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PUBLIC SUMMARY REPORT

RSPO

4th ANNUAL SURVEILLANCE ASSESSMENT (ASA04)

IOI CORPORATION BHD Pamol Kluang Palm Oil Mill Kluang, Johor, Malaysia

Report Author:

Senniah Appalasamy – February 2014

BSI Group Singapore Pte Ltd (Co. Reg. 1995 02096-N)
1 Robinson Road
#15-01 AIA Tower
SINGAPORE 048542
Tel +65 6270 0777
Fax +65 6270 2777
Aryo Gustomo : aryo.gustomo@bsigroup.com
www.bsigroup.sg

BSI Services Malaysia Sdn Bhd (Co.Reg. 804473 A)
B-08-01 (East), Level 8 Block B, PJ8,
No. 23, Jalan Barat, Seksyen 8
46050 Petaling Jaya, Selangor
MALAYSIA
Tel +6 03-7960 7801
Fax +6 03-7960 5801

TABLE of CONTENTS

Page N^o

SUMMARY	1
ABBREVIATIONS USED	1
1.0 SCOPE OF SURVEILLANCE ASSESSMENT	1
1.1 Identity of Certification Unit.....	1
1.2 Production Volume.....	1
1.3 Certification Details.....	1
1.4 Description of Supply Base and Supply Chain.....	1
1.5 Other Certifications held	2
1.6 Organisational Information/Contact Person.....	2
1.7 Progress against Time Bound Plan.....	2
2.0 ASSESSMENT PROCESS	4
2.1 Certification Body.....	4
2.2 Qualifications of the Lead Assessor and Assessment Team.....	4
2.3 Assessment Methodology, Programme, Site Visits.....	4
2.4 Stakeholder Consultation.....	5
3.0 ASSESSMENT FINDINGS	5
3.1 Summary of Findings.....	5
3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions.....	12
3.3 Status of Nonconformities (Major and Minor) Previously Identified.....	13
3.4 Issues Raised by Stakeholders and findings with respect to each issue.....	14
4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY	15
4.1 Date of next Surveillance Visit (Re-Certification).....	15
4.2 Date of Closing Nonconformities (Major and Minor).....	15
4.3 Acknowledgement of Internal Responsibility and Formal Sign-off of Assessment Findings.....	16

LIST of TABLES

1	Mills GPS Locations.....	1
2	Production Tonnages.....	1
3	Estate FFB Tonnages Processed.....	1
4a	Age Profile of Palms.....	2
4b	Estates and Areas Planted	2

LIST of FIGURES

1	Pamol Kluang Supply Base Location Map	3
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List of Appendices

A	Pamol Kluang Palm Oil Mill Supply Chain Assessment (Module D: Segregation)
B	Pamol Kluang Palm Oil Mill's RSPO Certificate Details
C	ASA4 Assessment Programme
D	List of Stakeholder Contacted
E	IOI Group Time Bound Plan
F	Kahang Estate Field Map

SUMMARY

BSi has conducted the Fourth Annual Surveillance Assessment (ASA4) of IOI Corporation Bhd's Pamol Kluang Certification Unit's operations located in Kluang, Johor, Malaysia comprising one mill, six company owned oil palm estates, support services and infrastructure. BSi concludes that IOI Pamol Kluang operations comply with the RSPO requirements [RSPO P&C MYNI 2010; RSPO Certification System June 2007 (revised March 2011) including Annex 4: Procedures for Annual Surveillance; and Supply Chain Certification Standard: November 2011, Module D – CPO Mills: Segregation]

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

ABBREVIATIONS USED

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

1.0 SCOPE OF SURVEILLANCE ASSESSMENT

1.1 Identity of Certification Unit

The Pamol Kluang mill and supply base estates are located in Johor, Malaysia (Figure 1 and Appendix F). The oil mill is central to the estates located near Kluang, while Kahang Estate is located at Kahang, Johor and Swee Lam Estate is located at Kulai, Johor. The GPS location of the mill is shown in Table 1.

Table 1: Mills GPS Locations

MILL	EASTING	NORTHING
Pamol Kluang (Capacity: 60mt/hr)	103° 23' 24"	2° 6' 36"

1.2 Production Volume

The estimated tonnages reported for the ASA3 and the actual production since previous year are detailed in Table 2. The Actual tonnages and estimates are for the period of 12 months. The projected tonnages for the ASA4 reporting period are based on the annual budget.

Table 2: Production tonnages

Pamol Kluang Mill	Estimate at ASA3 2013	Actual during the ASA3 period 2013	Projected for the ASA4 Period 2014
CPO	64,895	51,379	61,418
PK	15,441	12,464	14,673
OER	23.11	22.81	23.00
KER	5.50	5.53	5.50

1.3 Certification details

RSPO Membership No: 2-0002-04-000-00
 BSI RSPO Certificate No: SPO 547027
 Date of Certification: 16/03/2010
 Certificate Expiry Date: 15/03/2015
 Date of ASA2: 29/2 – 2/03/2012
 Date of ASA3: 15-17/01/2013
 Date of ASA4: 8-11/01/2014

1.4 Description of Supply Base and Supply Chain

The supply base consist of six IOI owned estates that supply 100% of the FFB processed at the mill. All of the IOI estates are RSPO-Certified. IOI ceased purchasing FFB from out growers in 2008 during the preparation for RSPO Certification. The actual FFB production from IOI owned Estates for the ASA 3 certification period and projected for the ASA 4 certification period are listed in Table 3. The projected tonnages was based to the potential yield could be achieved by taking into consideration of the planting material and age profile of palms.

Table 3: Estate FFB Tonnages Processed

Source	Estimate at ASA3 Period 2013	Actual for the ASA3 Period 2013	Projected for the ASA4 Period 2014
Pamol Barat	45,100	39,717	42,340
Pamol Timur	33,020	27,973	31,670
Mamor	64,490	52,693	61,350
Unijaya	29,760	22,565	28,370
Swee Lam	37,730	28,047	34,610
Kahang	70,660	54,297	68,640
TOTAL	280,760	225,292	266,980

The projected figures show a reduction compared with ASA3 estimated FFB figures. The actual production is also less than the projection due to replanting in Pamol Barat, Pamol Timur and Swee Lam. The oil palms at Pamol Barat and Pamol Timur Estates were initially planted to oil palm in the 1940s and the palms are in their fourth cycle. The remainder of the land at these two estates was planted to the second cycle of oil palm

in 1986. The other four estates (Mamor, Kahang, Unijaya and Swee Lam) within the Pamol group are in the second cycle of oil palm. The age profile of the palms is shown in Table 4a. The areas of mature and immature palms are detailed in Table 4b for each of the Estates.

Table 4a: Age Profile of Palms

AGE (years)	% of PLANTED AREA					
	PB	PT	ME	KH	UJ	SL
26 - 30	38.13	18.70	0	0	0	1.72
21 - 25	35.78	7.22	0	0	26.86	35.00
11 - 20	0.73	19.47	57.34	32.73	26.68	13.57
4 - 10	9.24	15.91	42.66	67.27	40.46	39.67
0 - 3	16.12	38.70	0	0	6.00	10.04
Total	100.00	100.00	100.00	100.00	100.00	100.00

PB: Pamol Barat; PT: Pamol Timur; ME: Mamor; KH: Kahang; UJ: Unijaya; SL: Swee Lam

Table 4b: Estates and Areas Planted

Estate	Mature (ha)	Immature (ha)	Infrastructure/Others	Total
Pamol Barat	1,840	354	83.67	2,277.67
Pamol Timur	1,369	803	129.35	2,301.35
Mamor	2,115	0	115	2,230.00
Unijaya	1,122	72	66.64	1,260.64
Swee Lam	1,307	145	102.6	1,554.60
Kahang	2,288	0	132	2,420.00
TOTAL	10,041	1,374	629.26	12,044.26

Total land area is 12,044.26ha. The total planted area is 11,415ha. 629.26ha utilised for infrastructure in the plantation. The mill is located within the Pamol Timur Estate landholding.

1.5 Other Certifications Held

Pamol Kluang Mill has achieved ISCC certificate valid until March 2015.

1.6 Organisational Information / Contact Person

IOI Corporation Bhd
Level 8, Two IOI Square,
IOI Resort, 62502 Putrajaya
MALAYSIA.

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

Phone: +60-4317323

Fax: +60-4319101

Email: sustainability@ioigroup.com

1.7 Progress against Time Bound Plan

IOI Corporation Berhad owns and operates 14 Palm Oil Mills and 81 estates in Peninsular Malaysia and Sabah (additional mill and estates from new acquisition). The FFB from three IOI Estates Sugut (Sabah), Sejab and Tegai Estates (Sarawak) are processed at Mills owned by other companies who have not yet set a target date for RSPO Certification of their mills. IOI Corporation Berhad has implemented program to achieve RSPO Certified Sustainable Palm Oil for all of its 12 Oil Mills.

An update on the on-going mediation process between IOI-Pelita and Long Teran Kanan (LTK) was explained by the Head of Sustainability Department. The detail of the chronology of the case was briefly recorded in the ASA3 Public Summary Report and followed up during the ASA4. RSPO Dispute Settlement Facility (DSF) has been requested to step-up pre-mediation works with the parties, with a view to bringing the parties to the table by July 2013, for further mediated negotiations to resolve the conflict. The Complaint Panel has agreed to lift the suspensions of new certifications by IOI with the exception of IOI-Pelita Plantation (Sarawak), which will not be certifiable until this dispute is being resolved. For more information about the dispute and historical updates can be found on following website: http://www.rspo.org/en/status_of_complaint&cpid=4 There was a latest meeting held on 10th January 2014 between IOI representative, RSPO representative and mediator representing the LTK community to discuss the resolution process of the issue. The outcome of the discussion is still pending.

Review of the Time Bound Plan and compliance to partial certification requirements were assessed on 15th January 2014 at the IOI Head Office. Document review and interview with the Sustainability Department Head and his assistants were conducted. It was made known that recently IOI acquired Unico Desa Plantation in Sabah which consists of two palm oil mills. As per the RSPO requirement for new acquisition under rules for partial certification, IOI is committed to certify these two palm oil mills by end of 2016. Apart from this inclusion of additional unit, there is no other alteration to the Time Bound Plan. The Time Bound Plan to certify the plantations in Indonesia remains as 2016 which is considered as challenging because there is no palm oil mill (Certification unit) at the moment. BSi considers IOI's Time Bound Plan to conform to the RSPO requirements for Partial Certification subject to the condition and resolution of the IOI-Pelita issue.

IOI has conducted due diligence on the present plantation operations and provided positive statement that there is no known labour dispute that are not being resolved through an agreed process, legal non compliances, land disputes (other than the LTK disputes) and replacement of primary forest or any area containing HCVs since November 2005. BSi has reviewed IOI's Time Bound Plan and considers the programme to be challenging to implement as it will require a uniform, across the geographic spread of its operations in Peninsular Malaysia, Sabah and Indonesia. The latest progress of the Time bound Plan is as per in Appendix E.

Progress of Associated Smallholders/Out growers towards RSPO Compliance

IOI does not purchase crop from smallholders or out-growers.

Figure 1: Pamol Kluang Supply Base Location Map



2.0 ASSESSMENT PROCESS

2.1 Certification Body

BSI Group Singapore Pte Ltd
1 Robinson Road
#15-01 AIA Tower
Singapore 048542

RSPO Scheme Manager: Mr Aryo Gustomo
Phone: +65 6270 0777
Fax: +65 6270 2777
Email: aryo.gustomo@bsigroup.com

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

2.2 Qualifications of the Lead Assessor and Assessment Team

Senniah Appalasamy - Lead Assessor

He holds degree in Resource Economics from Agriculture University, Malaysia. He has vast experience in Plantation crop management covering oil palm plantation, rubber, cocoa and pepper for more than 10 years. He is also experience in manufacturing sector as a quality controller and production management. He is involved in RSPO implementation and assessment since 2008 as a team member and subsequently as a lead auditor with RSPO approved certification body covering assessment with RSPO P&C, RSPO SCCS, RSPO NPP and RSPO Group Certification in Malaysia, Indonesia and Thailand. He has completed ISO 9001:2008, , ISO 14001 (Environmental Management System), OHSAS 18001, RSPO SCCS awareness training, RSPO Lead Auditor Training Course, RSPO SCCS Lead Auditor Training Course, RSPO – RED Lead Auditor Training Course, International Sustainable Carbon Certification (ISCC) Lead Auditor training and Sustainability Report Assurance (SRA) Assessor Training. Besides RSPO, he is also qualified as ISCC lead auditor and SRA Lead Assessor. He have experience in other standards i.e. Global Gap Option 1 and 2 (Fruit, vegetable and aquaculture) and GMP B+ as team member.

Muhammad Haris B. Abdullah – Team member

He graduated from the Open University Malaysia with a Bachelor of Business Administration (Hons) Majored in Human Resource Development and currently completed his Master's Degree in Business Administration from the University Utara Malaysia. He has completed RSPO, ISO 14001 (Environmental Management System), OHSAS 18001 and International Sustainable and Carbon Certification (ISCC) Lead Auditor Training Courses. He also 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 had assisted with conducting audits of oil palm plantation for more than 8 companies against the RSPO P&C in Indonesia and in Malaysia for the past 4 years. During this assessment, he assessed on the aspect of Legal, Social and community engagements, Stakeholders consultation, and workers welfare.

Nabila Seth Nivan – Team member

Nabila Seth Bt Mohd Niven is a fulltime employee with BSI Services Malaysia. She graduated in Business Administration from University Technology Mara, Malaysia. She attended internal RSPO training in September 2012. Currently she is an ISO 9001:2008 auditor with BSI. She has audited more than 17 companies against the ISO 9001 standard for the past 2 years and recently involved as Social Auditor during the RSPO Assessment to assess the social aspects and gender issues.

2.3 Assessment Methodology, Programme, Site Visits

The Fourth Annual Surveillance Assessment was conducted on 8 - 11 January 2014. The audit programme is included as Appendix C.

The approach to the audit was to treat the mill and its supply base as an RSPO Certification Unit. Mill was audited together with the sample estates (Mamor Estate and Kahang Estate). 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.

The Nonconformities that were assigned and the Observations that were identified during the ASA3 were followed up to check the effectiveness of corrective actions. It was noted that all the previous nonconformities remain closed. The ASA4 findings are detailed in Section 3.2.

This report is structured to provide a summary for each Principle, together with details for selected indicators. The assessment was based on random samples and therefore nonconformities may exist that have not been identified. The summary report was reviewed by the BSI Scheme Manager for compliance.

2.4 Stakeholder Consultation

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

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

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

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

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

During the ASA4, there were two Nonconformities and five Observations/Opportunities for improvement were identified. IOI Pamol Kluang operations have prepared a Corrective Action Plan for addressing the identified nonconformities that was reviewed and accepted by BSI audit team.

The minor nonconformities assigned during the ASA3 and the observations that were identified were also followed up to check the effectiveness of corrective actions – Refer Section 3.3 for details.

BSI recommends continuation of Certification for IOI Pamol Kluang operations as a producer of RSPO Certified Sustainable Palm Oil.

PRINCIPLE 1: Commitment to Transparency

IOI has maintained up to date policies, procedures and management plans for provision of information to the

public upon request. The company have effective system for receiving and responding to the request of information to the public and has kept the record of request and responses.

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.

Mill and estate maintained record of request and replies to the request from external and internal stakeholders. All the request and responses are recorded in "Compliant / Grievance Book" which is also called as green book. The registers were commenced in Year 2007 and assistant manager will take the necessary action against all reported issues.

Sample checked found all requests were promptly replied. i.e. MPOB required a weekly report of FFB received, CPO dispatched, and stock of CPO on line through www.e-kilangmpob.com.my. The last report was made on 3 January 2014. Record held on file "Monthly MPOB Return".

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.

Inspection of document confirmed that mill and estates visited held each copy of management documents (land titles, health and safety plan, impact assessment relating to environmental and social impacts, pollution prevention plan, details of complaints and grievances, negotiation procedures and continues improvement plan) and this are available to public.

PRINCIPLE 2: Compliance with Applicable Laws and Regulations

Document check and records showed the palm oil mill and estates complied with respective permit conditions and legal requirements. Internal audits and checks were effective for monitoring compliance and reports shows compliance against legal requirements. IOI Pamol Kluang operation holds a land title and no major land issues were sighted. Boundary markings are maintained.

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

The Mill and Estates have kept an up to date list of legal requirements. Company has owned mechanism to ensure all relevant legal requirements are comply. I.e. document of Mechanism on Tracking of Law Changes which includes list of laws, regulation reference, permit and license to manage. In addition, each operation has a List of Licenses showing the expiry dates. Inspection of a

sample of licenses and permits confirmed all were current. Example: (Mamor Estate) MPOB License No. 511691002000 valid for the period of 01/04/2013 to 31/03/2014, Diesel Permit (Reference No. (12)BPGK.JH(KLU)1967SK) valid till 23/04/2014 and Air Compressor (Registered No. JH PMT 10634) valid till 03/05/2014.

Review of internal audit reports showed that the Mill and the Estates visited had continue to maintain legal compliance with applicable laws and regulations, in particular for Safety, Social, and Environmental regulations. The latest internal audit was 16 December 2013. Regular visits by government departments such as DOE and DOSH did not found any issues related to legal compliance.

The approval of generator and boiler was raised as an observation during last assessment. This was complied and obtained and valid till 23 February 2015. The request for renewal letter has been send to DOE and pending for the new license.

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

The Mill and Estates are on Freehold and lease Land from the government. The land is not encumbered by Customary Rights and the right to use the land is not disputed. Sample checked at Mamor estate found that Estates hold 8 land titles from Johor Government totalling an area of 2,230ha (for example PTD 86173-81, PTD 86173) dated 28 February 2008. Kahang estate for 2,420ha (samples were P.T.D. 00003302 leased for 99 years).

The estates have maps showing the locations of boundary stones that have been physically located and marked to address the nonconformity raised during last assessment. Inspection of a sample of boundary stones at Kahang and Mamor estate during the field visit confirmed that they were clearly marked and demarcated. Both estates comply with boundary markings.

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.

The mill and estates are on Freehold and lease land that IOI acquired in 2003 from the Unilever Plantation Group. IOI does not restrict access through the estates for stakeholders, except in relation to trucks. Interview of local community representatives and smallholders confirmed there is no land dispute or any claim of customary land within the Estates boundary.

PRINCIPLE 3: Commitment to Long Term Economic and Financial Viability

Internal management system for monitoring and improvement of the operating units against operation

target to achieved long term economic and financial viability is in place. IOI Research Centre which located at the Pamol Kluang Complex conduct monitoring toward quality and production related issue and provide technical assistant for the estates.

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

The mill and estates have five year business management Plan from 2014/15 Financial year till 2018/19 financial years. The annual plan was reviewed on December 2013. The Budget clearly indicated the plan for social, environment, occupational safety and training and promotion activities together with Crop forecast, Upkeep & Cultivation expenditure and capital expenditure for improvement.

Estates have replanting programme which included in the budget as well and extended until financial year 2016/17. The replanting programme includes the schedule and hectares for each field. Review of the replanting program is conducted prior to approving the annual budget.

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

All operating units have implemented management systems for monitoring and control of best practice implementation. This includes a programme of regular visits by the General Manager, IOI Research Centre, internal and external audits.

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

IOI has prepared Group Palm Oil Mill Standard Operating Procedures (SOPs) were issued on April 2008 (mill) and December 2008 (estates). Last review was done on November 2013 for the Geo-tube SOP to include this SOP at the palm oil mill.

GM visited estate on quarterly basis to review estate performance against IOI standard; with the last visit to Kahang Estate on 9 August 2013 where several issue being highlighted. Reply to the finding was prepared on 12 September 2013 on the action plan to fix up the issues. The implementation was on-going. Record held on file "Group Plantation Director (GPD) & General Manager (GM) Visit Report". The Estate also maintained DOSH Visit Record on "Jabatan Keselamatan dan Kesihatan Pekerjaan, Johor (Department of Occupationally Health and Safety) with the last visit was made on 21 October 2013.

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

Agronomist of IOI Research Centre – Batang Melaka visited estates for leaf and soil sampling (once a year) and visual analysis and the resultant was used as fertilizer recommendation. Research Centre carried monitoring of fertiliser application once a month. Record held on file “Summary of Monthly Fertiliser Application Monitoring Report”.

The last leaf and soil sampling was carried out on May 2013 for Mamor Estate. Record held on file “Research Centre”. Fertilizer recommendation for 2014 was given on 16 November 2013 after the Agronomist visit on 23 October 2013. At Mamor Estate, Sample fertilizer application record found it was applied as per recommendation. i.e. Field 97A, 1.91kg/palm of AC were applied on January 2014. Similarly, Kahang estate received the fertilizer recommendation on 16 November 2013 and maintains records of application.

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

All of the land in Mamor and Kahang estates is undulating and flat, as such there are no significant erosion risk. Inspection at the field indicated in general there ground cover is good with weed serve as ground cover in replanting areas.

Estate has implemented annual Road Maintenance Programme. The programme includes culvert maintenance, grading, slit pit construction and road side pruning. Road inspected are generally in a good condition and regularly maintained. Interview with tractor drivers confirm that roads are maintained well.

There is no peat soil or soil categorised as problematic or fragile soil at all estates (all are categorised as both Rengam and Jerangau”).

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

Estate has implemented a programme to reinstatement of riparian strips of 3.5 meter at both side of the stream during replanting and is implemented. Inspections to Mamor and Kahang Estates streams confirmed that buffer zone have been set aside for reinstatement during replanting. No bunds/weirs/dams were constructed across the main waterways in the estate.

Research Centre carried out three monthly water analysis in the river (upstream, midstream, and downstream) with the last sampling was on 16 November 2013. The results shown all parameters are complied with Class III of WQI (Water Quality Index). The company has also kept the Water Quality Monitoring Report.

Estates maintained a monthly monitoring of rainfall data, record held on file “Rainfall Report” of Mamor and Kahang Estates. The rainfall data is being sent to Research Centre on monthly and yearly basis. For example, Kahang Estate recorded 3572.69mm / 162

days in 2011, 2812.69mm / 141 days in 2012 and: 3036.00mm / 150 days in 2013. These data is considered as guidance for developing the water management plan.

Water supplies for estate housing were drawn from small stream inside the estate where the testing was done every six months. The last sampling in Kahang Estate was carried out on 10 December 2013. Latest report dated 19 December 2013 (Cert No.: SAMM 188) by ENV Consultancy & Monitoring Services Sdn. Bhd. confirmed that all parameters are meet standard of WHO standard and Malaysian National Drinking Water Quality Standard.

Pamol Kluang mill has maintained monitoring on water usage which recorded every month. Water for processing is abstracted from Sungai Sembrong by using pump. 0.8355Mt/FFB Mt was used in 2013 which is below than the targeted value of 1.2 – 1.5Mt/FFB Mt.

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

Estates are continuously implement biological control for leaf eating pest in the plantation as a long term preventive measure. Mamor and Kahang estates implemented barn owl as biological control for rat. Barn owl was installed at the rate of 1 box for every 15 ha. The last census in Kahang Estate was held on October 2013 indicated approximately 70% of occupancy rate while at Mamor was 72%. The estate also has programme of planting *cassia* and *Turnera* between July 2013 and June 2014 to develop predator for bagworm.

It was noted that leaf eating caterpillar is currently not a problem. Estate implemented Cypermethrin spray programme when the threshold of infection is more than 5% caused by rhinoceros beetle attack. Record of pesticide usage was held on file “Estate Management Plan”. Rat damage censuses are done in each field to identify the actual damage level and controlling of rat bait usage.

Monitoring of pesticide use is held by estate in term of per ton FFB and per ton CPO. Record of pesticide usage was held on file “Estate Management Plan”.

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.

Chemical Stores were visited during the site visit. Agrochemicals are those registered under the Pesticides Act 1974. Record inspection shows that estates hold and use only chemicals that are registered under the

Pesticides Act 1974. Kahang estate and Mamor estate has not applied either class 1a or 1b agrochemicals since the last assessment. The last usage of paraquat was ceased. MSDS are available for all chemicals used in the mill and estates. The staff in-charge interviewed during site visit understand the purpose of MSDS and able to explain.

*However as an area for improvement, an **observation was raised against indicator 4.6.4: At Kahang estate, all the MSDS are available and it was explained to those concerns. However, some are in English which the store keeper finding difficult to read.***

Medical surveillance carried out annually for all sprayers and water treatment operator. The last medical surveillance was done at "Poliklinik Intan" on 10 December 2013. The medical report reveals that all workers and staff found medically fit to work.

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

All the operating units has maintained an approved Health and Safety Policy dated since 18 May 2007 that is displayed prominently on notice boards in English and Bahasa Malaysia and approved by the IOI top management.

Reviewed and updated of the health and safety risk assessments associated with each task is carried out annually through HIRARC assessment. Mamor estate and Kahang estate conducted review on 23 September 2013 and the Mill on 12 December 2013.

The mill and estates maintained up to date accident records in term of "Daftar Kemalangan, Kejadian Berbahaya, Keracunan Pekerjaan dan Penyakit Pekerjaan" dated on 2 January 2013. There was an accident during the harvesting whereby thorn injured finger.

The mill and estates conduct quarterly OSH committee meeting where the last OSH meeting was held on 13 November 2013 attended by 12 participants in Pamol Kluang Mill. The estates conducted the OSH meeting in December 2013.

All the workers are covered by the accident insurances where for Malaysian is covered by SOCSO or Perkeso (Pertubuhan Keselamatan Sosial) while for foreign workers are covered by Foreign Workers Compensation Scheme. Latest Foreign worker Insurance (MSIG Policy No.: DL-08857064-FWC) valid till 30/9/2014.

Inspections of the Mills and the Estates visited indicated that safe work practices were being implemented. The safety signage was installed at sterilizer, press station and chemical store at the mill. The mill workers at the press station are also provided with face mask to protect from dust. ERP and fire fighting training is conducted last

December 2013 to test the emergency preparedness and working condition of the fire host reel.

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

The Mill and Estates have a Training Programme that is based on a need assessment carried out at the operating unit level for each work-station on December 2013.. The programme includes the frequency of training/retraining on an annual basis. Training includes formal courses conducted using external resources and "on-the job" instruction. For example: First Aid Training has been conducted by HA on 6/1/14 attended by 14 staff and workers. CSDS training on 26/12/13 attended by 12 people including the HA. Harvester training: 26/11/13 attended by 11 workers. StOP (Safe Operating Procedure) for Tractor driving & transporting training which include the contractors and their workers: 23/11/13 attended by 18 people including contractors. Induction programme for 5 new Nepal workers on 3/10/13.

Interview with a contractors confirmed that they have undergone safety training before they start work on site and are required to attend safety briefings.

PRINCIPLE 5: Environmental Responsibility and Conservation of Natural Resources and Biodiversity

Criterion 5.1: Aspects of plantation and mill management, including replanting, that have environmental impacts are identified and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored to demonstrate continuous improvement.

The IOI sustainability team has prepared the environmental aspect and impacts assessment in term of Environmental Impact Assessment, management Action Plans and Continuous Improvement Plans from August 2008 till February 2015 for Pamol Kluang region. The Mill and Estate have carried out the annual review of which the latest review was on December 2013. Continues improvement plans are developed. For example, POME applications to the field by using furrow system, and a new conveyor system to be installed to feed the shredded EFB in to the boiler to reduce the diesel usage for transporting the EFB. Mill also implemented the Geo- tube to trap the particulates from the POME and to be re-cycled as organic fertilizer.

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.

At the time of the original development all of the land within the Estate leases was planted to oil palm except for a number of small Government Riparian Reserves and steep hillsides. IOI has carried out an assessment of

the possible presence of HCVs within and adjacent to the Estates. It is noted that the "Bukit Hijau" at the Mamor estate is continuously protected and maintained. Monitoring is carried out and the personnel were trained by the IOI Sustainability Team member who has attended HCV Training.

*However as an area for improvement, an **observation was raised against indicator 5.2.1: At Mamor estate, The "Bukit Batu" covering an area of 35ha is identified as HCV through the HCV assessment. Signboard is available at the site to conserve the area. The area is protected by the management. Monitoring is conducted. There is a lapse in updating the monitoring record.***

IOI has prepared a Management Plan for protection of the HCV area in Kahang and Mamor Estates that is based on habitat protection as well as enhancement of the reserve. Habitat protection includes prevention of disturbance by workers through awareness campaigns and regular patrols of the area. Enrichment planting has been commenced to increase the diversity of tree species. The Estates have installed signboards at prominent areas to prohibit hunting, disturbance of protected areas and the lighting of fires. Inspection of housing areas and interview of residents confirmed workers were aware of the company policy that prohibits hunting and collecting activities.

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

The Mill Environmental Impact Assessment and management Action Plans was reviewed on December 2013 covers all the identification of waste and sources of pollution. Operational plans has been developed to mitigate the pollutions have been prepared, implemented and monitored. For example, POME land application is being monitored daily to avoid any overflow. Schedule waste has been disposed through licensed contractor OLST PETRO-Chemical Sdn. Bhd. Latest disposal was on 18 December 2013 (E-Consignment No.: 883008) for SW 305 spent lubricating oil. As for Mamor Estate, last schedule waste has been disposed through Kualiti Alam on 19/9/13. Serial No.: 0037350 for SW 410.

Inspection to Mamor and Kahang Estates confirmed solid wastes were well controlled, with consistent separation at source into recyclables and non-recyclables. Solid wastes that cannot be recycled are disposed in a small landfill that was appropriately located and management was consistent with guidelines for municipal waste disposal.

Medical wastes, such as sharps, are collected by Pantai Medivest Sdn Bhd monthly and records are held on file. There are complete sets of monitoring report on the scheduled waste that reported every 6 month to the related institution.

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

The Mill monitors and reports energy usage monthly to head office. The company has optimized the use of renewable energy since 2008 as sighted in report books. There was decreased use of diesel fuel in 2012/13 Financial year as usage of renewable energy such as shell and fibre was maximized for processing. In the mean time, the mill has taking into account to use power electricity from the government (Tenaga Nasional Berhad) for power supply during low production and the mill processing hour is lower.

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

Inspection to the replanted area at Mamor Estate confirmed that palm residues were chipped and used for mulch and fire was not used.

IOI Pamol Kluang has implemented Zero burning policies in all workplace area at the Mill and estates. No burning was found during the visit to the line sites and operation sites. Recycling programme is being carried out and also segregation is done before land fill at each collection center.

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

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

Smoke emission quality test at the mill was done every 6 month in accordance to the Environmental Quality (Clean Air) Regulation 1928. The test was conducted by the Environment Consultancy & Monitoring Services Sdn Bhd. The latest test was on semester two of 2013 where all parameters were complied with the standard requirements. E.g. dust, NOx, Sox, and Dark Smoke.

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

Criterion 6.1: Aspects of plantation and mill management, including replanting, that have social impacts are identified in a participatory way and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.

Initial SIA was prepared on September 2008 with the participation of local community and updated annually. The social action plan was reviewed and updated on December 2013 based on input received during public consultation with external and internal stakeholders carried out on 11 and 24 December 2013 respectively. The meeting was attended by 15 internal stakeholders (staffs and workers) while 17 participants of contractors, suppliers, NUPW, AMESU, neighbouring estates, as well as local kampong representative attended public consultation with external stakeholders. Record of meeting with attendance list and minute of meeting are available as attachment.

Criterion 6.2: There are open and transparent methods for communication and consultation between growers and/or millers, local communities and other affected or interested parties.

Similar to last assessment, the Consultation and communication procedure for stakeholders is through IOI website: www.ioigroup.com or otherwise for those who do not have access to internet may follow on-site Stakeholders Request Procedure. It is also noted that verbal request by phone call are made by government departments through IOI Group General Line: +60389478888 or written request addressed to: Two IOI Square, IOI resort, 62502 Putrajaya, Malaysia is still in practice. Written procedure held on file Management Plan point 10.0 Stakeholders Request Procedure. No changes noted.

Social Liaison Officers are the person responsible for communications with communities and other stakeholders in relevant to social issues and he has good contact with immediate stakeholders.

Stakeholder list is available 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 January 2014. Records are held on file List of Stakeholders.

However, the updated stakeholder list was incomplete at Kahang estate and did not include a number of immediate stakeholders. Therefore, a nonconformity was raised as per below.

NC Ref: 1012105N5: Minor nonconformity against indicator 6.2.3: Maintenance of a list of stakeholders, records of all communication and records of actions taken in response to input from stakeholders. The stakeholder list is incomplete. The external stakeholder list in Kahang Estate does not include other immediately affected or interested parties such as estate's contractors and supplier.

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.

A grievance procedure has been developed and included in the "Management Plan". Complaint and grievances have been recorded in "Complaint/Grievance Book" since July 2007 which is also called as green book. The "Grievance/Complaints" book is used to record all enquiries not only complaints and grievances. Inspection of the records indicated that the system resolved all disputes in a timely manner. Interview with internal and external stakeholders confirmed that there were no pending complaints.

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.

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.

Procedure for addressing grievance is available under "Grievance Procedure of Land Owner Issues" that is applicable for assessing legal and customary land issue. The procedure is available on "Group Social Impact Assessments and Management Action Plan" dated 25 January 2008 (revision December 2013).

Did not come across any issues related to compensation because IOI has purchase the Pamol Group in 2003 and there has been no land issue since then. Interview of local community and neighbouring estate confirmed that currently no outstanding land dispute in this property.

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

Foreign workers from Indonesia make up the majority of the workforce, with smaller numbers from Myanmar, Nepal, and Bangladesh who are engaged on 2 or 3 year contracts. Pay and conditions are documented in the employment agreement between the company and workers and calculated in line with the current MAPA/NUPW award rate and follows the Minimum Wage Order. Inspection of contracts of both local and foreign workers confirmed that pay and conditions are available in Bahasa Malaysia, with some of them in Myanmar, Nepal, and Bangladesh languages.

However as an area for improvement, an **observation was raised against indicator 6.5.2: At Mamor estate, Contract of employment is available and was explained**

carefully to workers by plantation management official in the operating unit. A typo error was noted in the contract of Bangladesh worker. It was written as Nepalese.

Sample pay and contract of both local and foreign workers found that deduction from their salary was done without getting their acknowledgment or concern. Therefore, a nonconformity was raised as per below.

NC Ref: 1012105N5: Minor nonconformity against indicator 6.5.2: Labour laws, union agreements or direct contract of employment detailing payments and conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc) are available in the language understood by the workers or explained carefully to them by a plantation management official in the operating unit. At Kahang Estate, Worker's consent letters for monthly deduction for buffalo belongs to the workers (buffalo loan and buffalo insurance) are not available although the repayment is deducted. Further inspection against worker's payslip sighted deduction been carried out in the month of November and December 2013.

The Pamol Kluang Mill and estates have provided free medical facilities for all the workers and staff. Visit to the Estate clinic found the basic medical facilities are available.

*However as an area for improvement, an **observation was raised against indicator 6.5.3: Company clinic has provided medical facility to the workers. Medical treatment is provided free. The workers interview reveals that there were some miscommunications between HA and workers regarding Clinic visiting hours and medicine dispenses. This was clarified by the Estate Manager during discussion.***

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.

Head office held meeting with NUPW when required. At operating unit level NUPW representative meet regularly in Kluang office. NUPW Kluang representative has also been included in the stakeholder consultation as part of SIA Action Plan Review and update. Beside NUPW meeting, Employee Consultative Committee (ECC) Meetings are held with worker's representatives.

However as an area for improvement, an **observation was raised against indicator 6.6.1: At kahang Employee Consultative Committee (ECC) Meeting was conducted with workers representative and meeting minutes are available. However, there is a lapse in updating the latest ECC meeting record.**

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

Inspection of employee contract agreement confirmed that copy of ID local employees or passport for foreign employees is checked and verified to ensure the age condition is fulfilled. During field visit children were not observed at any of the working place at both mill and estate.

Criterion 6.8: Any form of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation or age is prohibited.

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

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

Top management has approved policy on prevention and elimination of sexual harassment in workplace on 04 January 2008. A female staff's member has been appointed as gender committee member at every location.

The company has developed specific grievance mechanism on sexual harassment and violence in Bahasa Malaysia on January 2008. Female workers interview confirmed understanding of the mechanism and no issue was raised during the audit.

The last gender committee meeting at Pamol Kluang Mill has been conducted on 12/09/2013 attended by 16 people including office staffs and housewives. As for Mamor Estate, was held on 28/12/13 attended by 23 participants. No issue were raised and record held on file "Gender Committee".

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

Mill only process FFB from company own estates (Mamor, Unijaya, Pamol Timor, Pamol Barat, Kahang and Swee Lam). No FFB received from smallholders or out growers. Interview confirmed that contractors/suppliers and workers understand contractual agreement and stated that the contract is transparent and fair. The company has standard term and condition of the contract agreement (in Nepalese and Myanmar's Language for Nepal and Myanmar worker) which is explained prior to signing.

Interview of FFB transport contractors and workers confirmed no delay in payment is occurred. Inspection to the "Grievance Book" indicated no complaint was raised in relation to processing of the payment. Interview also confirmed that the payment was made in a timely manner.

Follow up on the previous observation noted that the mill took corrective action immediately by conducting awareness training to all contractors' and their drivers on safety issues. Latest safety awareness training was done on 6/1/2014 attended by 3 contractors and 7 contractor's workers. During this ASA4, site visit at the mill found all workers were wearing appropriate PPE's.

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

The company continue to cooperate with government to allow electricity transmission along estate concession totalling 10.74 ha which supply electricity to the nearby village. Access to stakeholders such as local village communities and smallholders to pass through company road is given and confirmed by the stakeholders interviewed. Company make donation to local schools, assisted underprivileged student through purchase of teaching aids and supplies.

Principle 7: Responsible Development of New Plantings

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

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

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

Annual review of the environmental and social aspect and impacts of Pamol Kluang operations is carried out with to identifying issues and area for continuous improvements. Pollutants and source of pollutions are well controlled. The mill's continuous improvement plan is to reduce the use of fossil fuels as much as practical through the use of the steam turbine to generate electricity and optimization of mill by-product utilization.

The Social Action Plan has continued to work towards improving stakeholder relationship through engagement and dialogue. For example, maintenance of road for nearby Pengkalan Terek village by the estate is continuously being carried out by the estate management. Contribution to local development such as mosque activities, temple festival and schools are continuously implemented.

3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions

During ASA4, two Minor Nonconformities and five Observations / Opportunities for improvement were identified. Pamol Kluang Certification Unit has prepared a Corrective Action Plan for addressing the identified Nonconformity. The Audit Team has reviewed and accepted the Pamol Kluang Certification Unit's Corrective Action Plan. Implementation of corrective actions will be followed up during the next Assessment.

Major Nonconformity

No Major nonconformity was identified.

Minor Nonconformities

Two Nonconformities were assigned against Minor Compliance Indicators 6.2.3 and 6.5.2. Pamol Kluang Certification Unit has prepared corrective action plan for addressing the non conformities which BSi has reviewed and accepted. Progress towards resolution on the action taken will be followed up during the re-certification Assessment. The details of these Nonconformities are provided below:

NC Ref: 1012105N5: Minor nonconformity against indicator 6.2.3: Maintenance of a list of stakeholders, records of all communication and records of actions taken in response to input from stakeholders. The stakeholder list is incomplete. The external stakeholder list in Kahang Estate does not include other affected or interested parties such estate's contractors & supplier.

NC Ref: 1012105N6: Minor nonconformity against indicator 6.5.2: Labour laws, union agreements or direct contract of employment detailing payments and conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc) are available in the language understood by the workers or explained carefully to them by a plantation management official in the operating unit. At Kahang Estate, Worker's consent letters for monthly deduction for buffalo belongs to the workers (buffalo loan and buffalo insurance) are not available although the re-payment is deducted. Further inspection against worker's payslip sighted deduction been carried out in the month of November and December 2013.

Observation/Opportunity for improvement

There are Five Observations/Opportunities for improvements were identified. The progress with the Observations/Opportunities for Improvement will be checked at the Re-certification Assessment. The Details are of below:

1. Indicator 4.6.4: At Kahang estate, all the MSDS are available and it was explained to those concerns. However, some are in English which the store keeper finding difficult to read.

2. Indicator 5.2.1: At Mamor estate, The "Bukit Batu" covering an area of 35ha is identified as HCV through the HCV assessment. Signboard is available at the site to conserve the area. The area is protected by the management. Monitoring is conducted. There is a lapse in updating the monitoring record.

3. Indicator 6.5.2: At Mamor estate, Contract of employment is available and was explained carefully to workers by plantation management official in the operating unit. A typo error was noted in the contract of Bangladesh worker. It was written as Nepalese.

4. Indicator 6.5.3: Pamol Kluang Palm Oil Mill and Pamol Timur Estate, company clinic has provided medical facility to the workers. Medical treatment is provided free. The workers interview reveals that there were some miscommunications between HA and workers regarding Clinic visiting hours and medicine dispenses. This was clarified by the Estate Manager during discussion.

5. Indicator 6.6.1: At kahang estate, Employee Consultative Committee (ECC) Meeting was conducted with workers representative and meeting minutes are available. However, there is a lapse in updating the latest ECC meeting record.

Noteworthy Positive Components

- ✓ Reinstatement of riparian buffer zones has been consistently implemented at replanting areas.
- ✓ The Mill has improved safety of access through the processing workstations by upgrading and clearly marking walkways and handrails of ladder-ways.
- ✓ The Mill has maximized the use of renewable fuel for generating electricity by running the steam turbine outside of processing hours.
- ✓ The management continues to segregate and collect "recyclables" from domestic waste.

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

Corrective actions with respect to four minor nonconformities raised at the last assessment have been reviewed and found to be effectively implemented. Corrective Actions are effectively and consistently implemented and the nonconformities were remains closed.

A834990/1: (2.2.3.1): It was not found any boundary marks alongside the government road reserve adjacent to the Pamol Timur estate area.

ASA4 Findings: Installation of boundary markers along the government road reserve to the Pamol Timur Estate was included as part of the boundary markers installation and maintenance program. Boundary marking was completed in end of November 2013 as per plan and maintenance program and visibly inspection is conducted. **The Minor NC has now been closed on 11 January 2014.**

A834990/2: (3.1.2) No documented evidence showing yearly review of replanting program has been conducted. For example: replanting program of Pamol Timur Estate.

ASA4 Findings: A system for yearly reviewing on replanting program conducted by the operating unit during the annual budget preparation for 2014. **The Minor NC has now been closed on 11 January 2014.**

A834990/3: (4.4.4/4.4.7) At Pamol Mill and Pamol Timur Estate, It is found that rainfall data monitoring is not consider as a part of water management plan.

ASA4 Findings: The water management plan has considered the information from the rainfall data to ensure that a comprehensive water management plan is prepared as guidance for the operating units. The plan has included and considered the dry and wet seasons, high rainfall period and drought periods as well. **The Minor NC has now been closed on 11 January 2014.**

A834990/4: (5.3.2) Based on field visit, it is found two effluent ponds was potentially over flow and go to nearby the water stream. Correction taken by the mill is to build the safety bund and maintain the effluent level is 1 feet below. However, the proper corrective action shall be taken to prevent repetition of potential over flow of effluent is happening.

ASA4 Findings: The POME pond level markers which were installed to monitor and maintain the ponds by having a minimum of 1 feet "freeboard" from the surface of the bund is maintained. Daily POME ponds level recording is conducted by the staff in-charge of the ETP.

The effluent pond was visited during the mill site visit and confirms that the corrective action was implemented appropriately. **The Minor NC has now been closed on 11 January 2014.**

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

OBS1 (2.1.1): Approval application of generator and boiler to DOE has been submitted on 21 December 2012, however the mill should follow up to obtain the approval and the progress will be checked during subsequent surveillance visit.

ASA4 findings: The approval of generator and boiler was obtained on 24 February 2013 and valid till 23 February 2014. The request for renewal letter has been send to DOE and pending for the new license. This observation was considered to be effectively addressed.

OBS2 (3.1.1): it is should be clearly indicated the social and environment activities are included in Five Year Business Plan of Pamol Timur Estate.

ASA4 findings: Pamol Timur Estate took corrective action immediately by including the social and environment activities in the 2013/14 and 2014/2015 financial year. For example, environment improvement plan budget has been clearly stated in the current year budget. *This observation was considered to be effectively addressed.*

OBS3 (4.7.1): During field visit to the mill, auditor found several opportunities for improvement in some areas, such as:

- Safety and health signage's should be considered and available at high risk area as per internal risk assessment. For example: in Mill stations (sterilizer, pressing, chemical store).
- It is consider providing mask for operator who works in Pressing Station at the mill to prevent dust contamination.
- Routine checking on fire host reel at the mill need to be done to ensure is in working condition at any time, and to avoid use for washing floor.

ASA4 findings: Pamol Kluang Mill took corrective action immediately by install new and additional safety and health signage's at high risk area as per internal risk assessment such as sterilizer, pressing, and chemical store. Workers at the press station were given mask to prevent dust contamination and also routine checking were being carried out to ensure it is in working condition at any time, and to avoid use for washing floor. During the ASA4 visit, sample hose reel checked were found working and supervisor holds a routine

inspection records. This observation was considered to be effectively addressed.

OBS4 (6.9.2): Gender committee of Pamol Barat is formed and latest meeting was done on the 27/11/2012 attended by 11 people. No issues were raised. However, minutes of the meeting should not be recorded in the Grievances record book.

ASA4 findings: *Pamol Barat Estate took corrective action immediately by preparing new record book for gender committee meeting minutes and briefed the committee members. Latest minutes of meeting conducted on 28/12/13 was sighted to be recorded in the new book. This observation was considered to be effectively addressed.*

OBS5 (6.10.3): it was found the contracted truck driver is not using proper PPE (helmet) in loading ramp area at the mill. The awareness and socialization need to be done to ensure all contractors are fulfilling the safety requirements.

ASA4 findings: *The mill took corrective action immediately by conducting awareness training to all contractors' and their workers on safety issues. Latest safety awareness training was done on 6/1/2014 attended by 3 contractors and 7 contractor's workers. During this ASA4, site visit at the mill found all workers were wearing appropriate PPE's. This observation was considered to be effectively addressed.*

OBS6 (RSPO SCCS D.3.4): Inconsistency implementation of SOP No: RSPOSC/SOP/SG/2 regarding supply chain model stamping on the delivery order. For example: CSPO/IP was stamped instead of CSPO/SG as stated in the SOP.

ASA4 findings: The mill took corrective action immediately by conducting SOP refresher training to the weighbridge clerks to avoid inconsistency. During this ASA4, all supply chain related documents were found to be consistent and being monitored by the Chief clerk for implementation of the SOP. This observation was considered to be effectively addressed.

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

During this ASA4, the majority of stakeholders had positive comments about Pamol Kluang. For the situations where stakeholders raised issues, discussion was held with the management and the company's response is recorded. The details of stakeholder's comments are as below:

NUPW Representative:

NUPW representative complaint that the pay is always paid at late evening or sometimes even night time.

Company response: The manager explained that this was due to the security and bank administration reasons which are beyond the management's control. However, the management has requested the bank to fix an ATM machine near the estate area so that the pay can be directly banked-in to the workers account in the future. However, it is solely depends on the bank's approval.

Auditor findings: Request letter to the bank dated 21/11/13 was sighted. The progress of this will be followed up during next assessment.

Foreign workers Representative:

Foreign workers representative complaint that they need to wait for long hours to see the Hospital Assistant (HA) for treatment and couldn't get certain type of medicines.

Company response: The manager and HA explained that this was due to the workers doesn't follow the clinic visiting hours and they were asking for controlled medicine such as cough mixture and worm treatment.

Auditor finding: Further verification found that there were some miscommunications. This was raised as an observation and the progress of this will be followed up during next assessment.

Local worker:

Local worker requested transport for school children.

Company response: The management will discuss with the neighbouring IOI estate for the transport arrangement as the number of school children is very low. However, school bus subsidy is being paid to the parents on monthly basis. They have freedom to choose their transport.

Auditor findings: Document review found that the subsidy has been paid. Currently there are 6 school children's whom need the transport and they are paid the subsidy allowance. The progress of this will be followed up during next assessment.

Smallholder: The smallholder interviewed confirmed that there is no any issue related to the access through the estate road.

Company response: management always allow smallholders to access through the estate roads.

Auditor findings: No pending issues.

Temple committee: The management always support and assist during the temple festivals.

Company response: The management is committed to assist the temple wherever possible.

Auditor findings: No issues.

Progress of the previous stakeholder comments:

The comments from the DOE: The approval of generator and boiler was obtained on 24 February 2013 and valid till 23 February 2014. The request for renewal letter has been send to DOE and pending for the new license. This observation was considered to be effectively closed out.

4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

4.1 Date of Next Surveillance Visit (Re-Certification)

The next surveillance visit will be a re-certification visit. The assessment will be scheduled within twelve months of the ASA4.

4.2 Date of Closing Nonconformities (Major and Minor)

NC Ref.	CLASS	ISSUED	STATUS
CR01 2.1.1	Major	20/3/2009	Closed on 16/11/2009
CR02 4.1.1	Major	20/3/2009	Closed on 16/11/2009
CR03 4.1.2	Minor	20/3/2009	Closed on 16/11/2009
CR04 5.3.2	Minor	20/3/2009	Closed on 16/11/2009
A542057/1 (CR05) 6.5.3	Minor	8/3/2011	Closed on 2/3/2012
A694301/1 2.2.3.1	Minor	29/2/2012	Closed on 17/1/2013
A694301/2 5.5.3	Minor	29/2/2012	Closed on 17/1/2013
A834990/1 (457766-1) 2.2.3.1	Minor	17/1/2013	Closed on 11/1/2014
A834990/2 (457766-2) 3.1.2	Minor	17/1/2013	Closed on 11/1/2014
A834990/3 (457766-3) 4.4.4 / 4.4.7	Minor	17/1/2013	Closed on 11/1/2014
A834990/4 (457766-4) 5.3.2	Minor	17/1/2013	Closed on 11/1/2014
1012105N5 6.2.3	Minor	11/1/2014	"open"
1012105N6 6.5.2	Minor	11/1/2014	"open"

4.3 Acknowledgement of Internal Responsibility and Formal Sign-off of Assessment Findings

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

Signed for on behalf of
IOI Corporation Bhd – Pamol Kluang



.....
Too Heng Liew
Head of Sustainability (Malaysia & Indonesia)
Date: **1/04/2014**

Signed for on behalf of
BSi Group Singapore Pte Ltd



.....
Senniah Appalasamy
BSi RSPO Lead Auditor
Date: **26/03/ 2014**

Appendix A: Pamol Kluang Palm Oil Mill Supply Chain Assessment (Module D: Segregation)

Supply Chain Report

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

Location: Pamol Kluang Palm Oil Mill, Date: 8/01/2014

Total last transaction in UTZ system during 2013 is 19,951.55mt. This was checked on the eTrace in December 2013 (Pamol Kluang has no transaction using Green Palm)

D.1. Documented procedures

D.1.1 The facility shall have written procedures and/or work instructions to ensure the implementation of all the elements specified in these requirements. This shall include at minimum the following:

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

Comply. No changes in the procedures. The details include all elements of the Supply Chain for controlling the receipt, sale and dispatch of palm products. I.e. SOP number ISCC/SOP/COC/I dated 8 May 2011, Issue 1.

b) The name of the person having overall responsibility for and authority over the implementation of these requirements and compliance with all applicable requirements. This person shall be able to demonstrate awareness of the facilities procedures for the implementation of this standard. Complies – The Mill Manager has responsibility for the Supply Chain aspects of FFB receipts, processing and shipping of palm products. Interview confirmed their knowledge of the RSPO Supply Chain requirements for the respective areas of the operations.

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

Complies – the Mills Weighbridge SOP covers the receiving of FFB and recording details of the Supplier and Transporter. All deliveries of FFB are subject to verification of documentation and quality checks. No non certified FFB received.

D.2. Purchasing and goods in

D.2.1 The facility shall verify and document the volumes of certified and non-certified FFBs received. Complies – the Mill records tonnages received at the weighbridge and these are reported daily with Head Office. There is no non certified FFB received.

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

D.3. Record keeping

D.3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements. Complies – Inspection of records at the Mill confirmed these were updated daily.

D.3.2 Retention times for all records and reports shall be at least five (5) years. Complies – Records are archived and stored for 10 years as per SOP.

D.3.3 The facility shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, PKO and palm kernel meal on a three-monthly basis. Complies – these are updated every three month and reported to Head Office marketing department for stock record.

D.3.4 The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. *product name*/SG or Segregation. The supply chain model used should be clearly indicated. Complies – The Company uses rubber stamp indicating “SG” on the purchase and sales documents. Deliveries in the month of December 2013 to IOI refinery Loaders Croklaan Procurement Company Sdn Bhd was checked and found to be compliance.

D.4. Sales and good out

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

a) The name and address of the buyer;

b) The date on which the invoice was issued;

c) A description of the product, including the applicable supply chain model (Segregated or Mass Balance)

d) The quantity of the products delivered;

e) Reference to related transport documentation.

Complies – all of these items (a-e) are included in the company’s invoices to buyers. For example: Delivery Order in the month of December 2013 was checked and verified contains the address of buyer as IOI Loaders Croklaan Procurement Company Sdn Bhd dated on 2 December 2013 and 4 December 2013. Crude Palm Oil was indicated with additional stamp “SG”. The transport was with tanker.

D.5. Processing

D.5.1 The facility shall assure and verify through clear procedures and record keeping that the RSPO certified palm oil is kept segregated from non certified material including during transport and storage and be able to demonstrate that is has taken all reasonable measures to ensure that contamination is avoided. The objective is for 100 % segregated material to be reached. The systems should guarantee the minimum standard of 95 % segregated physical material; up to 5 % contamination is allowed. Complies – The palm oil mill has procedures and record keeping that the RSPO certified palm oil is kept segregated all the while (because only certified FFB is processed) including during transport and storage and able to demonstrate that is has taken all reasonable measures to ensure that contamination is avoided.

D.5.2 The facility shall provide documented proof that the RSPO certified palm oil can be traced back to only certified segregated material. Complies – Pamol Kluang Palm Oil Mill has procedures to traced back the palm products to only certified segregated material e.g. daily report, monthly progress report. The content of these documents showed FFB receipt and processed, CPO and PK produced are from own certified source. No non certified FFB is purchased.

D.5.3 In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that: The crush operator conforms to these requirements for segregation; the crush is covered through a signed and enforceable agreement. Not Applicable. The mill is not equipped with palm kernel crushing plant.

D.6. Training

D.6.1 The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems. Complies – The Pamol Kluang Palm Oil Mill maintains records of RSPO Supply Chain training. There was training conducted on April 2013 and the recent training was on 3 January 2014.

D.7. Claims

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

Actual Certified Palm Production - 01 January 2013 - 31 December 2013 (ASA3)

Mill	Capacity	CPO	PK
Pamol Kluang Palm Oil Mill	60 mt/hr	51,379	12,464

Actual Sales of Certified Palm Products - 01 January 2013 - 31 December 2013 (ASA3)

Mill	Certified CPO Sales	Certified PK Sales	Remarks
Pamol Kluang Palm Oil Mill	19,951.55mt	NIL	-

Actual Certified FFB Received Monthly - 01 January 2013 – 31December 2013

Month	Pamol Barat	Pamol Timur	Mamor	Unijaya	Swee Lam	Kahang	Total FFB/Month
January 2013	3,422	2,192	4,043	1,500	1,969	3,107	16,233
February 2013	2,713	1,775	2,849	1,237	1,657	2,327	12,558
March 2013	2,846	1,968	2,842	1,384	1,616	2,608	13,264
April 2013	3,187	2,141	3,499	1,362	1,999	3,698	15,886
May 2013	3,307	2,250	3,634	1,626	2,571	4,398	17,786
June 2013	3,217	2,391	4,608	1,879	2,242	5,589	19,926
July 2013	3,202	2,577	5,535	2,407	2,509	5,967	22,197
August 2013	3,141	2,575	5,301	2,209	2,894	5,816	21,936
Sept. 2013	3,956	2,598	5,410	2,381	2,491	6,041	22,877
Oct. 2013	4,106	2,643	5,489	2,571	2,964	5,781	23,554
Nov. 2013	3,502	2,644	4,936	1,999	2,639	4,950	20,670
Dec. 2013	3,118	2,219	4,547	2,010	2,496	4,015	18,405
Total	39,717	27,973	52,693	22,565	28,047	54,297	225,292

Appendix B: Pamol Kluang Palm Oil Mill's RSPO Certificate Details

IOI Corporation Berhad
Pamol Kluang Palm Oil Mill
Level 8, Two IOI Square
IOI Resort 62502 Putrajaya
Malaysia
Website: www.ioigroup.com

Certificate Number: SPO 547027
Date of Certification: 16/03/2010
Expiry Date: 15/03/2015

Applicable Standards: RSPO Certification System June 2007 (revised March 2011) including Annex 4: Procedures for Annual Surveillance; RSPO P&C MY-NIWG 2010; and relevant element of Supply Chain requirements for CPO Mills; SCCS Standard Nov 2011 Module D - Segregation.

Pamol Kluang Palm Oil Mill and Supply Base		
Location	Kluang, Johor, Malaysia.	
Address	P.O. Box 1, 86007 Kluang, Johor, Malaysia.	
GPS Location	Longitude 103° 23' 24" Latitude 2° 6' 36"	
CPO Tonnage Total (Certified)	61,418mt	
PK Tonnage Total (Certified)	14,673mt	
Own estates FFB Tonnage (Certified)	266,980	
Supply Base Estates (Certified)	Pamol Barat	42,340
	Pamol Timur	31,670
	Mamor	61,350
	Unijaya	28,370
	Swee Lam	34,610
	Kahang	68,640

Appendix C: ASA4 Assessment Programme

Date	Time	Subjects	Senniah	Nabila	Muhd Haris
Tuesday 7/1/2014	Noon	Audit Team travelling to the site.	√	√	√
Wednesday 8/1/2014	08.00 – 09.00	Opening Meeting: <ul style="list-style-type: none"> • Presentation by the Estate and mill managers • Presentation by Audit team leader. • Confirmation of assessment scope and finalize Audit plan (including stakeholder's consultation). 	√	√	√
	09.00 – 12.00	Palm Oil Mill Inspection: FFB receiving, warehouse, workshop, wastes management, Effluent Ponds, OSH, Environment issues, POME application, water treatment, staff, workers and contractor interview, housing and facility inspection.	√	√	√
	12.00 – 13.00	Lunch	√	√	√
	13.00 – 17.00	Palm Oil Mill: Document Audit, SOPs, Supply chain for CPO mill, Review on SEIA documents and records, wage records, employee data, training records, permits, mill inspection records, etc.	√	√	√
Thursday 9/1/2014	08.00 – 12.00	Kahang Estate Field visit, boundary inspection, fertiliser application, field spraying, harvesting, workers interview, buffer zone, HCV area, Office, workshop, worker housing, clinic, Landfill, Chemical store and mixing, etc.	√	-	√
	09.00 – 12.00	Meeting with stakeholders (Government, village rep, smallholders, Union Leader, contractor etc.)	-	√	-
	12.00 – 13.00	Lunch	√	√	√
	13.00 – 17.00	Kahang Estate Document review (General Documentation e.g. Legal, Manual and Procedure, HCV identification, SEIA documents, Health and Safety, Time bound plan verification, review pay documents etc).	√	√	√
Friday 10/1/2014	8.00 – 12.00	Mamor Estate Field visit, boundary inspection, fertiliser application, field spraying, harvesting, workers interview, buffer zone, HCV area, Office, workshop, worker housing, clinic, Landfill, Chemical store, mixing.	√	√	√
	12.00 – 13.00	Lunch	√	√	√
	13.00 – 17.00	Mamor Estate Document review (General Documentation e.g. Legal, Manual and Procedure, HCV identification, SEIA documents, Health and Safety, Time bound plan verification, review pay documents etc).	√	√	√
Saturday 11/1/2014	AM	Closing Meeting	√	√	√

Appendix D: List of Stakeholders Contacted

INTERNAL STAKEHOLDERS

<p><i>Pamol Kluang Mill</i> Mill manager and staffs Boiler operators Engine room operators Electrician Store officer Weighbridge Clerk Lap Assistants Head of central workshop Clinic/hospital assistants Union Representative Foreign worker representative</p>	<p><i>Mamor Estate</i> Estate manager and staffs Field supervisor/mandor Harvesters Sprayers Housewives Union Representative Foreign worker representative</p>	<p><i>Kahang Estate</i> Estate manager and staffs Field supervisor/mandor Harvesters Sprayers Housewives Union Representative Foreign worker representative</p>
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EXTERNAL STAKEHOLDERS

<p><i>GOVERNMENT DEPARTMENTS</i> Labour Department Department of Safety and Health Department of Environment</p>	<p><i>NGOs and others</i> National Union of Plantation Workers - Kluang Branch Contractors Suppliers Estate Temple Committee</p>	<p><i>Local Communities</i> Kampung Tereh Head of Village Kampong Seri Tambak Representative Kampong Gajah Village Representative</p>
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Appendix E: IOI Group Time Bound Plan

No	Certification Unit	Status	Remarks
1	Pamol Sabah Palm Oil Mill (Covering 6 Estates)	Certified since 1/2/2009.	Re-Certification on 21/1/2014
2	Sakilan Palm Oil Mill (Covering 3 Estates)	Certified since 8/3/2010	-
3	Pamol Kluang Palm Oil Mill (Covering 6 Estates)	Certified since 16/3/2010	-
4	Gomali Palm Oil Mill (Covering 11 Estates)	Certified since 23/8/2010	-
5	Baturong Palm Oil Mill (Covering 4 Estates)	Certified since 8/10/2010	-
6	Bukit Leelau Palm Oil Mill (Covering 6 Estates)	Certified since 19/11/2010	-
7	Mayvin Palm Oil Mill (Covering 5 Estates)	Certified since 22/12/2010	-
8	Pukin Palm Oil Mill (Covering 4 Estates)	Certified since 13/6/2012	-
9	Syarimo Palm Oil Mill (Covering 9 Estates)	Certified since 20/3/2013	-
10	Ladang Sabah Palm Oil Mill (Covering 8 Estates)	Certified since 3/4/2013	-
11	Leepang Palm Oil Mill (Covering 7 Estates)	Certified since 16/12/13	-
12	Morisem Palm Oil Mill (Covering 9 Estates)	Certified since 18/12/2013	-
13	IOI-Pelita RSPO Main Audit (covering 2 estates – No Palm Oil Mill)	<i>*Audit date is depending on uplifting on suspension</i>	-
14	PT SKS & PT BNS (No Palm Oil Mill)	<i>*Audit date is depending on uplifting on suspension</i>	-
15	Unico – Desa (New Acquisition in 2013) – 2 Palm Oil Mills	Certification by 2016	New Acquisition in 2013

Appendix F: Kahang Estate Field Map

