

## Management System Certification Audit Summary Report

<b>Organization:</b>	<b>Morisem Sendirian Berhad (Baturong Palm Oil Mill)</b>		
<b>Address:</b>	<b>Morisem Sdn Bhd, (Baturong Palm Oil Mill), KM 52, Jalan Kunak-Tawau, Off Road KM3, 91109 Lahad Datu, Sabah</b>		
<b>Standard(s):</b>	<b>MS2530-3 and MS2530-4</b>	<b>Accreditation Body(s): STANDARDS MALAYSIA</b>	
<b>Representative:</b>	<b>Mr. Agos Bin Atan, Manager ( Sustainability) -Sabah</b> Mr. Ir. Mohamad Hairie bin Masroon - Manager, Baturong Palm Oil Mill Pn Zahidah binti Dahalan, Senior SPO Executive		
<b>Site(s) audited:</b>	<b>1. Baturong Palm Oil Mill</b> <b>2. Cantawan Estate</b> <b>3. Baturong 1 Estate</b>	<b>Date(s) of audit(s):</b>	<b>17<sup>th</sup> - 20<sup>th</sup> July 2018</b>
<b>Visit Type:</b>	<b>Stage 2</b>		
<b>Lead auditor:</b>	<b>James S H Ong</b>	<b>Additional team member(s):</b>	<b>1. Mohd Saifuddin Rozlan</b> <b>2. Afiq Othman</b>
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 , CPO and Palm Kernel in compliance to the MSPO Certification Standard MS2530-3:2013 Part 3 and MS2530-4:2013 Part 4**

The audit covered the MS 2530:2013 requirements particularly MSPO Certification Standard **MS2530-3:2013 Part 3 and MS2530-4:2013 Part 4**

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

### 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 4 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 as this is a Main Assessment

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

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## 6. Significant Audit Trails Followed

The specific processes, activities and functions reviewed are detailed in the Audit Planning Matrix ( see **Appendix 3** ) and the Audit Plan. In performing the audit, various audit trails and linkages were developed, including the following primary audit trails, followed throughout:

Organization:	Morisem Sdn. Bhd (Baturong Palm Oil Mill)– (MY04942)		
Address:	<p>Mill location Morisem Sdn Bhd, (Baturong Palm Oil Mill), KM 52, Jalan Kunak-Tawau, Off Road KM3, 91109 Lahad Datu, Sabah</p> <p>Contact person: Mr. S.S. Ragupathy – Snr General Manager, Lahad Datu Region Mr. Ir. Mohamad Hairie bin Masroon - Manager, Baturong Palm Oil Mill Mr. Agos Atan – Manager - Sustainability (Sabah) &amp; communication: Pn Zahidah binti Dahalan, Senior SPO Executive</p> <p>+6014-826 6281 (GM office) +6014-668 1039 (Baturong mill office) +6016-886 5035 (Sustainability office)</p> <p><a href="mailto:gmooffice.mpom@gmail.com">gmooffice.mpom@gmail.com</a> <a href="mailto:agos@ioigroup.com">agos@ioigroup.com</a> <a href="mailto:baturongmill@gmail.com">baturongmill@gmail.com</a> <a href="mailto:zahidah@ioigroup.com">zahidah@ioigroup.com</a></p>		
Visit Number:	01	Actual Visit Date:	17-20 July 2018
Visit Due by Date:	-	For auditor information only	
Lead Auditor:	James S H Ong , SGS (Malaysia) Sdn Bhd Auditor 1 Mobile: +6012 3736605 email: <a href="mailto:james.ong@sgs.com">james.ong@sgs.com</a>		
Team Member(s):	Mohd Saifuddin Rozlan (MSR) Auditor 2 Mobile: +6017 9990950 Email: <a href="mailto:Saifuddin.Rozlan@sgs.com">Saifuddin.Rozlan@sgs.com</a>		
Additional Attendees and Roles	Afiq Othman (AO) MSPO Trainee Auditor Mobile: +6 013 3545 321 Email: <a href="mailto:Afiq.Othman@sgs.com">Afiq.Othman@sgs.com</a>		
Standard(s):	MS2530-3:2013 Part 3: General principles for oil palm plantations and organized smallholders MS2530-4:2013 Part 4: General principles for palm oil mills		
Audit Language:	English & Bahasa Malaysia/Melayu		
Audit Scope:	Production of FFB, CPO and Palm Kernel in compliance to the MSPO Certification Standard MS2530-3:2013 Part 3 and MS2530-4:2013 Part 4		

Date	Time	Auditor	Organisational and Functional Units/ Processes and Activities	Key Contact
17/7/18	0740 (KUL) 1025 (TWU)	MSR, AO & JO	AK5746 0740 (KUL) 1025 (TWU) Pick up at Tawau Airport  Travel to Stakeholder in Kunak for appointment with JTK	Transport arrangement for 3 SGS MSPO auditors
	1:00-2:00		Lunch	
	2:30 pm		Opening Meeting Baturong Palm Oil Mill IOI Presentation  Audit arrangement	Mill & Estate Key Personnel
			If possible some preliminary documentation review or mill visit	
	5:00 pm		Travel to Lahad Datu for overnight Accommodation  End of Day 1	
			Dinner	
18/7/18	7:00		Breakfast and Travel to <b>Estate 1</b>	

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			Auditor 1	Auditor 2	
			MS 2530-3-2013 (Part 3) Oil Palm Plantation & Organised Smallholder		
	8:00 – 12:30	JO, MSR and AO	<b>Estate 1:</b> <ul style="list-style-type: none"> <li>• Principle 1: Management commitment and responsibility</li> <li>• Principle 2: Transparency requirements</li> <li>• Principle 4: Social responsibility, health, safety and employment condition</li> </ul>	<ul style="list-style-type: none"> <li>• Principle 3: Compliance to legal</li> <li>• Principle 5: Environment, natural resources, biodiversity and ecosystem services</li> <li>• Principle 6: Best practices</li> </ul>	Field operation and practices, Storage , Housing, Waste management, Safety , Environmental management, Social and representation  Estate Key & SPO Personnel
	12:30 – 1:30		Lunch		
	1:30 – 5:00		Document review, interview, stakeholder consultation		
	5:00		Preliminary Findings for <b>Estate 1</b>		
	6:00		Travel of of Estate 1 End of Day 2		
	TBA		Dinner		
19/07/18	7:00 a.m.		Breakfast and Travel to <b>BPOM</b>		
			Auditor 1	Auditor 2	
			MS 2530-4-2013 (Part 4) Palm Oils Mills Leepang POM		
	8:00 – 12:30	JO, MSR and AO	<ul style="list-style-type: none"> <li>• Principle 1: Management commitment and responsibility</li> <li>• Principle 2: Transparency</li> <li>• Principle 4: Social responsibility, health, safety and employment condition</li> </ul>	<ul style="list-style-type: none"> <li>• Principle 3: Compliance to legal</li> <li>• Principle 5: Environment, natural resources, biodiversity and ecosystem services</li> <li>• Principle 6: Best practices</li> </ul>	Mill Operations, Safety, DOE and DOSH compliance, Social and representation, Housing  Mill and SPO Key Personnel
	12:30 – 1:30		Lunch		
	1:30 – 5:30	JO, MSR and AO	Document review, interview , stakeholder consultation ) Mill visit, interview workers and representatives		
	5:30		Preliminary Findings for <b>BPOM</b>		
	6:00		End of Day 3		
	TBA		Dinner		
20/07/18	7:00		Checkout from Accommodation Breakfast and Travel to <b>Estate 2:</b>		
			Auditor 1	Auditor 2	
			MS 2530-3-2013 (Part 3) Oil Palm Plantation & Organised Smallholder		
	8:00 – 12:30	JO, MSR and AO	<ul style="list-style-type: none"> <li>• Principle 1: Management commitment and responsibility</li> <li>• Principle 2: Transparency</li> <li>• Principle 4: Social responsibility, health, safety and employment condition</li> </ul>	<ul style="list-style-type: none"> <li>• Principle 3: Compliance to legal</li> <li>• Principle 5: Environment, natural resources, biodiversity and ecosystem services</li> <li>• Principle 6: Best practices</li> </ul>	Field operation and practices, Storage , Housing ,Waste management, Safety , Environmental management , Social  Estate & SPO Key Personnel
	12:30 – 1:30		Lunch		
	1:30 – 3:30	JO, MSR and AO	Preparation Finalizing Findings		
	4:00		Closing Meeting and Recommendation		Estate, Mill and Sustainability Key Personnel
	5:00		End of audit  Auditors travel to Tawau airport		Transport arrangement for 3 auditors to Tawau Airport
	TBA		Dinner, if required		

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	8:40 pm	JO, MSR and AO	Travel Back Flight TWU – KL AK5752 2040 (TWU) 2325 (KUL)	
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## Location and Maps

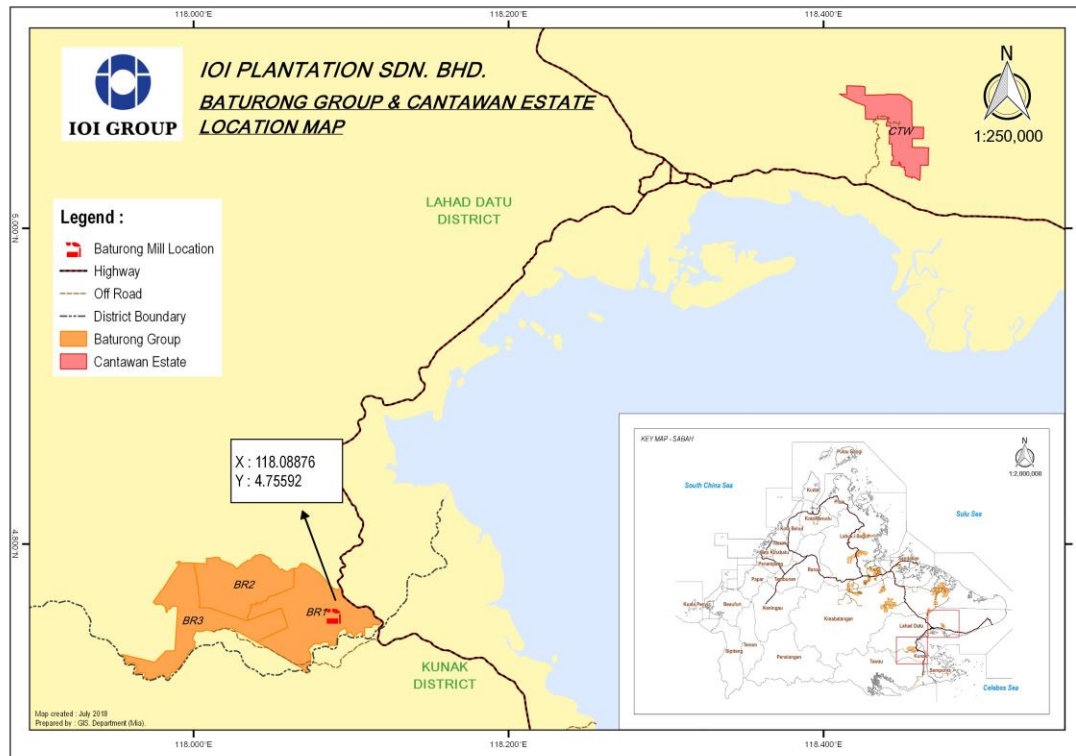
Baturong Group and Cantawan Estate (**Figure 1**) is being managed by Morisem Sdn Bhd which operates under IOI Corporation Bhd. The group consist of a Palm Oil Mill and four Estates (**coordinates can be referred in Table 1**). The mill started to commission in 1996. The group occupies two areas which are Lahad Datu District and Kunak District, Sabah. Cantawan Estate is closer to Lahad Datu District while the remaining estates in Kunak District–Baturong Group and Cantawan Estate have a total agriculture land area of–8,936.01 hectares. More detailed information on the estates–(visited during Stage 2) location and layouts is shown in (**Figure 2 and Figure 3**). The GPS locations of the mill and the 4 estates are shown-in **Table 1**–

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

	Mill/Supply Base	Latitude	Longitude
Mill	Baturong Palm Oil Mill	N 4°45'18.94"	E 118°5'19.25"
1	Baturong 1 Estate	N 4°44'9.66"	E 118°4'15.55"
2	Baturong 2 Estate	N 4°45'55.59"	E 118°01'41.68"
3	Baturong 3 Estate	N 4°45'27.80"	E 118°0'7.71"
4	Cantawan Estate	N 5°03'56.46"	E 118°26'51.50"

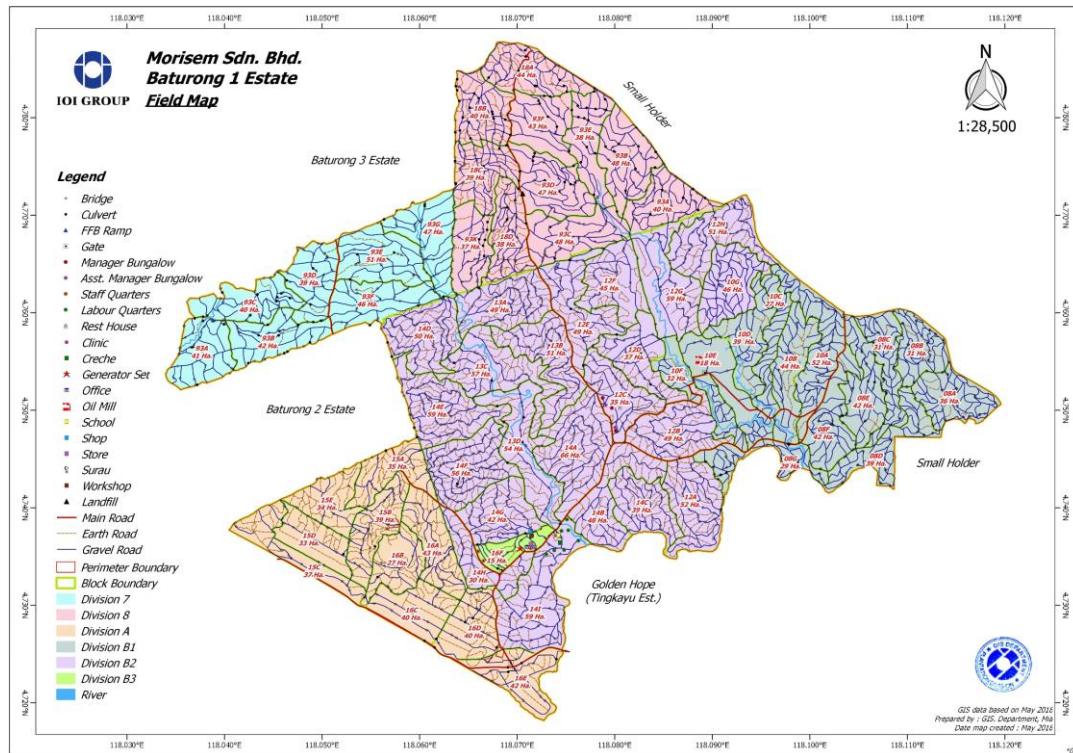
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**Figure 1 Overall map of Baturong Group**



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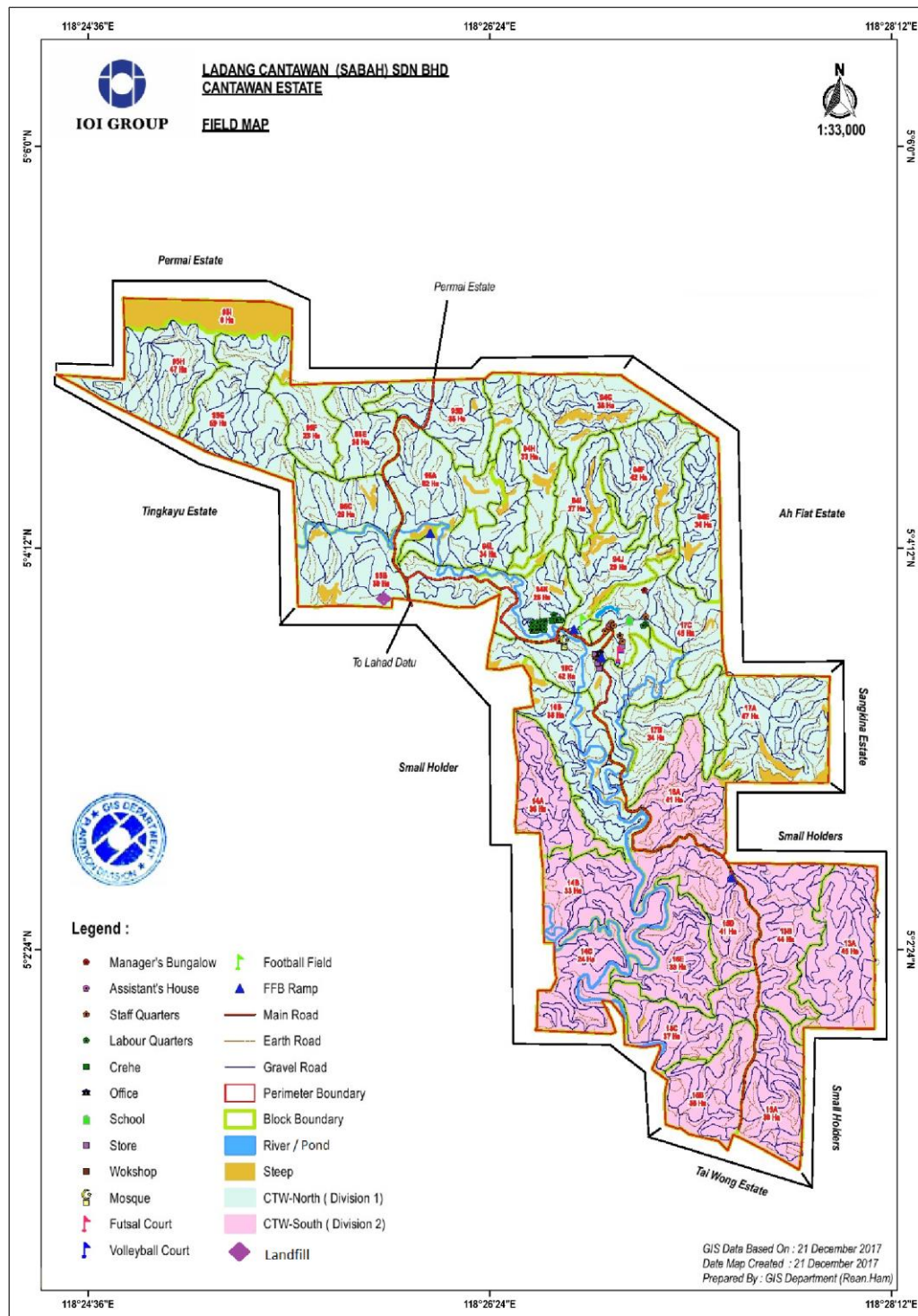
Figure 2 : Baturong 1 Estate Map



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Figure 3 : Cantawan Estate Map



## Description of Supply Base and Mill Processing Capacity

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The FFB are sourced from their supply base estates which are directly managed by **Morisem Sendirian Berhad (Baturong Palm Oil Mill)**. The actual and the projected crop yield from each estate is listed in **Table 2** below.

**Table 3 presents the mill processing data**

**Table 2: FFB Production**

Estate	FFB Production (MT)	
	Financial Year 17/18 (Actual)	Financial Year 18/19 (Projection)
Baturong 1 Estate	43,942.94	59,830.00
Baturong 2 Estate	35,516.33	40,130.00
Baturong 3 Estate	29,489.21	28,950.00
Cantawan Estate	15,652.71	20,150.00
<b>TOTAL</b>	<b>124, 601.19</b>	<b>149,060.00</b>

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

Baturong Palm Oil Mill 30 mt/h	Actual FY (2017/2018)		Projected (FY 2018/2019)	
	CPO (mt)	PK (mt)	CPO (mt)	PK (mt)
Own certified source	25,674.69	6,140.08	31,675.27	7,080.37
	OER : 20.61%	KER : 4.93 %	OER : 21.25 %	KER: 4.75 %

### 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.

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

Name of estate	Title area (ha)	Plantation area				
		Immature (ha)	Production (ha)	Conservation (ha)	HCV (ha)	*Others
Baturong 1 Estate	2,992.87	382	2366	63.11	8.16	175.54
Baturong 2 Estate	2,434.52	901	1414	25.93	0	93.59
Baturong 3 Estate	2,056.21	851	992	43.35	15.01	154.85
Cantawan Estate	1,452.41	245	953	97.29	0	157.12
*Others : Transmission tower, Quarry, Roads, line site, rives, 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/morisem-palm-oil-mill-sdn-bhd-baturong-palm-oil-mill>

Stakeholder consultation took place in the form of meetings and interviews. As this was a main assessment, meetings with workers were held in their respective premises within and near the estates and Baturong 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.

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## **Comment on MS2530-3 Compliance Status:**

<p><b>Comment on Principle 1</b></p>	<p><u>Policy on Implementation of MSPO –</u></p> <p>IOI Group has established and documented a Sustainable Palm Oil Policy that has the following :</p> <ol style="list-style-type: none"> <li>1) Introduction</li> <li>2) Scope</li> <li>3) Our Commitment</li> <li>4) Existing plantation <ul style="list-style-type: none"> <li>- Environmental Management</li> <li>- Human rights and Workplace</li> <li>- Community Development and Social Impact</li> </ul> </li> <li>5) Additional Commitments for new plantings</li> <li>6) Traceable Supply chain</li> <li>7) Transparency and Wider Engagement</li> </ol> <p>Under ‘Existing Plantations ‘ ...it is stated in one of the points.... Committing towards sustainable production of palm oil and its continuous improvement as outline in the MSPO guidelines....</p> <p>The policy is signed by Dato’ Lee Yeow Chor , Group CEO and Dr Surina Ismail , Group Head of sustainability Revised March 2018</p> <p><u>Internal Audit –</u></p> <p>Internal audit SOP Doc .No: MSPO / SOP/IA/1 ( 1/8/17 ) available .</p> <p>The internal audit was conducted on 26 May 2018</p> <p>Conducted by :</p> <ol style="list-style-type: none"> <li>1) Ms Valerie Binati , SPO Exec</li> <li>2) Ms Sumarni Sudirman , SPO Officer</li> </ol> <p><u>Management Review –</u></p> <p>The Internal audit report was made available to the management for their review on 29 June 2018</p> <p><u>Continual Improvement -</u></p> <p>The BR1 continual improvement plan for 2018/19 was sighted.</p> <p>For environment the following were committed:</p> <ol style="list-style-type: none"> <li>1) Improve IPM</li> <li>2) Waste reduction</li> <li>3) 2 Bay Metal Ramp</li> </ol> <p>For social :</p> <ol style="list-style-type: none"> <li>1) Football field</li> </ol>
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## Comment on Principle 2

### Transparency of documents relevant to MSPO requirements –

The management documents are made publicly available on the company's website

[www.ioigroup.com](http://www.ioigroup.com)

In the website the policies and the plans can be accessed under the 'Sustainability' 'tab'.

Annually the group uses the annual stakeholder meeting to communicate the information requested by the relevant stakeholders in the appropriate languages and forms .

### Transparent method of communication and consultation –

The company has established a procedure for consultation and communication with the relevant stakeholders as evident in the Grievance Mechanism flowchart.

Flowchart for:

- 1) *Carta Alir Prosedur Aduan*
- 2) *Prosedur Aduan Gangguan Seksual*

Records of all consultation and communication and records of action taken in response to input from stakeholders are recorded in the following records:

- 1) Complaints and Grievances Book – Internal ( recorded since august 2008 )
- 2) Stakeholder Request since 2011

**However, it was noted that some updating is required as the MPOB Tengah Nipah telephone number 089-822029 is no longer in service. Labour Dept Lahad Datu email, Email: [pbldatu@mohr.gov.my](mailto:pbldatu@mohr.gov.my) not found**

### **OBSERVATION 01**

#### Traceability –

Cantawan Estate has the SOP Doc. No: ISCC/SOP/MILL/MST/01 , Management system & Traceability control Procedures at Critical Control Points ( CCP ) \_ Estate Weighbridge . Rev 1 , 1/3/16

It was established for identifying and recording the products from its respective sources / stations as per the sustainable requirement .

The document has the following contents:

- 1) Purpose
- 2) Scope
- 3) Responsibility
  - Weighbridge
  - during Operation
  - After Operation
  - Office

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<p>Comment on Principle 3</p>	<p><u>Regulatory requirements</u> – The estate is operating in compliance with the applicable local, state, national and ratified international laws and regulations. The estate has list all licenses and permits hold by the estate to monitor the validity as per in the Legal Compliance Folder.</p> <p>List of relevant laws both local and international are found to be established and be made available to the audit team during the audit.</p> <p><u>Legal land use rights</u> – There is no evidence of the oil palm cultivation activities do not diminish the land use rights of other users. Verification during the visit to the estate confirmed that the estate visited have a valid land title indicating correct land title terms which specifies the purpose of the planting of either the agricultural crop of economic value or the oil palm in the respective land. Copies of the land titles are available at the visited estate during the audit. The estate field map is evident and boundary is well maintained by the estate. Trenches has been constructed along the estates boundary and boundary marking pit is evident during the site visit. There is no issue on legal acquisition of land title and fair compensation that have been or are being made to previous owners and occupants in the estate.</p> <p><u>Customary rights</u> – There is no disputes arises with respects to land acquisition. There is no evidence of the oil palm cultivation activities do not diminish the land use rights of other users.</p>
<p>Comment on Principle 4</p>	<p><u>Social Impact Assessment</u> – IOI has both the Group Social impact Assessment &amp; Management Plans ( Guidance Document ) Plantation Division July 2007 – 2012.</p> <p>For the individual estate , they will annually conduct their own social Impact Assessment known as , Review Document for Social Impact &amp; management plans &amp; continuous improvement .</p> <p>The Social Impact Assessment (SIA) report ‘ Social Impact Assessment , Management Action Plans and Continous Improvement Programme – Cantawan Estate was available.</p> <p>For Cantawan Estate, it was conducted internally and reviewed on 17/05/18 , prepared by Mr Sabaruddin Mahida , Asst Manager , Social Liaison officer , approved by Mr Refly Atat, Snr Asst -in-Charge</p> <p><u>Complaints and grievances</u> – A system for dealing with complaints and grievances is be established and documented in a form of a flowchart :</p> <ol style="list-style-type: none"> <li>1) <i>Carta Aliran Laporan Aduan</i></li> <li>2) <i>Prosedur Aduan Gangguan Seksual</i></li> </ol>

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The Grievance Procedure is documented in the Group Social Impact Assessment and Management Action Plans *Section 7.0 Grievance Procedure*

And the Sexual Harassment Procedure is documented In *Section 8.0 Sexual Harassment Procedure*  
In *Section 9.0 Stakeholder Request Procedure*

Commitment to contribute to local sustainable developments –

Annually the estate will conduct the external and internal meeting to identify request from the community , both internal and external

This will be recorded in the Stakeholder meeting.

For Cantawan Estate , in the latest request was to allow road access to a smallholder Agusalim Korulus to his farm in June 2018

And during the July 2017 Social and HCV Impact assessment meeting , there was a response to the request by Ladang Permai to monitor the estate boundary for the sighting of animals .

In the SIA analysis of External stakeholder meetings the following are the issue raised:

- 1) Access and use rights ( 53% )
- 2) Economic livelihood ( 14% )
- 3) Subsistence activities ( 19% )
- 4) Cultural and religious value ( 0 % )
- 5) Health and Education facilities ( 14% )

Records of contributions are recorded in the External stakeholder meeting Appendix 4 (A )

Employees health and safety –

The occupational safety and health plan shall cover the following:

- a) A safety and health policy, which is communicated and implemented.

Evidence:

In the OSH manual and OSH Management System , the Safety Health plan sighted .

Date prepare: Jan 2018 .

The safety management plan include the following sections :

- 1) Introduction
- 2) occupational safety and health policy
- 3) occupational safety and health committee
- 4) ERP
- 5) occupational safety and health Training
- 6) Accident Reporting and investigation Procedures
- 7) Contractor Safety

It also include the org chart, ERP chart 2018, contact numbers in case of emergency, copies of ERP

Although the management has the SOP : *Penyimpanan dan Pengurusan Stor Bahan Kimia* Doc Ref : IOI-OSH 3.2.2 according to the Occupational Safety Health (Classification Packaging and Labeling) Regulation 1997

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and Occupational Safety Health (Use and Standard of Exposure of Chemical Hazardous to Health) Regulation 2000.

**However an Observation was raised as it was noted that in BR 1 signage was sighted at the chemical store however at the storage site of the rat bait , Arakus and Matikus that was stored with the polybags there was no warning and hazard signage.**

**Hazard signs were also not sighted at the Scheduled Waste store.**

## **OBSERVATION 02**

### Employment conditions –

#### 4.4.5.1

The management has establish a policy on good social practice regarding human rights in respect of industrial harmony. The policy is signed by the top management and communicated to the employees.

The Respecting Human Rights Policy , 2015 has been incorporated into the Sustainable Palm Oil Policy ( SPOP) , signed by Dato Lee Yeow Chor , June 2017

#### 4.4.5.2

The management does not engage in or support discriminatory practices and provide equal opportunity and treatment regardless of race, colour, sex, religion, political opinion, nationality, social origin or any other distinguishing characteristics.

Equal opportunity employment & Freedom of Association Policies ( *Polisi Hak Sama Rata & Kebebasan bersepatatuan Pekerja*) endorsed by Mr NB Sudhakaran , Oct 2017

#### 4.4.5.3

The estates are monitoring ensure that employees' pay and conditions meet legal or industry minimum standard as per the Minimum Wage Order 2017 of 35.38 / day for a 6 day work is complied.

#### 4.4.5.4

Management ensure employees of contractors are paid based on legal or industry minimum standards according to the employment contract agreed between the contractor and his employee

#### 4.4.5.5.

Cantawan Estate has established the records of the employee in the 'Employee Identification Cum input Document

#### 4.4.5.6

The ,Employee Identification Cum input Document , of Muh Riswan was sighted as the contracts that have been signed by both employee and employer.

#### 4.4.5.7

The time recording system is sighted in the '*Laporan Mandor* ' whereby the time start and time end is recorded by the mandor

#### 4.4.5.8

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	<p>Records of days work, work rest days , and public are recorded in 'PINFOSYS checkroll daily record ' by the field staff</p> <p>4.4.5.9 In BR1 , based on the checkroll of the worker sampled, he had the following days which was reflected in the payslip.</p> <p>4.4.5.10 Example of benefits, in Cantawan estate, payment of incentive for &gt; 270 days attendance and harvesting targets is one fo the monetary incentive. In 2017 :  1) Attendance incentive: 40 workers out of 70 workers  2) Harvesting incentive : 14 Harvesters</p> <p>4.4.5.11 In Cantawan Estate the on-site living quarters are provided, these quarters are habitable and have basic amenities and facilities in compliance with the Workers' Minimum Standards Housing and Amenities Act 1990 (Act 446) or any other applicable legislation.</p> <p>Interview with the following personnel showed that the workers do not have issues with their house.</p> <p>However an Observation raised as <b>checks on one of the the Cantawan Estate staff quarters showed that the grass cutting was not up-to-date and the back door panel has already been peeled .</b></p> <p><b>OBSERVATION 03</b></p> <p>4.4.5.12 The management has established a policy to prevent all forms of sexual harassment and violence at the workplace. Policy Harassment at workplace Endorsed by NB Sudhakaran dated July 2018</p> <p>4.4.5.13 In Jul 2015 , the workers elected the ECC committee. Records of the nominated were sighted.</p> <p>4.4.5.14 Children and young person's are not be employed or exploited. The minimum age shall comply with local, state and national legislation Based on the worker listing for BR1 , the youngest reported in Aspar Arsyad B1667069 10 June 1997 Date join : 2 /11/15 .</p> <p><u>Training and competency –</u> 4.4.6.1 An awareness and training programme which includes the following requirements for employees exposed to pesticides:</p> <p>Evidence:  1) Training programme for year 2018 ( safety )</p>
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	<p>In the programme there are 46 trainings</p> <ul style="list-style-type: none"> <li>2) For social : 4 training</li> <li>3) Environment : 40 training</li> </ul> <p>4.4.6.2&amp; 4.4.6.3</p> <p>After each training a ,<i>Analisis keperluan</i>' is done on the participation to ensure competency</p>
Comment on Principle 5	<p><u>Environmental management programme</u> –</p> <p>Sighted Sustainable Palm Oil Policy which was last revised in March 2018 endorsed by Group Chief Executive Officer Group Head Sustainability.</p> <p>The policy covers environment element which stated commitment towards GHG Emission Reduction progressively. Also stated their commitment towards complying with legal and other applicable regulations.</p> <p>Environment Impact Assessment Management Action Plan and Continuous Improvement Plan prepared by Assistant manager cum Environmental Liaison Officer from each estate and approved by respective estate managers. Environment Action Plan noted was incorporated in Environment Aspect Assessment (EIA) report.</p> <p>Continuous Improvement Plan For Financial Year 2017/2018 was sighted had been established and completed accordingly as per targeted date.</p> <p>Among the environmental aspects that were covered in the assessment are:</p> <ul style="list-style-type: none"> <li>1. Waste product and GHG emission source</li> <li>2. Potential Pollutant</li> <li>3. Side / By-product</li> <li>4. Integrated Pest Management</li> <li>5. High Conservation Area</li> <li>6. Impact from replanting</li> <li>7. Water management</li> </ul> <p>Further assessed continuous improvement plan that has been carried out for FY 17/18. Example of the implementations in Cantawan Estate were new facility for scheduled waste store, continuous planting of beneficial plant and waste segregation whereas, in Baturong 1 Estate were concrete drain at housing area to improve drainage system, continuous planting beneficial plant.</p> <p>Both estates practice recycling programme to reduce waste generation. All recycled waste generated are then sent to local recycle waste collector. Disposal records can be seen from payment vouchers from both estates.</p>

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	<p>Apart from that, both estates also promote monthly “Gotong Royong” activities at workers housing area. Based on observation during site visit, it was observed that the workers housing area was well maintained and clean in both estates.</p> <p>Sighted Environment Training Programme developed for year 2018. The programme was established by estate person in charge and verified by Safety and Health Coordinator. Among the trainings proposed and conducted are:</p> <ol style="list-style-type: none"> <li>1. Scheduled Waste Training</li> <li>2. Buffer Zone Training</li> <li>3. IPM Training</li> <li>4. RTE Training</li> <li>5. Oil Trap Training</li> <li>6. Beneficial Plant Planting</li> <li>7. Scheduled Waste Code</li> <li>8. HCV Training</li> </ol> <p>In both estates, any issue pertaining environment will be discussed in Employee Consultation Meeting which is scheduled bi-monthly.</p> <p><u>Efficiency of energy use and use of renewal energy –</u> In Cantawan and Baturong 1 Estates, diesel is widely being used as source of fuel. Not only used as fuel for machineries but also as fuel for genset to produce electricity. Observed diesel consumption is being monitored monthly and yearly.</p> <p>Diesel usage record in both estates indicate the budgeted diesel usage couldn’t be achieved due to low FFB production due to replanting activity.</p> <p>Contractors diesel usage record is being monitored by both estates.</p> <p><u>Waste management and disposal –</u> Identification of waste and source of pollution were done during Environment Impact Assessment and incorporated in the EIA Report. Below are waste types identified in the report:</p> <ol style="list-style-type: none"> <li>1. Scheduled Waste (including Clinical Waste)</li> <li>2. Domestic Waste</li> <li>3. Industrial Waste (Scrap Metal)</li> <li>4. Recycle Waste</li> </ol> <p><b><i>Chemical Container (herbicide &amp; pesticide)</i></b> During the site visit, triple rinsed and punctured chemical container couldn’t be evident as there was no chemical container intended to be disposed as recycle waste. Based on record, noted that all chemical container intended to be recycled will be disposed through NewGates Industry (Borneo) Sdn Bhd which has been granted as chemical container recycler by Department of Agriculture. This can be seen from notification sent by the department to all estates management in Sabah dated 18th Mar 2011. The latest disposal was done in 6th July 2018.</p>
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All chemical containers intended to be reused have been appropriately labelled.

***Other scheduled waste (used lubricant, used cotton rags etc).***

As at July 2018, the licensed scheduled waste contractor for waste mentioned above was Lagenda Bumimas Sdn Bhd. Wastes declared as scheduled waste are:

1. Used Battery SW102
2. Discarded Fluorescent Lamp SW109
3. Discarded e waste SW110
4. Used engine oil SW305
5. Used chemical container SW409
6. Used oil filter SW410
7. Used cotton rag SW410
8. Used PPE SW410
9. Used paint container SW417

***Clinical Waste***

Appointed clinical waste collector was Sedafiat Sdn Bhd. License expiry on 31th Oct 2018.

All scheduled waste generated were notified to DOE and inventory was properly maintained as per EQ SW Reg 2005.

**However a Minor Non-Conformity is raised under 4.5.3.2 :**

**In Cantawan Estate it was sighted that Empty chemical container handling was not in accordance to OSH Management System, Doc Reference IOI-OSH3.2.2, Appendix 6(31) dated 1st August 2012.**

**Sighted empty paint container, broken lubricant container and empty pesticide container at scrap yard area nearby workshop.**

SOP related to waste management:

1. Chemical Container Handling dated 1st Aug 2012.
2. Domestic Waste Management dated 27th Mar 2017.
3. Baturong Palm Oil Mill Schedule Waste Management System dated 1st June 2015 (Applicable for all estates in Baturong)

Landfill site was clearly indicated on both estate maps and it was observed appropriately distanced from nearby stream.

The landfills were appropriately maintained and equipped with warning signage, open and close dates, emergency response plan and emergency contact.

Reduction of pollution and emission –

Zero Burning Policy had been established dated May 2018 endorsed by IOI Plantation Director. In the policy specify commitment towards zero burning by complying with all applicable regulations, providing necessary resources such as training for workers and extending to contractors working with IOI Plantation.

No indication of peat area from both estate soil maps. Both estates were occupied with mineral soils.

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	<p>During site visit in both estates, no trace of open burning was found.</p> <p><u>Natural water resources –</u> Water Management Plan sighted had been established for BPOM and Supply Bases (including Cantawan Estate and Baturong 1 Estate). Based on observation during site visit, all actions plan determined were being carried out accordingly.</p> <p>Based on water sampling point map from the management plan, there were few sampling points have been identified. Physical signage of water sampling point was also observed erected. Water sampling for these points are scheduled to be done half yearly. No indication of non-compliance from the test result. Parameter tested as below:</p> <ol style="list-style-type: none"> <li>1. pH Value</li> <li>2. Total Suspended Solid</li> <li>3. Oil &amp; Grease</li> <li>4. Ammoniacal Nitrogen</li> <li>5. Turbidity</li> <li>6. Faecal Coliform</li> <li>7. Total Coliform</li> </ol> <p>Riparian Buffer was seen appropriately maintained and no sign of chemical activities had been done in the area. Adequate warning signage and buffer zone signage were observed had been erected. Apart from that, palms nearby buffer zone were marked with red paint to alert spray operators and manurers of the buffer zone. All workers that handle chemicals (sprayer &amp; manurer) have been trained on conservation of buffer zone.</p> <p><u>Status of rare, threatened or endangered species and high biodiversity value area –</u> Both Estate was established HCV report which identified potential internal &amp; External HCV. HCV/CV maps and patrolling programme was made available.</p> <p><u>Zero burning practices -</u> Zero burning procedure &amp; policy was available to show their commitment to ensure no burning in their operation. Observed latest re-planting process was no burning used during replanting.</p>
<p>Comment on Principle 6</p>	<p><u>Implementation of standard best practices –</u> Both Estate was use Group Standard Operating Procedures (StOPs) for best practices in the estate operation.</p> <p><u>Site management –</u> All block in the estate was identified and label</p> <p><u>Economic and financial viability plan –</u> Both Estate was established and documented business or management plan (Projection for year 2019 to 2022).</p>

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	<p><u>Transparent and fair pricing dealing</u> – The pricing mechanism control by IOI Group as the same ownership</p> <p><u>Subcontractor</u> – Contract agreements between the estates and the contractors for FFB transportation, Renovation of workers quarters and maintenance works are available The contract agreement is fair, legal and payment is paid in timely manner and attached with the MSPO requirement</p>
Comment on Principle 7	<p><u>High biodiversity value</u> – not applicable (n.a) as there are no development of New Plantings</p> <p><u>Peat land</u> – not applicable (n.a) as there are no development of New Plantings</p> <p><u>Social and environmental impact assessment</u> – not applicable (n.a) as there are no development of New Plantings</p> <p><u>Soil survey</u> – not applicable (n.a) as there are no development of New Plantings</p> <p><u>Planting on steep terrain and/or on marginal and fragile soils</u> – not applicable (n.a) as there are no development of New Plantings</p> <p><u>Customary land</u> - not applicable (n.a) as there are no development of New Plantings</p>

### **Comment on MS2530-4 Compliance Status:**

Comment on Principle 1	<p><u>Policy on Implementation of MSPO</u> – IOI Group has established and documented a Sustainable Palm Oil Policy that has the following :</p> <ol style="list-style-type: none"> <li>1) Introduction</li> <li>2) Scope</li> <li>3) Our Commitment</li> <li>4) Existing plantation <ul style="list-style-type: none"> <li>- Environmental Management</li> <li>- Human rights and Workplace</li> <li>- Community Development and Social Impact</li> </ul> </li> <li>5) Additional Commitments for new plantings</li> <li>6) Traceable Supply chain</li> <li>7) Transparency and Wider Engagement</li> </ol> <p>Under 'Existing Plantations ' ...it is stated in one of the points.... Committing towards sustainable production of palm oil and its continuous improvement as outline in the MSPO guidelines....</p> <p>The policy is signed by Dato' Lee Yeow Chor , Group CEO and Dr Surina Ismail , Group Head of sustainability Revised March 2018</p> <p><u>Internal Audit</u> – 4.1.2.1</p>
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	<p>Internal audit SOP Doc .No: MSPO / SOP/IA/1 ( 1/8/17 ) available .</p> <p>The internal audit was conducted on 25 May 2018</p> <p>Conducted by :</p> <ol style="list-style-type: none"> <li>1) Ms Valerie Binati , SPO Exec</li> <li>2) Sumarni Sudirman , SPO Officer</li> </ol> <p><u>Management Review –</u></p> <p>4.1.3.1</p> <p>As in 4.1.2.3 , the Management review is documented and minuted The Internal audit report was made available to the management for their review on 29 June 2018</p> <p><u>Continual Improvement -</u></p> <p>4.1.4.1</p> <p>In the Capital Expenditure Budget FY 17/18 , BPOM has allocated budget for various mill operation with consideration of the main social and environmental impact:</p> <ol style="list-style-type: none"> <li>1) Environment: improvement equipment .e.g Roofing for Fibre cyclone Platform ( Code CE 0198) ,</li> <li>2) Social : Sand Filter No. 1 ( CE 0240 ) for domestic water Treatment and concrete Drains for 320 ‘ ( CE 1198 ) for Labour quarters</li> </ol> <p>The status and action plans for the FY 17/18 was sighted in the Palm Oil Mill Progress Report .</p> <p>4.1.4.2</p> <p>The mill has evidence that the continuous improvement plan 2018/19 is documented to ensure that a system to improve practices in line with new information and techniques; and for disseminating this information throughout the workforce.</p>
<p>Comment on Principle 2</p>	<p><u>Transparency of documents relevant to MSPO requirements –</u></p> <p>4.2.1.1</p> <p>The management documents are made publicly available on the company’s website</p> <p><a href="http://www.ioigroup.com">www.ioigroup.com</a></p> <p>In the website the policies and the plans can be accessed under the ‘Sustainability ‘ ‘tab’.</p> <p>Annually the group uses the annual stakeholder meeting to communicate the information requested by the relevant stakeholders in the appropriate languages and forms .</p>

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	<p>The annually organised internal and external Baturong Group report was sighted as one was the method used to communicate adequate information to other stakeholder on environmental, social and legal issues relevant to sustainable practices in the relevant languages.</p> <p>The list of internal and external stakeholders were available .</p> <p><u>Transparent method of communication and consultation –</u> 4.2.2.1</p> <p>The company has established a procedure for consultation and communication .</p> <p>The Grievance Procedure is documented in the Group Social Impact Assessment and Management Action Plans under <i>Section 7.0 Grievance Procedure</i></p> <p>And the Sexual Harassment Procedure is documented In Section 8.0 Sexual Harassment Procedure</p> <p>In Section 9.0 Stakeholder Request Procedure states that response will be responded within 5 working days</p> <p>Flowchart of the following was also available :</p> <ol style="list-style-type: none"> <li>1) <i>Carta Alir Prosedur Aduan</i></li> <li>2) <i>Prosedur Aduan Gangguan Seksual</i></li> </ol> <p>4.2.2.2</p> <p>BPOM has appointed En Iskandar Aliudin , Asst Mill Manager as the '<i>Pegawai Perhubungan Sosial</i>' for the personnel responsible</p> <p><u>Traceability –</u> 4.2.3.1</p> <p>BPOM will refer to the SOP , Management System &amp; Traceability Control Procedure at the Critical Control Points ( CCP ) , Document No: ISCC / SOP / Mill / MST/01 rev. 3( 27/3/17 ) for the traceability for all related operations concerning the incoming FFB from the supply estates and outgoing CPO from the mill to refinery</p> <p>It has the following sections:</p> <ol style="list-style-type: none"> <li>1) Purpose</li> <li>2) Scope</li> <li>3) Responsibility <ul style="list-style-type: none"> <li>- 3.1 Security</li> <li>- 3.2 Weighbridge</li> <li>- 3.3 Lab</li> <li>- 3.4 Office</li> </ul> </li> <li>-3.4.4 Record keeping</li> <li>4) Attachment</li> <li>5) References</li> <li>6) List of Amendment</li> </ol> <p>4.2.3.2</p>
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	<p>In the MSPO Management Org chart , BPOM has appointed responsible personnel</p> <p>4.2.3.3 In the Organization Chart ( 25/5/18 ) the management has identified and assign suitable employees to implement and maintain traceability system.</p> <p>4.2.3.4 Records of storage, sales, delivery or transportation of crude palm oil and palm kernel are maintained</p>
Comment on Principle 3	<p><u>Regulatory requirements</u> – The company was listed and updated the list of law applicable for POM and held legit approval and license from local authority.</p> <p><u>Legal land use rights</u> – Baturong Palm Oil Mill located in Baturong 1 Estate.</p> <p><u>Customary rights</u> – Baturong Palm Oil Mill located in Baturong 1 Estate.</p>
Comment on Principle 4	<p><u>Social Impact Assessment</u> – 4.4.1.1. The Social Impact Assessment (SIA) report ‘ Social Impact Assessment , Management Action Plans and Continuous Improvement Programme – Baturong Palm Oil Mill was available.</p> <p>It was conducted internally and reviewed on 07/07/18 , prepared by Mr Iskandar Aliudin , Asst Manager , Social Liaison officer and approved by Ir Hairie Masroon , Mill Manager</p> <p><u>Complaints and grievances</u> – 4.4.2.1 The system for dealing with complaints and grievances is established and documented in the following :</p> <p>Flowchart for: 1) <i>Carta Alir Prosedur Aduan</i> 2) <i>Prosedur Aduan Gangguan Seksual</i></p> <p>4.4.2.2 Based on the Estate SIA &amp; Management Action plan the issue is required to be attended within 3 working days whereas in the Group SIA Guidance Document that was established under Section 7.5 Social Liaison Officer , it is stated that issues / request will be attended to within 5 days .</p> <p>However an Observation is raised.</p> <p>Records have been kept since May 2008 . The latest 8/6/18</p>

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	<p>Lab : Clarence</p> <p>Complaint/Request : place of worship – church /<i>chapel</i> as it was reported that there are at least 100 Christian workers in the 3 estates and mill who has to find transport to the nearest church in Kunak every Sunday</p> <p><b>Although it was reported that the request has been attended as there was a recorded evidence however the date of acknowledgement was not recorded.</b></p> <p><b>In addition the letter of request to the Snr GM was dated 19/6/18 .</b></p> <p><b>Based on the letter , there are 139 Christian workers for the 3 estates and 1 mill .</b></p> <p><b>OBSERVATION 01</b></p> <p>4.4.2.3</p> <p>BPOM does not have a complaint form as they would record the request / complaint straight into the complaint / Grievance book</p> <p>Records of all consultation and communication and records of action taken in response to input from stakeholders are recorded</p> <p><u>Commitment to contribute to local sustainable developments –</u></p> <p>4.4.3.1</p> <p>BPOM contribute to local development in consultation with the local communities ( internal and external ) via their annual stakeholder meetings and records of any request .</p> <p>The list internal stakeholder was updated on 4/6/18 and the external on 4/6/18</p> <p>In the SIA analysis of External stakeholder meetings the following are the issue raised:</p> <ol style="list-style-type: none"> <li>1) Access and use rights ( 57% )</li> <li>2) Economic livelihood ( 14% )</li> <li>3) Subsistence activities ( 29% )</li> <li>4) Cultural and religious value ( 0 % )</li> <li>5) Health and Education facilities ( 0% )</li> </ol> <p>Records of contributions are recorded in the External stakeholder meeting Appendix 4 ( A )</p> <p><u>Employees health and safety –</u></p> <p>4.4.4.1</p> <p>The Occupational Safety and Health policy, <i>Polisi Keselamatan &amp; Kesihatan Pekerja</i> signed by Dtk Foong , dated 11/7/11 was available .</p> <p>However Dtk Foong is no longer the Group Plantation Director and the latest copy is awaiting approval from their Head office as it has been submitted for translation to the Bahasa Malaysia .</p> <p>The safety plan is documented in the ‘ Safety Management Plans – BPOM’</p>
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	<p>Reviewed date: 29/01/18 by Ms Gurjit Kaur, Sandhu, Sr., Safety Officer Lahad Datu Region</p> <p>The risk of all operations are assessed and documented in the 'Safety &amp; Health Risk Assessment file.</p> <p>There were 27 activities identified</p> <p>The occupational safety and health training program 2018/9 was available .</p> <p>It is categorised under the following :</p> <ol style="list-style-type: none"> <li>1) Environment</li> <li>2) Safety</li> <li>3) Social</li> </ol> <p>Under the safety training there were 19 trainings planned .</p> <p>The mill has a safety committee chart and Mr Hairie Masroon , Snr Asst Mill Manager in charge , has been appointed on 2/3/17 responsible person(s) for workers' safety and health.</p> <p>The management has conducted regular two-way quarterly communication with their employees where issues that affect their business such as those related to employees' safety, health and welfare.</p> <p>First aid training conducted on 27/2/18 by Hasmiah Lamba , Hospital Assistant Grade 1</p> <p>Total participants : 10 supervisors and clerk</p> <p>The Audiometric test was conducted on the workers on 30/1/18 for 14 workers , none were identified with STS .</p> <p>The annual accident submission to the authorities documented and submitted on 5/1/18</p> <p>No. Ref: JKKP 8/7165/2017</p> <p>Based on the record, JKKP 8 , 0 accident</p> <p>JKKP 6 : 0</p> <p>LTI : 0</p> <p><u>Employment conditions –</u></p> <p>4.4.5.1</p> <p>The management has established a policy on good social practice regarding human rights in respect of industrial harmony. The policy is signed by the top management and communicated to the employees.</p> <p>The Respecting Human Rights Policy , 2015 has been incorporated into the Sustainable Palm Oil Policy ( SPOP) , signed by Dato Lee Yeow Chor , June 2017</p> <p>4.4.5.2</p> <p>The management does not engage in or support discriminatory practices and</p>
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provide equal opportunity and treatment regardless of race, colour, sex, religion, political opinion, nationality, social origin or any other distinguishing characteristics.

Equal opportunity employment & Freedom of Association Policies ( *Polisi Hak Sama Rata & Kebebasan bersepatatuan Pekerja*) endorsed by Mr NB Sudhakaran , Oct 2017

#### 4.4.5.3

The estates are monitoring ensure that employees' pay and conditions meet legal or industry minimum standard as per the Minimum Wage Order 2017 of 35.38 / day for a 6 day work is complied.

They have reported to the authorities that 26 days x RM35.38 = RM 919.88

#### 4.4.5.4

Management ensured employees of contractors are paid based on legal or industry minimum standards as in their contract agreement and the contractor submit the summary of the workers salary.

However a Minor Non-Conformity was raised under 4.4.5.4 .

On checking it was noted that based on the submission by the transporting contractor , **some of the transporter's drivers were paid less than the minimum in June 2018**

**e.g Badrul Ambo**

**1) Feb '18 RM629.75**

**2) Apr '18: 864.25**

**3) May '18 : 829.35**

**And Sulaiman Salasa RM128.15 in Nov'17**

#### **MINOR NC 01**

#### 4.4.5.5.

**BPOM is establishing the records of the employee in the 'Employee Identification Cum input Document ' that records**

#### 4.4.5.6

Employment contract , Employee Identification Cum Input Document of workers were available.

In the contract both the employee and the employer has signed with witness.

The contract of worker , Syukri Launa passport AT 693753

Date Join: 2/11/13

Work position: workshop

According to BPOM , a thumbprint at the last page of the contract is an indication that they have received a copy of the contract

#### 4.4.5.7

Workers work in 8 hours shift with overtime.

Overtime is recorded in the Daily Overtime Authorisation sheet

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#### 4.4.5.8

Workers work in 8 hours shift with overtime.

Overtime is recorded in the Time Attendance where both the days work and overtime is recorded .

#### 4.4.5.9

Overtime is recorded in the Time Attendance where both the days work and overtime is recorded .

#### 4.4.5.10

The following are some of the benefits reported for BPOM :

- 1) Bonus 1-5 mths for staff and executives ( last year)
- 2) Bonus for workers ( % of attendance )
- 3) During the Labour Day celebration , sports and children
- 4) Free Housing , 24 hrs electricity and water
- 5) Provision of vehicle to town for special occasion e.g khenduri Kahwin , Hari Jadi
- 6) Bayaran Cuti Tahunanan ( VLP )

#### 4.4.5.11

On-site living quarters were provided with basic amenities like treated piped water , electricity , water tank for rain water harvesting , regular domestic waste disposal and bins are available

**However non-conformity is raised for the following issues:**

- 1) **In one domestic bin along the workshop occupants had significant amount of metal scraps and another bin has empty used motor oil container**

**Although the management said that this will be segregated later however we did not see evidence of its segregated site.**

- 2) **The management has shown to us the progress in the construction of the concrete main drains , however , there is a need to clear the present natural drains from undergrowth to prevent stagnant drain-water as sighted behind house SQB4 . This was reported in the weekly inspection 14/7/18. .**
- 3) **There were some missing window panes in the houses visited.**
- 4) **Although gotong royong is initiated regularly to clear the linesite compound however the occupants should be given a sense of responsibility to clean and maintain their own compound to prevent uncontrolled undergrowth ( e.g vegetable patch of SBQ4)**

#### **MINOR NC 02**

#### 4.4.5.12

The management has established a policy to prevent all forms of sexual harassment and violence at the workplace.

Policy Harassment at workplace

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	<p>Endorsed by NB Sudhakaran dated July 2018</p> <p>4.4.5.13 ECC meeting is conducted every quarter.</p> <p>The latest meeting was conducted on 21/6/18</p> <p>4.4.5.14 No children or young persons are employed and the minimum age is complied .</p> <p><u>Training and competency –</u> 4.4.6.1</p> <p>The training plan of 2018 was sighted .</p> <p>The occupational safety and health training program 2018/9 was available .</p> <p>It is categorised under the following :</p> <ol style="list-style-type: none"> <li>1) Environment</li> <li>2) Safety</li> <li>3) Social</li> </ol> <p>Under the safety training there were 19 trainings planned .</p> <p>4.4.6.2&amp; 4.4.6.3</p> <p>As part of the continuous training programme , the management planned and implemented to ensure that all employees are well trained in their job function and responsibility in accordance to the documented training procedure. As such competency or evaluation is conducted.</p> <p>One of the certificate of competency for working at height 1.0 training conducted for En Abdullah Sabran was sighted dated 14-16 Aug 2017. There were 12 who successfully completed the training .</p> <p>Trainer: Zwageri ( ASN/ZSB/412662/326/2017</p>
<p>Comment on Principle 5</p>	<p><u>Environmental management programme –</u> Sighted <b>Sustainable Palm Oil Policy</b> which was last revised in March 2018 endorsed by Group Chief Executive Officer and Group Head Sustainability.</p> <p>The policy covers environment element which stated commitment towards GHG Emission Reduction progressively. Also stated their commitment towards complying with legal and other applicable regulations.</p> <p><i>Environment Impact Assessment Management Action Plan and Continuous Improvement Plan</i> prepared by Environmental Liaison Officer from Baturong Mill and approved by Mill Manager.</p> <p>Environment Action Plan was incorporated together with Environment Aspect Assessment.</p> <p><i>Continuous Improvement Plan For Financial Year 2017/2018</i> was sighted had been established and completed accordingly as per targeted date.</p>

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Based on sampled training records that have been done in Financial Year 17/18 were in accordance to the Training Programme established for the year. Below are the sampled training records.

An Environmental Performance Monitoring Committee had been established as part of complying towards new Guided Self Regulation (GSR) introduced by Department of Environment (DOE). The committee spearhead by Mill Manager. Among the requirement the committee need to meet is conducting periodical committee meeting to discuss on environmental performance and current issue.

Efficiency of energy use and use of renewal energy –

Sighted Summary of Diesel Consumption Monitoring for period Financial Year 17/18. Noted some of the months within the period exceeded the set. However, BPOM justified that it was due to less FFB processed. The highest diesel consumption recorded was in August 2017 whereas, the lowest diesel consumption achieved was in April 2018. The budgeted Liter Diesel/ mt FFB for FY 1819 is 4.22 liter/ MT. FFB

The mill use turbine for energy conversion by using kernel shell and fibre for boiler fuel. They continuously monitor energy generation from turbine and generator set. During the time of audit, mill management explained that they had installed EFB Press machine to produce more fibres to increase boiler fuel to maximise turbine usage instead of genset. The monitoring record can be seen from Engine Room Monitoring Sheet which is recorded hourly.

Diesel issuance is being monitored daily. The record book was presented during the audit.

Waste management and disposal –

Potential waste products had been identified during Environment Impact Assessment (EIA) and incorporated together in EIA Report. Below are the identified waste products:

1. Waste water from cleaning activity
2. Scheduled waste from maintenance activity and chemical container
3. Domestic waste, sewage and garden residue
4. Industrial waste such as scrap iron and used tyres
5. Palm oil effluent
6. EFB
7. Fibre, shell and boiler ash

Environment Action Plan was established right after EIA had been done and incorporated together in the same report.

**However a Minor NC is raised under 4.5.3.1.**

**Although waste products and sources of pollution from POM Laboratory activities were identified and documented however it was noted that waste mixed with hexane was not identified in Environment Impact Assessment for Baturong Palm Oil Mill laboratory activity.**

**MINOR NC 03**

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	<p>Baturong POM appointed the same Scheduled Waste Contractor appointed by Cantawan and Baturong 1 Estate.</p> <p>Last disposal was made in July. Wastes sent for disposal were:</p> <ol style="list-style-type: none"> <li>1. Used Battery SW102</li> <li>2. Discarded Fluorescent Lamp SW109</li> <li>3. Discarded e waste SW110</li> <li>4. Used engine oil SW305</li> <li>5. Used chemical container SW409</li> <li>6. Used oil filter SW410</li> <li>7. Used cotton rag SW410</li> <li>8. Used PPE SW410</li> <li>9. Used paint container SW417</li> </ol> <p>SOP available:</p> <ol style="list-style-type: none"> <li>1. Chemical Container Handling dated 1<sup>st</sup> Aug 2012.</li> <li>2. Domestic Waste Management dated 27<sup>th</sup> Mar 2017.</li> <li>3. Baturong Palm Oil Mill Schedule Waste Management System dated 1<sup>st</sup> June 2015</li> </ol> <p>Domestic at mill and housing area will be collected by mill person in charge to be sent to landfill at Baturong 1 Estate.</p> <p><u>Reduction of pollution and emission –</u> Action plan to reduce significant pollutants and emissions has been established as specified in the Pollution Prevention Plan. Site inspection confirms that the effluent treatment plant meets the requirements set by DOE (Compliance Schedule).</p> <p><u>Natural water resources –</u> The POM has established the Water Management to manage and maintain the quality and availability of the water sources</p>
Comment on Principle 6	<p><u>Implementation of standard best practices –</u> SOP for the POM operations are specified in the Standard Operating Manual. The audit team observed that the SOP are found covered best management practices at all operation's processes. The POM has been evaluated by both internal and external parties to ensure the best practices implementation.</p> <p><u>Economic and financial viability plan –</u> Documented business / management plan is established to demonstrate commitment to economic and financial viability through long-term management planning.</p> <p><u>Transparent and fair pricing dealing –</u> The pricing mechanism is determined based on the MPOB &amp; OER report which is produced monthly. Verification and interview conducted with the FFB supplier confirmed that they are aware of the pricing mechanism and the reference point that is used by the POM i.e. using MPOB report. Contract for the supply of the FFB; between the POM and the FFB is not available as same entities.</p> <p><u>Subcontractor –</u></p>

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	The appointed sub-contractor has signed the RSPO/MSPO commitment. Currently, the POM has employed only 4 sub-contractors on the weighbridge maintenance, mill maintenance and the transportation of the CPO and PK. Contract of the above sub-contracting is made available to the audit team during the audit.
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## 7. Nonconformities

### MS2530-3:2013 Part 3

<b>NonConformity</b>	N° 1 of 1	<input type="checkbox"/> Major	<input checked="" type="checkbox"/> Minor
	<b>Date Recorded&gt;</b> 20/07/2018	<b>Due Date&gt;</b> 19/04/2019	<b>Date Closed&gt;</b> dd MM yyyy
Department / Function:		Standard Ref.: Indicator	4.5.3.2
Document Ref.:	<b>4.5.3 Criteria 3: Waste management and disposal</b>	Issue / Rev. Status:	Open
Details of Nonconformity:	A waste management plan to avoid or reduce pollution shall be developed and implemented. The waste management plan should include measures for: Identifying and monitoring sources of waste and pollution. Improving the efficiency of resource utilization and recycling of potential wastes as nutrients or converting them into value-added by-products		
Objective Evidence:	<b>Empty chemical container handing was not in accordance to OSH Management System, Doc Reference IOI-OSH3.2.2, Appendix 6(31) dated 1<sup>st</sup> August 2012.</b>  <b>In Cantawan Estate, sighted empty paint container, broken lubricant container and empty pesticide container at scrap yard area nearby workshop.</b>		
Close-out evidence:			



## MS2530-4:2013 Part 4

<b>NonConformity</b>	N° 1 of 3		<input type="checkbox"/> Major		<input checked="" type="checkbox"/> Minor	
	<b>Date Recorded&gt;</b>	20/7/18	<b>Due Date&gt;</b>	19/4/19	<b>Date Closed&gt;</b>	dd MM yyyy
Department / Function:	Admin		Standard Ref.: Indicator		4.4.5.4	
Document Ref.:	Criterion 5: Employment Condition		Issue / Rev. Status:		<b>Open</b>	
Details of Nonconformity:	Management has not ensure employees of contractors are paid based on legal or industry minimum standards according to the employment contract agreed between the contractor and his employee.					
Objective Evidence:	<p>Management ensured employees of contractors are paid based on legal or industry minimum standards as in their contract agreement and the contractor submit the summary of the workers salary , however on checking it was noted that based on the submission , <b>some of the transporter's drivers were paid less than the minimum in June 2018</b></p> <p><b>e.g Badrul Ambo</b></p> <p><b>1) Feb '18 RM629.75</b></p> <p><b>2) Apr '18: 864.25</b></p> <p><b>3) May '18 : 829.35</b></p> <p><b>And Sulaiman Salasa RM128.15 in Nov'17</b></p>					
Close-out evidence:						

<b>NonConformity</b>	N° 2 of 3		<input type="checkbox"/> Major		<input checked="" type="checkbox"/> Minor	
	<b>Date Recorded&gt;</b>	20/7/18	<b>Due Date&gt;</b>	21/4/19	<b>Date Closed&gt;</b>	dd MM yyyy
Department / Function:			Standard Ref.: Indicator		4.4.5.11	
Document Ref.:	Criterion 5: Employment Condition		Issue / Rev. Status:		<b>Open</b>	

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Details of Nonconformity:	In cases where on-site living quarters are provided, these quarters shall be habitable and have basic amenities and facilities.
Objective Evidence:	<p>On-site living quarters were provided with basic amenities like treated piped water , electricity , water tank for rain water harvesting , regular domestic waste disposal and bins are available.</p> <p>The Creche was maintained in good condition, with netted windows, good toilet , lighting , ventilation and basic kitchen facilities. The management has done gotong royong campaigns and repainted the facility .</p> <p>The mosque is also well kept , fenced and with sufficient water facilities.</p> <p>Interview with worker Samad Ambo, Workshop D13 visit to his house indicated that the house is well maintained, kitchen is kept in good condition and toilet is in good working condition.</p> <p>A worker had a white-brownd shama and he has a permit from Jabatan Hidupan Liar ( valid till 1/4/19 )</p> <p>For safety fire extinguisher provided about 1 unit per 2 houses or 20 m from the potential hazard as required by Bomba</p> <p>According to the management , mosquito netting is not borne by the management.</p> <p><b>However one domestic bin along the workshop occupants had significant amount of metal scraps and another bin has empty used motor oil container .</b></p> <p><b>Although the management said that this will be segregated later however we did not see evidence of its segregated site.</b></p> <p><b>The management has shown to us the progress in the construction of the concrete main drains , however , there is a need to clear the present natural drains from undergrowth to prevent stagnant drain-water as sighted behind house SQB4 . This was reported in the weekly inspection 14/7/18. .</b></p> <p><b>There were some missing window panes in the houses visited.</b></p> <p><b>Although gotong royong is initiated regularly to clear the linesite compound however the occupants should be given a sense of responsibility to clean and maintain their own compound to prevent uncontrolled undergrowth ( e.g vegetable patch of SBQ4)</b></p>
Close-out evidence:	

<b>NonConformity</b>	N° 3 of 3	<input type="checkbox"/> Major	<input checked="" type="checkbox"/> Minor
	<b>Date Recorded&gt;</b> 20/07/2018	<b>Due Date&gt;</b> 19/04/2019	<b>Date Closed&gt;</b> dd MM yyyy
Department / Function:		Standard Ref.: Indicator	4.5.3.1
Document Ref.:	<b>Criterion 3: Waste management and disposal</b>	Issue / Rev. Status:	<b>Open</b>
Details of Nonconformity:	Waste products and sources of pollution from palm oil mill laboratory was not identified and documented.		
Objective Evidence:	<b>Waste identification such as waste mixed with hexane from Baturong Palm Oil Mill laboratory activity was not evident/identified in Environment Impact Assessment (date reviewed 1<sup>st</sup> July 2018) as a waste .</b>		
Close-out evidence:			

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 an 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:**

- The support from IOI 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 could be updated thoroughly
- Utilization of warning and hazard signage could be improved
- Inconsistent of contract agreement for did not mention any MSPO compliance that must be comply by contractors that applicable for them
- Efficiency of resolving grievances could be further improved
- Awareness of MSPO implementation among contractors could be improved.

## **Appendix 1: Multi –Site Address List**

Site name / Address	Audit Dates	Activities at this site
Cantawan Estate	18/7/18	Field activities ( spraying weed and P&D , Harvesting ) , Buffer zone , agricultural practices – terracing , frond stack , road maintenance , Storage chemical , POL , fertiliser, Creche , Linesite , Landfill
Baturong POM	17/7/18 ( Opening ) 19/7/18	Ramp , High noise area Boiler , engine room , Lab , Line site , Land application , SW store
Baturong 1 Estate	20/7/18	Field activities ( spraying weed and P&D , Harvesting ) , Buffer zone,

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		archaeological site- HCV , agricultural practices – terracing , frond stack , road maintenance , Storage chemical , POL , fertiliser, Linesite , Landfill , workshop
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## Appendix 2: List of Stakeholders Contacted

Stakeholder	Type of Stakeholder	Issues raised	Comments/Action Taken
Environment Protection Department (EPD)	Government authorities	No response to audit notification email sent	Not required
DynaKey Laboratories Sdn Bhd	Service Provider	No response to audit notification email sent	Not required
Kiwiheng Wood And Environmental Consultants Sdn Bhd	Service Provider	No response to audit notification email sent	Not required
Sri Balung Service Agency	Service Provider ( Worker employment agency )	No response to audit notification email sent	Not required
Aristo Development Company	Contractor	No response to audit notification email sent	Not required
Pejabat Tenaga Kerja Kunak, MDKNK 2371 & 2372, Simpang Empat, Jalan Kunak - L. Datu 91209 Kunak, Sabah. En Kamarul Izham	Government authorities	Appointment and discussion .  No outstanding issue .  Provide job availability ( last year 12 staff placement )	Not required

Mill Workshop Worker Samad Ambo, House D13	Internal	No issues	house is well maintained, kitchen is kept in good condition and toilet is in good working condition.
Ramp Mill – Mokhtar and Sibü	Internal	PPE provided	No issue
Cantawan – Spray operators (weed) in Field 12A and P&D : 18D	Internal	No Issues . PPE is provided and replaced when faulty / damaged  Housing OK  Pay > RM1000  Pay before 7 <sup>th</sup> of the next month	No issue
Cantawan Decreeing Team - Mdr Sindy Nani ( Indon N3 ) and Samsiah 9 Indon) E3	Internal	No issues similar to the above  No deduction	No issue
Cantawan Harvester Toyib Indon , 2E	Internal	No issues	No issue
Cantawan Creche -	Internal	Well maintained with a ratio of 2 creche ayah : 25 children . toilet was clean and the kitchen has cabinet and the windows has mosquito netting	No issue
BR 1 spray weed operators Mandor Mardiana and team Saidi, Nahira, Asyikin, Sahid, Ajerah and Munira	Internal	No issues raised	No issue

BR 1 Mdr Lijah, spray P&D And team Haslina, Rahmaniah, Rafidan and Sabrina	Internal	No issues	No issue
Clarence Ola	Lab	Place of worship for Christian workers	Raised as an Observation



### Appendix 3: Audit Planning Matrix

Area / Department / Process / Function	ASPECTS, RISKS, OBJECTIVES,	Principles	Visits:	MA	ASA01	ASA02	ASA03		
			Dates:	17-20/7/18					
			Auditor(s):	James S H Ong, Mohd Saifuddin Rozlan, Afiq Othman					
<b>Baturong POM</b>	<b>MS2530-4:2013: Part 4</b>								
		Principle 1: Management commitment and responsibility		x					
		Principle 2: Transparency		x					
		Principle 3: Compliance to legal requirements		x					
	<b>m01_4.4.5.4</b> <b>m02_4.4.5.11</b> <b>Obs01_4.4.2.2</b>	Principle 4: Social responsibility, health, safety and employment condition		Minor 01 Minor 02 Obs01					
	<b>m03_4.5.3.1</b>	Principle 5: Environment, natural resources, biodiversity and ecosystem services		Minor 03					

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	Obs02_4.6.4.1	Principle 6: Best practices				-		
Baturong Estate audit	MS2530-3:2013: Part 3		MA BR1 Cantawan	ASA01	ASA02	ASA03		
		Principle 1: Management commitment and responsibility	x					
	Obs01_4.2.2.3	Principle 2: Transparency	Obs01					
		Principle 3: Compliance to legal requirements	x					
	Obs02_4.4.4.2	Principle 4: Social responsibility, health, safety and employment condition	Obs02					
	m01 _ 4.5.3.2	Principle 5: Environment, natural resources, biodiversity and ecosystem services	Minor 01					
	Obs03_4.6.4.1	Principle 6: Best practices	Obs03					
		Principle 7: Development of New Plantings	n.a			-		

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