

## Management System Certification Audit Summary Report

Organization:	Morisem Palm Oil Mill Sdn. Bhd (Leepang Palm Oil Mill) 175440-U (Morisem Palm Oil Mill, Leepang Palm Oil Mill)		
Address:	1) Postal Address: Leepang Palm Oil Mill, MDLD 5123, KM 3, Jalan Segama, 91100 Lahad Datu, Sabah 2) Location Address: Leepang Palm Oil Mill, KM 20, Jalan Jeroco, Off Road KM 66, 91100 Lahad Datu,		
Standard(s):	MS2530-3:2013 and MS2530-4:2013	Accreditation Body(s): STANDARDS MALAYSIA	
Representative:	Mr. Kanny @ Paul Sitip - Manager, Leepang Palm Oil Mill Mr. Agos Atan – Manager - Sustainability (Sabah) Mr N. Raymond, Mill Controller En Zakaria Arshad, Plantation Controller Estate Managers, Asst Managers, SPO Executives ,etc		
Site(s) audited:	As per address above	Date(s) of audit(s):	13-17 November 2017
Visit Type:	Main Assessment		
Lead auditor:	James S H Ong	Additional team member(s):	Mohd Jailan Iqbal
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

**Cultivation of oil palm for the production of FFB and the processing for the production of CPO and Palm Kernel in compliance with MS2530-3:2013 Part 3 and MS2530-4:2013 Part 4**

The audit covered the **MS2530-3:2013 Part 3 and MS2530-4:2013 Part 4** requirements

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

### 3. Current audit findings and conclusions

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.

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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: 0 Major 01 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.

#### 4. Previous Audit Results ( not applicable )

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

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

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

## rev 1\_Audit Plan

Organization:	Morisem Palm Oil Mill Sdn. Bhd ( Leepang Palm Oil Mill ) – MY04901		
Address:	KM 20, Jalan Jeroco , Off Road KM66,Lahad Datu , Sabah , Malaysia  Contact person: Mr. S.S. Ragupathy - General Manager, Lahad Datu Region Mr. Kanny @ Paul Sitip - Manager, Leepang Palm Oil Mill Mr. Agos Atan – Manager - Sustainability (Sabah)  +6014-826 6281 (GM office) +6014-679 8211 (Leepang mill office) +6016-886 5035 (Sustainability office)  <a href="mailto:gloffice.mpom@gmail.com">gloffice.mpom@gmail.com</a> <a href="mailto:leepangpalmoilmilli@gmail.com">leepangpalmoilmilli@gmail.com</a> <a href="mailto:agos@ioigroup.com">agos@ioigroup.com</a>		
Visit Number:	01	Actual Visit Date:	13-17 November 2017
Visit Due by Date:	-	For auditor information only	
Lead Auditor:	James S H Ong , SGS (Malaysia) Sdn Bhd Mobile: +6012 3736605 email : <a href="mailto:james.ong@sgs.com">james.ong@sgs.com</a>		
Team Member(s):	Muhamad Iqbal Jailan (MIJ) Mobile : +6017 8077020 Email : <a href="mailto:muhamadiqbal.jailan@sgs.com">muhamadiqbal.jailan@sgs.com</a>		
Additional Attendees and Roles			
Standard(s):	<b>MS2530-3:2013 Part 3: General principles for oil palm plantations and organized smallholders</b> <b>MS2530-4:2013 Part 4: General principles for palm oil mills</b>		
Audit Language:	English & Bahasa Malaysia/Melayu		
Audit Scope:	Production of FFB , CPO and Palm Kernel in compliance to the MSPO Certification Standard <b>MS2530-3:2013 Part 3 and MS2530-4:2013 Part 4 and the MSPO Supply Chain Traceability Requirements</b> <b>Supply Chain Model: Segregation</b>		

*Audit Objectives: To determine conformity of the management system, or parts of it with audit criteria and its:*

- ability to ensure applicable statutory, regulatory and contractual requirements are met,
- effectiveness to ensure the client can reasonably expect to achieve specified objectives

*and to identify as applicable areas for potential improvement.*

Date	Time	Auditor	Organisational and Functional Units/ Processes and Activities	Key Contact
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13/11/17	2:00 pm	JO & MIJ	Flight Kuala Lumpur – Sandakan MH 2710 10:35 a.m Arrival 13:20 Sandakan Airport  Travel to Leepang , Sukau , Kinabatangan		Agos
	4:30 pm	JO & MIJ	o/night Kinabatangan		
			Dinner		
14/11/17	7:00		Breakfast and Travel to LPOM		
			Auditor 1	Auditor 2	
			Opening Meeting – Leepang Palm Oil Mill IOI Presentation ,  MS 2530-4-2013 (Part 4) Palm Oils Mills <b><u>Leepang POM</u></b>		Estate and Mill Personnel
	8:00 – 12:30	JO & MIJ	<ul style="list-style-type: none"> <li>• Principle 1: Management commitment and responsibility</li> <li>• Principle 2: Transparency</li> <li>• Principle 3: Compliance to legal requirements</li> <li>• Principle 4: Social responsibility, health, safety and employment condition</li> </ul>	<ul style="list-style-type: none"> <li>• Principle 5: Environment, natural resources, biodiversity and ecosystem services</li> <li>• Principle 6: Best practices</li> </ul>	Mill Key Personnel
	12:30 – 1:30		Lunch		
	1:30 – 5:30		Document review , interview , stakeholder consultation ) Mill visit , interview workers and representatives		
	5:30		Preliminary Findings for <b>LPOM</b>		
	6:00		End of Day 1		
	TBA		Dinner		
15/11/17	7:00 a.m		Breakfast and Travel to <b>Morisem 5 Estate ( M5 )</b>		
			Auditor 1	Auditor 2	

			MS 2530-3-2013 (Part 3) Oil Palm Plantation & Organised Smallholder		
	8:00 – 12:30	JO & MIJ	<ul style="list-style-type: none"> <li>• Principle 1: Management commitment and responsibility</li> <li>• Principle 2: Transparency</li> <li>• Principle 3: Compliance to legal requirements</li> <li>• Principle 4: Social responsibility, health, safety and employment condition</li> </ul>	<ul style="list-style-type: none"> <li>• Principle 5: Environment, natural resources, biodiversity and ecosystem services</li> <li>• Principle 6: Best practices</li> </ul>	Estate Key Personnel
	12:30 – 1:30		Lunch		
	1:30 – 5:30	JO & MIJ	Document review , interview , stakeholder consultation )		
	5:30		Preliminary Findings for <b>M5</b>		
	6:00		End of Day 2		
	TBA		Dinner		
16 Nov 2017	7:00		Breakfast and Travel to <b>LP5</b>		
			Auditor 1	Auditor 2	
			MS 2530-3-2013 (Part 3) Oil Palm Plantation & Organised Smallholder		
	8:00 – 12:30	JO & MIJ	As in M5		Estate Key Personnel
	12:30 – 1:30		Lunch		
	1:30 – 5:30	JO & MIJ	Document review , interview , stakeholder consultation )		Estate Key Personnel
	5:30		Preliminary Findings for Estate LP5		
	6:00		End of Day 3		
	TBA		Dinner		

17/11/17	7:00		Breakfast and Travel to <b>PP2</b>		
			Auditor 1	Auditor 2	
			MS 2530-3-2013 (Part 3) Oil Palm Plantation & Organised Smallholder		
	8:00 – 12:30		As in LP5		Estate Key Personnel
			Travel to LPOM MSPO Supply Chain and Traceability requirement		
	12:30 – 1:30		Lunch		
	1:30 – 3:00		Continue document review		
	3:00 – 4:00		Finalising Findings and Recommendation		
	4:00 – 5:00		Closing Meeting  Presentation of findings and recommendation  Questions and Discussion		Estate and Mill personnel of Leepang Certification Unit
			End of MSPO audit		
		5:30 pm	Auditors travel to Sandakan via Jalan Jeroco ( Barge breakdown)		
18/11/17					
	9:40 am	JO & MIJ	Travel Back AK 5193 Flight Sandakan – Kuala Lumpur		



### Background of Company / Holding

Leepang Palm Oil Mill is one of the 15 palm oil mills owned by IOI Corporation Berhad. IOI Corporation Bhd is a Malaysian public-listed company with business under three key segments of Plantation, Resource-Based Manufacturing and Properties.

Under the Plantation segment, the Group has 90 estates including 7 estates that sent crop to Leepang Palm Oil Mill. Through a series of land acquisition during the mid -1990s and early 2000s IOI Group expanded in the Sukau-Kinabatangan region resulting in the estates of Leepang, Morisem and Permodalan. Leepang 1 was bought from a private company, B A Plantations Sdn. Bhd. Leepang 5 was also bought from a private company, Pine Capital Sdn. Bhd. Morisem 5 was bought from yet another private company, Meriteam Sdn. Bhd. They were already planted with oil palm when acquired. The Leepang Palm Oil Mill was commissioned in Oct 1997. This arrangement was changed when the new Morisem mill was commissioned on the 16th of July 2003.

### Location and Maps

Leepang Palm Oil Mill is located in the Sukau-Kinabatangan region of the district Lahad Datu in the State of Sabah, Malaysia. It is accessible by road using the Jalan Jeroco, Lahad Datu

Alternatively the other route is through Jalan Sukau, Kinabatangan where a barge service is provided to cross over the river Sg Kinabatangan, second longest river in Malaysia to access the location.

Leepang Palm Oil Mill receives FFB from 7 IOI Supply Base estates located within the location, namely Morisem 5 Estate, Leepang 1 Estate, Leepang 5 Estate, Permodalan Plantation 1,2,3 and 4 Estate with a combined titled area of about 14,500 ha.

In this initial MSPO audit based on the MSPO sampling methodology, 3 Estates were sampled, i.e Morisem 5 ( M5 ), Leepang 5 ( LP5) and Permodalan Plantation 2(PP2) .

More detailed information on the estates location and layouts is shown in **Figures 1- 4** . The GPS locations of the mill and the 7 estates are shown in **Table 1** .

**Table 1: Mill and Supply Base GPS Location**

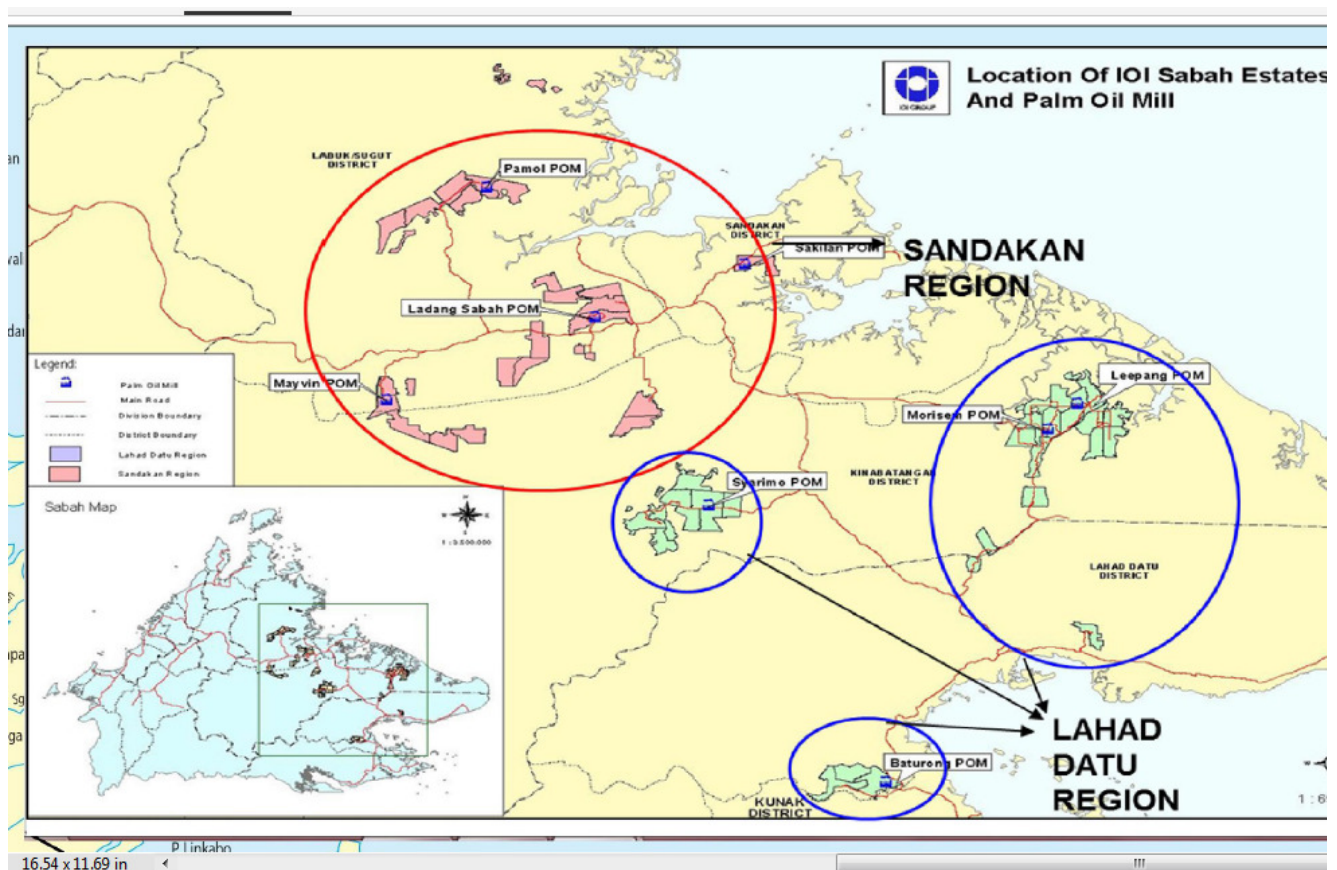
Estate/ Mill	Location Address	Geo-Coordinate (GPS)
		Latitude, Longitude
Leepang Palm Oil Mill	Leepang Palm Oil Mill, KM20, Jln Jeroco, Off Road, KM 66, Lahad Datu	N 5°32.864', E 118°26.216

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<b>Morisem 5 Estate</b>	Ladang Morisem 5, KM 20, Jalan Jeroco, Off Road, KM 61 Lahad Datu	N 5°30.525', E 118°26.142'
<b>Leepang 1 Estate</b>	Ladang Leepang 1, KM20, Jalan Jeroco, Off Road, KM65, Lahad Datu	N 5°33.954', E 118°26.629'
<b>Leepang 5 Estate</b>	Ladang Leeoang 5, KM 20, Jalan Jeroco Off Road KM 66, Lahad Datu	N 5°32.778', E 118°26.113'
<b>Permodalan 1 Estate</b>	Ladang Permodalan 1, KM63, Jalan Jeroco, Off Road KM72, Lahad Datu	N 5°30.419', E 118°27.909'
<b>Permodalan 2 Estate</b>	Permodalan Plantatipn KM 20, Jalan Jeroco, Off Road, KM 74, Lahad datu	N 5°30.467', E 118°29.023
<b>Permodalan 3 Estate</b>	Ladang Permodalan 3, KM20, Jalan Jeroco, Off Road KM76, Lahad Datu	N 5°28.099', E 118°28.847'
<b>Permodalan 4 Estate</b>	Ladang Permodalan 4, KM63, Jalan Jeroco, Off Road KM78, Lahad Datu	N 5°26.943', E 118°28.121'

**Figure 1: Location Map for Leepang Palm Oil Mill Certification Unit ( Biggest Blue circle ) in relation to the other IOI units**



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Figure 2: Location Map for estate audited : Morisem 5 Estate

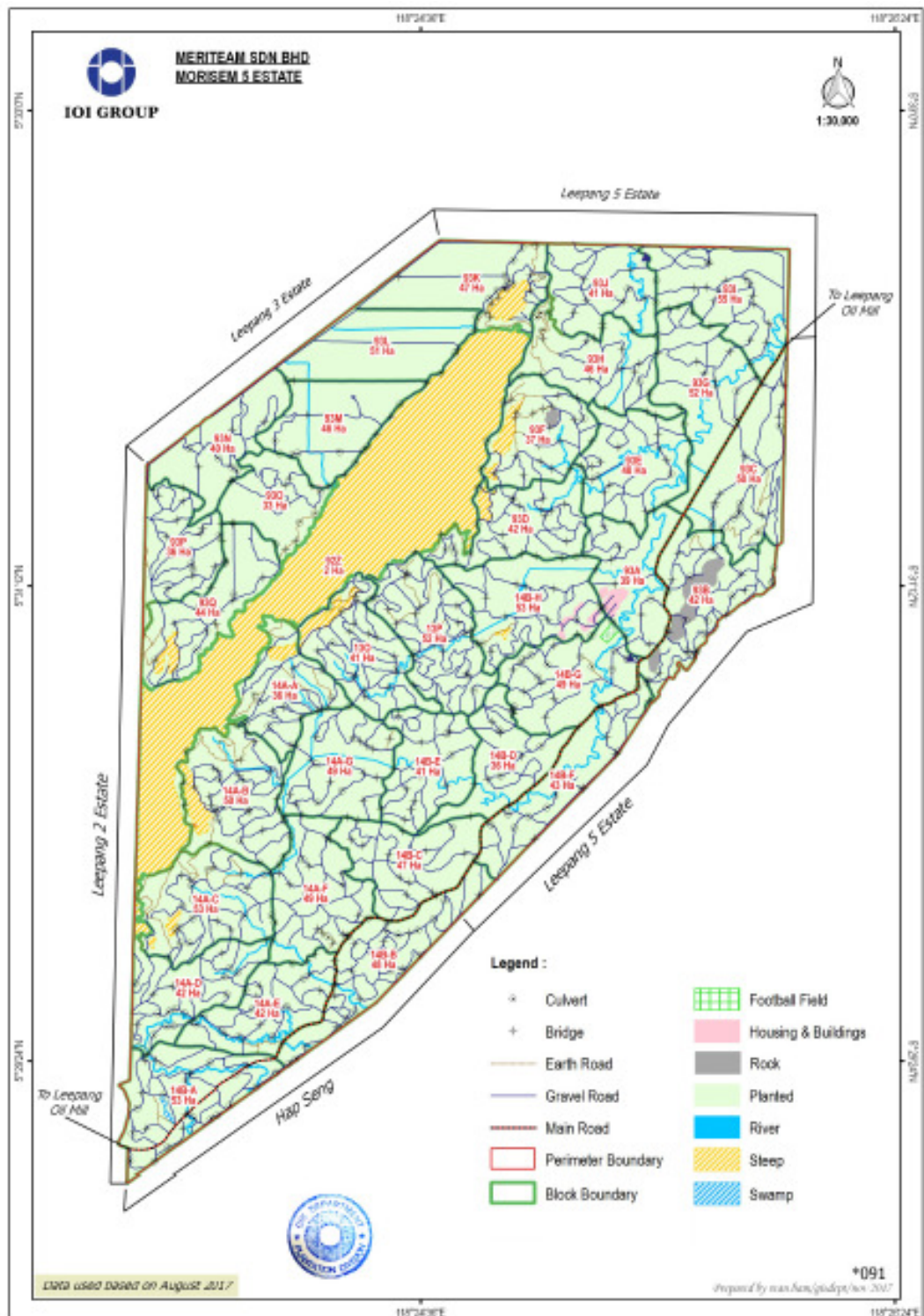


Figure 3: Location Map for estate audited : Leepang 5 Estate

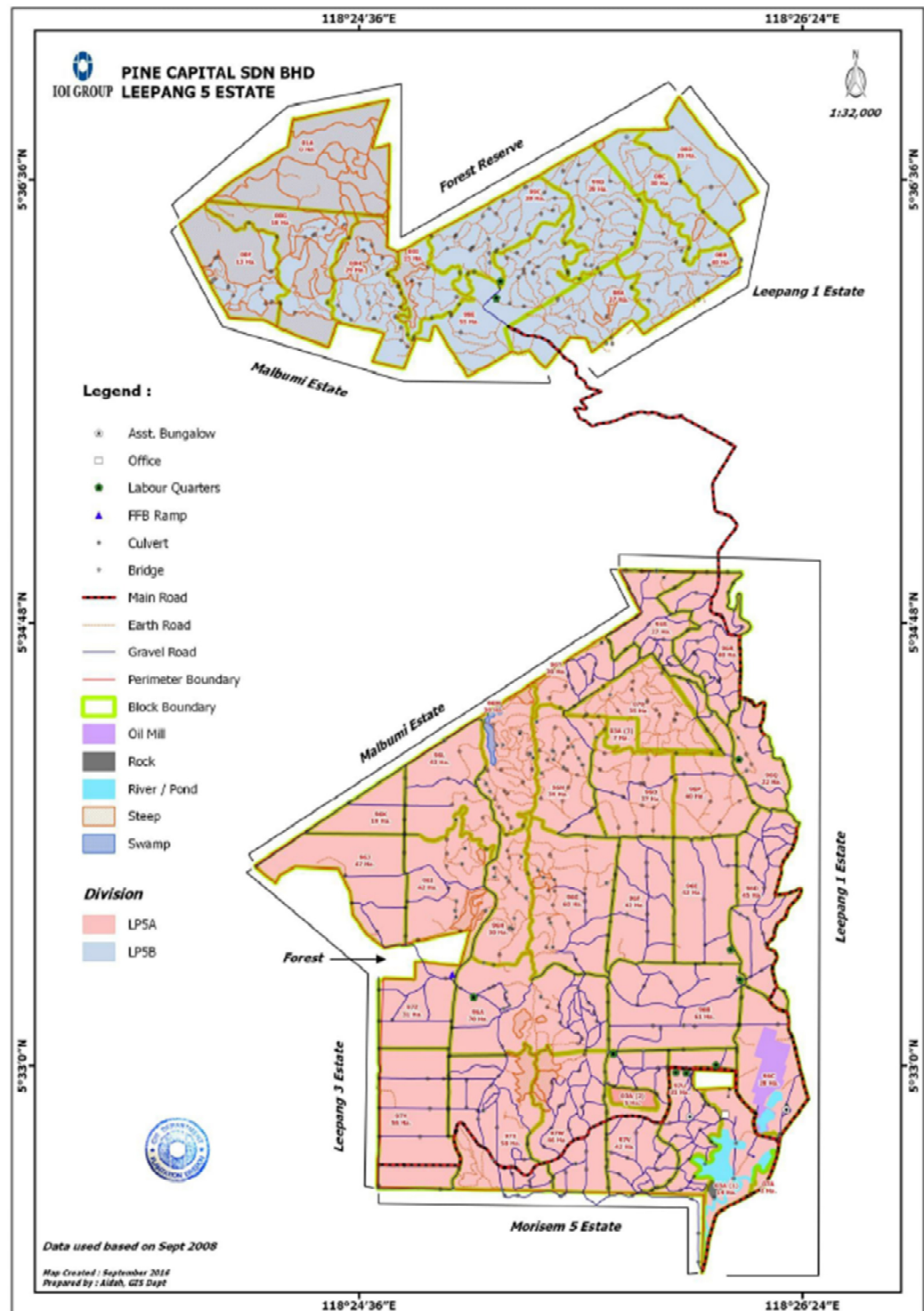
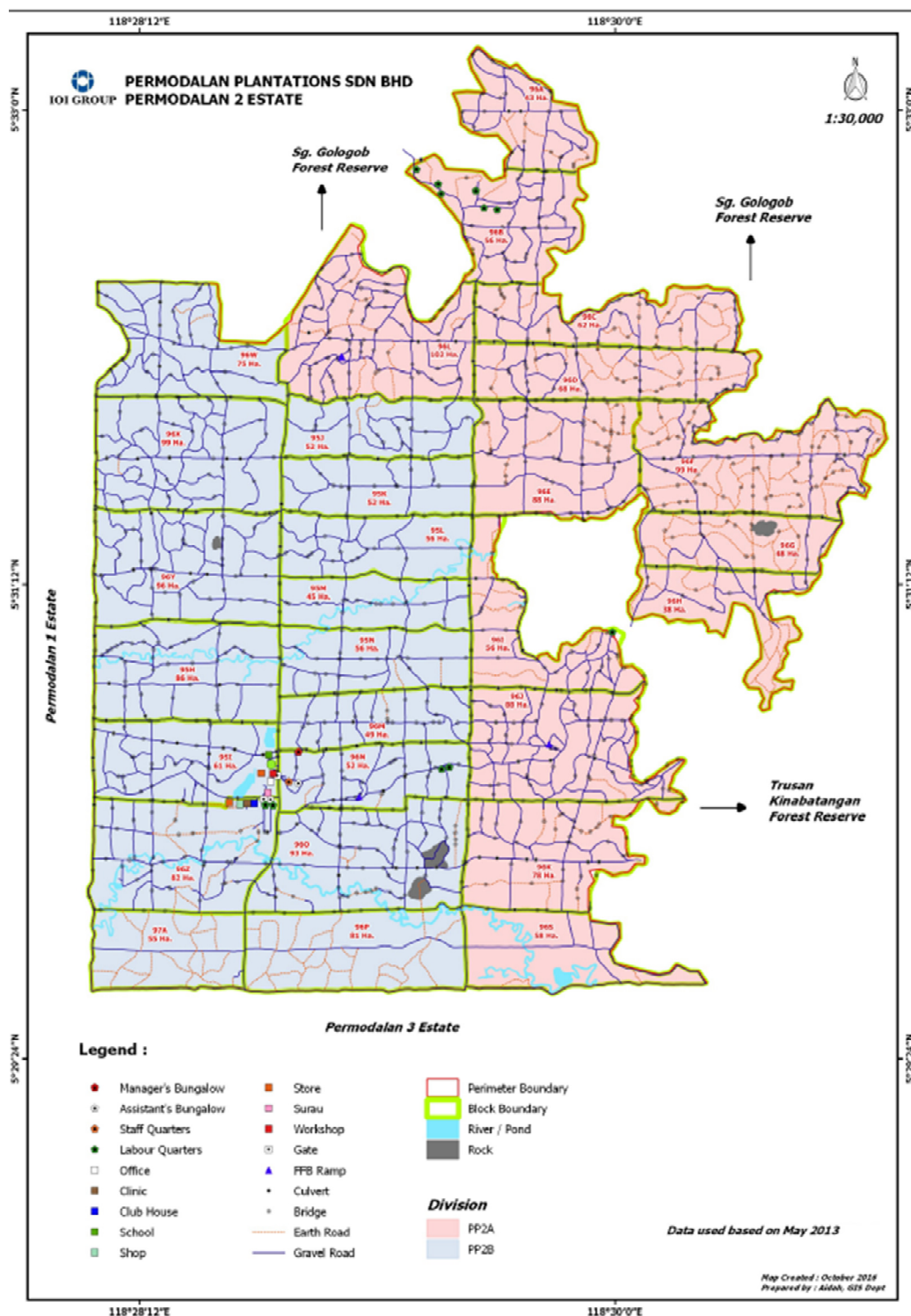


Figure 4: Location Map for estate audited : Permodalan Plantations 2 Estate



### Description of Supply Base and Mill Processing Capacity

The FFB are sourced from their own supply base estates which are directly managed by **IOI Corporation Bhd**. The actual and projected crop yield from each estate are listed in **Table 2** below.

In **Table 3**, Leepang POM actual processing data from the past financial year as well as the projected processing data is tabulated

**Table 2: FFB Production**

Estate	FFB Production (MT)	
	Actual FY (2016/2017)	Projected (FY 2017/2018)
Morisem 5 Estate	18,494.84	34,270.00
Leepang 1 Estate	52,126.29	58,750.00
Leepang 5 Estate	34,164.80	39,450.00
Permodalan 1 Estate	41,040.39	46,150.00
Permodalan 2 Estate	47,612.89	51,320.00
Permodalan 3 Estate	48,691.20	57,210.00
Permodalan 4 Estate	41,949.05	52,520.00
<b>TOTAL</b>	<b>284,079.46</b>	<b>339,670.00</b>

**Table 3: Actual and Projected Mill Processing Data**

Leepang Palm Oil Mill 40 TPH	Actual FY (2016/2017)		Projected (FY 2017/2018)	
	CPO (MT)	PK (MT)	CPO (MT)	PK (MT)
Own certified source	56,467.766	14,347.374	71,331.00	17,833.00
	OER : 19.88%	KER : 5.05 %	OER : 21.00 %	KER: 5.25 %

### Area of Plantation

The areas of supplying estates for this operating unit are listed in **Table 4**. Details of production area (mature/immature) are also listed.

**Table 4: Area Statement of the Supplying Estates**



Area Statement (Ha)						
Estate	Titled Area (Ha)	Planted (Ha)		Conservation (Ha)	HCV ( ha )	Others (Ha)
		Immature Area (Ha)	Mature Area (Ha)			
Morisem 5 Estate	1,889.00	794.00	754.00	73.74	246.85	102.16
Leepang 1 Estate	2,364.04	-	2098.00	128.66	-	266.04
Leepang 5 Estate	1,690.67	-	1461.00	23.77	150.00	79.67
Permodalan 1 Estate	2,253.82	350.00	1775.00	31.93	-	128.82
Permodalan 2 Estate	2,141.52	-	1974.00	206.29	-	167.52
Permodalan 3 Estate	2,150.31	-	2043.00	79.89	-	107.31
Permodalan 4 Estate	2,063.75	-	1945.00	52.74	-	118.75
<b>TOTAL</b>	<b>14,553.11</b>	<b>1,144.00</b>	<b>12,050.00</b>	<b>597.02</b>	<b>396.85</b>	<b>970.27</b>

### Stakeholder Consultation and List of Stakeholders Contacted

Stakeholder consultation took place in the form of meetings, phone calls and interviews. Meetings with workers were held in their respective premises within and near the estates and Leepang Palm Oil 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.

### Comment on MS2530-3 Compliance Status:

Comment on Principle 1	<u>Policy on Implementation of MSPO –</u> Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for Policy on Implementation of MSPO
	<u>Internal Audit –</u> Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators of Internal audit
	<u>Management Review –</u> Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators of Management Review
	<u>Continual Improvement -</u>  Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators of Continual Improvement except for an <b>Observation 01 raised on 4.1.4.1</b>

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<p>Comment on Principle 2</p>	<p><u>Transparency of documents relevant to MSPO requirements</u> –</p> <p>Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for the Transparency of documents relevant to MSPO requirements</p> <p><u>Transparent method of communication and consultation</u> –</p> <p>Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for the Transparent method of communication and consultation</p> <p><u>Traceability</u> –</p> <p>Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for the Traceability</p>
<p>Comment on Principle 3</p>	<p><u>Regulatory requirements</u> –</p> <p>Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for Regulatory requirements</p> <p><u>Legal land use rights</u> –</p> <p>Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for Legal land use rights</p> <p><u>Customary rights</u> –</p> <p>Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for Customary rights</p>
<p>Comment on Principle 4</p>	<p><u>Social Impact Assessment</u> –</p> <p>Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for the Social Impact Assessment</p> <p><u>Complaints and grievances</u> –</p> <p>Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for the Complaints and grievances</p> <p><u>Commitment to contribute to local sustainable developments</u> –</p> <p>Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for the Commitment to contribute to local sustainable developments</p> <p><u>Employees health and safety</u> –</p> <p>Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for the Employees health and safety</p> <p><u>Employment conditions</u> –</p> <p>Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for the Employment conditions</p> <p><u>Training and competency</u> –</p> <p>Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for the Training and competency</p>

<p>Comment on Principle 5</p>	<p><u>Environmental management programme</u> – Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for Environmental management programme</p> <p><u>Efficiency of energy use and use of renewal energy</u> – Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for Efficiency of energy use and use of renewal energy</p> <p><u>Waste management and disposal</u> – Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for Waste management and disposal</p> <p><u>Reduction of pollution and emission</u> – Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for Reduction of pollution and emission</p> <p><u>Natural water resources</u> – Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for Natural water resources</p> <p><u>Status of rare, threatened or endangered species and high biodiversity value area</u> – Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for Status of rare, threatened or endangered species and high biodiversity value area</p> <p><u>Zero burning practices</u> - Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for Zero burning practices</p>
<p>Comment on Principle 6</p>	<p><u>Implementation of standard best practices</u> – Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for Implementation of standard best practices</p> <p><u>Site management</u> – Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for Site management</p> <p><u>Economic and financial viability plan</u> – Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for Economic and financial viability plan</p> <p><u>Transparent and fair pricing dealing</u> – Not applicable. The estate is only delivering FFB to LPOM (managed by same legal entity).</p> <p><u>Subcontractor</u> – Leepang Palm Oil Mill Supply Base Estates have complied to the Criterion and Indicators for Subcontractor</p>



Comment on Principle 7	<p><u>High biodiversity value</u> – not applicable as there are no new plantings</p> <p><u>Peat land</u> – not applicable as there are no new plantings</p> <p><u>Social and environmental impact assessment</u> – not applicable as there are no new plantings</p> <p><u>Soil survey</u> – not applicable as there are no new plantings</p> <p><u>Planting on steep terrain and/or on marginal and fragile soils</u> – not applicable as there are no new plantings</p> <p><u>Customary land</u> - not applicable as there are no new plantings</p>
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Comment on MS2530-4 Compliance Status:

Comment on Principle 1	<p><u>Policy on Implementation of MSPO</u> – Leepang Palm Oil Mill has complied to the Criterion and Indicators for Policy on Implementation of MSPO</p> <p><u>Internal Audit</u> – Leepang Palm Oil Mill has complied to the Criterion and Indicators of Internal audit</p> <p><u>Management Review</u> – Leepang Palm Oil Mill has complied to the Criterion and Indicators of Management Review</p> <p><u>Continual Improvement</u> - Leepang Palm Oil Mill has complied to the Criterion and Indicators of Continual Improvement</p>
Comment on Principle 2	<p><u>Transparency of documents relevant to MSPO requirements</u> – Leepang Palm Oil Mill has complied to the Criterion and Indicators for the Transparency of documents relevant to MSPO requirements</p> <p><u>Transparent method of communication and consultation</u> – Leepang Palm Oil Mill has complied to the Criterion and Indicators for the Transparent method of communication and consultation</p> <p><u>Traceability</u> – Leepang Palm Oil Mill has complied to the Criterion and Indicators for the Traceability</p>

Comment on Principle 3	<p><u>Regulatory requirements</u> –</p> <p>Leepang Palm Oil Mill has complied to the Criterion and Indicators for the Regulatory requirements</p> <p><u>Legal land use rights</u> –</p> <p>Leepang Palm Oil Mill has complied to the Criterion and Indicators for the Legal land use rights</p> <p><u>Customary rights</u> –</p> <p>not applicable</p>
Comment on Principle 4	<p><u>Social Impact Assessment</u> –</p> <p>Leepang Palm Oil Mill has complied to the Criterion and Indicators for the Social Impact Assessment</p> <p><u>Complaints and grievances</u> –</p> <p>Leepang Palm Oil Mill has complied to the Criterion and Indicators for the Complaints and grievances except an <b>Observation 01 raised on 4.4.2.2</b></p> <p><u>Commitment to contribute to local sustainable developments</u> –</p> <p>Leepang Palm Oil Mill has complied to the Criterion and Indicators for the Commitment to contribute to local sustainable developments</p> <p><u>Employees health and safety</u> –</p> <p>Leepang Palm Oil Mill has complied to the Criterion and Indicators for the Employees health and safety</p> <p><u>Employment conditions</u> –</p> <p>Leepang Palm Oil Mill has complied to the Criterion and Indicators for the Employment conditions</p> <p><u>Training and competency</u> –</p> <p>Leepang Palm Oil Mill has complied to the Criterion and Indicators for the Training and competency <b>except for a MINOR raised on indicator 4.4.6.3</b></p>
Comment on Principle 5	<p><u>Environmental management programme</u> –</p> <p>Leepang Palm Oil Mill has complied to the Criterion and Indicators for the Environmental management programme</p> <p><u>Efficiency of energy use and use of renewal energy</u> –</p> <p>Leepang Palm Oil Mill has complied to the Criterion and Indicators for the Efficiency of energy use and use of renewal energy</p> <p><u>Waste management and disposal</u> –</p> <p>Leepang Palm Oil Mill has complied to the Criterion and Indicators for the Waste management and disposal</p> <p><u>Reduction of pollution and emission</u> –</p> <p>Leepang Palm Oil Mill has complied to the Criterion and Indicators for the Reduction of pollution and emission</p> <p><u>Natural water resources</u> –</p>

	Leepang Palm Oil Mill has complied to the Criterion and Indicators for the Natural water resources
Comment on Principle 6	<p><u>Mill management</u> – Leepang Palm Oil Mill has complied to the Criterion and Indicators for the Mill management</p> <p><u>Economic and financial viability plan</u> – Leepang Palm Oil Mill has complied to the Criterion and Indicators for the Economic and financial viability plan</p> <p><u>Transparent and fair pricing dealing</u> – Not applicable. LPOM receives 100% FFB supply from IOI estates (manage by same legal entity)</p> <p><u>Subcontractor</u> – Leepang Palm Oil Mill has complied to the Criterion and Indicators for the Subcontractor except an <b>Observation 02 raised on 4.6.4.1</b></p>

## 7. Nonconformities

<b>NonConformity</b>	N° 1 of 1	<input type="checkbox"/> Major	<input checked="" type="checkbox"/> Minor
Department / Function:	Training and competency	Standard Ref.: 4.4.6.3	
Document Ref.:	MS2530-4	Issue / Rev. Status: MINOR 01	
Details of Nonconformity:	<p>However some non-mill related safety training needs for the mill workers were not included in the training programme e.g home garden /landscape chemical usage and equipment storage , appropriate PPE and petrol storage :</p> <p>During the LPOM linesite visit on 17/11/17 ,the following were noticed:</p> <ol style="list-style-type: none"> <li>1) In House D1, the odd job and carpenter worker was keeping his knapsack spray in his living room . In addition he was keeping a container of petrol in the room.</li> <li>2) He was unable to present to us the PPE he need to use to while doing the spray operation</li> <li>3) In House G4 , the worker was using a class II chemical , Fezmet ( dimethoate ) for ant control in her garden .</li> </ol>		
<b>Close out evidence:</b>	<p>On 27/11/17 SGS received email sent by Pn Zahaidah Dahalan , Senior SPO Executive Sustainable Palm Oil, Lahad Datu Region from Leepang with regards to the Non-conformity raised.</p> <p>A 'House investigation Form' was attached to report on the root cause of the issue raised by the auditor. It was conducted by Ms Gurjit Kaur Sandhu, Senior Safety Officer</p>		

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The Corrective Actions submitted to address the identified minor non-conformity 01 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.

#### MINOR 01 Closed

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.

- ☐ 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 90 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 90 days.
- ☒ Corrective Actions to address identified minor non-conformities shall be documented on a action plan and sent by the client to the auditor within 90 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:

### Important Observations and Opportunities for Improvements:

MS2530-3 Observation 01	<b>4.1.4.1</b> In Morisem 5 , Creche facilities improvement was not included in the future continuous improvement plan
MS2530-4 Observation 01	<b>4.4.2.2</b> Check on at least records in the grievance book for the period between

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	17/10/17 – 10/11/17 some of the requests although was completed, the acknowledgement did not include a date of action to ensure evidence that it was resolved in an effective, timely and appropriate manner, which was accepted by all parties
MS2530-4 Observation 02	<p><b>4.6.4.1</b></p> <p>No records of training conducted for sampled contractors (Green Lagoon Technology Sdn Bhd, Rodly Enterprise and LD Engineering) were available during the audit.</p> <p>Latest external stakeholder meeting was conducted on 28<sup>th</sup> August 2017, on topic “Environment, Social and HCV Impact Assessment”, involved Morisem, Leepang, Permodalan &amp; Unico Group and with relevant external stakeholders. The event was not attended by any sampled contractors (Green Lagoon Technology Sdn Bhd, Rodly Enterprise and LD Engineering). No discussion has been conducted in regarding understanding of MSPO for external stakeholder, includes contractors.</p>

## Appendix 1

### Multi –Site Address List

Site name / Address	Audit Dates	Activities at this site
Leepang POM	14/11/17	Mill processing at all stations and Line-site
Morisem 5 Estate	15/11/17	Field operation , Line-site , storage
Leepang 5 Estate	16/11/17	Field operation , Line-site , storage
Permodalan Plantation 2 Estate	17/11/17	Field operation EFB sorters, Line-site , storage, clinic

## Appendix 2: List of Stakeholders Contacted

Stakeholder	Type of Stakeholder	Issues raised	Comments/Action Taken
Mill workers	Internal Stakeholders	No issue , housing OK	ear plug used in the high noise area
Manurers and Mandore , LP5 , M5	Internal Stakeholders	PPE provided, pay on time , Housing no issue	No issue
Creche ( e.g LP5, M5 )	Internal Stakeholders	no issue	No issue
Spray operators ( M4 5)	Internal Stakeholders	PPE provided . Housing OK	No issue
EFB sorters	Internal Stakeholders	no need to pay if damage PPE replaced, Housing OK, Pay on time	No issue
Hospital Assistant	Internal Stakeholders	Sufficient medical supplies.	No issue

Jabatan Alam Sekitar Cawangan Sandakan	External Stakeholder	No pending issue with LPOM	No issue
Neighboring Estates – IOI sister Estates	External Stakeholder	any issues will be raised during their management meeting to be resolved	No issue

### Appendix 3: Auditor Profile and Responsibilities

Evaluation Team	Notes
<b>Team Leader-, Supply Chain, Traceability Social and Safety , Legal &amp; Regulations</b>	<p><b>James S H Ong</b>, a B.Agr Sc holder . He has working experience in the agriculture sector in Malaysia and has been working in estates as well in the agrochemical and fertilizer industry. He is well versed with Good Agricultural practices .</p> <p>Upon joining SGS ( Malaysia) Sdn Bhd ,he has undergone ISO 14001 and RSPO Lead Auditor and RSPO Supply Chain training and involved in a number of audits on oil palm plantations, supply chains and traders.</p> <p>He is also involved in ISCC audits.</p> <p>In 2017 , he attended the MSPO Lead Auditor Training conducted by SGS Academy to qualify as a MSPO auditor</p>
<b>Auditor 1 – Environment &amp; Good Agricultural and milling Practices</b>	<p><b>Muhamad Iqbal bin Jailan</b>, holds Bachelor of Bio-Industry Science from UPM. He is familiar with Good Agricultural Practices (GAP). Has more than 6 years working experience related to the oil palm cultivation and a member of Incorporated Society of Planters. During his stint at the consultancy agency , WildAsia he was responsible for providing agronomic advisory service to the smallholders prior joining SGS as an auditor . He has passed the RSPO P&amp;C Lead Auditor training and completed MSPO Lead auditor Training.</p>