



**PUBLIC SUMMARY
RSPO MAIN ASSESSMENT**

AUDIT DATE : 13TH – 16TH APRIL 2010

**IOI CORPORATION BERHAD
BUKIT LEELAU CERTIFICATION UNIT**

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SUMMARY

This main assessment report describes the compliance of the Bukit Leelau Certification Unit (CU) of the IOI Corporation Berhad (IOI) against the requirements of the RSPO Principles & Criteria (P&C) Malaysian National Interpretation (MY-NI):2008. This assessment was conducted on 12-16 April 2010. The Bukit Leelau CU comprises the Bukit Leelau Palm Oil Mill, Bukit Leelau Estate, Leepang A Estate, Laukin A Estate, Detas Estate, Merchong Estate and Mekassar Estate and two smallholdings. However, the assessment did not cover the smallholdings.

SIRIM QAS International Sdn. Bhd (SIRIM QAS International) was contracted by IOI to conduct this main assessment. SIRIM QAS International is the leading testing, inspection and certification body (CB) in Malaysia having provided its services to all sectors of the business and industry for over 30 years.

SIRIM QAS International, as an accredited CB by the United Kingdom Accreditation Service (UKAS) and STANDARDS MALAYSIA provides a comprehensive range of management system certification services on quality, environment, and health and safety.

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

This assessment on the Bukit Leelau CU has resulted in the issuance of two major Non-Conformity Report (NCR) and four Minor Non-conformity Report. The CU has taken corrective actions to address the major NCR which have been verified by the assessor and therefore closed out. The Bukit Leelau CU has also submitted a corrective action plan to address the minor NCR which has been accepted by the assessor. The verification on these corrective actions would be undertaken by SIRIM QAS International during the next surveillance (ASA 1) audit.

Based on the evidences gathered during this assessment, it could be concluded that the Bukit Leelau CU has complied with the requirements of the RSPO MY-NI: 2008. The assessment team therefore recommends the Bukit Leelau CU to be certified against the RSPO MY-NI: 2008.

1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 National Interpretation Used

The operations of the mill and their supply bases of oil palm fresh fruit bunches (FFBs) were assessed against the Malaysian National Interpretation (MYNI) RSPO P&C published in 2008.

1.2 Certification Scope

This assessment covers the Bukit Leelau POM, Bukit Leelau Estate, Leepang A Estate, Laukin A Estate, Detas Estate, Merchong Estate and Mekassar Estate and two smallholdings. However, the assessment did not cover the smallholdings. The scope of certification is the sustainable production of crude palm oil from the Bukit Leelau POM with FFBs supplied by the mill's own estates.

1.3 Location and Map

The Bukit Leelau CU is scattered in three districts i.e. Pekan, Rompin and Kuantan in Pahang, Malaysia. Bukit Leelau Palm Oil Mill, Merchong Estate and Mekassar Estate are located in the

district of Pekan. The Leepang A Estate and Laukin A Estate are in the district of Rompin, while the Detas Estate is under the district of Kuantan. The distance of this CU from Kuala Lumpur is about 280 km.

The locations of Bukit Leelau POM and all the six estates are shown in the map in Attachment 1, while their respective GPS coordinates are given in Table 1. The GPS coordinate readings were taken at the respective administrative offices.

Table 1: Location of Bukit Leelau Palm Oil Mill and Estates

Operating Unit	Latitude	Longitude
Bukit Leelau Palm Oil Mill	03°18'00" N	103°08'24" E
Bukit Leelau Estate	03°18'00" N	103°07'48" E
Merchong Estate	03°01'12" N	103°12'00" E
Mekassar Estate	02°59'24" N	103°10'12" E
Leepang A Estate	03°00'36" N	103°01'48" E
Laukin A Estate	03°01'26" N	103°02'33" E
Detas Estate	03°33'00" N	103°03'00" E

(Note: The coordinates are for the offices of the palm oil mill and estates)

In the immediate vicinity of the mill and all the estates are few villages and other oil palm plantations. For the Bukit Leelau Estate, to the northeast is KampungTanjung and to its south is KampungRunchang. For Detas Estate, KampungMencupu is located on its eastern side. For Leepang Estate, KampungGadak is located on its northeast while KampungInoi is located in the southeast.

The Pekan Forest Reserve is located on the eastern side of the Bukit Leelau Estate with a buffer of 800 meters from the estate boundary. On the western and southern boundaries of Detas Estate is the Lepar Forest Reserve, which is the only forest reserve bordering this CU.

Other oil palm plantations which are neighbours to the CU are FELCRA Kemajuan Tanah Runcang and Nafas Dara Estate (Bukit Leelau Estate), LembagaKemajuanPertanian Pahang (Detas Estate), FeldaKeratong 10 (Leepang A Estate) and Ibam Estate (Merchong Estate).

1.4 Description of Supply Base (Fruit Sources)

All the six estates were supplying FFB to the Bukit Leelau POM. Apart from them, there were two smallholders regularly sending their harvests to the same mill. The average annual FFB contribution from each estate for the financial year (2008/2009) is summarised in **Table 2**.

Table 2: Production of FFB from Estate

Estate	FFB Production	
	Tonnes	Percentage
Bukit Leelau Estate	48,999.94	31.24
Leepang A Estate	15,665.12	9.98
Laukin A Estate	7,097.18	4.53
Detas Estate	54,749.29	34.91
Merchong Estate	18,023.33	11.49
Mekassar Estate	11,065.00	7.06
Smallholders	1234.26	0.79
Total	156,834.12	100.00

1.5 Date of Plantings and Cycle (Total Plantations and Area Planted)

The plantation area and the area planted with oil palms are shown in the following **Table 3**.

Table 3: Total Plantation and Area Planted with Oil Palm

Operating Unit	Year of Establishment	Total Area (ha)	Planted Area (ha)
Bukit Leelau Estate	1989	2,069.00	1, 976
Leepang A Estate	2001	2,403.70	1, 823
Laukin A Estate	2002	1,619.90	943
Detas Estate	1983	2,300.70	2, 185
Merchong Estate*	1978	1,952.13	1, 781
Mekassar Estate**	1978	1,215.70	1, 097
Total		11,561.13	9,805

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 Organisational Information/Contact Person

Name : Mr. Joshua Mathews
 Designation : Research Controller
 Address : IOI Research Centre,
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Negeri Sembilan,
Malaysia.
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e-mail : joshua.mathews@ioigroup.com

Based on the relevant documentations provided by IOI and an interview held with the Senior Human Resource Manager of IOI Corporation Berhad, the current status of these issues are as follows:

1.10 Approximate Tonnages Offered for Certification (CPO and PK)

The approximate tonnage of CPO and PK produced and claimed for certification, is shown in **Table 4** as follows:

Table 5 : Approximate CPO and PK Tonnage Claimed for Certification

Certification Unit	CPO Tonnage claimed for certification	PK Tonnage claimed for certification
Bukit Leelau	30,823	9,209

Note: The amount claimed for certification excludes contribution from smallholdings

2.0 ASSESSMENT PROCESS

2.1 Certification Body

SIRIM QAS International 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 (UNFCC).

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. It has certified more than a hundred palm oil mills and several estates to ISO 14001 & OHSAS 18001 and also conducted assessments against RSPO Principle and Criteria. SIRIM QAS International was approved as a RSPO certification body on 21 March 2008.

2.2 Assessment Methodology (Program, Site Visits)

This assessment was conducted on 13 to 16 April 2010. The main objectives of this assessment were:

- To evaluate the location of the organization (site-specific conditions) and the reporting line with regards to management unit/controlling holding
- To verify the organization's status with regards to labour & land dispute as well as compliance

- in accordance to RSPO requirements
- c) To obtain information and determine stakeholders for the site to be assessed
- d) To assess the organization's RSPO documentation
- e) To determine organization conformance against the RSPO Principles & Criteria Malaysian National Interpretation (MYNI)
- f) To make appropriate recommendations based on the assessment findings

The planning of this assessment was guided by the RSPO Certification Systems Document. The assessment was conducted by inspecting the mill, planted areas, HCV habitats, labour lines, chemical and waste storage areas and other workplaces. Random interviews were held with management, employees, contractors and other relevant stakeholders.

Apart from the above, records as well as other related documentation were also evaluated. The details on the assessment programme are presented in Attachment 2.

2.3 Assessment Team

The assessment team comprised four auditors. The details on the auditors and their qualifications are presented in Table 5.

Table 6 : Details on Auditors and Their Qualifications

Member of the Assessment Team	Role/area of RSPO requirements	Qualifications
Ruzita Abd. Gani	Assessment team leader/ mill-related environmental issues and mill and plantation-related occupational safety & health issues	<ul style="list-style-type: none"> • B.Sc. (Hons) Chemical Engineering • Completed RSPO Lead Assessor Course – 2008 • Successfully completed IRCA accredited Lead Assessor training for ISO 9001:2004 • Successfully completed IRCA accredited Lead Assessor training for OHSAS 18001-2005 • Successfully completed EARA approved Lead Assessor training for ISO 14001:2002 • Working experience in palm oil milling
Dr. Zahid Emby	Assessor on workers, community and issues related to legal compliance	<ul style="list-style-type: none"> • Attended a training on FSC P&C and MC&I for FMC in December 1999 • 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.

		<ul style="list-style-type: none"> • 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.
Dr. Yap Son Kheong	Assessor on criteria related to HCV, habitats & ecology	<ul style="list-style-type: none"> • Completed RSPO Lead Assessor Course - 2008 • Successfully completed EARA approved lead Assessor course for ISO 14001: 2001 • Ph. D. (Forest Biology) University of Aberdeen (Scotland) and University of Malaya Fellowship in Tropical Rain Forest Project. • B.Sc. Hons. Second Class Upper (Botany), University of Malaya <p>Memberships in Professional Organizations:</p> <ul style="list-style-type: none"> • Member of the IUFRO Working Party on Seed Problems. Nominated as one of the candidates for the Co-Chairman of Working Party in 1986. • Project Leader for Project 8 of the Reproductive Biology of Tropical Trees of the ASEAN-Australian Tree Improvement Programme. 1986. Given the role to develop research activities on reproductive biology within ASEAN countries with sponsorship from Australia. • Elected member of the Committee on Forest Tree and Shrub Seeds of the International Seed Testing Association. 1989 to 1992. • Vice Chairman of the Working Group on Seed Origin and Genetic Resources of the ASEAN Canada Forest Tree Seed Centre. 1990 to 1995. Responsible in coordinating research activities on genetic resources within the ASEAN countries. • Project leader on Impact of Acid Precipitation on Forest working in conjunction with researchers from China, Indonesia, Japan and Thailand.
Yap Nyoke Yong, Raymond	Assessor / Good Agricultural Practices (GAP) and workers issues	<ul style="list-style-type: none"> • 36 years experience in plantation management, covering rubber and oil palm • Diploma in Agriculture, University of Malaya <p>Working Experience :</p> <ul style="list-style-type: none"> • Estate Manager, Kuala Lumpur Kepong Berhad • External Planting Advisor, Kumpulan Guthrie Berhad • Rubber Inspector, RISDA Pahang, Malaysia. <p>Involvement in professional organizations</p> <ul style="list-style-type: none"> • Associate member of Incorporated Society of Planters • Chairman MPOA (Negeri Sembilan Branch)

		<ul style="list-style-type: none"> • Vice-Chairman MPOA (Negeri Sembilan Branch) • Vice Chairman of Pahang Planters Association • Chairman of ISP West Pahang Branch
Valence Shem	Assessor / Good Agricultural Practices (GAP) and workers issues / Environmental issues	<ul style="list-style-type: none"> • Working experience in Oil Palm Plantation management • Successfully completed IEMA accredited Lead Assessor training for ISO 14001: 2004 • B. Tech. (Hons) Industrial Technology, USM • Diploma In Science, UiTM

2.4 Stakeholder Consultation and List of Stakeholders Contacted

SIRIM QAS International SdnBhd (SIRIM QAS International) had initiated the stakeholder consultation by announcing in the RSPO and SIRIM QAS International's websites on 5th March 2010 and in the IOI Group's website on 11th March 2010. In addition, SIRIM QAS International had also sent invitations through letters to the relevant stakeholders, including government agencies and Non-Governmental Organizations (NGOs). This was followed-up by telephone calls. Whenever necessary, meetings were arranged.

Some comments from stakeholders were received prior to conducting the on-site assessment through telephone calls and in writing. SIRIM QAS International had used the comments received from stakeholders prior to the assessment as input to the assessment planning process.

Among the stakeholders consulted during the Stage 2 assessment were employees, government agencies, non-governmental organizations, local communities, FFB suppliers, contractors and other interested parties.

The consultation with the government agency i.e. Jabatan Hal Ehwal Orang Asli (JHEOA) was carried out at Kampung Runchang on 15th April 2010. It was attended by two JHEOA officials, the officer in charge of JHEOA Pekan and the Supervisor of Kampung Runchang. The consultation lasted for about an hour mainly to discuss on subject related to Principle 6 of the RSPO MY-NI.

The consultation with the NGOs (NUPW and AMESU) took place at the NUPW office in Petaling Jaya on 9th April 2010.

The employees, FFB suppliers and contractors involved were consulted through random sampling from each group in each of the FFB supplying unit and oil mill (e.g. mill operators, harvesters, general workers and sprayers from the estates and oil mill visited). Each consultation had lasted for around an hour. The consultations which were conducted at the CU's office had included solicitation of comments on issues relevant to principles 4, 5 and 6 of the RPSO MY-NI.

The consultations with the local communities were carried out at their premises. The sessions were carried out at times that were convenient to the stakeholders. The intention was to solicit their views on the impact of the Bukit Leelau CU's operations on their economics and socio-cultural lives.

During the consultations, no management representatives from the CU were present. As such, the stakeholders had been able to present their views in a frank and open manner.

2.5 Date of Next Surveillance Visit

Next surveillance assessment should be conducted within nine to twelve months from the RSPO approval

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

The assessment findings were highlighted and discussed on-site. There were two major non-Conformity Reports (NCRs) and four minor non-conformity report raised against the Bukit Leelau CU. Bukit Leelau CU had taken the necessary actions to address these non-conformities. The details of the NCRs and the corrective actions taken are detailed in Attachment 3.

The detailed findings of the assessment on the CU's compliance with the requirements of the RPSO MY-NI are as follows:

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.

Audit 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.

It was also evident that government agencies such as DOE, DOSH, the Labour Department and MPOB had regularly requested information relating to matters under their purview and the CU had always responded to these in a comprehensive and timely manner.

It was also confirmed during the on-site assessment that Bukit Leelau CU has maintained proper records of requests for information from external stakeholders and the responses to them. However, it was observed during the assessment that the CU has not received any request for information from any stakeholder.

As for internal communication, Bukit Leelau CU has been maintaining its *Green Book* to record complaints, grievances and any other requests from their staff and workers. The company's responses to these issues has also been clearly documented in the book. Based on random interviews held, it was confirmed that the *Green Book* has served as an effective means of internal communication for the management and the staff and workers of Bukit Leelau CU.

From the above records, it was evident that the CU was committed in being transparent in its dealings with its internal and external stakeholders.

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)

Audit Findings:

Bukit Leelau CU has established a mechanism to ensure that management documents are made publicly available. Among the documents that were available for public viewing at the estate and mill offices were copies of land titles, licenses issued by authorities, company policies, safety management plan, environmental impact assessment, management action and continuous improvement plans, social impact assessment plan, HCV assessment, negotiation procedures and report of complaints and grievances.

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

Audit Findings:

Bukit Leelau CU has documented a list of all the applicable laws and regulations relevant to its operations. As required by the criterion, copies of relevant licenses and permits were displayed appropriately in the mill and estate offices. Inspection by the assessors had found that all of them were still valid.

Bukit Leelau CU has established a documented procedure for tracking changes in the laws. The procedure has also addressed the means to monitor compliance status and identified the person-in-charge of monitoring the CU's compliance with all the relevant laws. The commitment to ensure the CU has complied with all the legal requirements was verified during the assessment.

It was confirmed that the mill engineer and boilermen of Bukit Leelau mill has fulfilled the requirements for competent persons in accordance to the Factories and Machinery (Person-In-Charge) Regulations 1970.

Boiler air emission has been monitored in accordance with the requirements of the Department of Environment's (DOE). The mill has continuously been monitoring dark smoke emission and during the assessment, it was verified that emission readings were below Ringelmann Chart no.2 as required by the law. These records were submitted to DOE on a monthly basis. The dark smoke monitoring equipment i.e. the smoke density meter was last calibrated on 27th January 2010 and was operational at the time the assessment was conducted.

Quality of effluent discharge was tested on a weekly basis and the results were submitted to DOE accordingly.

Despite the above-mentioned compliance, the written documents of initial approvals from DOE for the steam boiler and diesel generator prior to commissioning of mill in 1992 were not made available during the assessment. It was also observed that the compliance with Code of Practice for safe working in a confined space has not been fully adhered to. The mill did not have a competent person-in-charge for authorised gas tester (AGT), authorised entrant and stand-by person as required by the code of practise. Therefore, a non-conformity was raised against Indicator 2.1.1.

The management of Bukit Leelau POM has taken the necessary corrective action by obtaining copies of the original written approval of the steam boiler and diesel generator (both dated 10th July 1991) from the DOE and Company's old files. The copies of both documents were made available as evidence on 21st May 2010.

The mill has also purchased a gas tester. Evidence of the purchase of gas tester was viewed and training records for AGT, authorised entrant and stand-by person was conducted.

With respect to the terms and conditions of employment, it was confirmed that Bukit Leelau CU was in compliance with the Employment Act 1955 related to the provisions of wages, paid public holidays, paid annual leave and sick leave.

Site visits made to the workers' housing in Leepang A, Detas and Bukit Leelau Estates had confirmed that the housing specifications were 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.

It was observed that the source of water for the Detas Estate was from tube well whereas for the other estates, their water supplies were from the nearby river and the water was treated before being distributed via pipeline to the individual worker's house. Water sample has been sent to an accredited laboratory for analysis and the assessment team has verified the report on the water analysis and has found the water to be suitable for human consumption.

The inspection of linesites was carried out by Visiting Medical Officer and the Medical Assistants on a monthly and weekly basis respectively. Reports of these inspections were kept in the office. There was no crèche in operation as the workers (local and foreign) did not bring their children along with them to stay in the estates.

During the site inspection, it was observed that workers were allocated with land for grazing and cultivation.

In order to comply with the National Forestry Act 1984 (Act 313), it was observed that the Bukit Leelau CU has demarcated a clear boundary with the adjacent Lepar Forest Reserve bordering the Detas Estate. In addition to the boundary demarcation, no hunting signage was placed along the boundary of the forest to prevent the estate employees from hunting in the Lepar Forest Reserve as required under the Protection of Wildlife Act 1972 (Act 76)

Criterion 2.2

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

Audit Findings:

The first cycle of oil palm planting by Bukit Leelau CU was undertaken in 1978 in the Mekassar and Merchong Estates and to the most recent in 2002 in Leepang A and Laukin A. Replanting of second generation oil palm has commenced in the Mekassar, Merchong and Detas Estates in 2003. Land titles for all the estates and mill were verified and all the land was for the purpose of cultivating oil palm. The CU had a lease on the land granted by the Pahang State government as a legal ownership.

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.

Audit Findings:

Bukit Leelau CU has two cases of land encroachment. However, these encroachments were not legally contested or related to native customary rights. One of the encroachments was between the Leepang A Estate with another plantation company (FELDA), while the other was between Detas Estate and an individual land owner.

Both cases were resolved without intervention from the courts. Copies of documented communication records were presented to the assessors. As such, the assessors were satisfied that these issues have been resolved amicably.

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.

Audit Findings:

There was an annual budget for 2010/11 for every estate and Bukit Leelau POM. The budget generally covered the provision of allocation for operations, maintenance, training, occupational safety and health and environmental upkeep. In addition, there was a five years crop projection which was reviewed annually. The assessors has also sighted a projected business management plan for the year 2013/14. Among the issues being addressed under this plan were related to environment, safety and health, and social.

A replanting programme with projection until the year 2018/19 has been established for all of the six estates. The programme would be reviewed once a year by the CU's management. Replanting activity has started since 2003. To-date, a total of 3,349 ha has been replanted.

PRINCIPLE 4: USE OF APPROPRIATE BEST PRACTICES BY GROWERS AND MILLERS**Criterion 4.1**

Operating procedures are appropriately documented and consistently implemented and monitored.

Audit Findings:

Bukit Leelau CU has established Standard Operating Procedures (referred by the company as StOP) for both its estates and mill. The operations which has been included in the mill's StOP were the boiler operations, effluent treatment plant, products analysis method, workshop activity, chemical and waste handling. All the relevant employees has been briefed on the StOP by their respective supervisors. The simplified versions of the StOP were also made available at the *muster ground* notice board.

The assessment team has confirmed during the on-site assessment that the relevant records of monitoring on the implementation of the StOP for the estates and mill during the last twelve months were available.

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

Audit Findings:

All the estates in the Bukit Leelau CU were found to be keeping tracks on the fertilizer input. The fertilizer dosage varied from one CU to another and from one field to another field in accordance to the Agronomist's annual fertilizer recommendations. It was noted that IOI Agronomy Team has visited every estate to conduct tissue and soil sampling as part of its annual monitoring programme on changes in nutrient status.

It was observed that there was no sign of open burning occurred at the replanting area in Detas Estate. This practice was consistent with the company's policy and standard operating procedure on zero-burning.

Criterion 4.3

Practices minimise and control erosion and degradation of soils.

Audit Findings:

IOI was found to be practicing various methods to minimize soil erosion and degradation. Among the methods used were sighted on-site were the planting of leguminous cover plants and *Vetiver* grass on sloping areas to minimize bare or exposed soil, frond stacking at the inter-terraces, EFB mulching and construction of terrace in the hilly terrain. Bukit Leelau CU has maintained soft vegetations such as grasses and ferns to avoid bare soil the matured fields of the estates.

All of the estates has their own annual road maintenance programme. The implementation of these programmes has been closely monitored. On-site inspection has confirmed that most of the roads has been well maintained and passable. There was no peat soil areas as well as fragile and problem soils in the Bukit Leelau CU. Therefore, Indicators 4.3.4 and 4.3.5 are not applicable.

Criterion 4.4

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

Audit Findings:

Each of the six estates has demarcated riparian buffers along the major water ways. Painted marks on the palm trunks marking the boundary of the buffers were observed as an indication to workers to not blanket spray along buffer zones of streams.

However, this practice could be improved as the zones close to some small streams had not been clearly marked. Due to the absence of a clear marking has resulted in replanting of a few new palms within the riparian buffer zone in Mekassar Estate (i.e. field PR 09A). Therefore, a non conformity was raised.

Bukit Leelau CU has taken necessary action to rectify the non conformity. Verification through photograph shows a clear marking of riparian buffer zone at replanting area and future replanting areas. New palms which were planted within the riparian buffer had been removed and relocated as supply palm in the vacant points of the field.

It was observed that there were no weirs/dams being constructed across the main rivers or waterways passing through the estates. Bukit Leelau CU has been monitoring the rainfall data as well as their water consumption as required by RSPO criteria & indicator.

The palm oil mill in Bukit Leelau has identified the source of outgoing water from the mill, which led into natural waterways. The monitoring of discharges and the water quality of down streams was conducted periodically.

For each estate, water quality index (WQI) for two selected streams was monitored at the point of entrance (or inlet) to the estate, mid stream and at the point where the streams flow out (outlet) of the estate. Monitoring of streams in the estate by water sampling of the stream and analysis was carried out at a frequency of six monthly intervals.

Criterion 4.5

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

Audit Findings:

There was a documented integrated pest management (IPM) system. The IPM techniques used include detection, census and treatment controls to be applied when pests population or crop damages has reached the threshold level. Rat was the main pest in the Bukit Leelau CU. The estates has been monitoring the damage through their daily infield FFB grading report. In addition, the mill has also been checking the damage as part of its FFB quality grading. Bukit Leelau CU has also been promoting the barn owl as one of its IPM practices to control the rat attack

However, it was noted that the extent of monitoring on the implementation of this IPM has not been clearly presented (e.g. monitoring of the barn owl population, efficiency, plan(s) to preserve, etc.). Therefore, a non conformity is raised on this lapse. The corrective action plan was submitted to assessor where Bukit Leelau CU would monitor the effectiveness of the implementation of barn owl as part of IPM. Monitoring records would be established such as barn owl population census and plan(s) to preserve the population. The implementation of the corrective action plan would be verified in the next surveillance (ASA 1) assessment.

The estates has also been maintaining the records of agrochemicals applied based on per hectare and per metric ton of CPO units since 2004. These records were prepared by the Assistant Managers and verified by the Managers.

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.

Audit Findings:

All agrochemicals used were those that have been registered under the Pesticides Act 1974 (Act 149). 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 who were exposed to chemical have been trained and they have understood the hazards and the safe handling and usage of the chemicals. The trade and generic names of the chemicals were made known to the workers through the MSDS training.

Aerial application of agrochemicals was not practised in IOI Bukit Leelau, and to-date, there has been no request from buyers to test for the presence of chemical residue in the CPO.

Criterion 4.7

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

Audit Findings:

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

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

In the estate, it was noted that eye wash and shower room were made available at chemical mixing area.

PPEs that were commonly used were safety boots, helmets, goggles, ear plugs, rubber and cotton gloves, aprons and breathing masks. Those who worked with chemicals has 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 has 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 has been conducted. The first aid box was provided to the field supervisors as well as made available at several strategic locations at the mill and chemical mixing areas. However, during a site visit to the chemical store at the Bukit Leelau Estate, it was noted that the first aid box has been exposed to direct heat and could render the items in the first aid box to lose its efficacy as certain medicines need to be stored at room temperature. In addition, inspections on the first aid boxes in the different estates showed inconsistency in the contents of the first aid items.

Accident cases has been monitored and reported to the Department of Occupational Safety and Health (DOSH) by the Safety Officer. Accident case on foreign workers was also reported to Labour Department. Loss Time Accident (LTA) has been monitored and the information was displayed on the Safety Performance board located in front of the mill and estates office. The mill and estates has taken the necessary corrective actions to improve on their safety performance. The workers in the Bukit Leelau CU has been insured against accident.

Criteria 4.8

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

Audit Findings:

All training needs has been identified by the Safety, Health and Environmental Department and training programme has been established. The training programme for 2009/2010 for both estates and mill were made available and the focus was mainly on safety and standard operating procedures. Budget has been allocated to conduct training related to environment, social, safety and good agricultural practice. The training records were found to be available and properly filed.

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.

Audit Findings:

The Bukit Leelau CU has conducted an environmental aspect and impact risk assessment for each of their operating unit. Records on environmental impact assessment relating to the operations of the mill, estate, workshop, nursery, effluent treatment plant, waste generation and consumption of natural resources were sighted. The risk assessment would be reviewed annually.

Environmental improvement plans to mitigate the identified negative impacts has been developed and was being progressively implemented. Among the improvement plans included the identifying of buffer zones, segregation of recyclable waste, oil spill control and emergency preparedness.

Implementation of the improvement plan on oil spill control was observed at Bukit Leelau Estate lubricant store, where oil trap system has been constructed at the outlet of the monsoon drain

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.

Audit Findings:

Each of the six estates has produced an HCV Assessment Report. The HCV sites has been identified in accordance to the Proforest HCV Guidelines. The reports had classified HCV into external and internal sites. External sites were areas that were outside the estates which could have high conservation values. Such sites included residual forests bordering the estates.

Internal HCV sites were identified to be mainly riparian buffers of streams flowing through the estates, flooded sites in Leepang A and Laukin A Estates and a burial ground used by the local Orang Asli in the Leepang A Estate (HCV 6).

However, it was noted that the external HCV sites identified were beyond the purview or control of the estate's management thus should not be included as HCV site. It was also highlighted by the stakeholders (Forest Rangers of the Pahang State Forestry Department) that two of the forest areas were

not forest reserves, which has been earmarked for future development and therefore should not be classified as HCV.

Only the Detas Estate with the Lepar Forest Reserve bordering its southern and western boundaries were found to be HCV site. However, it was observed during the assessment that this forest reserve has been heavily logged, and there were only few large trees remaining. Although it was reported that there were protected animals in this forest reserve, this would have to be confirmed by the Department of Wildlife and National Parks (PERHILITAN).

The Pekan Forest Reserve at the eastern boundary of the Bukit Leelau Estate has been cleared by the Orang Asli for cultivation and many drainage canals has been constructed. The remaining forested area was about a kilometre away.

A meeting with the Orang Asli communities at the periphery of the estates has indicated that they were mainly cultivators of oil palm and rubber trees, and therefore, were no longer dependent on the forest. The efforts of the estate's management in erecting signages around the forest reserve of no hunting and encroachment by its workers would be assisting the State Forestry and Wildlife Departments in protecting the forest.

The process on the identification and assessment of HCV site need improvement as it was observed that during the HCV study that not all relevant stakeholders has been involved. In addition, the attributes used in the identification of flooded vacant sites in Leepang A and Laukin A Estates as HCV sites were not clearly determined. Therefore, a non conformity has been raised. Bukit Leelau CU has taken the necessary actions where consultation sessions were held with the Forest Ranger of the Pekan District Forest Office on 5th May 2010 and with the Senior Officer of PERHILITAN on 7th May 2010. Output from the consultations were documented and presented to the assessor. Implementation of the management plan would be verified during the next surveillance (ASA 1) audit.

Criterion 5.3

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

Audit Findings:

The management had established a waste management system that covers the identification of wastes and plans to reduce and dispose the wastes in an environmentally and socially responsible manner. There was a program to encourage recycling of solid wastes with recycle bins provided in the office and at the labour lines

Among the identified wastes were general/domestic waste, scheduled waste, scrap metal, crop residue/biomass from the estates and mill and fibre, shell, EFB and POME from the mill. General domestic wastes were collected from the labour lines and disposed by burying them at designated disposal areas. The domestic waste landfills were constructed away from the line sites and far from any river, streams and forest reserves.

Scheduled wastes were managed in accordance with Environmental Quality (Scheduled Wastes) Regulations 2005. It was verified that the scheduled wastes had been segregated and labelled accordingly. The disposal of scheduled wastes was done through a licensed contractor.

Criterion 5.4

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

Audit Findings:

The Bukit Leelau CU was found to be committed to use renewable energy in the mill. As such, fibre and nutshell has been used as boiler fuel to generate steam for mill process. The usage of fibre and nut shell was being monitored and records were being maintained.

Bukit Leelau CU has also been monitoring fossil fuel usage as per tonne of CPO on a monthly basis.

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.

Audit Findings:

In the replanting areas, it was observed that Bukit Leelau CU had felled, chipped and windrow stacked its previous oil palm crops. The chipped trunks would later be used to mulch the newly replanted palms in that area. It was confirmed that the Bukit Leelau CU had not been practicing open burning in line with its policy on zero burning.

Criterion 5.6

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

Audit Findings:

Bukit Leelau CU has established management plans to reduce pollution and emissions (refer C5.1). The management plans were reviewed annually and records were maintained.

The improvement plans were aimed at emissions reduction and fuel consumption reduction. For FFB evacuation system, buffalo and wheelbarrow were used instead of machinery. Vehicle inspection was carried out daily and preventive maintenance was carried out in 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.

Audit Findings:

There was a documented social impact assessment (SIA) available. The assessment was conducted from 8th September 2009 to 8th December 2009 by IOI RSPO team with the participation of the affected stakeholders. The records of meetings held were made available. However, it was found that the assessment report has not adequately covered factors highlighted by the Guidance on Criterion 6.1 such as economic livelihoods (e.g. paid employment) and working conditions, subsistence activities, cultural and religious values and etc.

Therefore, a major non-compliance was raised against Indicator 6.1.1. Bukit Leelau CU has taken appropriate actions to address this major non-conformity. A supplementary SIA report covering all the required factors as listed under the guidance on criterion 6.1 was submitted by the CU to the assessor on 21st May 2010. The assessor was satisfied with the actions taken and has therefore closed out this major non-conformity (refer to Attachment 5).

It was also observed that the consultations held has been limited to seven meetings i.e. one meeting for each operating unit involving internal and external stakeholders. However, the issues discussed at these meeting were rather limited. Therefore, a minor non conformity was raised against Indicator 6.1.2 on this lapse. The records of the supplementary SIA conducted has showed that this lapse has been satisfactorily addressed.

A timetable for mitigating and monitoring on the negative impacts has been established. However, this timetable was only based on the limited issues raised at the stakeholders' meetings. Therefore a non conformity has been raised against Indicator 6.1.3.

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.

Audit Findings:

There were documents produced by the estates and the oil mill to show the existence of documented consultations and communication procedures. They were in the form of records of meetings and discussions involving the CU's management and community leaders and workers' representatives.

Community leaders, workers' representatives, and suppliers met during the assessment has confirmed that consultations has been held. Consultations were held with randomly selected workers of the estates and the oil mill involved in the assessment as well as contractors and suppliers. Issues related to Principle 6 and other related criteria were discussed.

A management official at the operating unit level has been nominated 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 has identified and maintained a list of stakeholders consisting of, suppliers, community institutions, and local community heads and workers' representatives.

Records of communication with stakeholders (e.g. notes and minutes of meetings and discussions) and actions taken in response to views, suggestions and requests from stakeholders has been maintained. However, the list would need to be updated from time to time so as not to miss out relevant stakeholders such as neighbouring estate owners, nearby shopkeepers and restaurant owners.

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.

Audit Findings:

There was a documentation of the process by which a dispute is resolved as well as the on the outcome. There was a suggestion box placed at the office. The aggrieved parties could either fill in the complaint form or write a letter 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. The system was

open to everyone, local public as well estate communities. The complaints and their outcomes were recorded and filed.

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

Although there was no evidence to indicate that the system was limited to certain parties (e.g. workers) only, aggrieved members of the neighboring communities and the any public could make use of this system for submitting any complaint or grievance against the CU and the estates.

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.

There was a specific procedure in place for identifying legal and customary rights and for identifying people entitled to compensation.

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. As to-date, there has been no claim for compensation made against the 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.

Audit Findings:

There was an Agreement signed between the staff union (AMESU) and the Company to adopt the pay and conditions for their staff. There was also a Memorandum of Agreement (MOA) signed between NUPW and the company to adopt and implement the union agreements for estate and mill workers who are members of NUPW. However, the pay and employment conditions were laid out in the letter of offer to the workers.

Contracts of employment detailing payments and conditions of employment (e.g. working hours, overtime, deductions, sickness, holiday entitlement and maternity leave) as stated in the MOA and letter of offer were explained to the workers by the plantation management official. This was confirmed during random interviews held with the employees.

Adequate housing, water supplies, medical, educational and welfare amenities in accordance with the Workers' Minimum Standard of Housing and Amenities Act 1990 (Act 446) has been provided by the estates and mill for all the local or foreign workers. This was confirmed through consultations with the workers as well as visits made to the line sites in the estates.

All workers have been paid similar wage rate and provided with individual contracts and pay slips. They have also been paid with living wages sufficient to provide absolute essentials of food, shelter and clothing as well as education for children and protection against ill health and accidents through medical benefits and SOCSO. However, there was no special provision on insurance against old age and misfortunes except through EPF. There was also no provision of payment of school fees or free transportation for the workers' school children.

As for medical facilities, dispensaries (staffed by trained personnel) were made available in the estates and at the nearby government hospitals for use by all sick employees and their dependants. Social community centres and recreational facilities were made available for use by all workers and their families. This was confirmed through assessment on the relevant files 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.

Audit Findings:

An official published statement in BahasaMelayu/Indonesia and languages understood by the workers recognizing freedom of association was available and exhibited in public places. The workers consulted during the assessment have confirmed that they were aware of their right to join the union.

Documented minutes of meetings between the management with workers' representatives were also available. Interviews with employees and workers representatives revealed that they had understood the requirement of Criterion 6.6.

Criterion 6.7

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

Audit Findings:

There was no record of persons under the age of eighteen, the minimum working age under Malaysian Labor Laws (Am. Act A1238) hired by the company. The assessment team had also observed that no children were seen picking oil palm fruits.

This was also confirmed by the workers interviewed by the assessors and verified through employment card and copies of passports.

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.

Audit Findings:

An equal opportunity policy was publicly made available in languages understood by the workers.

Job openings were made available to any qualified person regardless of his/her socio-cultural, political or gender background. This was evident by an assessment of the job advertisements taken out by the company. Sample of job advertisement was advertised in the Ministry of Human Resources website (www.jobsmalaysia.gov.my). Refer Attachment 9.

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

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.

Audit Findings:

There was a published policy on sexual harassment and violence made available to employees in languages they understood.

There was a specific grievance mechanism to handle on issues related to sexual harassment and violence. A gender committee whose responsibilities among others were to look into gender issues has been established 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.

Audit Findings:

Bukit Leelau POM has received a small percentage (i.e. about 0.72%) of its FFB requirement from two smallholders. Both smallholders had been interviewed during the assessment. The trading has been ongoing since the mill started operation in 1992.

The outcome of the interview revealed that generally, they were happy on their FFB trading with the mill. Among the comments received were that the prices offered by the CU had followed the MPOB's guidelines and payments were promptly made. However, both of them commented that the CU has been very strict with sub-standard fruit. Nevertheless, they were aware of the requirement on the quality of fruits as well as other requirements as stated in the agreements. A cross check made against the documentation i.e. agreement showed that the pricing mechanisms for FFB has been well documented.

Apart from the FFB suppliers at the estate and mill, interviews were also conducted with chemical and hardware suppliers, contractors and provision shop operators. Among the outcome were that they were aware on the contract terms and conditions of the contracts for a job awarded to them and that payments were made to them in timely manner.

Criterion 6.11

Growers and millers contribute to local sustainable development wherever appropriate.

Audit Findings:

Bukit Leelau CU had initiated consultations with the local communities as well as neighboring external communities. This was evident from the records being kept. Information obtained during the stakeholders' consultations was used to establish a social management plan, which could help to contribute to local social development such as providing more jobs and improved amenities.

However as the consultations with local communities (internal and external) has only been recently conducted and was limited to only two meetings; the estates' and mill's contribution to local development could not be clearly demonstrated.

PRINCIPLE 7: RESPONSIBLE DEVELOPMENT OF NEW PLANTING

Not applicable, as Bukit Leelau CU is a fully developed estate and there was no new planting.

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.

Audit Findings:

Generally, Bukit Leelau CU has established a system to regularly monitor and review their key activities at the mill and estates, and has initiated action plans for continuous improvement.

Evidence sighted included the commitment to minimize the use of certain pesticides by implementing IPM. Other improvement plans included the commitment to zero waste but also using by-products such as EFB and POME in the fields.

A mechanism to capture the performance and expenditure has been well established. It was not limited to social and environmental aspects only but has also extended to Occupational Safety and Health matters. Among the improvements made was the provision of a changing room for sprayers to ensure no contamination to their family.

SIA was carried out with participation of affected parties. A management plan has been established. However, it was noted that certain social impacts factors such as economic livelihood and working condition, health and education facilities were not addressed.

3.2 Detailed Identified Non-Conformities, Corrective Actions and Assessor Conclusions

The details on the NCR raised and the assessors' verification of the corrective actions taken are as in **Attachment 3**.


3.3 Noteworthy Positive Components

The Bukit Leelau CU has made further improvements on their compliance against the requirement of the RSPO Principles & Criteria (P&C) Malaysian National Interpretation (MY-NI):2008. It was observed that the workers were aware on the requirements of the RSPO P&C. They were able to explain on the operating procedures related to the work they performed and the resulting impact of not following such procedures. There was also a strong commitment from the top management to continue complying with the requirements of the RSPO and maintaining the certification.

3.4 Acknowledgement of Internal Responsibility and Formal Sign-Off of Assessment Findings

I, the undersigned, representing SIRIM QAS International Sdn. Bhd., acknowledge and confirm the content of the assessment report and findings of assessment.

Name :Ruzita Abd Gani

Signature: 

Designation: Assessment Team Leader

Date: 5 July 2010

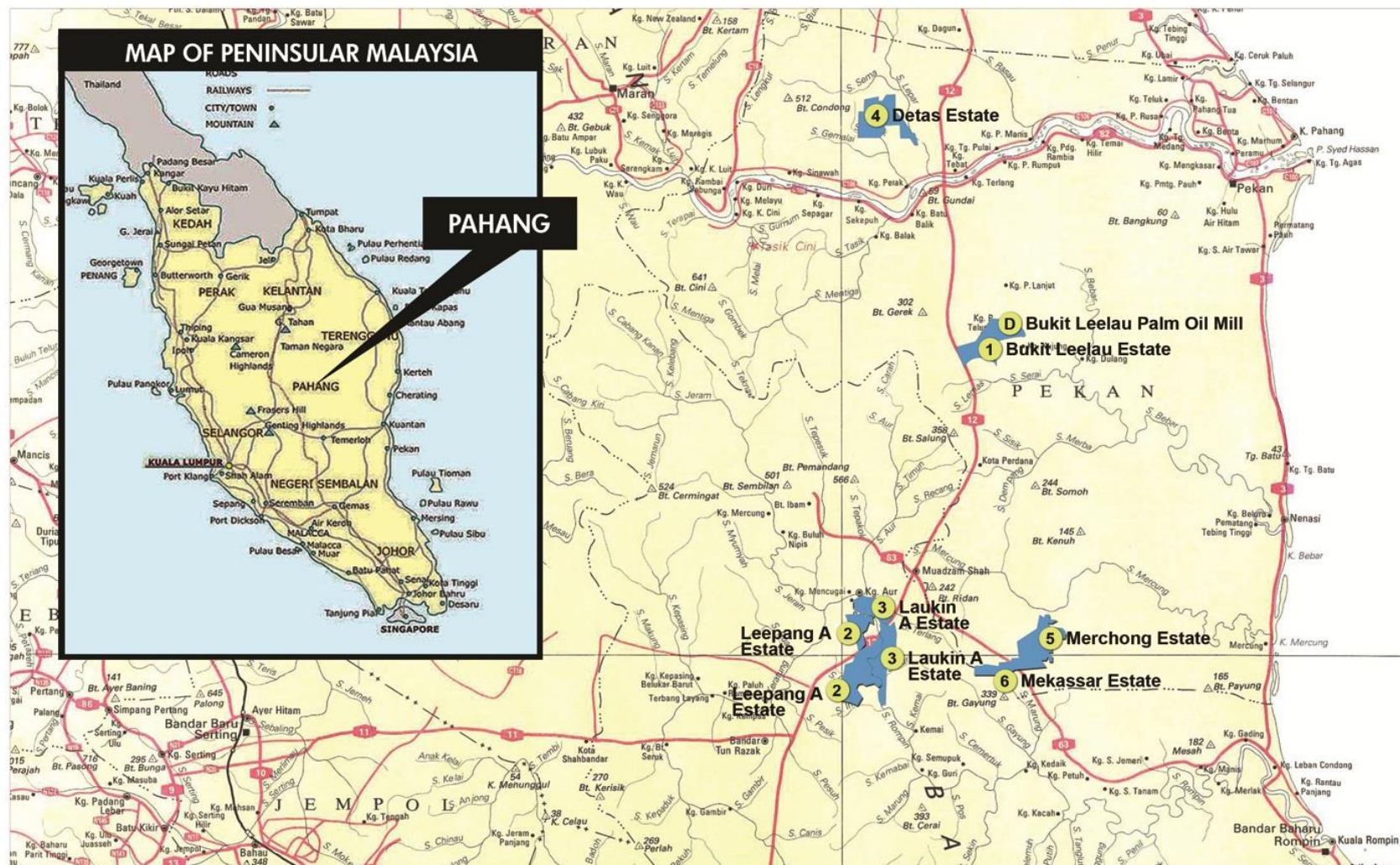
I, the undersigned, representing Bukit Leelau Certification Unit acknowledge and confirm the content of the assessment report and findings of assessment.

Name : Joshua Matthews

Signature : 

Date : 5 July 2010

LOCATION MAP FOR BUKIT LEELAU CERTIFICATION UNIT IN PAHANG, MALAYSIA



RSPO MAIN ASSESSMENT PLAN

1. Objectives

The objectives of the assessment are as follows:

- (i) To evaluate the location of the organization (site-specific conditions) and the reporting line with regards to management unit/controlling holding
- (ii) To verify the organization's status with regards to labour & land dispute as well as compliance in accordance to RSPO requirements
- (iii) To obtain information and determine stakeholders for the site to be assessed
- (iv) To assess the organization's RSPO documentation
- (v) To determine organization conformance against the RSPO Principles & Criteria Malaysian National Interpretation (MYNI)
- (vi) To make appropriate recommendations based on the assessment findings

2. Date of assessment : 12th – 16th April 2010

3. Site of assessment : IOI Corporation Berhad
Bukit Leelau Palm Oil Mill,
Bukit Leelau Estate,
Leepang A Estate,
Laukin Estate,
Detas Estate,
Merchong Estate,
Mekassar Estate,
KM 75, Kuantan-Segamat Highway,
Muadzam Shah, Pahang, Malaysia.

4. Reference Standard

- a. RSPO P&C MYNI
- b. Company's audit criteria including Company's Manual/Procedures

5. Assessment Team

- a. Lead Assessor : Ruzita Abd Gani
- b. Assessor : Dr. Yap Son Kheong
Dr. Zahid Emby
Mr. Yap Nyoke Yong, Raymond
Valence Shem

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, 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 | : | Thirty 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 (PPE) if required
- d. Photocopy facilities
- e. A guide for each group

11. Assessment Programme Details : As below

Date: 12th April 2010 (Monday)

Activities /areas to be visited	Ruzita	Valence	Auditee
9.30 am-12.00 am	Meeting with Research Controller at IOI Research Centre, Batang Melaka, Negeri Sembilan and verification on the following <ul style="list-style-type: none"> • Management plan for other management unit & smallholder certification / Time bound plan • Reporting line & RSPO related issue on land/labour or noncompliance • Internal assessment findings • Documentation structure 		Management Representative
12.00 am-3.00pm	Travelling to LeepangA Operating Unit		
3.00 pm – 3.15pm	Opening Meeting, audit team introduction and briefing on audit objectives, scope, methodology, criteria and programmes by audit team leader Estate and mill managers of the operating units are required to attend the opening meeting in Leepang A Estate.		Top Management & Committee member
3.15 pm – 3.45pm	Briefing on the implementation of RSPO at Bukit Leelau Certification Unit (including action taken to address Internal findings) Document reviews to understand and familiarize with the management system		Management Representative
3.45 pm	Site visit and assessment at Leepang A Estate <ul style="list-style-type: none"> • Utilities (lubricant store, chemical store etc) • Waste management • Workshop • Interviews with estate's workers on issues related on occupational safety & health and environment 	Assessment on the adequacy of documentation for <ul style="list-style-type: none"> • Principle 1 • Principle 2 • Principle 3 • Principle 4 • Principle 5 • Principle 6 • Principle 8 	Guide/PIC
5.00 pm-5.30pm	Audit team discussion		
5.30 pm	Visit Village Head of KampungGadak and KampungInoi to notify consultation session will be carried out on 14 April 2010 by Dr. Zahid Emby		Guide/ PIC

Date: 13th April 2010 (Tuesday)

Activities /areas to be visited	Ruzita	Valence	Auditee
08.30 am- 1.00pm	Site visit and assessment at Bukit Leelau Palm Oil Mill <ul style="list-style-type: none"> • Production • Utilities (ETP, boiler, WTP, chemical store &etc) • Waste management • Workshop 	Site visit and assessment at Leepang A Estate <ul style="list-style-type: none"> • Good Agricultural Practice • witness activities at site (weeding/spraying/other maintenance activities/ harvesting and etc) • EFB mulching • Interviews with workers and dependents (related to safety & health, environment, welfare and social) • Line site and domestic waste dumping site 	Guide/PIC
1.00 pm- 2.30pm	Break		All
2.30 pm- 4.30pm	Continue assessment at Bukit Leelau Palm Oil Mill	Continue assessment at Leepang A Estate	Guide/PIC
5.30 pm	Visit Village Head of KampungRunchang and KampungTanjung to notify consultation session will be carried out on 15 April 2010 by Dr. Zahid Emby (if necessary)		Guide/ PIC
7.00 pm – 9.00 pm	Audit team discussion		

Date: 14th April 2010 (Wednesday)

Activities /areas to be visited	Ruzita	Raymond Valence	Dr. Zahid Emby	Dr. Yap Son Kheong	Auditee
8.30 – 8.45 am	Interim briefing ; audit team introduction and update on audit programme by audit team leader				Committee Member
8.45 – 1.00 pm	Continue assessment at Bukit Leelau Palm Oil Mill <ul style="list-style-type: none"> • Interviews with mill's workers on issues related on occupational 	Site visit and assessment at Detas Estate: <ul style="list-style-type: none"> • Good Agricultural Practice • witness activities at site (harvesting/weeding/spr 	Discussion with relevant management (CSR, community affairs) and preliminary viewing of documentation relating to local community and	Site visit and assessment at environmental area of concern at Detas Estates, Bukit Leelau Estate and Leepang A Estate <ul style="list-style-type: none"> • Area of more than 25° • Riparian zone 	Guide/PIC

	safety & health, environment, RSPO P&C and mill operation <ul style="list-style-type: none"> Interviews with suppliers and contractors 	aying / other maintenance activities/) <ul style="list-style-type: none"> Workers Issues Line site and domestic waste dumping site EFB mulching Plantation on hilly/swamp area (if any) Provision shop operator Interviews workers and dependents(related to GAP, safety & health and environment, welfare and social) 	indigenous peoples issues such as EIA, SIA and management plans. Visit and assessment at: <ul style="list-style-type: none"> Leepang A Estate surrounding community KampungInoi KampungGadak 	<ul style="list-style-type: none"> River system including POME discharge & linesite discharge Forested area Plantation boundary Water bodies Source of water supply Other area identified during the assessment	
1.00 – 2.30 pm	Break				
2.30 – 5.30 pm	Site visit and assessment at Bukit Leelau Estate <ul style="list-style-type: none"> Workshop Chemical store Waste management Dispensary 	Continue assessment at Detas Estate	Continue assessment	Continue assessment	Guide/PIC
5.30pm	End of day four assessment				All
08.00-10.00 pm	Audit team discussion				

Date: 15th April 2010 (Thursday)

Activities/areas to be visited	Ruzita	Valence	Raymond	Dr. Zahid	Dr. Yap Son Kheong	Auditee
8.30-11.00 am	Site visit and assessment at Detas Estate <ul style="list-style-type: none"> Dispensary 	Assessment at Bukit Leelau Estate <ul style="list-style-type: none"> Line site and domestic waste 	Continue assessment at Assessment at Bukit Leelau Estate: <ul style="list-style-type: none"> Good Agricultural 	Discussion with relevant management (CSR, community affairs) and	Site visit and assessment at environmental area of concern at	Guide/ PIC

	<ul style="list-style-type: none"> Workshop Waste management Chemical stores Interviews with suppliers and contractors Provision shop operator 	dumping site <ul style="list-style-type: none"> Interviews with suppliers and contractors 	Practice witness activities at site (weeding/spraying/other maintenance activities/harvesting) <ul style="list-style-type: none"> EFB mulching Interviews with workers and dependents (related to GAP, safety & health, environment, welfare and social) 	preliminary viewing of documentation relating to local community and indigenous peoples issues such as EIA, SIA and management plans. <ul style="list-style-type: none"> Visit and assessment at Bukit Leelau estate Kampung Tanjung Interview with Union representatives 	Merchong Estates, Mekassar Estate and Laukin A Estate <ul style="list-style-type: none"> Area of more than 25° Riparian zone River system including linesite discharge Forested area Plantation boundary Water bodies Source of water supply Other area identified during the assessment	
1.00 – 2.30 pm	Break					
2.30-5.30pm	<ul style="list-style-type: none"> Continue Assessment 			<ul style="list-style-type: none"> Kampung Runchang Consultation with Jabatan Hal Ehwal Orang asli – Pekan Branch 	Continue Assessment	Guide/ PIC
7.30-9.00pm	<ul style="list-style-type: none"> Audit team discussion 					

Date: 16th April 2010 (Friday)

Activities/areas to be visited	Ruzita	Valence	Raymond	Dr. Zahid	Dr. Yap Son Kheong	Auditee
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8.30-11.30 am	<ul style="list-style-type: none"> • Verification on all outstanding issues • Documentation review • Audit team discussion • Preparation on audit findings 	
11.30-12.30 pm	<ul style="list-style-type: none"> • Meeting with Senior Human Resource Manager 	Senior Human Resource Manager
12.30-2.30pm	Break and Friday Prayer	
2.30-4.45pm	<ul style="list-style-type: none"> • Presentation on audit findings and closing meeting for Bukit Leelau certification unit in Leepang A Estate 	All
4.45pm	<ul style="list-style-type: none"> • End of assessment 	All

DETAIL OF NON CONFORMITY AND CORRECTIVE ACTIONS TAKEN

P & C, Indicator	Classification Major/Minor	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
Criterion 2.1 Indicator 2.1.1	Major	<p>Written approval for the boiler and diesel generator set were not made available during the audit at Bukit Leelau Palm Oil Mill.</p> <p>The mill also does not have adequate competent Persons-In-Charge as required by Code of Practice for safe working in a confined space</p> <p>1- Authorised Gas Tester (AGT) 2- Authorised Entrant 3- Stand-by Person</p>	<p>To obtain copy of boiler and diesel generator set written approval from Department of Environment DOE).</p> <p>To purchase gas tester equipment.</p> <p>To conduct training provider recognised by DOSH.</p> <p>To appoint mill personnel to attend relevant training required by Code of Practice for safe working in a confined space</p>	<p>Written approval documents have been obtained.</p> <p>Boiler - DOE ref.: 1022/Phg/732/(T)(18), Date : 10th July 1991</p> <p>Diesel generator</p> <p>i) DOE ref. : 1022/Phg/730/T, Date : 10th July 1991</p> <p>ii) DOE ref. : and 1022/Phg/732/T, Date : 10th July 1991</p> <p>The mill has issued purchased order to purchase gas tester equipment.</p> <p>The Mill Manager, Assistant Manager and Technical Supervisor have attended the training as required by Code of Practice for safe working in a confined space.</p> <p>Training was conducted on 7th & 8th May 2010 by National Institute of Occupational Safety & Health (NIOSH), a training provider recognized by Department Occupational Safety and Health (DOSH).</p> <p>Status of non conformity : Closed</p>
Criterion 4.4 Indicator 4.4.1	Minor	IOI Bukit Leelau has identified and marked riparian buffer zone. However, it was noted that this practice can be improved as the zone close to some small streams had not clearly been	<p>Clear and visible riparian buffer marking at all small streams were erected to alert the workers.</p> <p>Mekassar Estate has identified and removed new palms at field PR09A</p>	<p>Verification through photograph shows clear marking of riparian buffer zone at replanting area and future replanting areas. New palms which planted within the riparian buffer were removed and relocated.</p>

		marked. Absent of clear marking has resulted in replanting of new palms within the riparian buffer zone in Mekassar Estate (i.e. field PR 09A)	which planted within the riparian buffer zone.	<p>Refresher training was conducted on 3rd July 2010 at Mekassar estate on maintaining riparian buffer zones.</p> <p>Status of non conformity : Open - to be verified in next assessment</p>
<p>Criterion 4.5 Indicator 4.5.2</p>	Minor	<p>Bukit Leelau CU is promoting the barn owl as one of their IPM practice to control major pest i.e. rat attack. However, it was noted that the monitoring extent of this IPM implementation was not clearly presented. (e.g. population monitoring and efficiency of the programme)</p>	<p>To monitor the effectiveness of the implementation of barn owl as part of IPM. Monitoring records will be established such as barn owl population census and plan(s) to preserve the population.)</p>	<p>Status of non conformity : Open - to be verified in next assessment</p>
<p>Criterion 5.2 Indicator 5.2.1</p>	Minor	<p>IOI Bukit Leelau CU has identified and carried out assessment of HCV sites. It is to be noted that the general practice throughout CU was found to be in compliance. However, the process needs improvement, as the following were noted:</p> <ol style="list-style-type: none"> 1. Not all relevant stakeholders were involved in the identification of sites and the assessment of the conservation value of the sites .e.g. PERHILITAN 2. The identification of flooded vacant sites in Leepang A and Laukin A Estates as HCV sites although their conservation attributes had not been clearly determined. 	<ol style="list-style-type: none"> 1. To conduct consultation session with: <ul style="list-style-type: none"> • District Forest Ranger on status of forest land located at the eastern boundry of Bukit Leelau Estate. • state PERHILITAN on HCV habitats at Lepar Forest Reserve 2. To conduct study on the flooded vacant sites in Leepang A and Laukin A Estates as HVC sites on its conservation attributes of habitat for fauna especially birds. 	<ol style="list-style-type: none"> 1. Consultation sessions was carried as follows: <ul style="list-style-type: none"> • On 5th May 2010, session with Pekan Forest Ranger • On 7th May 2010, session with Senior Officer of PERHILITAN. <p>Output from the consultations were documented and presented to the assessor. Implementation of the management plan will be verified in the next assessment.</p> 2. HCV attributes and implementation of the management plan for flooded vacant sites in Leepang A and Laukin A Estates will be verified in the next assessment. <p>Status of non conformity : Open - to be verified in next assessment</p>

Criterion 6.1 Indicator 6.1.1	Major	<p>A documented SIA was available. However, it was not evident that all factors on which plantation and mill management may have social impact, as identified in the Guidance to Criterion 6.1, had been covered in the assessment. These factors include:</p> <ul style="list-style-type: none"> • access and use rights • economic livelihoods and working conditions • subsistence activities • cultural and religious values • health and education facilities • other community values, resulting from changes such as improved transport / communication or arrival of substantial migrant labour force 	To conduct a supplementary SIA focusing in the areas specified in the Guidance to Criterion 6.1	<p>A supplementary SIA was carried out. A review of the documents submitted confirmed that the supplementary SIA had adequately covered all factors required by the Guidance to Criterion 6.1</p> <p>Status of non conformity : Closed</p>
Criterion 6.1 Indicator 6.1.2	Minor	Evidence that an SIA had been carried out was available. However, the assessment team noted from records of the consultation sessions that not all affected parties had participated in the exercise to ensure the effective identification of all relevant social impacts and the development of appropriate plans .to mitigate the negative impacts and promote the positive ones.	To conduct a supplementary SIA ensuring the participation of all affected parties.	<p>A supplementary SIA was carried out. A review of the documents submitted confirmed that affected parties had adequately participated in the exercise.</p> <p>Status of non conformity : Closed</p>
Criterion 6.1 Indicator	Minor	A timetable for mitigating and monitoring on the negative impacts has been established.	To conduct a supplementary SIA and develop a management plan to monitor the negative impact.	A supplementary SIA was carried out. However, the management plan and its implementation will be verified in the next

6.1.3		However, this timetable was only based on the limited issues that were raised at the stakeholders' meetings.		assessment. Status of non conformity: Open - to be verified in next assessment
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