppliers.

External stakeholders included organizations such as Government, NGOs and Civil Societies, who have an interest in the Sabah area and resident communities.

Stakeholder consultation took place in the form of meetings and interviews. Meetings with government agencies and NGOs were held in their respective premises within and near the estates and Sakilan mill.

In all the interviews and meetings the purpose of the audit was clarified at the outset followed by an evaluation of the relationship between the stakeholder and the company before discussions proceeded in accordance with relevant RSPO principles, criteria and indicators.

List of Stakeholders InterviewedMill Workers and Staff

Linbar 1 Clinic Staff
 Linbar 2 Clinic Staff
 Pesticide Sprayers
 Harvesters
 FFB Loader
 Sakilan Clinic Staff
 Mill Workshop
 Grading operators
 ECC, Women Representative

Contractors and Supplier

General Suppliers
 FFB Transport Contractors

Local Community

Sungai Lokan Villager
 Kampong Pahu Villager
 Kampong Lung Manis Villager

Government Officials

Labour Department
 Forestry Department
 Environmental Protection Department
 Department of Environment
 Department of Safety and Health

Non Government Organization

Borneo Child Aid Society (Humana)

2.5 Date of Next Surveillance Visit

The next surveillance visit is planned to be carried out within the twelve months following this surveillance assessment for RSPO Certification.

3.0 ASSESSMENT FINDINGS**3.1 Summary of Findings**

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

During the audit, one (1) Nonconformity was assigned against Minor Compliance Indicator.

IOI Sakilan has prepared a Corrective Action Plan (Appendix D) for addressing the identified nonconformity that was reviewed and accepted by BSi.

Seven (7) Observations/Opportunities for Improvement were identified. Details of the Nonconformities and Observations are given in Section 3.2 (Page 19).

BSi's assessment of Sakilan Group operations, comprising one palm oil mill, estates, infrastructure and support services, concludes that Sakilan Group operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY-NIWG Indicators and Guidance: November 2010.

BSi recommends the continuation of IOI Corporation Berhad Sakilan Group as a producer of RSPO Certified Sustainable Palm Oil.

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 have a system whereby any request for information is directed to local mill or estate manager. Records are held in a register of all requests for information and any information required by stakeholders is made available if possible. The register includes the date received, date responded to as well as any other pertinent information with regards to each request received.

On the whole the only documents, which are not released, are not related to environmental or social issues and are mainly of a confidential financial nature.

Senior management has determined which documents are to be made available to the public. These are in the form of a register which will be updated as more documents are requested and made available.

If information cannot be made available, the reason is recorded in an appropriate and relevant register.

All information made available is in the local language and is available in hard copy if required and the inquirer does not have access the electronic media.

Examples of information being made available are list below.

SKM had not received any request of information this year. There is a Palm Oil Cost of Production Survey by MPOB on 20 August 2011 however it has been fill out by HQ. Record held on file "Palm Oil Cost of Production Survey (MPOB)".

At Linbar 1 Estate, MPOB carried out Survey on Impact of Flood in Oil Palm Response in Malaysia 2011. The form was received on 22 December 2011. Inspection to the record indicated no date of reply to the request, since the estate responded on 23 December 2011. Record held on file "File MPOB".

1.1.1. Observation: 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.

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 Sakilan makes available the following management documents:

The original land titles are stored in IOI head office and a copy is held on site. Records are held on the Land Title file.

With regards to Sakilan Mill: the mill holds land title No SAK: CL – 075471242 for an area of 1,294.8 ha (Lot 1) and land title number: CL – 075471260 (999.60 ha, lot 3) 12/11/97 from the Kerajaan Negeri Sabah.

Linbar estate land certificate is numbered 095311667 and is dated 08/07/83 (4,840 ha) from the Government of the State of Sabah, and includes lease condition: which is for the cultivation of oil palm.

The Five Year Management plan includes a health and safety plan, which is available for inspection.

Environmental Impact Assessment Management Action Plans and Continuous Improvement Plan prepared in 01 October 2008 and have been updated each year since with both being recently updated in August 2011. The current updates are made available to the public.

The Social Impact Assessment & Management Action Plans for Sakilan Oil Mill and its supply base was initially prepared in July 2007 and being a five years plan this runs until June 2012. The plan is updated with improvements made and actions taken each year and the status of these action. This was last reviewed in June 2010. This latest review was made available.

A Pollution prevention plan was prepared within the document “Environmental Impact Assessment, Management Action Plan and Continuous Improvement Plan for Sakilan POM”.

The Company holds details of complaints and grievances (IOI Complaint and Grievance Book), including grievance of female workers and staffs. Detail of female workers grievances is categorised as confidential information.

IOI has developed a generic grievance procedure: A Grievance reporting flowchart that was introduced during training and morning muster briefings. Interviews with workers confirmed that they understand IOI grievance procedure and mechanism.

An Improvement plan with objectives and targets is detailed in Environmental Impact Assessments,

Management Action Plans and Continuous Improvement Plan prepared in 01 October 2008 and is continuously updated with the latest update issued in October 2010.

All documents, which are made publicly available, are identified on the company’s web site.

Criterion 2.1 – There is compliance with all applicable local, national and ratified international laws and regulations.

There has been no specific legal audit, however IOI have prepared list of eligible laws and regulations and RSPO internal audit that include legal compliance.

There is list available of all laws and legal requirements to which the organisation subscribes to and this includes dates any licenses and permits expire. Although many current licences and permits are displayed on the office walls a number were found to be out of date and expired. Current permits for a large number of pressure vessels displayed were current.

The last drinking water laboratory test have been carried out by Chemsain Konsultant Sdn Bhd on 07 February 2012, all parameters confirmed compliance. No e-coli and coliform detected. Record held on file “Water Quality Monitoring Report”.

A Major Non Conformity was initially raised during ASA 1 due to 1. The fact the a large number of displayed permits for Boilers, Air receivers and other pressure vessels had expired in September in 2009 and no current permits were available. 2. Inspection to the mill payroll indicated evidence of systemic overtime in excess 104 hours allowable monthly, which has consistently occurred least since August 2010 where several cases the excess up was to 211 hours on “normal working” days. Payroll system designed to prevent excess of overtime failed to alert management. No corrective action measure has been taken. Inspection to the documents indicated there was no Labour Department Letter of Approval for extensions to the limit on overtime. This is considered a violation of Sabah Labour Ordinance (Sabah Cap. 67), amended as at 10.02.2005 by Act A1238).

It is acknowledged that the Mill Manager wrote to the relevant government department on two occasions and should have been more pro-active in ensuring these permits were available to demonstrate the mill is operating legally.

ASA2 Finding: Company has appropriate and valid permit for example:

- (1) Boiler Permit No. 169983 dated 06/06/2011, Air receiver permit no. 288990, Pressure Filter (288996), water softener (288995), entrainment separator (288993), etc. are issued on 06/06/2011 and expired on 06/05/2012;

(2) Senior Plantation Controller have send letter to all Head of Operating Units at 01 February 2011 to ensure no more overtime exceedance of 104 hours per month. This policy later followed by recruitment of labour force to overcome such a situation and instructed Assistant/Payroll Clerk/Chief Clerk to be more attentive pertaining the distribution of overtime to the workers. At the time of 1st surveillance audit (February 2011) total number of workers are 86 persons. In December 2011 total labour are 143 (additional 57 workers or 66 percent increase). Inspection to the Check Roll Book confirmed that the policy now effective to prevent excess of overtime where no more excess of overtime was occurred in 2011.

The NC was remained closed.

Legal requirements detailed in Management Plan point 5.0 Adherence to National Laws and Regulations.

The latest RSPO Internal surveillance audit, include an audit on legal compliance. Last audit was held on 01 October 2011, next audit scheduled to be held around November 2012. Contract agreement file reviewed indicated compliance; for example FFB Transporter Sudi Bin Bongge has been signed on 18/10/2011. The details of the work have been clearly stated. At Linbar 2 Estate FFB and EFB transporter agreement for LKC Transport reviewed. The lorries permits are attached in the contract.

A mechanism of the tracking of law changes has been developed. There is a documented system with regards to the controlling of information on legal requirements – this documentation ensures that all applicable legal requirements are implemented. A Management staff member is also allocated the task of ensuring the legal and other requirements and available in each relevant area. Further a SOP the “Mechanism of Tracking of Law Changes” has been developed and is in place to allow tracking of any legal changes.

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

IOI is operated on land leased from the Sabah government. Sakilan Estate was established by Koperasi Pembangunan Desa (KPD Holding) in 1978 from a jungle cocoa plantation. IOI Corporation Berhad purchased the property in 1996 from KPD holding (state government) and all cocoa land was converted into palm oil in 1997.

Linbar 1 Estate was initially developed by PJ Developments Sdn Bhd. Right Purpose Sdn Bhd, a subsidiary of IOI Group, purchased the property in 1994. A document inspection indicated that land title terms and conditions are designated for oil palm plantation purposes.

It can therefore be considered that evidence of land tenure for this operation including all estates and the

mill can be considered compliant with lease requirements. As there have been no breaches identified by the lessor it can be considered that Sakilan Group comply with all terms of their land title.

Boundary markers have been checked and all appear to be in place and were easily and quickly located along the boundaries. This included Red and white markers between Sakilan Estates and Government reserves and blue and white between Sakilan and other estates. Inspection to the estate confirmed that the boundary stone is visibly maintained.

There are no documented land disputes at present. An interview with community and government officials confirmed there was no outstanding land dispute inside both estates and mill land.

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.

This clause is not applicable as IOI did not acquire land from landowners, but leased it directly from the government following the acquisition of a previously owned company. Interviews with the local kampong head confirmed that no customary land had been used, and that the kampong was established around 1998 after which KPD Holding converted the land into cocoa plantation in 1978. Available data shows no claim against IOI in relation to customary land. IOI does not restrict access with regards to travel through the estates along established roads.

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

There is in place an implemented management plan that aims to achieve long-term viability for IOI Corporation Berhad and Sakilan as well as the whole IOI Group. There are in place annual budgets with projections to years 2014/15. These projections are split into each operational group.

The cost of production is reviewed and compared against expenditure each year with projects in place for future years. This includes costs per tonne.

Forecasts are in place for the next 5 years, at least on a rolling basis, for replanting. The Five Year re-planting programme is reviewed on a yearly basis at least. The latest review and update was completed in October 2011.

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

Sakilan have StOP's and SaOP's for Estates, the Mill and other pertinent areas of operations such as clinics, stores and workshops. Standard Operating Procedures (StOP) are also in place for each operation in the process from weighbridge to storage as well as in each estate. SaOP's are Safe Operating Processes and not to be

confused with StOP's which are Standard Operating Procedures.

Following previous finding on slippery work place, Inspection to the mill confirmed that no more slippery in the working area and improvement is noted on the housekeeping.

Estate field standards are documented for all stages and management is by StOP's which are readily available in all areas. These are posted in appropriate areas such as in Pesticide stores, Fuel Depots and Workshops on signboards and are in Bahasa Malaysia.

The mill has in place StOP's for all mill activities. These are specific for the Sakilan mill. They are available in the mill at each area of operations. All mill StOP's have been translated into Bahasa Malaysia.

As for the estates monitoring were carried out on regular basis. Senior plantation controller visited Sakilan estate on 13/8/2011 and manager replied to all the 11 matters raised by the controller. While at Linbar 2 estate, General manager visited the estate on 16/12/2012 and Senior Assistant In-Charge replied on 19/12/2012.

Inspection confirmed that maintenance is now effective where StOPs area already displayed in the large forms in every station. Adequate document control in the form of issue date and approval is in place on all documents.

For the mill there is in place a mechanism for monitoring effectiveness of procedures. The shift supervisors check that all log books are completed for all StOP's when required by the schedule which depends on area – some checks are hourly, 2 hourly and this is indicated in the log book. This is done by signing the log book, a copy of which is kept by mill management and also includes planned scheduled inspections. The operators at the mill had completed the required log sheets at each station on the required timetable. These log sheets are collected and reviewed on a daily basis. The log sheets are used to identify breakdowns and cases of wear and tear where breakdowns may be imminent. Any breakdowns, stoppages or major services are recorded in both the logbooks for each area and in the maintenance records

The StOP's are further supported by routine regular scheduled preventive maintenance. This is planned and carried out under the Mechanical and Electrical Engineering divisions to ensure on going production capability is maintained and that operating machinery is safe. Any deviation from standard procedures is reported and followed up to ensure documented practices are being followed.

The estates are also covered by StOP's and that scheduled field inspections are taking place in line with the StOPs. These are further supported by an Internal Audit Programme.

The estate managers undertake regular field inspections to ensure StOP's are being followed and supervisors issue instructions at each morning muster and follow up to determine the quality of work and that procedures

are being followed. The records of items discussed at morning musters are now being documented.

The EMS/OHS system requires that records of monitoring are kept e.g. Drain and Pollution Control Devices (PCD's), as well as use of Personal Protective Equipment (PPE), etc. and any actions taken such as cleaning of PCD's are recorded.

Mill has implemented system of checking and monitoring of the drains on regular basis. Drains are checked and cleaned twice weekly. Inspection confirmed timely replacement of drain covers.

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

Records of fertiliser inputs are maintained in the database set aside for this purpose and split into each estate, these details are readily available through the database system maintained by Agronomy Department. Annual fertiliser inputs are then further recommended based on this data for future applications.

Regular annual tissue and soil sampling are carried out by Agronomy. The results of the analysis of the samples are used to optimise fertiliser requirements. The Soil Sampling survey is completed as part of a Five year rolling plan which just recommended for the period 2011/2015 whereby 20% of all estate soil is sampled each year. Records are in place for all areas tested and included block number and estate name. Each block and each result is independently logged in a spreadsheet for each block.

All palm by-products including fronds, EFB, compost, effluent and expeller are recycled. These are used as nutrients and are applied to improve organic matter and to substitute or supplement inorganic fertiliser. Fronds are also used to prevent erosion following pruning and after harvesting of FFB.

There is a current replanting taking place in Linbar Estate and there is a zero burn policy for replanting is in place. There is no evidence of any burning during this development.

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

During field inspections the risk of erosion is assessed and records in the form of a field inspection sheet are kept and are further documented in spreadsheets kept for each block in each estate. The assessment includes road drainage and effectiveness of road grading programmes to prevent erosion of estate roads. This includes a check of road conditions by Field Managers to check erosion – records are maintained on the roading map.

Through effective ground cover Sakilan estates attempt to avoid bare and exposed soils as far as possible. Inspections also check on the amount of ground cover plants, plantings especially in steeper areas where required to ensure that risks of erosion are reduced and

eliminated when possible. Effective frond stacking is also instrumental in preventing erosion in steeper areas.

There is replanting taking place at the moment in Linbar Estate and planting is not on any slopes in excess of 25 degrees.

In all estates there is terracing in areas to reduce soil erosion. In the areas of replanting in Linbar Estate there is an amount of terracing – slopes are not in excess of 15°. However any terraces that require remediation are being repaired during the replanting as required. To prevent erosion, cover crop (CC), is introduced at the time of the formation of the terraces and once palms are mature, the pruned fronds placed in a position to reduce erosion in the form of frond boxing. Rainfall run off is minimised where necessary by construction of strategically placed drains.

Terracing is not extensive on these estates.

Cover crop is well established in all estates and this keeps erosion controlled effectively.

Sprayers follow the spraying guidelines as set out in the StOP's. The sprayers are constantly being monitored by the supervisors and estate managers to ensure pesticide spraying is effective. There was no evidence of over spraying of herbicides during this assessment.

There is a road-grading programme in place that ensures that drains are clear and properly formed to channel run off into these drains on the steeper roads. Scupper drains are also constructed if required. This programme has been considerably improved in all since the original assessment.

The road management plan for Sakilan Estate does now show details of actual roads to be graded and maintained in the road management plan. It also indicates dates and roads to be maintained as well as whether the plan has been followed.

There are continuing programmes to improve the roads in all areas to prevent erosion and rehabilitate areas of roading which were not properly constructed during the original planting (not by IOI).

Soil Maps are in place for each estate identifying all soil types. There is no peat soil at the estates.

Techniques used to minimise soil erosion are described in a StOP and include best management practices.

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

Biological Oxygen Demand (BOD) of water samples is tested in the company laboratory and also supported by external testing agencies. Records are in place for the last 6 years at least, and indicate that at all times, apart from abnormal rain events, BOD levels are within the prescribed limits of the Environmental permits and Government guidelines.

The riparian buffer zones in the estates were inspected and found to be maintained in good condition and

within the limits as prescribed by the Sabah Government of 20 metres width on both sides of streams for example along Sungai Segaliud Lokan Forest Reserve. All permanent watercourses have buffers in place and these comply with the permits respectively. Extensive buffers are in place in all estates and are on estate land and are indicated on each estate map. There are signs in place to protect these buffers from encroachment by outsiders. Any palms planted in buffers previously are no longer fertilised or treated with pesticides/herbicides and will not be re-established at the next replant. It is also ensure that native species of trees are used in all areas where buffer trees are planted.

5.2.2. Observation: 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 carried out.

Bird life was observed in abundance at riparian areas. Stream bank areas are planted with plant species to prevent erosion on steep natural banks and on the sides of drains.

Monitoring of the buffer zone condition is undertaken as part of the overall estate inspection regime so it is virtually on going. There has been no construction of bunds, weirs or dams across any waterways and rivers in any of the Sakilan Group estates.

The natural rivers flowing through each estate are being monitored. Measurements are taken 6 monthly of a number of Water Quality parameters of rivers both upstream and downstream from the oil mill. These tests are for the following items: dissolved oxygen, biological oxygen demand, chemical oxygen demand, ammoniacal nitrogen, total suspended solids and pH. The additional parameters include phosphorous, potassium, Magnesium, Calcium, Boron, Copper, Zinc, Nickel, Cadmium, Mercury, Glyphosate, Paraquat, total solids, E. Coli and Total Coli form.

The purpose of monitoring of the natural rivers and streams is to determine whether the activities of the estates have any detrimental effects on the water sources. The analysis done by Enfirst Laboratories for both Linbar 1 & Linbar 2. The samples were taken from Sungai Lokan. The Nitrate is 1.0mg/l and Phosphate <0.1 mg/l. The test results reveal minimal effect on the rivers and waterways passing through the estates for the parameters measured as per the Interim National Water Quality Standards (INWQS).

Records indicate that 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. Although at the time of this assessment these was no discharge from the effluent ponds.

All monitoring results were well within limits prescribed in the environmental permit and national regulations.

The only exception was when very heavy abnormal rainfall occurred and the limits were exceeded, but this was out of the control of the mill.

Sakilan Mill is monitoring use of water per tonne of FFB. This monitoring commenced in 2004 and includes only water into the Boiler. It does include general-purpose process water. Additional flow meters are about to be installed to enable IOI Sakilan to monitor all water use per tonne of FFB.

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

Sakilan Group are monitoring the toxicity of pesticides used and to date records are available for the last five years and are tabulated.

There is an Integrated Pest Management Programme (IPM) for specific pests. There is a measurement of the amount of each pesticide used and type for each specific pest. At the present time there are no outbreaks of Leaf Eating Caterpillars – for which methamidophos is used.

The main pest at the moment is rats. These are controlled through a numbers of means including the use of rat baits. Record available for Rat Bait in daily cost book indicating the field applied and the cost with the manpower utilized. However there is more emphasis on biological means such as not killing snakes for which rats are food source as well as encouraging local birds of prey such as Hawks to hunt and feed on the rates. Each estate monitors pests and other possible outbreaks disease as part of the IPM. Monthly IPM programmes are planned and implemented.

The Integrated Pest Management Plan (IPMP) has been recently updated and includes the control of all pesticides and the methodology for both reducing use of pesticides and / or changing to less toxic chemicals.

The IPM is monitored on a regular basis with regards to Rat infestations. There is a census of palms and bunches affected by rats and the percentage of damaged palms against undamaged is measured. The lower the percentage the more successful the IPM.

The use of all chemicals is justified and a plan to reduce usage has been presented. This includes chemicals used, dosages, and frequency of use. There is in place justification for the use of the following chemicals in Linbar 1 Estate.

The amount and type of pesticides used and the locations where they are used are recorded for each chemical.

IOI are monitoring and measuring pesticides used per hectare and per tonne. There is plan in place to completely stop applying paraquat for 31 December 2012.

The use of some pesticides has been almost totally eliminated. The use of methamidophos is almost nil as is the use of 2.4. D Dimethylamine 60%

A number of beneficial plant species are used in biological control of pests. Among the plant species are *Turnera subulata*, *Cassia cobenensis* and *Antigonon leptopus*.

Naturally grown weeds were left to grow on exposed areas to serve as cover crops.

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.

There is a formal justification for agro chemical use and this is documented within the IPM, which attempts to ensure that the most effective and least harmful chemicals are always first choice.

The IPM provides guidance on the selection of the appropriate chemical for particular locations and field conditions. It stipulates the maximum dose possible for each application. There are also plans in place to gradually reduce the use of Agrochemicals. The usage data provide evidence to demonstrate that this is in fact happening. There are time frames and targets in place in the IPM whereby chemical use is to be reduced. All chemicals have to be approved for use by Agronomy. This was supported by the chemicals listed for use by Pesticides Act 1994 in accordance with USECHH Regulations (2000).

Records of chemicals used, areas treated, amount applied and frequency of application is recorded and controlled via the Pest Management Plan and are available. The records of pesticide are available since 2004. The information includes amounts used per hectare and number of applications per year.

Paraquat is used only for selective spraying of volunteer oil palm seedlings and for situations where continuous rain precludes use of alternatives. Paraquat use is being slowly reduced while the industry comes up with a viable alternative and will be completely eliminated as part of a plan from 31st December 2012. As with all chemicals, records are kept of any paraquat applications.

There is in place an ongoing IPMP which is controlled via the PMP with regards to the use of WHO Type 1A or 1B chemicals. No suitable alternative to paraquat has been identified by the RSPO at this time.

There is no aerial spraying of pesticides.

Records of training are kept in each estate office for the following:

- Pesticide Mixers
- Pesticide Sprayers

The training records also show the training topics covered.

PPE for sprayers is supplied and instructions on its use demonstrated in the StOP's. The company supplies adequate PPE for sprayers so that sprayers will always be protected. PPE is washed at the pesticide mixing areas in specially constructed wash areas so that sprayers and mixers do not need to take protective equipment home and therefore the risk of cross contamination with family members is eliminated.

There is a minimum requirement of PPE that must be worn / used in the handling and application of pesticides. Some chemicals such as methamidophos require more extensive protection and this is nominated in the SaOP's & StOP's for pesticide application. There have been no use of Methaidophos or Monocrotophos during previous twelve months.

Material Data Safety Sheets (MSDS) are held for all chemicals used and are available at the areas of mixing. Almost all MSDS are translated into Bahasa Malaysia. No concentrates are taken into the field, as all spray solutions are pre-mixed in a designated area.

Inspection confirmed that all MSDS is available and are available in Bahasa Malaysia.

Storage of chemicals is in specially locked areas with restricted access. All areas where chemicals are stored appear to be adequately ventilated through cross flow ventilation. This will be further improved as a design for a standardised pesticide store is put in place and progressively used to replace current stores and become standard practice (please *Refer 8.1*).

All chemical containers are triple rinsed and if not recycled are placed in the Scheduled Waste storage area for disposal by contractor.

Methods of storage and disposal of chemicals (pesticides) are included in training provided. Sakilan group using only chemicals that are officially registered under the Pesticides Act 1994 in accordance with USECHH Regulations (2000).

Female pesticide handlers may be employed by Sakilan Group so long as not pregnant, or breast-feeding.

Health checks are conducted for pesticide handlers. These are carried out by the clinics on a monthly basis and annually by an Occupational Health Doctor (OHD) via a physical check and annually as per the CHRA for plantation pesticide operators. Records of these checks are kept in each clinic, and for annual surveillance CHRA in each estate office.

At Sakilan estate, the record kept by the clinic HA. Monthly check up's has been carried out. No problems were identified. While in Linbar 2, Sprayer Wabiah's medical records were checked. Last check up was done on the 31/1/2012 by the Clinic Assistant.

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

There is an OHS Plan in place in all the following areas:

- Estates

- Mill
- Workshops
- Clinics
- Stores

Safety Policies have now in place and current.

The OHS Plan has not been properly implemented within the mill. A number of identified hazards and risks were not controlled. This included the following – Content of Gas Bottles not identified, Acetylene and Oxygen stored together, gas bottles not restrained, drain covers not replaced, workers not using correct PPE which was supplied among other failings. Furthermore signage was not displayed with OHS requirements.

The control of OHS within the estates has improved steadily since the previous audit – with issues previously raised being adequately addressed. There are big improvement in storage and management of hydrocarbons as well as control of pesticides.

Although Hazards and Risks have been identified for all operations and in all areas as above control is not effective in the mill. Signage is widely available in all estates areas and is being followed with regards to handling of chemical concentrates and use of appropriate PPE.

The emergency procedures within the mill are inadequate, in effective and poorly managed. Fire extinguishers are blocked, some are not charged, fire hose reels are in poor condition and have no water pressure and would be useless in fighting any fire and their presence in the mill would give workers a false sense of security. Furthermore the pump which is supposedly used the improved the water pressure was inoperative due to a flat battery and could not be started. This indicates that checking of emergency equipment is not a regular event.

A Major Non Conformity was previously raised during ASA 1 under 4.7.1. b, c & g due to the lack of control of hazards and risk and the lack of effective emergency procedures in the mill which are not being tested. See above bolded areas.

ASA2 Finding: Inspection now confirmed that emergency procedure is now in place. The NC has now keep closed as of 17/02/2012.

There are emergency procedures in each estate and these are tested to a large degree. Each estate has regular evacuation drills which are recorded to determine the level and efficiency of response. There are vehicles available for emergency evacuations in the field for illness and injury however these could be tested so that workers and management can be confident that response to any emergency will be quick and effective.

Emergency Shutdown procedures are available in the mill and are in the local language however it could not be demonstrated that these procedures have been tested recently.

4.7.1. Observation: 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.

There are company clinics on all plantation divisions and at the mill which are staffed by trained Hospital Assistants and are on call 24 hours a day. The clinics are regularly checked by the VMO to ensure they are hygienic and sharps and medical waste is handled correctly.

The company has Red Crescent trained first aiders and first aid kits in all field and mill work areas that are checked and restocked regularly. A number of First Aiders are available in the mill at all times including day and afternoon shifts.

At Sakilan Estate, the latest HIRAC was revised on the 14/1/2012, while in Linbar 2 latest HIRAC was done on 9/3/2010. There's no serious accidents were recorded since April 2010. OSHA training plan for 2012 has been prepared, where 9 types of trainings were planned for Sakilan estate. In Linbar 2 estate, 17 trainings were planned for 2012 including induction programme.

SKL: Latest training for harvester on safety harvesting has been conducted on 24/1/2012 attended by 16 harvesters. LB2: Safety harvesting training for harvesters conducted on 9/1/2012 attended by 13 harvesters.

SKL: The ERP has been revised on the 14/1/2012. Records available. Fire drill has been conducted on the 24/12/2011. Pictures were included.

LB2: Revised on 1/1/2012. The latest fire drill was conducted on 30/9/2011.

There are records kept by Administration of training First Aiders. SKL: Conducted on the 13/10/2011 attended by 11 workers. Training conducted by the clinic HA. Proper usage of FAK has been explained. LB2: The FA training conducted twice a year. Latest training conducted on 8/7/2011. Chemical hazards and emergency treatment were explained.

A dedicated person has been appointed as the overall OHS Manager who coordinates all OHS matters. Furthermore an OHS representative has been appointed in all operations areas. OHS Representatives have been appointed at:

- Sakilan Mill
- Linbar Estates 1 & 2
- Sakilan Estate
- Workshops
- Head Office

All areas have regular meetings to discuss OHS. These are now scheduled at 3 monthly intervals for all operational areas. There is a standardised agenda and meetings are conducted following workplace inspections. Some areas are also holding Tool Box talks to disperse current or topical information or to reinforce safety like use of PPE.

Minutes are kept of all meetings and these are distributed to certain workers to carry out actions as a result of these meetings within given timetable and time frames. The OHS representatives are also responsible for taking the information to other fellow workers and contractors via morning musters. Records of topics discussed a morning musters are available.

In Sakilan Estate, for example, record available in Safety and Health record file. Latest meeting was conducted on 23/12/2012 attended by 22 workers. Eight issues were discussed. In Linbar 2, records of meetings are available. Latest meeting was conducted on 27/1/2012 attended by 18 people.

In Estates workers appear to use PPE in the correct manner as required. Dust Masks and Respirators are made available for all workers in dusty areas or involved in chemical mixing and spraying. See comments earlier in this report with regards to the use of PPE within the mill.

All potentially hazardous operations are identified and if required PPE is provided.

4.7.1. Observation: Inspection to PPE issuance record indicated handling over of PPE has been made 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.

All workers are covered by workers compensation accident insurance.

The safety policy is in place and widely distributed and placed on notice boards in all areas.

Records of all accidents and incidents are kept for each estate and the mill.

All records are compiled for LTI's. These records and reports are then forwarded to government (Manpower) as required under law. These records are kept on an estate or mill basis then compiled for the whole operation and reported to authorities monthly. All injuries and incidents are investigated to determine cause and eliminate recurrence where possible. Accidents are also reviewed at Quarterly safety committee meetings. Inspection to the record indicated that in Sakilan estate, latest LTA was on Dec 2011 (2 days) and in Linbar 2 Estate, monthly accident KPI available. Latest LTA was on Jan 2012 (2 days).

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

There are training programmes in place to improve and increase staff skills when seen as required by management. The training involves requirements such as pesticide application, pesticide mixing and other field training such as harvesting, etc. This is planned for each estate.

A training needs analysis is completed for all operations at the start of each year to ensure training is carried out and skills and competencies are re-enforced.

Specialised training courses are also planned as the need arises and this includes group or in house training. Some training is carried out on demand.

Other training includes Emergency Response training and many topics associated with field and mill related work.

Training needs are assessed on an annual basis. There is a training plan in place for each area of operations of Sakilan. The records of training completed for 2010 comply with the training plan for that year.

There is a training plan in place for 2012 in all operations. For example, in Sakilan estate, training plan for 2012 has been prepared. Training on company's vision and mission has been planned to be conducted on the beginning of March. In Linbar 2, training included in the 2012 training plan. Briefing on RSPO principles was conducted on 16/1/2012.

This plan includes training to be undertaken and who are the targeted staff to undergo this training.

There are formal training records for all supervisory staff up to the level of Senior management. This includes recording of external course attended and skills attained – these records are maintained by the Administration area or each operation.

All Hospital Assistants have received training in chemical use and regulations regarding the use of chemicals. Records of this training are available.

There are training records in place at each operational site recording skills and training and these were sighted at Linbar Estates, Sakilan Estate and Sakilan Mill.

Some of these records are in the form of attendance at training which is given in the field or formal skills such as plant operators, driver's licenses, boiler operators and Red Cross First Aid.

Training records are therefore kept for all employees in each operational area. Records of training attendance is also kept along with photographic records of all training run within each area of operations.

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.

An Environmental Aspects and impacts register has been developed and is reviewed and updated at least annually to indicate any progress made in the plan and the results that have been achieved in the intervening period. These aspects further nominate which are the significant. This register scope covers all operations of Sakilan Group.

There are individual aspects and impact identified for Linbar Estates 1 & 2, Sakilan Estate and Sakilan Mill and other operational areas.

Having environmental management plans is part of the environmental management process for the operations of the Sakilan Group. The role of the aspects register is to help provide the organisation with a system to control and reduce negative impacts and promote positive impacts such as buffer zones, waste management plans, spill control plans and emergency plans. The Environmental Plans are in place and indicate the controls used to ensure any impacts are controlled and reduced and where possible eliminated and better practices put in place. The plans are in the form of a five-year plan and was recently reviewed however the review did not clearly indicate improvements which have been made.

Review to the most current environmental improvement plan confirmed that mill has now properly monitored the plan; where current status and the rate of success of the improvement being made. The Minor NC previously been assigned has now been closed on 17/02/2012.

5.1.2. Observation: EAI (Environmental Aspect Impact) could be improved by putting the priority of action taken on the particular identified impact. The EAI should only cover environmental aspect and excluded OHS issues.

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.

A conservation biologist from the IOI Group Sustainability Team has carried out an assessment of the presence of HCVs within and adjacent to the Sakilan plantations. The conservation biologist used the Malaysia National Interpretation of the international HCV Toolkit and prepared a report on the findings. All of the land within the plantations was previously owned by the Sabah Government and has been logged or used for growing cocoa. The areas identified with HCVs present are summarised below:

Sakilan Estate

HCV4 was assigned to the steep hills of about 2.2 hectares in field 97U that were planted with 1,260 Mahogany trees in 1997 prior to acquisition by IOI. Another steep hill of about 1.5 hectares was planted with 30 *Albizia* trees.

Within the Sakilan Estate, some areas were not planted to oil palm but have been left in their natural state and have been designated by IOI as protected areas for wildlife. These set-aside areas are protected from disturbance and appear to attract wildlife. There are signposts in place indicating the status of each HCV 4 area identified in Sakilan Estate.

HCVs1-3 was not identified at any areas within Sakilan Estate.

Segaliud Lokan Forest Reserve

Linbar 1 and Linbar 2 Estates share a border with the Segaliud Lokan Forest Reserve. Estate personnel have sighted elephant, sun bear, long-tail macaque, sambar deer, hornbill, eagle, otter, wild boar and flying fox along the boundary with Linbar Estates. A number of the fauna species of the Forest Reserve are protected under the Protection of Wildlife Act 1972 (Act 76) and Sabah Wildlife Conservation Enactment 1997 and/or classified under IUCN Red List 2008. The Segaliud Lokan Forest Reserve bordering the Linbar Estates was assigned HCV1. At the time of the audit, Forestry Department Officers indicated the adjacent Forestry Department land is relatively undisturbed. Estate managers cooperate with the Forestry Department to ensure these areas remain undisturbed. Records of any inspection are maintained by the Field Assistants responsible for this duty.

Linbar 1 Estate

There are some areas classified as HCV 4 within the Linbar 1 Estate and these have been left as reserves as a means of watershed protection and to control erosion in any steep areas. For example, steep hills have not been planted but set-aside (Field 92N about 3 hectares, 92 H about 3 hectares, 92Q about 1 hectare) and remain as secondary forest.

Sg. Lokan is a large river located along the boundary of the Linbar 1 and Linbar 2 Estates. The HCV 4 has been assigned to the riparian reserve or buffer zone along Sg. Lokan, which includes a series of ox-bow lakes. The buffer zone provides protection of the riverbanks from erosion and a corridor for movement of wildlife. The buffer zone on this river is within the guidelines set by the Sabah Government.

Linbar 2 Estate

There are two rivers along the boundary of Linbar 2 Estate i.e. Sg. Lokan (Eastern boundary extending to south of the estate) and Sg. Rawong Besar (that flows from the south west of the estate to the east). Both HCV 1 and HCV 4 are considered present at the riparian reserve or buffer zone as it is a corridor for wildlife movement from the southwestern part of the Segaliud-Lokan forest reserve to the south eastern part of the same forest. Maintaining the buffer zone is important for protecting the riverbanks from erosion, as the function of HCV 4.

Flood prone land within the land title adjacent to the rivers is now considered as HCV 4, and is being rehabilitated by planting native species trees. The Estate commenced planting the flood tolerant indigenous tree *Mitregyne speciosa* (Sapat), with 10,828 seedlings planted between 2006 and 2008 and this has been ongoing since that time. The total area of flood-prone land is 199 hectares and will be connected to the Segaliud –Lokan forest reserve via the Sg. Lokan riparian reserve.

The IOI Group Sustainability Team has developed management plans for the protection and enhancement of HCV's within Sakilan Estates. The values that are protected are maintaining forest vegetation cover for erosion protection on steep land as well as along low-lying flood prone areas and riparian reserves. In addition these forested areas have important values as habitat for wildlife. The Estates are carrying out enrichment planting of tree species, as noted above for the flood-prone areas.

The Management Plans focus on the protection of habitat from disturbance. The Estates have installed signboards that indicate to any one passing through the types of fauna that may be encountered in the peripheries of the estates. Warning signs indicate that the wild life is protected and that hunting and collecting are prohibited. The Estates promote awareness of buffer zones to workers and local communities via the prominent use of sign boards.

Inspection during the audit indicated there was no inappropriate hunting, fishing or collecting activities in the Sakilan areas that were visited. Sakilan Group is discouraging people to encroach into the riparian buffers. Signboards have been erected in order to deter access to the buffers and awareness has been conducted for staff and workers. Sakilan Group has enforced gate pass entry to monitor the people entering into and going out of the estates. Estate staff also carries out inspections of the protected areas within the estates to check for any disturbance, such as encroachment.

There are cemeteries in Sakilan Estate for both Moslem and Christian. Inspection confirmed now HCV sign board have been installed, HCV status and both areas required some minor gardening to make them more attractive to the visitors.

5.2.2.Observation: Linbar 1 estate also 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 estate also need to ensure no disturbance against buffer zone occurred.

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

There is a waste management plan in place and it is current. There are formal rubbish collections in all areas at least weekly. This document includes all sources of pollution and waste from all operations.

In a formal manner all sources of pollution and waste are also identified through the company's aspects register which includes mitigation measures. This register is updated at least annually or when new sources become apparent

The following waste streams have been identified and are controlled:

- Office Waste – segregated, recycled where possible with rest to the landfill.
- Household waste – segregated, recycled where possible with the rest to the landfill.
- Human waste – Septic.
- Mill Effluent – through effluent ponds and land application.
- Fibre – Fuel for furnace.
- EFB – Fertiliser.
- Oils and Hydrocarbons (including containers) to scheduled waste area.
- Pesticides (including containers which are stored in the scheduled waste area for proper disposal).
- Pesticide spills – cleaned with spill kits used kits sent to scheduled waste area
- Hydrocarbon spills treated with sawdust. Burnt in boiler.
- Used oil – recycled.

Inspection to the mill confirmed that mill has taken sufficient action to rectify those situations, regular cleaning of drains have been carried out, good waste collection and good housekeeping throughout the mill. The Minor NC previously assigned to 5.3.2, has now been closed on 17/02/2012.

Sakilan now ensures that the quantity of waste recycled or sent to land fill is recorded.

The control of household and other waste at all line sites is now under better control and this was demonstrated by the each line site being in a tidy condition – this is a considerable improvement since the previous assessment. It was encouraging to note that IOI Sakilan is actively promoting segregation of waste on a household level.

Scheduled waste is segregated and disposed of in line with EQA (Scheduled Wastes) Regulations 2005. Records are in place to show disposal of scheduled waste picked up by a Contractor – receipts were viewed.

All crop residue and bio mass are recycled into the field as nutrients and POME is discharged to the field for land application as is well inside the allowable limits as prescribed in the Sabah regulations regarding BOD limits.

The control of hydrocarbons has also been addressed elsewhere in this report. The collection of household waste is now well controlled.

Generally land fill areas are now well managed however the recent land fill at Linbar only lasted two weeks and to be efficient better planning is required to ensure the estate gets maximum life out of each landfill. All landfills show no signs of scattered litter or have any noticeable odour. All are way from residential areas and waterways.

Landfill in good condition and operation, all waste managed properly, it is only observed that the mixing sump not maintained to be emptied and dried.

Metal scrap and iron scrap that previously quite close to HCV 4 has now been transferred, and new metal scrap

isolated in special area marked, but management should maintain scrap quantity at minimum level.

Records include disposal of sharps and contaminated medical waste, amount destroyed and where transported from and dates. All clinics are supposed to have their waste picked up by the main clinic on a roster however this does not always occur. This office needs to be reminded of their obligations in these areas.

The control of hydrocarbon including spills and bulk containment is now adequately controlled. There was evidence that any spills are now treated effectively. Drip trays are now being used to catch hydrocarbon spills and drips which reduce the possibility of ground pollution and possible water pollution. Improvement is also been achieved in areas of pesticide spill control. All minor leaks or drips, which waste resources and cause pollution are now reported and repaired immediately.

5.3.3. Observation: 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.

Government National Analytical Laboratory. However due to the low crop at the time of this assessment there was no discharge from the effluent ponds of POME.

The records of the Company laboratory appear to closely match the records from the independent accredited laboratory.

In the case of stack emissions the level of pollution can be determined through possession and keeping track of records and therefore reduction plans in this case are now meaningful. Recording and monitoring was started in 2004. There is an internal measurement of stack emissions and the Mill is continuously monitored using the “Ringlemann” method as well as 6 monthly government testing of emissions. These latest tests in April and November 2008 indicated that emissions are within limits.

Note: The six monthly testing of stack emissions at the mill appear to differ in allowable limits to those set by the Government. This should be followed up with the testing company to ensure that the correct limits are recorded and to demonstrate the mill emissions are within allowable limits.

5.6.2. Minor NC: 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.

There is no peat land under cultivation in any Sakilan Estate.

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.

Social Impacts are identified in part via the grievance process for employees, contractors and other parties for negative impacts and through social interaction for positive impacts as reported in 6.5.

IOI has prepared in house social impact assessment regarding its operation in Sakilan Mill, Sakilan Estate, Linbar 1 and Linbar 2 Estate at 01 October 2008. Public consultation for SIA assessment was held on 12 August 2008 (attended by 57 workers representatives) and 20, 23, and 27 September 2008. Total attendee 81 persons. There are no close communities, the closest community, the Ulu Dusun kampong, located around 6 km away from the mill, and public consultation was mainly carried out with the participation of internal stakeholders, government officers, suppliers, contractors, and NGO's.

A Social improvement plan was prepared in the same year. The Mill updated the SIA on 26 July 2010, while estate updated the SIA on September 2010. Record of meeting and attendant list is available; however, it was not dated.

Available reports show that stakeholders participated.

Sakilan mill has carried out meeting on preparation of updating the SIA as part of ECC meeting every three monthly. The last meeting was held on 20 December 2011 attended by 21 participants of workers representatives. Record held on file "ECC meeting minutes". The record now completed with date of meeting, agenda, and outcomes.

6.1.3 Observation: 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. Minor NC now been downgraded to observation.

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.

A procedure is in place in relation to communication. The policy has been designed and implemented. There is in place a communication procedure and the policy has formalised. This will have a positive impact on the

effectiveness of the policy and will improve the communication between management and other levels within the company unless completed. Senior management now communicate with other levels within the IOI in relation to the communication policy.

This will be monitored but excellent progress has been made in this area since the initial internal audit conducted 22 to 26 March 2008.

The Consultation and communication procedure for stakeholders is through IOI website: www.ioigroup.com otherwise for those who do not have Internet connection follow 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 mill stakeholder has been prepared consisting of local communities, neighbouring estates, government offices, suppliers, contractors, workers, NGO, doctors, consultants, banks, external auditors complete with address, contact number and persons in charge updated on 20 January 2012. Records are held on file List of Stakeholders. At Sakilan estate, list of stakeholder is updated on Dec 2011. The list is separated by supplier, schools, small holders, NGO's, government dept's and others. In Linbar 2 Estate, list was updated on 1/1/2012. The list is separated by supplier, schools, small holders, NGO's, government dept's and others. Total number of 57 people has been recorded.

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.

Grievance mechanism has been developed and included in "5 Years Management" document. The procedure was developed in consultation with stakeholders affected. Complaint and grievances have been recorded in "Complaint/Grievance Book" since June 2008.

The "Grievance/Complaints" book is used to record all enquiries not only complaints and grievances. In fact almost all enquiries are requests for assistance that each estate provides on almost all occasions. Records of all assistance are recorded in the grievance book. Most of the requests and grievances came from internal stakeholders, such as workers. Inspection of the records indicated that the system resolved all disputes in a timely manner.

IOI has established and implemented ECC (Employment Consultative Committee) for resolving employment issues at local level. The ECC has meetings regularly with the representative of management and workers (including women and foreign workers).

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

Internal stakeholder communications are recorded during the ECC meetings. School requested for additional sheltered cover on the 19/1/2012. The Cadet assistant personally went to meet the school Head Master to discuss and pending for the structure plan and costing. This was confirmed during interview with the school HM.

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.

At the time of the audit all Sakilan Group operations are based on state land to which they have Leasehold title. This indicator applies for customary land (Interview of community leaders and forestry department officers confirm that there were no claims in relation to customary land).

All documents are in English but can be translated into local languages as necessary.

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.

Most of the workers are migrants from Indonesia, who work on 3 years contracts and can be extended as necessary. Pay and conditions are documented in the employment agreement between IOI Sakilan and workers.

Separate terms and conditions are prepared for foreign workers and are available in Bahasa Malaysia. 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.

The Pay slips are in Bahasa Malaysia, and interviews with workers indicated understanding of the details of payment in the pay slip. Harvesters, FFB loader, and fertilizer applicators are paid on piece rate. The rate was made available and interviews with the Harvesters, FFB loaders, and fertilizer applicators confirm understanding of pay rate.

Workers are paid above minimum standard as laid out for Sabah, and are therefore able to make savings.

Housing is provided for free to the workers; IOI are in an on-going process to replace old wooden houses with new brick houses that meet government regulation.

LB1E: Some wooden complexes in three blocks consist of 48 houses. Inspection of the records indicated several complaints raised during 2010 regarding the houses, such roof leakage. A plan is in place to replace 12 wooden houses in the 2011/2012 FY. This is part of the overall time bound plan for housing improvements. In 2012 there are 12 new houses (6x2m) on the process of completion with additional 18 houses (6x6m) scheduled for 2013 will be completed in 2013 to accommodate all of the workers. JKK will carried out final inspection to the house prior to hand over to workers to ensure that legal requirement being met.

SKE: IOI Sakilan has a programme to identify water tanks requirements and provide accordingly. For example the company has distributed as many as 40 new water tanks to all eligible residents by December 2010 (Record: “Water Tank Issue (Book)”. Company has also an on-going programme to replace old wooden house, e.g. this year on-going development expected 24 houses would be completed by mid of this year. The remaining wooden houses will be demolished).

Free medical treatment is available for all workers and their dependents including during pregnancy and births.

The drinking water, which is supplied to the Line Sites via individual rainwater tanks for catching rain from the gutters, is now being tested for quality. The testing records when there is presence of any contaminants and the residents are instructed to boil water for human consumption. The regimen of testing drinking water in all line sites has improved considerably since the previous assessment.

The last laboratory analysis for drinking water was held by Chemical Laboratory (Malaysia) Sdh Bhd on 11 January 2012 indicated full compliance to the government regulation for all indicators tested. Record held on file “Water Quality Monitoring Report”.

6.5.3. Observation: 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 to record of chlorine usage.

Following the observation made during last visit, signage and reminder to drink only boiled water have been installed at clinic and linesite notice board throughout the company premises.

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.

In Sabah Regulations it is forbidden for foreign workers to join any labour union in accordance to letter of Immigration Office dated 10 December 2007. Although there were no Labour Unions on site, workers and staff are represented in Employment Consultative Committee (ECC) which was established at 11 September 2007.

Members are elected from representatives of every division including foreign workers. Regular meetings are held every three months. The ECC representatives were elected to represent each workers category such as sprayers, fertiliser applicators, sprayers, mandor, and harvesters. Meeting held every three months, the last meeting was held on 20 December 2011 attended by 21 workers representatives. Records are held on file "Employee Consultative Committee (ECC)".

All workers are free to join ECC and this was made known to all workers after establishment of the ECC in September 2007. For example, in Linbar 2 Estate, ECC meeting are being conducted quarterly. Latest meeting was conducted on 29/12/2012.

A Statement of Freedom of Association is available in Management Plan point 6.0 General Work / Labour Conditions.

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.

IOI have a policy to contract workers in age range from 18 – 50 years old. Confirmed during assessment that age check was done prior to employment where Malaysian workers must provide National Identity Card while Indonesia workers provide passport. No children workers were observed in field. Workers stated during assessment that no underage worker was employed in IOI.

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.

Equal opportunity policy was approved by Sandakan SRO Manager 25 November 2008 available in both Bahasa and English.

It was confirmed during assessment that no claim from employee that they have been discriminated against had been received. Inspection on ECC minutes of meeting did not find any discrimination. Examination of records of salary between local and foreign workers did not find any differential on the same jobs level. Interview of male and female foreign workers confirmed they are not discriminated against.

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.

A Policy on sexual harassment is available in Bahasa and displayed in each office. Interviews with female workers confirmed that they are aware of the policy and understand where to report the occurrence of sexual harassment.

IOI also prepare complaint form in Bahasa (Borang Laporan Aduan Gangguan Seksual), inspection of the record found no complaints received. IOI has established Ahli Jawatan Kuasa Wakil Jantina (Gender Representative) in every operating unit.

SKM: the last meeting was held on 21 October 2011 attended by 9 participants—record held on file "Gender Consultative Committee".

A Grievance mechanism on sexual harassment was established and well implemented. Record held on file: Prosedur Aduan Gangguan Seksual. Inspection of the female complaints book indicated an increase of female workers understanding toward sexual harassment prevention, as there were cases of sexual harassments have being reported. Each Estate has taken appropriate action and appropriately investigated each claim and taken action when required – records of this action is documented.

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

Only FFB from company owned land is processed – there are no smallholders.

The Company has standard terms and conditions of contracts bound into the contractor contract agreement. In addition, during induction, details of the contract were explained. Interviews with contractors confirmed they understand contract terms and conditions.

It was confirmed during interview with contractors and suppliers, all payments are made in timely manner.

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

IOI provides assistance in several ways, such as: Yayasan Tan Sri Sheng Cheng Scholarships, awards and adoption programme for all deserving employees' children.

IOI also provides free treated water and electricity to Sakilan Desa School. Recently, a total cost of RM 11,562.44 has been donated to SK Sakilan in the form of PC's, Air Cond and new badminton court has been build.

Linbar 1 estate is maintaining 24 km of main road leading to desa Lung Manis, that benefits kampong Pahu inhabitants.

Under Yayasan Tan Sri, 54 children received free school bags, stationery and monthly financial contributions to the Humana School. The contribution was made on 06 April 2011.

Company has now consistently recorded of its donation made. Inspection to file "Derma / Sumbangan Linbar 1 Estate" confirmed that now all donations have been properly recorded including donation made to local school.

Criterion 7.1: A comprehensive and participatory independent social and environmental impact assessment is undertaken prior to establishing new plantings or operation, or expanding existing ones, the results incorporated into planning, management and operations.

In Sabah there is a requirement for an EIA on replanting in excess of 500 hectares. There is extensive replanting in Linbar Estates and therefore an EIA was completed prior to this replanting commencing. This was initially carried out by an independent organisation in February 2010. This organisation was KiwiHeng. A report was produced with findings and recommendations were made.

The results of this EIA were incorporated into a Management Plan for this replanting. Implementation of the plan was monitored and reviewed by consultant (Kiwiheng) on quarterly basis. The last monitoring was held on 20 and 21 October 2011.

Previously, Minor Nonconformity was assigned to Indicator 7.1.2: Monitoring of water quality during the replanting at Linbar 1 is supposed to be completed every 4 months – The results from the EIA consultant are only available for May 2010. The consultant needs to be contact to ensure these results are made available more readily. Confirmed that now the consultant has now completed monitoring of water quality quarterly as part of regular monitoring effort. Inspection to the document confirmed now the estate hold monitoring result for period November – February 2011, March – June 2011, and July – October 2011. The last report supposed to be finalised at the end of February 2012. The NC has now been closed on 17 February 2012.

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.

The company has implemented a Management System that includes many improvement plans.

Objectives and Targets have been developed and an improvement plan prepared. The main focus of continual improvement to date has been environmental performance, while more attention has now been given to social impacts.

The company has implemented best practices for management of pesticides and the improved controls associated with this program has reduced overall chemicals usage over the past 5 years.

The company has implemented a best practice system for the segregation of wastes at source into composts, recyclables and non-recyclable for disposal at landfills. This program has reduced substantially the quantity of waste disposed in landfills.

Company assign consultant to carry out regular monitoring of the implementation of replanting area every four months.

Riparian buffer strips are being established at replant to trap coarse-grained sediment from discharge into streams. Vetiver and Guatemala grass are being used to strengthen river and creek banks to prevent erosion.

Social impact assessments have been carried out for each estate and the mill and improvement programmes introduced.

A Continuous Improvement Plan is attached (Appendix C).

3.2 **Detailed Identified Nonconformities, Noteworthy Negative and Positive Observations**

Nonconformities

One (1) Non-Conformity were assigned to minor non-conformance against indicator 5.6.2.

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.

Noteworthy Negative Observation

Eight (8) observation/opportunities for improvement were identified. The progress with the Observations/Opportunities for Improvement will be checked during the Surveillance Assessment visit scheduled for January 2013.

A704230/1 (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.

A704230/2 (4.7.1.) 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.

A704230/3 (4.7.1.) 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.

A704230/4 (5.1.2.) 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.

A704230/5 (5.2.2.) Linbar1 estate also 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 estate also need to ensure no disturbance against buffer zone occurred.

A704230/6 (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.

A704230/8 (6.1.2.) 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. Minor NC now been downgraded to observation.

A704230/9 (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.

Sakilan Group has prepared a Corrective Action Plan (Appendix D) that has been reviewed and accepted by BSi. Progress on Corrective Action will be checked during the Surveillance Audit.

3.3 Status of Nonconformities (Major and Minor Previously Identified (during First Surveillance Assessment))

The Minor Nonconformities will be addressed during the 12 months following first surveillance assessment and will be checked at the next Surveillance Assessment scheduled within twelve months of the RSPO approval of the Initial Certification.

The progress with the observations/opportunities for improvement will also be checked at the Surveillance Assessment visit.

MAJOR NONCONFORMITIES

Two (2) Nonconformities were assigned against Major Compliance Indicators. Details of these Nonconformities and Corrective Actions are provided below:

2.1.1. A Major Non Conformity was raised due to 1. the fact the a large number of displayed permits for Boilers, Air receivers and other pressure vessels had expired in September in 2009 and no current permits were available. 2. Inspection to the mill payroll indicated evidence of systemic overtime in excess 104 hours allowable monthly, which has consistently occurred least since August 2010 where several cases the excess up was to 211 hours on “normal working” days. Payroll system designed to prevent excess of overtime failed to alert management. No corrective action measure has been taken. Inspection to the documents indicated there was no Labour Department Letter of Approval for extensions to the limit on overtime. This is considered a violation of Sabah Labour Ordinance (Sabah Cap. 67), amended as at 10.02.2005 by Act A1238).

Sakilan Group has prepared a Corrective Action Plan (Appendix D) that has been reviewed and accepted by BSi. Progress on Corrective Action will be checked during the Surveillance Audit.

Surveillance Finding: Company has appropriate and valid permit for example (1) Boiler Permit No. 169983 dated 06/06/2011, Air receiver permit no. 288990, Pressure dan Filter (288996), water softener (288995), entrainment separator (288993), etc. are issued on 06/06/2011 and expired on 06/05/2012; (2) Senior Plantation Controller have send letter to all Head of Operating Units at 01 February 2011 to ensure no more overtime exceedance of 104 hours per month. This policy later followed by recruitment of sufficient labour force to overcome such situation and instructed Assistant/Payroll Clerk/Chief Clerk to be more attentive pertaining the distribution of overtime to the workers. At the time of 1st surveillance audit (February 2011) total number of workers are 86 persons. In December 2011 total labour are 143 (additional 57 workers or 66 percent). Inspection to the Check Roll Book confirmed that the policy now effective to prevent excess of overtime where no more excess of overtime was occurred in 2011.

The NC still remains closed.

4.7.1 A Major Non Conformity was raised under 4.7.1. b, c & g due to the lack of control of hazards and risk and the lack of effective emergency procedures in the mill which are not being tested.

Sakilan Group has prepared a Corrective Action Plan (Appendix D) that has been reviewed and accepted by BSi. Progress on Corrective Action will be checked during the Surveillance Audit.

ASA2 Finding: Inspection now confirmed that emergency procedure is now in place. The NC has now keep closed as of 17/02/2012.

MINOR NONCONFORMITIES

Four (4) Nonconformities were assigned against Minor Compliance Indicators. Details of these Nonconformities are provided below:

A535834/1 (5.1.2) Minor Non Conformity The environmental improvement plan is not adequately monitored as there are no dates recording improvement and further the plan is not updated to indicate the current status of a number of improvements made. It also does clearly indicated which part of the plan have already been implement and with what success and when this was achieved.

ASA2 Finding: Review to the most current environmental improvement plan confirmed that mill has now properly monitored the plan; where current status and the rate of success of the improvement being made. The NC has now been closed on 17/02/2012.

A535834/2 (5.3.2) Minor Non Conformity: Although plans are in place to reduce pollution some areas of the mill need further improvement – drains are blocked, no evidence of regular cleaning of blocked drains, unsightly waste on display, scrap iron uncontrolled and poor housekeeping throughout the mill.

ASA2 Finding: Inspection to the mill confirmed that mill has take sufficient action to rectify those situation, regular cleaning of drain have been carried out, good waste collection and good housekeeping throughout the mill. The NC has now been closed on 17/02/2012.

A535834/3 (6.1.3) Minor Non Conformity: The Mill and estates have prepared an action plan based on the finding of the SIA. However, the action plan was not dated, no updates that make the plan current and it also contains a lengthy list of action measure to be taken, and fails to differentiate between social impact and OSH issues, there is no clear time bound plan for reaching objectives and no person in charge to ensure proper implementation of the plan. Once objectives the plan is not updated with new objectives and therefore is not current.

ASA2 Finding: 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. Minor NC now been downgraded to observation.

A535834/4 (7.1.2) Minor Nonconformity: Monitoring of water quality during the replanting at Linbar 1 is supposed to be completed every 4 months – The result from the EIA consultant is only available for May 2010. The consultant needs to be contact to ensure these results are made available more readily.

ASA2 Finding: Confirmed that now the consultant has now completed monitoring of water quality quarterly as part of regular monitoring effort. Inspection to the document confirmed now the estate hold monitoring result for period November – February 2011, March – June 2011, and July – October 2011. The last report supposed to be finalised at the end of February 2012.

OBSERVATIONS / OPPORTUNITIES FOR IMPROVEMENT

4.1.2 Observation: A number of StOP's with regards to the mill although displayed were at times overlapping and therefore not readily available to workers.

ASA2 Finding: Inspection confirmed that maintenance is now effective where StOPs area already displayed in the large forms in every station. Adequate document control in the form of issue date and approval is in place on all documents.

4.1.2 Observation: DOSH visited the estate on 07 October 2009 and commented on slippery working floor and to clear all debris, and monthly safety inspection to be properly completed and kept in proper place. Record held on file "DOSH Inspection Report". DOE visited the mill on 22 November 2010, commenting on mill effluent bunding. Record held on file "DOE".

ASA2 Finding: Mill has implemented system of checking and monitoring of the drains on regular basis. Drains are checked and cleaned twice weekly. Inspection confirmed timely replacement of drain covers.

4.1.2 Observation: The evidence of the inspection of drains does not ensure that all drains are regularly cleaned and that drain covers are replaced.

ASA2 Finding: Inspection confirmed that maintenance is now effective where StOPs area already displayed in the large forms in every station. Adequate document control in the form of issue date and approval is in place on all documents.

4.6.4 Observation: A small number of MSDS were not available for some substances however they were available in the relevant estate office and were to be provided to the store areas.

ASA2 Finding: Inspection confirmed that all MSDS is available and are available in Bahasa Malaysia.

4.7.1 Observation: A number of Safety Polices on display were not current.

ASA2 Finding: Inspection now confirmed that emergency procedure is now in place. The NC has now keep closed as of 17/02/2012.

5.2.2 Observation: There are cemeteries in Sakilan Estate for both Moslem and Christian however there are no signs indicating HCV status and both areas required some minor gardening to make them more attractive to the visitors.

ASA2 Finding: Confirmed that now HCV signboards have been installed.

5.3.2 Observation: There is an area set aside for metal and scrap iron to be recycled near the Sakilan Land fill – as this is quite close to an HCV 4 area this scrap should be fenced off in some manner to indicate it is under control.

ASA2 Finding: *Scrap metal already transferred, and new metal scrap isolated in special area marked, but management should maintain scrap quantity at minimum level.*

6.1.2 Observation: An Interview of mill and estate officials indicated that affected parties inputs are sought during updating of the SIA. However, there is no date in the list of attendance. Although there is evidence of the participation of local communities the records do not clearly indicate the date of the meeting, agenda and outcomes.

ASA2 Finding: Sakilan mill has carried out meeting on preparation of updating the SIA as part of ECC meeting every three monthly. The last meeting was held on 20 December 2011 attended by 21 participants of workers representatives. Record held on file “ECC meeting minutes”. The record now completed with date of meeting, agenda, and outcomes.

6.5.3 Observation: Although workers are advised to boil drinking water the information could be better using line site and clinic notice boards to ensure as many people as possible are informed.

ASA2 Finding: Advice to boil drinking water has been installed at clinic and linesite notice board throughout the company premises.

6.11.1 Observation: Donations made to the local school at Linbar 1 have not been recorded.

ASA2 Finding: *Inspection to file “Derma / Sumbangan Linbar 1 Estate” confirmed that now all donations have been properly recorded including donation made to local school.*

3.4 Corrective Action and Closeout of Nonconformities

The Minor Nonconformities will be addressed during the 12 months following first surveillance assessment and will be checked at the next Surveillance Assessment scheduled within twelve months of the RSPO approval of the Initial Certification.

The progress with the observations/opportunities for improvement will also be checked at the Surveillance Assessment visit.

3.5 Noteworthy Positive Components

1. OHS

The status of the OHS throughout the Sakilan group is excellent. All staffs 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.

2. Roads

IOI Sakilan Group is up-keeping many roads in the areas surrounding their estates. Even though these roads do not run through their property IOI supplies equipment and man power to keep these roads in good condition for all users. Linbar 1 estate maintains 24 km of main road leading to desa Lung Manis that benefits kampong Pahu inhabitants.

4. Wild Life

There are many signs throughout the boundaries of the Sakilan Group estates with pictures of Endangered or Protected Fauna. These signs boards prohibit any tampering with this fauna and raise awareness of the varied wild life in the reserves bordering the estate.

5. Protected Areas

Land that is unsuitable for planting to oil palm has been set aside and is now protected from disturbance, such as the wild life areas on all Estates. IOI has conducted awareness to staff and workers on the importance of protecting the set aside areas from disturbance.

6. Local Government School

IOI provide assistance in several ways, such as: Yayasan Tan Sri Sheng Cheng Scholarships, awards and adoption programme for all deserving employees’ children. IOI also provide free water and electricity for Sakilan Desa School. Tan Sri Dato’ Lee Shin Cheng awards and adoption programme for all deserving employees’ children, construction of badminton court, provision of providing free school books.

4. Amenities (Housing)

IOI is on the process of upgrading workers linesites from wooden house into concrete wall houses. Additional water tanks were installed provides better clean water storage.

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

Stakeholders Comments

Mill, Estate Workers, and Staff

Workers in general are happy to work with the company, however, several issues were raised during assessment as the following:

(1) Foreign workers raised issue on the prolong process of passport extension upon the expiration. A foreign workers stated that the process up to five months to complete that make difficult to travel during that period.

IOI Response: The company contracted a Labour Agent for foreign workers' passport renewal, three months prior to the expiry date. Small number of workers sometime experiences a lengthy process due to the incomplete the required data and information. In that case company issues a travel pass so that they can travel freely.

Contractors and Suppliers

Contractors and suppliers commented positively with the company, having good relationship, doing business fairly. No issue was raised by the Contractors.

Local Community

No issue raised by local community

Government Official

No issues raised by Government Official

3.7 Acknowledgement Of Internal Responsibility And Formal Sign-Off Of Assessment Findings

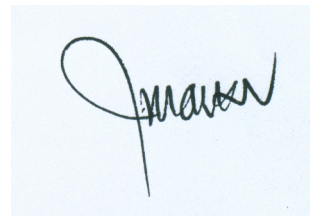
Please sign below to acknowledge receipt of the assessment visit described in this report and confirm the acceptance of the assessment report contents including assessment findings.

Signed for on behalf of
Sakilan Group
IOI Corporation Berhad



Mr. S.S. Ragupathy. Senior Plantation Controller of Sakilan Grouping
Date: 04.05.12

Signed for on behalf of
BSI Group Singapore Pte Ltd



Mr Iman K Nawireja
Lead Auditor
Date: 19.04.12

Appendix “A”

IOI Sakilan RSPO Certificate Details

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

Certificate Number: 543161
Certificate Issue Date: 7th March 2010.

Website: www.ioi.com.my

Applicable Standards: RSPO Principles & Criteria: 2007; Malaysian National Interpretation: November 2010

Sakilan Palm Oil Mill and Supply Base		
Location	West of Sandakan, Sabah, Malaysia	
Address	Mile 45 Sandakan / Telupid, wdt 164 Sandakan, 90009, Malaysia	
GPS	E117 50' 37" N5 50' 21"	
CPO Tonnage	29,110.19	
PK Tonnage	7,080.50	
Plantations FFB Tonnages	Linbar 1	62,804.06
	Linbar 2	51,783.91
	Sakilan	73,433.58

Appendix “B”

Certification Audit Programme

Audit Schedule IOI Audit 13 – 17 February 2012

Auditors: Iman Nawireja, Hendra Wijaya, and Muhamad Haris

Auditors will visit all estates and mill together and then split up for tasks as stated below.

DATE	TIME	ACTIVITY	IN	HR	MH
Monday February 13	09.55 am	Travel Jakarta – Kuala Lumpur MH 712 arrived 12.55 pm	√	√	
	05.25 pm	Travel Kuala Lumpur – Sandakan AK 5162 arrived Sandakan 08.25 pm	√	√	√
Sakilan Mill Tuesday February 14 TEAM 1 SAKILAN PALM OIL MILL	0800	Opening Meeting Interview Staff/Workers/Clinic on pay issues, freedom of association, clinic, first aid provisions Inspect Mill and Estate Housing and Interview Residents All Mill operation – inspection of all aspects including control of waste and effluent, conservation, OHS – hazards/workplace inspection, land fill	√ √ √	√ √ √	√
	PM 1630	Review Pay Documentation Supply Chain Document Review Closing Briefing	√ √ √	√ √ √	
TEAM 2 Sakilan ESTATE	AM	Inspect Estate, including Land Application, Buffer Zone Interview workers, pay issues, freedom of association, clinic, first aid provisions Inspect Stores, Landfill			√ √ √
	PM 1630	Document Review Closing Briefing			√ √
TEAM 1 Linbar 1 Wednesday February 15	0800	Inspect Estate, including Land Application, Buffer Zone (Spraying, Upkeep, Erosion control, Fertiliser application, Buffer Zones, HCV, Sacred Sites, Soil Quality, Land fills, Accident reporting – EMS & OHS Aspects and Hazards, Training) Interview Fieldworkers Inspect Stores, Landfill Interviews(Contractors/External Stakeholders)	√ √ √	√ √	
	PM 1630	Estate Housing and Interview Residents Document Review Visit Local Communities Closing Briefing	√ √ √	√ √ √	

TEAM 2 Linbar 2 ESTATE	AM	Inspect Estate, including Land Application, Buffer Zone Interview Male Fieldworkers on pay issues, freedom of association, clinic, first aid provisions Inspect Stores, Landfill Contact Government Offices DOSH, DOE, Labour Department, AMESU, NGOs			√ √ √ √ √
	PM 1630	Document Review Closing Briefing			√ √
Thursday February 16	AM	Follow Up Any Issues, Clarification Report Preparation	√ √	√ √	√ √
	PM 0300	Auditor Caucus Closing Meeting	√ √	√ √	√ √
Friday February 17	10.30 am	Team travel Sandakan – Kuala Lumpur AK 5169 arrived at 13.10 pm	√	√	√
	04.30 pm	Travel Kuala Lumpur – Jakarta MH 723 arrived at 05.30 pm	√	√	

Appendix “C”

Continuous Improvement Plan

LISTS OF CONTINUOUS IMPROVEMENT PROGRAMMES ON ENVIRONMENT

Items	Continuous Improvement Programmes for Environment	Target time
Palm Oil Mill Effluent (POME) Covers indicators 8.1.2, 8.1.3 and 8.1.4.	<ol style="list-style-type: none"> Oil mill to implement POME as land application as per the approved by Department of environment and IOI management schedule and budget in fields 97F and 97G require continues monitoring. Planing to put green tube to collect solids of effluent from POME to reduce methane gas emissions. 	Within June 2013
Empty fruit bunch (EFB) Covers indicators 8.1.2, 8.1.3 and 8.1.4.	<ol style="list-style-type: none"> Biomass renewable energy development from EFB to burn fuel for IOI Group refinery is completed and operational. 	June 2009
Efficient usage of electricity and office papers	<ol style="list-style-type: none"> Conversion of current lights to energy saving lights after consultation with Sr. Management. 	4 years December 2012
High Conservation Area Covers indicators 8.1.2	<ol style="list-style-type: none"> Conversion of the flood prone plain (199 hectares) from HCV4 to HCV1. Planting of flood plain with Sapat (<i>Mitregyne speciosa</i>) Family. Rubiaceae and other suitable flood tolerant trees. To carry out preliminary biodiversity study in the floodplain within landholding. Recruitment of the natural conservationist under oil palm sustainable department. Repairs of road and bridges along wildlife corridor 	5 years December 2013 3 years December 2011 From April 2009 to June 2009 April 2009 On going.
Reduction of Pesticide usage by especially Class IA and Class IB for leaf eating caterpillars <i>Metisa plana</i>, <i>Mahasena corbetti</i> and <i>Setora nitens</i>. Indicator 8.1.1	<ol style="list-style-type: none"> Promotes more on biological control on leaf eating pests by planting more beneficial nectariferous plants species like <i>Turnera subulata</i>, <i>Cassia cobenensis</i> and <i>antigonon leptopus</i>. 	Linbar 1 will need 3 years to complete the programme June 2011 Linbar 2 to be completed by 3 years June 2011 Sakilan estate to be completed by 2 years June 2010.
Construction of New Fertilizer Store in Linbar 1	<ol style="list-style-type: none"> Fertilizer store 1 unit 90'X35'with pollution prevent plans 	June 2010
Estate Name	Continuous Improvement Programmes in Social	Target
Sakilan	Division1 -Creche 1 unit. Division 1 -Worker's housing development 6X4 units. Division 2 – Building Creche 1 unit Division 2 Worker's housing development 3X4 units Division 2 Worker's housing development 3X4 units	June 2009 June 2010 June 2010 June 2010 June 2012
Linbar 1	Assistants' Manager's Housing 1X2 units Staff Housing 4X2 units (Semi Detached) Worker's' housing 4X4 units Humana School 1 unit	June 2009 June 2009 June 2011 June 2012
Linbar 2	Workers' housing development 4X4 units Workers' housing development 4X4 units	June 2009 June 2010
Sakilan Oil mill	Housing are fully integrated, therefore no programmes	-

Paraquat have been phased out in December 2011.

Appendix “D”

Nonconformities, Corrective Actions and Observations Summary

Observations / Opportunities for Improvement - 7

Nonconformities

One (1) Non-Conformity was assigned to minor non-conformance against indicator 5.6.2.

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.

Noteworthy Negative Observation

Eight (8) observation/opportunities for improvement were identified. The progress with the Observations/Opportunities for Improvement will be checked during the Surveillance Assessment visit scheduled for January 2013.

A704230/1 (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.

A704230/2 (4.7.1.) 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.

A704230/3 (4.7.1.) 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.

A704230/4 (5.1.2.) 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.

A704230/5 (5.2.2.) Linbar1 estate also 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 estate also need to ensure no disturbance against buffer zone occurred.

A704230/6 (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.

A704230/8 (6.1.2.) 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. Minor NC now been downgraded to observation.

A704230/9 (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.

Nonconformities (Summary)

1 Minor Nonconformities/Improvement Requests

Minor Nonconformities/Improvement Requests (Detail)

RSPO Indicator	NCR Ref	Details
A704230/7 5.6.2. Plans are reviewed annually.	AT 01	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.

Corrective Action Plan

No	RSPO Indicators	NCR Ref	Description	Corrective Action Plan	PIC	Date Due
1.	5.6.2. Plan are review annually.	NCR 01	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.	Mill has conducted training for the operator and supervisor. Follow up trainings shall also be conducted to ensure that this does not re-occur.	Mill Manager & Engineers	22 nd February 2012

Appendix “E”

Supply Chain Report

Annex 6: IOI Group Sakilan Supply Chain 8.12.11

Module D – CPO Segregation

The mill processed both certified and non-certified FFB (see **Table 2**). However, the process did not mix up the non-certified and certified products. The non-certified FFB entering the mill in different days than certified one. The CPO later been stored in dedicated tanks (CPO Tank 2) in the mill and transported by dedicated tanker to refinery which later also been store in dedicated CPO thank and handled separately from certified CPO. As such Segregation option would be appropriate.

Requirements	SG
1. Documented procedures	
1.1 The facility shall have written procedures and/or work instructions to ensure implementation of all the elements specified in these requirements.	Sakilan mill has a documented procedures for the chain of custody, SOP No. StOP/MST/001 dated 23 June 2011 on “Sustainability Requirement for Management System and Traceability Control Procedure at Critical Control Point (CCP)”.
2. Purchasing and goods in	
<p>2.1 The facility must operate a system to ensure that RSPO certified inputs of raw materials and products are identified. The system must include the following:</p> <p>a) A mechanism which ensures that when the company orders RSPO material from its suppliers it specifies this requirement within purchase orders and ensures that the origin of the material until the previous permanent processing facility in the supply chain can be verified as such;</p> <p>b) A mechanism which ensures that when the company receives RSPO material it confirms that the RSPO raw materials delivered are the same as those specified in the purchase order and the accompanying documentation from the supplier;</p> <p>c) A mechanism which ensures that if the validity of accompanying documentation is in doubt, the validity is checked prior to accepting the material;</p> <p>d) A mechanism for handling non-conforming material.</p>	<p>All material came from IOI estates therefore is no PO. In 2010/2011, the mill also received FFB from Meliau, Nangoh, Rungus, and Tindakon (for 3,309 ton) initially supplied to Pamol Mill (a certified FFB—by SGS). The mill also received uncertified FFB from Bimbingan 1, Bimbingan 2, and Labuk Estates 31,209 tons. For uncertified FFB, IOI use the same system which indicate weight (quality of product is checked in field and rejected if not meet requirement (unripe, rotten, EFB) and source of material including block where the FFB came from. Purchase order is not used.</p> <p>Yes this is done by weighbridge docket indicate weight and source of RSPO material. In this case PO is not used because internal supplier.</p> <p>This is IOI material and all validation can be checked through the docket system – the same can be said of all RSPO material.</p> <p>The Mill can reject the quality of the RSPO and non RSPO Materials if it is unacceptable with regards to FFA level. Mill will issue “off spec crop and unripe ranking table” to estate manager indicated reason and tonnes of FFB rejected.</p>
3. Sales and goods out	

<p>3.1 The facility must operate a system to ensure that all sales invoices issued for RSPO delivered material includes the following information:</p> <p>a) The name and address of the buyer;</p> <p>b) The date on which the invoice was issued;</p> <p>c) A description of the product;</p> <p>d) The quantity of the products delivered;</p> <p>e) Reference to related transport documentation.</p>	<p>The company is able to issue an invoice, which will allow them under the segregation scheme to include amount of RSPO materials.</p> <p>Yes – this is completed</p> <p>This is already in place</p> <p>Yes</p> <p>Yes in place</p> <p>Yes via alert that client has received product</p>
4. Processing	
<p>4.1 The facility can only choose a supply chain option in cases where the RSPO materials have been verified to meet at least the supply chain option requirements in the previous stage of the supply chain.</p>	<p>Segregation.</p>
<p>4.2 The facility must assure that the RSPO-certified material is uniquely identifiable to the mill and its supply base and is kept physically isolated from all other oil palm sources in its facility</p>	<p>Yes – Non RSPO-certified FFB is only account for 18 per cents of total FFB processed. The mill firstly processes an RSPO-certified FFB and store in designated tank 1. Upon completion, a non RSPO-certified FFB entering the processing line and store in tank 2. The non-certified FFB entering the mill in different days than certified one. The CPO later been stored in dedicated tanks (CPO Tank 2) in the mill and transported by dedicated tanker to refinery which later also been store in dedicated CPO thank and handled separately from certified CPO.</p>
<p>4.3 The facility must assure that the RSPO-certified material is kept segregated from non certified material</p>	<p>Segregation – Tank 1 for RSPO-certified material only.</p>
5. Record keeping	
<p>5.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements.</p>	<p>Yes – records are in place (weighbridge room) and accessible</p>
<p>5.2 Retention times for all records and reports shall be specified by the facility and shall be at least five (5) years.</p>	<p>This is part of the company record keeping requirements, stated to be kept for 5 years.</p>
<p>5.3 The facility shall record the volume of RSPO certified material on a three-monthly basis:</p> <p>a) Ordered and received from suppliers;</p> <p>b) Used in processing;</p> <p>c) Retained in storage;</p>	<p>The Mill retain daily, monthly, and three monthly record on file “Daily Report”</p> <p>“Daily Report”</p> <p>“Daily Report”</p>

d) Despatched as RSPO palm oil or derived product.	"Daily Report"
5.4 The following trade names should be used and specified in purchase and sales contracts:	Halisah Ladang Sdn Bhd (Sakilan Palm Oil Mill)
5.5 The facility must provide documented proof that the certified material can be traced back entirely to the oil mill	The Mill has prepared "Chain of Custody Report" which with ability the mill to trace RSPO material.
5.6 The facility must provide documented proof that the certified material can be traced back to only certified segregated material	The Mill has prepared "Chain of Custody Report" which with ability the mill to trace RSPO material.
5.7 The facility must:	
a) link sales with a MB-purchase from a certified permanently located processing unit	-
b) ensure that the output of RSPO material does not exceed the input of RSPO material on delivery basis	- RSPO Material is store in Tank 1 only.
5.8 The facility must	
a) provide documents to prove that the BC certificates claimed, match the claimed quantity despatched	Chain of custody files
b) provide a declaration from its suppliers with the % of palm products in their recipe	Chain of custody files
6. Training	
6.1. The facility shall specify the training requirements for all staff as required to implement these requirements.	Company has programme to provide training for workers annually.
6.2. Training shall be provided to all staff as specified.	Company provide training to all staffs (security officers, laboratory, clerks weighbridge on 15 October 2011 in relation to the implementation of SCCS.
6.3. The facility shall keep records of the training provided to staff in relation to implementation of these requirements.	The mill maintained records of all training on "ISCC Formal Training".
7. Claims	
7.1 The facility only makes claims regarding the use of or support of RSPO certified sustainable palm oil that are in compliance with the RSPO approved claims	Confirmed that Sakilan Mill only claim certified palm oil.

Appendix “F”

***Time Bound Certification Plan – IOI
Corporation Berhad***

Jan'12	Feb'12	Mar'12	Apr'12	May'12	Jun'12	Jul'12	Aug'12	Sep'12	Oct'12	Nov'12	Dec'12
			Syarimo Oil Mill (Covering 9 Estates) ***		Ladang Sabah Oil Mill (Covering 8 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
	Leepang Oil Mill (Covering 7 Estates) ***					Morisem Oil Mill (Covering 9 Estates) ***					

- IOI Corp. Bhd. Membership on RSPO being suspended
- * Certified Oil Mill
- ** Completed the Audit
- *** In Preparation

NAME OF THE PLANTATION MANAGEMENT UNIT:			
Estates	Size (ha)	Location	Other Information
<i>Pamol Sabah Oil Mill, Sabah (Certified in February 2009).</i>			
Meliau Estate.	2,998	Sandakan, Sabah	
Bayok Estate.	2,210	Sandakan, Sabah	
Tindakon Estate.	1,579	Sandakan, Sabah	
Rungus Estate.	2,560	Sandakan, Sabah	
Nangoh Estate.	1,834	Sandakan, Sabah	
Ulu Estate.	2,331	Sandakan, Sabah	
Sugut Estate (certification under IJM)	713	Sandakan, Sabah	100% Crop sent to IJM Plantation Oil Mill.
<i>Sakilan Oil Mill, Sabah (Certified in March 2010).</i>			
Sakilan Estate.	2,142	Sandakan, Sabah	
Linbar 1 Estate.	2,458	Sandakan, Sabah	
Linbar 2 Estate.	1,842	Sandakan, Sabah	
<i>Pamol Kluang Oil Mill, Peninsular (Certified in March 2010).</i>			
Pamol Barat Estate.	2,213	Kluang, Johor	
Mamor Estate.	1,902	Kluang, Johor	
Pamol Timur Estate.	2,167	Kluang, Johor	
Swee Lam Estate.	1,234	Kluang, Johor	
Unijaya Estate.	1,194	Kluang, Johor	
Kahang Estate.	2,271	Kluang, Johor	
<i>Gomali Oil Mill, Peninsular (Certified in August 2010).</i>			
Bukit Serampang.	2,725	Tangkak, Johor	
Gomali.	3,595	Segamat, Johor	
Sagil.	2,518	Tangkak, Johor	
Paya Lang	1,476	Segamat, Johor	
Tambang.	2,020	Segamat, Johor	
Reagent Estate.	2,313	Tampin, N. Sembilan	
Kuala Jelai.	678	K. Pilah, N. Sembilan	
Bukit Dinding.	1,660	Bentong, Peninsular	
Bahau.	3,028	K. Pilah, N. Sembilan	
Bertam Estate	734	Malacca.	
Jasin Lalang	2305	Malacca	
<i>Baturong Oil Mill, Sabah (Certified in October 2010).</i>			

Baturong 1	2,822	Lahad Datu, Sabah	
Baturong 2	2,351	Lahad Datu, Sabah	
Baturong 3	1,858	Lahad Datu, Sabah	
Cantawan	1,452	Lahad Datu, Sabah	
Bukit Leelau Oil Mill, Peninsular (Certified in November 2010).			
Bukit Leelau Estate.	2,096	Pekan, Pahang	
Merkassar Estate	1,216	Pekan Rompin, Pahang	
Merchong.Estate	1,952	Pekan, Pahang	
Detas Estate.	2,301	Pekan, Pahang	
Mayvin Oil Mill, Sabah. (Certified in December 2010).			
Mayvin 1.	Mayvin 1.	Mayvin 1.	
Mayvin 2 / 3.	Mayvin 2 / 3.	Mayvin 2 / 3.	
Mayvin 5.	Mayvin 5.	Mayvin 5.	
Mayvin 6.	Mayvin 6.	Mayvin 6.	
Tangkulap	Tangkulap	Tangkulap	
Pukin Oil Mill, Peninsular (audited in December 2010)			
Leepang A Estate.	2,404	Rompin, Pahang	
Laukin A Estate.	1,620	Rompin, Pahang	
Shahzan IOI.	3,204	Rompin, Pahang	
Segamat Estate.	1,946	Segamat, Johor	
Pukin Estate.	2,437	Pekan Rompin, Pahang	
Ladang Sabah Oil Mill (to be audited in July 2011)			
Luangmanis	2505	Sandakan, Sabah	
Terusan Baru / Mayvin 4	2118	Sandakan, Sabah	
Moynod.	2804	Sandakan, Sabah	
Laukin.	1998	Sandakan, Sabah	
Sg. Sapi.	1220	Sandakan, Sabah	
Labuk	1646	Sandakan, Sabah	
Bimbingan 1.	1795	Sandakan, Sabah	
Bimbingan 2	1735	Sandakan, Sabah	
Syarimo Oil Mill, Sabah. (to be audited in May 2011).			
Syarimo 1	Syarimo 1	Syarimo 1	
Syarimo 2	Syarimo 2	Syarimo 2	
Syarimo 3	Syarimo 3	Syarimo 3	
Syarimo 4	Syarimo 4	Syarimo 4	

Syarimo 5	Syarimo 5	Syarimo 5	
Syarimo 6	Syarimo 6	Syarimo 6	
Syarimo 7	Syarimo 7	Syarimo 7	
Syarimo 8	Syarimo 8	Syarimo 8	
Syarimo 9	Syarimo 9	Syarimo 9	
Leepang Oil Mill, Sabah (to be certified in July 2012).			
Permodalan 1.	2,131	Lahad Datu, Sabah	
Permodalan 2.	1,829	Lahad Datu, Sabah	
Permodalan 3.	2,437	Lahad Datu, Sabah	
Permodalan 4.	1,760	Lahad Datu, Sabah	
Leepang 1.	2,229	Lahad Datu, Sabah	
Leepang 5.	1,658	Lahad Datu, Sabah	
Morisem 5.	1,798	Lahad Datu, Sabah	
Morisem B Oil Mill, Sabah (to be audited in May 2012).			
Tas	1,168	Lahad Datu, Sabah	
Halusah.	760	Lahad Datu, Sabah	
Morisem 1	1,919	Lahad Datu, Sabah	
Morisem 2	1,892	Lahad Datu, Sabah	
Morisem 3.	1,886	Lahad Datu, Sabah	
Morisem 4.	1,909	Lahad Datu, Sabah	
Leepang 2.	2,003	Lahad Datu, Sabah	
Leepang 3.	1,846	Lahad Datu, Sabah	
Leepang 4	1,388	Lahad Datu, Sabah	
Rinwood Pelita, Miri (to be audited by certification unit concerned)			
Sejap Estate	Total 5,000 ha Planted 1,863 ha	Baram, Sarawak	100% crop sent to Boustead & Rimbunan Hijau, oil mills, which oil mills do not belongs to IOI. But wish to carry out audit as an out grower for Boustead
Tegai Estate	Total 4,040 ha Planted 1,694 ha	Baram, Sarawak	100% crop sent to Boustead & Rimbunan Hijau oil mills, which oil mills do not belongs to IOI. But wish to carry out audit as an out grower for Boustead
Sawit Nabati Agro Group (SNA), Indonesia) To be certified soon after the oil mill is developed.			
PT Kalimantan Prima Agro Mandiri (PT KPAM)	20,000	Kalimantan, Indonesia	The status of new planting report statement has been issued by SGS Malaysia Sdn Bhd on 1 st March 2011. In P.T SKS 3400 hectares cleared only 2700 hectares were planted with oil palm. In P.T. BNS a total of 4500 hectares were cleared and 3,300 hectares were planted. In P.T.BSS, a total
PT Berkat Nabati Sejahtera (PT BNS)	13,500	Kalimantan, Indonesia	

PT Sukses Karya Sawit (PT SKS)	13,500	Kalimantan, Indonesia	of 58 hectares is cleared for nursery. Report has been produced by SGS Malaysia for reference.
PT Bumi Sawit Sejahtera (PT BSS)	11,000	Kalimantan, Indonesia	The rest of the land, P.T. KPAM and PT KSL cultivation permits are yet to receive from the Government at the time of audit. PT SKS and PT BNS the tentative scheduled for RSPO audit around December 2013 and by then IOI will build up oil mill there in 2013, when 2009 planting gets matured and if it is sufficiently planted for 60 - 90mt oil mill.
PT Ketapang Sawit Lestari (PT KSL)	24,500	Kalimantan, Indonesia	