



**PUBLIC SUMMARY
SECOND SURVEILLANCE ASSESSMENT**

AUDIT DATE : 25th – 28th SEPTEMBER 2012

**IOI CORPORATION BERHAD
BUKIT LEELAU CERTIFICATION UNIT
MUADZAM SHAH, PAHANG DARUL MAKMUR, MALAYSIA**

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SUMMARY

This public certification summary provides the general information on the Bukit Leelau Certification Unit (Bukit Leelau CU), the assessment process, the findings of the surveillance, Non-Conformity Reports (NCRs) and Opportunities for Improvements (OFIs) raised, verification of corrective actions on the minor NCRs and OFIs raised during the previous surveillance as well as the decision on the continued certification of the CU against the requirements of the RSPO Principles & Criteria for Sustainable Palm Oil Production, Malaysian National Interpretation Working Group (RSPO MYNI: 2010).

Bukit Leelau CU consists of the Bukit Leelau Palm Oil Mill (BLPOM), Bukit Leelau Estate, Leepang A Estate, Laukin A Estate, Detas Estate, Merchong Estate, Mekassar Estate and two smallholders i.e. Ladang Manna Enterprise and Ladang Hj Harun.

BLPOM, Bukit Leelau Estate, Leepang A Estate, Laukin A Estate, Detas Estate and Mekassar Estate are subsidiaries of Perusahaan Mekassar Sdn Bhd, while the Merchong Estate is the subsidiary of Syarikat Pukin Ladang Kelapa Sawit Sdn.Bhd. Both Syarikat Pukin Ladang Kelapa Sawit Sdn. Bhd. and Perusahaan Mekassar Sdn. Bhd. are direct subsidiaries of IOI Corporation Berhad (IOI). Hence, it was noted that, the registration for the RSPO e-trace of sustainable crude palm oil from the BLPOM was under the name of Perusahaan Mekassar Sdn Bhd.

This surveillance was conducted on 25-28 September 2012 by SIRIM QAS International Sdn Bhd (SIRIM QAS International). SIRIM QAS International, an accredited certification body (CB) by the United Kingdom Accreditation Service (UKAS) and STANDARDS MALAYSIA is also the leading testing, inspection and CB in Malaysia having provided its services to all sectors of the industries in management system certification services on quality, environment and health and safety for over 30 years.

SIRIM QAS International has wide experience in conducting assessments on palm oil mills (POMs) and oil palm estates for certification of management system against the requirements of ISO 9001, ISO 14001 and OHSAS 18001. SIRIM QAS International was approved as a CB by RSPO on 21 March 2008. Since then, it had conducted many assessments on RSPO sustainable production of palm oil and supply chain certifications in Malaysia.

This surveillance had resulted in the issuance of three (3) NCRs. Two (2) of the NCRs were classified as major while the other one was a minor. One of the major NCRs was related to fulfilling the requirements of the RSPO Supply Chain Certification Standard, November 2011 (RSPO Supply Chain Certification Standard).

The Bukit Leelau CU had taken appropriate corrective actions to address the major NCRs. The corrective actions had been reviewed, verified and accepted by the assessor and therefore the major NCRs had been closed out. The CU had also submitted a corrective action plan to address the one minor NCR which had been reviewed and accepted by the assessor. However, the verification of these corrective actions would be done during the next surveillance audit.

Based on the findings of this surveillance, it could be concluded that the Bukit Leelau CU had continued to comply with the requirements of the RSPO MYNI: 2010. The two (2) major NCRs raised during this surveillance had been adequately addressed and therefore closed out. The assessment team had therefore recommended the Bukit Leelau CU to maintain its certification against the RSPO MYNI: 2010 for the sustainable production of palm oil.

1.0 SCOPE OF THE CERTIFICATION

1.1 National Interpretation Used

The operations of the mill and its supply bases of oil palm fresh fruit bunches (FFBs) were assessed against the requirements of the RSPO MYNIWG: 2010.

1.2 Certification Scope

This surveillance assessment covers the BLPOM, Leepang A, Laukin A, Detas, Merchong, Makassar

Estates and two smallholders which are Ladang Manna and Ladang Hj Harun. The scope of certification is the sustainable production of crude palm oil from the BLPOM with all supplied bases i.e. five own estates and two smallholders. The RSPO P&C Certificate was issued on 19 November 2010 and the scope of certification was the production of sustainable crude palm oil and palm kernel using the segregation (SG) model.

1.3 Location of Mill and Estates

Bukit Leelau CU is located in Pahang Malaysia. The maps of the Bukit Leelau CU and the two smallholders are shown in **Attachments 1 and 2**, while the details on their locations are shown in **Table 1** below.

Table 1
Location and Addresses of Mill and Estates

Mill/Estate	GPS Location		Location Address
	Latitude	Longitude	
Bukit Leelau Palm Oil Mill	03°18'00" N	103°08'24" E	KM 75 Kuantan-Segamat Highway, Muadzam Shah, Pahang, Malaysia
Bukit Leelau Estate	03°18'00" N	103°07'48" E	KM 75 Kuantan-Segamat Highway, Muadzam Shah, Pahang, Malaysia
Merchong Estate	03°01'12" N	103°12'00" E	KM 75 Kuantan-Segamat Highway, Muadzam Shah, Pahang, Malaysia
Mekassar Estate	02°59'24" N	103°10'12" E	KM 75 Kuantan-Segamat Highway, Muadzam Shah, Pahang, Malaysia
Leepang A Estate	03°00'36" N	103°01'48" E	KM 75 Kuantan-Segamat Highway, Muadzam Shah, Pahang, Malaysia
Laukin A Estate	03°01'26" N	103°02'33" E	KM 75 Kuantan-Segamat Highway, Muadzam Shah, Pahang, Malaysia
Detas Estate	03°33'00" N	103°03'00" E	KM 75 Kuantan-Segamat Highway, Muadzam Shah, Pahang, Malaysia
Manna Enterprise	03° 18.667'N	103° 07.797'E	KM 75 Kuantan-Segamat Highway, Muadzam Shah, Pahang, Malaysia
Ladang Hj Harun	03° 18.841'N	103° 07.945'E	KM 75 Kuantan-Segamat Highway, Muadzam Shah, Pahang, Malaysia

1.4 Description Supply Base (Fruit Sources)

Details of the FFB contribution from each supply bases are as in **Table 2**.

Table 2
Actual FFB Production Since Date of Last Reporting Period
(July 2011 to June 2012)

Supply Bases	FFB Production	
	Tonnes	% of Total FFB Production
Bukit Leelau Estate	50,054.38	29.98
Leepang A Estate	8,614.63	5.16
Laukin A Estate	17,877.53	10.71
Detas Estate	43,493.35	26.05
Merchong Estate	27,664.80	16.70
Mekassar Estate	17,942.62	10.75
Manna Enterprise	675.07	0.40

Ladang Hj Harun Estate	383.76	0.23
Total	166,946.71	100.00

1.5 Date of Planting and Cycle

The dates of planting and age profiles for each of the supply base under the Bukit Leelau CU are detailed in the following tables.

Table 3
Planted Area in Bukit Leelau Estate by Age and Planting Cycle

Year of Planting	Planting Cycle (1st, 2nd, 3rd, etc. Generation)	Mature/Immature	Planted Area (ha)	% of Total Planted Area
1989	1 st	Mature	611	30.92
1990	1 st	Mature	1,256	63.56
1992	1 st	Mature	16	0.81
1998	1 st	Mature	93	4.71
Total			1,976	100.00

Table 4
Planted Area in Leepang A Estate by Age and Planting Cycle

Year of Planting	Planting Cycle (1st, 2nd, 3rd, etc. Generation)	Mature/Immature	Planted Area (ha)	% of Total Planted Area
2001	1 st	Mature	430	23.59
2002	1 st	Mature	1,393	76.41
Total			1,823	100.00

Table 5
Planted Area in Laukin A Estate by Age and Planting Cycle

Year of Planting	Planting Cycle (1st, 2nd, 3rd, etc. Generation)	Mature/Immature	Planted Area (ha)	% of Total Planted Area
2002	1 st	Mature	1,051	100
Total			1,051	100.00

Table 6
Planted Area in Detas Estate by Age and Planting Cycle

Year of Planting	Planting Cycle (1st, 2nd, 3rd, etc. Generation)	Mature/Immature	Planted Area (ha)	% of Total Planted Area
1984	1 st	Mature	164	7.53
1985	1 st	Mature	518	23.79
1986	1 st	Mature	408	19.66

1987	1 st	Mature	109	5.01
1988	1 st	Mature	307	14.10
2009	1 st	Mature	105	4.82
2010	2 nd	Immature	187	8.59
2011	2 nd	Immature	359	16.49
Total			2,157	100.00

Table 7
Planted Area in Merchong Estate by Age and Planting Cycle

Year of Planting	Planting Cycle (1st, 2nd, 3rd, etc. Generation)	Mature/Immature	Planted Area (ha)	% of Total Planted Area
2003	2 nd	Mature	203	11.32
2004	2 nd	Mature	291	16.23
2005	2 nd	Mature	139	7.75
2006	2 nd	Mature	359	20.02
2007	2 nd	Mature	259	14.45
2008	2 nd	Mature	146	8.14
2010	2 nd	Immature	383	21.36
2011	2 nd	Immature	13	0.73
Total			1,793	100.00

Table 8
Planted Area in Mekassar Estate by Age and Planting Cycle

Year of Planting	Planting Cycle (1st, 2nd, 3rd, etc. Generation)	Mature/Immature	Planted Area (ha)	% of Total Planted Area
2004	2 nd	Mature	263	23.23
2005	2 nd	Mature	283	25.00
2006	2 nd	Mature	198	17.49
2008	2 nd	Mature	102	9.01
2009	2 nd	Mature	286	25.27
Total			1,132	100.00

Table 9
Planted Area and Planting Profile for Manna Enterprise

Year of Planting	Planting Cycle (1st, 2nd, 3rd, etc. Generation)	Mature/Immature	Planted Area (Acre)	% of Total Planted Area
1990	1 st	Mature	150	100
Total			150	100.00

Table 10
Planted Area and Planting Profile for Ladang Hj Harun

Year of Planting	Planting Cycle (1st, 2nd, 3rd, etc. Generation)	Mature/Immature	Planted Area (Acre)	% of Total Planted Area
1990	1 st	Mature	150	100

Total	150	100.00
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1.6 Other Certifications Held

Both the mill and all the estates do not hold any form of third-party certification for any of the management systems

1.7 Organizational Information/Contact Person

Address:

(Estate)
 KM 75 Kuantan-Segamat Highway
 Muadzam Shah
 Pahang
 MALAYSIA
 (Office)
 IOI Corporation Berhad
 Level 8, TWO IOI Square
 IOI Resort
 62502 Putrajaya
 MALAYSIA

Contact Person:

Mr. Too Heng Liew
 Head Of Sustainability (Malaysia/Indonesia)
 Phone # : +603-8947 8888
 Fax # : +603-8947 8988
 e-mail: hltoo@ioigroup.com

1.8 Approximate Tonnage Offered for Certification

The actual tonnage of CPO and PK produced for the last reporting period (July 2011 to June 2012) and the approximate tonnage of certified CPO and PK claimed for July 2012 to June 2013 are as shown in Tables 11 and 12.

Table 11
Actual Tonnage (MT) of CPO and PK Produced
Since Date of Last Reporting Period
(July 2011 to June 2012)

FFB Processed	CPO Production	PK Production
166,946.71	33,576.59	8,983.68

Table 12
Approximate Tonnage (MT) of Certified CPO and PK Produced and Claimed
(July 2012 to June 2013)

FFB Processed	CPO Production	PK Production	CPO claimed for certification	PK claimed for certification
196,925	41,354	11,328	41,354	11,328

2.0 ASSESSMENT PROCESS

2.1 Certification Body

SIRIM QAS International Sdn. Bhd. is the oldest and leading certification, inspection and testing body in Malaysia. SIRIM QAS International provides a comprehensive range of certification, inspection and testing services which are carried out in accordance with internationally recognised standards. Attestation of this fact is the accreditation of the various certification and testing services by leading national and international accreditation and recognition bodies such as the Department of Standards Malaysia (STANDARDS MALAYSIA), the United Kingdom Accreditation Services (UKAS), the International Automotive Task Force (IATF), and the Secretariat of the United Nations Framework Convention for Climate Change (UNFCCC). SIRIM QAS International is a partner of IQNet, a network currently comprising of 36 leading certification bodies in Europe, North and South America, East Asia and Australia.

SIRIM QAS International has vast experience in conducting assessment related to RSPO assessment. We have certified more than a hundred palm oil mills and several estates to ISO 14001 & OHSAS 18001. We have also conducted pre assessment against RSPO Principle and Criteria.

SIRIM QAS International was approved as a RSPO certification body on 21st March 2008.

2.2 Assessment Team

The assessment team consisted of four assessors and details of the assessors and their qualifications are detailed in **Table 13** below:

Table 13
Details of Assessors and Their Qualifications

Assessment Team	Role/Area of RSPO Requirement	Qualification and Experience
Ruzita Abd Gani	Lead Assessor / Milling Operation, Occupational Health and Safety, Environment and related legal issues / RSPO Supply Chain Certification Requirements	<ul style="list-style-type: none">• Working experiences in palm oil milling• Successfully Completed RSPO Lead Assessor Course - 2008• Successfully Completed RSPO Supply Chain Certification System Lead Assessor Course - April 2012• Successfully completed ISO 14001 EMS EARA approved Lead Assessor - 2002• Successfully completed IRCA accredited Lead Assessor training for ISO 9001:2004• Successfully completed OHSAS 18001 OHSMS IRCA accredited Lead Assessor Course – 2005• Registered Environmental Auditor with Department of Environment (DOE) - 2010• B.Sc. (Hons) Chemical Engineering
Selvasingam T K	Assessor / Good Agricultural Practices and related legal issues	<ul style="list-style-type: none">• A planter for 27 years with 1 year in Liberia and 2 years in Estates Department at Headquarters.• Team member in formulating best practices for Kumpulan Guthrie.• Team member in formulating SOP for all estate operations for all workers, Junior Staff and Senior Staff of Kumpulan Guthrie.• B.Sc. (Agri), University of Agricultural Sciences, Hebbal, Bangalore, India.• Attended a training on RSPO P&C and certification

		requirements
Dr. Zahid Emby	Assessor / workers' & community issues and related legal issues	<ul style="list-style-type: none"> • Attended a training on RSPO P&C and certification requirements in January 2008 • Ph.D. (Major: Cultural Anthropology; Minors: Southeast Asian Studies International Agriculture and Rural Development), Cornell University, Ithaca, New York, USA • M.A. (Social Anthropology), Monash University, Melbourne, Australia • B.A. Hons (Social Anthropology/Sociology), Monash University, Melbourne, Australia • Lecture on sociology and social anthropology at undergraduate and graduate level at the Universiti Putra Malaysia beginning 1977 • Head, Department of Social Development Studies, Faculty of Human Ecology, Universiti Putra Malaysia 1992-1994. • Head, Department of Social and Development Science, Universiti Putra Malaysia 1998-2001 • Head, Department of Music, Universiti Putra Malaysia 2003-2006 • Currently serving as contract Senior Lecturer, Department of Social and Development Sciences, Faculty of Human Ecology, Universiti Putra Malaysia.
Ernest Chai	Assessor / HCV habitat & ecology / environmental and related legal issues	<ul style="list-style-type: none"> • Attended a training on RSPO P&C and certification requirements • working experience related to forest management, inventory, surveying, HCVF and logging operation. • Attended several training courses conducted by SIRIM and MTCC related to certification. • Master of Philosophy (MPHIL) from University of Edinburgh and B. Science of Forestry (Forest Management & Silviculture) from UPM.

2.3 Assessment Methodology

The planning for this surveillance assessment was guided by the RSPO Annual Surveillance Assessment Document using a sampling formula of $0.8\sqrt{y}$. However after studying the document of previous assessment, it was decided that the sampling formula of $0.8\sqrt{y}$ to determine the number of supply bases to be audited would not be used as each supplying base selected has its own issues related to the requirements of the RSPO MYNI. Therefore, all of the sites namely the BLPOM, Bukit Leelau Estate, Detas Estate, Laukin A Estate, Merchong Estate, Mekassar Estate and the smallholders i.e. Ladang Manna Enterprise and Ladang Hj. Harun were assessed.

The assessment team had carried out field and office assessments for conformance against the RSPO-MY P&C. The visits had covered mill operations, estate agriculture practices, HCV habitats, labour lines, chemical storage areas and other workplaces.

Common systems were identified and specific evidences were recorded for individual estates as well as the smallholders. Interviews, particularly those with employees, local communities and suppliers were conducted formally as well as informally, without the presence of CU's management personnel. In addition, related records and documentations were inspected.

Details of area coverage during this assessment are highlighted in the surveillance assessment programme in **Attachment 2**.

2.4 Date of Next Surveillance Visit

The next surveillance will be conducted within nine to twelve months from this audit.

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

The assessment was conducted as planned using the methodology as described in Section 2.3. Findings against each of the RSPO MY-NI indicator are reported below.

A total of three NCRs (two major and one minor) were raised against the Bukit Leelau CU as shown in **Attachment 3**. The CU had taken necessary corrective actions in order to close all the major NCs.

In addition, all the NCRs raised during the previous audit had also been satisfactorily closed out following verification of the implemented corrective actions. The assessment team had reviewed and verified all the action plans and found them to be adequate in addressing these NCRs . See **Attachment 4**.

PRINCIPLE 1: COMMITMENT TO TRANSPARENCY

Criterion 1.1

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

Findings:

All requests and/or complaints/suggestions from internal and external stakeholders related to social, cultural and economic issues and the responses to these requests/complaints/suggestions were still recorded in the Grievance/Complaints Book (also known as the Green Book).

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.

This concerns management documents relating to environmental, social and legal issues that are relevant to compliance with RSPO Criteria. Documents that **must** be publicly available include, but are not necessarily limited to:-

- 1.2.1 Land titles / user rights (C 2.2)
- 1.2.2 Safety and health plan (C4.7)
- 1.2.3 Plans and impact assessments relating to environmental and social impacts (C 5.1, 6.1, 7.1, 7.3)
- 1.2.4 Pollution prevention plans (C 5.6)
- 1.2.5 Details of complaints and grievances (C 6.3)
- 1.2.6 Negotiation procedures (C 6.4)
- 1.2.7 Continuous improvement plan (C 8.1)

Findings:

Through the IOI website (www.ioigroup.com), the public can access information such as the company's policies as well as annual report which provides information on environmental, social and legal issues related to the CU's operations. In addition, information on grievance reporting and safety management plans, was still being made publicly available as it was posted on the notice board in every estate office.

Meetings were still being conducted between Group Manager and smallholder to discuss on the RSPO requirements. However, this could be further improved (refer to NCR).

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

Findings:

Bukit Leelau CU had still maintained a list of all the applicable laws and regulations relevant to its operations. Copies of relevant licenses and permits were being displayed appropriately in the mill and estate offices. It was found that all of them were still valid.

Housing specifications were still in accordance with the Minimum Standards of Housing and Amenities Act 1990. The number of houses was found to be sufficient to accommodate all the workers. The line sites were inspected by a Visiting Medical Officer and the Medical Assistants on a monthly and weekly basis respectively.

The estates had continued to protect the rights of the Orang Asli (the Aborigines) to use the estates to obtain basic needs. This includes providing jobs for those who were interested to work on the estates.

With respect to the boiler air emission i.e. dark smoke and dust particulate, BLPOM had continued to comply with the requirements of the Department of Environment's (DoE) and emission result was within the statutory requirement. The mill had installed Continuous Emission Monitoring System (CEMS) to monitor boiler smoke emission.

Quality of effluent being discharged from mill operation was still being tested on a weekly basis and the results were submitted to DoE accordingly. Records had shown that all parameters measured had been within the limits specified in the regulations and as well as the specification of annual license issued by DoE.

In order to comply with the National Forestry Act 1984 (Act 313), it was observed that the Bukit Leelau CU had demarcated a clear boundary with the adjacent Lepar Forest Reserve bordering the Detas Estate. In addition to the boundary demarcation, no hunting signage had been placed along the boundary of the forest to prevent the estate employees from hunting in the Lepar Forest Reserve.

Criterion 2.2

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

Findings:

There has been no change in the land titles for all the estates and the smallholders and that all the land was for the purpose of cultivating oil palm. The CU still had a lease on the land granted by the Pahang State government as a legal ownership. The lease period for all these lands was still for 99 years.

The boundary between Bukit Leelau Estate and the two smallholders was still clearly marked by a trench while the boundary between both the small holders is a stream.

Boundary stones between the estate and the stateland forest were still present. In addition, some surveying poles planted at a distance along this boundary was painted red. The road constructed for extracting FFB around the perimeter also serves as clear boundary demarcation

Trenches were also seen constructed along this boundary and trenches were dug to differentiate the territory ownership. In addition, to enhance estate property ownership a total of 52 kilometers of trenches was dug surrounding the perimeter of the Detas estate.

Criterion 2.3

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

Findings:

The assessment had verified that the property was bought or legally leased by Bukit Leelau CU and no customary rights has been infringed (refer to C2.2). There were still no outstanding land disputes with members of the local community (refer to C 6.3). It also found that, there had been no native settlements or kampongs found inside the Ladang Manna Enterprise, Ladang Hj Harun, Merchong, Mekassar and Detas estates and therefore there had been no claims on legal or customary rights on the estates' land.

PRINCIPLE 3: COMMITMENT TO LONG-TERM ECONOMIC AND FINANCIAL VIABILITY

Criterion 3.1

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

Findings:

Bukit Leelau CU had continued to commit to long-term economic and financial viability. The assessors had sighted the annual budgets for 2012/13 and 2013/2014, which had allocated budget for upkeep, cultivation, harvesting and collection for FFBs, welfare, capital expenditure, RSPO compliance etc. The budget had also included projections on yield/ha/ oil/ha, kernel/ha and total cost of production per m ton and per ha.

Bukit Leelau CU had continued to establish and maintain their replanting programme. The programme was being reviewed yearly and in for the Bukit Leelau Estate, a total of 246 hectares i.e. fields 89A, 89B, 89C, 89D & 89E were scheduled to be replanted in 2013.

For the small holdings, no records were being found related to plans on achieving long-term economic and financial viability, **therefore an NCR was raised.**

PRINCIPLE 4: USE OF APPROPRIATE BEST PRACTICES BY GROWERS AND MILLERS

Criterion 4.1

Operating procedures are appropriately documented and consistently implemented and monitored.

Findings:

Bukit Leelau CU had continued to implement all the established Standard Operating Procedures (referred to by the company as StOP) for both its estates and mill. The estate has prepared a new StOP for Buffalo Assisted Harvesting System (BAHS) and revised its Buffalo Healthcare in consultation with the Kuala Rompin District Veterinary Services and distributed it to all estates. A simplified version of the StOP was also made available at the *muster ground*, office and chemical store notice boards.

Based on field visit to Bukit Leelau Estate, it was confirmed that no pregnant buffalo was seen working in the field. Hence the NCR raised in the last assessment (2011) is now being closed out. Although it was observed that a revised StOP on healthcare has been introduced and the animals treated by a Veterinarian and caretaker, there were no records being kept on vaccination, de-worming and medicine being used. **Therefore an OFI was raised.**

The CU had continued to keep proper records on the implementation and monitoring of StOP on activities such as manuring, barn owl, beneficial plants, weeding and harvesting quality, effluent analysis records, smoke emission and chemical usage.

The assessor had found that accessibility for harvesters to harvest and collect FFB was poor. Based on random interviews held with a number of workers in Laukin A Estate in fields bordering the unplanted flood prone areas due to thick growth of Guinea Grass and *Stenochlaena palustris*. **Therefore an OFI was raised.**

Based on random interviews with both the smallholders, it was revealed that they had no documented procedures on good agriculture practices. However they were aware that their practices on harvesting, pruning, fronds staking and rat baiting shall be in-line with the IOI.

Criterion 4.2

Practices maintain soil fertility at, or where possible improve soil fertility to, a level that ensures optimal and

sustained yield.
MY-NIWG recommends that the indicators in criterion 4.2 and 4.3 are linked

Findings:

Practices to maintain and improve fertility of soils were still carried out through the application of inorganic fertilisers and empty fruit bunch (EFB) and by proper stacking and letting fronds to decompose in the fields. Records on fertiliser application and recommendations were sighted during the assessment.

Annual fertiliser recommendation was still done by the Agronomist with reference to leaf sampling and soil sampling. Fertiliser application rate per palm (dosage) varies from field to field. Leaf sampling had continued to be done annually except in immature fields.

EFB had continued to be applied to palms to supplement inorganic fertilizer. Owing to logistics, it had been applied mainly in Bukit Leelau estate. It is applied at 1000kgs for four palms which is 40 tons per hectare. The assessors had noted that it was applied following the StOP in between palms in a single layer.

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

Findings:

It was observed in the field that practices to minimise and control erosion and degradation of soils was still done mainly by proper stacking of fronds, EFB application, construction of terraces in hilly terrains, maintenance of soft vegetation in interlines and road maintenance and design.

There were no areas with peat soil as well as fragile soils in Bukit Leelau CU and hence indicators 4.3 and 4.4 are not applicable.

Although, it was observed that Ladang Manna Enterprise and Ladang Hj Haron had implemented certain practices to minimise and control erosion and degradation of soils such as stacking of palm fronds and maintain soft grasses in interlines, it was still insufficient. **Therefore, an NCR was raised.**

Criterion 4.4
Practices maintain the quality and availability of surface and ground water.

Findings:

Buffer zones along the streams in Detas, Merchong and Mekassar Estates were still being maintained. The buffer zone was set at 5 meters from the edge of a stream as recommended in the EIA/EMP reports. There were still signage on buffer zones and red painted poles prohibiting spraying of herbicides within this zone.

During the on-site assessment, it was observed that there were no weirs/dams being constructed across the main rivers or waterways passing through the estates.

Water reservoirs were still maintained at Merchong and Mekassar Estates to collect rain and ground water for drinking and domestic use. This drinking water had continued to be sampled periodically at six months interval by NALCO.

Water samples collected from Mekassar and Detas estates showed there was a high content of Ammonia Nitrate (NH₃N) of Class IV and V. However, during the conduct of this assessment, both estates were investigating the cause of the contamination. Therefore the result of the investigation would be verified in the next surveillance assessment.

Bukit Leelau CU had continued to keep daily and monthly data of rain fall. This data was available for a period of five years.

There was no record on rainfall being kept by the small holdings. In addition, the small holdings had a stream flowing through the estates but had no riparian buffer zone. **An NCR was therefore raised.**

Criterion 4.5

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

Findings:

The CU was still using the same integrated pest management (IPM) and environmental management plan (EMP). There was no prophylactic spraying of pesticides being carried out.

Bukit Leelau CU had embarked on programs to plant *Turnera sublata* as another beneficial plant apart from *Cassia cobanensis* and *Antigonon leptopus* for controlling leave eating caterpillars and bags worm. There were programs and budget being allocated for planting the plant in 2012/2013. However, there were no planting materials for planting in the Bukit Leelau & Laukin A Estates. Hence an OFI was raised.

Rats remained the main pest in Bukit Leelau CU. The estates had continued to monitor rat damage through their daily infield grading report and for the mill through the FFB quality report. Although there were documents indicating there were two rat-baiting campaigns per year and programs to increase and maintain barn owl population by increasing barn owl boxes, rat damage was extensive in the Bukit Leelau and Laukin A Estates. The severity of damage was further confirmed by the mill's FFB Quality report. The mill report showed extensive damage in all the estates, except for Detas.

The least damage in Detas Estate could be attributed to having a ratio of barn owl boxes to hectare of 1:20 as required in the StOP and a barn owl population of 80 adult and chicks. In the case of the Bukit Leelau and Laukin A Estates, there were records indicating the ratio of barn owl boxes to Hectares of 1:20 had not been achieved. As rat damage was extensive, an OFI was raised to improve on the implementation of the IPM.

It was observed that the field staff and storekeepers had continued to keep records on the location, quantity and type of pesticides being used in the *Field Cost Books* and in the *Stock Issue Records*. The estates had also continued to keep record on agrochemical usage since 2004.

However, **an NCR was raised** as there were no records on training being conducted by the Group Managers for the small holders on this criterion.

Criterion 4.6

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

Findings:

Bukit Leelau CU had continued to justify the usage of all agrochemicals as prescribed in the StOP to ensure only the most effective and least harmful chemicals being used at all times. Records showing agrochemical purchase, storage, consumption, areas treated, amounts applied and frequency of application were sighted and found to be in good order.

Bukit Leelau CU had continued to use only agrochemicals that have been registered under the Pesticides Act 1974 (Act 149). This has also been cross checked at the chemical store by the assessors during the site visit.

The chemical stores were observed to be in compliance with the Occupational Safety and Health Act 1994 (Act 514) and Regulations and Orders and Pesticides Act 1974 (Act 149) and Regulations. All of the stores had been well ventilated and secured. Only authorized personnel were allowed to handle the chemical stores.

The staff and workers such as the storekeepers, sprayers, fertilizer applicators and rat bait applicators whose works were being exposed to chemical had been trained and they had understood of the hazards and how to the chemicals should be used in a safe manner. The trade and generic names of the chemicals were made known to the workers through the CSDS training.

Bukit Leelau CU had continued to monitor the health of their workers by having routine medical surveillance. The Medical Assistants (MA) had conducted medical check-ups on a monthly basis for sprayers, 3 monthly basis for workers dealing with fertiliser and rat bait applicators and on a 6 monthly basis for drivers. Records of these check-up were sighted. In addition, an annual medical surveillance was conducted as required by the CHRA to all workers who are exposed to chemicals. The surveillance was conducted by occupational health doctor (OHD) and the relevant records being maintained.

All sprayers, rat bait and fertiliser applicators were males and no work was given to pregnant and breast-feeding women. It was verified through interviews and field visits there was no aerial spraying of pesticides has been or was being carried out by the estates.

To-date, there has been no request from buyers to test for the presence of chemical residue in the CPO.

As sighted in the circular dated 23rd September 2010, signed by the Group Managing Director, the use of paraquat weedicide has been discontinued.

The estates had not conducted spraying or fertilizing during the conduct of this surveillance audit as all was utilized for harvesting operations due to extended rounds. However, the assessors were assured that chemicals were pre-mixed in the stores to avoid human exposure to concentrated chemicals and that no mixing is carried out in fields. Areas in the estate stores for premixing chemicals were sighted.

The Group Manager shall ensure that both smallholders do not use pesticides categorized as World Health Organisation Type 1A or 1B, or listed by the Stockholm or Rotterdam Conventions and paraquat is reduced. In addition, it was found that there was no record being kept by the smallholders on the use of pesticides. **Therefore, an NCR was raised.**

Criterion 4.7

An occupational health and safety plan is documented, effectively communicated and implemented

Findings:

The Bukit Leelau CU has continued to adopt the IOI Group's occupational safety and health policy. The policy had been communicated to all employees through briefings and being displayed on the mill and estates notice boards. A safety management plan for each operating unit which had been established had continued to be implemented.

The management plan had continued to address issues related to emergency, treatment of illness/injury during the job, compliance with regulations such as Occupational Safety and Health (Safety Committee) Regulations, Occupational Safety and Health (notification of accident, dangerous occurrence, occupational poisoning and occupational disease) Regulations, factory and machinery (steam boiler and unfired pressure vessel) Regulations and Factory and Machinery (noise exposure) Regulations.

The hazard identification, risk assessment and risk control were still being carried out covering on the activities both in the estates and mill. Appropriate risk control measures had been identified and a person had been assigned to monitor the implementation of the control measures.

Evidence of implementation on the control measures was observed during the field and mill assessments. For example, at the mill, machines which have moving parts had continued to be well guarded, emergency evacuation route marked.

From field visits and random interviews with workers, the assessors were assured that PPE were still being provided to sprayers, mixers, fertilizer & rat bait applicators. Record on the issuance of PPE was still being kept and maintained.

Those who worked with chemicals had been trained on the use of PPE, material safety data sheet (MSDS) and safe chemical handling procedures. During the site assessment, it was observed that signage (to remind workers to wear appropriate PPE) was posted at the appropriate places.

The assessment team had verified the minutes of meeting of the safety committee which was held quarterly to discuss issues pertaining to workers' safety and health at work place. Training needs on safety and health aspects had been conducted. Attendance list on training was made available and based on random interviews held with workers, it was verified that they had attended the training and had been aware on the safety and health issues related to their tasks.

It was observed that first aid box had continued to be provided to the field supervisors as well as made available at several strategic locations at the mill and chemical mixing areas. The estates of Bukit Leelau CU had continued to provide vehicle fitted with safety features to transport their workers as it was necessary for the estates to provide transportation to them.

Accident cases had continued to be monitored and reported to the Department of Occupational Safety and Health (DOSH) by the Safety Officer. Accident case on foreign workers was reported to Labour Department. Loss Time Accident (LTA) had continued to be monitored and the information was displayed on the safety performance board located in front of the mill and estates office.

There were still fire fighting facilities being provided at strategic locations in the mill, office and workers' houses. Inspection on the fire extinguisher had been carried out periodically. Inspection certificate was found to be still valid and pasted on the fire extinguisher cylinders.

The Bukit Leelau CU had continued to insure all workers against accident.

Based on field visits to both the smallholders' estates and random interviews with the workers, it was revealed that they had been aware on the importance of compliance against the Occupational Safety and Health Act (OSHA) particularly on PPE and chemical handling. However, it was observed that the Group Manager had not provided the necessary training to ensure all the requirements of OSHA would be implemented by both of the smallholders. **Therefore, an NCR was raised.**

Criteria 4.8

All staff, workers, smallholders and contractors are appropriately trained.

Findings:

The Bukit Leelau had continued to conduct training programme in 2011/2012 for both estate and the palm oil mill. Most of the training was conducted by estate or mill manager or assistant manager. It was observed that all training records had been properly filed. The records include information on the title of the training, name of the trainee and trainer, time and venue. Based on random interviews held with workers from the spraying, manuring, harvesting and mulching operations who had attended such training, it was revealed that generally the level of their understanding on these subjects was good and that the training had been effective.

However, for the smallholders, based on interviews held with the workers, it was found that the level of their awareness on the overall RSPO P&C requirements had not been satisfactory. In addition, there was no training need being identified and training conducted by the Group Manager for these workers. **Hence, a major NCR was raised.**

PRINCIPLE 5: ENVIRONMENTAL RESPONSIBILITY AND CONSERVATION OF NATURAL RESOURCES AND BIODIVERSITY

Criterion 5.1

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

Findings:

The Bukit Leelau CU had continued to review the established environmental aspects and impact risk assessment for each of their operating unit.

Environmental improvement plans to mitigate the identified negative impacts had been progressively

implemented. Among the improvement plans carried out by the BLPOM were the replacement of 1 unit of old tractor and a diesel generator set which had contributed to inefficient fuel consumption. For the effluent treatment plant, BLPOM had appointed a consultant to install a 'Geotube system' and apply for an approval from the DoE.

The 'Geotube' system would enable the mill to pump the thick effluent into the tube and through a dewatering process channel the effluent to existing pond. This would then reduce the accumulated solid in the pond and as a result the final effluent discharge would be much lower than the DOE limit. Nevertheless, to-date, the installation of the new system has yet to be approved by the DoE.

The assessor had visited the oil spill control at the lubricant store in the Bukit Leelau and Mekassar Estates, where oil trap system had been constructed at the outlet of the monsoon drain and found there was no trace of oil spill.

Criterion 5.2

The status of rare, threatened or endangered species (ERTs) and high conservation value habitats, if any, that exists in the plantation or that could be affected by plantation or mill management, shall be identified and their conservation taken into account in management plans and operations.

Findings:

The three estates which the assessor had visited in this surveillance assessment (Detas, Merchong and Mekassar Estates) had reviewed the HCV Assessment Report in November 2011 (Refer to IOI HCV Assessment Report for Detas, Merchong and Mekassar Estates).

Among the improvements being made were on the continuous identification and demarcation of the HCV sites in the three estates, such as 'surau' and 'tokong', areas that could not be planted due to high terrain and limestone and the protection of riparian buffer zone.

(There are other indicators under this Criterion which have not been covered)

Criterion 5.3

Waste is reduced, recycled, re-used and disposed off in an environmentally and socially responsible manner.

Findings:

Bukit Leelau CU had continued to practice the 3R policy (reduce, recycle, re-use) on waste management and dispose them off in an environmentally and socially responsible manner.

Among the wastes identified were general/domestic waste, scheduled waste, scrap metal and crop residue/biomass from mill and estate. Biomass from the estate was mainly from palm trunk of felled palms, pruned fronds and frond butts and from the mill were EFB, fibre, shell and POME.

In the Detas Estate, domestic waste was disposed by workers into empty fertilizer bags placed in half cut metal and plastic drums. It was then segregated by the line sweepers into 3 main items which were then stored at fenced recycle centre.

The domestic waste was tied in empty fertilizer bags and disposed – this was to prevent scavenging by monkeys and other animals and eliminate or reduce odors.

The segregated domestic and office wastes such as paper, glass and glass collected were sold to recycle vendors. The profit was then distributed to the workers to encourage them to implement the 3R policy diligently.

Scrap metal was also accumulated and metal from old agricultural equipment like trailers, etc were stored in designated areas and sold to recycle vendors.

Other wastes generated from the maintenance activities of equipment and machinery in the estates or mill were scrap metal and scheduled wastes such as spent lubricant oil, spent oil filter, clinical waste and empty chemical containers.

Scheduled wastes were still being disposed in accordance with Environmental Quality (Scheduled Wastes) Regulations 2005. It was verified that the scheduled wastes had been segregated and labelled accordingly. The CU had continued to keep a scheduled wastes inventory record and waste disposal note. EFB from the mill was applied in single layers in flat and undulating areas in mature fields in estates close to the mill and in immature fields.

Criterion 5.4

Efficiency of energy use and use of renewable energy is maximized.

Findings:

The Bukit Leelau CU was still committed to use renewable energy in the mill. As such, fibre and nutshell had continued to be used as boiler fuel to generate steam for mill's operations. The usage of fibre and nut shell was still being monitored and records were being maintained. Bukit Leelau CU had also been monitoring fossil fuel usage as per tonne of CPO on a monthly basis.

This criterion is not applicable to independent smallholders.

Criterion 5.5

Use of fire for waste disposal and for preparing land for replanting is avoided except in specific situations, as identified in the ASEAN Guidance or other regional best practice.

Findings:

From site inspections, it was confirmed that the Bukit Leelau CU had continued not to use fire in open burning in line with its zero burning policy.

In the replanting areas, it was observed that the Bukit Leelau CU had continued to fell, chip and windrow stack its previous oil palm trunks. The chipped trunks would later be used to mulch the newly replanted palms in that area.

Similarly, there was no trace of open burning seen at both of the smallholders' estates.

Criterion 5.6

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

Findings:

Bukit Leelau CU had continued to implement the management plans to reduce pollution and emissions. The management plan had been reviewed annually. Among the planned actions were the reduction of effluent and improvement of quality of effluent discharge (cross refer to finding on criterion 2.1).

Another improvement plan was aimed at reducing emissions and fuel consumption. Vehicle inspection was still being carried out daily and preventive maintenance was carried out as per schedule.

There was no peat soil area in Bukit Leelau CU. Therefore, Indicator 5.6.3 is not applicable

PRINCIPLE 6: RESPONSIBLE CONSIDERATION OF EMPLOYEES AND OF INDIVIDUALS AND COMMUNITIES AFFECTED BY GROWERS AND MILLS

Criterion 6.1

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

Findings:

A documented social impact assessment (SIA) was sighted. The main assessment was conducted from 8 September to 8 December 2009 by IOI RSPO team with the participation of the affected

stakeholders. The SIA was then reviewed in 2011 and 2012 (still ongoing). In both the main assessment (including a supplementary SIA submitted to the auditors on 21st May 2010) and the 2011 review, the records of meetings held were made available and a time bound action plan for mitigating and monitoring the negative impacts were established. In the 2012 review of the SIA, all issues identified during the main SIA and the 2011 review had been incorporated. The 2012 review however has not developed a time bound action plan as the stakeholder meeting has yet to be held.

Even though it was highly commendable that the Bukit Leelau CU had reviewed the SIA twice, future reviews should highlight the differences between new the previous reviews, so that continuous improvement could be more clearly demonstrated. Currently, the main assessment and the reviews are almost identical and thus continuous improvement in relation to this principle has not been highlighted. **Hence an OFI was raised.**

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.

Findings:

Consultations and communications with stakeholders including local communities (estate and neighbouring communities) had been carried out as part of the main SIA and its annual review. Stakeholder meetings were being held annually and attended by the CU's management and communities' leaders, workers' representatives and suppliers.

The minutes of the meeting were recorded and a time bound action plan was developed to mitigate the negative impacts and enhance the positive ones. The SIA reports were made available to the assessors. These meetings and the follow-up actions taken by the CU were confirmed by the stakeholders (estate workers and staff, Orang Asli and local community leaders) whom the assessor had consulted during this surveillance.

A management official at the operating unit level had been appointed to be responsible on issues related to consultations and communication between growers and/or millers with local communities and affected or interested parties.

Each estate had identified and maintained a list of stakeholders consisting of contractors/suppliers, community institutions, local community heads and workers' representatives. The lists had been updated since the last assessment.

Criterion 6.3

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

Findings:

As reported in the previous surveillance, there was documentation of the process by which a dispute is recorded as well as action/actions taken to overcome it. Bukit Leelau CU had continued to keep a Grievance/Complaints Book (known as the Green Book by workers, staff and external stakeholders). The aggrieved parties could either fill in the complaint form in the Green Book or submit the complaint verbally to anyone in the main office or to the responsible official on social issues or to the workers' representatives or gender representatives who would then fill in the complaint form on their behalf.

The system was open to all aggrieved parties and there were evidences to demonstrate that the estate's as well as neighbouring communities and the general public had made use of the Green Book. All complaints received and their outcomes were still being recorded and filed.

It was observed that grievances and complaints had been resolved in an effective, timely and appropriate manner. This was evident from the records being kept.

Criterion 6.4

Any negotiations concerning compensation for loss of legal or customary rights are dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express

their views through their own representative institutions.

Findings:

The CU had continued to use the same procedure which had been in place for identifying legal and customary rights and people who would be entitled to compensation.

However, the procedure for calculating and distributing fair compensation would not be carried out at the estate/mill level. This would be done at the company level. To-date, there has been no claim for compensation made against the Bukit Leelau CU.

Criterion 6.5

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

Findings:

There was an Agreement signed between the staff union (AMESU) and the Company to adopt the pay and conditions for their staff. In the case of the workers, the NUPW, through a letter sent to the company (related to Court Award No. 1514/2010) after the last audit had stated that the IOI's revised pay and conditions of employment was effective 1 October 2011 to 31 October 2013. All workers had been paid similar wage rates with wages sufficient to provide absolute essentials of food, shelter and clothing. They were given individual contracts and pay slips.

On a related matter, it was found that the Offer of Employment which was written in English and Bahasa Malayu/Indonesia had some differences with regards to certain items [(for example sections A7(b), A9 and A14(e))]. In addition it was also found that the Offer of Employment was written in English for all non-Indonesian/non-Malaysian workers although English may not be well understood by these workers. They may have to depend on the agents to translate the Offer of Employment, which may cause misinterpretation and misunderstanding.

The Offer of Employment which was written in English and Bahasa Malayu/Indonesia be standardized, and that it should be translated in the language fully understood by the workers in order to avoid confusion or even charges of unequal treatment. **Hence, an OFI was raised.**

The CU had continued to provide adequate housing, water supplies, medical, educational and welfare amenities in accordance with the Workers' Minimum Standard of Housing and Amenities Act 1990 (Act 446) for all the local or foreign workers. The line sites had continued to be inspected by a Visiting Medical Officer and the Medical Assistants on a monthly and weekly basis. This was confirmed through consultations with the workers as well as visits made to the line sites in the estates.

It was observed that the water quality problems in Detas and Laukin A Estates identified during the last audit had not been fully solved. Although there was evidence that some treatment had been carried out to improve the pH value of domestic water in Detas Estate [found to be outside the range set by WHO (6.5 – 8.5) in the last audit], the results of the treatment was still unknown as the analysis on the water sample had not yet been received.

In the case of Laukin A Estate, although the turbidity of domestic water identified in the last audit was above the accepted WHO level, it still remained as an issue. It was found that no water analysis has been carried out since the last audit. The water, according to workers and staff whom were interviewed during this surveillance was still undrinkable. **Therefore, an NCR was raised.**

Dispensaries (headed by a Hospital Assistant) were still in service in every estate for use by all sick employees and their dependents. Serious cases were sent to the nearby government hospitals by company vehicle with all medical expenses paid by the company. The workers were also covered by workman's compensation. Recreational facilities vary from estate to estate but where available they were open for use by all workers and their families. All of the above-mentioned were confirmed through perusal of the documents, field observation as well as consultations with the workers.

Criterion 6.6

The employer respects the right of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, the employer facilitates parallel means of independent and free association and bargaining for all such personnel.

Findings:

An official published statement in Bahasa Melayu/Indonesia and languages understood by the workers recognizing freedom of association was still being made available and exhibited in public places. The workers who were consulted had confirmed that they were aware of their right to join unions. However some of the foreign workers have not heard of the National Union of Plantation Workers (NUPW), and none of the plantation workers, almost all of whom were foreign workers, were members of NUPW.

Documented minutes of the Employees Consultative Committee (ECC) meetings between the management and workers'/staff representatives were also made available. Random interviews held with employees and workers' representatives revealed that they had understood the requirements of Criterion 6.6.

Criterion 6.7

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

Findings:

There was no person under the age of eighteen, the minimum working age under Malaysian Labor Laws (Am. Act A1238) being hired by the company. This was verified through checks on the employment cards and copies of workers' passports. Site assessment had also confirmed that no children were seen picking oil palm fruits or doing any kind of work on the estates or in the mill.

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.

Findings:

The CU had continued to adhere to the same equal opportunities policy which had been publicly made available in languages understood by the workers.

Job openings were still made available to any qualified person regardless of his/her socio-cultural, political or gender background.

All workers (local or migrant, male or female) were covered by the same pay and conditions of employment associated with the jobs they were hired for. This was confirmed by an examination of the Offer of Employment given to the employees and through consultations with the workers.

The CU had continued to provide equal opportunities to all the staff and workers in accordance with Human Rights Commission of Malaysia Act 1999 (Act 597). There had been no cases of workers or staff being discriminated in any way or their rights being infringed upon.

Criterion 6.9

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

Findings:

The CU had continued to adhere to the published policy on sexual harassment and violence made available to employees in Bahasa Malaysia, English and other languages spoken and understood by the employees.

The same grievance mechanism to handle issues related to sexual harassment and violence was still being followed. A gender committee whose responsibilities among others are to look into gender issues had been established was still present in each estate/mill assessed. This was also confirmed by

information gathered during consultations held with the female employees as well as members of the gender committee.

Criterion 6.10

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

Findings:

Bukit Leelau POM had received a small percentage (i.e. about 0.72%) of its FFB requirement from two smallholders namely Ladang Manna Enterprise and Ladang Hj. Harun. The owner of Ladang Manna and the holder of the lease of Ladang Hj. Harun had been interviewed during the assessment. Ladang Haji Harun had been selling FFBs since the mill started operation in 1992 and in the case of Ladang Manna since they began harvesting in 1994.

From the interviews held with the two smallholders, it was revealed that generally they had been happy on doing business with the mill. Among the comments received were that the prices offered by the mill had followed the MPOB's guidelines and payments had promptly been made. A cross check made against the documentation i.e. agreement showed that the pricing mechanisms for FFB had been well documented.

Both smallholders also had been briefed on the grievance procedures although there was no documented evidence to show that the Group Manager has carried such briefing (**refer to NCR**).

Criterion 6.11

Growers and millers contribute to local sustainable development wherever appropriate.

Findings:

All the estates under the Bukit Leelau CU had continued to hold consultations with their stakeholders including the estate (internal) as well as neighbouring (external) communities. This was evident from the SIA Reports and other records being kept.

Based on the information obtained during the stakeholders' consultations in preparing the main and supplementary SIA as well as the review of the SIA in 2011, a time bound social action plan had been prepared aimed at minimising negative impacts and maximizing positive ones which had helped to contribute to local social development. An examination of the local development file and the social action plan incorporated in the SIA shows an improvement in the CU's contribution to local sustainable development.

PRINCIPLE 7: RESPONSIBLE DEVELOPMENT OF NEW PLANTINGS

Criterion 7.1

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

The assessment team had verified that there was no new land being opened up for new planting. Thus Principle 7 is not applicable.

PRINCIPLE 8: COMMITMENT TO CONTINUOUS IMPROVEMENT IN KEY AREAS OF ACTIVITY

Criterion 8.1

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

Findings:

Generally, the Bukit Leelau CU had established a system to regularly monitor and review their key activities at the mill, estate and smallholders. Although lapses were being noted that the system to guide and training for continuous improvement to smallholder had not satisfactory meeting the RSPO P&C requirements. (refer to NCR).

Evidences being sighted included the commitment to minimize the use of certain pesticides by implementing IPM such as planting of beneficial plant and increasing the number of barn owl boxes. Other improvement plans include the commitment to zero waste but also using the palm oil mill's by-products such as EFB and POME as fertilizers in the field.

The main SIA carried out in 2009 was improved on by a supplementary SIA carried out in 2010. This was further improved in the 2011 and 2012 review of the SIA report. The continuous improvement was in the form of updating the demographic information of the estates in the Bukit Leelau CU, as well as in preparing a time bound action plan for each of the estate. The stakeholder lists for example have been updated and the action plan and related management's review incorporated in the 2011 SIA Report was more concrete and comprehensive in comparison to the action plan in the 2009 SIA Report.

However it is recommended that future reviews of the SIA should highlight the differences between the current and the previous reviews so that continuous improvement could be more clearly demonstrated.

A mechanism to capture the performance and expenditure had been established and continued to be implemented. Based on the reviews on the records, it was found that they were not limited to social and environmental aspects but also covered on occupational safety and health matters.

3.2 Details of Non-Conformities Raised and Status of Previous Non-Conformities

Based on the evidences gathered, the assessment team has raised three? NCRs on the Bukit Leelau CU. The Bukit Leelau CU had taken the appropriate corrective actions to address these major NCRs. The assessment team had verified and was satisfied with the corrective actions taken by the CU and closed them out. With regard to the minor NCRs, the verification to close them out would be done during the next surveillance assessment (refer **Attachment 3**).

The assessment team had also verified the effectiveness of the corrective actions taken by the CU to address the NCRs raised during the previous surveillance and closed them out.

3.3. Noteworthy Positive Observations

The Bukit Leelau CU had made many improvements on the implementation of activities in fulfilling the requirements of the RSPO P&C. This could be seen from physical improvement of housing and related amenities, use of cover crops instead of herbicides, as well as chemical and wastes storage area including the changing room for the sprayers.

The workers' housing was being kept clean and beautiful and a good housekeeping was still continually being practised at all workplace.

The level of awareness among the workers on the implementation of activities related the RSPO P&C has also improved. They had been able to explain not only on the operating procedure related to their work but also the impacts or consequences of not following them and the importance in achieving conformity with the RSPO P&C requirements.

Bukit Leelau CU had also carried out an annual review of the SIA. The establishment of the Green Book (Grievance Book) in all the estates, open to all stakeholders (internal and external) and the external stakeholders are informed of the grievance procedure during the annual stakeholder meeting.

It was also evident during the surveillance that there was a sustained commitment from top management on the implementation of activities related to fulfilling the requirements of the RSPO P&C.

3.4 Issues Raised by Stakeholders and Findings with Respect to the Issues

Among the stakeholder consulted during the surveillance assessment were the following:

- Workers from different groups – to obtain more information on NUPW, a rise in their wages comparable to neighbouring estates, better water quality, faster house repairs (in some cases only not all cases), recreational facilities not available in some estates;
- Visiting medical officer;
- Hospital Assistant;
- AMESU representative;
- Management staff;
- Neighbouring smallholders;
- Local communities;
- Orang Asli;
- Female worker representatives; and
- Contractors and suppliers.

Generally all the stakeholders consulted had given positive remarks that they had no issue on dealing/working with the Bukit Leelau CU. They have seen some improvements on the implementation of activities related to the RSPO P&C since the certification of the CU.

4.0 RECOMMENDATIONS

Based on the findings of this surveillance, it could be concluded that the Bukit Leelau Certification Unit of the IOI Corporation Berhad had continued to comply with the requirements of the RSPO MY-NI: 2010. As all the major NCRs had been closed out the assessment team therefore recommends that the **Bukit Leelau Certification Unit of the IOI Corporation Berhad** to continue to be certified against the RSPO MY-NI: 2010.

5.0 CERTIFIED ORGANIZATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY AND FORMAL SIGN-OFF OF ASSESSMENT FINDINGS

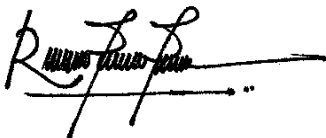
I, the undersigned, representing the Bukit Leelau CU acknowledge and confirm the contents of the assessment report and findings of the assessment.



Date : 18 November 2012

Name : Too Heng Liew
(Head Sustainability (Malaysia/Indonesia))

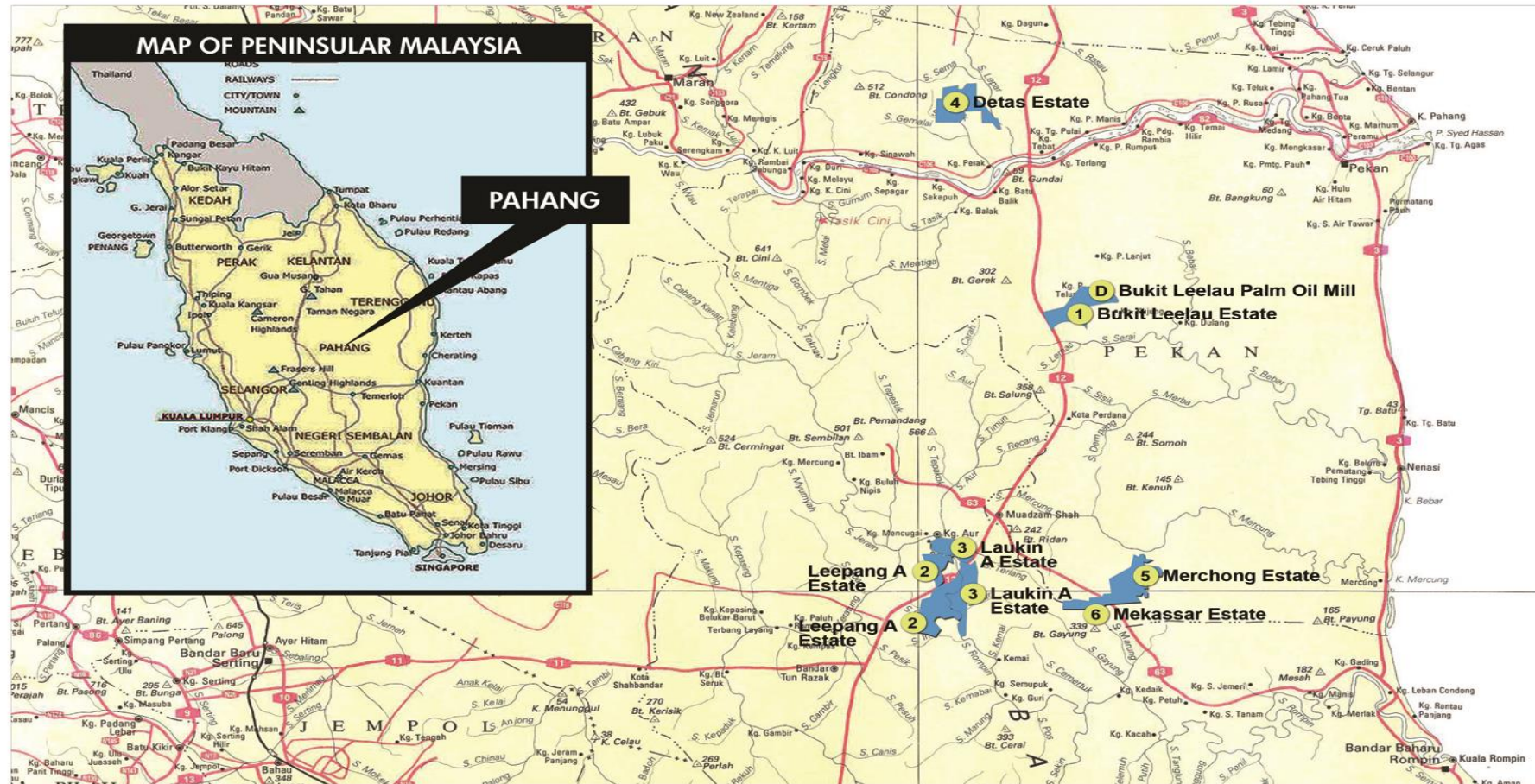
I, the undersigned on behalf of SIRIM QAS International Sdn. Bhd. confirm the contents of the assessment report and findings of the assessment.



Date : 5 November 2012

Name : RUZITA ABD GANI
(Lead Assessor)

LOCATION MAP FOR BUKIT LEELAU CERTIFICATION UNIT IN PAHANG, MALAYSIA



Note: Not to scale

SURVEILLANCE ASSESSMENT PROGRAMME

1 Objectives

The objectives of the assessment are as follows:

- (i) To determine IOI Corporation Sdn Bhd. , Bukit Leelau Certification Unit conformance against the RSPO Principles & Criteria Malaysian National Interpretation (MYNI).
- (ii) To verify previous assessment findings
- (iii) To make appropriate recommendations based on the assessment findings.

2. Date of assessment : 25th – 28th September 2012

3. Site of assessment : IOI Corporation Sdn Bhd. , Bukit Leelau Certification Unit
Bukit Leelau Palm Oil Mill
Bukit Leelau Estate
Merchong Estate
Mekassar Estate
Leepang A Estate
Laukin A Estate
Detas Estate
Smallholders – Ladang Manna Enterprise & Ladang Hj. Harun

4. Reference Standard

- a. RSPO P&C MYNI:2010
- b. RSPO Supply Chain Certification Standard, November 2011
- c. Company's audit criteria including Company's Manual/Procedures

5. Assessment Team

- a. Lead Assessor : Ms Ruzita Abd Gani
- b. Assessor : Dr. Zahid Emby
Mr. K. Selvasingam
Mr Ernest Chai Oi Khun

If there is any objection to the proposed audit team, the organization is required to inform the Lead Auditor/RSPO Section Manager.

6. Audit Method

Site audits including observation of practices, interviews with interested parties (employees, nearby population, contractor, FFB suppliers & etc.), documentation evaluation and evaluation of records.

7. Confidentiality Requirements

SIRIM QAS International shall not disclose any information concerning the company regarding all matters arising or coming to its attention with the conduct of the programme, which is of confidential in nature other than information, which is in the public domain.

In the event that there be any legal requirements for disclosing any information concerning the organization, SIRIM QAS International shall inform the organization of the information to be disclosed.

8. Working Language : English and Bahasa Malaysia

9. Reporting

- a) Language : English
- b) Format : Verbal and written
- c) Expected date of issue : Sixty days after the date of assessment
- d) Distribution list : client file

10. Facilities Required

- a. Room for discussion
- b. Relevant document and record
- c. Personnel protective equipment if required
- d. Photocopy facilities
- e. A guide & transportation for each assessor during site assessment

11. Assessment Programme Details : As Follows

Day One: 25th September 2012 (Tuesday)

Activities /areas to be visited	Ruzita	Dr. Zahid	Ernest	Selva	Auditee
8.00 am	Opening Meeting, audit team introduction and briefing on audit objectives, scope, methodology, criteria and programmes by audit team leader				All Head of Operating Unit
8.15 am	Briefing on the RSPO implementation – by IOI Representative - Bukit Leelau Certification Unit (i.e. Bukit Leelau palm oil mill and Supply bases including smallholders) - update on the Time bound plan for other certification unit, land dispute in the middle Tinjar Sarawak, Workers issues – NUPW, Operation in Ketapang District, West Kalimantan & other issues (if any)				
8.45 am	Assessment at Bukit Leelau Oil Mill <ul style="list-style-type: none"> • Production area • Effluent treatment plant, boiler, Water treatment plant & etc • Mill waste management • OSH implementation • Verify previous audit findings (if any) 	Assessment at Bukit Leelau Estate <ul style="list-style-type: none"> • Session with employee representative, gender representative • Workers issues • Workers line site & supporting facilities such as surau, shop, balairaya & canteen & etc 	Assessment at Merchong Estate <ul style="list-style-type: none"> • Conservation area management, HCV • Riparian Zone • River system including POME discharge (if any) • Boundary stone • Water catchment area • Verify previous audit findings 	Assessment at Bukit Leelau Estate <ul style="list-style-type: none"> • Good Agricultural Practice, IPM • Workers Issues • Line site • EFB mulching • Estate waste management • Chemical stores • Verify previous audit findings (if 	Guide/PIC To provide transportation to the visit site

		<ul style="list-style-type: none"> Verify previous audit findings (such as issues at Salaba school, Kampung Gloster) 	(if any)	any)	
1.00 pm	Lunch Break & Solat Zuhor				
2.00 pm	Assessment on P1, P2, P3, P4 (4.7), P5, P8	Assessment on P1, P2, P6, P8	Assessment on P1, P2, P4(C4.4, C4.8) P5(5.2) P8	Assessment on P1, P2, P3, P4, P5, P7, P8	Guide/PIC
5.30pm	End of Day 1 Assessment				

Day Two: 26th September 2012 (Wednesday)

Activities /areas to be visited	Ruzita	Dr. Zahid	Ernest	Selva	Auditee
08.00 am	Assessment at Smallholder – Ladang Manna Enterprise & Ladang Hj.Harun <ul style="list-style-type: none"> Chemical management OSH implementation at estate operation such as spraying, harvesting & etc Session with Chemical suppliers and contractors 	Assessment at Detas Estate <ul style="list-style-type: none"> Session with employee representative, gender representative, Hospital assistant Workers issues Line site and supporting facilities such as clinic, surau, shop, balairaya & etc Surrounding communities 	Assessment at Detas Estate <ul style="list-style-type: none"> Conservation area management, HCV Riparian Zone Boundary stone Water catchment area 	Assessment at Smallholder – Ladang Manna Enterprise & Ladang Hj.Harun <ul style="list-style-type: none"> Good Agricultural Practice, IPM EFB mulching Waste management Nursery (if any) 	Guide/PIC To provide transportation to the visit site
1.00 pm	Lunch Break & Solat Zuhor				
02.00 pm	Assessment on P1, P2, P3, P4 (4.7), P8 Verify previous audit findings	Assessment on P1, P2, P6, P8 Verify previous audit findings (if any)	Assessment on P1, P2, P4 (C4.8), P5, P8 Verify previous audit findings	Assessment on P1, P2, P3, P4, P5, P6 (6.10), P7, P8 Verify previous audit findings	Guide/PIC
05.30 pm	End of Day 2 Assessment				

Day Three: 27th September 2012 (Thursday)

Activities /areas to be visited	Ruzita	Dr. Zahid	Ernest	Selva	Auditee
08.00 am	Assessment at Mekassar Estate <ul style="list-style-type: none"> Chemical management OSH implementation at estate operation such as spraying, harvesting & etc 	Assessment at Laukin A Estate <ul style="list-style-type: none"> Session with employee representative, gender representative Workers issues 	Assessment at Mekassar Estate <ul style="list-style-type: none"> Conservation area management, HCV Riparian Zone Boundary stone 	Assessment at Laukin A Estate <ul style="list-style-type: none"> Good Agricultural Practice, IPM EFB mulching Waste management 	Guide/PIC To provide transportation to the visit

	<ul style="list-style-type: none"> Session with Chemical suppliers and contractors 	<ul style="list-style-type: none"> Line site and supporting facilities such as surau, shop, balairaya & etc Surrounding communities 	<ul style="list-style-type: none"> Water catchment area 	<ul style="list-style-type: none"> Nursery (if any) 	site
1.00 pm	Lunch Break & Solat Zuhor				
02.00 pm	Assessment on P1, P2, P3, P4 (4.7), P8 Verify previous audit findings	Assessment on P1, P2, P6, P8 Verify previous audit findings (if any)	Assessment on P1, P2, P5, P8 Verify previous audit findings	Assessment on P1, P2, P3, P4, P5, P6 (6.10), P7, P8 Verify previous audit findings	Guide/PIC
05.30 pm	End of Day 2 Assessment				

Day Four: 28th September 2012 (Friday)

Activities /areas to be visited	Ruzita	Dr. Zahid	Ernest	Selva	Auditee	
08.00 am	<ul style="list-style-type: none"> Supply chain certification system requirements – Bukit Leelau Palm Oil Mill Follow up on any outstanding issues Verify previous audit findings 				Guide/PIC	
12.00 am	Audit team discussion					
1.00 pm	Lunch Break & Solat Zuhor					
2.00 pm	Audit team to prepare assessment findings					
3.00 pm	Closing meeting - Presentation on the assessment findings					All Head of Operating Unit
4.00 pm	End of Assessment & Travel to Kuala Lumpur					

DETAILS OF NON-CONFORMITY AND CORRECTIVE ACTIONS TAKEN

RSPO P&C or SCC clause	Specification Major/Minor	Detail Non-conformances	Corrective Action Taken & Supporting Evidence	Verification by Assessor
Criteria 4.8	Major	The smallholders are not properly trained on the RSPO standard requirements. Field visit and interview with smallholders (Ladang Hj. Harun and Ladang Manna Enterprise) found that awareness related to RSPO requirements was not satisfactory and no evidence of training was conducted.	Conduct meeting with smallholders (i.e. Ladang Hj. Harun and Ladang Manna) on the RSPO requirements	Meeting was conducted with both smallholders. Attendance list & photograph was verified by the assessor. Status : Closed
Criteria 6.5 Indicator 6.5.3	Minor	The water supplied is not suitable for human consumption. Objective evidence : 1) At Laukin A estate – no drinking water analysis has been carried out since the last surveillance assessment 2011 and interview with the staff and workers the water remains undrinkable 2) Detas estate – although a treatment facility has been established and sample for analysis has been submitted to NALCO however result is pending.	NALCO has been appointed to provide recommendation on the water treatment.	The effectiveness of the action taken will be verified in the next assessment Status : Open

RSPO SCC Clause 5.2	Major	In adequate documented procedure to address all of the RSPO Supply Chain Certification System Requirements	RSPO Supply Chain procedure was established	The RSPO Supply Chain procedure was verified. Status : Closed
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VERIFICATION ON PREVIOUS ASSESSMENT FINDINGS

P & C, Indicator	Previous Assessment Findings	Corrective Action Taken	Verification by Assessor
2.1.1	<p>The requirements of Fire Services Act 1988 and the Electricity Supply Act 1990 and Suruhanjaya Tenaga was not complied with as follows:.</p> <ol style="list-style-type: none"> 1. Every designated premises shall have a Fire Certificate. 2. The electrical plant equipment was not in charge by competent person. 	<p>a) Oil mill has engaged a consultant to assist in the process of obtaining Fire Certificate for Bukit Leelau Oil Mill. Consultation quotation and budget request by oil mill for the fire certificate were attached in <i>Attachment 5</i> as evidence of corrective actions.</p> <p>b) Oil mill has engaged a competent chargeman which initiated his work since 2nd January 2012. Document evidences such as employment letter and qualification of the employee</p>	<p>The mill has obtained the fire certificate</p> <p>Competent chargemen is available and started his work from 2nd January 2012.</p> <p>Status: Closed</p>
4.1.1	<p>It was observed that pregnant buffalo is being allowed to still evacuating FFB in the field, inspite of being at advance 8 month's gestation (pregnant period) and this is against the Group StOP for Buffalo Procedure dated September 2007.</p>	<p>Sustainability Team had consulted Muadzam Shah's Veterinary Department and some experienced estate managers to obtain relevant information and guidance on the Buffalo management practice to incorporate into the current Group StOP. The reviewed draft StOP based on the information obtained from the consultation and some reading materials are in StOP for Buffalo assisted harvesting system and StOP for Buffalo healthcare.</p> <p>Documented interview session with Veterinary officer has been obtained and verified by assessment team.</p>	<p>StOP for buffalo management practice is available and it was endorsed by a Veterinary Doctor.</p> <p>Status: Closed</p>

4.3.1	Riparian buffer zones are not adequately established and set aside in some estates (Detas and Mekassar)	<p>Standard operating procedure (StOP) on maintenance of buffer zone has been reviewed and the final draft submitted to higher management for approval. StOP on Buffer Zone maintenance was submitted to the assessment team to verify.</p> <p>Detas Estate has taken immediate actions by relocating the seedlings planted in the buffer zone and ensure no new seedlings planted in the stream buffer zones. Photo of corrective action is provided to the assessment team.</p> <p>Mekassar Estate has been giving training to the harvesters to prohibit them from stacking the excised fronds in the stream buffer zones. Training record was verified.</p>	<p>StOP on maintenance of buffer zone was established and implemented.</p> <p>Status: Closed</p>
5.1.2	The mill has installed smoke density meter (SDM) to monitor boiler smoke emission and the SDM was recently calibrated i.e. 10 November 2011 however the result of smoke emission found inaccurate.	Mill management had engaged LKS (M) Sdn. Bhd. for re-calibrating the SDM flowmeter on 7th December 2011.	<p>Re-calibration of SDM flowmeter on 7th December 2011 by LKS (M) Sdn. Bhd. SDM in good condition</p> <p>Status: Closed.</p>

6.5.1	There is a revised terms and conditions of employment effective 1 October 2011 to 31 October 2013 for palm oil mill employees (in relation to Industrial Court Award No. 1514/2010) issued by the company. However there is no record of communication between NUPW and IOI Corporation Berhad regarding the matter.	A copy of correspondence letter to show that NUPW is aware on the company's revised employment terms and conditions based on Industrial Court Award No.1514/2010 has been obtained from HR Department for the non-conformance.	Verified the correspondence letter Status: Closed.
6.5.3	pH value of domestic water supply in Detas Estate (4.3) is not within the range set by WHO (6.5 – 8.5). Turbidity of domestic water in Laukin A Estate (22) is also above the accepted WHO level (5).	<p>Detas Estate and Laukin A Estate have engaged NALCO to give recommendation on the required actions based on their recent domestic water analysis report.</p> <p>Detas Estate is in the process of installing a soda ash pumping system to improve the pH level of the water.</p> <p>Laukin A Estate is treating the domestic water based on the recommendations by NALCO. Another water testing will be conducted to verify the improvement of the water quality</p>	<p>Verified the water analysis result and found result within the WHO parameter limit</p> <p>Status : closed</p>