

MY 05059 IJM Plantations Berhad

Audit Summary Report

Organization:	IJM Plantations Berhad		
Address:	Wisma IJM Plantations, Lot 1, Jalan Bandar Utama, Mile 6, Jalan Utara 90000 Sandakan, Sabah, Malaysia		
Standard(s):	1. MS2530-3 : General Principles for Oil Palm Plantations and Organized Smallholders 2. Ms2530-4 : General Principles for Palm Oil Mills	Accreditation Body(s): STANDARDS MALAYSIA	
Representative:	Adeline Choy (Manager (Sustainability))		
Site(s) audited:	<u>Operating Units Name</u> <u>Estates</u> Minat Teguh Estate Excellence Challenger 1 (EC 1) Excellence Challenger 2 (EC2) <u>Mills</u> Minat Teguh Palm Oil Mill Sabang 1 Palm Oil Mill	Date(s) of audit(s):	5 th – 8 th June 2018
Visit Type:	MSPO Audit Stage 2	Type of certification assessment	Main Audit
Lead auditor:	Dickens Mambu (DM) (LA)	Additional team member(s): Audit Member (AM)	Abdul Khalik Arbi (AK) (AM) James Ong (JO) (AM)

This report is confidential and distribution is limited to the audit team, client representative and the SGS office.

1. Audit objectives

The objectives of this audit were:

- to confirm that the management system conforms with all the requirements of the audit standard;
- to confirm that the organization has effectively implemented the planned management system;
- to confirm that the management system is capable of achieving the organization's policy objectives.

2. Scope of certification

Production of FFB for Plantations in compliance to the MSPO Certification Standard MS2530-3:2013 Part 3

Processing of FFB and Production of CPO and Palm Kernel in compliance to the MSPO Certification Standard MS2530-4:2013 Part 4

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Validation of processes for production and service provision

Has this scope been amended as a result of this audit? ☐ Yes ☒ No

This is a multi-site audit and an Appendix listing all relevant sites and/or remote locations has been established (attached) and agreed with the client ☒ Yes ☐ No

The audit team conducted a process-based audit focusing on significant aspects/risks/objectives required by the standard(s). The audit methods used were interviews, observation of activities and review of documentation and records.

The structure of the audit was in accordance with the audit plan and audit planning matrix included as annexes to this summary report.

The audit team concludes that the organization ☒ has ☐ has not established and maintained its management system in line with the requirements of the standard and demonstrated the ability of the system to systematically achieve agreed requirements for products or services within the scope and the organization's policy and objectives.

Number of nonconformities identified: 6 Major 2 Minor

Therefore the audit team recommends that, based on the results of this audit and the system's demonstrated state of development and maturity, management system certification be:

☒ Granted / ☐ Continued / ☐ Withheld / ☐ Suspended until satisfactory corrective action is completed.

3. Current audit findings and conclusions

4. Previous Audit Results

The results of the last audit of this system have been reviewed, in particular to assure appropriate correction and corrective action has been implemented to address any nonconformity identified. This review has concluded that:

- ☐ Any nonconformity identified during previous audits has been corrected and the corrective action continues to be effective.
- ☐ The management system has not adequately addressed nonconformity identified during previous audit activities and the specific issue has been re-defined in the nonconformity section of this report.

5. Audit Findings

The audit team conducted a process-based audit focusing on significant aspects/risks/objectives. The audit methods used were interviews, observation of activities and review of documentation and records.

The management system documentation demonstrated conformity with the requirements of the audit standard and provided sufficient structure to support implementation and maintenance of the management system. ☒ Yes ☐ No

The organization has demonstrated effective implementation and maintenance / improvement of its management system. ☒ Yes ☐ No

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The organization has demonstrated the establishment and tracking of appropriate key performance objectives and targets and monitored progress towards their achievement. ☒ Yes ☐ No

The internal audit program has been fully implemented and demonstrates effectiveness as a tool for maintaining and improving the management system. ☒ Yes ☐ No

The management review process demonstrated capability to ensure the continuing suitability, adequacy and effectiveness of the management system. ☒ Yes ☐ No

Throughout the audit process, the management system demonstrated overall conformance with the requirements of the audit standard. ☒ Yes ☐ No

Certification claims are accurate and in accordance with SGS guidance ☐ N/A ☒ Yes ☐ No

6. Significant Audit Trails Followed

The specific processes, activities and functions reviewed are detailed in the Audit Plan. In performing the audit, various audit trails and linkages were developed, including the following primary audit trails, followed throughout:

Organization:	IJM Plantations Berhad		
Address:	<u>Head Office</u> Wisma IJM Plantations, Lot 1, Jalan Bandar Utama, Mile 6, Jalan Utara 90000 Sandakan, Sabah, Malaysia <u>Contact Person:</u> Adeline Choy Manager Sustainability, IJM Plantation Berhad Email : choywf@ijm.com Tel: +6089-667721 Ext: 351 Fax: +6089-67364		
MPOB License No.:	Excellence Challenger 1Estate: 503843202000 Excellence Challenger 2 Estate: 503948002000 Minat Teguh Palm Oil Mill : 503312102000	Expiry date:	31 st January 2019 31 st May 2019 30 th April 2019
Scope of Activity:	1. Menjual dan mengalih (FFB, PK, CPO, SPO) 2. Membeli dan mengalih (FFB, CPO) 3. Menyimpan (PK, CPO, SPO) 4. Mengilang (FFB)		
Visit Number:	02	Actual Visit Date:	5th-8th June 2018
Visit Due by Date:	Nil	For auditor information only	
Lead Auditor:	Dickens Mambu (DM)		
Team Member(s):	Abdul Khalik Bin Arbi (AK) and James Ong (JO)		

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Additional Attendees and Roles	Afiq Othman (Training Auditor) (AO) Jeffery Ridu (Training Auditor) (JR)
Standard(s):	1.MSPO MS2530-3:2013 Part 3: General Principles for Oil Palm Plantations and Organized Smallholders 2.MSPO MS2530-4:2013 Part 4 :General Principles for Palm Oil Mills
Audit Language:	English & Malay
Audit Scope:	1.The audit covered five (5) site performing the following scope: Operations, comprising of plantation management systems, production of Fresh Fruit bunches (FFB), Production of Crude Palm Oil (CPO), documentation and field / Mill Assessment. 2.The audit covered all the MS2530-3:2013 Part 3 : General Principles for Oil Palm Plantations and Organized Smallholders & MS 2530 -4:2013 Part 4 : General Principles for Palm Oil Mills requirements with no permissible exclusion of clause in compliance to the MSPO Certification Standard

Date	Time	Auditor	Organisational and Functional Units/ Processes and Activities	Key Contact
4th June 2018	PM	DM, AK & JR JO & AO	Flight Kuching- KK- Sandakan Arrive Sandakan :TBA Flight KL- Sandakan Arrive Sandakan :TBA	IJM Sustaianability Manager
			TEAM 1 ITENERY	
5 th June 2018	6.30 am 7.00 11.00 11.15	AK , JO, AO TEAM 1	<u>Sabang Palm Oil Mill</u> MS 2530-4-2013 Part 4 Breakfast Depart to Sugut Arrive Sabang Palm Oil Mill Opening Meeting and Audit Process (Site visit / Document review) • Principle 1: Management commitment and responsibility • Principle 2: Transparency	Mill Personnel

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Document:	IJM Plantations Berhad (Sugut & Sandakan Estate)	Issue n°:	Stage 2	Page n°:	1 of 4

				• Principle 3: Compliance to legal				
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			requirements • Principle 4: Social responsibility, health, safety and employment condition • Principle 5: Environment, natural resources, biodiversity and ecosystem services • Principle 6: Best practices Lunch Continue Audit Process (Document review, Policies, local law compliances, deduction and pay slip, Safety and health procedures, environment procedure, minimum wages monitoring, social benefits and any relevant document according to MS) Closing & Discussion End of day 1 (Staying at IJM Guesthouse)	
	12.30pm 1.00 pm 5.00pm 6.00pm			
6 th June 2018	8.00 8.30 8.45 12.30pm 1.00pm 5.00 pm	AK , JO & AO TEAM 1	<u>Excellent Challenger 1 Estate</u> MS 2530-3-2013 Part 3 Breakfast Opening Meeting Audit Process (Site visit and Document review) • Principle 1: Management commitment and responsibility • Principle 2: Transparency • Principle 3: Compliance to legal requirements • Principle 4: Social responsibility, health, safety and employment condition • Principle 5: Environment, natural resources, biodiversity and ecosystem services • Principle 6: Best practices • Principle 7 : New Planting Lunch Continue Audit Process (Document review, Policies, local law compliances, deduction and pay slip, Safety and health procedures, environment procedure, minimum wages monitoring, social benefits) Closing & Discussion	Estate Personnel

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	6.00pm		End of Day 2	
7 th June 2018		AK , JO & AO TEAM 1	<u>Excellent Challenger 2 Estate</u> MS 2530-3-2013 Part 3	Estate Personnel
	8.00		Breakfast	
	8.30		Opening Meeting	
	8.45		Audit Process (Site visit & Document Review)	

Job / Cert. n°:	MY03665	Visit Type:	Main Assessment	Visit n°:	02
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	12.30pm 1.00pm		• Principle 1: Management commitment and responsibility • Principle 2: Transparency • Principle 3: Compliance to legal requirements • Principle 4: Social responsibility, health, safety and employment condition • Principle 5: Environment, natural resources, biodiversity and ecosystem services • Principle 6: Best practices • Principle 7 : New Planting Lunch Continue Audit Process (Document review, Policies, local law compliances,deduction and pay slip, Safety and health procedures, environment procedure, minimum wages monitoring, social benefits) Closing & Discussion End of Day 3	
8 th June 2018	8.00 am 8.30	AK, JO & AO TEAM 1	Breakfast Auditor Discussion & Preparing Audit Closing Audit Closing (Sugut Area) Lunch	Estate Personell
	10.00			

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	11.30 12.00pm		Depart to Sandakan (4 hour journey) / Sandakan Airport	
8 th June 2018		JO & AO	Sandakan – KL Flight : TBA	
			TEAM 2 (Sandakan Area)	
5 th June -6 th June	7.00 am 8.00 8.30 8.45	DM & JR	<u>Minat Teguh Estate</u> MS 2530-3-2013 Part 3 Depart To Minat Teguh Estate Breakfast Opening Meeting Audit Process (Site visit and Document review) Principle 1: Management commitment and responsibility Principle 2: Transparency Principle 3: Compliance to legal requirements Principle 4: Social responsibility, health, safety and employment condition Principle 5: Environment, natural resources, biodiversity and ecosystem services Principle 6: Best practices Principle 7: New Planting	Estate Personell

Job / Cert. n°:	MY03665	Visit Type:	Main Assessment	Visit n°:	02
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	12.00pm 1.00 5.00pm		Lunch Continue Audit Process (Document review, Policies, local law compliances,deduction and pay slip, Safety and health procedures, environment procedure, minimum wages monitoring, social benefits) Closing & Discussion Audit End (Going back to Sandakan)	
7 th June -8 th June		DM & JR	<u>Minat Teguh Palm Oil Mill</u> MS 2530-4-2013 Part 4	Mill Personell

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2018	7.00 am 8.30 8.45		Depart to Minat Teguh Palm Mill Opening Meeting Audit Process (Site visit and Document review) Principle 1: Management commitment and responsibility Principle 2: Transparency Principle 3: Compliance to legal requirements Principle 4: Social responsibility, health, safety and employment condition Principle 5: Environment, natural resources, biodiversity and ecosystem services Principle 6: Best practices Principle 7 : New Planting Lunch Continue Audit Process (Document review, Policies, local law compliances,deduction and pay slip, Safety and health procedures, environment procedure, minimum wages monitoring, social benefits) Closing & Discussion Audit End (Going back to Sandakan)	
	12.00 pm 1.00 4.00 5.00pm			
9 th June		DM, JR & AK	Sandakan-KK- Kuching Flight : TBA	

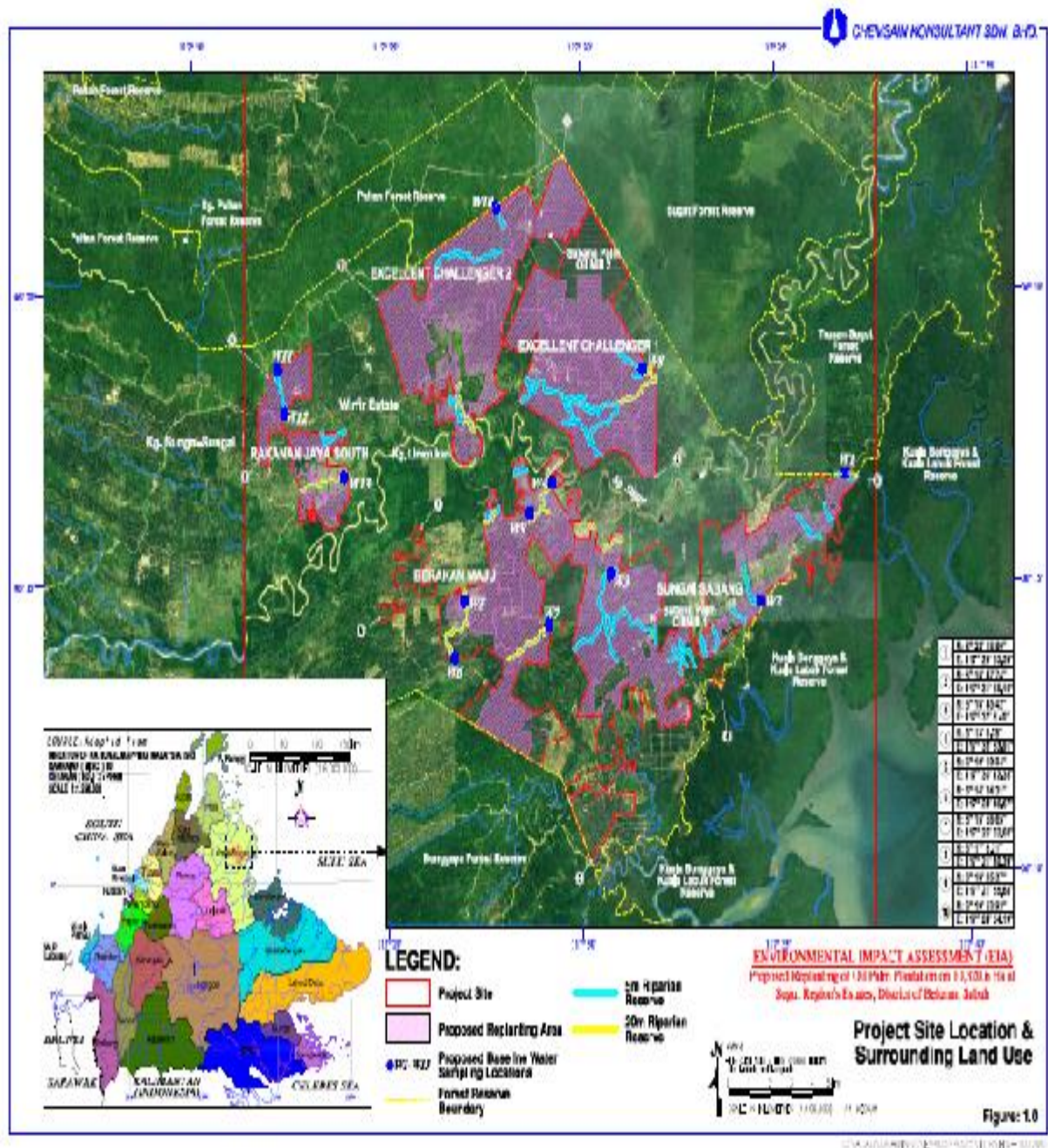
Location and Maps

Location of Minat Teguh Palm Oil Mill and Estate referred to **Figure 1** whereby for Sabang 1 Palm Oil Mill, Excellent Challenger 1 and Excellent Challenger 2 are referred to **Figure 2**.

Table 1: Mill and Supply Base GPS Location

	Mill/Supply Base	Longitude	Latitude
1	Sabang 1 Palm Oil Mill	E 117° 31' 45.112"	N 6° 14' 00.985"
2	Excellent Challenger 1 Estate	E 117° 29' 27.42"	N 6° 18' 27.54"
3	Excellent Challenger 2 Estate	E 117° 27' 38.33"	N 6° 20' 7.38"
4	Minat Teguh Estate	E 117°52'9.59"	N 5°49'54.43"
5	Minat Teguh Palm Oil Mill	E 117°52'11.97"	N 5°49'10.31"

Figure 2: Location of Sabang 1 Palm Oil and Excellent Challenger 1 Estate & Excellent Challenger 2 Estate



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Description of Supply Base and Mill Processing Capacity

The FFB are sourced from their supply base estates which are directly managed by **IJM Plantations Berhad** (Sandakan and Sugut) and also from their external supplier. The actual crop yield from each estate is listed in **Table 2** below.

Table 2: Fresh Fruit Bunches (FFB) Production

No.	Operating Unit	Actual(FY2017/18)	Budget(FY2018/19)
1	Minat Teguh	34,598.23	25,200
2	Sijas	8,086.56	11,700
3	Rakanan Jaya South	16,375.39	16,900
4	Rakanan Jaya North	89,075.04	90,900
5	Excellent Challenger 1	54,794.01	71,800
6	Excellent Challenger 2	48,669.73	61,100
7	Berakan Maju	52,740.39	54,500
8	Sungai Sabang	67,897.98	73,800

Table 3: Actual and Projected Mill Processing Data (Crude Palm Oil)

No.	Operating Unit	Actual(FY2017/18)	Budget(FY2018/19)
1	Minat Teguh POM	13,035.53	12,423
2	Sabang Palm Oil Mill 1	57,861.84	60,906
3	Sabang Palm Oil Mill 2	31,029.44	36,675

Table 4: Actual & Budget Production for Palm Oil Mill (Palm Kernel)

No.	Operating Unit	Actual(FY2017/18)	Budget(FY2018/19)
1	Minat Teguh POM	3,176.03	3,075
2	Sabang Palm Oil Mill 1	15,278.92	14,055
3	Sabang Palm Oil Mill 2	8,313.96	8,947

Area of Statement

The areas of supplying estates for this operating unit are listed in **Table 5**. Details of production area (mature/immature) are also listed.

Table 5: Area Statement of the Supplying Estates

Estate	Plantation Area (Ha)					
	Title Area	Immature	Production	Conservation	HCV	*Others
Minat Teguh Estate	2,837.54	443.28	1,873.18	13.00	0.00	508.08
Sijas Estate	1,011.00	336.02	558.98	0.00	2.00	114.00
Rakanan Jaya South Estate	967.63	0.00	767.31	90.03	0.00	110.29
Rakanan Jaya North Estate	3,951.22	0.00	3,627.83	0.00	18.77	304.62
Excellent Challenger 1 Estate	3,506.19	0.00	3,391.00	0.00	0.00	115.19
Excellent Challenger 2 Estate	3,002.04	0.00	2,736.34	0.00	0.76	264.94
Berakan Maju Estate	3,010.46	0.00	2,476.98	0.00	88.44	445.04
Sg. Sabang Estate	4,659.14	0.00	3,280.74	5.00	491.64	881.76
*Others: Transmission tower, Line site, rivers, water catchment area, office building, etc						

Stakeholder Consultation and List of Stakeholders Contacted

A public announcement was made 30 days prior to the audit,

<https://www.sgs.com/en/certified-clients-and-products/fcm/malaysia/ljm-plantations-berhad>

Stakeholder consultation took place in the form of interviews. Due to this is the main assessment, meetings with workers were held in their respective premises within and near the estates and mill. In all the interviews and meetings the purpose of the audit was clarified at the outset followed by an evaluation of the relationship between the stakeholder and the company before discussions proceeded in accordance with relevant MSPO principles, criteria and indicators. See **Appendix 2** for stakeholder's details and comments.

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Comment on MS2530-3 Compliance Status:

Comment on Principle 1	<u>Policy on Implementation of MSPO</u> <u>Excellent Challenger 1 & 2 Estates (EC 1 & EC 2)</u> IJM Plantation Berhad has established a policy on sustainable palm oil production. The statement is evident in section “Our Business Pillars Towards Sustainability”. The policy has been signed by Mr. Joseph Tek, Managing Director of IJM Plantations Berhad on 9 Aug 2010. Currently IJM Plantations Bhd in the midst of establishing inaugural ‘Sustainability Policy’ which will be applicable for all IJM Plantations Group. The version of the policy will be June 2018 and will be approved by the Chief Executive Director & Managing Director, Mr. Joseph Tek. <u>EC 1 Estate</u> Also sighted record from morning muster briefing, workers were explained on the implementation of MSPO in EC1 dated 2nd and 5th June 2018. <u>Minat Teguh Estate</u> IJM Plantation Berhad has established a policy on sustainable palm oil production. The statement is evident in section “Our Business Pillars Towards Sustainability”. The policy has been signed by Mr. Joseph Tek, Managing Director of IJM Plantations Berhad on 9 Aug 2010. An update has been done with the title Sustainability Policy but yet to be signed by Chief Executive Director & Managing Director by June 2018. After approval & signed by MD will then be distributed to all operations in IJM. <u>EC I Estate</u> Sighted audit plan established from the documentation. The latest available audit plan was for the month of October 2017. Based on the Internal Audit Manual established, the operating unit will be audited by identified internal auditors at least once a year. The next internal audit will be conducted in October 2018. All the internal auditors have been trained by consultant namely Biz Excellence System. Noted that the Internal Audit has been conducted on 11th October 2018 by the appointed Internal Auditors. Based on the internal audit records, the audit team observed that several NCs has been identified. The root cause of the NCs has been addressed by the company within the Internal Audit Report that is dated 4th November 2017 and has been presented to the auditor during the audit. Sampled NC 2 from internal audit findings regarding lack of awareness on safety aspect for manuring activity among workers.						
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Further verified the training conducted for manurer titled “Taklimat Penggunaan PPE & Cara Pembajaan” dated 2nd April 2018. When further interviewed manurers, the interviewees managed to demonstrate proper way of using PPE.

EC 2 Estate

Sighted audit plan established from the documentation. The latest available audit plan was for the month of October 2017. Based on the Internal Audit Manual established, the operating unit will be audited by identified internal auditors at least once a year. The next internal audit will be conducted in October 2018.

All the internal auditors have been trained by consultant namely Biz Excellence System.

Noted that the Internal Audit has been conducted on 13th October 2018 by the appointed Internal Auditors. Based on the internal audit records, the audit team observed that several NCs has been identified. The root cause of the NCs has been addressed by the company within the Internal Audit Report that is dated 20th October 2017 and has been presented to the auditor during the audit.

Sampled NC: 1

Regarding training program for 2017 was not available.

Further verified the training program for 2018 was made available and trainings have been conducted as per program.

Minat Teguh Estate

IJM Plantation has a plan to conduct internal audit covering MSPO requirements once a year in future. The audit will be conducted by Sustainability Team. The team is evidence in Sustainability Management Team for Minat Teguh Estate organization chart.

Based on records, the audit team notes that the company has established proper internal audit plan that is found to be covering all operations within the estates. The audit team notes that the Internal Audit has been conducted on 29 January 2018 by the appointed Internal Auditors. Based on the internal audit records, the audit team observed that 11 NCs has been identified. The root cause of the NCs has been addressed by the company within the Internal Audit Report that is dated before within Feb & March 2018 and has been presented to the auditor during the audit. Only 1 remains on the construction of chemical store supposed to be completed by 30/4/2018 but still ongoing. Expected to complete by June 2018.

Management Review –

EC I Estate

Internal Audit has been reviewed during the Management Review Meeting on 17th October 2017 and has been attended by the top management of the estate. Among issues discussed is internal audit report following the audit conducted on 11th October 2017 pertaining to issues such as

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continuous suitability, adequacy and effectiveness of the requirements for effective implementation of MSPO and decide on any changes, improvement and modification. The meeting minute was later verified by the Estate Manager, Mr. Janai Bin Ahmad.

EC 2 Estate

Internal Audit has been reviewed during the Management Review Meeting on 25th October 2017 and has been attended by the top management of the estate. Among issues discussed is internal audit report following the audit conducted on 13th October 2017 pertaining to issues such as continuous suitability, adequacy and effectiveness of the requirements for effective implementation of MSPO and decide on any changes, improvement and modification. The meeting minute was later verified by the Estate Manager, Mr. Lee Wei Ming.

Minat Teguh Estate

Internal Audit has been reviewed during the Management Review Meeting on 2 February 2018 and has been attended by the top management of the estate. Among issues discussed is internal audit report following the audit conducted on 29 January 2018; pertaining to issues such as continuous suitability, adequacy and effectiveness of the requirements for effective implementation of MSPO and decide on any changes, improvement and modification.

Integrated Management Review Procedures Doc No. GP-03 dated 1 July 2014.

EC I Estate

The estate has established action plan for continual improvement on social, safety and health and environmental impact of the company.

Action plan evidence during the audit is as below:

- a. Social Impact Assessment (SIA) Mitigation Plan
 - Noise and dust from transporting activity
 - Impacts to water quality
 - Traffic and road safety
 - Illegal animal hunting
 - Employment activities
 - Infrastructure development
 - Improvement in social networks with neighboring stakeholders.
- b. HIRARC (updated 26th January 2018)
 - Introduction
 - Risk assessment
 - Control Measures
- c. Environmental Improvement Plan 2018
 - Identification of slope area
 - EIA consultant appointment and completion
 - Establishing Water Management Plan

EC 2 Estate

The estate has established action plan for continual improvement on

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	social, safety and health and environmental impact of the company. Action plan evidence during the audit is as below: d. Social Impact Assessment (SIA) Mitigation Plan - Noise and dust from transporting activity - Impacts to water quality - Traffic and road safety - Illegal animal hunting - Employment activities - Infrastructure development - Improvement in social networks with neighbouring stakeholders. e. HIRARC (dated September 2015) - Introduction - Risk assessment - Control Measures f. Environmental Improvement Plan 2018 - Identification of slope area - EIA consultant appointment and completion - Establishing Water Management Plan <u>Minat Teguh Estate</u> The estate has established action plan for continual improvement on social, safety and health and environmental impact of the company. Action plan evidence during the audit is as below: a. Social Impact Assessment (SIA) Report of Social Impact Assessment dated 31/1/2018. b. HIRARC (Reviewed 1/3/2018) Covers 13 processes/Locations. c. Environmental Impact Assessment for Replanting of Oil Palm Plantation Final Report March 2014 Ref Envs/04/01/E/264-1/13 d. Environmental Monitoring & Compliance Audit Report (Report Reference CK/M0411/810-1/18) dated 21/3/2018. e. Environmental Management Plan (Revised 15/1/2018) f. Environmental Improvement Plan
Comment on Principle 2	<u>Transparency of documents relevant to MSPO requirements –</u> <u>EC I & 2 Estates</u> The estate EC I and 2 have indicated their commitment to communicate all information requested by stakeholders as clearly mentioned in Social Manual & Guidelines (IJMP/SOP/Social/ver01 , 1/11/14) The contents include : 1.0 Human rights policy 2.0 Definitions 3.0 Communication Mechanism 3.1 appointment of Stakeholder communicator 3.2 suggestion / Comment/ Feedback

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	3.3 Request for information 3.4 Complaint or dispute (Internal) - Confidential and Privacy - Investigation process - Complaint - Grievance 4.0 JCC Meeting 5.0 Dispute Handling Mechanism During stakeholder consultation all records of request are recorded in the document: SBPOM1-SSB-BM-EC 1. Since the stakeholder was conducted at the mill the mill document was used. For non-stakeholder request and complaints, the request are filed in the suggestion and complaint file. The following forms are provided : 1) <i>Borang Aduan</i> IJMP-CP-200a 2) For <i>komen, maklum balas , cadangan</i> another specific form is provided The estate and the mill has the following flow chart. 1) Grievance procedure 2) Communication procedure that include : suggestion , complaint or dispute and Request for information For request for information, every request can use the form or email to ijmplt@ijm.com and the assigned person-in-charge will reply within seven (7) days . As to date , no request for information received by EC I or EC 2 <u>Minat Teguh Estate</u> The estate management will communicate all information requested by relevant stakeholders to the Plantation Manager. <u>EC I & 2 Estates</u> Procedures has been established for consultation and communication with the relevant stakeholders. The estate has indicated their commitment to communicate all information requested by stakeholders as clearly mentioned in Social Manual & Guidelines (IJMP/SOP/Social/ver01 , 1/11/14) The contents include : 1.0 Human rights policy 2.0 Definitions 3.0 Communication Mechanism 3.1 appointment of Stakeholder communicator 3.2 suggestion / Comment/ Feedback 3.3 Request for information 3.4 Complaint or dispute (Internal) - Confidential and Privacy - Investigation process - Complaint - Grievance 4.0 JCC Meeting
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5.0 Dispute Handling Mechanism

Minat Teguh Estate

The company has established a procedure for consultation and communication with the relevant stakeholders as evident in the Grievance Mechanism flowchart. Doc: IJMP/SOP/Social/ver01 dated 1/11/2014.

EC I & 2I Estates

The estate will deliver to Sabang POM 1 (SBPOM I) . It will only deliver to Sabang POM 2 when SBPOM 1 is under inspection.

Delivery of FFB from estate will be accompanied with FFB Despatch Chit which includes information of:

- a. Division & Block No. : Lot 61 , Block 26
- b. Date of delivery : 30/5/18
- c. Drivers Name

The total bunches is recorded in the digital recording system, PMMP (Plantation Micro Macro programme) . Based on the RAMCO & FMS recording system , the number of bunches recorded in 749 bunches (refer to the Doc ref No: 53656, 53657, 53906 and 53908)

The mill will provide the weight , 5880 kg

Once received the estate will check and record it in the 'Transporting FFB Tonnage' book, Div. C.

Minat Teguh Estate

The estate will only deliver to Minat Teguh POM. The traceability will only be conducted at the mill.

Delivery of FFB from estate will be accompanied with FFB Delivery Chit which includes information of:

- a. Serial No.
- b. Field No.
- c. Total Bunches Quantity
- d. Drivers Name
- e. Vehicle No.

Major 1 : 4.2.2.3

List of stakeholders, records of all consultation and communication and records of action taken in response to input from stakeholders not properly maintained and updated.

Minat Teguh Estate

List of stakeholders is available in the Social impact Assessment Report which includes village, government bodies and plantation companies.

However, the list are not including some of estate supplier, contractor and related government agencies are not included in the list.

Example of stakeholders not within the list

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	a) Syarikat Bersatu Perdana (FFB Transporter) b) Jutamas Kekal Sdn Bhd (Replanting Contractor) c) Sabah Wildlife Department (Minat Teguh estate boundary with Sepilok Orang Utan Rehabilitation Centre)
Comment on Principle 3	<u>Regulatory requirements –</u> <u>EC 1 & 2 Estates</u> The estate is operating in compliance with the applicable local, state, national and ratified international laws and regulations. a. Land Titles (Combine EC1 & EC2) - Total: 6,364.5 Ha - EC1: 3506.19 Ha b. Permit Barang Kawalan Berjadual (Diesel, Petrol) - S 010760 (Valid until 30th July 2018) c. License for Managing Plantation – Reg No. R24636/97 with the validity until 31st Dec 2018 is available d. MPOB Licenses: - FFB Production and transportation: 503843202000 (Valid until 31st January 2019) e. Air Compressor Permit: - For registration number SB PMT 13114 - Validity until 6th November 2018 f. License for hiring foreign workers: - License Number JTK.H.SDK.600-4/1/1/01261/008019 - Valid until 31st July 2018 g. Salary Deduction Permit: - Serial Number: 11(1016)SDK - Validity until 22nd August 2018 h. Sundry Shop Trading License: - License ID: BLN/2016/1311 - Validity until 31st December 2018 <u>Minat Teguh Estate</u> The estate is operating in compliance with the applicable local, state, national and ratified international laws and regulations. i. Land Title - Lease title area : CL075471279 : 1,129 Ha) - Lease title area : CL075471251 : 1,549.1 Ha) j. Permit Barang Kawalan Berjadual (Diesel, Petrol) - S 010740 (Valid until 5 Aug 2018) - S 010785 (Valid until 7 Aug 2018) k. License for Managing Plantation – Reg No. R17927/93 with the validity until 31 Dec 2018 is available. l. MPOB Licenses:

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	FFB Production: 503312102000 (Valid until 30 Apr 2019) <u>EC 1 & EC 2 Estates</u> Total land title for EC1 was noted reflected in Sugut and Mahamat Region Titles area. It explained by the Sustainability Executive, Mr. Voon that EC1 and EC2 share land titles. EC1 is comprises of 3506.19 Ha. Where else the planted area for EC1 Estate is 3268 Ha. Sighted the summary of all land titles from “List Of Land Titles Sugut Region” documents. The documents reflected the parcel number, title number and the title area. <u>Minat Teguh Estate</u> The estate has been established since 1993. There is no evidence of the oil palm cultivation activities diminishing the land use rights of other users. The estate is operating on valid land titles CL075471279 and CL075471251 with total title area of 2,678.1Ha. <u>EC 1 & 2 Estate</u> There is no issue or encumbered by customary rights in the estates. The estate will respond according to the Complaints/Grievance Mechanism should any cases arise in future. Sustainability Team (based in HQ) will be referred for any issues of customary rights. <u>Minat Teguh Estate</u> There is no issues or encumbered by customary rights in the estates. The estate will respond according to the Complaints/Grievance Mechanism should any cases arise in future. Sustainability Team (based in HQ) will be referred for any issues of customary rights.
Comment on Principle 4	<u>Social Impact Assessment</u> <u>Minat Teguh Estate</u> The SIA for Minat Teguh Estate was made available at the site office. The document dated 31st January 2018 with Doc No 01/2018. Social Impact Assessment (SIA) report is available that contains the followings: - Introduction - Site Location and Size - Land Use - Human Environment - List of Stakeholders Nearby the Site - Survey Methodology - Identify Direct and Indirect Potential Impacts from operation (negative and positive) - Mitigation Plan

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	- Monitoring and Review - Appendix 1: Stakeholders list - Appendix 2 : Stakeholders meeting update) A time table with responsibilities for the mitigating the negative impacts has been described under Section 3.1 “Identify Direct and Indirect Potential Impacts from Operation” of the report. Section 3.2 “Monitoring and Review” indicate the actions taken to the recommendations of the assessment report. The report showed that the social impact assessment has been conducted internally. In addition, the audit team notes that the assessment has been conducted with consultation with local communities i.e. Kg. Pertanian Batu. Evidence of consultation in the form of Q & A Form is made available within the Social Impact Assessment document. The stakeholders meeting latest recorded was on: 15th January 2018 attended by 21 stakeholders. <u>Complaints and Grievances</u> <u>Minat Teguh Estate</u> Grievance Procedure is available in the Social Manual & Guidelines (Ref No.: IJMP/SOP/Social/ver01). In addition, the Flow Chart detailing the Grievance Procedure Mechanism is available in doc #: IJMP/GP/2014/03 V2). Details of complaints/grievances, date and details of action taken has been recorded in the “Complaint Record File” <u>Commitment to contribute to local sustainable developments</u> <u>Minat Teguh Estate</u> The audit team notes that the assessment has been conducted with consultation with local communities Kpg Pertanian Batu 25. Evidence of consultation in the form of Q & A Form is made available within the Social Impact Assessment document. Observed that the consultation has been conducted in a way to inform them on identification of local development needs. Positive impacts are in term of job employment given to the communities. <u>Employees health and safety</u> <u>Minat Teguh Estate</u> IJM Plantation Berhad (Minat Teguh Estate) has established a Policy Statement on Environmental; Occupational Safety & Health Policy. The policy has been signed by Mr. Joseph Tek (Managing Director) on 1st December 2014. The policy is displayed in the Estate Office. The policy has been communicated to all workers through briefing session (muster ground). Training has been conducted for every new worker; in example briefing
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	for Safety and Health Policy has been conducted on 28th March 2018 by Mr Hillary Nisius Giun (Minat Teguh Estate) <u>Employment conditions</u> <u>Minat Teguh Estate</u> The policy on good social practices has been indicated in the “Human Right Policy” established by the management of Minat Teguh Estate. Observed that the Policy has been signed by the Chief Executive Officer & Managing Director of the company dated 01 November 2014. <u>Major 2 : 4.4.2.2</u> The grievances procedure are available, however finding from the complaint form that fill in by the workers, it was not clear how the issues raised has been resolve in an effective, timely and appropriate manner hence is accepted by the complainant. Details of complaints/grievances, date and details of action taken has been recorded in the “Complaint Record Form. However it was found that after form fill in, the follow up action / action for complaint to close issue raised was not clearly indicated. It was also noted that, the complainant acknowledgement that the issue raised was solve or action has been taken was not clearly mentioned. Example : Complaint by Aina Binti Julaihi on water shortage and lamp malfunction dated 1st May 2018, was not clearly indicate either the case still going on or action had been taken to close the issue until 5th June 2018 (audit date) <u>Minor 1 : 4.4.2.4</u> Employees and the surrounding communities should be made aware that complaints or suggestions can be made any time. The IJM grievances Procedure Document title: “Prosedur Menangani Rungutan” with Document title: IJMP/GP/Apr 12-Ver 1. Interview with the stakeholders (contractor and supplier) by the auditor found that they are unsure with the complaint form and how to fill in the form. There is stakeholders mentioned that it was the first time they saw the form during the stakeholders interview at Minat Teguh Palm Oil Mill.
Comment on Principle 5	<u>Environmental management plan</u> <u>EC I & 2 Estates</u> The estate, EC I and II have the Policy statement on ‘Environmental, Occupational Safety and Health Policy’ dated on 09 August 2016 signed by Mr. Joseph Tek (CEO & Managing Director) made available during the audit and displayed at estate office. In the ECII ‘Summary conducted Training 2018’ ,awareness training on environment known as ‘Pelan Pengurusan Alam Sekitar ‘ is documented and recorded. e.g

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date	Trainer	No. participants
9/2/18	Div .A Trainer: Mr Johnlis Janis	Male: 3 Female : 11
21/2/18	Trainer: Mr Akhlos Maguru	Male: 16 Female : 3

The Environmental Management Plan (EMP) ver 03 , 1/8/17 of EC II file was sighted with 7 chapters that has relevance to the the relevant country and state environmental laws prepared by Ms Bibi Noorarijannah , Peg. Alam Sekitar (Environmental Officer)_ and approved by Ms Adeline Choy 1/8/17

Minat Teguh Estate

Policy statement on environmental, occupational safety and health signed by the Managing Director of IJM Plantations Berhad dated 09 August 2010 is made available during onsite audit.

The environmental management plan version 01, April 2014 covered the management plan for different aspect such as water, soil, air, waste, biodiversity, energy management plan and environmental monitoring plan.

Efficiency of energy use and use of renewal energy

EC I & 2 Estates

Consumption of non-renewable energy are monitored yearly by establishing baseline values and trends.

This is obtained via their ISCC GHG annual submission.

The following are the records of the non-renewable energy per MT FFB usage :

EC 2	'15/16	'16/17	'17/18
Diesel *	4.33	3.49	2.09
Lub	0.14	0.17	0.19
Petrol	0.21	0.36	0.18

EC 1	'15/16	'16/17	'17/18
Diesel *	1.26	1.19	1.34

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Lub	0.05	0.06	0.05
Petrol	0.07	0.06	0.10

Note: the diesel usage does not include the fuel used by contractors transporting FFB to the mill as the diesel usage is captured in the mill's FFB incoming transport emission.

EC I has less mechanization and that could be the reason for the lower diesel usage

Similarly, the electricity used by EC 2 and EC I is generated from the mill, SBPOM II.

Minat Teguh Estate

The record for all the fossil fuel, electricity and energy efficiency is available.

Greenhouse gas emissions assessment (April 2017- March 2018) is available which include the activities such as FFB transportation, emission from POME, fertilizer usage, pesticide and electricity.

Electricity sourced from the existing IJM Plantations Minat Teguh Palm Oil Mill.

The GHG Emission for Minat Teguh Estate from April 2017-March 2018 is 87.89 kg CO₂e/mt FFB.

Waste management and disposal

EC I & 2 Estates

In EC I and EC 2, all waste products and sources of pollution are identified and documented in Chapter 4 , Waste Management in the Environmental Management Plan (EMP).

Waste identified :

- 1) Biomass waste e.g pruned fronds
- 2) Scheduled Waste / *sisa Buangan Terjadual*
- 3) Domestic waste
- 4) *Sisa Kumbahan / Sewage*
- 5) Construction waste

The source of the waste is mentioned under each of the waste material identified.

Minat Teguh Estate

All waste generated in the oil palm plantation are categorize as: biomass waste, domestic waste and sewage from human activities, scheduled waste from workshop and chemical store, and the construction waste.

All the key mitigation measures were documented in the Environmental Management Plan, Chapter 4: Waste Management Plan.

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	<u>Reduction of pollution and emission</u> <u>EC I & 2 Estates</u> In EC I , all sources of pollution activities are also identified and documented in chapter 4 , Waste Management in the Environmental Management plan (EMP) . The polluting activities is stated in the various chapters of the waste generated and its polluting impact recorded such as : 1) <i>Plan Pengurusan air</i> 2) <i>Pelan pengurusan Udara</i> 3) <i>Pelan Pengurusan sisa Buangan</i> 4) <i>Pelan pengurusan Biodiversiti</i> 5) <i>Pelan Pengurusan Tenaga</i> <u>Minat Teguh Estate</u> All polluting activities are well documented in the Environmental Management Plan document dated January 2018. Greenhouse gas emissions assessment (April 2017- March 2018) is available which include the activities such as FFB transportation, emission from POME, fertilizer usage, pesticide and electricity. <u>Natural water resources</u> In the EMP, the water management plan chapter 1 was presented. it include the following topics: 1.1 air Sungai 1.2 Penggunaan domestic 1.3 Musim Kemarau 1.4 Biomas 1.5 Location 1.6 Plan tindakan Pengurusan air a) EC 1 has just installed the water flow-meter in Jun 2018. Based on the meter reading as of the 5th June 291 m³ was released. No. of occupants : 198 Amount water / day / occupant = $291 \text{ m}^3 / 5 \text{ days} / 198 = 0.29 \text{ m}^3 / \text{day} / \text{person}$ This is within EC I estimate requirement of 70 – 80 gal (180 – 360 lit) Domestic water is abstracted from a man-made catchment pond in Block 60. The water is treated using the TEK-membrane system. The last annual treated water was analysed was in Nov-Dec 2017 at the chemsain Konsultant Sdn Bhd lab , Kota Kinabalu. Based on the report No: CK/CL405/3916B/17 the result is within the National Drinking water quality , engineering Services Division , Ministry of Health Malaysian, 2nd version 2004 .
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- b) For the EIA for replanting programme on 10,320.6 ha Sugut Region Estates, Beluran , Sabah (Scale 1:190,000) was sighted , the consultant has identified 10 sampling points for the 5 estates within the IJMPB sugut Region . the map

One of the sample, W8, N 6 17' 8.21", E 117 21' 40.39" falls within the Estate audited EC 1 as an outgoing point .

The parameters analysed were pH, Temp, DO, Turbidity, BOD, COD, TSS , AN and O&G.

- c) In the Jadual 1.2 , the estate , EC I has listed the action plan for the water management e.g point 7 , the maintenance of leaking pipe and valve is the responsibility of the estate Manager.
- d) For protection of water courses and wetlands, including maintaining and restoring appropriate riparian buffer zones at or before planting or replanting, along all natural waterways within the estate , in Jadual 1.1 Pandualn Rizab sungai (DIF , 2000) , if the width of the river is > 3m , the riparian reserve would be 20 m .

This was sighted in Block 13 where palm were marked red and 2 palms rows are maintained.

Signage's were also erected to ensure workers were aware of the buffer zone.

Minat Teguh Estate

Treated water was tested at least once a year. Latest report dated 28th February 2018 indicated the treated water complied with the standard.

Regular monitoring of water quality at the stream/river flowing through the plantation conducted every 6 months. Verified few of the environmental monitoring & compliance audit report (CK/MO411/810-1/18) dated 21st March 2018. All parameters tested were within permissible limit.

Rain water harvesting through is implemented at every household for domestic use.

For the riparian reserve that has already been planted with oil palm trees, the existing oil palm retained to avoid river bank erosion. All riparian are demarcated with red paint and mapped out. No spraying is allowed at the riparian reserve. Onsite visit confirmed no spraying activities along the riparian zone.

Natural vegetation is observed along the riparian.

No well use in the estate.

Water reservoir is well maintain in Minat Teguh Estate

It was identified that river buffer and signboard

Status of rare, threatened or endangered species and high biodiversity value area

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	<u>EC I & 2 Estates</u> IJPB Sugut Region estate audited EC I and EC II has in their maps of planted area and the wider landscape level consideration has identified areas and boundary that borders the neighbouring Forest Reserve Paitan and Forest Reserve Sugut . There are no high biodiversity value habitats, such as rare and threatened ecosystems, that could be significantly affected by the grower(s) activities within the estate EC I and EC II . Similarly there are no conservation status (e.g. The International Union on Conservation of Nature and Natural Resources (IUCN) status on legal protection, population status and habitat requirements of rare, threatened, or endangered species), within the estates EC I and EC I2 <u>Minat Teguh Estate</u> Water catchment area has been established within the estates which supply raw water to the main water tank. Forest boundary with Sepilok Forest Reserve are visual seen and signboard to inform 'Kawasan Rizab Hutan' was erected at several site. Example signboard coordinate sighted : N 05 48' 20.8" E 117 54' 39.6" Assessment of biodiversity was identified in the estate Environment Management Plan developed by IJM sustainability team dated 15th January 2018. <u>Zero burning practices</u> <u>EC I & 2 Estates</u> The company is committed to the zero burning approach during disposal; or preparing land for oil palm cultivation (replanting) as clearly stated in 'Bab 03: Pelan Pengurusan Udara' of 'Pelan Pengurusan Alam Sekitar'. This is stated in 3.1 Polisi Sifar Pembakaran Terbuka In the latest Sustainability Policy June 2018 , it is stated that IJPB will 'adopt no burning policy in the new planting and replanting activities ' . At EC I, there were evidence of some burning of waste sighted on the ground at the school bus-stop beside the diesel skid tank. <u>Minat Teguh Estate</u> Zero burning policy is adopted for Minat Teguh Estates in all land clearing sites and housing areas. In the IJM Plantation Groups Plantation Manual (3rd Revision 2008/2009), clause 3.2.1.4 stated burning should be avoided unless necessary. Prior approval must be obtained from the DOE. Signboards of zero burning observed during onsite audit. Inspections of replanting area show that old stands of palm had been felled, chipped and
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retained in windrows as mulch and the use of fire was not found during replanting activities.

Major 3 : 4.5.3.2

A waste management plan to avoid or reduce pollution has been developed by Minat Teguh Estate, however it was found not fully implemented.

1. Findings at Minat Teguh Dumping Site

Waste segregation at source is not implemented as observed at the landfill which filled with recyclable waste such as paper, plastic and cans. Although recycle bins are available onsite, but the continued disposal of all kind of waste at the landfill indicated the lack of awareness and commitment to implement segregation at source.

2. Findings at Minat Teguh Workshop

It was identified management of used tire are not properly done at the workshop site. Visual assessment found that some tire contain water and there is a potential mosquito breeding at water log in used tire.

Minat Teguh Estate

Sources of waste were identified and categorized with the relevant mitigation measures. It was identified in the Minat teguh Environment management Plan .During Site visit, it was also identified availability of Recycle Bin at workers housing site for recycle programmed implementation.

Excellence Challenger I (EC I)

The following were sighted in ECI :

- a) Cut piece of pesticide container used for unknown purposes.
Location: old Linesite area.
- b) Empty paint container inside bushes nearby workshop area.

Excellence Challenger 2 (EC2)

The following were sighted in EC 2 :

- a) Used oil was found stored in pesticide container. Location: Nearby empty
Chemical container store. Also found, traces of oil spillage
container.
- b) Traces of oil spillages were found at the vehicles parking area at
the
Workshop.
- c) Contaminated rag was found lying on the ground at the workshop
area.
- d) Empty paint container and empty refrigerant canister at scrap iron
yard.

Major 4 :4.5.3.4

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	The empty pesticide containers were not rinsed properly although punctured and disposed in an environmentally and socially responsible way, such that there is no risk of contamination of water sources or to human health. The disposal instructions on manufacturer's labels should be adhered to. Reference should be made to the national programme on recycling of used HDPE pesticide containers. In the <i>Lampiran III</i> under the EMP Chapter 4, Waste Management Plan, the triple rinsing procedure is pictorially illustrated. Empty container in EC 2 and EC 1 were disposed by approved collector. the following was the latest disposal for EC 2 and EC I are as follows: Date: 4/10/17 Collector : Newgates Industries (Borneo) Sdn Bhd ECII is the central collection center for IJM Sugut region Quantity : 1000 kg (20 lit, 4 lit, 500g, 1 lt, 15 lit) In EC 2, the site where the empty containers were stored was visited . According to the store staff , Mr Cladius mentioned that the containers were triple rinsed and punctured However on inspection a few of the Garlon chemical containers although punctured still had chemicals inside which means it was not tripled rinsed. In addition, the reuse of the chemical container as premix containers still had the herbicide Ansar label although the 'Disposal Procedure' state that a skeleton sign need to be painted when used as pre-mix. In EC I , the triple rinsed and punctured Ansar 20lit containers were not triple rinsed properly as yellow residue of Ansar was still evidenced
Comment on Principle 6	<u>Site management</u> Sighted Plantation Manual had been established in year 2008/2009 3rd revision. The manual emphasises on the best practices and operation procedure in oil palm plantation such as Nursery Practices, land Clearing, Soil Conservation & Terracing, Preparation for Planting, Planting etc. Training record provided for staffs and workers on best practices were sighted as below: Manuring: 2nd April 2018 Spraying: 26th February 2018 Harvester: 25th January 2018 Integrated Pest Management: 17th April 2018 <u>Minat Teguh Estate</u> All employees are appropriately trained. All training program is summarized in Summary Conducted Training 2018. Example of training conducted includes the following: a. Manuring and use of PPE - 12th Jan 2018 b. Harvesting SOP - 23rd Mar 2018

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	c. Rhinoceros Beetle Control - 16th Mar 2018 d. First Aid Training - 28th Mar 2018 e. Amalan Kemampanan di IJM Plantations Bhd - 28th Mar 2018 Details of training conducted for each activity has been recorded in the Training Report. The report contains information that includes topic covered, the trainer, date and attendees. <u>Economic and financial viability plan</u> EC I & 2 Estates Long Term Management Planning to demonstrate attention to economic and financial viability has been established at IJM Plantation Group Level. As far as the estate level, Budget 2018/2019 is available which includes the projection of replanting activities and FFB production trend. 5 years Forecast Crop Monthly Distribution is available. Minat Teguh Estate As far as the estate level, Budget 2018/2019 is available which includes the projection of replanting activities and FFB production trend. 5 years Forecast Crop Monthly Distribution is available. <u>Transparent and fair pricing dealing</u> EC I & 2 Estates The payment for FFB Contractors is being handled by the estate management. A summary of total task performed for a month will be established by estate management. These summary will then be reflected in „Contract Payment Certificate“. A copy will be given to the contractor for reference. Minat Teguh Estate No sales & purchase agreement (same entity). The pricing mechanism is set by Marketing Department. The estate is only delivering FFB to Minat Teguh POM (managed by same legal entity). <u>Contractor</u> EC I & 2 Estates Contractor Self-Declaration Form has been signed by all contractors (Kopong Ent, Zulzanika Ent and Metro Bayan Sdn Bhd) doing FFB transportation. Minat Teguh Estate The contract Agreement for Bersatu Perdana, an FFB transporter dated 1 May 2018 (Contract No. MTG/CA/01A/05/18) states under no. 13 of its terms & conditions that “The contractor is to understand, implement and comply with all the sustainability requirements adopted by the company”.
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Comment on MS2530-4 Compliance Status:

Comment on Principle 1	<u>Policy on Implementation of MSPO</u> <u>Minat Teguh Palm Oil Mill and Sabang Palm Oil Mill</u> IJM Plantation Berhad has established a policy on sustainable palm oil production. The statement is evident in section “Our Business Pillars Towards Sustainability”. The policy has been signed by Mr. Joseph Tek, Managing Director of IJM Plantations Berhad on 9 Aug 2010. An update has been done with the title Sustainability Policy but yet to be signed by Chief Executive Director & Managing Director by June 2018. After approval & signed by MD will then be distributed to all operations in IJM. <u>Internal Audit</u> <u>Minat Teguh Palm Oil Mill</u> IJM Plantation has a plan to conduct internal audit covering MSPO requirements once a year in future. The audit will be conducted by Internal Audit team. The team is evident in the List of Internal Auditors in the Sustainability Internal Audit File. Based on records, the audit team notes that the company has established proper internal audit plan that is found to be covering all operations within the mill dated 31/1/2018. The audit team notes that the Internal Audit has been conducted on 31 January 2018 by the appointed Internal Auditors. Based on the internal audit records, the audit team observed that 7 NCs has been identified. The root cause of the NCs has been addressed by the company in the Internal Audit Report dated 16 February 2018 and has been presented to the auditor during the audit. Internal audit latest conducted : 27th-28th July 2018 Internal audit review: 25th-26th September 2017 <u>Sabang 1 Palm Oil Mill</u> From mill internal audit, 17 NC was raised on 27th July and during the review it was reported 12NC already closed. Among issues raised in the internal audit 1.Domestic waste management 2.Scheduled waste management 3.Environment compliances (DOE) 4.Information on Employment contract changes (Amendment) and briefing of the changes <u>Management Review</u> <u>Minat Teguh Palm Oil Mill</u>
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Internal Audit has been reviewed during the Management Review Meeting on 8 February 2018 and has been attended by the management of the Mill. Among issues discussed is internal audit report following the audit conducted on 31 January 2018; pertaining to issues such as continuous suitability, adequacy and effectiveness of the requirements for effective implementation of MSPO and decide on any changes, improvement and modification.

Integrated Management Review Procedures Doc No. GP-03 dated 1 July 2014.

Sabang 1 Palm Oil Mill

The management review conducted on 2/3/17 has the following discussed for the continuous suitability, adequacy and effectiveness of the requirements for effective implementation of MSPO and decide on any changes, improvement and modification :

- 1) Audit report findings
- 2) Sustainability Manual
- 3) Risk Management
- 4) Improvement plan 2016 & 2017
- 5) Mass Balance
- 6) GHG Inventory
- 7) Material Purchase & Sale
- 8) Social Aspect Management
- 9) LEV(Local Exhaust Ventilation)
- 10) Review of Sustainable policy
- 11) Training Programme
- 12) Legal Compliance
- 13) Dispute, Complaints and Suggestion
- 14) Mill Operating Procedures
- 15) Other issues
- 16) Conclusion

Continual Improvement

Minat Teguh Palm Oil Mill

The mill has established action plan for continual improvement on social, safety and health and environmental impact of the company.

Action plan evidence during the audit is as below:

- a. Social Impact Assessment (SIA)
Report of Social Impact Assessment dated 31/1/2018.
- b. HIRARC (Reviewed June 2017)
Covers 17 processes/Locations.
To be updated this June 2018.
- c. Environmental Aspect, Impacts (EAI) and Mitigation measures.
Doc. No. EAI/MTPOM/Ver01
dated 17/1/2018
- d. Environmental Management Monitoring - Checklist dated
30/1/2018 & next review January 2019.
- e. Environmental Management Plan (Revised 17/1/2018 Ver. 01)

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	f. Environmental Improvement Plan Doc. No. EIP/MTPOM/Ver00 dated 31/1/2018 <u>Sabang 1 Palm Oil Mill</u> The mill has established action plan for continual improvement on social, safety and health and environmental impact of the company. It include: 1) Dewatering & Desludging - done 2) Biogas Project - Pending 3) Fire fighting System - done 4) Add 2nd Set Vacuum dryer at Oil room- Pending 5) Add 2nd turbine at engine Room- Done 6) Add wet scrubber at Boiler - Pending However no social impacts were considered
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Comment on Principle 2	<u>Transparency of documents relevant to MSPO requirements</u> <u>Minat Teguh Palm Oil Mill</u> The Mill management will communicate all information requested by relevant stakeholders to the Mill Engineer in-charge, Mr Alexander J. Chung. Management documents for the mill are made publicly available upon request. a. Records of Request and response - Record is made available in Buku Aduan Pekerja, JCC dan OSHA log book b. Policy - The policy is publicly available at IJM website www.ijm.com/plantation c. Social Impact Assessment - The stakeholders list is available in the SIA report which includes government bodies, FFB suppliers, smallholders & plantation companies. However, the list is still not inclusive. d. Land titles - Lease title area : 075471279 : 1,129 Ha) - Lease title area : 075471251 : 1,549.1 Ha) The mill is included inside and is 31.19 Ha. e. Records of Complaints and Grievances Complaints/Suggestion Form <u>Sabang 1 Palm Oil Mill</u> The estate management will communicate all information requested by relevant stakeholders thru estate. This will be based on types of inquiry. All information relating to external stakeholder will be responded by HQ top management. From the estate procedure "Standard of Procedure Communication and Consultation" Dated 8 September 2015 Ref No: PNWR
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/MSPO/p2/C2/IN1, the management will communicate with interested stakeholders on information requested and reply accordingly.

Transparent method of communication and consultation

Minat Teguh Palm Oil Mill

The company has established a procedure for consultation and communication with the relevant stakeholders as evident in the Social Manual & Guidelines item No. 3

Refer to Doc. No. IJMP/SOP/Social/ver01 dated 1/11/2014.

Sabang 1 Palm Oil Mill

The company has established a procedure for consultation and communication with the relevant stakeholders "Standard of Procedure Communication and Consultation" Dated 8 September 2015 Ref No: PNWR /MSPO/p2/C2/IN1.

The document includes a flow chart of 'Request Info from Stakeholders and responses'

Traceability

Minat Teguh Palm Oil Mill

The document for the implementation and maintenance of the requirements for traceability is documented in the Mass Balance & Traceability Procedure (Doc No IJMP/SOP/MBTP/2014-04/Vero1 dated 1/2/2017)

It include the following sections:

- 1) Purpose
- 2) Scope
- 3) References
- 4) Definition
- 5) Requirements
- 6) Figure
- 7) Procedure
- 8) Records

Sabang 1 Palm Oil Mill

In the Mill Manual, the document for the implementation and maintenance of the requirements for traceability is documented.

Traceability and Mass Balance

It include the following sections:

- 1) Purpose
- 2) Scope
- 3) Responsibilities
- 4) Definition
- 5) Procedure

They have a flowchart to show how to trace back a delivery form the FFB source.

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Comment on Principle 3	<u>Regulatory requirements</u> <u>Minat Teguh Palm Oil Mill</u> The management has provided law register as follows: 1) Environment Protection Enactment 2002 2) Sabah Biodiversity Enactment 2000 3) Sabah Water Resources Enactment 1998 4) Wildlife Conservation Enactment 1997 5) Pesticides Act 1974 6) Drainage & Irrigation Ordinance 1956 7) Environment Protection (Prescribe Activities) Order 2005 8) Workers' minimum standards of housing & amenities act 1990 9) Sabah Labour Ordinance (Sabah Cap. 67) 10) United Nations Declaration on the Rights of Indigenous Peoples 11) United Nations Convention on Biological Diversity Person In charge to monitor on law changes and compliance with the applicable law for the Mill is Mr Alan Khoo Choom Kwong Ref. No. IJMP/010414-01 dated 30/3/2014. <u>Sabang 1 Palm Oil Mill</u> It was observed the mill Compliance to Applicable local state and national law. The updates was done every 6 months. The latest upon dates was conducted on March 2018 Letter of appointment for personnel in charge of monitoring is Mr Alan Khoo Choom Kwong (Senior Manager) the responsibility and roles list as below: a) To track any updates and changes in the national and internal legislations relevant to our business. b) To be the custodian for the legislative documents and fillings related to the legal laws. c) To regularly update the top management to any changes of the relevant legislation. d) To alert or update the operating units or departments on any updates and changes of the legislations. It was observed the machineries validity was up-to-date; Some of the validity list as below under Factories and Machineries Act Perakuan Kelayakan Dandang : FMA 1967 Regulations 10(2) 1) No Pendaftaran SBPMT 46, Valid till: 06/11/2018

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	Items: Steliser Ujian Hidrostatik 10/10/2017 (holding time 20 minutes) recorded in JKPP inspection Log Book. 2) No Pendaftaran SBPMT 12163, Valid till: 01/08/2018 Items: Filter Vessel 3) No Pendaftaran PMT 122540, Valid till: 01/08/2018 Items: Air receiver The appointed person to monitor the monitoring of the machinery is Mr. Chia Yaw Kwan (Mill Engineer) and maintenance will be done quarterly for each year. All the record will kept in intrusive maintenance record file. <u>Legal land use rights</u> <u>Minat Teguh Palm Oil Mill</u> The mill is located within Land titles - Lease title area : CL075471279 : 1,129 Ha - Lease title area : CL075471251 : 1,549.1 Ha The mill is located within Minat Teguh Estate with total area allocated for mill is 31.19 ha. <u>Sabang 1 Palm Oil Mill</u> It was observed, Sabang Oil Mill operation in Sg Sabang Estate this land belong IJM Plantation Berhad. With size of 41.66 hectares. There was no issues for mill to operate in the one management. The mill is located within Provisional lease of state land according to lease of state land on lot 31, PT 76081776 & 76081777, Labuk Sugut Beluran, Sandakan, Sabah.
Comment on Principle 4	<u>Social Impact Assessment</u> <u>Minat Teguh Palm Oil Mill</u> The mill has presented the Social Impact Assessment dated 31 January 2018 Social Impact Assessment (SIA) report is available that contains the followings: - Introduction - Site Location and Size - Land Use - Human Environment - List of Stakeholders Nearby the Site - Survey Methodology - Identify Direct and Indirect Potential Impacts from operation (negative and positive)

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	- Mitigation Plan - Monitoring and Review - Appendix 1: Stakeholders list - Appendix 2 : Stakeholders meeting update) MTPOM has conducted Stakeholder Meeting to addressed issue risen. Latest Stakeholders meeting was on 15th January 2018. Attended by : 1) Government Bodies 2) Supplier / Smallholders Among issue discuss during the meeting 1.IJM Mill Management 2.Sustaianbility Practices 3.Environment Component <u>Sabang 1 Palm Oil Mill</u> Report of Social Impact Assessment (SIA) of Palm Oil Mill at Sabang Palm Oil Mill 1, Sugut, Paitan, Sabah was available on record which review on 31st January 2017. The stakeholders list also listed in the SIA report. However, the following directly with mill dealing directly with government bodies such as Department of Environmental (DoE) and Department of Occupational Safety and Health (DOSH) it not mentioned in the SIA report. The Standard Operation Procedure (SOP) for grievance and complaint was available in Suggestion and Complaints File. The form of Borang Aduan available at the site office. Sabang 1 Palm Oil Mill presented the stakeholders meeting minute, feedback and list of stakeholders attended. The stakeholders meeting has been conducted on 19th September 2016 to review on the social impact assessment report that was done in December 2015 to improve on the efficiency of the report and helps to mitigate the negative impacts while promoting the positive ones. The agenda of the meeting is to have an open discussion and apart from that, Pests and Diseases (P& D) training were given by in-house Agronomist, Mr. Mohanaraj from Quality, Training and Research Centre (QTRC). Awareness briefing on Group sustainability practices was given to the stakeholders to raise their awareness on the practices in the estates. Most of the questions raised during in the event are mainly related on P&D matters. Apart from that, some of the smallholders raised questions on the environmental and FFB pricing related matters. Palm oil mill management may have a social impact on factors such as:
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	Subsistence activities Bola tampar, futsal, sepak takraw, bandminton, Bola sepak. Cultural and religious values Surau at Sg Sabang Estate Health and education facilities Clinic Sg. Sg Sabang and Excellent Challenger II. Transportation The management provide transportation to school, Clinic and pasar tamu. <u>Complaints and grievances – Minat Teguh Palm Oil Mill</u> Grievance Procedure is available in the Social Manual & Guidelines (Ref No.: IJMP/SOP/Social/ver01). In addition, the Flow Chart detailing the Grievance Procedure Mechanism is available in doc: IJMP/GP/2014/03 V2). Details of complaints/grievances, date and details of action taken has been recorded in the “Complaint Record File” From sight visual, the complaint form are made available at the weighbridge for easy access by the complainant. Upon form filling form are complete, it will be put inside the complaint box and person in charge will collect it for further action. The box inspection was conducted daily by social liaison in charge. <u>Sabang 1 Palm Oil Mill</u> It was observed the Standards Operation Procedure for complains and grievances procedure was available, which can refer in Suggestion & Complaints File Record. One record of complaint was available during the audit conduct dated on 17th May 2018 from Mr Bidi Kubud regarding “Keperluan alat mesin pemotong rumput di rumah pekerja bagi kegunaan penghuni perumahan pekerja potong rumput. Since aduan di buat still in consideration. The records of complaints form was available since 2015. <u>Commitment to contribute to local sustainable developments – Minat Teguh Palm Oil Mill</u> Evidence of consultation in the form of Q & A Form is made available within the Social Impact Assessment document. Observed that the consultation has been conducted in a way to inform them on identification of local development needs.
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Positive impacts are in term of job employment given to the communities in term of contractor, supplier and staff. Besides that, mill also gave training to the smallholders in term of best practices, pest management and quality management for fresh fruit bunches. Interview from smallholder confirm on the activities done by the mill management.

Sabang 1 Palm Oil Mill

Since Sabang Oil mill 1 under IJM Plantation Berhad the records of CSR activities covered under Sg. Sabang Estate.

Employees health and safety –

Minat Teguh Palm Oil Mill

IJM Plantation Berhad (Minat Teguh Palm Oil Mill) has established a **Policy Statement on Environmental; Occupational Safety & Health Policy**. The policy has been signed by **Mr. Joseph Tek (Managing Director)** on 1st December 2014.

The policy is displayed in the Estate Office. The policy has been communicated to all workers through briefing session.

Sabang 1 Palm Oil Mill

Safety and Health policy was integrated in POLICY STATEMENT ON ENVIRONMENTAL, OCCUPATIONAL SAFETY AND HEALTH, Signed by Mr Joseph Tek, Chief Executive Officer & Managing Director of IJM Plantations Berhad dated 9th August 2016

Safety and health policy was incorporated within MSPO General policy. Inline to ensure the safety policy followed. Some of the training was conducted list as below:

- 1) SOP Training for Process Operator (Loading Ramp)
Dated: 23rd March 2018
Time: 7.00 am
Attended by 17 persons
- 2) HIRARC Briefing for Electrical
Dated: 6th February 2018
Attended by 6 persons
- 3) HIRARC Briefing for Mechanical
Dated: 6th February 2018
Attended by 8 persons

The document can be verified in Training Report File.

Employment conditions –

Minat Teguh Palm Oil Mill

The policy on good social practices has been indicated in the “Human Right Policy” established by the management of Minat Teguh Palm Oil Mill.

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	Observed that the Policy has been signed by the Chief Executive Officer & Managing Director of the company dated June 2018 <u>Sabang 1 Palm Oil Mill</u> Human right policy was available and displayed at mills general notice board. <u>Training and competency – Minat Teguh Palm Oil Mill</u> The occupational safety and health plan known as ‘Annual Training Programme 2017 / 2018 ‘ cover the following: There are 27 topics listed that include: 1) Policy 2) SOP 3) New workers induction 4) Grading skills 5) Accident Reporting 6) Register of chemical Hazardous & chemical handling 7) HIRARC 8) ERP 9) First Aid Training 10) Confined space <u>Sabang 1 Palm Oil Mill</u> The competency list can be verified in Competency Record file. Sample of competency list as below: Jurutera stim gred 1 a) Nickalls Chin Su Loong as b) Ronald Stano Dickman c) Chia Yaw Kwan Drebar Enjin Gred 1 a) Reikol Bin Sali Osman@ Redzuan Abdullah b) Wahab Bin Baco c) Lonis Tail Training programmes for new employees was trains as follow: Stesen Tempoh Tarikh Ramp 1 Minggu 1 – 8 Sep 2013 Capstan/ tipper 10-16 Sep 2013 Shredder/ empty bunch 17 – 22 Sep 2013 <u>Major 1 : 4.4.4.2</u> <u>Sabang 1 Palm Oil Mill 1</u> The management shall provide the appropriate PPE at the place of work to cover all potentially hazardous operations as identified in the risk assessment and control such as Hazard Identification, Risk Assessment
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	and Risk Control (HIRARC). Contractor did not use the necessary PPE provided while performing task in accordance to HIRARC The management has provided sustainability briefing for the contractor and one of it is Syarikat Pengangkutan Khoo Siah Sdn Bhd (as Transporter). However, during handling CPO into tanker it was observed the worker was not wearing gloves and hard hat during handling the process at the CPO loading bay.
Comment on Principle 5	<u>Environmental management programme – Minat Teguh Palm Oil Mill</u> Policy statement on environmental, occupational safety and health signed by the Managing Director of IJM Plantations Berhad dated 1st December 2014 is made available during onsite audit. The environmental management plan version 15th, January 2018 covered the management plan for different aspect such as water, soil, air, waste, biodiversity, energy management plan and environmental monitoring plan. The policy commits to achieve environmental sustainability by 1.Compliance to environmental regulations 2.Implementing MSPO principles and criteria 3.Development only in degraded and logged over land 4.Zero burning practices 5.Minimise pollution through best practices 6.Training and educate employee through practices and policies <u>Sabang 1 Palm Oil Mill</u> The management has provided Environmental Sustainability Policy with Document No : SaPOM- S4 (Rev 2- with effective date 06/11/2017) The policy signed by Group CEO dated March 2017. The policy commits to achieve environmental sustainability by 1.Compliance to environmental regulations 2.Implementing MSPO principles and criteria 3.Development only in degraded and logged over land 4.Zero burning practices 5.Minimise pollution through best practices 6.Training and educate employee through practices and policies The management has provided continual improvement plan for Sebaju Palm Oil Mill for 2016-2018. For 2018 improvement plan, time frame given to accommodate this plan is until December 2018.

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	Item incorporate in the plan are 1. Annual EIA review 2. Monthly external POME analysis 3. SW inventory and consignment note 4. Quarterly stack monitoring 5. 3R recycling programme <u>Efficiency of energy use and use of renewal energy – Minat Teguh Palm Oil Mill</u> The record for all the fossil fuel, electricity and energy efficiency is available. Greenhouse gas emissions assessment (February 2017- January 2018) is available which include the activities such as FFB transportation, emission from POME, fertilizer usage, pesticide and electricity. The GHG Emission for Minat Teguh Estate from April 2017-March 2018 is 6561.73 kg CO₂e dry ton CPO Diesel usage: Feb 2017- Jan 2018 recorded : 334,727 litre Petrol Usage Feb 2017-Jan 2018 recorded: 750 litre Genset : April Record : Gen 1: 14 355 litre Gen 2: 10 856 litre <u>Sabang 1 Palm Oil Mill</u> The management has provided Improvement Plan which included biogas project to capture biogas for power generation and to reduce the release of methane gas into atmosphere (2018 Improvement plan) On the Energy Optimization Plan, the management has provides diesel consumption record that shows diesel usage/ FFB record The management provides 1.Monthly water consumption record 2.Total water supplied to workers quarters 3.Domestic water usage record and sampling analysis (once a year with latest domestic water sampling was on 3rd March 2017) 4.Water Tank Cleaning Record (latest 7 September 2017)
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**Waste management and disposal –
Minat Teguh Palm Oil Mill**

a)The Minat Teguh Palm Oil Mill management show record for its waste products in their June 2018 inventories

1. SW 410 Used Filter / Rags
2. SW306 Used Hydraulic Oil
3. SW305 Used Lubricant Oil
4. SW 102 Acid Battery
- 5.SW 409 Used Gallon
6. SW Used Fibre

Source of waste are identified in the environment risk assessment by the MTPOM

b)The Management provided map on Rubbish Pits Location (update 17/01/2018)

Locality : Block 29 Minat Teguh Estate

Sabang 1 Palm Oil Mill

a)The management show record for its waste products in their 2017 inventories

- 1.SW 410 Used Filter
1. SW306 Used Hydraulic Oil
2. SW305 Used Lubricant Oil

b)The Management provided map on Rubbish Pits Location (update 11/11/2017)

c) The management has provided record of Bunch Ash production (the mill have incinerator) Record latest 7th December 2017.

**Reduction of pollution and emission –
Minat Teguh Palm Oil Mill**

The MTPOM management has provided :

- 1.Environment Monitoring report (stack- latest 8th February 2018) Incinerator 1 and Incinerator 2.
- 2.BOD /COD test report (26th May 2018)
- 3.Online environment reporting (latest January-31st March 2018)
- 4.Internal document on scheduled waste record
- 5.Environmental Sustainability Policy mentioning No Open Burning, minimize pollution and manage disposal of waste(smoke, effluent, scheduled and other solid waste), minimize pollution of the land, air and water pollution.

Sabang 1 Palm Oil Mill

The management has provided :

- 1.Environment Monitoring report (stack- latest July- December 2017)

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Stack Emission Monitoring Report
2.Environment Monitoring Report
Incinerator : July – December 2017
Incinerator 1&2

**Natural water resources –
Minat Teguh Palm Oil Mill**

The management has provided 1.water testing analysis for drinking water (latest 4th November 2018)

2.Water Management plan

In the water management plan, area concern :

- 1.Water Reservoir
- 2.Drainage System inside mill
- 3.Water Treatment Plant
4. Effluent Treatment Plant
- 5.Mill Housing

The monitoring of the water management plan is overall done by the mill Engineer in Charge Mr Alexander J.Chung

Sabang 1 Palm Oil Mill

The management has provided 1.water testing analysis for drinking water (latest 9 March 2018)

Natural Water Resources : IPOM/L3/EN04

December 2017

Boiler water service Report vailvale monthly (Latest report : 10th April 2018)

Drinking water analysis : Procedure to collect water sample for lab analysis : N/A

It was found that level of Aluminium
0.219 exceed the approval level : 0.200

From the procedure IPOM-L3-EN06,

There is no clear procedure on how to manage if domestic water analysis result exceed approval level.

It was noted that the domestic water are used by mill staff and nearby communities.

There is no clear procedure on water management in area of concern :

- 1.Water Reservoir
- 2.Drainage System inside mill

The monitoring of the implementation of water management plan is overall done by the mill Manager.

Major 2 : 4.5.3.1

The waste products management are not fully implemented.

Minat Teguh Palm Oil Mill

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	1. It was identified in the scheduled waste store that used fibre contaminate with oil are mix with fresh fibre in the new fibre bin located in the store 2. It was sighted that empty used container kept in the store are still contained with used oil in the empty schedule waste container store <u>Minor 1 : 4.5.3.4</u> Domestic waste was not disposed as such to minimize the risk of contamination of the environment and watercourse. Bins are provided to each household in the line-site where at regular intervals domestic waste will be collected and disposed off at the landfill. Recycle bins are located at the line-site to segregate and to reduce the waste disposal to landfill/dumpsite. Non-waste or organic material such as shrub cuttings were also dumped in the landfill filling it up more quickly. Although bins were made available for recyclable material collection such as paper, aluminium , glass or PET bottles , PET bottles are still sighted disposed in the domestic bins at the linesite . Site clearing operation at the back of the line-site exposed the extend of indiscriminate disposal of domestic waste done in the past At the Mill contractor (Hitachi Driver involved in the desilting of the land application trenches) temporary wooden shed , no bins were sighted and domestic waste thrown indiscriminately although the contractors has agreed to abide by SBPOM 1 compliance to certification scheme such as MSPO . Evidence of burnt domestic waste was also sighted.
Comment on Principle 6	<u>Mill management –</u> <u>Minat Teguh Palm Oil Mill</u> The management has provided SOP on Mill Operating which includes 1.Reception station 2.FFB assessment procedure 3. Sterilization 4. Threshing 5. Pressing 6.Clarification 7. Depericarping 8. Kernel recovery station 9. Product storage 10..laboratory 11. Boiler station 12. Power generationt plant 13. ETP operation. 14. workshop 15.Safety & security 16. Decanter dryer station 17.Incinerator 18. Training requirements

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- 19. Raw water treatment
- 20. EFB shredder

The SOP will amend by the mill engineers and reviewed by mill managers.

Sabang 1 Palm Oil Mill

The management has provided SOP on Mill Operating which includes

- 1.SOP on Weighbridge Handling
- 2.SOP on Sterilizer Handling
- 3.threshing
- 4.Press
- 5.Kernel
- 6.Boiler
- 7.Engine Room
- 8.Oil room
- 9.Water treatment plant
- 10.POME treatment
- 11.Chemical handling
- 12.Laboratory
- 13.Working at height
- 14.Working in confined space
- 15/.Working on grass cutting and fogging machine
- 16.workshop (mechanical and electrical)
- 17.Security guard (Night shift patrolling)
- 18.First aid awareness

The SOP will amend by the mill engineers and reviewed by mill managers.

Economic and financial viability plan – Minat Teguh Palm Oil Mill

The management has provided 5 years production projection for year 2018-2023

The projection of production versus actual production is monitored by Mill engineer Mr Alexander J. Chung. (For mill CPO/OER) and each respected estate manager for estate crop projection.

Last 2 years performance:

	31/3/17	31/3/18
Bud FFB	98,600	75,400
Act FFB	59,156	63,346
Bud OER	20.00%	20.00%
Act OER	20.02%	20.58%
Bud KER	5.00%	5.00%
Act KER	4.91%	5.01%

Sabang 1 Palm Oil Mill

The management has provided 5 years production projection for year 2018-2023

The projection of production versus actual production is monitored by assistant Mill engineer Mr William Yong. (For mill CPO/OER) and each respected estate manager for estate crop projection.

Transparent and fair pricing dealing –

Minat Teguh Palm Oil Mill

The mill management receives FFB from internal estate and also from external supplier.

Pricing mechanism:

According to the SOP Accountant HQ , the pricing mechanism for Minat Teguh Palm Oil Mill for smallholder FFB crops are ;

- 1.The smallholder price is calculated with reference to MPOB published CPO,PK and CPKO prices
- 2.Oil extraction rate and kernel extraction rate for each grading will be considered
- 3.FFB prices will be less with processing fee deduction in line with industry practices and market rate)

Sabang 1 Palm Oil Mill

The mill management receives FFB from internal estate and also from external supplier.

- 1.The smallholder price is calculated with reference to MPOB published CPO,PK and CPKO prices
- 2.Oil extraction rate and kernel extraction rate for each grading will be considered
- 3.FFB prices will be less with processing fee deduction 9in line with industry practices and market rate)

Minat Teguh Palm Oil Mill

The management has provided list of contract and the job as mention below

- 1.Fire extinguisher services
- 2.Air Con services
- 3.Canteen services
4. Transporters
5. Suppliers

Findings from contractor compliances to MSPO, not within the contract agreement, but a Declaration that they have been briefed & understand MSPO.

Example :1) Contractor Self-Declaration Form for Syarikat Pertanian Khoon Siah Sdn Bhd

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	2)Chok Kui Choi for FFB supply dated 26/5/2018. <u>Sabang Palm Oil Mill</u> The management has provided list of contract and the job as mention below 1.Fire extinguisher services 2.Air Con services 3.Canteen services Findings from contractor compliances to MSPO, within the contract agreement, it is founded that availability of compliances with MSPO by the contractor. Example : Contract Document Emo Industrial Supplies Sdn Bhd clause 18 on Company's Policies, Guidelines and Procedures etc, mentioned on the contractor aware with the company requirement on MSPO and any related sustainability policy.
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7. Nonconformities

MS2530-3:2013 Part 3

NonConformity	N° 1 of 5		Major 1			
	Date Recorded>	08.06.18	Due Date>	07.08.18	Date Closed>	06.08.18
Department / Function:	Administrative		Standard Ref.: Indicator		MS2350-Part 3 4.2.2.3	
Document Ref.:	Criterion 2: List of stakeholders		Issue / Rev. Status:		Closed	
Details of Nonconformity:	List of stakeholders, records of all consultation and communication and records of action taken in response to input from stakeholders not properly maintained and updated					
Objective Evidence:	<u>Minat Teguh Estate</u> List of stakeholders is available in the Social impact Assessment Report which includes village, government bodies and plantation companies. However, the list are not including some of estate supplier, contractor and related government agencies are not included in the list. Example of stakeholders not within the list a) Syarikat Bersatu Perdana (FFB Transporter) b) Jutamas Kekal Sdn Bhd (Replanting Contractor)					

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	c) Sabah Wildlife Department (Minat Teguh estate boundary with Sepilok Orang Utan Rehabilitation Centre)
Close-out evidence:	The list of stakeholders was reviewed and updated which includes village & community, governmental & non-governmental bodies, plantations companies & smallholders and contractors (staying within project site) situated within 10KM radius from Minat Teguh estate office. Sepilok Orang Utan Rehabilitation Centre is under the administrative of Sabah Wildlife Department and Mdm. Sylvia Alsisto is the person in-charge of the Sepilok Orang Utan Rehabilitation project. Refer to Appendix 1: [MTG] Stakeholders list

NonConformity	N° 2 of 5		Major 2			
	Date Recorded>	08.06.18	Due Date>	07.08.18	Date Closed>	06.08.18
Department / Function:	Administrative		Standard Ref.: Indicator		MS2350-Part 3 4.4.2.2	
Document Ref.:	Criterion 4: Complaint and Grievances		Issue / Rev. Status:		Closed	
Details of Nonconformity:	The grievances procedure are available , however finding from the complaint form that fill in by the workers, it was not clear how the issues raised has been resolve in an effective, timely and appropriate manner hence is accepted by the complainant.					
Objective Evidence:	Details of complaints/grievances, date and details of action taken has been recorded in the “Complaint Record Form. However it was found that after form fill in, the follow up action / action for complaint to close issue raised was not clearly indicated. It was also noted that, the complainant acknowledgement that the issue raised was solve or action has been taken was not clearly mentioned. Example : Complaint by Aina Binti Julaihi on water shortage and lamp malfunction dated 1st May 2018, was not clearly indicate either the case still going on or action had been taken to close the issue until 5th June 2018 (audit date)					
Close-out evidence:	The complaint form has been reviewed and updated. The additional content of the form has incorporated the personnel assigned to liaise with the complainant and date of the complaint being resolved or any follow up action to be taken. This is to ensure the complaint is managed timely and effectively.					

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Refer to Appendix 2: [Template] Complaint Form

NonConformity	N° 3 of 5		Minor 1			
	Date Recorded>	08.06.18	Due Date>	07.08.18	Date Closed>	06.08.18
Department / Function:	Administrative		Standard Ref.: Indicator		MS2350-Part 3 4.4.2.4	
Document Ref.:	Criterion 4: Complaints and Grievances		Issue / Rev. Status:		Closed	
Details of Nonconformity:	Employees and the surrounding communities should be made aware that complaints or suggestions can be made any time.					
Objective Evidence:	The IJM grievances Procedure Document title: “Prosedur Menangani Rungutan” with Document title: IJMP/GP/Apr 12-Ver 1. Interview with the stakeholders (contractor and supplier) by the auditor found that they are unsure with the complaint form and how to fill in the form. There is stakeholders mentioned that it was the first time they saw the form during the stakeholders interview at Minat Teguh Palm Oil Mill					
Close-out evidence:	The complaint form has been reviewed and communicated to the contractors and suppliers for both Minat Teguh estate and Minat Teguh Palm Oil Mill. Refer to Appendix 3: [MTG] Training Report – Complaint Procedure Refer to Appendix 4: [MTPOM] Training Report – Complaint Procedure					

NonConformity	N° 4 of 5		Major 3			
	Date Recorded>	08.06.18	Due Date>	07.08.18	Date Closed>	06.08.18
Department / Function:	Administrative		Standard Ref.: Indicator		MS2350-Part 3 4.5.3.2	
Document Ref.:	Criterion 5: Waste Management and Disposal		Issue / Rev. Status:		Closed	
Details of Nonconformity:	A waste management plan to avoid or reduce pollution has been developed by Minat Teguh Estate, however it was found not fully implemented.					
Objective Evidence:	<u>Minat Teguh Estate</u> Sources of waste were identified and categorized with the relevant mitigation measures. It was identified in the Minat teguh Environment management Plan .During Site visit, it was also identified availability of Recycle Bin at workers housing site for recycle programmed implementation. 1. Findings at Minat Teguh Dumping Site Waste segregation at source is not implemented as observed at the landfill which filled with recyclable waste such as paper, plastic and cans. Although recycle bins are available onsite, but the continued disposal of all kind of waste at the landfill					

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	indicated the lack of awareness and commitment to implement segregation at source. 2. Findings at Minat Teguh Workshop It was identified management of used tire are not properly done at the workshop site. Visual assessment found that some tire contain water and there is a potential mosquito breeding at water log in used tire. <u>Excellence Challenger 1 (EC1)</u> The following were sighted in EC1 : c) Cut piece of pesticide container used for unknown purposes. Location: old Linesite area. d) Empty paint container inside bushes nearby workshop area. <u>Excellence Challenger 2 (EC2)</u> The following were sighted in EC 2 : a) Used oil was found stored in pesticide container. Location: Nearby empty Chemical container store. Also found, traces of oil spillage container. b) Traces of oil spillages were found at the vehicles parking area at the Workshop. c) Contaminated rag was found lying on the ground at the workshop area. d) Empty paint container and empty refrigerant canister at scrap iron yard.
Close-out evidence:	<u>Minat Teguh Estate (MTG)</u> A training on waste management was conducted to workers during the morning muster briefing to promote the awareness and commitment of waste segregation among workers. Refer to Appendix 5: [MTG] Training Report - Waste Management <u>Excellence Challenger 1 & 2 (EC1 & EC2)</u> Training on waste management was conducted to workers at both ECI and ECII estate to improve waste handling and practices such as domestic waste, recycle waste and scheduled waste in accordance to the waste management plan. Refer to Appendix 6: [ECI] Training Report - Waste Management Refer to Appendix 7: [EC 2] Training Report - Waste Management

NonConformity	N° 5 of 5		Major 4			
	Date Recorded>	08.06.18	Due Date>	07.08.18	Date Closed>	06.08.18
Department / Function:	Administrative		Standard Ref.: Indicator		MS2350-Part 3 4.5.3.4	
Document Ref.:	Criterion 5: Waste Management and Disposal		Issue / Rev. Status:		Closed	

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Details of Nonconformity:	Empty pesticide containers were not rinsed properly although punctured and disposed in an environmentally and socially responsible way, such that there is no risk of contamination of water sources or to human health. The disposal instructions on manufacturer's labels should be adhered to. Reference should be made to the national programme on recycling of used HDPE pesticide containers.
Objective Evidence:	In the <i>Lampiran III</i> under the EMP Chapter 4, Waste Management Plan, the triple rinsing procedure is pictorially illustrated. Empty container in EC 1 and EC 2 were disposed by approved collector. the following was the latest disposal for EC 1 and EC 2 are as follows: Date: 4/10/17 Collector : Newgates Industries (Borneo) Sdn Bhd ECII is the central collection center for IJM Sugut region Quantity : 1000 kg (20 lit, 4 lit, 500g, 1 lt, 15 lit) In EC II , the site where the empty containers were stored was visited . According to the store staff , Mr Cladius mentioned that the containers were triple rinsed and punctured However on inspection a few of the Garlon chemical containers although punctured still had chemicals inside which means it was not tripled rinsed. In addition, the reuse of the chemical container as premix containers still had the herbicide Ansar label although the 'Disposal Procedure' state that a skeleton sign need to be painted when used as pre-mix. In EC I , the triple rinsed and punctured Ansar 20lit containers were not triple rinsed properly as yellow residue of Ansar was still evidenced
Close-out evidence:	The estate management for ECI & ECII has re-checked all the empty pesticide containers to ensure all are properly rinsed and punctured (Refer to <i>Figure 5.1 & 5.2</i>). Training on triple rinsing procedure is also conducted to sprayers to ensure all the empty pesticide containers will be properly rinsed and punctured with holes in accordance to the triple rinsing guideline. Refer to Appendix 8: [EC 1] Training Report -Triple Rinsing Procedure Refer to Appendix 9: [EC 2] Training Report -Triple Rinsing Procedure The estate management of ECII has also conducted the briefing to all chemical handlers to ensure that the herbicide label is peel off and mark with skeleton sign before being reuse as premix container.

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NonConformity	N° 1 of 3		Major 1			
	Date Recorded>	08.06.18	Due Date>	07.08.18	Date Closed>	06.08.18
Department / Function:	Administrative		Standard Ref.: Indicator		MS2350-Part 4 4.4.4.2	

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Document Ref.:	Criterion 4: Safety and Health	Issue / Rev. Status:	Closed
Details of Nonconformity:	<u>Sabang Palm Oil Mill 1</u> The management shall provide the appropriate PPE at the place of work to cover all potentially hazardous operations as identified in the risk assessment and control such as Hazard Identification, Risk Assessment and Risk Control (HIRARC). Contractor did not use the necessary PPE provided while performing task in accordance to HIRARC		
Objective Evidence:	The management has provided sustainability briefing for the contractor and one of it is Syarikat Pengangkutan Khoon Siah Sdn Bhd (as Transporter). However, during handling CPO into tanker it was observed the worker was not wearing gloves and hard hat during handling the process at the CPO loading bay.		
Close-out evidence:	Training on personal protective equipment (PPE) was conducted to the tanker's drivers from Syarikat Pengangkutan Khoon Siah Sdn Bhd, the contractor engaged in CPO delivery. The training is to ensure the drivers wear all necessary PPE as per listed in HIRARC such as safety helmet, hand gloves, safety shoes and safety harness when carry out the CPO delivery task in the mill premises. Refer to Appendix 10: [SBPOM1] Personal Protective Equipment (PPE) Training for CPO Tanker's Driver		

NonConformity	N° 2 of 3		Major 2			
	Date Recorded>	08.06.18	Due Date>	07.08.18	Date Closed>	06.08.18
Department / Function:	Administrative		Standard Ref.: Indicator		MS2350-Part 4 4.5.3.1	
Document Ref.:	Criterion 5: Waste Management		Issue / Rev. Status:		Closed	
Details of Nonconformity:	The waste products management are not fully implemented.					
Objective Evidence:	<u>Minat Teguh Palm Oil Mill</u> 1.It was identified in the scheduled waste store that used fibre contaminate with oil are mix with fresh fibre in the new fibre bin located in the store 2. it was sighted that empty used container kept in the store are still contained with used oil in the empty schedule waste container store .					
Close-out evidence:	Used and new fibre were segregated accordingly and the used fibre is then sent to the scheduled waste store and stored under the scheduled waste category SW409. Besides, waste management training was conducted by Mr. Herman (Mill-Cadet) to the workers to ensure the wastes (domestic waste, recycle waste & scheduled waste) generated by the operating unit are handled in accordance to the requirements and waste management plan.					

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Refer to Appendix 11: [MTPOM] Training Report - Waste Management

NonConformity	N° 3 of 3		Minor 1			
	Date Recorded>	08.06.18	Due Date>	07.08.18	Date Closed>	06.08.18
Department / Function:	Administrative		Standard Ref.: Indicator		MS2350-Part 4 4.5.3.4	
Document Ref.:	Criterion 5: Waste Management		Issue / Rev. Status:		Closed	
Details of Nonconformity:	Domestic waste was not disposed as such to minimize the risk of contamination of the environment and watercourse.					
Objective Evidence:	Bins are provided to each household in the line-site where at regular intervals domestic waste will be collected and disposed off at the landfill. Recycle bins are located at the line-site to segregate and to reduce the waste disposal to landfill/dumpsite. Non-waste or organic material such as shrub cuttings were also dumped in the landfill filling it up more quickly. Although bins were made available for recyclable material collection such as paper, aluminium , glass or PET bottles, PET bottles are still sighted disposed in the domestic bins at the linesite . Site clearing operation at the back of the line-site exposed the extend of indiscriminate disposal of domestic waste done in the past At the Mill contractor (Hitachi Driver involved in the desilting of the land application trenches) temporary wooden shed , no bins were sighted and domestic waste thrown indiscriminately although the contractors has agreed to abide by SBPOM 1 compliance to certification scheme such as MSPO . Evidence of burnt domestic waste was also sighted.					
Close-out evidence:	Briefing was conducted to workers regarding the waste management such as waste categories and waste recycling to promote awareness in waste segregation among the workers. Refer to Appendix 12: [SBPOM I] Training Report - Waste Management Rubbish bin was also provided at the temporary wooden shed area for the contractors' workers (Refer to <i>Figure 3.1</i>) and the mill contractors were briefed on the waste segregation and advise to practise waste management in accordance to the Company's practices and waste management plan.					

Nonconformities detailed here shall be addressed through the organization's corrective action process, in accordance with the relevant corrective action requirements of the audit standard, including actions to analyse the cause of the nonconformity and prevent recurrence, and complete records maintained.

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- ☒ Corrective actions to address identified major nonconformities shall be carried out immediately and SGS notified of the actions taken within 30 days. An SGS auditor will perform a **follow up visit** within 60 days to confirm the actions taken, evaluate their effectiveness, and determine whether certification can be granted or continued.
- ☒ Corrective actions to address identified major nonconformities shall be carried out immediately and **records with supporting evidence sent to the SGS auditor** for close-out within 60 days.
- ☒ Corrective Actions to address identified minor non conformities shall be documented on an action plan and sent by the client to the auditor within 60 days for review. If the actions are deemed to be satisfactory they will be followed up at the next scheduled visit
- ☒ Corrective Actions to address identified minor non-conformities have been detailed on an action plan and the intended action reviewed by the Auditor, deemed to be satisfactory and will be followed up at the next scheduled visit.
- ☒ Appropriate immediate action taken in response to each non-conformance as required

Note:- Initial, Re-certification and Extension audits – recommendation for certification cannot be made unless check box 4 is completed. For re-certification audits the time scales indicated may need to be reduced in order to ensure re-certification prior to expiry of current certification.

Note: At the next scheduled audit visit, the SGS audit team will follow up on *all* identified nonconformities to confirm the effectiveness of the corrective actions taken.

8. General Observations & Opportunities for Improvement

Positive Observations:

- The support from IJM Plantation personnel, especially the ground staff contribute to the smoothness and successful of the audit process.
- The spirit of unity and enthusiasm of the personnel towards achieving MSPO certification is impressive.
- The unit has dedicated staffs who are assets to the company. Their cooperative, knowledgeable and hospitality are commendable
- Organised documentation & highly commitment towards certification

Important Observations and Opportunities for Improvements:

- Contact details and information should be updated thoroughly.
- Waste management plan should be fully implemented to avoid and reduce pollution and the risk of contamination to the environment.
- Efficiency of resolving complaints could be further improved.
- Awareness of MSPO implementation among contractors could be improved.

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Appendix 1: Multi –Site Address List

ESTATES			
NAME OF ESTATE / PLANTATION	LOCATION	GEO-COORDINATES (GPS)	PLANTATION AREA (HA)
Excellent Challenger 1	North Of Sungai Sugut, Sugut Region, Beluran, Sabah	N 6° 18' 27.54" E 117° 29' 27.42"	3,506.19 Ha
Berakan Maju	South Of Sungai Sugut, Sugut Region, Beluran, Sabah	N 6° 14' 27.38" E 117° 28' 11.21 "	3,010.46 Ha
Sungai Sabang	South Of Sungai Sugut, Sugut Region, Beluran, Sabah	N 6°12'43.24" E 117°32'36.89"	4,659.14 Ha
Excellent Challenger 2	North Of Sungai Sugut, Sugut Region, Beluran, Sabah	N 6° 20' 7.38" E 117° 27' 38.33"	3,002.04 Ha
Rakanan Jaya South	North Of Sungai Sugut, Sugut Region, Beluran, Sabah	N 6° 18' 22.39" E 117° 22' 44.65"	967.63 Ha
Rakanan Jaya North	South Of Sungai Paitan, Sugut Region, Beluran, Sabah	N 6° 28' 22.84" E 117° 31' 11.60"	3,951.22 Ha
Minat Teguh	Km 39, Sandakan-Telupid-Kota Kinabalu Highway, District Of Labuk-Sugut, Sabah	N 5°49'54.43" E 117°52'9.59"	2,837.54 Ha
Sijas	Km 12.5, Jalan Beluran, District Of Labuk-Sugut, Sabah	N 5°47'37.15" E 117°34'30.13"	1,010.91 Ha
MILL			
MILL / PLANT NAME	LOCATION	GEO-COORDINATES (GPS)	PLANT CAPACITY
Sabang Palm Oil Mill 1	Labuk/ Sugut, Beluran, 90009 Sabah	N 6° 14' 00.985" E 117° 31' 45.112"	60 MT/HR
Sabang Palm Oil Mill 2	Labuk/ Sugut, Beluran, 90009 Sabah	N 6° 21' 11.525" E 117° 28' 38.866"	45 MT/HR
Minat Teguh Palm Oil Mill	Km 39, Sandakan-Telupid-Kota Kinabalu Highway, District Of Labuk-Sugut, Sabah	N 5°49'10.31" E 117°52'11.97"	45 MT/HR

Appendix 2: List of Stakeholders Contacted

Stakeholder	Type of Stakeholder	Issues raised	Comments/Action Taken
Minat Teguh Palm Oil Mill			
1.a) Nasir Bin Samsuddin b).Samir Abdul Majid	FFB Supplier (Sayongmas Sdn Bhd)	The stakeholders are generally happy with the company especially on the provision of business opportunities.	They are aware of MSPO. With regards to complaints/grievances need further training.
2)Chok Kui Choi	FFB Supplier (Smallholder)	The stakeholder also generally happy with the company on business opportunity.	They are aware of MSPO. With regards to complaints/grievances need further training.
Minat Teguh Estate			
3)Haslina B Nawir	Transport Contractor (Syarikat Bersatu Perdana Sdn Bhd)	No issue raised by the contractor	The contractor not sure with grievances procedure (How to fill form and location of the form)
4) Kamarudin Bin Pattolla	FFB Transporter (Contractor Terus Maju Sdn Bhd)	No issue raised by the contractor	The contractor request more detail information / training on grievances procedure
<u>Excellence Challenger I</u>			
5) Encik Zulkaidi Amir	FFB Transporter (Contractor Zulzanika Enterprise)	No issue raised by the contractor	They are aware of MSPO. With regards to complaints/grievances need further training.
<u>Excellence Challenger II</u>			
1) Tan Boon Guan (Simon Tan)	Metro Bayan Sdn Bhd	No issue raised by the contractor	They are aware of MSPO. With regards to complaints/grievances need further training.
2) Jakin Bin Onab	Kg Linaiyukan, Sugut	Estate development area encroaching into village area.	The local request more detail information / training on grievances procedure
<u>Sabang Palm Oil Mill 1</u>			

3) MasjaliT umas	Borneo Crops & Taniaga Holdings (Smallholder)	No issue raised by the contractor	They are aware of MSPO. With regards to complaints/grievances need further training.
4) Rene Ulysses Hanis	IOI Group, Sugut Estate (FFB Supplier)	No issue raised by the contractor	They are aware of MSPO. With regards to complaints/grievances need further training.

Signed on behalf of IJM Plantation	Signed on behalf of SGS Malaysia Sdn Bhd
	

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