

IOI Corporation Berhad

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

PLANTATION MANAGEMENT UNIT

Pukin Grouping

Rompin and Muadzam Shah (Pahang),
Segamat and Tangkak (Johor), Malaysia



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Assessment Report

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(188296-W)

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Verification cum Surveillance Assessment (ASA-01)

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**VERIFICATION CUM SURVEILLANCE ASSESSMENT REPORT
ON RSPO CERTIFICATION**

PUBLIC SUMMARY REPORT

IOI CORPORATION BERHAD

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

**PLANTATION MANAGEMENT UNIT
Pukin Grouping**

Rompin & Muadzam Shah (Pahang), Segamat & Tangkak (Johor), Malaysia

Certificate No:

Original Issued date:

Issue Date:

Expiry date:

RSPO 927888

13 Jun 2012

13 Jun 2017

12 Jun 2021

Assessment Type

Re-Certification Assessment

Verification cum Annual Surveillance

Assessment- 01

Assessment Dates

28 Mar – 1 Apr 2016

20 – 23 Mar 2017

Intertek Certification International Sdn Bhd

6-L12-01, Level 12, Tower 2, Menara PGRM No. 6 & 8 Jalan Pudu Ulu, Cheras, 56100 Kuala Lumpur, Malaysia.

Tel: +00 (603) 9283 9881 Fax: +00 (603) 9284 8187 Email: ia.mysbaenquiry@intertek.com

Website: www.intertek.com



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1.0 SCOPE OF ASSESSMENT

1.1 Introduction

This Verification cum Surveillance Assessment (ASA-01) was conducted on the Plantation Management Unit (PMU) Pukin Grouping of IOI Corporation Berhad (hereafter abbreviated as IOI), from 20 – 23 Mar 2017, to assess the organization's operations of the mill and its supply bases for compliance against the RSPO Principles and Criteria (Apr 2013), Malaysian National Interpretation (MYNI 2014) and the RSPO Supply Chain Certification Standard (Nov 2014) for the Palm Oil Mill.

The Verification Assessment was conducted together with the Annual Surveillance Assessment due to the findings raised by ASI during the Compliance Audit on 17-21 Oct 2016. This combined Assessment was conducted against the full set of RSPO Requirements and Standards. Details of the outcomes of the verification on ASI Compliance Audit are included in Appendix G of this report.

Note: The plantation management unit (PMU) or management unit is equivalent to a certification unit as defined in the RSPO Certification Systems Document. Each PMU consists of one mill and its supply bases which are made up of estates owned and/or managed by IOI.

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

Pukin Grouping consists of 1 palm oil mill, namely Pukin Palm Oil Mill and 6 estates only (as one estate i.e. the Leepang A estate and its FFB supply was diverted for certification under another IOI PMU. See Table 1A and notes below) as indicated in Table 1 below, which includes the addresses and GPS locations of the mill and 6 estates. The location maps are provided in **Appendix C**.

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

| Name | Address | GPS Reference | |
|--|--|----------------|-----------------|
| | | Latitude | Longitude |
| Pukin Palm Oil Mill Capacity (60 MT/hr) | 30km, Lebuhraya Tun Abdul Razak, Keratong, Rompin, Pahang | 02° 43'07.9" N | 102° 54'28.7" E |
| Pukin Estate | 30km, Lebuhraya Tun Abdul Razak, Keratong, Rompin, Pahang | 02° 43'07.9" N | 102° 54'28.7" E |
| Shahzan 1 Estate | 30km, Lebuhraya Tun Abdul Razak, Keratong, Rompin, Pahang | 02° 47'58.5" N | 102° 50'56.3" E |
| Shahzan 2 Estate | 36km, Lebuhraya Tun Abdul Razak, Keratong, Rompin, Pahang | 02° 48'59.6" N | 102° 52'26.5" E |
| Segamat Estate | Km 5, Jalan Segamat Muar, 85009 Segamat, Johor | 02° 29'22.0" N | 102° 52'58.5" E |
| Laukin A Estate | KM 72, Kuantan-Segamat Highway, 26700 Muadzam Shah, Pahang. | 03° 01'26.1" N | 103° 02'33.0" E |
| Bukit Serampang Estate | KM 12, Jalan Sagil-Tangkak, Segamat, 84900, Tangkak, Johor. | 02° 19'53.7" N | 102° 41'17.4" E |

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Table 1A: Address of Estate and GPS location (for exclusion from current year certification)

| Name | Address | GPS Reference | |
|------------------|--|----------------|-----------------|
| | | Latitude | Longitude |
| Leepang A Estate | KM 68, Kuantan-Segamat Highway, 26700 Muadzam Shah, Pahang. | 03° 00'36.1" N | 103° 01'48.0" E |

Note: For FY 2016/2017, all FFB crop from Leepang A estate has been diverted to the Bukit Leelau POM (which is another IOI Certified Unit / PMU – IOI Bukit Leelau Grouping). Thus Leepang A estate details will be transferred for certification under the IOI Bukit Leelau Grouping for FY2017/2018.

As informed by IOI Group Management, this is an interim measure only as Leepang A estate and its FFB crop may be re-diverted back to the IOI Pukin Grouping sometime in the near future, which will be notified accordingly to CAB-Intertek.

Therefore for FY 2016/2017 and FY2017/2018, the details of Leepang A estate i.e. land area and FFB crop will be excluded from the IOI Pukin Grouping (as it will be captured under the IOI Bukit Leelau Grouping certification) until further notification from IOI Group Management.

1.3 Description of supply base (fruit sources)

The supply base i.e. FFB sources to the POM at Pukin Grouping PMU are currently from the abovementioned 6 estates which are owned by IOI. Verification done on site during current assessment confirmed that there were no outgrowers / independent suppliers / smallholders involved in the supply of FFB to the said PMU.

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

Table 2: Estate Area Summary

| Estate | Area Summary (ha) – FY Jul 2014 / Jun 2015 | | Area Summary (ha) – FY Jul 2015 / Jun 2016 | | Area Summary (ha) – FY Jul 2016 / Jun 2017 | |
|------------------------|---|------------------|---|------------------|---|------------------|
| | Certified Area | Planted Area | Certified Area | Planted Area | Certified Area | Planted Area |
| Pukin Estate | 2,437.26 | 2,188.00 | 2,437.26 | 2,188.00 | 2,428.12 | 2,188.00 |
| Shahzan 1 Estate | 1,562.95 | 1,517.00 | 1,562.95 | 1,518.00 | 1,562.95 | 1,518.00 |
| Shahzan 2 Estate | 1,640.77 | 1,602.00 | 1,640.77 | 1,601.00 | 1,640.77 | 1,601.00 |
| Segamat Estate | 1,921.62 | 1,779.00 | 1,916.27 | 1,738.00 | 1,896.27 | 1,718.00 |
| Leepang A Estate | 2,403.70 | 1,829.00 | 2,403.70 | 1,829.00 | - | - |
| Laukin A Estate | 1,619.90 | 1,051.00 | 1,619.90 | 1,051.00 | 1,619.90 | 1,051.00 |
| Bukit Serampang Estate | 2,564.46 | 2,558.00 | 2,564.46 | 2,558.00 | 2,564.46 | 2,558.00 |
| Total: | 14,150.66 | 12,524.00 | 14,145.31 | 12,483.00 | 11,712.47 | 10,634.00 |
| Percentage: | 100% | 88.50% | 100 % | 88.25% | 100% | 90.79% |

Notes:

1. This Assessment covered the overall land use for oil palm plantation areas, and the identified Conservation areas including any HCV areas (if any) marked out at the estates.
2. The estates sampled for this Assessment have been selected based on their potential risks on social, environmental and biodiversity issues such as their proximity to forest reserves, hill sides, riparian zones and any high conservation value areas.
3. Leepang A estate areas are excluded from current year certification as explained in Table 1A notes above.

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1.4 Summary of plantings and cycle

The estates been developed since 1989 and all are presently in the 2nd cycle of planting. The age profile is as shown in Table 3.

Table 3: Age Profile of Planted Oil Palm - Jul 2016 / Jun 2017

| Estate Name | Year of Planting | Cycle of Planting | Mature OP (ha) – Above 3 years | Immature OP (ha) – 3 years & below | Total (ha) |
|---------------------------|------------------|-------------------|-----------------------------------|---------------------------------------|------------|
| 1. Pukin Estate | 2007-2010 | 2 nd | 2,188 | 0 | 2,188 |
| | 2004-2007 | 2 nd | | | |
| | 1994-2003 | 1 st | | | |
| 2. Shahzan 1 Estate | 2003 | 1 st | 1,518 | 0 | 1,518 |
| 3. Shahzan 2 Estate | 2002-2003 | 1 st | 1,601 | 0 | 1,601 |
| 4. Segamat Estate | 2013-2016 | 2 nd | 1,485 | 233 | 1,718 |
| | 2004-2006 | 2 nd | | | |
| | 1994-2003 | 2 nd | | | |
| | 1989-1993 | 1 st | | | |
| | 2001 | 1 st | | | |
| 5. Laukin A Estate | 2002 | 1 st | 1,051 | 0 | 1,051 |
| 6. Bukit Serampang Estate | 2011-2012 | 2 nd | 2,558 | 0 | 2,558 |
| | 2007 | 2 nd | | | |
| | 1999-2002 | 2 nd | | | |
| | 1993-1998 | 1 st | | | |
| | | Total | 10,401 | 233 | 10,634 |

1.5 Summary of Land Use - Conservation and HCV Areas

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

Table 4: Conservation and HCV Areas

| # | Statement of Land Use (Ha) | 2015 / 2016 Hectarage – Ha | 2016 / 2017 Hectarage – Ha |
|----------|--|-------------------------------|-------------------------------|
| 1 | Planted Area (ha) – Oil Palm | | |
| | - Mature (Production) | 12,137 | 10,401 |
| | - Immature (Non-Production) | 346 | 233 |
| 2 | Conservation Area (ha) | | |
| | - comprising buffer zones along small streams, hilly areas, swampy and unplantable areas | 923 | 493 |
| 3 | HCV Area (ha) | | |
| | - comprising buffer zones near river riparian, forest reserves, water catchments, burial & religious sites | 15 | 15 |

Note: The significant change in conservation areas was due to changeover of areas under Leepang A estate of 430 ha (unplantable areas) now captured under another IOI certified PMU – Bukit Leelau Grouping effective since May 2016.



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1.6 Other certifications held and Use of RSPO Trademarks

IOI-Pukin Grouping is also certified to the International Sustainability and Carbon Certification (ISCC). The RSPO's trademarks and logo are not being used by the PMU audited. Instructions for use were provided and acknowledged by the PMU through a signed Memorandum of commitment agreeing to adhere to the latest "RSPO Rules on Communications & Claims" during the assessment.

1.7 Organizational information / Contact Person

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

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1.8 Tonnages Verified for Certification

1.8.1 The breakdown of all the suppliers and their tonnages of FFB supplied to the POM at Pukin Grouping based on the reporting period for current assessment are as shown in Table 5 below:

Table 5: Tonnages Verified for Certification

(Reporting period 01 Jul 2016 until 30 Jun 2017 - Actual 8 months + projected 4 months)

| # | Estate /Supplier | FFB Processed (MT) | Main Receiving Palm Oil Mill | RSPO P&C Certification By CB |
|----------|---|--------------------|------------------------------|------------------------------|
| 1. | Pukin Estate | 43,501.45 | Pukin Oil Mill | Intertek |
| 2. | Shahzan 1 Estate | 38,689.75 | Pukin Oil Mill | Intertek |
| 3. | Shahzan 2 Estate | 43,132.02 | Pukin Oil Mill | Intertek |
| 4. | Segamat Estate | 33,707.66 | Pukin Oil Mill | Intertek |
| 5. | Laukin Estate | 9,974.02 | Pukin Oil Mill | Intertek |
| 6. | Bukit Serampang Estate | 43,253.67 | Pukin Oil Mill | Intertek |
| A | Sub-Total Pukin PMU estates | 212,258.57 | | |
| | Leepang A estate | 0 | * Bukit Leelau Oil Mill | Intertek / Sirim |
| | External / Other supplies | 0 | | |
| B | Sub-Total other IOI certified estates: | 0 | | |
| C | Grand total: | 212,258.57 | | |

Note: * All FFB crop from Leepang A estate was diverted to Bukit Leelau POM since May 2016 for certification under IOI Bukit Leelau Grouping (CB-Sirim)

1.8.2 Total annual tonnages of FFB supplied from the supply base to Pukin Grouping POM during the previous period, current assessment and projected period are as shown in Table 6 below:

Table 6: Annual Tonnages of FFB

| Estate / Supplier | FFB Processed in Jul 2015 / Jun 2016 - Actual | | FFB Processed in Jul 2016 / Jun 2017 - Actual + Projected | | FFB Processed in Jul 2017 / Jun 2018 - Projected | |
|--|---|-----|---|--------|--|-----|
| | MT | % | MT | % | MT | % |
| Pukin Grouping | 228,941.13 | 98 | 212,258.57 | 100 | 242,320 | 100 |
| Other Suppliers (certified PMUs under IOI Group) | 4594.65 | 2 | 0 | 0 | 0 | 0 |
| Total | 233535.78 | 100 | 212,258.57 | 100.00 | 242,320 | 100 |
| SCCS Model for POM | IP | | IP | | IP | |



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1.8.3 The annual certified tonnages of CPO and PK production by the PMU from the supply base/suppliers as assessed and verified during the current assessment are detailed as shown in Table 7 below:

Table 7: Annual Certified Tonnages of CPO and PK

| POM | Jul 2015 / Jun 2016 - Actual | | Jul 2016 / Jun 2017 - Actual + Projected | | Jul 2017 / Jun 2018 - Projected | |
|-------------------------------------|---------------------------------|----------------|---|----------------|------------------------------------|----------------|
| Total Certified FFB Processed (MT) | 228,941.13 | | 212,258.57 | | 242,320 | |
| Total Certified CPO Production (MT) | 51,748.32 | OER: 22.60% | 46,727.15 | OER: 22.01% | 55,007 | OER: 22.70% |
| Total Certified PK Production (MT) | 11,374.66 | KER: 4.97% | 9,680.27 | KER: 4.56% | 10,905 | KER: 4.50% |

The POM has established and maintained procedures for the book keeping and monitoring requirements for the CPO at the mill. It is verified the POM has procedures for the 'Identity Preserved – IP' model in accordance with the RSPO Supply Chain Certification Standards (SCCS) requirements. Verified activities and checked items for the SCCS of the POM are reported in section 3.1.1.

1.9 Time Bound Plan for Other Plantation Management Units

The IOI Plantations Group is a member of RSPO since 2004 and has been taking an active role in support of the RSPO certification.

To date IOI Group manages a total of 19 Plantation Management Units (PMU) which comprise 16 palm oil mills and over 90 oil palm estates throughout Malaysia and Indonesia.

Currently, 12 of its PMUs have been certified with another 7 managed units still 'non-certified'.

IOI Group had reviewed their Time Bound Plan (TBP) from time to time with progressive declarations on new acquisitions of land for oil palm plantations since 2009 and recent years which have encountered operational issues at Sarawak, Malaysia and Kalimantan, Indonesia as stated under the updated Time Bound Plan.

On overall, IOI Group had declared its commitment to complete RSPO certifications on all its 'non-certified' units, targeted by 2019.

In addition, IOI Group had also submitted a positive assurance statement to assure its commitment to continued compliance with RSPO requirements for all its certified and non-certified units.

IOI had conducted an internal audit on the uncertified units to determine its compliance against Clause 4.2.4 (Rules on Partial Certification). The Internal audit reports had identified the issues involved, on-going corrective actions and monitoring.

Details of the updated Time Bound Plan as submitted by IOI and reviewed by Intertek are shown in **Appendix E**.

Intertek had also referred to the RSPO's Complaints website for the tracking of issues and the latest updates available on cases of legitimate complaints which may be filed against the IOI Group and also IOI's statements of response and actions currently being undertaken to comply with their Sustainability commitments which are indicated in **Appendix F**.

The publicly available updates of announcements on the progress of formal complaints as documented by RSPO and responses made by IOI Group are continually reviewed by Intertek to ensure that all issues as formally lodged and recorded against the IOI Group units are duly considered prior to conducting any new or ongoing certification assessments.



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1.10 Abbreviations Used

| | | | |
|------|---|----------|---|
| CB | Certification Body | LTA | Lost Time Accidents |
| CHRA | Chemical Health & Risk Assessment | Intertek | Intertek Certification International Sdn Bhd |
| CPO | Crude Palm Oil | IOI | IOI Corporation Berhad |
| CSDS | Chemical Safety Data Sheets | MSDS | Material Safety Data Sheets |
| CSPO | Certified Sustainable Palm Oil | MTCS | Malaysia Timber Certification Scheme |
| CSPK | Certified Sustainable Palm Kernel | NCR | Non-Conformance Report |
| EFB | Empty Fruit Bunch | NGO | Non-Government Organization |
| EHS | Environmental Health & Safety | OER | Oil Extraction Rate |
| EIA | Environmental Impact Assessment | OHS | Occupational Health & Safety |
| ETP | Effluent Treatment Plant | PEFC | Programme for the Endorsement of Forest Certification |
| FFB | Fresh Fruit Bunch | PK | Palm Kernel |
| GAP | Good Agriculture Practice | PMU | Plantation Management Unit |
| HCV | High Conservation Values | POM | Palm Oil Mill |
| IPM | Integrated Pest Management | POME | Palm Oil Mill Effluent |
| ISCC | International Sustainability & Carbon Certification | PPE | Personal Protective Equipment |
| IUCN | International Union for Conservation of Nature | SCCS | Supply Chain Certification Standard |
| KER | Kernel Extraction Rate | SOP | Standard Operating Procedures |



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2.0 ASSESSMENT PROCESS

2.1 Assessment Methodology, Plan and Site Visits

Since 13 Feb 2017, Intertek has initiated public communications and notifications and invited the relevant stakeholders before the assessment to provide feedback and comments on their concern (if any) on Pukin Grouping regarding the environmental, biodiversity, community development and other relevant issues.

From 20 – 23 Mar 2017, the Assessment team conducted the current assessment in which 2 out of the 6 estates of Pukin Grouping namely Shahzan 1 and Laukin A estates, as well as the palm oil mill were assessed for compliance against the RSPO requirements. The number of estates sampled was based on a minimum sample of $0.8\sqrt{y}$ where y is the number of management sub-units and the selection was made based on their potential risks on social, environmental and biodiversity issues such as their proximity to forest reserves, hill sides, riparian zones and high conservation value areas.

During the on-site assessment, relevant documents and records, including Standard Operating Procedures (SOP), management plans, hectare development, FFB, CPO and PK production, oil palm age profile, operational controls and measures, operational data and records, training records, etc. were reviewed and verified for compliance. The Assessment team using the process approach auditing technique covered the palm oil mill and estate operations, agricultural practices, pest management, pesticide and fertilizer application, occupational health and safety, social accountability, environment and other requirements. Stakeholders' interviews were conducted during the assessment and feedback obtained as part of information and evidence gathering. (See section 2.5 Process of stakeholder consultation).

Pukin Grouping POM was also assessed against the requirements of RSPO Supply Chain Certification Standard (Nov 2014) for CPO mill. This part of the assessment covered the verification of implementation of documented procedures and availability of records to demonstrate compliance against all the elements for the 'Identity Preserved' - IP Module requirements. These include documented procedure, purchasing and goods in, record keeping, sales and goods out, processing, monitoring and traceability of the CSPO and CSPK quantities, training for staff and claims.

After completion of the on-site field assessment, Intertek also performed the evaluation of conformity against the RSPO Certification System requirements for CB. The assessment report, findings and associated documents were evaluated through an independent review by the Intertek Internal Technical Reviewer/Panel for comments prior to the approval of this report and final decision on the certification by Intertek.

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

Details of the findings and actions taken are provided in **Section 3.2 of this report**.

2.2 Date of next scheduled visit

The next scheduled visit will be the Annual Surveillance Assessment to be carried out within a 12-month period prior to the annual certificate anniversary / Palm Trace license expiry date.

2.3 Qualifications of the Lead Assessor and Assessment Team

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

2.4 Certification Body

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

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2.5 Process of stakeholder consultation

Stakeholder consultations began with notification of the upcoming assessment through the websites of RSPO, IOI and Intertek. E-mails were sent to applicable stakeholders including government agencies, NGOs and local communities. E-mails and telephone enquiries were made prior to the actual assessment and stakeholder's response and feedback received were followed up accordingly.

During the assessment, stakeholders were interviewed and their feedbacks were recorded. Among the stakeholders consulted were workers, trade union leaders, women representatives; local community leaders, representatives of government departments / agencies, NGOs, suppliers and contractors.

Details on stakeholders' feedback, PMU response and Intertek verification / comments are provided in **section 3.3**.

Among the list of key stakeholders consulted was the following:

Government Agencies (by emails)

1. Department of Lands And Mines (Kuala Lumpur)
2. Department of Environment (Kuala Lumpur)
3. Department of Forestry Peninsular Malaysia (Kuala Lumpur)
4. Department of Immigration (Kuala Lumpur)
5. Department of Irrigation & Drainage (Kuala Lumpur)
6. Department of Labour (Kuala Lumpur)
7. Department of Occupational Safety & Health (Kuala Lumpur)
8. Department of Orang Asli Affairs (Kuala Lumpur)
9. Department of Wildlife & National Parks (Kuala Lumpur)
10. Department of Environment, Johor
11. Department of Forestry, Johor
12. Department of Immigration, Johor
13. Department of Irrigation & Drainage, Johor
14. Department of Labour, Johor
15. Department of Occupational Safety & Health, Johor
16. Department of Wildlife & National Parks, Johor
17. Land and Mines Office, Johor
18. Pertubuhan Keselamatan Sosial (SOCSO), Johor
19. Department of Immigration, Pahang
20. Department of Irrigation & Drainage, Pahang
21. Department of Labour, Pahang
22. Department of Occupational Safety & Health, Pahang
23. Department of Wildlife & National Parks, Pahang
24. Land and Mines Office, Pahang

Statutory Bodies (by emails)

25. Malaysian Palm Oil Board (MPOB)
26. Malaysian Palm Oil Board (MPOB) - Northern Region
27. Malaysian Palm Oil Board (MPOB) - Central Region
28. Malaysian Palm Oil Board (MPOB) - Southern Region
29. Malaysian Palm Oil Board (MPOB) - Eastern Region
30. Malaysian Palm Oil Board (MPOB) - Sarawak Region
31. Malaysian Palm Oil Board (MPOB) - Sabah Region
32. Malaysia Palm Oil Association (MPOA)
33. Malaysia Palm Oil Association Kuala Lumpur (MPOA)
34. Malaysia Palm Oil Association Sabah (MPOA)
35. UNION – AMESU

NGOs (by emails)

36. All Women's Action Society (AWAM)
37. BCSDM - Business Council for Sustainable Development in Malaysia
38. Borneo Child Aid Society (Humana)
39. Borneo Resources Institute Malaysia (BRIMAS)
40. Borneo Rhino Alliance (BORA)
41. Center for Orang Asli Concerns COAC



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42. Centre for Environment, Technology and Development, Malaysia - CETDEM
43. Eco Knights
44. ENO Asia Environment
45. Environmental Management and Research Association of Malaysia (ENSEARCH)
46. Environmental Protection Society Malaysia (EPSM)
47. Friends of the Earth, Malaysia
48. Future in Our Hands Society, Malaysia
49. Global Environment Centre
50. HUTAN - Kinabatangan Orang-utan Conservation Programme
51. Institute of Foresters, Malaysia (IRIM)
52. JUST - International Movement for a Just World
53. Malaysian CropLife & Public Health Association (MCPA)
54. Malaysian Environmental NGOs - MENGO
55. Malaysian National Animal Welfare Foundation – MNAWF
56. Malaysian Nature Society Johor
57. Malaysian Nature Society Pahang
58. Malaysian Plant Protection Society (MAPPS)
59. National Council of Welfare & Social Development Malaysia - NCWSDM
60. National Union of Plantation Workers (NUPW)
61. Partners of Community Organisations (PACOS)
62. Pesticide Action Network Asia and the Pacific (PAN AP)
63. Proforest - South East Asia Regional Office
64. R.E.A.C.H. - Regional Environmental Awareness Cameron Highlands
65. SUARAM - Suara Rakyat Malaysia
66. SUHAKAM - National Human Rights Society - Persatuan Kebangsaan Hak Asasi Manusia
67. Sustainable Development Network Malaysia (SUSDEN)
68. Tenaganita Sdn Bhd
69. The Malaysian Forum of Environmental Journalist (MFEJ)
70. TRAFFIC Southeast Asia - Wildlife trade & trafficking monitoring programme
71. Transparency International - Malaysian Chapter
72. Treat Every Environment Special Sdn Bhd. (TrEES)
73. United Nations Development Programme - UNDP Malaysia
74. Wetlands International (Malaysia)
75. Wild Asia Sdn Bhd
76. World Wide Fund for Nature (WWF) Malaysia

Local community (On-site interviews)

77. Consultative Committee & Gender representatives
78. Workers & Workers representatives
79. Village Heads & representatives
80. Suppliers & Contractors representatives

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3.0 ASSESSMENT FINDINGS

3.1 Summary of findings

Principle 1: Commitment to transparency

| Criterion 1.1 Growers and millers provide adequate information to relevant stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in appropriate languages and forms to allow for effective participation in decision making. | | |
|--|---|------------|
| Indicators | Findings and Objective Evidence | Compliance |
| 1.1.1 There shall be evidence that growers and millers provide adequate information upon request for information on (environmental, social and/or legal) issues relevant to RSPO Criteria to relevant stakeholders for effective participation in decision making. Minor Compliance | The PMU has established and implemented documented procedures (Stakeholder Request – Corporate Level, Stakeholder Request – POM Level, Stakeholder Request – Estate Level) for providing adequate information on environmental, social and legal issues relevant to RSPO Criteria to relevant stakeholders for effective participation in decision making. The procedure includes handling responses and requests from stakeholders. Records of participation and decision plans were verified to be maintained. This was evident from records of visits, inspections, minutes of meetings, attendance notes and correspondence with stakeholders such as DOSH (JKKP), DOE (JAS), BOMBA, TNB, MPOB and Energy Commission (“Suruhanjaya Tenaga”), employee consultative committees and local community leaders. Note: Public notification for stakeholder consultation prior assessment of the PMU was made on 13 Feb 2017. See details of Stakeholder feedback under section 3.3 | Complied |
| 1.1.2 Records of requests for information and responses shall be maintained. Major Compliance | The PMU had established and maintained an updated list of internal stakeholders, external stakeholders, government departments/agencies, consultants, contractors, suppliers, transporters, etc. The PMU had conducted its internal and external stakeholder consultations in Feb and Mar 2017 at the POM and respective estates. Meeting minutes were maintained. Noted that the various categories of stakeholders were consulted. There were no complaints/ grievances or negative remarks. Records maintained were easily retrievable and made available upon request during the assessment. | Complied |
| Criterion 1.2 Management documents are publicly available, except where this is prevented by commercial confidentiality or where disclosure of information would result in negative environmental or social outcomes. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| 1.2.1 Management documents that are made available to the public shall include, but are not necessarily limited to: Major Compliance | Management documents’ relating to environmental, social and legal issues was verified to be maintained and available to the public (notices and websites) and updated by IOI, HQ e.g. website link: http://www.ioigroup.com/business/busi_plantoverview.cfm The organization’s policies declared that upon request, the following types of mandatory documents are available to the public: <ul style="list-style-type: none"> • land titles/user rights, • occupational health and safety plan, | Complied |



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| | <ul style="list-style-type: none"> • plans and impact assessments relating to environment and social impacts, • pollution prevention plans, • details of complaints & grievances, • negotiation procedures • continuous improvement plan • Public summary of certification assessment report. <p>These publicly available documents include key indicators of performance like waste management and disposal plans for the mill and estates. Also, Continual Improvement Action Plans include targets for waste reduction and pollution prevention.</p> | |
| <ul style="list-style-type: none"> • Land titles/user rights (Criterion 2.2); | <p>Copies of all land titles were available and have been maintained at the POM and Estates. HQ kept the original copies.</p> | Complied |
| <ul style="list-style-type: none"> • Occupational health and safety plans (Criterion 4.7); | <p>Detailed Occupational Safety and Health Plan has been established and documented by the Safety & Health Manager Plantations (Malaysia) and approved by the respective manager for mill and estates in Pukin POM Grouping. The Plan had been reviewed (annually) and up-dated for the POM and estates. The OSH Program was displayed prominently in notice boards in the Mill and respective estates. An effective level of activities and action items were planned and progressively implemented for FY2016/2017.</p> <p>Policy and HIRAC documented for both mill and estates. The HIRAC was also reviewed for the POM and estates in Jan and Feb 2017.</p> <p>The OSHA Plan include the establishment and implementation of CHRA, medical surveillance, Emergency Drill, First Aid training, Line site Inspection, Chemical Store Inspection, Audiometric test, PPE training, etc.</p> <p>POM has conducted the Emergency Preparedness (ERP). Safety Committee meetings held quarterly in year 2016. Programmes for protecting workers' health and safety were satisfactorily implemented.</p> | Complied |
| <ul style="list-style-type: none"> • Plans and impact assessments relating to environmental and social impacts (Criteria 5.1, 6.1, 7.1 and 7.8); | <p>Environmental aspect and impact assessment conducted for the POM and estates and reviewed in Feb 2017 Management action plan documented and implemented.</p> <p>Social Impact Assessment carried out and suitably reviewed on Jan 2017 by the IOI Sustainability Team together with the respective Mill and Estate Managers. Positive and negative impacts and action plans were documented.</p> | Complied |
| <ul style="list-style-type: none"> • HCV documentation summary (Criteria 5.2 and 7.3); | <p>The Assessment reports on 'Internal HCV and Conservation Areas' for FY2016/2017 were available. It was verified that the Management Action Plans for HCV and Conservation areas were being monitored and progressively implemented at the respective Estates.</p> | Complied |
| <ul style="list-style-type: none"> • Pollution prevention and reduction plans (Criterion 5.6); | <p>Pollution Prevention Management Plans were reviewed in for FY2016/2017. Action items include measures for pollution control (smoke emission, POME / effluent discharge), pesticides reduction, schedule wastes (chemicals, drums, tyres, used PPE, hydraulic oil) and organic/domestic wastes disposal, reuse and recycling (paper, glass, scrap iron).</p> | Complied |

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| <ul style="list-style-type: none"> • Details of complaints and grievances (Criterion 6.3); | <p>The mill and respective estates had maintained the Complaints and Grievances Logbook. ECC (Employees Consultative Committee) representatives interviewed had confirmed that there were no serious issues which warrant major actions from the PMU Management.</p> <p>Logbook entries were examined and found to be in order. Employees Consultative Council (ECC) representatives interviewed had confirmed that there were no serious issues.</p> | <p>Complied</p> |
| <ul style="list-style-type: none"> • Negotiation procedures (Criterion 6.4); | <p>Presently, there is no conflict/dispute requiring negotiation or compensation pertaining to this criterion at this PMU.</p> <p>Negotiation procedure and flowchart was maintained</p> <p>Note: The status on the ongoing negotiations on land issues against IOI Group plantations at Sarawak and Kalimantan, Indonesia were accessible via website link: http://www.rspo.org/members/status-of-complaints</p> <p>Refer also to details in Section 1.9: Timebound Plan</p> | <p>Complied</p> |
| <ul style="list-style-type: none"> • Continual improvement plans (Criterion 8.1); | <p>The PMU has identified, documented and implemented Continuous Improvement Plans in key operations for the mill and estates.</p> <p>The plans includes bio-polishing for reduction in BOD level, biogas plant, reduction in the consumption of pesticides, cultivation of beneficial plants, recycling, pollution prevention and environmental and social programs.</p> <p>Monitoring and implementation of the Continuous Improvement Plans is progressively ongoing. Verified that reviews were done by the Mill and Estate Managers in Jan and Feb 2017.</p> | <p>Complied</p> |
| <ul style="list-style-type: none"> • Public summary of certification assessment report; | <p>Public summary of certification assessment reports are available from the company upon request.</p> | <p>Complied</p> |
| <ul style="list-style-type: none"> • Human Rights Policy (Criterion 6.13). | <p>The Human Rights Policy has been documented and incorporated as part of the Sustainability Palm Oil Policy revised in Jul 2016 and signed by the Group CEO.</p> <p>Copies of the policy found to be displayed at prominent locations in the POM and estates. Briefing and communication to all levels of the workforce, both administrative and operations departments were provided.</p> | <p>Complied</p> |
| <p>Criterion 1.3 Growers and millers commit to ethical conduct in all business operations and transactions.</p> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <p>1.3.1 There shall be a written policy committing to a code of ethical conduct and integrity in all operations and transactions, which shall be documented and communicated to all levels of the workforce and operations.</p> <p>Minor Compliance</p> | <p>The IOI Group's Booklet "Code of Business Conduct and Ethics" & policy (11 May 2015) were documented & signed by the CEO.</p> <p>The following are included:</p> <ul style="list-style-type: none"> - Diversity and Respect in the workplace, - Equal Opportunity Employment, - Protecting the Environment, - Safety, Health and Security at Work, - Intellectual Property and Information, - Management and Security in our Computing Environment, - Data Privacy, - Employee Privacy in the Communication and Computing, - Gifts, Benefits or Entertainment, - Bribes and Kickbacks, | <p>Complied</p> |



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| | <p>- Employment of Family Members and Relatives.</p> <p>Whistle blowing policy documented & approved by the Audit and Risk Management Committee of BOD. Weblink: http://whistleblowing.ioigroup.com/</p> | |
|--|--|--|

Principle 2: Compliance with applicable laws and regulations

| Criterion 2.1 | | |
|--|--|-------------------|
| There is compliance with all applicable local, national and ratified international laws and regulations. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>2.1.1 Evidence of compliance with relevant legal requirements shall be available.</p> <p>Major Compliance</p> | <p>At the PMU, a legal register covering the applicable local and international laws and regulations are available. Compliance to each law and regulation is monitored by the PMU.</p> <p>The relevant laws and legislations identified and listed cover safety and health, environment, pollution management, chemical handling, usage & storage, schedule waste management, labour laws, Unions, EPF, SOCSO, Housing and Amenities.</p> <p>There were no cases of any violation or actions imposed by relevant authorities. Statutory returns to relevant authorities found to be in compliance.</p> <p>Based on the site observations, interviews and records checking at the POM and estates, there was sufficient evidence of compliance with the relevant laws, regulations, local and international laws.</p> <p>Licenses and permits (License for Foreign Workers Employment, Workers Wages Deduction Permit, License for Controlled Items – Diesel and Fertilizer, MPOB license, DOSH Certificate, DOE license, BOMBA Fire Certificate, Energy Commission License, etc.) were monitored for their expiry dates and found to be renewed and valid.</p> <p>Environmental Quality Act 1974 and Environmental Quality (Scheduled Wastes) Regulations 2005: Scheduled wastes such as hydraulic and used motor oils, rags, empty chemical and lubricants containers collected at six monthly intervals by DOE licensed contractor.</p> <p>Weight and Measures Act 1972, regulations 16, 28A, 45): Weighbridges were duly calibrated.</p> <p>Factory and Machinery Act 1967, Regulations 1970: Steam engineers (Grade 1 and 2), boilerman and charginman were noted to be with valid certificates from relevant authorities (DOSH and Energy Commission). The POM has maintained a Boiler Register that indicate the date of commission, cleaned, inspected, tested or repaired. Valid certificates of fitness for boilers, sterilizers, air receivers, thermal deaerator, steam separator, vacuum oil dryer, etc. issued by DOSH.</p> <p>Valid license for diesel generators issued by Energy Commission (“Suruhanjaya Tenaga”).</p> <p>Valid licenses for authorized gas tester (ACT), authorized entrant and standby by person for confined space activities in POM.</p> <p>Occupational Health and Safety Act 1994 – safety and health meetings to be conducted at quarterly intervals. Noise Monitoring Report is available.</p> <p>Legal documents (work permits, passports) of foreign workers such as Indonesian and Bangladeshi, are available in the respective estates.</p> | <p>Complied</p> |

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| | Insurance for foreign workers in estates under MSIG Insurance and RHB Insurance Bhd. Note: There are no foreign workers in the POM. | |
| 2.1.2 A documented system, which includes written information on legal requirements, shall be maintained. Minor Compliance | The PMU has established and implemented a documented procedure for identifying, determining, reviewing and updating applicable legal and other requirements. It included the listing of laws and regulations that were being monitored for changes and reference. | Complied |
| 2.1.3 A mechanism for ensuring compliance shall be implemented. Minor Compliance | Monitoring mechanism was done through a yearly evaluation checked against the items in the Legal Register. | Complied |
| 2.1.4 A system for tracking any changes in the law shall be implemented. Minor Compliance | Changes in the relevant laws are communicated and received from the IOI Group HQ. The PMU subsequently ensured that the changes and tracking conducted was adequately updated. Based on the site observations, interviews and records updated, the system used is appropriate to the operations at the PMU. | Complied |
| Criterion 2.2 | | |
| The right to use the land is demonstrated, and is not legitimately contested by local people who can demonstrate that they have legal, customary or user rights. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| 2.2.1 Documents showing legal ownership or lease, history of land tenure (confirmation from community leaders based on history of customary land tenure, recognised Native Customary Right (NCR) land) and the actual legal use of the land shall be available. Major Compliance | Land ownership or lease for the POM and estates found to be in order. There is no change in the land ownership since the last assessment. Copies of the land titles of the POM and estates were maintained and found to be in proper order. The original copies are maintained by the Corporate Head Office. The legal use of the land was confirmed for the cultivation of oil palms and agricultural use. | Complied |
| 2.2.2 There is evidence that physical markers are located and visibly maintained along the legal boundaries particularly adjacent to state land, NCR land and reserves. Minor Compliance | It was verified that there has been no change to the stated land titles and designated use for cultivation of oil palm and agricultural use. Locations of several boundary stones and pole markers were visited and verified to be within the boundary parameters of the estates. Demarcation was also evidenced by the dug up trenches and drains which were adjacent to neighboring estates. | Complied |
| 2.2.3 Where there are or have been disputes, additional proof of legal acquisition of title and evidence that fair compensation has been made to previous owners and occupants shall be available, and that these have been accepted with free, prior and informed consent (FPIC). Minor Compliance | There has been no dispute on the land rights in the PMU. As such, the process of fair compensation and FPIC is currently not applied. | Not applicable |
| 2.2.4 There shall be an absence of significant land conflict, unless requirements for acceptable conflict resolution processes (see Criteria 6.3 and 6.4) are implemented and accepted by the parties involved. Major Compliance | The estate lands at the PMU are legally owned or leased by IOI and no other users were identified in the land area. The existing estates are not encumbered by any customary land rights and therefore participatory mapping is not required. | Not applicable |

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| <p>2.2.5 For any conflict or dispute over the land, the extent of the disputed area shall be mapped out in a participatory way with involvement of affected parties (including neighbouring communities and relevant authorities where applicable). Minor Compliance</p> | <p>No land disputes in the PMU. As such the process of participatory mapping is not applicable for verification of implementation.</p> | <p>Not applicable</p> |
| <p>2.2.6 To avoid escalation of conflict, there shall be no evidence that palm oil operations have instigated violence in maintaining peace and order in their current and planned operations. Major Compliance</p> | <p>No evidence that the palm oil operations have instigated violence in maintaining peace and order in their current and planned operations.</p> | <p>Not applicable</p> |
| <p>Criterion 2.3 Use of the land for oil palm does not diminish the legal, customary or user rights of other users without their free, prior and informed consent.</p> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <p>2.3.1 Maps of an appropriate scale showing the extent of recognised legal, customary or user rights (Criteria 2.2, 7.5 and 7.6) shall be developed through participatory mapping involving affected parties (including neighbouring communities where applicable, and relevant authorities). Major Compliance</p> | <p>The estate lands at the PMU are legally owned or leased by IOI and no other users were identified in the land area. The existing estates are not encumbered by any customary land rights and therefore participatory mapping is not required.</p> <p>The maps at PMU Pukin had been re-surveyed in Jan 2017 and were made available at respective estates. Verified that the land areas are within the legal boundaries of the PMU.</p> | <p>Complied</p> |
| <p>2.3.2 Copies of negotiated agreements detailing the process of free, prior and informed consent (FPIC) (Criteria 2.2, 7.5 and 7.6) shall be available and shall include: a) Evidence that a plan has been developed through consultation and discussion with all affected groups in the communities, and that information has been provided to all affected groups, including information on the steps that shall be taken to involve them in decision making; b) Evidence that the company has respected communities' decisions to give or withhold their consent to the operation at the time that this decision was taken; c) Evidence that the legal, economic, environmental and social implications for permitting operations on their land have been understood and accepted by affected communities, including the implications for the legal status of their land at the expiry of the company's title, concession or lease on the land. Minor Compliance</p> | <p>The estate lands were acquired from private plantation owners since 1990s or leased from the States of Pahang and Johor since year 2000 for a period of 99 years. Records are available to show such land acquisition complied with legal requirements without infringement of any legal rights that require free, prior and informed consent (FPIC).</p> | <p>Complied</p> |
| <p>2.3.3 All relevant information shall be available in appropriate forms and languages, including assessments of impacts, proposed benefit sharing, and legal arrangements. Minor Compliance</p> | <p>The estate lands at the PMU are legally owned or leased by IOI and no other users were identified in the land area. No conflict or dispute over the lands in the PMU. As such, this process is not available for verification.</p> | <p>Not applicable</p> |



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| <p>2.3.4 Evidence shall be available to show that communities are represented through institutions or representatives of their own choosing, including legal counsel. Major Compliance</p> | <p>The estate lands at the PMU are legally owned or leased by IOI and no other users were identified in the land area. No conflict or dispute over the lands in the PMU. As such, this process is not available for verification.</p> | <p>Not applicable</p> |
|---|---|-----------------------|

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

| <p>Criterion 3.1 There is an implemented management plan that aims to achieve long-term economic and financial viability.</p> | | |
|---|---|--------------------------|
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <p>3.1.1 A business or management plan (minimum three years) shall be documented that includes, where appropriate, a business case for scheme smallholders. Major Compliance</p> | <p>Business Plans for five (5) years (till FY2021/2022) had been prepared by the Palm Oil Mill and the respective estates. Details of the Business Plans for the POM include the following: (1) Mill extraction rates = OER and KER trends; (2) Cost of Production = Cost/MT CPO trends; (3) Forecast prices; (4) Financial indicators = Cost of labour, cost of supervision, depreciation costs, salaries/allowances, cost of materials, etc.). Details of the Business Plans for the estates include the following: (1) Replanting program (planting materials are DxP seedling; (2) Crop projection = FFB yield/ha trends; (3) Cost of Production = Cost/MT FFB trends; (4) Forecast prices; (5) Financial indicators = Cost of upkeep & cultivation, harvesting & collection cost, depreciation, cost of materials, cost of labour, cost of supervision, utilities, transport, depreciation costs, salaries/allowances, cost of materials, etc.). The Business Plans also include provisions for sustainability efforts and improvement programmes (environmental, social, Occupational Safety & Health, training, etc.). Mill and Estate Managers monitor the operational performance against Key Performance Indications and targets (costs, FFB yields, quality, productivity, pesticides usage, fertilizers usage, etc.) There is evidence of monitoring of costs against budget to achieve specified targets. Performances are discussed in the monthly meetings held at the PMU and issues and actions needed are recorded for follow up in the next monthly meeting. The records of these meetings were available and verified during the audit. Monthly, quarterly, half-yearly and yearly reports are submitted to the HQ.</p> | <p>Complied</p> |
| <p>3.1.2 An annual replanting programme projected for a minimum of five years (but longer where necessary to reflect the management of fragile soils, see Criterion 4.3), with yearly review, shall be available. Minor Compliance</p> | <p>Annual replanting program were available and had been prepared up to FY2021/2022 for the estates. There would be no replanting on Shahzan 1 and Laukin A estates for the next 10 years as the palms were replanted between 2002 and 2003.</p> | <p>Complied</p> |



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

| Criteria 4.1 Operating procedures are appropriately documented, consistently implemented and monitored. | | |
|--|---|-------------------|
| Indicators | Findings and Objective Evidence | Compliance |
| <p>4.1.1 Standard Operating Procedures (SOPs) for estates and mills shall be documented. Major Compliance</p> | <p>Documents on SOP had been maintained by the POM and the Estates which were verified to be in order. POM has documented the following SOPs:</p> <ol style="list-style-type: none"> 1. Group SOP for Palm Oil Mill Operations covering every station from FFB receiving until the delivery of processed oil and POME management. 2. Laboratory Operation Manual (01/01/2008) Issue 1. 3. SOP for pollution prevention includes measuring and monitoring mill effluents and waste disposal / recycling. 4. Occupational Safety & Health Manual and OSH Management System documents. The SOP for safe working practices includes hazards identification, risk assessment and control measures. The hazards include noise, chemicals, heat, fire, fuel spillage, working at heights, working in enclosed space, hot work, lightning, electrocution, machinery, etc. Control measures include the use of PPE, fire drill training, first aid training, etc. and "permit to work system" for the mill. Records of 'Permit to Work' including gas entry and stand-by permits issued by NIOSH to the competent personnel at the POM was verified to be maintained and found to be in order. <p>The estates have the following SOPs:</p> <ol style="list-style-type: none"> 1. Group SOP for Estate Operation. The SOP describes operational procedure for oil palm DxP seed production, planting density, pre-nursery seedlings, land clearing & preparation, oil palm planting technique, leguminous cover plant, fertilizer application for immature & mature palms, weeding, integrated management of rat control, bagworm control, road maintenance, workshop, harvesting, buffalo healthcare, etc. The SOP for pesticides specifies safe working practices and application of pesticides. It includes annual medical surveillance for pesticides operators. 2. SOP for riparian zone management with specified buffer zones. Relevant Key Performance Indicators (KPIs) specified for quality, environment, safety and cost control. | Complied |
| <p>4.1.2 A mechanism to check consistent implementation of procedures shall be in place. Minor Compliance</p> | <p>The implementation of the SOPs was verified to be consistently performed.</p> <p>Records had been kept by the staff concerned for each operation to monitor the procedure and progress of work and these records would be checked by the Assistant Manager and the Manager regularly.</p> <p>On-site assessment confirmed that the records were satisfactorily maintained.</p> | Complied |
| <p>4.1.3 Records of monitoring and any actions taken shall be maintained and available, as appropriate. Minor Compliance</p> | <p>Records of monitoring and actions taken had been maintained for more than 12 months at the mill and estates.</p> <p>Daily Muster chits were available at estates and actual field activities were verified during on-site field inspection.</p> <p>Verified that spraying and manuring operations when carried out at the estates visited i.e. Shahzan 1 and Laukin A were recorded in the Muster chits and monthly field work records.</p> | Complied |
| <p>4.1.4 The mill shall record the origins of all third-party sourced Fresh Fruit Bunches (FFB). Major Compliance</p> | <p>The mill did not source any FFB from third-party. The entire crop was supplied by the estates within the company as verified from the records that indicate the source origin of FFB.</p> | Complied |



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| Criteria 4.2 Practices maintain soil fertility at, or where possible improve soil fertility to, a level that ensures optimal and sustained yield. | | |
|---|--|-------------------|
| Indicators | Findings and Objective Evidence | Compliance |
| <p>4.2.1 There shall be evidence that good agriculture practices, as contained in Standard Operating Procedures (SOPs), are followed to manage soil fertility to a level that ensures optimal and sustained yield, where possible. Minor Compliance</p> | <p>Annual fertilizer inputs had been monitored through fertilizer recommendations made by IOI Research Centre. Recommendations by the Agronomist had been reviewed by the respective Estate management. Agronomist reports at estates audited were sighted e.g. report dated 16 Feb 2017 was sighted at Leepang A estate.</p> <p>GAP for minimization of soil erosion and maintenance of soil fertility is maintained via the frond stacking and fertilizer application as per the recommendation provided by the Agronomist.</p> <p>These had been verified through the records for fertilizer application and observation during field visit. Evidences provided were verified as following good agricultural practices.</p> <p>Soil sampling and leaf sampling records provided guide for the fertilizer application and all recommendations had been properly followed at estate levels.</p> <p>Noted that proper pesticide/herbicide spraying had also been done.</p> | Complied |
| <p>4.2.2 Records of fertiliser inputs shall be maintained. Minor Compliance</p> | Records of fertilizer application had been verified to be well maintained and updated. | Complied |
| <p>4.2.3 There shall be evidence of periodic tissue and soil sampling to monitor changes in nutrient status. Minor Compliance</p> | <p>Leaf sampling and analysis had been carried out annually and soil sampling and analysis on a 5 year cycle (2014-2019) was available to determine the nutrient levels.</p> <p>Fertilizer recommendations by the Agronomist for identified estate blocks to sustain the long term soil fertility and nutrient efficiency.</p> <p>Records of the sampling and analysis had been verified to be satisfactory.</p> | Complied |
| <p>4.2.4 A nutrient recycling strategy shall be in place, and may include use of Empty Fruit Bunches (EFB), Palm Oil Mill Effluent (POME), and palm residues. Minor Compliance</p> | <p>Geotubes are still in used to filter the solid from the POME and the solid would be used by the estates for field application as organic fertilizer.</p> <p>Circle EFB mulching had been carried out at immature palms and for mature areas along the inter-row. Records of the quantities of EFB mulching including locations applied are maintained.</p> <p>Land irrigation of effluent water discharges had ceased since 2014. Verified that dried POME are bagged and applied in the designated field blocks at the estates audited.</p> | Complied |
| Criteria 4.3 Practices minimise and control erosion and degradation of soils. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>4.3.1 Maps of any fragile/marginal soils shall be available. Major Compliance</p> | <p>Based on the soil maps and field visit verification, there was no fragile soil or marginal soil existence on the estates. Soil series noted are as follows: Shahzan 1 estate: mainly Sogomana, Durian and Segamat. Laukin A estate: mainly Bungor, Tebok and Melaka Shahzan 2 estate: mainly Sogomana, Durian and Segamat. Bkt Serampang estate: mainly Marang, Laterite and Munchong.</p> | Complied |
| <p>4.3.2 A management strategy shall be in place for plantings on slopes between 9 and 25 degrees unless</p> | The PMU has a SOP (Best Management Practices) for erosion control during replanting or any activities involving earth disturbance. Steps taken for erosion control are soil stabilization, | Complied |

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| <p>specified otherwise by the company's SOP. Minor Compliance</p> | <p>run-off control and sediment trapping to mitigate the disturbed earth entering waterways. There was no soil erosion noted during the field visit. No soil erosion encountered at estates audited as leguminous cover crop, <i>macuna bracteata</i> was well established. Planting terraces constructed on land with slope more than 6°.</p> | |
| <p>4.3.3 A road maintenance programme shall be in place. Minor Compliance</p> | <p>Road maintenance programmes for 2016/2017 verified to be implemented progressively. The programme covers road grading and patching. Estate roads were noted to be satisfactorily maintained at the fields visit.</p> | Complied |
| <p>4.3.4 Subsidence of peat soils shall be minimised and monitored. A documented water and ground cover management programme shall be in place. Major Compliance</p> | <p>It was confirmed during assessment on site that there is no peat soil on the estates.</p> | Not Applicable |
| <p>4.3.5 Drainability assessments where necessary will be conducted prior to replanting on peat to determine the long-term viability of the necessary drainage for oil palm growing. Minor Compliance</p> | <p>There was no peat soil on the estates as confirmed by auditor's on-site assessment</p> | Not Applicable |
| <p>4.3.6 A management strategy shall be in place for other fragile and problem soils (e.g. podzols and acid sulphate soils). Minor Compliance</p> | <p>Based on the estate soil maps and visit to the estates, there were no other fragile and problematic soils on the estates.</p> | Complied |
| <p>Criteria 4.4 Practices maintain the quality and availability of surface and ground water.</p> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <p>4.4.1 An implemented water management plan shall be in place. Minor Compliance</p> | <p>Documented water management plan verified to be in place for the palm oil mill and estates. The plan includes steps such as soil stabilization, run-off control and sediment trapping to mitigate the disturbed earth entering waterways. Water samples were taken at monthly interval at the inlet and outlet of the final discharge at the palm oil mill effluent pond. Also, water samples taken twice a year at upstream, midstream and downstream of streams. Tests conducted for pH, BOD, COD, Total Solids, Suspended Solids, Oil & Grease, Ammoniacal Nitrogen and Total Nitrogen. Analysis results meet the DOE requirements. The water supply for domestic use to staff and workers' housing at the estates are piped water from the water treatment plant operated by the government utility company, Suruhanjaya Perkhidmatan Air Negeri (SPAN) that comply with the Specification for Drinking Water Quality. The water for domestic use at Pukin Estate is from the water treatment plant in the POM that draws water from Sungai Pukin. Water samples taken twice a year and tests carried out on parameters to meet the SPAN and Ministry of Health Specification for Drinking Water Quality. Rainfall data found to be monitored as part of the water management plan. There was no construction of bunds/ weirs/dams across the rivers or waterways passing through the estates.</p> | Complied |



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| <p>4.4.2 Protection of water courses and wetlands, including maintaining and restoring appropriate riparian and other buffer zones (refer to national best practice and national guidelines) shall be demonstrated. Major Compliance</p> | <p>Appropriate buffer zones with signages and markings had been maintained along streams passing through Laukin A and Shahzan 1 estates.</p> | Complied |
| <p>4.4.3 Appropriate treatment of mill effluent to required levels and regular monitoring of discharge quality, shall be in compliance with national regulations (Criteria 2.1 and 5.6). Minor Compliance</p> | <p>The water at the outlet of the final discharge point of the palm oil mill effluent pond was analyzed at monthly intervals for pH, BOD, COD, Total Solids, Suspended Solids, oil & grease, Ammoniacal Nitrogen and Total Nitrogen. Analysis results meet the DOE requirement of <100 ppm. Stack emission monitoring by CEMS – Refer to 5.6.3</p> | Complied |
| <p>4.4.4 Mill water use per tonne of Fresh Fruit Bunches (FFB) (see Criterion 5.6) shall be monitored. Minor Compliance</p> | <p>Water usage in the mill from Feb 2016 to Jan 2017 ranged from 1.59 to 2.11 m³/tonne FFB. The average of 2.1 m³/tonne FFB which noted to be above the industrial norm of 1.2 m³ to 1.5 m³/tonne FFB.</p> | Complied |
| <p>Criteria 4.5 Pests, diseases, weeds and invasive introduced species are effectively managed using appropriate Integrated Pest Management techniques.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>4.5.1 Implementation of Integrated Pest Management (IPM) plans shall be monitored. Major Compliance</p> | <p>IPM Plan includes the planting of beneficial plants and control of damage by pest and plant diseases. The programme for planting of the beneficial plants was available at the estates audited and was noted to have improved with the establishing of nurseries for the 3 types of plants for biocontrol i.e. <i>Cassia cobanensis</i>, <i>Antigonon leptopus</i> and <i>Turnera subulata</i> Records on areas planted and the planned stretches for planting has been indicated in the respective estate field maps. Thus previous year observation, OBS: AL-01(2016) was adequately addressed and closed. Barn owl was increasingly used for the control of rodents (rats). Barn Owl boxes census carried out and location maps available. On overall the no. of barn owl boxes was being increased from the ratio of 6 to 8 boxes per ha at Shahzan1 and Laukin A estates. Pest infestation was minimal on the estates. No cases of infestation by other pests (bagworms and rhinoceros beetle).</p> | Complied |
| <p>4.5.2 Training of those involved in IPM implementation shall be demonstrated. Minor Compliance</p> | <p>IPM training conducted by for all those involved in IPM implementation. Training records for staff and workers on IPM implementation were available and was verified to be satisfactorily maintained at the respective estate offices.</p> | Complied |
| <p>Criteria 4.6 Pesticides are used in ways that do not endanger health or the environment.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>4.6.1 Justification of all pesticides used shall be demonstrated. The use of selective products that are specific to the target pest, weed or disease and which have minimal effect on non-target species shall be used where available. Major Compliance</p> | <p>Register of agrochemicals use with written justification had been reviewed. The types of chemicals used are as follows: 1) Glyphosate isopropyl amine - Supremo 2) Metsulfuron methyl – Kenlly / Ellytech 3) 2, 4 - dimethy amine – 2,4-D Amine 4) Triclopyr Butoxyethyl Esther – Kenlon / Garlon Specific pesticides had been used to deal with the respective target pest, weed or disease.</p> | Complied |
| <p>4.6.2 Records of pesticides use (including active ingredients used and their LD50, area treated, amount of</p> | <p>Records of pesticides and their active ingredients used, LD50, area treated, amount of a.i. applied per ha, and number of</p> | Complied |



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| <p>active ingredients applied per ha and number of applications) shall be provided. Major Compliance</p> | <p>applications had been maintained and kept for a minimum of 5 years. Verified that records of monitoring were satisfactorily maintained.</p> | |
| <p>4.6.3 Any use of pesticides shall be minimised as part of a plan, and in accordance with Integrated Pest Management (IPM) plans. There shall be no prophylactic use of pesticides, except in specific situations identified in industry's Best Practice. Major Compliance</p> | <p>It had been the policy of the estates to minimize the use of pesticides in accordance with IPM plan. The pesticide reduction program is monitored on usage per hectare basis. Overall, there has been a slight decline in pesticide usage per hectare on a year to year basis. No prophylactic use of pesticides had been carried out at the estates for the period concerned.</p> | <p>Complied</p> |
| <p>4.6.4 Pesticides that are categorised as World Health Organisation Class 1A or 1B, or that are listed by the Stockholm or Rotterdam Conventions, and paraquat, are not used, except in specific situations identified in industry's Best Practice. The use of such pesticides shall be minimised and eliminated as part of a plan, and shall only be used in exceptional circumstances. Pesticides selected for use are those officially registered under the Pesticides Act 1974 (Act 149) and the relevant provision (Section 53A); and in accordance with USECHH Regulations (2000). Minor Compliance</p> | <p>Paraquat usage had ceased since 2011 at IOI Group Estates including the Pukin PMU. Alternatives such as Glyphosate Isopropylamine, Metsulfuron Methyl, and Triclopyr Butoxyethyl Esther had been used with the elimination of paraquat. First Aid Kits found to be available at the field blocks during pesticides spraying in the fields (4th Schedule). Portable warning signboards noted to be displayed at areas of spraying activity (5th Schedule).</p> | <p>Complied</p> |
| <p>4.6.5 Pesticides shall only be handled, used or applied by persons who have completed the necessary training and shall always be applied in accordance with the product label. Appropriate safety and application equipment shall be provided and used. All precautions attached to the products shall be properly observed, applied, and understood by workers (see Criterion 4.7). Major Compliance</p> | <p>All pesticide operators (including the contractor's workers) have attended training on the safe handling and application of pesticides in compliance with Regulation 22 of the Pesticides Act 1974. Appropriate safety and application equipment (safety boots, safety helmets, rubber boots, cartridge masks, safety goggles, gloves and overalls) have been provided and used by the pesticides operators. All precautions attached to the pesticides (MSDS) have been observed, applied and understood by the workers. Programme and training records verified to be satisfactory. The training include spraying technique, precautions and symptoms of symptoms of toxic reactions such as skin disorders, rashes, mouth and throat pain, breathing difficulties or nail problems. The PMU has adequate facilities for mixing of pesticides and cleaning up after work. There are suitable storage areas for PPE.</p> | <p>Complied</p> |
| <p>4.6.6 Storage of all pesticides shall be according to recognised best practices. All pesticide containers shall be properly disposed of and not used for other purposes (see Criterion 5.3). Pesticides shall be stored in accordance to the Occupational Safety and Health Act 1994 (Act 514) and Regulations and Orders, Pesticides Act 1974 (Act 149) and Regulations. Major Compliance</p> | <p>Storage of pesticides found to be kept under lock and key and its use in accordance with the Occupational Safety and Health Laws and Regulation 9 of the Pesticides Act 1974. Emergency showers and eye wash are available near the pesticides store in case of accidents and tested to be functional. Material Safety Data Sheets (MSDS) are available in the store. The MSDS are in English and Bahasa Malaysia (understood by the workers). Used chemical containers were either reused as containers for spraying solution. For disposal as scheduled waste, empty pesticide containers are triple rinsed and pierced at the bottom.</p> | <p>Complied</p> |



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| <p>4.6.7 Application of pesticides shall be by proven methods that minimise risk and impacts. Minor Compliance</p> | <p>Pesticides had been applied using the Best Management Practices that minimize risk and impacts. The pesticide operators found to understand the use of the right nozzle, spray drift, spray quality and run-off. Programme and training records verified to be satisfactory.</p> | <p style="text-align: center;">Complied</p> |
| <p>4.6.8 Pesticides shall be applied aerially only where there is documented justification. Communities shall be informed of impending aerial pesticide applications with all relevant information within reasonable time prior to application. Major Compliance</p> | <p>The company's policy is not to carry out any aerial application of pesticides. This policy is verified to be followed at the PMU.</p> | <p style="text-align: center;">Complied</p> |
| <p>4.6.9 Evidence of continual training to enhance knowledge and skills of employees and associated smallholders on pesticide handling shall be demonstrated or made available. (see Criterion 4.8). Minor Compliance</p> | <p>The Annual Training Plan includes training on pesticides handling. All new pesticides operators were trained before being assigned to work with pesticides. In addition, based upon training needs, the existing pesticide operators (including the contractor's workers) attended continual training to enhance their knowledge and skills on pesticides handling. Information and safety precautions on the pesticides displayed on the notice board and next to the pesticides in the store.</p> | <p style="text-align: center;">Complied</p> |
| <p>4.6.10 Proper disposal of waste material, according to procedures that are fully understood by workers and managers shall be demonstrated (see Criterion 5.3). Minor Compliance</p> | <p>Scheduled waste had been disposed of through M/S. OLST Petro-Chemical Sdn. Bhd., a licensed contractor approved by DOE. Records of scheduled waste collection at 180 days interval verified to be satisfactorily maintained.</p> | <p style="text-align: center;">Complied</p> |
| <p>4.6.11 Specific annual medical surveillance for pesticide operators, and documented action to treat related health conditions, shall be demonstrated. Major Compliance</p> | <p>Annual medical surveillance in accordance with OSHA USECHH 2000 requirements Schedule 1 and 2 for all pesticide operators in all the estates audited had been carried out in Nov and Dec 2016. It was verified that the CHRA reports were within the 5 year validity period and recommendations made has been satisfactorily followed. Medical surveillance reports of individual sprayers were checked and no abnormalities reported by the Medical Doctor. A total of 12 workers (Shahzan 1) and 10 workers (Laukin A) were sent for the medical surveillance check between 26 Dec 2016 and 14 Jan 2017. The medical reports showed that there was no case of low blood cholinesterase levels. It is confirmed by the respective Estate Managers that any worker with such health condition would be considered as unfit for work with pesticides and re-designated to other types of field work. No such cases are found in the PMU as at the date of assessment. Pesticides operators were interviewed during field visits and feedback received that they do not have any symptoms of toxic reactions such as skin disorders, rashes, mouth and throat pain, breathing difficulties or nail problems. Besides the annual medical surveillance, monthly clinical tests (to check lungs gastro intestinal, urinary system, nails, skin, etc.) also carried out by Health Assistant on sprayers and records maintained indicate no cases of toxic reactions.</p> | <p style="text-align: center;">Complied</p> |
| <p>4.6.12 No work with pesticides shall be undertaken by pregnant or breast-feeding women. Major Compliance</p> | <p>Verified from records, field inspections and interviews that no pregnant or breast-feeding woman had been offered work as pesticide operator.</p> | <p style="text-align: center;">Complied</p> |
| <p>Criteria 4.7 An occupational health and safety plan is documented, effectively communicated and implemented.</p> | | |



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| Indicators | Findings and Objective Evidence | Compliance |
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| <p>The occupational health and safety plan shall cover the following:</p> <p>4.7.1 An occupational health and safety policy shall be in place. An occupational health and safety plan covering all activities shall be documented and implemented, and its effectiveness monitored.</p> <p>Major Compliance</p> | <p>Occupational Safety and Health (OSH) plan in compliance with OSH Act and Factory & Machinery Act 1967 was documented and implemented.</p> <p>OSH Policy found to be clearly displayed at POM and in the estates office. Adequate posters, regulations, newsletters were prominently displayed on notice boards. Interviewed workers demonstrated awareness towards occupational safety and health.</p> <p>The Safety & Health Officer is in charge of safety and health planning, operation & coordination. Mill & Assistant Mill Managers and Estate Managers / Assistant Estate Managers are also directly involved.</p> <p>Records on training had been verified on the Palm Oil Mill and the Estates.</p> <p>Analysis on the understanding of training by the workers on the PMU had been verified.</p> | <p>Complied</p> |
| <p>4.7.2 All operations where health and safety is an issue shall be risk assessed, and procedures and actions shall be documented and implemented to address the identified issues. All precautions attached to products shall be properly observed and applied to the workers.</p> <p>Major Compliance</p> | <p>Risk assessment carried out on operations where health and safety is an issue in order to determine the significant hazards. Significant hazards determined and documented include noise exposure, pesticides/ chemicals exposure, accident, fire.</p> <p>Procedures and actions implemented to mitigate the hazards.</p> <p>Additional assessment of noise levels in the POM was done in Oct 2013 and Consultant Report is available. Work areas identified with high noise levels are the boiler station and engine room where noise level exceeded 85 db. Additional assessment of noise levels in Biogas Recovery Plant conducted in Nov 2013 with areas of levels >85 dB indicated in the plant layout.</p> <p>Mill management have taken steps to reduce the noise levels by construction of a room to isolate the gen sets, reducing the exposure time to high noise and mandatory use of both ear plugs and ear muffers.</p> <p>Annual audiometric test conducted for all mill staff and workers. The latest audiogram was carried out for all 85 POM employees in Oct 2016.</p> <p>The PMU has identified the few employees whose audiometric reports indicated slight hearing impairment and taken measures to reduce noise exposure.</p> <p>Baseline audiogram and occupational and medical history records of workers maintained.</p> <p>The employees exposed to high noise levels were interviewed. The workers are aware of the danger of hearing loss due to prolonged exposure to high noise. The workers knew about the complaints process and mechanism available.</p> <p>“Permit to work” system applied at the POM. Staff and workers have been trained and certified by NIOSH for gas entrant and stand-by involving work in confined space.</p> <p>Appropriate PPE (safety boots, safety helmets, rubber boots, cartridge masks, safety goggles, gloves, overalls, ear plugs, ear muffers) verified to be provided to and being used by the workers. Associated training provided to address safety and health issues. Warning signs sighted at high noise areas and ear plugs and ear muffers to be worn. There are also warning signs to use other PPE such as helmet and safety boots.</p> <p>An audit for determining compliance with the minimum standards had been conducted on all types of PPE used.</p> <p>Adequate fire extinguishers and hose reels found to be located at strategic locations, operational and maintained in good conditions.</p> | |



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| | <p>Location map of fire extinguishers is available.</p> <p>First Aid equipment was available at POM, estates and at worksites. Samples of First Aid box was checked and contents found to be complete and in usable order during field visit. Training for workers in First Aid was carried out in the mill and estates and records maintained.</p> <p>The POM and estates have established their accident reporting KPI and incident monitoring implemented. Yearly reporting of JKPP8 regulations was submitted to JKPP on time, i.e. in January of each year. The Safety & Health Officer maintains records on the rate of accidents to workmen, trends in rate of accidents, fatalities and non-fatalities captured to prevent mishaps. Checking made at line sites at Laukin A and Shahzan 1 estates confirmed that the harvesting sickles kept by the workers in their quarters were properly sheathed and as per the Safety SOP.</p> <p>However, a noncompliance finding was issued on the Risk Assessment on Health & Safety and implementation as follows: The precautions and checking needed for the use of multi-purpose Trailers for the transport of Workers / FFB / Chemicals are not adequately defined and addressed in the HIRARC.</p> | <p>NC: AL-01 (Major)</p> |
| <p>4.7.3 All workers involved in the operation shall be adequately trained in safe working practices (see Criterion 4.8). Adequate and appropriate protective equipment shall be available to all workers at the place of work to cover all potentially hazardous operations, such as pesticide application, machine operations, and land preparation, harvesting and, if it is used, burning. Major Compliance</p> | <p>Training programme planned for year 2016/2017 has included all categories of workers.</p> <p>Appropriate trainings on safe working practices are planned for:</p> <ul style="list-style-type: none"> - workers exposed to machinery and high noise levels, - workers working in confined space, - harvesters - pesticides operators - manurers <p>Other trainings held included firefighting and fire drill, exposure to high noise levels and control measures for protection of hearing and audiometric tests, understanding MSDS/CSDS and first aid training.</p> <p>The above trainings were conducted and records were maintained. Evaluations were carried out on each of the trainings to determine its effectiveness.</p> | <p>Complied</p> |
| <p>4.7.4 The responsible person/persons shall be identified. There shall be records of regular meetings between the responsible person/s and workers. Concerns of all parties about health, safety and welfare shall be discussed at these meetings, and any issues raised shall be recorded. Major Compliance</p> | <p>The responsible person (usually the Mandore or Headperson) had been identified. It is noted that the present Mandores are represented by both male and female gender who have over 3 years field work experiences.</p> <p>Records of regular meetings between the responsible person and workers to discuss about health and safety had been verified to be satisfactory.</p> | <p>Complied</p> |
| <p>4.7.5 Accident and emergency procedures shall exist and instructions shall be clearly understood by all workers. Accident procedures shall be available in the appropriate language of the workforce. Assigned operatives trained in First Aid should be present in both field and other operations, and</p> | <p>Accident and emergency procedures had been written in English and Bahasa Malaysia and briefed to staff, workers, contractors and visitors.</p> <p>Workers trained in First Aid were present in the mill and field operations and are presently kept unlocked for emergency use purposes. First Aid Kits were available at worksites and contents were checked to be sufficient. Records on all accidents had been verified to be maintained satisfactorily.</p> | <p>Complied</p> |



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| <p>first aid equipment shall be available at worksites. Records of all accidents shall be kept and periodically reviewed. Minor Compliance</p> | <p>Quarterly review on accident cases had been carried out during quarterly meeting of Safety, & Health Committee and status of follow up were updated.</p> | |
| <p>4.7.6 All workers shall be provided with medical care, and covered by accident insurance. Minor Compliance</p> | <p>Medical care had been provided to all the workers. Local workers are covered by SOCSO, whereas foreign workers are covered by Foreign Workers Compensation Scheme with insurance company, MSIG Insurance Berhad.</p> | Complied |
| <p>4.7.7 Occupational injuries shall be recorded using Lost Time Accident (LTA) metrics. Minor Compliance</p> | <p>Records on Lost Time Accident (LTA) metrics had been verified to be satisfactorily maintained. Cases of incidences and accidents were satisfactorily reported and LTA for 2016 was noted to be minimal as at audit time.</p> | Complied |
| <p>Criteria 4.8 All staff, workers, smallholders and contract workers are appropriately trained.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>4.8.1 A formal training programme shall be in place that covers all aspects of the RSPO Principles and Criteria, and that includes regular assessments of training needs and documentation of the programme. Major Compliance</p> | <p>The training programme on all aspects of RSPO Principles and Criteria and the Supply Chain Certification System established was implemented. Refresher training for mill staff was conducted in Dec 2016 and interviews confirmed the satisfactory levels of understanding on requirements. Training for various categories of operators, including all field and office staff, with regards to their duties and training needs had been reviewed on annual basis and appropriate training including 'on-job' training / supervision and briefings were satisfactorily documented.</p> | Complied |
| <p>4.8.2 Records of training for each employee shall be maintained. Minor Compliance</p> | <p>Records of training provided for each employee, including new employees were available and found to be satisfactorily maintained.</p> | Complied |



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

| Criteria 5.1 | | |
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| Aspects of plantation and mill management, including replanting, that have environmental impacts are identified, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continual improvement. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>5.1.1 An environmental impact assessment (EIA) shall be documented.</p> <p>Major Compliance</p> | <p>The Environmental Aspect and Impacts Assessment were conducted and well documented. It was reviewed in March 2017 for both the POM and estates. The scope of assessment had included the management of mill effluents, management of pests and disease palms(IPM), maintenance of roads, drainage system fertilizing, spraying, transportation of FFB, schedule waste and garbage disposal, accordingly to the local requirements. The report had also included the action plans and recommendations to mitigate the negative effects and to promote the positive ones. The assessment had also included the relevant stakeholder to identify impacts and develop the mitigation measures such as relevant conservation activities applicable to the PMU.</p> | Complied |
| <p>5.1.2 Where the identification of impacts requires changes in current practices, in order to mitigate negative effects, a timetable for change shall be developed and implemented within a comprehensive action plan. The action plan shall identify the responsible person/persons.</p> <p>Minor Compliance</p> | <p>The environmental management plan is in place and documented including the identification of responsible person, the potential impacts and measures to mitigate the negative impacts.</p> <p>The environmental management plan is being implemented satisfactorily and effectively.</p> | Complied |
| <p>5.1.3 This plan shall incorporate a monitoring protocol, adaptive to operational changes, which shall be implemented to monitor the effectiveness of the mitigation measures. The plan shall be reviewed as a minimum every two years to reflect the results of monitoring and where there are operational changes that may have positive and negative environmental impacts.</p> <p>Minor Compliance</p> | <p>The monitoring of the documented environmental improvement plans is ongoing.</p> <p>Implementation and monitoring of the documented environmental improvement plans was reviewed on February 2017. The review has taken into consideration the mitigation of negative impacts and promotion of positive ones.</p> <p>At the POM, biogas plant has been commissioned to capture the methane. The POME and EFB is being delivered/recycled to the plantation for fertiliser and moisture retention purposes. Record on the delivery and usage of POME and EFB was made available during the audit.</p> <p>At estates visited (Laukin A and Shahzan 1), it was found that the disposal of plantation waste materials was properly monitored and recorded. The waste materials (mostly fertilizer bags and plastics) were recycled and recorded in a register book. Stacking of fronts was also done effectively. Monitoring and implementation of the environmental improvement plan were adhered to and found to be effectively implemented.</p> <p>Also, demarcation of buffer zone bordering forested areas was effectively conducted together with the construction of trenches, especially at Laukin A estate. Maintenance, desilting and clearing of overgrown natural vegetation and debris along the streams in estates was also carried out.</p> | Complied |
| Criteria 5.2 | | |
| The status of rare, threatened or endangered species and other High Conservation Value habitats, if any, that exist in the plantation or that could be affected by plantation or mill management, | | |



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| shall be identified and operations managed to best ensure that they are maintained and/or enhanced. | | |
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| Indicators | Findings and Objective Evidence | Compliance |
| <p>5.2.1 Information shall be collated in a High Conservation Value (HCV) assessment that includes both the planted area itself and relevant wider landscape-level considerations (such as wildlife corridors).</p> <p>Major Compliance</p> | <p>HCV assessment was conducted by the IOI Group HQ and documented in a report dated October 2010. Latest review was done in March 2017.</p> <p>The exercise has taken into consideration all aspects of environmentally sensitive areas such as ponds, streams, wildlife boundaries and was documented.</p> <p>Visits to site confirmed that the Shahzan 1 estate is surrounded by palm oil estates.</p> <p>Only Laukin A estate is neighbouring a forested area (State land Forest), at the South, East and North of the estate.</p> <p>Conservation areas/environmentally sensitive areas i.e. buffer zones along the stretches of streams which pass through the estate had been identified and being monitored.</p> <p>HCV and other environmentally sensitive areas were documented and inspected on site. Perimeter boundaries bordering the estates with other lands and forested areas were well demarcated with markers. Trenches were also dug to deter wildlife from going into the estate.</p> <p>Noncompliance issued: The information provided in the existing maps at the Estates audited has not been collated in the HCV/ EIA Assessment reports did not include both the planted area itself and relevant wider landscape-level considerations e.g. at Laukin A, there was insufficient details such as the GPS Latitudes & Longitudes, neighbouring surroundings (estates, Forest Reserve, conservation areas etc.).</p> <p>The markings and signages were not properly placed such as the extent of Buffer demarcation for the unplanted areas as observed at Laukin A estate.</p> <p>It is to be noted that previous Observation (2016): SH-01 was NOT adequately addressed.</p> | <p>NC: SH-01 (Major)</p> |
| <p>5.2.2 Where rare, threatened or endangered (RTE) species, or HCVs, are present or are affected by plantation or mill operations, appropriate measures that are expected to maintain and/or enhance them shall be implemented through an action plan.</p> <p>Major Compliance</p> | <p>Presence of the HCV/RTE is mostly not within their plantation boundary. However, occurrence of RTE, if any, will be recorded. Nonetheless, a management plan is in place and measures being taken to maintain/enhance the surrounding. The measures were actively implemented with ongoing monitoring done.</p> <p>Regular patrols within the POM and PMU were being carried out and findings recorded by the respective Estate executives to monitor the Conservation / buffer zone areas.</p> <p>Monitoring and control of any illegal hunting, fishing or collecting activities was also implemented.</p> <p>Also, signage that prohibit hunting, fishing and water polluting activities were verified on-site at all PMUs visited i.e. Laukin A, and Shahzan 1 Estates, and found to have been satisfactorily maintained.</p> | <p>Complied</p> |
| <p>5.2.3 There shall be a programme to regularly educate the workforce about the status of these RTE species, and appropriate disciplinary measures shall be instituted in accordance with company rules and national law if any individual working for the company is found</p> | <p>Program to educate the workforce about the status of RTE is in place. The training program on the awareness of this subject matter was conducted and extended to include officials and workers of the estates. All estates visited had extended the awareness program. Records on the training program was made available during the audit.</p> <p>There was also evidence of commitment to discourage any illegal or inappropriate hunting, fishing or collecting activities via the signage erected around the affected areas which prohibit such activities.</p> | <p>Complied</p> |



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| <p>to capture, harm, collect or kill these species.</p> | | |
| <p>Minor Compliance</p> <p>5.2.4 Where an action plan has been created there shall be ongoing monitoring:</p> <ul style="list-style-type: none"> • The status of HCV and RTE species that are affected by plantation or mill operations shall be documented and reported; • Outcomes of monitoring shall be fed back into the action plan. <p>Minor Compliance</p> | <p>Management plans were established and ongoing monitoring was done by the Estate managers.</p> <p>The overall management plan on the status of HCV/RTE of the Pukin plantation group is collated, reviewed and monitored by the HQ sustainability team and is ongoing.</p> <p>Verification made during on-site assessment and found to be not effectively implemented especially at Shahzan 1 Estate.</p> <p>Noncompliance issued: The monitoring of HCV and RTE species on site was not adequately done. The mechanism for reporting was not clearly defined and documented such as reporting to other relevant agencies. Outcome of monitoring was also not reviewed for actions needed in a Management Plan or during Management Review.</p> | <p>NC:SH-02 (Minor)</p> |
| <p>5.2.5 Where HCV set-asides with existing rights of local communities have been identified, there shall be evidence of a negotiated agreement that optimally safeguards both the HCVs and these rights.</p> <p>Minor Compliance</p> | <p>It was verified that there has been no instance of HCV set-aside that conflicts with the rights of local communities at the PMUs visited i.e. Laukin A and Shahzan 1. Thus negotiated agreement of such nature is not applicable.</p> | <p>Complied</p> |
| <p>Criteria 5.3 Waste is reduced, recycled, re-used and disposed of in an environmentally and socially responsible manner.</p> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <p>5.3.1 All waste products and sources of pollution shall be identified and documented.</p> <p>Major Compliance</p> | <p>All waste products and sources of pollution were identified and documented.</p> <p>The documentation and identification of all the waste products such as scheduled waste, domestic waste, clinical waste and recyclable waste such as metal, plastic, mill waste and polluting materials e.g. EFB, POME, Stack emissions and Boiler ashes were maintained and monitored at the POM.</p> <p>Scheduled Waste identified included spent hydraulic oil (SW 305), spent lubricant oil (SW 306), used chemical containers/drums (SW 409), used filters (SW 410), clinical waste (SW 404) and used batteries (SW 102).</p> <p>Records on the usage and disposal were well recorded and documented.</p> <p>Appropriate secondary containment for the diesel skid tanks, chemical and scheduled waste storage areas was verified to be maintained at the POM.</p> <p>Segregation of wastes i.e. general wastes and scheduled wastes was verified to be satisfactory carried out in the Pukin mill and Plantations. Proper storage areas were identified for the storage of the recyclable wastes at the estates and mill.</p> | <p>Complied</p> |
| <p>5.3.2 All chemicals and their containers shall be disposed of responsibly.</p> <p>Major Compliance</p> | <p>At the mill, the disposal of used chemicals and containers were done in accordance with their schedule on waste management as planned.</p> <p>Stores for scheduled waste were inspected and audited at site i.e. POM and disposal was done by scheduled waste disposal company authorized and licensed by Department of Environment.</p> | <p>Complied</p> |



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| | <p>The mill has a proper Scheduled Waste Store for storing scheduled waste until time of disposal by DOE authorized waste disposal contractor.</p> <p>An inventory on all the chemical and containers used was available and up to date.</p> | |
| <p>5.3.3 A waste management and disposal plan to avoid or reduce pollution shall be documented and implemented.</p> <p>Minor Compliance</p> | <p>The waste management and disposal plan were in place at both the POM and PMU. It has been documented and implemented as required and is being carried out responsibly.</p> <p>Segregation of wastes i.e. general wastes and scheduled wastes was verified to be satisfactory carried out in all the Plantations visited. Proper storage areas were identified for the storage of the recyclable wastes at the estates and mill.</p> <p>Waste disposal was done by an appointed contractor that is licensed by the Department of Environment.</p> <p>The solid waste management and disposal plan using landfills was available at Shahzan 1 estate only.</p> <p>It is confirmed that Laukin A estate is no longer using landfills since Jan 2017. The domestic waste disposal has been contracted out for collection and disposal to some other areas outside of the PMU by a contractor.</p> <p>Recycling of crop residues / biomass i.e. EFB and POME had been implemented. Management of EFB application plans and progress reports were verified to be satisfactory.</p> <p>Recycling bins of three different colour codes for specific recycle waste were available in the POM and were used for solid waste segregation and recycling.</p> | Complied |
| <p>Criteria 5.4 Efficiency of fossil fuel use and the use of renewable energy is optimised.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>5.4.1 A plan for improving efficiency of the use of fossil fuels and to optimise renewable energy shall be in place and monitored.</p> <p>Minor Compliance</p> | <p>Monthly record on energy consumption for both renewable and non-renewable sources were kept and documented. It is monitored to optimise use of renewable energy. Data is being compiled for comparison and control for future improvement.</p> <p>Visit to Pukin mill showed evident that they are compiling the data, document it for further action to improve on their efficiency of using the renewable and non-renewable energy. At the mill, the monthly record tabulated showed the amount of FFB processed, CPO produced, palm kernel produced, the usage of water, diesel usage, electrical power usage, fibre & shell usage and also the B.O.D level of the effluent discharge.</p> <p>Apart from using diesel, electricity generation was through steam turbine and boiler where Palm fibre and PK shells were used as renewable energy/fuel on a 70:30 ratio basis.</p> <p>At the Laukin A and Shahzan 1 estate, diesel consumption was also monitored on a monthly basis.</p> <p>It was verified that energy usage are being monitored especially at the POM for better control and comparison of trends.</p> | Complied |
| <p>Criteria 5.5 Use of fire for preparing land or replanting is avoided, except in specific situations as identified in the ASEAN guidelines or other regional best practice.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>5.5.1 There shall be no land preparation by burning, other than in specific situations as</p> | <p>IOI Group had observed the policy of 'Zero open burning' for any replanting, if any, at the estates.</p> | Complied |

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| <p>identified in the 'Guidelines for the Implementation of the ASEAN Policy on Zero Burning' 2003, or comparable guidelines in other regions.</p> <p>Major Compliance</p> | <p>Field inspections made at Laukin A and Shahzan 1, showed no evidence of open burning.</p> | |
| <p>5.5.2 Where fire has been used for preparing land for replanting, there shall be evidence of prior approval of the controlled burning as specified in 'Guidelines for the Implementation of the ASEAN Policy on Zero Burning' 2003, or comparable guidelines in other regions.</p> <p>Minor Compliance</p> | <p>The PMUs shall adhere to the 'zero burning' policy for replanting at the estates.</p> <p>During the audit, there were no replanting activities carried out in the IOI Pukin plantation group.</p> <p>Also, there was no evidence of any burning of domestic waste at the housing line sites and at the sanitary landfill of the estate during on site field assessment. Sanitary landfill was only available at Shahzan 1 Estate. The area is located far away from villages and water sources.</p> | Complied |
| <p>Criteria 5.6 Plans to reduce pollution and emissions, including greenhouse gases, are developed, implemented and monitored.</p> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <p>5.6.1 An assessment of all polluting activities shall be conducted, including gaseous emissions, particulate/soot emissions and effluent (see Criterion 4.4).</p> <p>Major Compliance</p> | <p>Assessment on all polluting activities including gaseous emissions, particulate and effluent has been made and documented.</p> <p>Monitoring of mill gas emissions is being done online using the Continuous Emissions Monitoring System (CEMS) and supported by the Ringelmann Smoke Chart. Report showed evident that the emission is within the permissible limits of DOE as verified by documents made available during the onsite visit to the Pukin mill.</p> <p>POME treatment, monitoring and land application is monitored, maintained and adhered to DOE regulations.</p> <p>Records were made available at both the POM and estates during the audit.</p> | Complied |
| <p>5.6.2 Significant pollutants and greenhouse gas (GHG) emissions shall be identified, and plans to reduce or minimise them implemented.</p> <p>Major Compliance</p> | <p>Identification of significant pollutants and greenhouse gas (GHG) emissions has been done and documented e.g. POME, diesel / fuel, water, chemical and fertilizer. Their usage have been recorded and documented at both the POM and PMU. There are plans to reduce the use of diesel at the POM and using fibre especially as a substitute for energy. The plan has been implemented but the changes have not been very significant.</p> <p>Also at the estates, the use of chemicals is only done when necessary and when there is no other option available. Planting of beneficial plants and the construction of barn owls is ongoing to reduce the reliance on chemicals to arrest pest and diseases.</p> <p>Palm GHG summary report has also been submitted to RSPO on 3rd March 2017 using RSPO version 3.0.1</p> | Complied |
| <p>5.6.3 A monitoring system shall be in place, with regular reporting on progress for these significant pollutants and emissions from estate and mill operations, using appropriate tools.</p> <p>Minor Compliance</p> | <p>Monitoring and reporting of the significant pollutants to water, gaseous emissions to air and contamination on land are in place.</p> <p>Tools and systems used include the DOE online CEMS monitoring for air emissions, water quality at discharge points as per DID regulations, boiler stack monitoring(report dated 13/12/2016) , ambient air quality monitoring(report dated November 2016) Reports were submitted to the Department of Environmental once every six month. The schedule waste disposal (latest dated 18 March 2017) were adhering to DOE requirements.</p> <p>Water samples were regularly taken and tested by mill environment officer in charge and analyzed to ensure compliance to DOE</p> | Complied |



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| | <p>requirements at final discharge points. The water samples were sent for analysis. This was conducted by ENV Consultancy & Monitoring Services. Records are maintained and verified on-site to have met the permissible regulatory limits. Domestic Water Discharge Quality Report was also submitted to DOE once every six month.</p> | |
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Principle 6: Responsible consideration of employees, and of individuals and communities affected by growers and mills

| Criterion 6.1 | | |
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| Aspects of plantation and mill management that have social impacts, including replanting, are identified in a participatory way, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continual improvement. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>6.1.1 A social impact assessment (SIA) including records of meetings shall be documented.</p> <p>Major Compliance</p> | <p>Social impacts in IOI Pukin group operations were assessed through a mixture of consultations, meetings, respond forms and interviews.</p> <p>Social impact assessment [SIA] for the year 2017 for IOI Pukin grouping has been conducted together with relevant external and internal stakeholders in three separate sessions. External consultation session for Pukin POM and Pukin Estate was conducted on 22 Feb. 2017, Shahzan 1 and Shahzan 2 estates on 23 Feb. 2017 and Laukin and Leepang Estates on 10 Mar 2017. The external consultations were attended by external stakeholders including suppliers, contractors, neighbouring estates, transporters, government agencies, etc.</p> <p>In each SIA for each operating unit audited it was verified that all potential impacts were included, e.g. access and use rights to individual passports and travelling documents, sufficient and on time monthly pay, schools and health clinics, etc.</p> <p>At the IOI Pukin grouping, the respective SIA reports and management plans at all estates and mill was specifically and individually documented by the Sustainability Team of IOI. For example SIA report in Pukin Mill was revised on 16 Jan 2017, in Shahzan 1 Estate on 28 Feb 2017 and in Laukin Estate it was on 13 Mar. 2017.</p> | Complied |
| <p>6.1.2 There shall be evidence that the assessment has been done with the participation of affected parties.</p> <p>Major Compliance</p> | <p>Each consultation and meeting conducted was verified to have involved relevant stakeholders affected by the operations of the group. Participants in external and internal stakeholder consultations were already mentioned above [6.1.1]. Participants in meeting such as Employee Consultative Committee [ECC] involved workers representatives from different categories of workers such as general workers, sprayers, manurers harvesters, drivers both locals and foreign citizens. Participants in Gender Consultative Committee [GCC] mainly are women workers attended by Social Liaison Officer who are mostly male Assistant Manager acting as representatives for male workers.</p> <p>During external consultation respond forms were distributed for written inputs, however, verbal inputs were recorded in the meeting minutes. Meeting minutes were also maintained for other meetings mentioned above, i.e. ECC and GCC meetings.</p> | Complied |



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| | Attendance lists and photos for stakeholder consultations and meetings conducted were also verified. | |
| 6.1.3 Plans for avoidance or mitigation of negative impacts and promotion of the positive ones, and monitoring of impacts identified, shall be developed in consultation with the affected parties, documented and timetabled, including responsibilities for implementation. Major Compliance | Based on the inputs received from the consultation, meetings, respond forms, etc. IOI Pukin grouping developed a social action plan which also stated the time frame and responsible person. | Complied |
| 6.1.4 The plans shall be reviewed as a minimum once every two years and updated as necessary, in those cases where the review has concluded that changes should be made to current practices. There shall be evidence that the review includes the participation of affected parties. Minor Compliance | The plans are reviewed annually together with affected parties as mentioned above. The workers especially are regularly consulted through the ECC meetings, safety meeting, daily morning muster in the estates and individual reports made in the Grievance Books. Actions taken to address the concerns raised by the stakeholders were verified during the audit and these actions are updated as necessary in the social action plan. | Complied |
| 6.1.5 Particular attention shall be paid to the impacts of smallholder schemes (where the plantation includes such a scheme). Minor Compliance | No smallholders in IOI Pukin group, thus this criteria is not applicable. | Not applicable |
| Criterion 6.2 | | |
| There are open and transparent methods for communication and consultation between growers and/or millers, local communities and other affected or interested parties. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| 6.2.1 Consultation and communication procedures shall be documented. Major Compliance | All units audited within IOI Pukin group are verified to have maintained lists of local communities as well as affected and interested parties. Procedure related to communication and consultation with the parties mentioned is available at IOI group website via the link stated below: https://www.ioigroup.com/Content/S/PDF/30 sept 2016 Grievance Mechanism FINAL.pdf The group has adopted an open and transparent method of communication and consultation when dealing with relevant parties, e.g. its workers, government agencies, contractors, neighbouring plantations by personal invitation to attend the internal and external stakeholders' consultation. At IOI Pukin group level, the procedure mentioned above is available in English and Bahasa Malaysia and made public to all workers. Furthermore the procedures were also explained carefully to all level of workers and this was verified through individual interviews with sampled workers during the audit. The procedure was also communicated to external stakeholders | Complied |



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| | during the consultation session and personal interviews conducted by the management. | |
| 6.2.2 A management official responsible for these issues shall be nominated. Minor Compliance | In most cases, nominated person responsible as social liaison officers are the Assistant Managers of the operating units. Social liaison officers are responsible in handling relevant social related issued either raised by local communities, workers, government agencies or other interested parties. For example during the stakeholder consultation in Pukin, names of social liaison officers were announced including En. Abd. Lazim from Pukin Estate, En. Firdaus, Assistant Manager from Pukin Mill, Mr. Muruganathan from Shahzan 2 Estate. Names of these nominated officers are made public to the workers through grievance procedures available in the public notice boards as well as through announcements made during meetings and morning musters. Interviewed conducted with workers during the audit verified that the workers especially have easy access to these social liaison officers. | Complied |
| 6.2.3 A list of stakeholders, records of all communication, including confirmation of receipt and that effort are made to ensure understanding by affected parties, and records of actions taken in response to input from stakeholders, shall be maintained. Minor Compliance | All units audited within IOI Pukin group are verified to have maintained lists of local communities as well as affected and interested parties. These lists were referred to for auditors' interview session with external stakeholders. | Complied |
| Criterion 6.3 | | |
| There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all affected parties. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| 6.3.1 The system, open to all affected parties, shall resolve disputes in an effective, timely and appropriate manner, ensuring anonymity of complainants and whistleblowers, where requested. Major Compliance | It was verified during the audit that a system to deal with complaints and grievances for all affected parties have been established and well implemented in IOI Pukin group. Among others, the affected parties have several options to register their complaints and grievances, e.g. Grievance Book, annual stakeholder consultation, morning muster, during ECC, GCC and Safety meetings. Procedures on how to register complaints are available in public notice boards and in languages understood by the workers. Main person responsible in handling the complaints and grievances received from stakeholders in each operating unit is the Social Liaison Officers who in most cases are the Assistant Managers. Training and explanation on how to utilize this system were given and verified by the auditor. The system in place is verified to be effective in ensuring that complaints and grievance are addressed or resolved in timely and appropriate manner. Actions taken to address the complaints and grievances received are recorded appropriately. The system also allows the workers to register their complaints against their immediate supervisor as in most cases Social | Complied |



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| | <p>Liaison Officers are normally in higher position than the supervisors. The workers also allowed to elect their own representatives in the ECC as opposed to the representatives being decided by the management.</p> <p>Complaints and grievances are investigated, addressed and resolved based on their severity. Minor complaints will normally be resolved within 2-3 working days, whilst major complaints and grievances will be resolved based on priority and budget availability. No complaints related to sexual harassment received so far, but the procedures stated such issues will be handled with the utmost privacy and confidentiality by the GCC.</p> <p>It was verified during on-site interviews that dispute or grievance of a serious nature was attended to appropriately. Since Feb 2014 IOI grouping had adopted "Whistleblowing Policy" [https://www.ioigroup.com/Content/CI/PDF/Corp_WhistleblowingPolicy.pdf] which was approved by Audit and Risk Management Committee in Feb 2013.</p> <p>It was also indicated in the said policy that should mutual resolution on such related matters cannot be reached between the complainants including external stakeholders, then the matter will referred to the Local Authorities and eventually to RSPO (if necessary).</p> <p>For example in Jan. 2017, a few Indonesian harvesters in Laukin Estate requested to be transferred to another estate under IOI group with younger trees. Reason being that the younger trees will be easier for harvesting. In Feb. 2017, a total 9 harvesters were transferred to other estates within the PMU as requested. Follow up reports on the said group of harvesters had shown that 3 of them absconded, 1 returned to Laukin Estate and the rest had chosen to remain working at the new estates.</p> | |
| <p>6.3.2 Documentation of both the process by which a dispute was resolved and the outcome shall be available.</p> <p>Major Compliance</p> | <p>All complaints and grievances received are documented either in the form of log book as in the Grievance Book, meeting minutes for the ECC, GCC, Safety meetings and annual stakeholder consultations or respond forms. Decisions and action as responds to the complaints and grievances received also very well documented with sufficient supporting documents as proofs. Other than reports made to the gender representatives, all other complaints and grievances are accessible to public. For example, latest entry in the Grievance Book in Shahzan 1 Estate was made by a worker (NI) on 15 Mar. 2017 related to low water pressure at the linesite. It was noted that management action was taken promptly to increase water supply using water tanks.</p> | <p>Complied</p> |
| <p>Criterion 6.4 Any negotiations concerning compensation for loss of legal, customary or user rights are dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.</p> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <p>6.4.1 A procedure for identifying legal, customary or user rights, and a procedure for identifying people entitled to compensation, shall be in place.</p> | <p>There were some borders at the operating units audited in IOI Pukin group immediately adjacent to villages and native land. However, there has been no records of any negotiation or compensation pertaining to this criteria.</p> | <p>Complied</p> |



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| Major Compliance | No changes in status to date, hence no negotiation or compensation that fall under this criterion. | |
| 6.4.2 A procedure for calculating and distributing fair compensation (monetary or otherwise) shall be established and implemented, monitored and evaluated in a participatory way, and corrective actions taken as a result of this evaluation. This procedure shall take into account: gender differences in the power to claim rights, ownership and access to land; differences of transmigrants and long-established communities; and differences in ethnic groups' proof of legal versus communal ownership of land. Minor Compliance | IOI as a group has a generic procedure for calculating and distributing compensation which was available for verification during the audit. However, to date, there has been no dispute by any parties reported at the IOI Pukin group. | Complied |
| 6.4.3 The process and outcome of any negotiated agreements and compensation claims shall be documented, with evidence of the participation of affected parties, and made publicly available. Major Compliance | To date, there has been no dispute by any parties reported. Therefore the process and outcome of compensation could not be observed. | Complied |
| Criterion 6.5 Pay and conditions for employees and for contract workers always meet at least legal or industry minimum standards and are sufficient to provide decent living wages. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| 6.5.1 Documentation of pay and conditions shall be available. Major Compliance | In IOI Pukin group, most of the workers in the estates are piece rated workers. In Pukin POM however, the workers are paid with daily rate. These pay conditions and other benefits are sufficiently spelt in the workers contract. Decision on workers' wages were based on a memorandum dated 20 June 2016 to all IOI groups in including Pukin group. According to this memorandum monthly minimum wages had to be RM1000/month or RM38.46/day, provided that all qualifying conditions are satisfactory fulfilled. However during current audit, weaknesses were found and noncompliance was issued as per below: 1) It was found out that the implementation of procedures for the external contractors (FFB transporters, Building and infrastructure contractors, Harvesting contractors) are not consistent e.g. the details of contracts requirements are not consistent between the HQ and PMU (POM & Estates) including the checking needed on contractor employees and vehicles e.g. PPE, Work permits, Driving licenses etc. 2) The in depth analysis to understand the causes that lead to inability of the identified workers being unable to achieve the minimum wages was not adequately done in all estate units audited. 3) In Laukin and Shahzan 1 Estates, the offer letters for new workers and Legal Register were still indicating Minimum | NC: JMD-01 (Major) |



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| | <p align="center">Wages Order 2012. However, actual practices were verified to be based on Minimum Wages Order 2016.</p> <p>Verified that previous Observation (2016): JMD-01 raised during recertification audit on another issued i.e. letters of appointment, was satisfactorily closed by IOI Pukin Grouping.</p> | |
| <p>6.5.2 Labour laws, union agreements or direct contracts of employment detailing payments and conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc.) shall be available in the languages understood by the workers or explained carefully to them by a management official.</p> <p>Major Compliance</p> | <p>Pay conditions are clearly detailed in the workers contracts which include pay system used, working hours, overtime, holiday entitlements, etc. List of deductions made were verified as signed by the workers and clearly dated. These deductions are allowed by Jabatan Tenaga Kerja [JTK] with a valid permit verified in the units audited.</p> <p>Contracts for local workers are in Bahasa and for foreign workers the contracts are in English. The English version contract comes with addendum in relevant foreign languages stating specific minimum wages rate is as stated in Minimum Wages Order 2016. Full revision on the contract in relevant foreign languages is still in progress. In IOI Pukin group foreign workers are mainly from Indonesia, Myanmar, India, Bangladesh and Nepal.</p> <p>Workers contract in English with addendum in respective foreign languages could be understood with no difficulties by the foreign workers especially after induction training for all new comers. In Shahzan 1 Estate and Pukin POM, induction training for new workers were also attended by old workers as refresher course especially on IOI policies.</p> <p>Based on interviews with the workers and sampled pay slips in each operating unit audited, it was verified that the pay and conditions as stated in Employment Act 1955, Minimum Wages Order 2016 and other relevant regulations are satisfactorily complied with. Issue raised when there are still a group of workers who are not achieving the minimum monthly wages. This group of workers on average represented up to 12% of the total number of workers in all estates in Pukin PMU between Nov. 2016 and Jan. 2017. Through monitoring records made available, verification was made that these workers were paid below minimum wages mainly due to non-attendance without prior permission and/or failure to achieve daily target set by the management. JTK was consulted and confirmed that under the said recorded circumstances of non-completion of work as per their contract, the Management is not required by law to top up their wages as the majority of workers were found to have reasonably been able to achieve their contract requirements and had been paid the minimum monthly wages and above.</p> <p>IOI management have taken few steps to remedy the issues related to workers did not achieve the minimum wages. For example, the workers are not allowed to work at least three rest days in a month as stated in memorandum from IOI Human Resource Manager, Plantation Division dated 15 Mar. 2017. Additionally, a new memorandum dated 20 Jan 2017 was issued by the Regional Senior Manager, with instruction to increase the wage rate for Mandore and checkers in all estates in IOI Pukin group. On the whole the IOI management is trying to ensure that workers will be able to achieve above the minimum monthly</p> | <p align="center">Complied</p> |



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| | <p>wages of RM1000 (i.e. to at least RM1200/month) based on the meeting minutes held among managers dated 10 Mar. 2017.</p> <p>Currently wages in IOI Pukin group are either paid by direct transfer into workers bank account or by cash. Thus there was no issue of sundry shops possibly charging any fee for cheque exchange for cash services.</p> <p>Working hours stated in the workers contract is eight hours daily with one hour rest in between. Records sighted during the audit showed that managements of each operating unit are able to trace the eight working hours for each individual worker. After completion of the first eight hours, workers on the daily rate will be paid overtime and workers on piece rate will continue be paid on piece rate.</p> <p>To date, JTK have not received any complaints from local nor foreign workers against IOI Pukin group with regards to any unjust pay or work conditions. There was also no complaint raised during any meeting and stakeholder consultation nor recorded in any Grievance Book.</p> <p>During current audit, the Vacation Leave Pay (VLP) incentive payment for all eligible workers were paid on time. The calculation was also verified to be accurate and consistent.</p> <p>Verified that previous NC: JMD-01 raised during recertification audit in 2016 is satisfactorily closed.</p> | |
| <p>6.5.3 Growers and millers shall provide adequate housing, water supplies, medical, educational and welfare amenities to national standards or above, where no such public facilities are available or accessible.</p> <p>Minor Compliance</p> | <p>Minimum national standard for housing and other basic necessities are described in Akta Standard-Standard Minimum Perumahan Dan Kemudahan Pekerja – Akta 446 [Workers’ Minimum Standards of Housing and Amenities – Act 446].</p> <p>Housing, electricity and water supply</p> <p>Workers are provided with free adequate accommodation at workers linesites with free electricity and treated water 24 hours daily. The linesites are clean and rubbish are collected at least twice in a week. All rubbish are properly tied in plastic bags before being transported to the landfill.</p> <p>Schools</p> <p>Local school children, both local and foreign, are transported with no charge from the operating units in suitable vehicles.</p> <p>Medical clinics</p> <p>Clinic is located in Pukin Estate which covers workers from Pukin POM as well. Laukin A Estate has its own clinic but sharing the HA with Leepang A Estate. The same setting is practice in Shahzan 1 and Shahzan 2 estates. Together with the staff, the Health Attendance [HA] are also responsible on monitoring and maintaining acceptable living standard in the linesites, e.g. buildings maintenance, rubbish collection, drainage system, children education, etc. Inspection by the HA conducted weekly,</p> | <p>Complied</p> |



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| | <p>whilst inspection by the Visiting Medical Officer conducted monthly.</p> <p>It was verified during the current audit appropriate actions had been taken by the Health Assistant (HA) and Visiting Medical Officer (VMO) at the estates. All supporting documents available were reviewed and verified.</p> <p>Verified that previous Observation: JMD-02 raised during recertification audit in 2016 is adequately closed.</p> | |
| <p>6.5.4 Growers and millers shall make demonstrable efforts to monitor and improve workers' access to adequate, sufficient and affordable food.</p> <p>Minor Compliance</p> | <p>IOI Pukin group has ensured that the workers have access to adequate, sufficient and affordable food by providing the workers with local sundry shops within the group compound. In Shahzan 1, the management has just built a new shopping lots to cater the needs of the workers and in the process of engaging an interested tenant. Whilst the process is ongoing, the management allows an external food truck to deliver necessary supplies at least once a week or by request from the workers.</p> <p>It is verified that office staff were provided with transport to go shopping for sundry items in town at the end of each month i.e. after pay day upon specific request. In Shahzan 1, as it is located in a remote area, this service is also extended to the workers.</p> | Complied |
| <p>Criterion 6.6 The employer respects the rights of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, the employer facilitates parallel means of independent and free association and bargaining for all such personnel.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>6.6.1 A published statement in local languages recognising freedom of association shall be available.</p> <p>Major Compliance</p> | <p>A policy on "Equal Opportunity Employment & Freedom of Association Policy" is adopted by IOI Group including IOI Pukin. This policy is available in public notice boards in languages understood by the workers, i.e. Bahasa Malaysia and English.</p> <p>As an alternative to workers union, IOI Pukin group formed the ECC in each operating unit. This committee serve as a medium for workers to collectively bargain with the management. Members of ECC are representatives elected by the workers including both local and foreign. ECC meetings are scheduled quarterly and each meeting is minuted. It was verified that issues raised during the meetings are resolved in appropriate and timely manner. However, from sampled ECC meeting minutes, there was no major issue raised by the workers.</p> <p>Workers contract in English was understood by all workers including the foreign workers. It was also verified that contents of the contract were explained to the workers in the induction training before signing.</p> | Complied |
| <p>6.6.2 Minutes of meetings with main trade unions or workers representatives shall be documented.</p> <p>Minor Compliance</p> | <p>ECC as an alternative to workers union is scheduled to conduct their meeting quarterly. It was verified that each meeting is properly documented and filed complete with photographic evidence. Participants in ECC meetings normally involved workers representatives from different categories of workers such</p> | Complied |



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| | <p>as general workers, sprayers, manurers harvesters, drivers both locals and foreign citizens.</p> <p>The meeting minutes are accessible to all members in the ECC and other workers as well. In each meeting, the meeting started with approval of previous meeting minutes and evaluate the status of issues raised.</p> <p>Latest meeting of the EEC in Laukin Estate for example was on 27 Feb. 2017. Management respond to workers requests are timely, for example in 29 Dec. 2016 ECC meeting, number of mosquitoes reported to be increasing in the linesite and the management contacted Ministry of Health for immediate fogging on 10 Jan. 2017. All related supporting documents were verified during the audit.</p> | |
| <p>Criterion 6.7 Children are not employed or exploited.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>6.7.1 There shall be documentary evidence that minimum age requirements are met.</p> <p>Major Compliance</p> | <p>The Child Labour Policy adopted by IOI group on 5 Nov 2009 clearly stated that the minimum age of workers is 16 years old corresponds with Children and Young Persons (Employment) Act 1966 (Act 350).</p> <p>Employees and workers profiles were sighted during the audit and no underage workers found. This fact was further verified through interviews with staff and workers in IOI Pukin group. Passport photos and birth dates of the foreign workers hired by the operating units were checked and none found to be underage.</p> | Complied |
| <p>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.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>6.8.1 A publicly available equal opportunities policy including identification of relevant/affected groups in the local environment shall be documented.</p> <p>Major Compliance</p> | <p>The "Equal Opportunity Employment & Freedom of Association Policy" was displayed in local language and English. This policy clearly state that IOI Group including IOI Pukin prohibits and will actively prevent any discrimination based on race, nationality, religion, or gender. Similar statements also mentioned in "IOI Sustainable Palm Oil Policy" [https://www.ioigroup.com/Content/S/PDF/Sustainability Palm Oil Policy.pdf]</p> | Complied |
| <p>6.8.2 Evidence shall be provided that employees and groups including local communities, women, and migrant workers have not been discriminated against.</p> <p>Major Compliance</p> | <p>Through interviews with workers in the operating units audited as well as checking of relevant records it was found this criteria has been well complied with. Some examples of non-discriminatory practices in IOI Pukin group are;</p> <ol style="list-style-type: none"> 1. Piece rated workers are paid based on the tasks completed with main target to achieve the minimum wages per day. 2. Free transportation for children to schools located outside of the group notwithstanding the race, gender, marital status and level of the workers. | Complied |



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| | <p>3. No restriction for workers to perform their religious obligations.</p> <p>4. All workers have equal opportunity to be promoted to higher position within the estates disregard their nationalities, gender, race, etc.</p> <p>To date, it is confirmed with the local JTK that no complaints from local nor foreign workers against IOI Pukin group with regards to discrimination has been received. There was also no complaint raised during any meeting and stakeholder consultation nor recorded in any Grievance Book.</p> | |
| <p>6.8.3 It shall be demonstrated that recruitment selection, hiring and promotion are based on skills, capabilities, qualities, and medical fitness necessary for the jobs available.</p> <p>Minor Compliance</p> | <p>All operating units audited in IOI Pukin group kept and maintained records of their workers, including credentials and medical history. Credentials for foreign workers are mostly referring to the travel documents, whilst credentials for local staff have more details. However, records of medical history for both local and foreign workers are considerably comprehensive kept in the medical clinics within the group.</p> <p>IOI Group “Equal Opportunity Employment & Freedom of Association Policy” and “IOI Sustainable Palm Oil Policy” are available widely to the public for reference. The gist of these policies were also well explained to all workers through regular meetings, briefing at muster ground and notices at the public boards. These policies are reviewed as and when necessary by IOI Group.</p> <p>Recruitment and promotion are verified based on skills, capabilities, qualities, and medical fitness necessary for the job. Before hiring, each new foreign workers are required to pass FOMEMA medical check-up as required by law and probation period to evaluate level of skills and the workers attitude towards the new surroundings.</p> | <p>Complied</p> |
| <p>Criterion 6.9 There is no harassment or abuse in the work place, and reproductive rights are protected.</p> | | |
| <p>Indicators</p> | <p>Findings and Objective Evidence</p> | <p>Compliance</p> |
| <p>6.9.1 A policy to prevent sexual and all other forms of harassment and violence shall be implemented and communicated to all levels of the workforce.</p> <p>Major Compliance</p> | <p>IOI Group adopted “Policy on Prevention & Eradication of Sexual Harassment in the Workplace” and it was displayed publicly in Bahasa Malaysia and English. Through formation of GCC and minutes of stakeholder consultation, it was evident that this policy is very well implemented and communicated to all level of workforce.</p> <p>From interviews with GCC members, it was verified that there is a clear and understandable protocol on receiving complaints or grievances related to sexual harassment. Apart from briefing on the policy mentioned above during induction training for all workers and during stakeholder consultations, GCC meetings were also conducted in each operating unit audited. GCC has also included the participation of the Social NGO - Tenaganita, at Shahzan 1 estate in 2016.</p> | <p>Complied</p> |



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| | Meeting minutes of GCC was reviewed during the audit and concerns related to women was clearly covered including especially on sexual harassment and domestic violence. Latest GCC meeting in Pukin POM, for example, was on 21 Dec. 2016 and in Laukin Estate was on 17 Dec. 2016. | |
| 6.9.2 A policy to protect the reproductive rights of all, especially of women, shall be implemented and communicated to all levels of the workforce. Major Compliance | Pregnant and breastfeeding women were exempted from work associated with potentially hazardous chemicals. However, it was found no female workers involved in spraying or manuring work in IOI Pukin group. The store keepers are the closest women working with potentially hazardous chemicals in the group. | Complied |
| 6.9.3 A specific grievance mechanism which respects anonymity and protects complainants where requested shall be established, implemented, and communicated to all levels of the workforce. Minor Compliance | It was verified during the audit that a system to deal with complaints and grievances for all affected parties have been established and well implemented in IOI Pukin group. In order to respect and protects the anonymity of the complainants IOI group adopted "Whistleblowing Policy" which was approved by Audit and Risk Management Committee in Feb 2013. The system also allows the workers to register their complaints against their immediate supervisor as in most cases Social Liaison Officers are normally in higher position than the supervisors. Procedures on how to register complaints are available in public notice boards and in languages understood by the workers. Main person responsible in handling the complaints and grievances received from stakeholders in each operating unit is the Social Liaison Officers who in most cases are the Assistant Managers. Training and explanation on how to utilise the mechanism were given and verified by the auditor. To date, all operating units audited in IOI Pukin group have never received any complaints from local nor foreign workers related to harassment or abuse. | Complied |
| Criterion 6.10 Growers and millers deal fairly and transparently with smallholders and other local businesses. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| 6.10.1 Current and past prices paid for Fresh Fruit Bunches (FFB) shall be publicly available. Minor Compliance | IOI Pukin group have no dealings with local smallholders and there was also no evidence to suggest of any unfair business practices with the local businesses. | Not applicable |
| 6.10.2 Evidence shall be available that growers/millers have explained FFB pricing, and pricing mechanisms for FFB and inputs/services shall be documented (where these are under the control of the mill or plantation). Major Compliance | IOI Pukin group have no dealings with local smallholders. | Not applicable |
| 6.10.3 Evidence shall be available that all parties understand the contractual agreements they enter | For all type of work contracted out to external parties, contractual agreement is available, e.g. FFB transport, EFB leveling, CPO transport, housing construction, etc. From interviews with these contractors it is evident that they understood the agreement they | Complied |



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| <p>into, and that contracts are fair, legal and transparent. Minor Compliance</p> | <p>have entered into. These contractors also give no negative comments on fairness, legality as well as transparency. Both parties were verified to have kept the contractual agreements.</p> | |
| <p>6.10.4 Agreed payments shall be made in a timely manner. Minor Compliance</p> | <p>IOI Pukin group has a policy to ensure agreed payments were made in a timely manner as per the contracts of agreement made. Payments most of the time are made on according to common practice of 60-day grace period. This was also verified by the supplier and contractors through stakeholders' consultation with the auditor.</p> | Complied |
| <p>Criterion 6.11 Growers and millers contribute to local sustainable development where appropriate.</p> | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>6.11.1 Contributions to local development that are based on the results of consultation with local communities shall be demonstrated. Minor Compliance</p> | <p>Main contribution of IOI Pukin group to the local development was demonstrated in the provision of facilities and monetary contributions, where feasible. For example, in Shahzan 1 Estate mosque were properly built and maintained to attend the request from the Muslim workers. School buses are free of charge for the dependents of the local staff. Electricity, water, accommodation and health services are provided free of charge to all workers including contractor workers. Whenever possible, community members from the orang asli village near Laukin Estate, i.e. Kampung Gadak, were given suitable temporary work (as requested by them) and was noted to have been paid in a fair manner.</p> | Complied |
| <p>6.11.2 Where there are scheme smallholders, there shall be evidence that efforts and/or resources have been allocated to improve smallholder productivity Minor Compliance</p> | <p>IOI Pukin group have no dealings with local smallholders.</p> | Not applicable |
| <p>Criterion 6.12 No forms of forced or trafficked labour are used.</p> | | |
| <p>6.12.1 There shall be evidence that no forms of forced or trafficked labour are used. Major Compliance</p> | <p>IOI Group policy on forced or trafficked labour are incorporated in the "IOI Sustainable Palm Oil Policy" where the <i>"Eliminate all forms of illegal, forced, bonded, compulsory or child labour in particular, follow responsible recruitment practices"</i> was mentioned. The definition used in "Anti-Trafficking In Person and Anti-Smuggling of Migrants 2007 [Act 670]" was referred.</p> <p>At IOI Pukin grouping, the hiring of new foreign workers was based on recommendations from agents at the country of origins. Evidence of proper explanation on the contract and real situation in IOI estates and POM in the country of origin were sighted.</p> <p>It is verified that the foreign workers employed had voluntarily handed over their passports to the estate management for safekeeping as verified in the form signed by the workers. Noted that the said practice is permitted under the RSPO-MYNI 2014 document.</p> <p>From interviews with workers and review done on the passport movement logbooks, it was evident that the management did not restrict the workers from collecting their passport whenever they</p> | Complied |



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| | needed it. Whenever the workers needed to travel outside of the PMU areas, they will have to pre-inform the Estate management of their intended place of visit and duration which was recorded. The passport movement were maintained an available at the POM and estates audited. It was verified that there was proper recording on the dates of surrender, withdrawal and also return for office safekeeping which were signed by the workers. | |
| 6.12.2 Where applicable, it shall be demonstrated that no contract substitution has occurred. Minor Compliance | There was no evidence found related to contract substitution. From the interviews with the workers, there was no indication or negative comments related to this issue. The workers confirmed that they were aware they will be working in the oil palm plantations prior to and upon arrival at IOI Pukin. | Complied |
| 6.12.3 Where temporary or migrant workers are employed, a special labour policy and procedures shall be established and implemented. Major Compliance | IOI Group has a 'Policy on Foreign Workers" which was displayed publicly in English and Bahasa Malaysia. The said policy was also referred to in the "IOI Sustainable Palm Oil Policy" which included the statement <i>"Eliminate all forms of illegal, forced, bonded, compulsory or child labour in particular, follow responsible recruitment practices"</i> . The employment procedure had indicated a probation period of six months, as part of post-arrival orientation programme where all related aspects to the tasks offered in the IOI group, e.g. safety, good agricultural practices, wages, benefits, etc. which was explained to the new workers in their own language via a translator, who is usually a senior worker and ECC worker representative. Verified that the PMU had provided the workers with adequate accommodation at the linesites / housing quarters with electricity and treated water for 24 hours daily without any charge. | Complied |
| Criterion 6.13 Growers and millers respect human rights. | | |
| Indicators | Findings and Objective Evidence | Compliance |
| 6.13.1 A policy to respect human rights shall be documented and communicated to all levels of the workforce and operations (see Criteria 1.2 and 2.1). Major Compliance | The IOI Group has a "IOI Sustainable Palm Oil Policy" which states <i>"Respect and uphold the rights of all workers in accordance with the Universal Declaration of Human Rights and the International Labor Organisation's core conventions, including contract, temporary and migrant workers"</i> . It is verified at IOI Pukin PMU, that the policy was communicated to all levels of workers. The person responsible is the Social Liaison Officer the respective operating unit. For example, as foreign workers are not allowed to participate in any workers union by the Immigration Dept., the PMU-ECC was formed as an alternative for workers to collectively bargain with the management. It is further verified from interviews conducted with the workers that the PMU had not restricted them from collecting their travel documents/passports, whenever it was needed. During the audit it was also verified that there was no case of any human rights violation at the PMU. | Complied |
| 6.13.2 As long as children of plantation workers of Sabah and | Not Applicable. | Not Applicable |



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| <p>Sarawak are not secured a right to go to government school, the plantation companies should engage in a process to secure the children of the plantation workers access to education as a moral obligation. Minor Compliance</p> | | |
|--|--|--|

Principle 7: Responsible development of new plantings

Todate the PMU has not carried any new plantings after Nov 2005 which may be applicable under requirements of the RSPO New Planting Procedure.

The requirements of Principle 7 were verified to be 'Not applicable' to this PMU during this assessment.

It was verified during current on-site assessment that the PMU has declared and submitted its Land Use Change details for analysis for its plantings since Nov 2005 as per the calculations specified in the RSPO PalmGHG v 3.0.1. The record of submission made to the RSPO Secretariat for the current year was done in Feb 2017.

Based on the details provided in the record of submission, verified that there is no potential liability under the RSPO Remediation and Compensation Procedure at this PMU.

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

| <p>Criteria 8.1 Growers and millers regularly monitor and review their activities, and develop and implement action plans that allow demonstrable continual improvement in key operations.</p> | | |
|---|--|--------------------------|
| Indicators | Findings and Objective Evidence | Compliance |
| <p>8.1.1 The action plan for continual improvement shall be implemented, based on a consideration of the main social and environmental impacts and opportunities of the grower/mill, and shall include a range of Indicators covered by these Principles and Criteria.</p> <p>As a minimum, these shall include, but are not necessarily be limited to:</p> <ul style="list-style-type: none"> • Reduction in use of pesticides(Criterion 4.6); • Environmental impacts (Criteria 4.3, 5.1 and 5.2); • Waste reduction (Criterion 5.3); • Pollution and greenhouse gas (GHG) emissions (Criteria 5.6 and 7.8); • Social impacts (Criterion 6.1); • Encourage optimising the yield of the supply base. <p>Major Compliance</p> | <p>The action plans for continual improvement were reviewed at the POM and estates and implementations include:</p> <p><u>For the PMU</u></p> <p>Increase planting of beneficial plants (<i>Turnera subulata</i>, <i>Cassia cobanensis</i> and <i>Antigonon leptopus</i>) along the roads ;</p> <p>Construction & placement of more barn owls,</p> <p>Fertilizer bags are to be recycled and empty pesticide containers to be returned to supplier. In addition, waste are being segregated accordingly to the plastic and organic materials;</p> <p>Construction of new grocery shops at Shahzan 1 estate for workers convenience</p> <p>Establishment of a fire squad at Shahzan 1 for fire prevention</p> <p>Using more buffaloes and buffalo dung as fertiliser.</p> <p><u>For the Palm oil mill.</u></p> <p>Improve boiler operation using sterilization.</p> <p>Reduce usage of diesel using the conveyor system.</p> <p>Continual improvement plans as carried out by the POM and estates outcomes were monitored and clearly indicated.</p> <p>Observation issued: The retrieval of information, data and past records is not well organised and taking too long a period to be presented.</p> | <p>OBS: AL-01</p> |

3.1.1 Supply Chain Certification Standards Findings - on CPO Mill

The Supply Chain module applied at Pukin Grouping POM during this assessment is **Module D – CPO Mills: Identity Preserved (IP)**.

Details of findings are as follows:

| D.1 Definition | | |
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| Indicators | Findings and Objective Evidence | Compliance |
| <p>D.1.1 A mill is deemed to be Identity Preserved (IP) if the FFB used by the mill are sourced from its own supply base certified to the RSPO Principles and Criteria (RSPO P&C). Certification for CPO mills is necessary to verify the volumes and sources of certified FFB entering the mill, the implementation of any processing controls (for example, if physical separation is used), and volume sales of RSPO certified products. A mill may be taking delivery of FFB from uncertified growers, in addition to those from its own certified land base. If a mill processes certified and uncertified FFB without physically separating the material then only Module E is applicable.</p> | <p>The POM only processed certified FFB from its own supply base (see Section 1.3).</p> <p>It was verified that there was no source of FFB from any outgrowers or independent suppliers / smallholders.</p> <p>The CPO Mill is therefore deemed to be Identity Preserved (IP).</p> | Complied |
| D.2 Explanation | | |
| Indicators | Findings and Objective Evidence | Compliance |
| <p>D.2.1 The estimated tonnage of CPO and PK products that could potentially be produced by the certified mill must be recorded by the certification body (CB) in the public summary of the P&C certification report. This figure represents the total volume of certified palm oil product (CPO and PK) that the certified mill is allowed to deliver in a year. The actual tonnage produced shall then be recorded in each subsequent annual surveillance report.</p> | <p>The estimated tonnage of CPO and PK products that could potentially be produced by the POM is recorded in this Assessment Report.</p> <p>This figure represents the total volume of certified palm oil product (CPO and PK) that the certified mill is allowed to deliver in a year.</p> <p>The actual tonnage produced has been recorded in each annual assessment report (see Section 1.8.2 Table 6 and Section 1.8.3 Table 7).</p> | Complied |
| <p>D.2.2 The mill must also meet all registration and reporting requirements for the appropriate supply chain through the RSPO supply chain managing organization (RSPO IT platform or book and claim).</p> | <p>The POM meet all registration and reporting requirements for the appropriate supply chain through the RSPO supply chain managing organization (RSPO IT platform or book and claim).</p> | Complied |
| D.3 Documented procedures | | |
| <p>D.3.1 The site shall have written procedures and/or work instructions to ensure the implementation of all the elements</p> | <p>Documented procedure for IP Module is: RSPOSC/SOP/IP/3 issue 04 dated 2 Jan 2015. The procedure has covered the implementation of all elements of IP Module.</p> | Complied |



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| 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 | The documented procedure and its implementation confirmed to have complied with all the specified requirements of Identity Preserved (IP) Module D that include controlling the FFB receipt, processing, sales, CPO and PK dispatch, and records keeping. | Complied |
| b) The role of the person having overall responsibility for and authority over the implementation of these requirements and compliance with all applicable requirements. This person shall be able to demonstrate awareness of the site's procedures for the implementation of this standard. | Mill manager, Mr. Kesavan Manohar, has the overall responsibility and authority for implementation and compliance with the documented procedure. He and other relevant staff under his charge demonstrated competence, skill and knowledge of the RSPO Supply Chain Certification Standard - Module D requirements and its implementation. Interviews of the relevant staff confirmed their knowledge of the RSPO Supply Chain Certification requirements for the respective areas of operations. The Palm Oil Mill Organization Chart and job responsibilities of employees (Mill Manager, Assistant Manager, Engineers, Assistant Engineers, Technicians, Security Officer, Weighbridge Operator, Laboratory Chemist and clerks) have been suitably defined in the IOI Management System Manual. | Complied |
| D.3.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFBs. | For the period FY 2016/2017, the POM only received and processed certified FFB only from the PMU IOI - Pukin Grouping estates. Till todote as at audit in 2017, the PMU did not receive any non-certified FFB from other sources or suppliers. All supplies of FFB were subjected to verification of documents and quality checks by weighbridge personnel. | Complied |
| D.4 Purchasing and goods in | | |
| Indicators | Findings and Objective Evidence | Compliance |
| D.4.1 The facility shall verify and document the tonnages and sources of certified and non-certified FFBs received. | The Mill had maintained record of tonnages and supply source of certified FFB from the respective estates at the weighbridge station, in the dispatch chit and weighbridge ticket and these are reported daily to the Pukin POM office as well as the IOI Head Office at Putrajaya. There were no non-certified FFBs. | Complied |
| D.4.2 The facility shall inform the CB immediately if there is a projected overproduction of certified tonnage. | The Mill monitors FFB reception, CPO and PK production. IOI HQ and POM has an internal monitoring and reporting mechanism for advising the CB of production variations such as projected overproduction situation, when such issue arises. So far, there has been no projected overproduction. | Complied |
| D.5 Record keeping | | |
| Indicators | Findings and Objective Evidence | Compliance |
| D.5.1 The site shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO and PK on a three-monthly basis. | The records and reports are available from the computerized system. Also, hard copies of records and reports are properly filed and readily accessible. Inspection of records and reports at the Mill confirmed these were accurate, complete and updated daily. As per the SOP, the records and reports are archived and stored in the Mill Office for a minimum period of 5 years. The weighbridge ticket for delivery of CPO and PK indicates the product as certified and IP Module. For ISCC transactions, the registration no. is also clearly indicated. | Complied |

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| | | |
|--|--|-------------------|
| | Transaction documents and bookkeeping of FFB, CPO and PK are done daily and monthly summary submitted to Head Office. A tonnage balance recording system that shows FFB deliveries, CPO and PK production and dispatch is balanced every 3 months. | |
| D.6 Processing | | |
| Indicators | Findings and Objective Evidence | Compliance |
| D.6.1 The site shall assure and verify through documented procedures and record keeping that the RSPO certified oil palm product is kept segregated from non-certified material including during transport and storage. | Confirmed from records that Pukin POM only received and processed certified FFB from its own estates for the last 12 months till audit time. The processing facility has established and implemented a clear procedure and mechanism for the IP module. Review and on-site verification confirmed that the mechanism was implemented and in compliance with the module requirements at the mill including transport and storage. | Complied |
| D.6.2 The objective is for 100 % segregated material to be reached. | Documents and records provided documented evidence for the FFB receipt and processed, CPO and PK produced to be traceable to certified material. The product type and supply chain module indicated as CSPO/IP and CSPK/IP on relevant documents was verified to be correctly stated. | Complied |

3.1.2 Status on Supply Chain on POM:

Based on the documents and records presented during the on-site verifications made, it is concluded that the Pukin POM has been able to comply with the requirements of the RSPO SCCS under the 'IP' module and is thus eligible for 'IP' trading for its palm products for year 2017/2018.

3.1.3 Monitoring of Certified Products traded:

Trading of CSPO and CSPK are via RSPO Palm Trace, GreenPalm and ISCC IT platforms. The records maintained at the POM relied on internal communications from the trading arm of IOI based at the HQ, Putrajaya. Based on records maintained at the POM, the quantities (tonnages) traded as verified during assessment are as follows:

| | CSPO - Actual Year (July 2015 / June 2016) (MT) | CSPK - Actual Year (July 2015 / June 2016) (MT) | CSPO - Actual Year (July 2016) till current (MT) | CSPK - Actual Year (July 2016) till current (MT) |
|-------------------------------------|---|---|--|--|
| RSPO certified | 24,731.88 | - | 15,584.37 | 1,000 |
| Book & Claim (GreenPalm) | - | 9,380.37 | - | 4,122 |
| ISCC | 26,828.75 | - | 2,462.24 | - |
| Total Traded | 51,560.63 | 9,380.37 | 18,046.61 | 5,122 |
| Actual Produced | 51,748.32 | 11,374.66 | 29,030.65 | 5,839.53 |

Notes:

- Based on records maintained at the POM, it was verified that the total volume of certified products traded has not exceeded the annual certified quantity.
- All PK is delivered out as CSPK to an external Kernel Crushing Plant outside the PMU.
- The was no trading of RSPO CPO & PK in the RSPO IT Palm Trace system during the period of suspension of IOI Group - RSPO certificates from the period of 4 Apr to 8 Aug 2016.



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3.2 Status of Identified Noncompliance and Corrective Actions, Observations and Positive Elements.

The status of the Noncompliances (NCR) and Observations (OBS) identified against the MYNI Compliance Indicators is as per the details below:

| Assessment Type | Year | Noncompliance (NCR) | Observations (OBS) | Follow up status |
|--|------|----------------------|--------------------|--|
| Re-Certification Assessment | 2016 | 1 (Major) | 4 | Actions taken on the NCRs and OBS verified to be effective during ASA-01 |
| Verification cum Annual Surveillance Assessment - 01 | 2017 | 4 (3-Major, 1-Minor) | 1 | Refer to Section 3.2.3 and Appendix G - Verification Outcome on ASI Compliance Audit findings. Consistency of implementation will be also followed up during next surveillance. |

3.2.1 Year 2016: Re-Certification (1 Major NCR)

| NCR | MYNI Indicator | Details of NCR |
|-----------------|----------------|--|
| JMD-01 Major | 6.5.2 | Date issued: 1 Apr 2016 |
| | | Noncompliance: Calculations for annual (vacation) leave payment: It was found out that in Leepang A estate and Bukit Serampang estate, the calculation of total work days offered for the workers in year 2015 was inconsistent. This caused the calculation prepared by the Estate management for annual leave payment eligibility to be inaccurate in Dec 2015. |



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| | <p>Root Cause</p> <p>Investigation of the inconsistencies in the days offered revealed the following findings:</p> <ol style="list-style-type: none">1) The days offered in the Vacation Leave Pay (VLP) report does not tally with the information in the report as data like medical leave, approved leave, work on rest day is not indicated in the report2) In Bukit Serampang estate, when workers return to their home country for long vacations (e.g. 60 days), the estate does not deduct the leave taken from the total days offered. However, in Leepang estate, the number of days taken for long vacation is deducted from the total days offered.3) Three (3) days public holidays during the two (2) month vacation leave taken by workers in August and September 2015 was mistakenly keyed in as LC (Approved casual leave) by the data entry clerk. Therefore, offered days automatically increased by three (3) days to 302 days4) The weekly rest days of some workers e.g. auxiliary police, weighbridge clerks are sometimes changed during the year e.g. from Sunday to Monday. This results in the increase of days offered5) When a harvester does not attend muster and no bunches are recorded in the bunch checker's pdr, instead of marking the worker as absent, the staff in charge sometimes leaves the attendance column blank in the Pinfosys Checkroll Daily Record. Upon seeing the blank column, the data entry clerk does not key in any data for the worker data for the day. When no data is keyed in, the days offered for these workers are automatically reduced by one day. Examples are Leepang estate's Hurdin - absent for 2 days on 19 and 21/12/15, Md Lutfor Rahman 2 days on 7 and 21/5/15, Faruk Ahmed 3 days on 23/3, 24/4, 17/6/15. Mohammad Harichor 1 day on 17/6/15. Mohammad Dilwar 1 day on 8/1/15. Stanislas Taram 2 days on 1/1/15 dan 27/3/15.6) Leepang estate's Piah bt Liddi, Ara a/p Sangah, Norazizah a/p Kachik (general worker) attendance on 25/10/15 was mistakenly not keyed in into system by clerk resulting in wages not paid and offered days being reduced by one day (Underpaid wages will be paid) <p>Therefore it is concluded that the root cause is a combination of human errors by staffs and the flexible Pinfosys system which allows its users to use various codes and lacks certain information.</p> |
|--|--|

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| Corrective Action | | |
| The following corrective actions will be taken as per the schedule below: | | |
| No | Corrective Action | Target Date |
| 1. | IT department shall arrange to improve the Vacation Leave Pay (VLP) annual report by adding more columns eg for medical leave, vacation leave, rain days, casual leave, work on public holiday or rest day etc. | 29 th May 2016 |
| 2. | IT department shall arrange to update / revise the payroll system to ensure that users are not allowed to unnecessarily change the fixed codes. Among others, the system shall be set to ensure that all operating centres deduct approved long leave from the total offered days for workers who return to their home countries. This is to ensure uniformity and to ensure that workers are entitled to vacation leave pay if they do not absent themselves for more than 10% of the remaining offered days. | 25 th May 2016 |
| 3. | IT department shall arrange refresher training based on changes to payroll system for relevant management personnel and staffs. | 29 th May 2016 |
| 4. | After the payroll system training, HR department shall send a memo to remind operating centres to ensure that wages are calculated correctly. Staffs will be required to provide updated Pinfosys Checkroll Daily Record every Monday to respective offices for clerks to enter the data into the Pinfosys system. This is to reduce the number of mistakes at month end. They will also be reminded that appropriate action will be taken for pay slip errors due to negligence. | 29 th May 2016 |
| 5. | Leepang estate shall pay the one day unpaid wages for work done on 23/10/15 for Piah bt Liddi, Ara a/p Sangah, Norazizah a/p Kachik (general workers). | 30 th April 2016 |
| <p>Verification (Corrective Action):</p> <p>On-site verification was carried out on 30 May 2016. Verified that the corrective actions taken were implemented and satisfactorily addressed. Corrected and updated records were sighted including the latest printouts in the Pinfosys system to provide evidence of implementation up till the time of on-site verification. Receipts of payments in arrears (for earlier errors) were available and verified. Further verification through interview of Estates & Mill Manager and personnel performing the related tasks confirmed understanding and commitment to ensuring the accuracy of the data entries.</p> | | |
| NC status verified by auditors: JMD & AL | | Date closed: 30 May 2016 |
| <p>Verification of effectiveness:</p> <p>During current audit, the Vacation Leave Pay (VLP) incentive payment for all eligible workers were paid on time. The calculation was also verified to be accurate and consistent.</p> | | |
| NC status verified by auditor: JMD | | Date verified: 23 Mar 2017 |

3.2.2 Year 2016: Re-Certification (4 Observations)

| Ref No: | MYNI Indicator | Location | Details of Observation | Status | | |
|-----------------------|----------------|---|--|---------------|----------------|---|
| | | | | Opened date | Closed date | Remark, if any |
| OBS: AL-01 | 4.5.1 | Estates: Leepang A, Bkt. Serampang | Monitoring of Beneficial Plants. The locations, type and quantities of beneficial plants i.e. <i>Cassia cobanensis</i> (60%), <i>Antigonon</i> | 1 Apr 2016 | 23 Mar 2017 | Adequate actions taken and finding is closed. |

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| | | and Shahzan 2 | <i>leptopus (20%) and Turnera subulata (20%)</i> need to be more consistently adhered as <i>Tunera subulata</i> is noted to be mainly planted. | | | |
| OBS: SH-01 | 5.2.1 | Estate: Leepang A | The unplatable areas identified in the estate consisting of areas prone to flooding, should be classified and included as a conservation area. These areas need to be marked in the map and proper signboards need to be placed at strategic location on the ground. | 1 Apr 2016 | - | Refer to: NC: SH-01 issued during ASA-01 |
| JMD-01 | 6.5.1 | Mill and estates | It was found out the Letter of Appointment issued by IOI's appointed employment agency in the foreign workers original country stated in 15(g) that " <i>foreign workers shall not engage in any romantic relationship and/or marry or intent to marry any Malaysian during the period of employment</i> ". This is inconsistent with the restriction set by Immigration Department which stated the in Recruitment Terms And Conditions of Foreign Workers that " <i>marriage is prohibited with local or foreign citizens</i> " | 1 Apr 2016 | 23 Mar 2017 | Adequate actions taken and finding is closed. |
| JMD-02 | 6.5.3 | Estate: Bukit Serampang | Based on VMO recommendation, a worker suspected with stable angina was sent for a test in Hospital Tangkak. However, the Estate HA and VMO had not provided adequate evidence of review of the test results that the worker was fit for the current work. | 1 Apr 2016 | 23 Mar 2017 | Adequate actions taken and finding is closed. |

3.2.3 Year 2017, ASA-01: 4 NCR (3-Major, 1-Minor)

| NCR | MYNI Indicator | Details of NCR |
|----------------------|----------------|---|
| AL-01 (Major) | 4.7.2 | Date issued: 23 Mar 2017 |
| | | Noncompliance: Risk Assessment on Health & Safety and implementation: The precautions and checking needed for the use of multi-purpose Trailers for the transport of Workers / FFB / Chemicals are not adequately defined and addressed in the HIRARC. |



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| | | <p>Root Cause and Corrective Action(s):</p> <p>Root cause: The HIRARC, Safe Operating Procedures (SOP) and checklist for checking the transport of Workers / FFB / Chemicals were available but the details were inadequate for the new types of multi-purpose trailers</p> <p>Corrective Action: The HIRARC is revised to address hazards and controls required for the use of multi-purpose Trailers for transporting Workers / FFB / Chemicals (Appendix 1) The Safe Operating Procedures (SOP) for transporting workers has also been revised with effect from 1st April 2017 (Appendix 2) All operating centres have been instructed to use a revised vehicle inspection form before using the tractors / lorries or trailers (Appendix 3)</p> | | |
| | | <p>Verification (Corrective Action):</p> <p>On-site verification done on 11 & 12 May 2017.</p> <p>Noted that revised documentation is available for the SOP on Transportation of Workers IOI.OSH.3.2.2 Rev 3 dated 1 April 2017 and related items on Risk Assessment in the HIRARC is included and contents are sufficiently detailed.</p> <p>Checklist on items for maintenance and monitoring of Transport vehicles and trailers are available and appropriately recorded.</p> | | |
| | | <table border="1" style="width: 100%;"> <tr> <td style="width: 60%;">NC status verified by auditor: Closed by AL</td> <td style="width: 40%;">Date closed: 12 May 2017</td> </tr> </table> | NC status verified by auditor: Closed by AL | Date closed: 12 May 2017 |
| NC status verified by auditor: Closed by AL | Date closed: 12 May 2017 | | | |
| | | Verification of effectiveness: Next assessment (ASA-02) | | |
| | | <table border="1" style="width: 100%;"> <tr> <td style="width: 60%;">NC status verified by auditor: -</td> <td style="width: 40%;">Date verified: -</td> </tr> </table> | NC status verified by auditor: - | Date verified: - |
| NC status verified by auditor: - | Date verified: - | | | |

| NCR | MYNI Indicator | Details of NCR |
|----------------------|----------------|--|
| SH-01 (Major) | 5.2.1 | <p>Date issued: 23 Mar 2017</p> <p>Noncompliance:</p> <p>The information provided in the existing maps at the Estates audited has not been collated in the HCV / EIA Assessment reports did not include both the planted area itself and relevant wider landscape-level considerations e.g. at Laukin A, there was insufficient details such as the GPS Latitudes & Longitudes, neighbouring surroundings (estates, Forest Reserve, conservation areas etc.).</p> <p>The markings and signages was not properly placed such as the extent of Buffer demarcation for the unplatable areas as observed at Laukin A estate.</p> |



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| | <p>Root Cause and Corrective Action(s):</p> <p>Root cause:</p> <ul style="list-style-type: none"> - The estates have separate maps for fields, blocks, soil, boundaries, contours etc. but the information required was not collated into one “master” map. - Conservation Area sign boards were displayed in some areas at unplatable areas in Laukin estate but they were too small, too few and far from each other. <p>Corrective Action:</p> <ul style="list-style-type: none"> - A master map which includes the planted areas and relevant wider landscape-level considerations including GPS Latitudes & Longitudes, neighbouring surroundings (estates, Forest Reserve, unplatable areas, buffer zones and conservation areas etc.) was prepared by our GIS Team for all Estates. The demarcation of the buffer for the unplatable areas is also included in the new maps (Appendix 4) - More than 20 Conservation Area signages installed at various points at unplatable areas [Appendix 5 (a) & (b)] | |
| | <p>Verification (Corrective Action):</p> <p>On-site verification done on 11 & 12 May 2017.</p> <p>The latest landscape surveyed maps were available at the respective estates and proper markings of areas that need monitoring including location of Buffer zones and signages are verified on site. Additional checklist on items for monitoring were included and appropriately recorded as submitted on 21 May 2017.</p> <p>Thus, the corrective actions taken has satisfactorily addressed the non-conformance.</p> | |
| | <p>NC status verified by auditor: Closed by AL</p> | <p>Date closed: 22 May 2017</p> |
| | <p>Verification of effectiveness: Next assessment (ASA-02)</p> | |
| | <p>NC status verified by auditor: -</p> | <p>Date verified: -</p> |

| NCR | MYNI Indicator | Details of NCR |
|---------------|----------------|--|
| SH-02 (Minor) | 5.2.4 | <p>Date issued: 23 Mar 2017</p> |
| | | <p>Noncompliance:</p> <p>Monitoring of HCV and RTE species was not adequately done. The mechanism for reporting was not clearly defined and documented such as reporting to other relevant agencies.</p> <p>Outcomes of monitoring was also not reviewed for actions needed in a Management Plan or during Management Review.</p> |



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| | | <p>Root Cause and Corrective Action(s):</p> <p>Root cause: Though the monitoring and recording of RTE was being carried out, the information was not relayed to the relevant agencies because the estates assumed that only species that were a threat to the workers were to be reported to the relevant agencies.</p> <p>Corrective Action: A new Rare, Threatened and Endangered (RTE) species assessment and monitoring form has been prepared and issued to all operating centres on 6th April 2017 with clear instructions to record sightings, report to the relevant agencies and comment on the action plan column with immediate effect. (Appendix 6) The instructions can be found on Page 35 of IOI's RTE assessment under "Mechanisms for Monitoring and Reviewing Outcomes of Monitoring" which mentions that only RTE to be recorded and not common animals sighted at fields such as Jungle fowls and monitor lizards. Outcomes of monitoring will be reviewed for actions to be taken in our Management Plan (Appendix 7)</p> | |
| | | <p>Verification (Corrective Action): On-site verification done on 11 & 12 May 2017. The revised documentation and implementation of monitoring needed has commenced with checklist on items available and recorded for appropriate identification and monitoring. The corrective actions taken has satisfactorily addressed the non-conformance.</p> | |
| | | NC status verified by auditor: Closed by AL | Date closed: 12 May 2017 |
| | | Verification of effectiveness: Next assessment (ASA-02) | |
| | | NC status verified by auditor: - | Date verified: - |

| NCR | MYNI Indicator | Details of NCR |
|-----------------------|----------------|--|
| JMD-01 (Major) | 6.5.1 | <p>Date issued: 23 Mar 2017</p> <p>Noncompliance:</p> <p>Pay conditions for employees and for contract workers:</p> <ol style="list-style-type: none"> 4) It was found out that the implementation of procedures for the external contractors (FFB transporters, Building and infrastructure contractors, Harvesting contractors) are not consistent e.g. the details of contracts requirements are not consistent between the HQ and PMU (POM & Estates) including the checking needed on contractor employees and vehicles e.g. PPE, Work permits, Driving licenses etc. 5) The in depth analysis to understand the causes that lead to inability of the identified workers being unable to achieve the minimum wages was not adequately done in all estate units audited. 6) In Laukin and Shahzan 1 Estates, the offer letters for new workers and Legal Register were still indicating Minimum Wages Order 2012. Actual practices were verified to be based on Minimum Wages Order 2016. |



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| | | <p>Root Cause and Corrective Action(s):</p> <ol style="list-style-type: none"> 1) As our HQ and operating centres issue separate contracts for the various types of jobs/tasks, the details in the contracts were not the same or consistent. The checking of PPE and Work permits are mentioned in the "Contractor's safety and health Instructions" but some estates fail to issue these instructions or carry out the checking properly. <ol style="list-style-type: none"> 1) Corrective Action: <ol style="list-style-type: none"> a) A document entitled "Additional Requirements for Contractor and Service Providers" has been sent to all operating centres (Appendix 8) b) Trainings were held to explain the contents of the additional requirements documents before the contractors sign to acknowledge the changes. This document is then attached to their existing contracts (Appendix 9) c) All future contracts issued by HQ and our operating centres will contain the additional requirements and checking will be carried out on contractor's employees and vehicles e.g. PPE, Work permits, Driving licenses etc. 2) Though our HQ HR department conducts monitoring of workers unable to achieve the minimum wages every month, they were unaware that they were required to conduct an in-depth analysis <ol style="list-style-type: none"> 2) Corrective Action: An in-depth analysis is being carried out by operating centres to understand the reasons that lead to the inability of workers to achieve the minimum wages and measures taken to overcome this issue (Appendix 10 a & b) 3) The offer letters issued to local workers still indicated Minimum Wages Order 2012 because it was a typo that was not detected by the Management. The actual practices were however based on the Minimum Wages Order 2016. <ol style="list-style-type: none"> 3) Corrective Action: A memo was issued to all local workers indicating that they will be covered under the Minimum Wages Order 2016. With immediate effect, all new local workers will be issued with the revised contract of employment which indicates Minimum Wages Order 2016 (Appendix 11) | | |
| | | <p>Verification (Corrective Action):</p> <p>On-site verification done on 11 & 12 May 2017.</p> <ol style="list-style-type: none"> 1) Noted that the implementation of contracts with the various external Contractors are currently provided with addendum for consistency and acknowledged by the contractors at the Estate offices. 2) The analysis done has improved has adequate details for longer term monitoring 3) Amended offer letter are available and verified. <p>The additional documentations as submitted on 21 May 2017 was verified by the auditor. Thus, the corrective actions taken has satisfactorily addressed the non-conformance.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">NC status verified by auditor: Closed by JMD</td> <td style="width: 40%;">Date closed: 22 May 2017</td> </tr> </table> | NC status verified by auditor: Closed by JMD | Date closed: 22 May 2017 |
| NC status verified by auditor: Closed by JMD | Date closed: 22 May 2017 | | | |
| | | <p>Verification of effectiveness: Next assessment (ASA-02)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">NC status verified by auditor: -</td> <td style="width: 40%;">Date verified: -</td> </tr> </table> | NC status verified by auditor: - | Date verified: - |
| NC status verified by auditor: - | Date verified: - | | | |



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3.2.4 Year 2017, ASA-01: 1 Observation

| Ref No: | MYNI Indicator | Location | Details of Observation | Status | | |
|---------------|----------------|-------------|---|-------------|-------------|-------------------------------|
| | | | | Opened date | Closed date | Remark, if any |
| OBS: AL-01 | 8.1 | All Estates | The retrieval of information, data and past records is not well organised and taking too long a period to be presented. | 23 Mar 2017 | - | Follow up in next assessment. |

3.2.5 Identified Positive Elements

- 1) The PMU has continued to maintain and carried out CSR activities such as financial funding for education, social and religious activities.
- 2) The PMU has continued to maintain and implement the safety measures and pollution prevention programs and activities.

3.3 Summary of Feedback Raised by Stakeholders and Findings

Prior to and during the Assessment, written and verbal feedback communicated from the stakeholders on the environmental and social performance at the PMU operations were sourced (**see section 2.1**).

All pertinent feedback issues were reviewed and followed up for verification and these had been accordingly incorporated into the report findings. See tables below:

2016: Re-Certification

Communications done via email on 18 Feb 2016 as per the listed parties stated **under para 2.5**. Feedback was also obtained during the period of current assessment via interviews and group sessions conducted on-site.

| Stakeholders' Feedback | PMU Response | Intertek verification / comments | Follow up comments (if any) |
|--|---|--|-----------------------------|
| Government Agencies | | | |
| Communication done via email on 18 Feb 2016. See list under para 2.5 No feedback received. | Annual stakeholder consultations have been maintained and no issues received. | Verified that no issues raised from Stakeholder consultations. | Nil |
| Non-Governmental Organizations | | | |
| Communication done via email on 18 Feb 2016. See list under para 2.5. No feedback received. | Annual stakeholder consultations have been maintained and no issues received. | Verified that no issues raised from Stakeholder consultations. | Nil |
| Local Communities | | | |



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| <p>Concerns and suggestions received during interviews and stakeholder consultations include representatives from government agencies, suppliers, transporters, contractors at the PMU.</p> <p>Total: 17 nos - Local community 24 nos - Workers at POM, Estates (local and foreign, male and female)</p> <p>No significant issues were raised as generally the PMU has periodically met up with the related parties and satisfactory actions were taken to address concerns and suggestions made.</p> | <p>Stakeholder consultations has been maintained to address stakeholders' feedback.</p> | <p>Verified that no significant outstanding issues from Stakeholder consultations.</p> | <p>Nil</p> |
| Other Interested parties | | | |
| Nil | Nil | Nil | Nil |

2017: ASA-01

Communications done via email on 13 Feb 2017 as per the listed parties stated **under para 2.5**. Feedback was also obtained during the period of current assessment via interviews and group sessions conducted on-site.

| Stakeholders' Feedback | PMU Response | Intertek verification / comments | Follow up comments (if any) |
|---|---|--|------------------------------------|
| Government Agencies | | | |
| Communication done via email on 13 Feb 2017. See list under para 2.5 No feedback received. | Annual stakeholder consultations have been maintained and no issues received. | Verified that no issues raised from Stakeholder consultations. | Nil |
| Non-Governmental Organizations | | | |
| Communication done via email on 13 Feb 2017. See list under para 2.5 No feedback received. | Annual stakeholder consultations have been maintained and no issues received. | Verified that no issues raised from Stakeholder consultations. | Nil |
| Local Communities | | | |



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| | | | |
|---|---|--|------------|
| <p>Concerns and suggestions received during interviews and stakeholder consultations include representatives from government agencies, suppliers, transporters, contractors at the PMU.</p> <p>Total: 11 nos - Local community 16 nos - Workers at POM, Estates (local and foreign, male and female)</p> <p>No significant issues were raised as generally the PMU has periodically met up with the related parties and satisfactory actions were taken to address concerns and suggestions made.</p> | <p>Stakeholder consultations has been maintained to address stakeholders' feedback.</p> | <p>Verified that no significant outstanding issues from Stakeholder consultations.</p> | <p>Nil</p> |
| Other Interested parties | | | |
| Nil | Nil | Nil | Nil |



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4.0 ASSESSMENT CONCLUSION AND RECOMMENDATION

Based on the findings above, IOI Corporation Pukin Grouping had been able to demonstrate its compliance with the RSPO Principles and Criteria (April 2013), Malaysian National Interpretation (MYNI 2014) and the RSPO Supply Chain Certification Standard (Nov 2014) for Palm Oil Mill.

Therefore, it is recommended that the certification of IOI Corporation Pukin Grouping be approved and continued.

Signed for and on behalf of
Intertek Certification International Sdn Bhd

Augustine Loh
Lead Assessor

Date: 5 June 2017

4.1 Acknowledgement of Internal Responsibility and Confirmation of Assessment Findings

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

Signed for and on behalf of
IOI Corporation Berhad

Mr. Dickens Mambu
Sustainability Manager

Date: 5 June 2017



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4.2 INTERTEK- RSPO P&C Certificate details for IOI Pukin Grouping

| | |
|--|---|
| Certificate No: | RSPO 927888 |
| New issue date (Re-Cert) | 13 June 2016 |
| New expiry date (2 nd Cert cycle) | 12 June 2021 |
| Current certificate issued | 13 June 2017 |
| Organization | IOI Corporation Berhad |
| Address of Head Office: | Level 8, Two IOI Square, IOI Resort, 62502 Putrajaya, Malaysia |
| RSPO Membership No: | 2-0002-04-000-00 |
| Plantation Management Unit: | Pukin Grouping |
| Address of POM: | 30km, Lebuhraya Tun Abdul Razak, Keratong, Rompin, Pahang |
| Standards: | RSPO Principles and Criteria (Apr 2013); Malaysian National Interpretation (2014); RSPO Supply Chain Certification Standard (Nov 2014) for the Palm Oil Mill. |
| Certification scope: | Production of Crude Palm Oil and Palm Kernels |
| Supply Chain module for POM | Identity Preserved (IP) |

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

| Name | Address | GPS Reference | | Certified Area (ha) |
|--|---|----------------|-----------------|---------------------|
| | | Latitude | Longitude | |
| Pukin Palm Oil Mill Capacity (60 MT/hr) | 30km, Lebuhraya Tun Abdul Razak, Keratong, Rompin, Pahang | 02° 43'07.9" N | 102° 54'28.7" E | 11,712.47 |
| Pukin Estate | 30km, Lebuhraya Tun Abdul Razak, Keratong, Rompin, Pahang | 02° 43'07.9" N | 102° 54'28.7" E | |
| Shahzan 1 Estate | 30km, Lebuhraya Tun Abdul Razak, Keratong, Rompin, Pahang | 02° 47'58.5" N | 102° 50'56.3" E | |
| Shahzan 2 Estate | 36km, Lebuhraya Tun Abdul Razak, Keratong, Rompin, Pahang | 02° 48'59.6" N | 102° 52'26.5" E | |
| Segamat Estate | Km 5, Jalan Segamat Muar, 85009 Segamat, Johor | 02° 29'22.0" N | 102° 52'58.5" E | |
| Laukin A Estate | KM 72, Kuantan-Segamat Highway, 26700 Muadzam Shah, Pahang. | 03° 01'26.1" N | 103° 02'33.0" E | |
| Bukit Serampang Estate | KM 12, Jalan Sagil-Tangkak, Segamat, 84900, Tangkak, Johor. | 02° 19'53.7" N | 102° 41'17.4" E | |

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

| Pukin POM | Annual Tonnages (MT) |
|---------------------|-------------------------|
| Certified FFB | 242,320 |
| Certified CPO | 55,007 |
| Certified PK | 10,905 |
| Supply chain module | Identity Preserved (IP) |



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Appendix A:

Qualifications of Lead Assessor and Assessment Team

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

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

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

Mr. Sazali Hasni (SH) – Assessor / Technical Expert

(Environment, Conservation and HCV area)
– Bachelor of Science (Forestry)

Mr. Sazali Hasni (SH) has over 25 years work experience in the forestry sector. He is an IRCA Auditor for ISO 9001 and auditor for the PEFC Chain-of-Custody Certification. He has successfully completed training in the Intertek In House RSPO P&C, MYNI Assessor course. He was a member in the stakeholder consultation and development of the Malaysian Criteria & Indicators (MC&I) for Forest management Certification. He has been involved in the auditing of Forest Management Certification for the Perak State Forestry Department and Pahang State Forestry Department. He has also been involved with a German based company in testing their criteria for carbon tracing in an oil palm plantation in 2011. He had also acted as the regional consultant to International Tropical Timber Organization (ITTO) for the Asia Pacific region in the Evaluation and Monitoring of Projects funded by the organization from 1994 to 1998. Projects funded are mainly forestry related such as reforestation, conservation, community forestry apart from other research based projects. He is a member of the RSPO CB Assessment team which audited several RSPO certified Plantation Management Units since 2014.

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

– BSc (Social Science)

Mr. Jumat Majid (JMD) has over 13 years work experience in the agriculture sector. He has successfully completed the IRCA accredited Lead Auditor course in ISO 9001:2008 and RSPO P&C MY-NI Lead Assessor course. He has also successfully completed training programs in Organic Agriculture Development and had performed organic agriculture inspections and assessments for more than 6 years. He has been involved in NGO work in the areas of social impact assessments within the South East Asia region. He is part of the RSPO CB Assessment team which audited RSPO certified Plantation Management Units since 2010.



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Appendix B:

Certification Assessment Plan (Actual)

| Date | Time | Assessors and Assessment Activity | | |
|------------------------------------|--|---|---|--|
| | | Assessment Team | | |
| 20 Mar 17 Monday (Day 1) | 8.00 am – 11.00 am | Travel to hotel | | |
| | 11.00 am - 12.00 pm | Travel from hotel to Pukin grouping Palm Oil Mill | | |
| | 12.00 pm - 1.00 pm | Lunch Break | | |
| | 1.00 pm – 1.30 pm | Opening Meeting and Briefing at POM Office (to be attended by representatives from the Estates as well) | | |
| | 1.30 pm – 5.00 pm | Document Review and Assessment by all Assessors on respective RSPO P&C:1 to 8 at POM | | |
| | | AL | SH | JMD |
| | | Site assessment at Palm Oil Mill <ul style="list-style-type: none"> • P1 Transparency • P2 Laws & regulations • P3 Economic & Financial Viability • P4 Best Practices at Mill • P8 Continual Improvement • SCC for POM | Site assessment at Palm Oil Mill <ul style="list-style-type: none"> • P2 Laws & regulations • P5 Environmental, Conservation & HCV • P8 Continual Improvement | Site assessment at Palm Oil Mill <ul style="list-style-type: none"> • P2 Laws & regulations • P6 Employees, Individuals & Communities incl. Gender Issues • P8 Continual Improvement |
| | <ul style="list-style-type: none"> • Verification of effectiveness of corrective actions for non-conformances • Review of Time Bound Plan • Verification for compliance with rules on partial certification | | | |
| 5.00 pm – 6.00 pm | Travel to Hotel & Break | | | |
| 6.00 pm – 7.00 pm | Team Meeting and Discussion | | | |

| Date | Time | Assessors and Assessment Activity | | |
|-------------------------------------|-------------------|---|---|--|
| | | AL | SH | JMD |
| 21 Mar 17 Tuesday (Day 2) | 8.30 am – 12.30pm | Site assessment at Laukin A estate <ul style="list-style-type: none"> • P1 Transparency • P2 Laws & regulations • P3 Economic & Financial Viability • P4 Best Practices at Estates • P7 New Plantings • P8 Continual Improvement | Site assessment at Laukin A estate <ul style="list-style-type: none"> • P2 Laws & regulations • P5 Environmental, Conservation & HCV • P8 Continual Improvement | Site assessment at Laukin A estate <ul style="list-style-type: none"> • P2 Laws & regulations • P6 Employees, Individuals & Communities incl. Gender Issues • P8 Continual Improvement |
| | | Lunch Break | | |
| | 1.30 pm - 5.30 pm | Continue site assessment at Laukin A estate | | |
| | 5.30 pm – 6.30 pm | Travel to Hotel & Break | | |
| | 6.30 pm – 7.30 pm | Team Meeting and Discussion | | |

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| Date | Time | Assessors and Assessment Activity | | |
|---------------------------------------|--------------------|--|--|---|
| | | AL | SH | JMD |
| 22 Mar 16 Wednesday (Day 3) | 8.30 am – 12.30pm | Site assessment at Shahzan 1 estate <ul style="list-style-type: none"> • P1 Transparency • P2 Laws & regulations • P3 Economic & Financial Viability • P4 Best Practices at Estates • P7 New Plantings • P8 Continual Improvement | Site assessment at Shahzan 1 estate <ul style="list-style-type: none"> • P2 Laws & regulations • P5 Environmental, Conservation & HCV • P8 Continual Improvement | Site assessment at Shahzan 1 estate <ul style="list-style-type: none"> • P2 Laws & regulations • P6 Employees, Individuals & Communities incl. Gender Issues • P8 Continual Improvement |
| | 12.30 pm – 1.30 pm | Lunch Break | | |
| | 1.30 pm - 5.30 pm | Continue site assessment at Shahzan 1 estate | | |
| | 5.30 pm – 6.30 pm | Travel to Hotel & Break | | |
| | 6.30 pm – 7.30 pm | Team Meeting and Discussion | | |

| Date | Time | Assessors and Assessment Activity | | |
|--------------------------------------|---------------------|--|--|-----|
| | | AL | SH | JMD |
| 23 Mar 17 Thursday (Day 4) | 8.30 am – 11.00 am | Site assessment at Pukin Palm Oil Mill <ul style="list-style-type: none"> • P1 Transparency • P2 Laws & regulations • P3 Economic & Financial Viability • P5 Environmental, Conservation & HCV • P8 Continual Improvement • SCC for POM | Stakeholders' Consultation on the following categories (see Notes 1 and 2 below): <ul style="list-style-type: none"> • Contractors • Suppliers • Transporters • NGOs • Government Department / Agencies • Local Community • Settlers, in the case of independent and organized smallholders. <p>Notes</p> <p>1. It is mandatory for the PMU to inform Intertek and provide the information (as a minimum the no. of stakeholders in each applicable category and contact number) on the stakeholders <u>prior</u> to the assessment.</p> <p>2. This will facilitate the random and impartial selection of stakeholders (including independent and organized smallholders, where applicable) and to meet the sample size requirement</p> | |
| | 10.00 am – 12.30 pm | Site assessment at POM or estates to follow up on any specific criteria/areas | | |
| | 12.30 pm – 1.30 pm | Lunch Break | | |
| | 1.30 pm – 3.30 pm | Preparation for Closing Meeting | | |
| | 3.30 pm – 4.30 pm | Team Meeting and Discussions with Management Representative | | |
| | 4.30 pm – 5.30 pm | Closing Meeting & Briefing at Palm Oil Mill Office | | |
| | 5.30 pm onwards | Travel back to Kuala Lumpur | | |

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Appendix C-1:

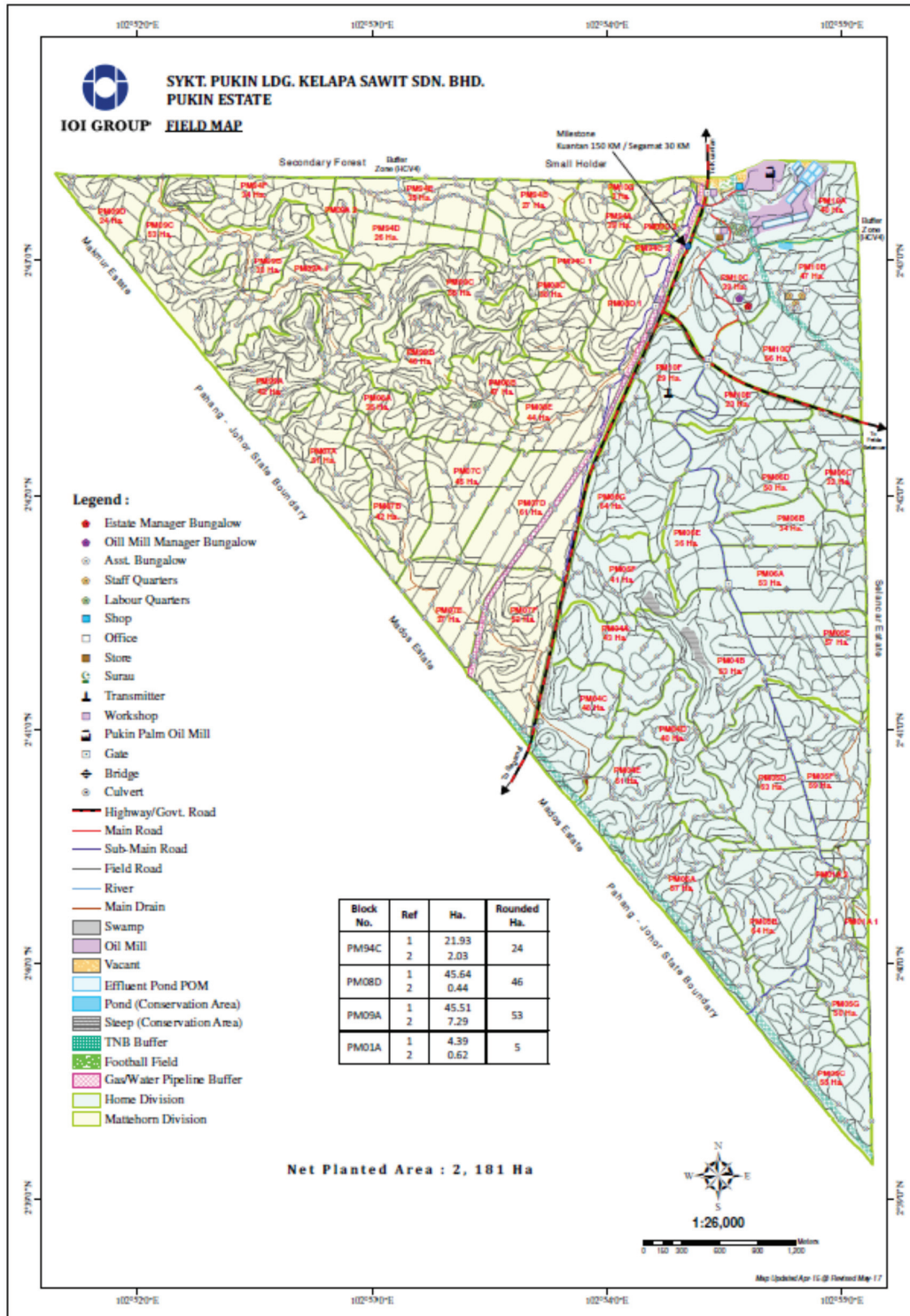
Location Map of IOI Pukin Grouping, Johor, Malaysia



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**Appendix C-2-1:
Map of Pukin Estate and POM**

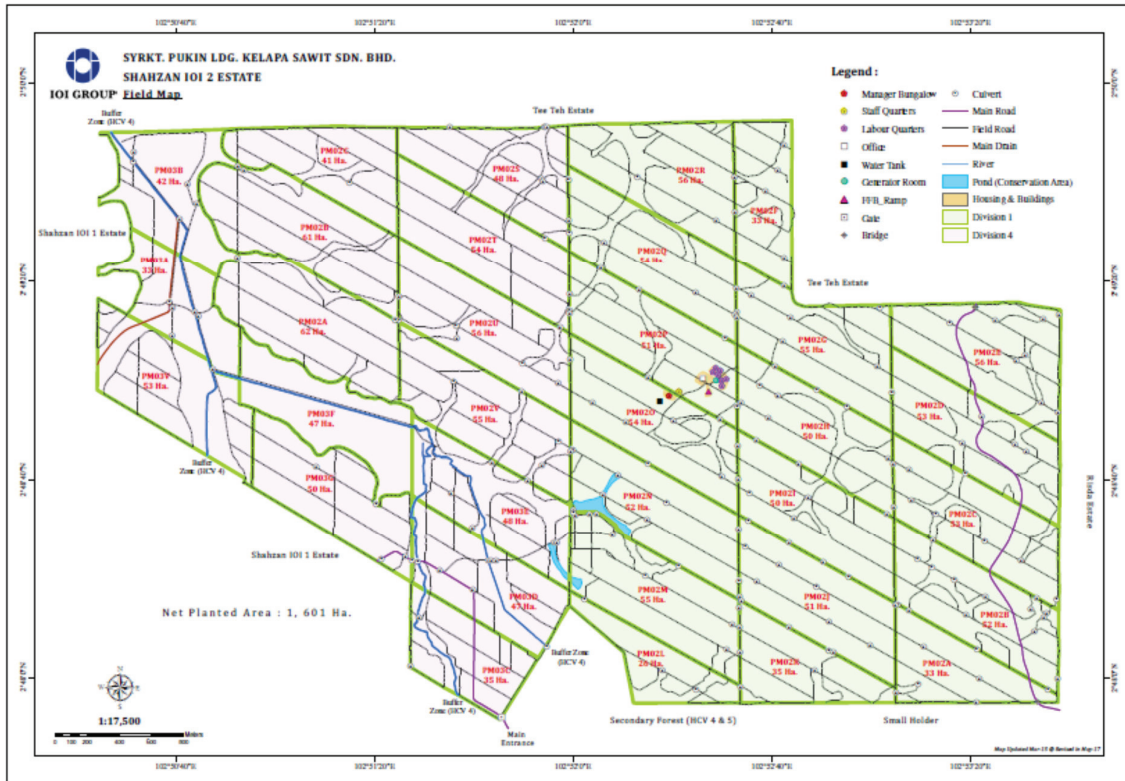


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Appendix C-2-3:

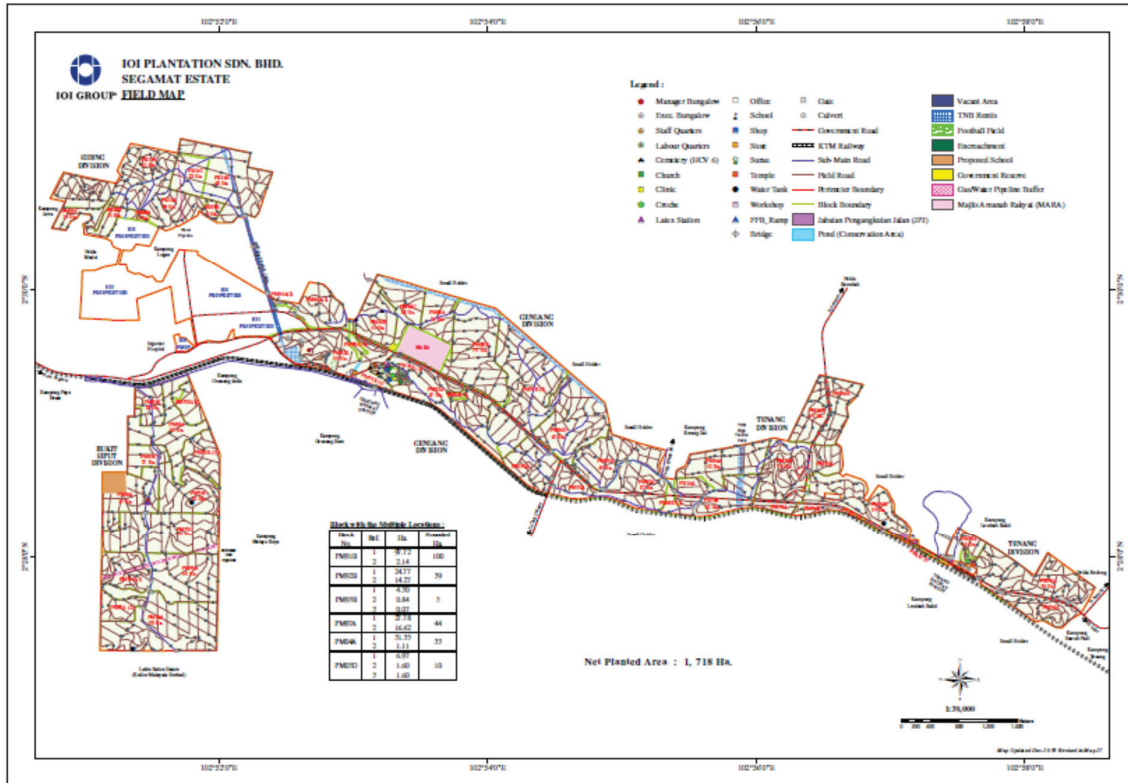
Map of Shahzan 2 Estate



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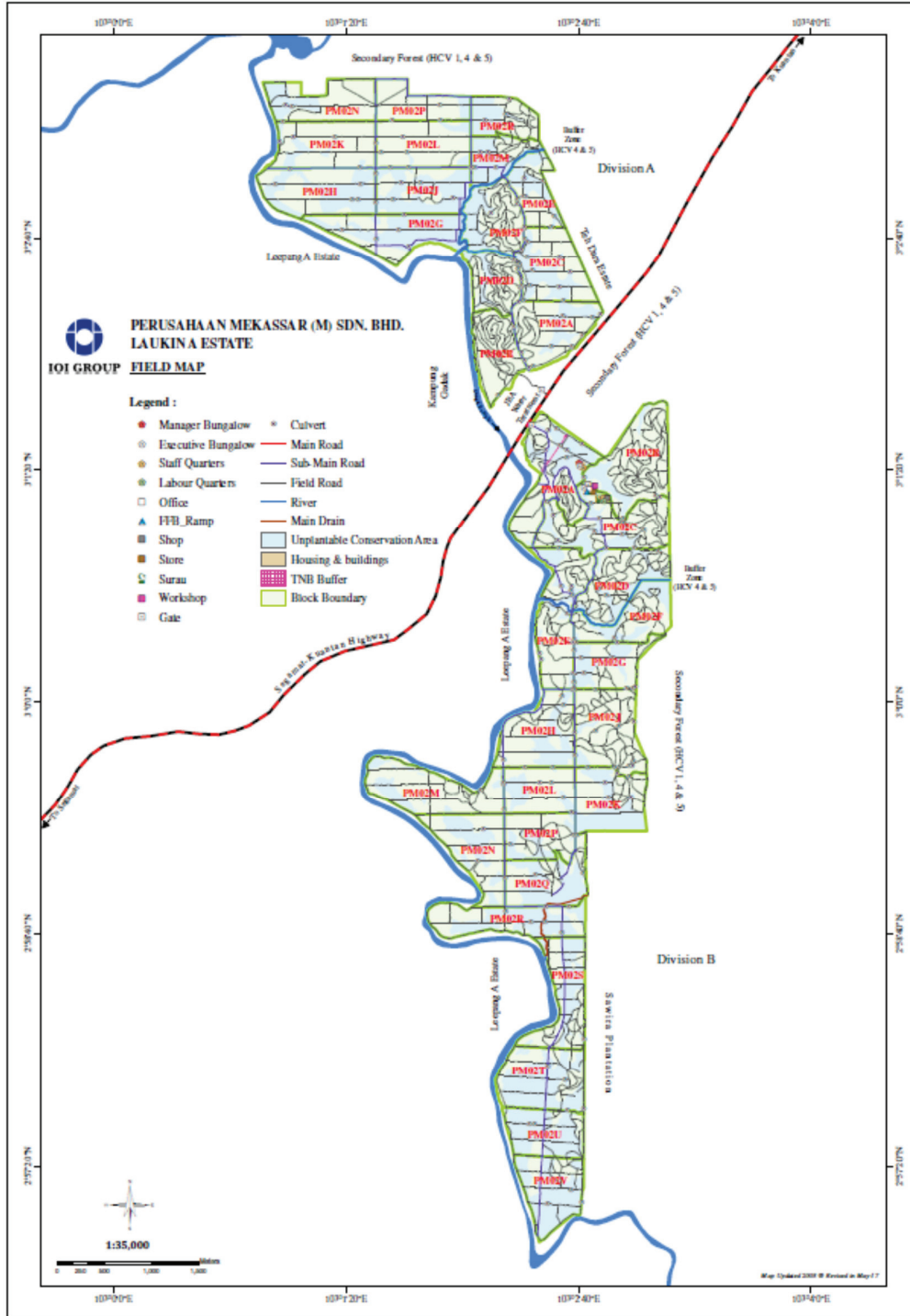
Appendix C-2-4:
Map of Segamat Estate



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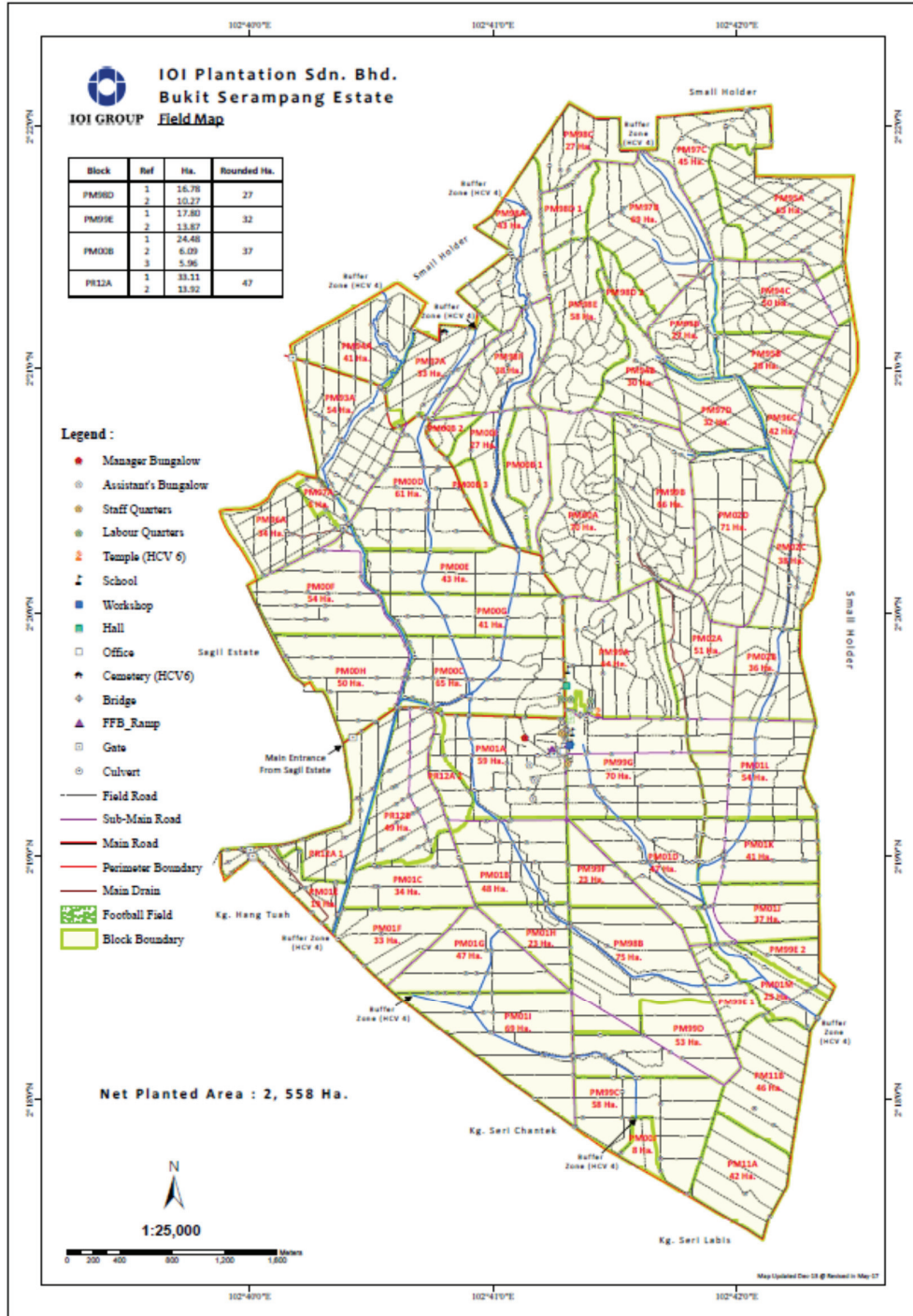
**Appendix C-2-5:
Map of Laukin A Estate**



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**Appendix C-2-6:
Map of Bukit Serampang Estate**



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Appendix D:

Photographs of findings at Pukin Grouping (ASA-01)

| | |
|--|--|
|  |  |
| <p>Shahzan 1 estate: Markings of buffer zones</p> | <p>Laukin A estate: Separate trailers for transporting chemicals</p> |
|  |  |
| <p>Shahzan 1 estate: Chemical Pre-mixing areas</p> | <p>Laukin A estate: Modified separate and multipurpose trailers for the transportation of workers.</p> |

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Appendix E:

Time Bound Plan

Details of Time Bound Plan as submitted by IOI Plantation Services Sdn Bhd (Mar 2017)

| No | PMU | Main Assessment | Certification Status | Current Status | Updated Information for Partial Certification, Clause 4.2.4 RSPO Certification Systems for Certified and Uncertified Units |
|-----|------------------------------|-----------------------|---------------------------|--|--|
| 1. | Pamol (Sabah) POM | May 2008 | Re-Certified in Dec 2016 | Initial Assessment completed on Oct 2016 | No outstanding issues |
| 2. | Sakilan POM | Nov 2008 | Re-Certified in Mar 2015 | ASA-02 completed in 2016 | No outstanding issues |
| 3. | Pamol Kluang POM | Mar 2009 | Re-Certified in 2015 | ASA-01 completed in 2016 | No outstanding issues |
| 4. | Gomali POM | Aug 2009 | Re-Certified in Aug 2015 | ASA-01 completed in 2016 | No outstanding issues |
| 5. | Baturong POM | Sept 2009 | Re-Certified in Oct 2015 | ASA-01 completed in 2016 | No outstanding issues |
| 6. | Bukit Leelau POM | Apr 2010 | Re-Certified in Nov 2015 | ASA-01 completed in 2016 | No outstanding issues |
| 7. | Mayvin POM | Aug 2010 | Re-Certified in Dec 2015 | ASA-01 completed in 2016 | No outstanding issues |
| 8. | Pukin POM, Johor | Dec 2010 | Re-Certified in June 2016 | ASA-01 completed in 2017 | No outstanding issues |
| 9. | Leepang (Sabah) POM | Aug 2012 | Certified in Dec 2013 | ASA-03 completed for 2016 | No outstanding issues |
| 10. | Syarimo POM | Sept 2012 | Certified in Mar 2013 | ASA-04 completed for 2017 | No outstanding issues |
| 11. | Ladang Sabah POM | Oct 2012 | Certified in Apr 2013 | ASA-03 completed for 2016 | No outstanding issues |
| 12. | Morisem POM, Sabah | Sept 2013 | Certified in Dec 2013 | ASA-03 completed for 2016 | No outstanding issues |
| 13. | IOI – Pelita, Sarawak | Planned - 2019 | Uncertified Unit | New certification for IOI – Pelita (Sarawak) is pending resolution of land dispute and RSPO decision. No POM yet. | Settlement Discussion with local community is presently still ongoing. On 1 st Dec 2016, a draft agreement which gives the native community land use right was presented to the LTK A and LTK B communities. It was followed by a meeting for the terms of the settlement agreement on 20 th December 2016. Additional terms were included (by request of the committee) and agreement was formally sent to Miri Residence (mediator) office before 30 th December 2016. |
| 14. | Unico POM-1, Sabah | Planned - 2018 | Uncertified Unit | Acquired in 2014. Established OP plantation (before 2005). Supply base do consists of external / independent smallholders. | Certification preparations in progress. |



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| No | PMU | Main Assessment | Certification Status | Current Status | Updated Information for Partial Certification, Clause 4.2.4 RSPO Certification Systems for Certified and Uncertified Units |
|-----|-------------------------|---------------------|----------------------|--|--|
| 15. | Unico Desa POM-2, Sabah | Planned - Sept 2017 | Uncertified Unit | Acquired in 2014. Established OP plantation (before 2005). Supply base comprised of own estates. | Certification preparations in progress. |
| 16. | PT SKS, Indonesia | Planned – Dec 2017 | Uncertified Unit | Acquired in 2009 (new concession land). POM was commission in Feb 2015 and Governmental 'Hak Guna Usaha' (HGU) application in progress | Update on the RSPO Suspension and complaint by Aidenvironment – After reviewing our progress reports and submission, RSPO on the 5 th August 2016 has lifted the Suspension effective 8 th August 2016. Certification preparations in progress. Pending issuance of HGU. |
| 17. | PT BNS, Indonesia | Planned – Dec 2017 | Uncertified Unit | Acquired in 2009 (new concession land). POM was commission in Feb 2015 and Governmental HGU application in the process. | Update on the RSPO Suspension and complaint by Aidenvironment – After reviewing our progress reports and submission, RSPO on the 5 th August 2016 has lifted the Suspension effective 8 th August 2016. Certification preparations in progress. Pending issuance of HGU. |
| 18. | PT BSS, Indonesia | Planned - 2019 | Uncertified Unit | Acquired in 2009 (new concession land). No POM yet, still in development phase. Governmental 'Hak Guna Usaha' application in progress. | Update on the RSPO Suspension and complaint by Aidenvironment – After reviewing our progress reports and submission, RSPO on the 5 th August 2016 has lifted the Suspension effective 8 th August 2016. Certification preparations in progress. Pending issuance of HGU. |
| 19. | PT KPAM, Indonesia | Planned - 2020 | Uncertified Unit | Acquired in 2010 (new concession land). No POM planned yet, all necessary permits are up to date. | HCV Assessment completed and the SEIA in progress. The NPP will be conducted upon completion of all reports and will be posted on the RSPO for Public Consultation. |

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Appendix F:

Summary of RSPO CP decisions and RSPO Case Tracking on IOI Group

- 1) Updated RSPO Announcement on IOI – Suspension of IOI's RSPO certificates is lifted by the RSPO Board of Governors effective 8 August 2016
Weblink: <http://www.rspo.org/news-and-events/announcements/update-on-the-status-of-ioi-groups-certification>

- 2) Monitoring by RSPO Complaints Panel (CP)
Weblink: <http://www.rspo.org/members/status-of-complaints?keywords=IOI&country=&category=>

RSPO Case Tracker on: PT SUKSES KARYA SAWIT (SKS), PT BERKAT NABATI SAWIT (PT BNS), PT BUMI SAWIT SEJAHTERA (PT BSS) SUBSIDIARY OF PT SAWIT NABATI AGRO (PT SNA), IOI Group
Weblink: <http://www.rspo.org/members/complaints/status-of-complaints/view/80>

- 3) Updated IOI Group Newsletters
Weblink: http://www.ioigroup.com/Content/News/N_Archive

IOI Launches Revised Palm Oil Sustainability Policy and Sustainability Implementation Plan (8 August 2016)
Weblink: <http://www.ioigroup.com/Content/News/NewsroomDetails?intNewsID=813>



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Appendix G:

Outcomes of the Verification on ASI Compliance Audit Findings at a unit of Intertek's CH (in Sept 2016) Summary of Verification done at PMU / CH - IOI Pukin

| No | Requirements | Item No | Issues as Raised by ASI at one of Intertek's CH | Findings at PMU / CH against ASI Findings | Intertek Verification Outcome and Status of Finding |
|-----|---|---------|--|--|---|
| 1.0 | 4.1.2 A mechanism to check consistent implementation of procedures shall be in place | 1.1 | Contracts not being included of safety & health, forced labour, child labour | Safety and health agreement are indicated in the OSH Manual. Contracts of agreement have included the prohibition of forced labour and child labour. | Site Verification done on 20 - 23 Mar and 11-12 May 2017 at POM, Shahzan 1, Shahzan 2 and Laukin A estates Verified that corrective actions taken had satisfactorily addressed the findings. |
| | | 1.2 | Contractor's drivers were not able to present driving license | Driver for tankers and kernel lorries have driving license, GDL license and all other relevant license Ongoing monitoring done on contractors' drivers. | Implementations are satisfactory. |
| | | 1.3 | Valid road tax and lorry insurance | Contractors had arranged for their lorries to be equipped with road tax and/or lorry insurance. For mill's transporters, the lorries have both road tax and lorry insurance as they are using the public roads. | Implementations are satisfactory. |
| | | 1.4 | Contractor's drivers did not had work agreement | Continuous monitoring done to check that all contractor's drivers do have work / employment agreement with the contractors. | Implementations are satisfactory. |
| | | 1.5 | Contractor's drivers are not paid consistently | Salary slips of drivers were checked for consistent payment by the contractors | Implementations are satisfactory. |
| 2.0 | 4.2.2 Protection of water courses | 2.1 | Buffer zone for stream was marked at one side and the unmarked side was treated with chemicals | PMU estates had identified all streams and rivers crossing or border with their respective estate and mark it in the maps. | Implementations are satisfactory. |
| | | 2.2 | Circle spraying at buffer zone | Clear markings on the palm or peggings of the same colour to be erected along the buffer zone not just on the main road especially faded and unmarked areas. On job training for executive and staff on buffer zone management and manuring / spraying workers at river buffer zone done. Pictorial signages were placed strategically along the buffer zones to prohibit any illegal and unauthorized activity. | Implementations are satisfactory. |

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| No | Requirements | Item No | Issues as Raised by ASI at one of Intertek's CH | Findings at PMU / CH against ASI Findings | Intertek Verification Outcome and Status of Finding |
|-----|---|---------|--|--|--|
| | | 2.3 | Sprayers were spraying chemicals closely to drainage system with running water | Guideline on spraying activities were adhered. No spraying done at drainage systems. | Implementations are satisfactory. |
| 3. | 4.6.7 Application of pesticides | 3.1 | Sprayers wore trousers over the rubber boots – if the pants get contaminated, workers legs might get exposed to chemicals | Proper wearing of PPE by the sprayers were adhered. | Implementations are satisfactory. |
| | | 3.2 | Apron for sprayers was too short and uncovered area between rubber boots and apron could get exposed | New aprons were issued to Sprayers. No modification of newly issued aprons were allowed. | Implementations are satisfactory. |
| | | 3.3 | Changing and washing room not suitable for group of people | Adequate changing and washing rooms are available. | Implementations are satisfactory. |
| | | 3.4 | Soaps not available at washing room | Liquid detergents are provided in the washing rooms. | Implementations are satisfactory. |
| | | 3.5 | Emergency shower needs water pumps to be switched on to be functional and handles for eye wash are not practical | Emergency showers are checked and ensured to be functioning properly. | Implementations are satisfactory. |
| | | 3.6 | Premixing are done in the field | All premixing are done in the premix area only. | Implementations are satisfactory. |
| 4.0 | 4.6.11 Annual medical surveillance for pesticide operators | 4.1 | Manuring gang have not been sent to the annual medical surveillance | Medical surveillance has followed the CHRA recommendations. | Implementations are satisfactory. |
| | | 4.2 | Newly appointed spraying gang do not undergo initial medical surveillance – to determine are they fit for the spraying activity | All newly appointed sprayers are sent for initial medical surveillance. | Implementations are satisfactory. |
| 5.0 | 4.7.1 Health and safety policy/plan implementation and monitoring | 5.1 | Spraying gang and manuring gang transported to the field in the trailer together with chemicals/ fertilizers | Separate trailers / transportation vehicles are used at this PMU | Note: Refer to NC: AL-01 below. |
| | | 5.2 | Transportation trailers not equipped with ladders requiring workers to jump out of trailer | Maintenance is regularly checked. | Implementations are satisfactory. |
| | | 5.3 | After school, children transported in the pickup truck cargo box | School children are transported by proper school buses. | Implementations are satisfactory. |
| 6.0 | 4.7.2 Health and safety risk assessment | 6.1 | HIRAC for PMU Grouping doesn't cover on <ul style="list-style-type: none"> – Eye injury from falling debris/dust – Operations involving buffalos – Feet/leg injuries for manual loading – Ergonomic/ muscle traumatism for manual loading operations | Refer to NC: AL-01 issued during audit | NC AL-01 issued during audit and verified that corrective actions taken had satisfactorily addressed the finding. |

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|-----|---|---------|--|--|---|
| 7.0 | 4.7.3 Use of PPEs | 7.1 | Eye protection for harvesters are not implemented in the field, also not reflected in HIRAC | Review of OSH Manual done and additional PPE for harvesters were issued. | Implementations are satisfactory. |
| | | 7.2 | Safety shoes are not used by loose fruit collectors (LFC); FFB loaders, tractor driver and LFC at loading ramp | Monitoring and enforcement is maintained. | Implementations are satisfactory. |
| | | 7.3 | PPE Monitoring records was not available for 4 operators | Monitoring and enforcement is maintained. | Implementations are satisfactory. |
| | | 7.4 | OSH risk assessment and SOP defines different kind of PPEs to be used for different kind of operations. However, particular references are very general. | References for PPE are from the OSH Manual has covered specific PPE to be used for a particular type of work. | Implementations are satisfactory. |
| 8.0 | 4.7.5 Accident, emergency procedures, first aid kit | 8.1 | Estate stationary first aid kits locked | All first aid kits are easily accessible at any time during working hours. | Implementations are satisfactory. |
| | | 8.2 | Medication transferred to smaller containers has the same expiry date of the original containers | Items as listed in OSH Manual checklist are included in the first aid kit and medications are complete and within validity of use. | Implementations are satisfactory. |
| | | 8.3 | Chemical's MSDS English only | MSDS in Malay is provided and briefing done for all handlers. | Implementations are satisfactory. |
| 9.0 | 5.1 Environmental impact assessment, mitigation plans and monitoring | 9.1 | Stream contamination with oil products were observed after oil trap in the drainage system at workshop. | Maintenance is done continuously for the oil traps chambers. Drip trays and spill kit are utilized in the workshop area to minimize oil spills contaminating the floors. | Implementations are satisfactory. |
| | | 9.2 | <u>Petrol/diesel storage</u> Exit pipe from bund doesn't have handle, or the handle has been corroded and the stop valve was in open position Bund capacity should be indicated at the bund's wall | Stop valves are closed at all times. Bund capacity stated for all diesel skid tanks bund. Monitoring is done. | Implementations are satisfactory. |
| | | 9.3 | <u>Warehouse</u> Possible ground contamination with fertilizers was observed in the old warehouse where fertilizer bags were stored on synthetic material flooring with holes | All fertilizer stores are with cement flooring and palletized. | Implementations are satisfactory. |
| | | 9.4 | <u>Drainage to be improved</u> Drainage old, stagnant and need maintenance at workshop, stores & linesites & canteen. | Inspection of drainage done weekly and recorded in the inspection checklist and records. | Implementations are satisfactory. |



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|------|--|---------|---|--|---|
| | | 9.5 | Monitoring buffer zone Patrolling records doesn't include condition of buffer zones and use of pesticide within buffer zone has not been recorded | Monitoring checks have covered the following: River bank soft vegetation No landslide, spraying or exposed ground near on the buffer zone Markings and signage are properly maintained. | Implementations are satisfactory. |
| 10.0 | 5.2 HCV Identification and maintenance | 10.1 | Forest buffer zone was treated with chemicals | Refer to: NC: SH-01 and NC: SH-02 issued during audit. | NC: SH-01 and SH-02 issued during audit and verified that corrective actions taken had satisfactorily addressed the finding. |
| | 5.3.3 Waste management | 10.2 | Inappropriate waste management have been observed Wheelbarrows, used tires, air filter, garbage & empty fertilizer bags found behind workshop and fertilizer store Domestic waste around loading ramp Old wheelbarrows in the field Organic waste collected in fertilizer bags and dumped into landfill. Recyclable old plastic bottles found in landfill | Proper Waste management has been implemented with better monitoring done for the disposal of all types of waste. Recyclable waste such as scrap iron and plastic materials are segregated and disposed by recycling contractors. | Implementations are satisfactory. |
| 11.0 | 6.1 Social Impact Assessment and management | 11.1 | To change salary cheque to cash, workers have to pay 2% per cheque (no commission deducted if buying goods). This particular issue should be identified and addressed during the social impact assessment | This matter does not arise at this PMU. No action required. | Not an issue at this PMU / CH |
| 12.0 | 6.5 Pay and conditions for employment | 12.1 | Workers not achieving minimum wage Working hours not being monitored Date of contract agreement not stated and deductions have not been consistently tick-marked Workers unable to communicate either in Bahasa Melayu or English | Refer to: NC: JMD-01 issued during audit. | NC: JMD-01 issued during audit and verified that corrective actions taken had satisfactorily addressed the finding. |

-- End of Report --