



**PUBLIC SUMMARY REPORT**  
**INITIAL RSPO CERTIFICATION ASSESSMENT**

**IOI CORPORATION Bhd**  
**Pamol Kluang**  
**Kluang Johor Malaysia**

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## SUMMARY

BSi Management Systems Singapore Pte Ltd (BSi) has conducted an assessment of IOI Corporation Bhd (Pamol Kluang) operations comprising One (1) mill, supply base, support services and infrastructure. BSi concludes that Pamol Kluang operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY-NI Indicators and Guidance : 2008. BSi recommends that Pamol Kluang be approved as a producer of RSPO certified sustainable palm oil.

## ABBREVIATIONS

BOD	Biological Oxygen Demand
CAR	Corrective Action Request (for a nonconformity)
CHRA	Chemical Health Risk Assessment
CPO	Crude Palm Oil
DOE	Department of Environment
DOSH	Department of Occupational Safety & Health
EFB	Empty Fruit Bunch
EMS	Environmental Management System
FFB	Fresh Fruit Bunch
HCV	High Conservation Value
IPM	Integrated Pest Management
LTA	Lost Time Accident
MPOB	Malaysian Palm Oil Board
MSDS	Material Safety Data Sheet
MY-NI	Malaysian National Interpretation
NUPW	National Union of Plantation Workers
OHS	Occupational Health and Safety
OHSAS	Occupational, Health & Safety Assurance System
PCD	Pollution Control Device
PK	Palm Kernel
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
QMS	Quality Management System
SEIA	Social & Environmental Impact Assessment
SIA	Social Impact Assessment
SOP	Standard Operating Procedure
VMO	Visiting Medical Officer
WHO	World Health Organisation
WQI	Water Quality Index

## 1.0 SCOPE OF CERTIFICATION ASSESSMENT

### 1.1 National Interpretation Used

The operations of the mill and its supply base of FFB were assessed against the Malaysian National Interpretation (MY-NI : 2008) of the RSPO Principles and Criteria : 2007.

### 1.2 Certification Scope

The scope of certification is the production from the palm oil mill that is sourced from six (6) company owned oil palm estates.

### 1.3 Location and Maps

The Pamol Kluang mill and estates are located in Johor, Malaysia (Figure 1). The oil mill is central to the estates located near Kluang, while Kahang Estate is located at Kahang, Johor and Swee Lam Estate is located at Kulai,

Johor. Additional maps are included (Figures 2 and 3) showing Pamol Barat Estate and Pamol Timur Estate layouts. The GPS location of the mill is shown in Table 1.

**Table 1: Mill GPS Location**

MILL	LONGITUDE	LATITUDE
Pamol Kluang	103° 23' 24"	2° 6' 36"

### 1.4 Description of Supply Base

The supply base consists of FFB from six (6) IOI owned Estates that supply 88.4% of the FFB processed at the mill.

In addition, FFB from other IOI Estates that are implementing the RSPO Principles and Criteria but have not yet been certified, is processed at the Kluang Mill. The majority of production from the "other non-certified IOI Estates" is supplied to nearby IOI Mills that are included in the Time Bound Plan for Certification. The production from the "other non-certified IOI Estates" is initially excluded from the Pamol Certificate.

The FFB production from IOI owned Estates for the 01 July 2007 – 30 June 2008 reporting period is listed in Table 2.

**Table 2: Estates FFB Production**

Estate	FFB Production (t)
Pamol Barat	58,805
Pamol Timur	52,905
Mamor	40,484
Kahang	27,719
Unijaya	24,618
Swee Lam	26,300
IOI Gomali Estates *	22,376
<b>TOTAL</b>	<b>253,207</b>

\* The production from "IOI Gomali Estates" is excluded from the Certificate for the following reasons:

In 2007/2008, one of the boilers of the IOI Gomali Oil Mill had undergone inspection and one production line was not operational, so the crop from 3 Gomali supplying estates (totalling 22,376 tonnes FFB) was diverted to Pamol Kluang Mill for processing.

At the time of the Initial Certification Assessment of Pamol Kluang, the Gomali Mill and Estates had not been assessed, but were scheduled for assessment in July 2009, as shown in the Time Bound Plan. Because the outage of the Gomali Mill boiler was a "once-off" situation and the Gomali Estates had not yet been certified, the Assessment Team considered it appropriate to exclude the IOI Gomali Estates' crop from the IOI Pamol Kluang Certificate.

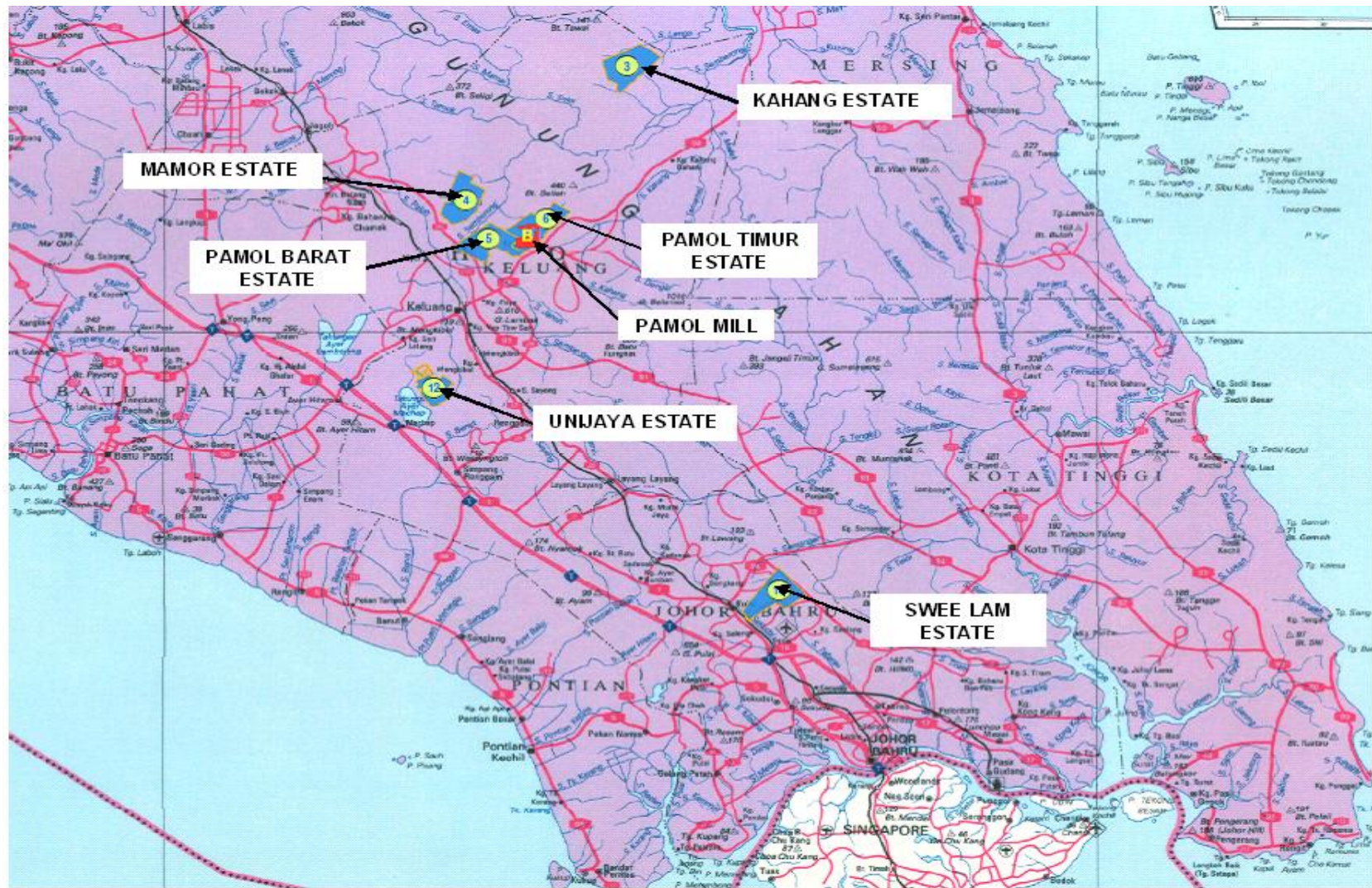


Figure 1: Pamol Kluang Location Map

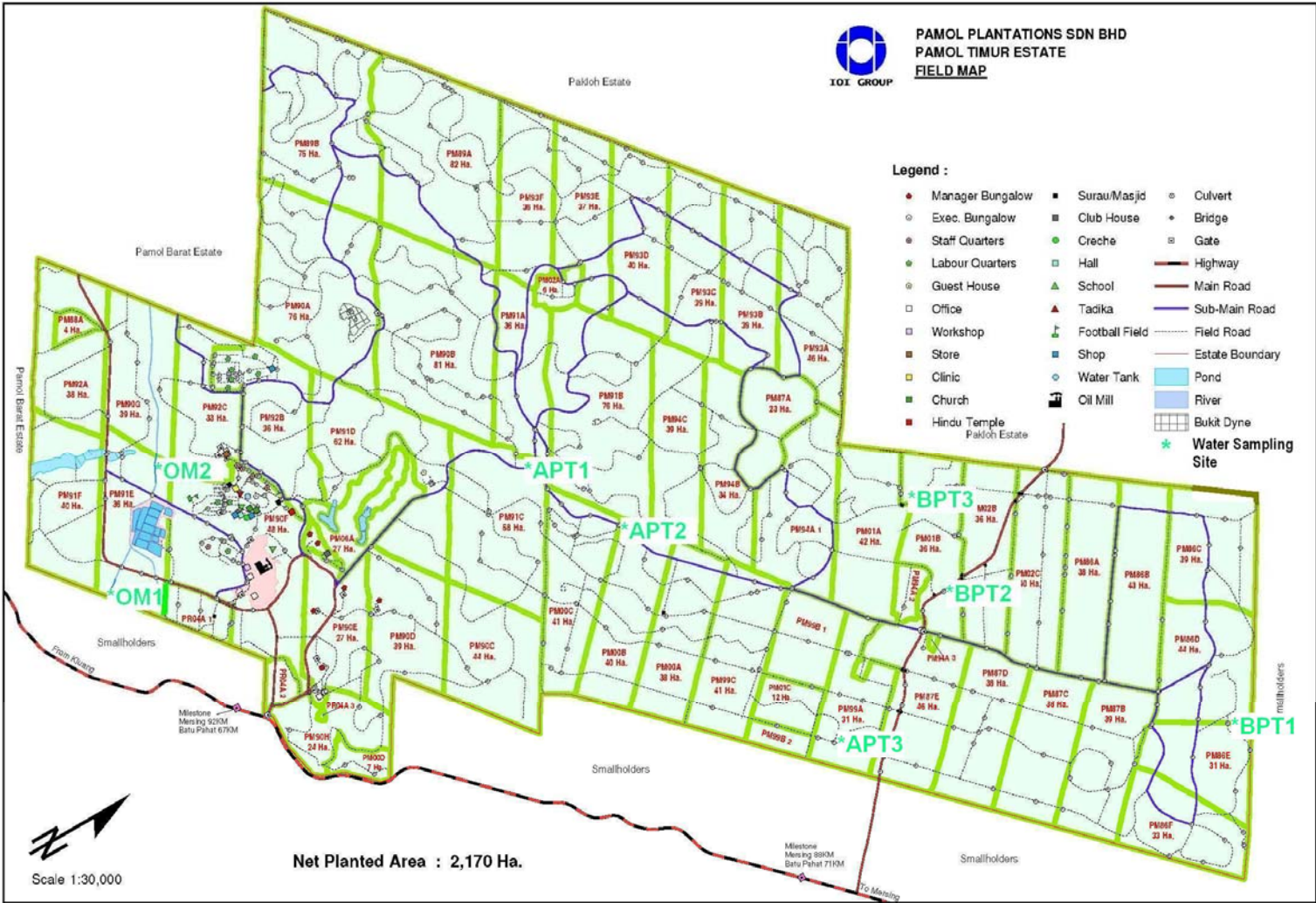


Figure 2: Pamol Timur Estate Layout

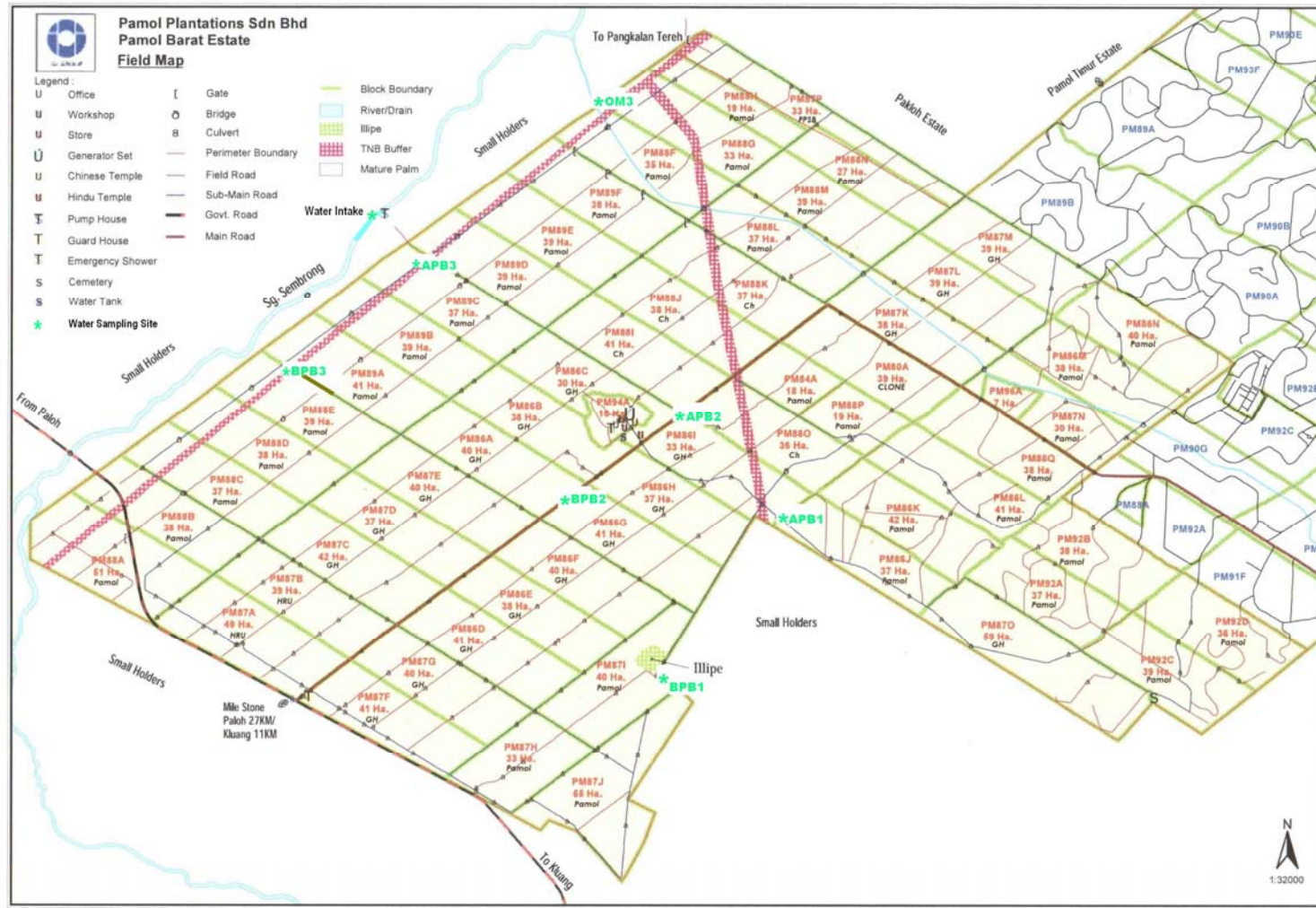


Figure 3: Pamol Barat Estate Layout

### 1.5 Date of Plantings and Cycle

Approximately 2,000 ha of the Pamol Barat and Pamol Timur Estates were initially planted to oil palm in the 1940s and the palms are in their fourth cycle. The remainder of the land at these two estates was planted to the second cycle of oil palm in 1986. The other four estates (Mamor, Kahang, Unijaya and Swee Lam) within the Pamol group are in the second cycle of oil palm. The age profile of the planted palms is shown in Table 3.

**Table 3: Age Profile of Planted Palms**

AGE (years)	% of PLANTED AREA
31 – 35	4.5
21 – 30	19.6
11 – 20	32.9
4 – 10	27
0 – 3	16

### 1.6 Other Certifications Held

The Pamol Kluang Group holds no other Certifications.

### 1.7 Organisational Information / Contact Person

IOI Corporation Bhd  
Level 8, Two IOI Square  
IOI Resort 62502 Putrajaya  
MALAYSIA  
Contact Person: Mr Joshua Mathews  
Research Controller  
Phone: +06-4317323  
Fax: +06-4319101  
Email: Joshua.mathews@ioimail.ioi.com.my

### 1.8 Time Bound Plan for Other Management Units

IOI Corporation Berhad owns and operates 12 Oil Mills with a supply base of 76 Estates in Peninsula Malaysia and Sabah. The crop from three additional IOI Estates (Sugut, Sejam and Tegai Estates) located in Sarawak, is processed at mills owned by other companies who have not yet set a target date for RSPO Certification of their mills. IOI Corporation Berhad is implementing a programme to achieve RSPO Certified Sustainable Palm Oil for all of its 12 Oil Mills and 76 Estates in Malaysia by mid 2011. See attached Time Bound Plan (Appendix A).

IOI is in the process of acquiring five properties in Kalimantan, Indonesia for oil palm development. Details of these properties are given in the Time Bound Plan (Appendix A). IOI is focusing on developing oil palm at two of the properties where it has completed SEIA, HCV Assessment and Soil Surveys. Land clearing is being carried out at these two properties where the land acquisition process has been completed. No land development will be carried out at the other three

properties until SEIA, HCV and soil surveys have been completed and the necessary permits obtained.

IOI has notified BSi of the existence of land tenure issues at the two properties in Kalimantan, Indonesia where oil palm development is being carried out. IOI engaged independent consultants in March 2009 to investigate the land tenure issues and has made a commitment to initiate dispute resolution that is consistent with the consultant's recommendations and RSPO Principles and Criteria.

IOI also notified BSi of a land tenure issue at the IOI Pelita Plantation in Sarawak that was inherited when IOI acquired the property in September 2006. IOI arranged a meeting with the parties to the claim on 17 November 2009 at the IOI Pelita Plantation. The NGOs Tenaganita, Aid Environment and Sarawak Dayak Iban Association and two CBs attended the meeting as observers. An outcome from the meeting was all parties to the claim agreeing to resolution through discussion and negotiation outside of the court system with representation by their lawyers. IOI agreed to facilitate 6 monthly meetings with the landowner representatives by providing transport. BSi concluded that the negotiation process agreed by all parties is consistent with the requirements of RSPO Criterion 6.4.

IOI has advised BSi that there presently are no labour disputes or any known legal noncompliances at its oil palm operations.

BSi has reviewed IOI's Time Bound Plan and considers the programme to be challenging to implement as it will require a uniform, high standard of performance across the geographic spread of its operations in Peninsula Malaysia, Sabah and Indonesia. BSi will monitor and report on IOI's progress with implementation of the Time Bound Plan. BSi considers IOI's Time Bound Plan to conform to the RSPO requirements for Partial Certification.

### 1.9 Area of Plantation

The areas of planted palms at Company owned Estates are listed in Table 4.

**Table 4: Estates and Area Planted**

Estate	Mature (ha)	Immature (ha)
Pamol Barat	2213	-
Pamol Timur	2137	30
Mamor	1742	368
Kahang	1533	749
Unijaya	995	199
Swee Lam	1049	207

### 1.10 Approximate Tonnages Certified

The approximate tonnages certified on the basis of 01 July 2007 – 30 June 2008 production from Pamol Kluang estates are detailed in Table 5, adjusted to exclude production from the IOI Gomali Estates.

**Table 5: Approximate Tonnages Certified**

MILL	CPO	PK
Pamol Kluang	51,738	12,727

### 1.11 Date Certificate Issued and Scope of Certificate

The scope of the Certificate is for the production from the palm oil mill and the supply base from six company owned estates. Certificate details are included as Appendix B.

The Certificate issue date will be the date of the RSPO approval of this Assessment Report.

## 2.0 ASSESSMENT PROCESS

### 2.1 Certification Body

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BSi is a leading global provider of management systems assessment and certification, with more than 70,000 certified locations and clients in over 100 countries. BSi Standards is the UK's National Standards Body. BSi Management Systems provides independent, third party certification of management systems. BSi has a Regional Office in Singapore and an Office in Kuala Lumpur.

### 2.2 Assessment Methodology, Programme, Site Visits

An Initial Certification Assessment was conducted between 17 and 20 March 2009. The audit programme is included as Appendix C.

The approach was to audit the mill together with two (2) estates chosen from the supply base, such that a range of environmental and social factors were covered. Pamol Barat and Pamol Timur Estates were audited as they included a range of topography, age of palms, land application system for treated mill effluent and their close proximity to local communities.

The methodology for collection of objective evidence included physical site inspections, observation of tasks and processes, interview of staff, workers and their families and external stakeholders, review of

documentation and monitoring data. Checklists and questionnaires were used to guide the collection of information.

The assessment was based on random samples and therefore nonconformities may exist which have not been identified.

Mr Allan Thomas, BSi Lead Auditor EMS, QMS and OHSAS has reviewed this report for conformance with RSPO Certification System requirements and technical content.

Mr Soon Leong Chia, BSi Product Manager RSPO, has reviewed this report for conformance with BSi Procedures and the RSPO Certification System requirements.

### 2.3 Qualifications of the Lead Assessor and Assessment Team

BSi Management Systems Singapore holds copies of educational qualifications, certificates and audit logs for each of the audit team members. BSi has evaluated the qualifications and experience of each audit team member and has registered the following designations for conducting RSPO Assessments:

**Charlie Ross** – Lead Assessor  
B.App.Sc. M.Sc (Env.Studies)  
Lead Auditor EMS RABQSA Cert N<sup>o</sup>14370  
**Iman Nawireja** – Social Assessor  
B.Ag.Sc. M.Sc. (Comm)  
**Robyn Ross** – Social Assessor  
**Junecel Maloloy** – Interviewer/Assistant

**Charlie Ross** is an independent environmental auditor who has extensive fieldwork experience in conducting environmental and social assessments of oil palm projects over the past 17 years in Indonesia, Malaysia, Nigeria, Papua New Guinea and Solomon Islands. He has completed lead auditor training in ISO 9001 Quality Management Systems, lead auditor training in OSHAS 18001 Occupational Health and Safety Assurance Systems, auditor training in Environmental Management, SA8000 Social Accountability and RSPO P&C. He has been involved in the RSPO process since RT1 and has conducted audits of oil palm plantation companies against the RSPO P&C in Indonesia, Malaysia and Papua New Guinea.

**Iman Nawireja** graduated with a Bachelor of Agricultural Science from the University of Bogor in 1997 and a Masters Degree in Communications from the University of Indonesia in 2002. Iman is a Lecturer in social statistics at the University of Bogor and has more than 10 years experience in conducting social impact assessments of agriculture, mining and forestry projects. He has assisted with field studies on the effect of resource development projects on farmer and community incomes, health status and household division of labour. He has completed Lead Auditor training in ISO 14001 Environmental Management



Systems. He has assisted in conducting environmental and social assessments of 8 oil palm projects during the past 5 years. He has assisted with conducting audits of oil palm plantation companies against the RSPO P&C in Indonesia (2) and in Malaysia (6).

**Robyn Ross** has a background in company administration and supporting women with mental health and physical disabilities by assisting them to develop skills for living independently in the community. She has assisted with fieldwork in conducting environmental and social assessments of oil palm projects over the past 5 years in Indonesia and Nigeria. She has completed auditor training in SA8000 Social Accountability. She has assisted with conducting audits of oil palm plantation companies against the RSPO P&C in Indonesia, Malaysia and Papua New Guinea.

**Junecel Maloloy** is a Teacher with Borneo Child Aid Society and is fluent in Bahasa Malaysia and English. Mrs Maloloy grew up on an oil palm plantation in Sabah and has a good understanding of the issues facing workers and families living in remote locations. Mrs Maloloy assisted Robyn Ross during interview of female staff and workers and families.

#### **2.4 Stakeholder Consultation and List of Stakeholders Contacted**

Stakeholder consultation involved internal and external stakeholders. External stakeholders were notified by placing an invitation to comment on the RSPO, IOI and BSi websites. External stakeholders were contacted by telephone to arrange meetings at a location convenient to them to discuss Pamol Kluang's environmental and social performance.

BSi received one email in relation to issues at Pamol Kluang, which is addressed in Section 3.4 (Page 20) of this report.

Meetings were held with stakeholders to seek their views on the performance of the company with respect to the RSPO requirements and aspects where they considered that improvements could be made. At the start of each meeting, the interviewer explained the purpose of the audit followed by an evaluation of the relationship between the stakeholder and the company before discussions proceeded. The interviewer recorded comments made by stakeholders and these have been incorporated into the assessment findings.

Structured worker interviews with male and female workers and staff were held in private at the workplace in the mill and the estates. Fieldworkers were interviewed informally in small groups in the field. In addition, the wives of workers and staff were interviewed in informal group meetings at their housing. Separate visits were made to each of the local communities to meet with the village head and residents. Company officials were not present at any of the internal or external stakeholder interviews.

#### **List of Stakeholders Contacted**

##### **Contractors & Consultants**

FFB Transport Contractor  
Supplier of Mill Equipment  
Labour Contractor

##### **Local Communities, Neighbours**

Kampung Gajah Head and Residents  
Kampung Pengkalan Tereh, Orang Asli Leader and Residents  
Manager, Tradewinds Plantation  
Neighbouring Smallholders (Indian, Chinese and Orang Asli)

##### **Government Departments**

Department of Labour, Kluang  
Department of Safety and Health, Kluang  
Department of Environment, Kluang  
Department of Indigenous Peoples Affairs

##### **NGOs and Others**

Tenaganita  
WWF Malaysia (KL Office)  
NUPW (Kluang Office)

##### **IOI Pamol Kluang Internal Stakeholders**

7 Harvesters Pamol Barat  
5 Harvesters Pamol Timur  
1 Loose Fruit Collector Pamol Timur  
5 Sprayers Pamol Barat  
Spray Mandore Pamol Barat  
2 Sprayers Pamol Timur  
Spray Mandore Pamol Timur  
8 Mill Workers  
2 Mill Staff  
3 Pamol Barat Staff  
2 Pamol Timur Staff  
Pamol Timur Surau Religious Leader  
Pamol Timur Shopkeeper  
Pamol Timur Schoolteachers  
  
3 Female Mill Staff  
1 Gender Committee Member  
2 Female Mill Workers  
7 Female Mill Residents  
1 Pamol Barat Clinic Nurse  
3 Female Pamol Barat Nursery Workers  
4 Female Pamol Barat Office Staff  
11 Pamol Timur Residents  
1 Hospital Assistant Pamol Timur Clinic  
2 Female Nursing Assistants Pamol Timur Clinic

#### **2.5 Date of Next Surveillance Visit**

The next surveillance visit is planned to be carried out within twelve months of RSPO approval of the initial Certification.

### 3.0 ASSESSMENT FINDINGS

#### 3.1 Summary of Findings

As outlined in Section 2.3, objective evidence was obtained separately for each of the RSPO Indicators for the mill and the two estates visited. The results for each indicator from each of these operational areas have been used to provide an assessment of conformance of the Company's operations with each Criterion. A statement is provided for each of the Indicators to support the findings of the assessment team.

Two (2) Nonconformities were raised against Major compliance indicators. Two (2) Nonconformities were raised against Minor Compliance Indicators. Nine (9) Observations / Opportunities for improvement were identified. Details of the Nonconformities are given in Section 3.2 (Page 17).

Pamol Kluang has prepared a Corrective Action Plan that was reviewed and accepted by BSi. Pamol Kluang has implemented corrective action for the identified Nonconformities and has submitted to BSi documents and photographic evidence of the work carried out.

The Audit Team reviewed the information on the corrective actions for the nonconformities and concluded that it was appropriate and met the RSPO requirements for the respective RSPO Indicators.

The two (2) nonconformities against Major compliance indicators and the two (2) nonconformities against Minor compliance indicators were closed out – refer Section 3.2 Page 16.

BSi has conducted an assessment of the Pamol Kluang operations comprising 1 mill, 6 oil palm estates, support services and infrastructure. BSi concludes that Pamol Kluang operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY-NI Indicators and Guidance : 2008.

BSi recommends that Pamol Kluang be approved as a producer of RSPO Certified Sustainable Palm Oil.

**Criterion 1.1: Oil palm growers and millers provide adequate information to other stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in appropriate languages & forms to allow for effective participation in decision making.**

The IOI website [www.ioigroup.com](http://www.ioigroup.com) has a webpage for the public to request information on the IOI operations.

The Mill maintains records of requests received and replies made to both internal and external stakeholders. The majority of the requests for information are from Government Departments and MPOB for returns of production statistics.

The Estates also maintain a file on communications from internal and external stakeholders. Records held on file indicated the company responds to stakeholder letters within seven days. (1.1.1)

**Criterion 1.2: Management documents are publicly available, except where this is prevented by commercial**

**confidentiality or where disclosure of information would result in negative environmental or social outcomes.**

Inspection of documents confirmed that Pamol Kluang holds copies of each of the management documents required for this Criterion and these are publicly available on request. Details are shown below for each of the required management documents.

The original land title documents are held at IOI Head Quarters and a copy is available at the Pamol Kluang operating unit. (1.2.1)

The Mill and Estates Management Plans that were prepared January 2007 include "Safety Management Plans". (1.2.2)

The Mill and Estates have prepared Environmental Impact Assessment Management Action Plans and Social Impact Assessment Management Action Plans (August 2008). (1.2.3)

The Pollution Prevention Plans are included in the Environmental Impact Assessment Management Action Plan (August 2008). (1.2.4)

IOI has prepared a complaints and grievance procedure for use at all operating units that is applicable to internal and external stakeholders. The details of complaints and grievances for Kluang Mill are held on file. The two estates visited held a file for records of complaints received from external stakeholders. (1.2.5)

The Negotiation Procedures are included in the Complaints and Grievance Procedure that uses a "discussion" process to resolve issues. Records are held on file. (1.2.6)

The Pamol Continuous Improvement Plan consists of the Environmental Impact Assessment Management Action Plans and Social Impact Assessment Management Action Plans that were prepared August 2008. (1.2.7)

**Criterion 2.1 – There is compliance with all applicable local, national and ratified international laws and regulations.**

The Mill and Estate Managers are responsible for maintaining legal compliance at their respective areas of operations.

Mill boiler emissions and ambient air quality were tested 2–3 December 2008 by NM Laboratory Sdn Bhd and confirmed compliance with DOE Emission Limits. Ambient air quality was within the Malaysian Ambient Air Quality Guidelines. Mill boiler smoke density is monitored continuously and results summarised and reported to DOE monthly. Records confirmed compliance with DOE requirements. Inspection confirmed the smoke density meter was operational at the time of the audit and had recently been calibrated. The Mill has licences for land application as well as discharge of treated effluent. Records showed that treated effluent has not been discharged offsite since 5 and 6 November 2007 when heavy rain occurred. Laboratory monitoring results confirmed treated mill effluent quality was well within licence requirements.

The housing was built in the 1980s and originally consisted of two bedroom dwellings. Extensions have been built to provide additional rooms to meet compliance with the government regulation.

The water supply for the Mill and housing is drawn from the Sembrong River and undergoes treatment for suspended sediment removal and disinfection. The drinking water supply to housing at Pamol Barat Estate was tested 2 March 2009 and results confirmed compliance with the Malaysia Drinking Water Quality Standard (2009). The drinking water at Pamol Timur Estate and Mill was tested in February 2009 and found to have elevated total coliform content, although E coli were not detected. The main treated water storage tanks were emptied and cleaned as well as commencement of a programme to clean the small storage tanks at individual houses. Subsequent tests on 10 March 2009 on water samples from the cleaned housing storage tanks showed zero total Coliform and E coli content.

Interview of Staff and Workers and examination of pay records confirmed pay and conditions, including overtime, complied with the Employment Act 1955 (Act 265) Regulations and Order (2.1.1)

**CAR01 – Refer Section 3.2 Page 17 for details**

IOI has prepared a list of applicable international, national and local laws and regulations. Legal requirements are detailed in the IOI Management Plan Section 5.0 “Adherence to National Laws and Regulations”. The Mill maintains a list of all licences and permits including expiry dates. Copies of relevant permits are displayed at the Mill and Estates Offices. Examination of the licences and permits found the status of the permits for the Mill and Estates were current and none had expired. (2.1.2)

IOI has implemented internal audits to check for legal compliance. For example IOI carried out an RSPO Internal surveillance audit 8 - 10 August 2008 that included audit of legal compliance for the mill and estates. (2.1.3)

An SOP “Mechanism of Tracking of Law Changes” was developed 29 July 2008 and has been implemented to allow identification of legal changes. Documents are held on file at the Mill and Estates. (2.1.4)

**Criterion 2.2 – The right to use the land can be demonstrated and is not legitimately contested by local communities with demonstrable rights.**

The Kluang Oil Mill started operation in 1963 under ownership of Unilever Plantation Group. IOI took over the Estates and Mill in January 2003. The Mill and Estates are on Freehold Land and details of Titles are as follows. Pamol Kluang Mill: Freehold from Government of Johor 31 December 1934 Grant Number 15744 granted to Oil Palm Plantation Limited, situated in Mukim of Kluang Lot No. 2429 total area of 10 acres. Pamol Barat Estate: No. 56272 totalling 2,050, lot number 1877 dated 31 March 1997. Pamol Timur Estate: Grant Number 17850 dated 17 August 1937, Grant CT No 1817 dated 4 December 1954, CT Number

1818 dated 4 December 1954, Grant Number: 16591 dated 29 July 1934. (2.2.1)

Inspection of the land titles found that operations comply with the terms and conditions that are for oil palm cultivation. (2.2.2)

The Estates have maps showing the locations of boundary stones that have been physically located and marked. Inspection of a sample of boundary stones confirmed they are clearly marked with red and white paint and maintained. (2.2.3)

Interviews of local community representatives confirmed there were no outstanding land issues at either the Mill or Estates at the time of the audit. (2.2.4)

**Criterion 2.3 – Use of the land for oil palm does not diminish the legal rights or customary rights of other users without their free, prior and informed consent.**

The Mill and Estates are on Freehold Land that IOI acquired in 2003 from the Unilever Plantation Group. IOI does not restrict access through the estates, except in relation to trucks. The Government water and electricity supplies to the local kampung pass through the estate.

The Jakun and Semelai indigenous people reside in Kampung Pengkalan Tereh, approximately 3 km from Pamol Barat Estate. Interview of local community representatives confirmed there is no land dispute or any claim of customary land within the Estates. (2.3.1, 2.3.2)

**Criterion 3.1: There is an implemented management plan that aims to achieve long-term economic and financial viability.**

The Mill and Estates have an annual operating and capital budget projected for three years. In addition, there is a crop projection for nine years. The Mill and Estates have prepared five year business management plans (prepared June 2007 and reviewed annually) that include environmental, social and safety management components and associated capital expenditure for improvements. (3.1.1)

IOI Corporate Plantation Division has prepared a long-range replanting programme projected for ten years (revised 9 October 2008). In addition, the Estates have detailed five year replanting programmes prepared June 2007 and reviewed annually. (3.1.2)

**Criterion 4.1: Operating procedures are appropriately documented and consistently implemented and monitored.**

IOI has prepared Group Palm Oil Mill Standard Operating Procedures (SOPs), which were issued April 2008. SOPs are documented for each work station in the Mill in Bahasa Malaysia. Inspection confirmed simplified versions of the SOPs were displayed at work stations in the Mill. The Instructions displayed included an emergency shutdown procedure for the mill boiler.

IOI has prepared Group Standard Operating Procedures (issue date 5 December 2007) applicable to the Estates

covering work practices from nursery and land preparation through to upkeep, harvesting and replanting. (4.1.1)

**CAR02 – Refer Section 3.2 Page 18 for details**

The Mill maintains shift log records of operating conditions. The Mill Manager and Engineer record and report daily operations monitoring results to Head Office. An annual Mill Operational Audit is carried out, with the most recent April 2008 and the next one scheduled for April 2009. The Mill status reply to issues raised during the operational audit were included on file, with records available for the preceding two years.

The IOI Group Agronomist carries out annual inspections of field conditions and practices and makes recommendations for improvements. The most recent Agronomist Report was generated 5 March 2009. The Estate prepares a monthly progress report on the implementation of actions in response to the Agronomist's recommendations and a copy was held on file. The Mill and Estates maintain records of operating performance for five years. (4.1.2)

**CAR03 – Refer Section 3.2 Page 18/19 for details**

**Criterion 4.2: Practices maintain soil fertility at, or where possible improve soil fertility to, a level that ensures optimal and sustained yield.**

A team from IOI Agronomy visits each estate and checks fertiliser application in relation to the annual recommendation. The Estates report progress on implementation of fertiliser application monthly to Head Office and these results are checked by the Group Agronomist. (4.2.1)

A team from IOI Agronomy conducts annual leaf tissue sampling and observation of palm nutrition conditions. There is a programme that is being implemented for sampling soils on a five yearly cycle. The programme involves examination of the soil profile and collection of samples at 15cm depth intervals. Records of leaf tissue and soil sampling are included in the Agronomist's Annual Report, 5 March 2009. (4.2.2)

The leaf and soil sampling programme includes checks of areas where EFB and POME are applied for assessment of fertiliser requirements. In addition, the Estate maintains records of the tonnages of EFB and POME applied to the palms. Inspection confirmed zero burning has been implemented at replanting. (4.2.3)

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

Field inspection of the two estates (Pamol Timur and Pamol Barat) confirmed well maintained groundcover vegetation and placement of pruned fronds for erosion prevention. The estates hold maps of the soil types and these have been overlain with topographic information. At replanting, leguminous cover crop is planted together with application of EFB for minimising erosion. Terraces are being constructed with a back-slope and stop bunds to aid storage and infiltration of rainwater. (4.3.1)

The Estate maintains groundcover vegetation by spraying only palm circles, using knapsack sprayers fitted

with very low volume nozzles. Field inspection at Pamol Barat confirmed spray operators were applying herbicide consistently to only the palm circles. Roto slashing of harvesting paths at Pamol Timur has been implemented for approximately 200 ha where field conditions are suitable. (4.3.2)

The Estate has an annual road maintenance programme and the locations of road grading and re-surfacing are shown on a map. Records are maintained of the work completed and payment details. Inspection confirmed that the roads were being graded and compacted and that the main roads had adequate "turn-out" drains for water management. (4.3.3)

**Observation 01 – Refer Section 3.2 Page 19 for details**

There are no peat soils at the Estates and this indicator is not applicable. (4.3.4)

There are no soils at the Estates classified as fragile or problematic. (4.3.5)

**Criterion 4.4: Practices maintain the quality and availability of surface and groundwater**

The Sembrong River is located near the north-western boundary of Pamol Barat Estate (Figure 3) but is separated from the Estate by the Government Riparian Reserve. IOI has not encroached the riparian reserve, although smallholdings of oil palm have been developed there more than 20 years ago, as indicated by the height of the palms. There are several small streams of width 1-2 m that flow through the Estates as well as small streams that originate within the Estates and generally have width 1-2 m. Riparian strips were not established along these small streams of width 1-2 m during the initial planting of palms. The Estates are implementing a programme for reinstatement of riparian strips of 3.5 m width on both sides of small streams at replanting. Inspection of replanting areas confirmed that riparian strips are being established along small streams in accordance with the IOI company policy and Department of Irrigation and Drainage Guidelines. (4.4.1)

**Observation 02 – Refer Section 3.2 Page 19 for details**

There are no dams or weirs on the streams flowing through the Estates. At Pamol Barat a small impoundment has been constructed for the nursery water supply and the Estate has notified the Department of Irrigation and Drainage of the structure. The water supplies for the Mill and for housing are drawn from the Sembrong River under the authority of a Permit. (4.4.2)

The Mill monitors incoming and outgoing water quality of a small stream that flows through Pamol Timur and Pamol Barat Estates, at the locations shown on Figures 2 and 3. The results of the Mill sampling indicated prior to entering the Estate (Sampling Site OM1 Figure 2, the water quality index of the stream was Class III with respect to TSS (slightly polluted) (Malaysian Interim National Water Quality Standard) with a WQI score of 68 and of similar quality with a WQI score of 63 on exit (Sampling Site OM3 Figure 3).

Pamol Barat and Pamol Timur Estates have sampled two small streams at upstream and downstream locations that are shown on Figures 2 and 3. The results show the

water quality of the streams was Class III with respect to TSS and the water quality index status was slightly polluted prior to entering the estates (Sampling Sites BPT1 Figure 2 and APB1 and BPB1 Figure 3). There was no significant difference in the water quality index between upstream and downstream locations at exit from the estates (Sampling Sites APT3 and BPT3 Figure 2 and APB3 and BPB3 Figure 3). (4.4.3)

The Estate monitors daily rainfall and records are available for the past twenty years. The rainfall information is used for water deficit studies of the soils, crop projections and determination of site yield potential. The average annual rainfall is 2440mm, with a distinct dry period in February and a wet season between November and January. (4.4.4)

The Mill installed water meters in January 2008 and reports usage monthly with the average for the year 0.83 t/t FFB, which is well below the industry average of 1.0 t/t FFB. (4.4.5)

There are no protected areas adjacent to or immediately downstream from the Estates. There are only minor areas of low-lying land within the estates where field drains have been developed. These field drains are connected to the natural system of small streams that flow through the estates. Drains have not been cut through land adjacent to the estates. The company has installed pollution control devices for removal of sediment and oil entrained in drainage from workshops and associated storage areas where petroleum hydrocarbons are used at the estates and the mill. (4.4.6)

The Mill has prepared a Water Management Plan, which identifies sources, uses, and wastewaters generated. An Action Plan has been developed for monitoring and improvement of water management. The implementation of controls on water usage have been effective in reducing mill water consumption (refer to Indicator 4.4.5).

During the 1980s replanting, the Estate layout was designed for future mechanisation and did not include specific measures for managing and utilising rainfall runoff. The Estate has documented an Action Plan for implementation of water conservation practices on platforms and terraces during the current replanting programme. Field inspection confirmed implementation of water conservation practices at recent replanting areas, such as back-slopes and stop bunds on terraces. (4.4.7)

**Observation 03 – Refer Section 3.2 Page 19 for details**

**Criterion 4.5: Pests, diseases, weeds and invasive introduced species are effectively managed using appropriate integrated Pest Management (IPM) techniques.**

The Estates have a documented IPM Programme for management of palm pests (SOP 10). The elements of IPM include detection, census, justification of chemical use related to population threshold level and treatment if necessary, in addition to cultural and biological controls. (4.5.1)

The major palm pest is rats. Barn owls have been introduced at each of the six estates for control of rats. For example, Pamol Timur has installed 108 barn owl boxes, which are monitored quarterly and the results indicate approximately 75% occupancy. The Estate carries out daily census of pest damage and this information is cross-checked against the quality control check of FFB delivered to the oil mill. This information is used as a basis for assessment of the need to implement control by rat baiting. Records are held for each field.

Outbreaks of bagworm have occurred at the borders of the Estates that adjoin Smallholder oil palm. Beneficial plants, such as *Turnera subulata* have been planted along roadsides for biological control of bagworm. Monitoring of bagworm numbers and damage to palm foliage is carried out monthly by a census team. The monitoring results are used to assess whether a bagworm population or palm damage threshold level has been exceeded. If the threshold level has been exceeded, then chemical treatment by trunk injection will be necessary to control the pest outbreak. (4.5.2)

The Chemical Store Supervisor maintains records of chemical usage in the Daily Cost Book. In addition, the Mandore maintains daily records of areas and quantities of pesticides applied. The Assistant Manager carries out cross checking between the two sets of records. (4.5.3)

Pesticide usage has been calculated for the previous five years. Following IOI purchase of Pamol Kluang in January 2003, an aggressive replanting programme was initiated, with areas replanted in stages each year across all six estates. Usage of chemicals associated with pest control in young palms shows a trend of increasing pesticide usage that is related to the progressive replanting of the six estates. In 2007/08 the replanting programme reached a steady state and the active ingredient usage levelled out. (4.5.4)

**Criterion 4.6: Agrochemicals are used in a way that does not endanger health or the environment. There is no prophylactic use of pesticides, except in specific situations identified in national Best Practice guidelines. Where agrochemicals are used that are categorised as World Health Organisation Type 1A or 1B, or are listed by the Stockholm or Rotterdam Conventions, growers are actively seeing to identify alternatives and this is documented.**

Justification of chemicals use is documented in SOPs No 3, 9 and 10 and summarised in a separate document that lists the conditions and application rates for individual chemicals. (4.6.1)

Inspection of the Chemical Stores and records confirmed the Estates hold and use only chemicals that are registered under the Pesticides Act. For example, Pamol Timur has used Monochrotophos once (2008) during the previous five years for control of bagworm and holds a copy of Pesticides Board Approval Number JH/MONO(GL)08/1. Monochrotophos was used in January 2009 at Pamol Barat Estate for control of bagworm at areas of the Estate bordering Smallholders and holds Pesticides Board Approval Number JH/MONO(GL)08/325. (4.6.2)

Inspection of the Chemical Stores confirmed that they meet regulatory requirements, including ventilation, lighting, security, spill containment, separation and labelling of chemicals. (4.6.3)

Inspection confirmed all chemical labels and MSDSs were in Bahasa Malaysia. In addition, pictorial signs are posted to identify hazards associated with materials. (4.6.4)

**Observation 04 – Refer Section 3.2 Page 19 for details**

The VMO carries out checks of sprayers at the clinic monthly. In addition, a DOSH registered doctor has prepared a medical surveillance programme for all pesticide operators to be tested during 2009. The DOSH registered Doctor commenced the testing programme on 3 March 2009, immediately following completion of the CHRA. (4.6.5)

**Observation 05 – Refer Section 3.2 Page 19 for details**

Only males are employed as pesticide operators. (4.6.6)

IOI Policy is to use Paraquat only for weed control in immature palms and for control of volunteer oil palm seedlings. Pamol Barat Estate has not used Paraquat as replanting has not yet begun. Inspection of records confirmed Paraquat usage at Pamol Timur was limited to immature palms. (4.6.7)

Aerial spraying is not carried out. (4.6.8)

Buyers have not yet requested CPO testing. (4.6.9)

The Chemical Store Supervisor maintains records of chemical usage in the Daily Cost Book. In addition, the Mandore maintains daily records of areas and quantities of pesticides applied. The Assistant Manager makes cross-checks between the two sets of records to ensure correct application. The records are available since IOI purchased the plantation in 2003, and include information on active ingredients. (4.6.10)

**Criterion 4.7: An occupational health and safety plan is documented, effectively communicated and implemented.**

(a) IOI Top Management has approved a Health and Safety Policy (18 May 2007) that is displayed prominently on notice boards in English and Bahasa Malaysia.

(b) The IOI Safety Officer for Peninsula Malaysia carried out a risk assessment 24 January 2009 covering the tasks at each work station in the Mill. Pamol Barat and Pamol Timur Estate Managers and the Safety Officer carried out a risk assessment for the field tasks on 14 and 20 January 2009.

(c) The Mill and Estates have documented a Safety Training Programme for staff and workers.

i The Mill and Estates maintain records of training including trainer, training material and attendance list signed by individuals, eg boiler and engine room training 12 March 2009. Safety awareness training is conducted at morning muster briefings as well as for specific tasks in the workplace. Training is provided for contractors when they initially sign a contract as well as at safety briefings.

ii Observation of spraying tasks and interview of workers at Pamol Barat confirmed safety precautions were being followed. Spraying was not being carried out during the time of inspection at Pamol Timur due to early morning rain. Interview of the Mandore and workers at Pamol Timur during a demonstration of spraymix preparation at the pesticides store confirmed understanding and awareness of appropriate safe working practices.

(d)

i The Mill issues helmets, safety shoes and earplugs to all workers and additional PPE, eg dust masks, for specific work stations. Records are held of PPE issues made to individuals since August 2003, including signature of recipient.

The Estates provide appropriate PPE for pesticide operators, eg boots, apron, gloves, respirator and eye protection. Observation of tasks confirmed PPE was being worn correctly.

(e) The Assistant Engineer is responsible for OHS at the Mill. The Estate Assistant Managers are the persons responsible for OHS coordination and implementation.

(f) The Mill holds quarterly safety meetings – most recent 10 January 2009 included 6 worker representatives and 11 staff representatives.

The Estates hold quarterly OHS meetings with most recent (Pamol Barat 23 February 2009) with 27 attendees (staff and worker representatives). The safety meeting agenda included discussion of issues raised by workers. Pamol Timur Safety meeting was held 16 January 2009 with 23 attendees. The outcomes of the safety meetings are communicated to other staff and workers by the representatives as well as through safety briefings at morning muster.

(g) The Mill and Estates have prepared an Emergency Response Plan that includes a Site Plan, steps to be taken in responding to an emergency, responsible persons and a list of emergency call numbers. The mill has carried out an Emergency fire drill to test the procedures.

(h) Nine Mill staff and workers were trained in first aid by the Red Crescent Society in January 2009.

At Pamol Barat Estate 12 persons and Pamol Timur Estate 8 persons were trained in industrial first aid and Cardio Pulmonary Resuscitation (CPR) January 2009.

(i) Inspection confirmed first aid kits were available at work stations throughout the Mill. First Aid kits included a list of emergency telephone contacts and records of restocking.

Pamol Barat Estate has assigned first aid kits at four workplaces and to 10 Supervisors (Pamol Timur Estate 12 locations and personnel). (4.7.1)

**Observation 06 & 07 – Refer Section 3.2 Page 19 for details**

All accidents are investigated and reports are held on file and are available for the past five years. The Mill and Estates forward monthly reports to the IOI Safety Officer Peninsula Malaysia who summarises and undertakes an

annual review of accidents. IOI commenced reporting of accident frequency rate in January 2008.

Pamol Barat Estate recorded 2 LTAs during 2008 with total number of lost days 11. At the time of the audit Pamol Barat had worked 75 days since the last LTA. Pamol Timur Estate recorded 1 LTA in 2008 with 10 lost days – 280 days since last LTA. (4.7.2)

Malaysian workers are covered by SOCSO. Foreign workers are covered under Workman Compensation (Jerneh Insurance Berhad) (Mill) Policy Number: HQ-W0042264-WWF current to 30 September 2009 (Pamol Barat Estate) Policy Number: HQ-W0042257-WWF current to 30 September 2009, Pamol Timur Estate Policy Number HQ-W0042306-WWF. (4.7.3)

**Criterion 4.8: All staff, workers, smallholders and contractors are appropriately trained.**

The Mill and Estates have a Training Programme that is based on a needs assessment carried out at the operating unit level for each work station. The programme includes the frequency of training/re-training on an annual basis. Training includes formal courses conducted using external resources and “on-the-job” instruction. SOP training incorporates safe working practices. Records are held on file and include the topic, list of attendees and signatures of individuals, eg “ramp station training 16 February 2009”.

The Estates training needs assessment was conducted 14 January 2009. Training records show harvesting training was carried out 3 January 2009 for 23 harvesters – records held on file including details of topic, names and signatures of attendees. IOI Training Committee provides staff training. Interview of workers and observation of tasks confirmed knowledge of task skills and safety aspects.

Contractors undergo safety training before they start work on site and are required to attend safety briefings. Interview of the FFB transport workshop mechanic confirmed understanding of safe work practices. (4.8.1)

**Criterion 5.1: Aspects of plantation and mill management, including replanting, that have environmental impacts are identified, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.**

The Mill and Estates have implemented a process to identify the significant impacts associated with the operations. This included assessment of negative and positive impacts. Local communities were consulted for identification of impacts (August 2008). For example, issues identified by workers were smoke particulates from the old standby boiler and odour from the effluent ponds. Pamol Barat Estate identified issues associated with replanting and Action Plans for improvement resulting from that issue identification have been prepared for implementation at all six of the Estates. (5.1.1)

A list of Actions for Improvement of environmental performance has been prepared for each of the

significant impacts. Improvements to reduce particulate smoke emissions include re-tubing of the standby boiler and limiting boiler operation to emergency situations. Although IOI cannot do anything immediately to reduce the odour from the effluent ponds, it is investing in new technology, the “Hy-Flux System” for treatment of mill effluent, which potentially may eliminate greenhouse gas emissions and the odour from the effluent ponds. The system is being tested in pilot plants at two other IOI mills.

At Pamol Barat Estate, spill containment and PCDs have been installed at all petroleum hydrocarbon use areas. At Pamol Timur Estate one of the improvements has been the timely evacuation of EFB from the Mill and application in the field. The progress on implementation of the Improvement Plans are reported internally and reviewed annually. Inspection of the mill and estates during the audit confirmed that improvements are being implemented progressively. (5.1.2)

**Criterion 5.2: The status of rare, threatened or endangered species and high conservation value habitats, if any, that exist in the plantation or that could be affected by plantation or mill management, shall be identified and their conservation taken into account in management plans and operations.**

At the time of the original development all of the land within the Estate leases was planted to oil palm except for a number of small Government Riparian Reserves and steep hillsides, such as at Mamor Estate. IOI has carried out an assessment of the possible presence of HCVs within and adjacent to the Estates. HCV4 was identified on a 34 ha reserve at Mamor Estate. Private land adjacent to Mamor Estate also supports HCVs. IOI engaged the University Kebangsaan Malaysia to carry out fauna and flora biodiversity surveys of Mamor Estate. The surveys identified fauna and flora within the palms and at the 34 ha reserve. The fauna survey recorded 18 arachnids, 140 arthropods, 10 fish, 1 amphibian, 24 birds, 3 reptiles and 9 mammals. None of the species was listed on the IUCN Red List of Endangered Species or CITES. (5.2.1)

IOI has prepared a Management Plan for protection of the Mamor Reserve that is based on habitat protection as well as enhancement of the reserve. Habitat protection includes prevention of disturbance by workers through awareness campaigns and regular patrols of the area. Enrichment planting has been commenced to increase the diversity of tree species. (5.2.2)

The Estates have installed signboards that prohibit hunting, disturbance of protected areas and the lighting of fires. Inspection of housing areas and interview of residents confirmed there were no caged fauna. Workers were aware of the company policy that prohibits hunting and collecting activities. (5.2.3)

**Criterion 5.3: Waste is reduced, recycled, re-used and disposed of in an environmentally and socially responsible manner.**

The Mill and Estates have identified waste products and sources of pollution in the Environmental Impact Assessment and Action Plan that was prepared in September 2008. (5.3.1)

The Operational Plans for managing and mitigating pollution are included in the Action Plans. An example is the aim to achieve zero discharge of mill effluent by development of a water treatment plant that would enable water to be recycled to the Mill and the solids used as organic fertiliser for the palms using the new technology of the “Hy-Flux System”.

Inspection confirmed solid wastes were well controlled at the Mill and Estates, with consistent separation at source into recyclables and non-recyclables. Scrap metal and used tyres are sold to a recycler. Solid wastes that cannot be recycled are disposed in a small landfill that was appropriately located and management was consistent with guidelines for municipal waste disposal. Inspection showed no evidence of litter or refuse dumped incorrectly.

IOI has constructed scheduled waste stores at the Pamol Kluang Mill and at each of the Estates for storage and disposal of scheduled wastes in accordance with the *Environmental Quality Act 1974 (Scheduled Wastes), Regulations, 2005*. For example, spent lubricating oils are collected from the mill and estates by OLST Petroleum Sdn Bhd, Manifest Number 10188. The IOI Pamol Group has engaged Kualiti Alam Sdn Bhd for collection and recycling of used chemical containers. Medical wastes, ie sharps are collected by Pantai Medivest Sdn Bhd monthly and records are held on file – most recent collection 27 February 2009. (5.3.2)

**CAR04 & Observation 08 – Refer Section 3.2 Pages 19 & 20**

Fibre and nutshell are used as fuel for the mill boiler. Excess nutshell is sold for making activated carbon. Boiler ash is mixed with the EFB and recycled to the palms as mulch. Field inspection confirmed that crop residues at replant and from mill processing are recycled to the field. (5.3.3)

**Criterion 5.4: Efficiency of energy use and use of renewable energy is maximised.**

The Mill has commenced calculation of renewable energy usage since July 2008 and the average for February 2009 was 409.7 kWh/t CPO. This information is now reported monthly to head office. (5.4.1)

The Mill has commenced calculation of non-renewable energy usage since November 2008 and the average for February 2009 was 2.96 kWh/t CPO. The company has optimised the use of renewable energy and in February 2009, more than 99% was generated by steam turbine at the mill. (5.4.2)

**Criterion 5.5: Use of fire for waste disposal and for preparing land for replanting is avoided except in specific situation, as identified in the ASEAN guidelines or other regional best practice.**

Inspection confirmed open burning has not been carried out at replant. (5.5.1)

Inspection of the recently replanted area confirmed that felled palms had been chipped and windrowed. (5.5.2)

Inspection of workplaces and housing areas of company operations confirmed that there was no evidence of fire used for waste disposal. (5.5.3)

**Criterion 5.6: Plans to reduce pollution and emissions, including greenhouse gases, are developed, implemented and monitored.**

The Mill and Estates pollution prevention is documented in the Environmental Impacts Identification and Improvement Plan, prepared September 2008. The scope of the Plan considered the solid, liquid and gaseous wastes and emissions from the mill and estate operations. Inspection confirmed the Mill and Estates have implemented appropriate controls for preventing pollution from point source emissions to air and discharges of wastewater, such as the mill monsoon drains.

An example of investment in new technology for pollution prevention is the “Hy-Flux System” for treatment of mill effluent, which potentially may eliminate greenhouse gas emissions and achieve recycling of wastewater for mill use. The “Hy-Flux System” is at the pilot plant stage of testing at two other IOI mills. If the technology can be demonstrated successfully, it will be implemented at the Pamol Mill. Pamol reports on progress with improvements monthly to top management. (5.6.1)

An initial Pollution Prevention Plan has been prepared and will be due for review in September 2009. (5.6.2)

There are no peat soils at any of the Pamol Group Estates. (5.6.3)

**Criterion 6.1: Aspects of plantation and mill management, including replanting, that have social impacts are identified in a participatory way, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.**

IOI staff carried out Stakeholder meetings in August 2008 and a Social Impact Assessment Report was prepared September 2008. The assessment identified 16 negative and 14 positive impacts, which are documented in the Group Social Management and Business Plan. The Report includes a Time Bound Action Plan. (6.1.1)

The Social Impact Assessment process involved meetings with stakeholders to identify positive and negative issues. The stakeholders included staff representatives, workers, smallholders, contractors and local communities. The Mill and Estates SIA Reports include details of the meetings and signatures of attendees. For example, a meeting was held 21 August 2008 attended by 32 persons comprising government representatives, neighbouring smallholders, local school, village representatives, neighbouring estates, religious representatives, hospital Kluang representative, contractors, and supplier. Each Estate conducted a stakeholder meeting. Interview of local community



representatives during the audit confirmed they participated in the SIA process. (6.1.2)

IOI has prepared a Social Action Plan to resolve social issues that were identified during the stakeholder meetings. The Plan includes description of each issue, proposed mitigation measures, responsibility and timeframe. Follow-up stakeholder meetings are planned to be held annually to review progress on the Social Action Plan and to identify any new issues. (6.1.3)

**Criterion 6.2: There are open and transparent methods for communication and consultation between growers and/or millers, local communities and other affected or interested parties.**

IOI has prepared a consultation and communication procedure for Corporate, Mill and Estate levels. Information on the company's operations is available at the IOI website: [www.ioigroup.com](http://www.ioigroup.com). For persons without internet access verbal requests can be made by phone to IOI Group General Line: +60389478888 or written request to Two IOI Square, IOI resort, 62502 Putrajaya, Malaysia. Written procedures held on file "Social Impact Assessment & Management Action Plans and Continuous Improvement Plan point 10.0 Stakeholders Request Procedure". (6.2.1)

The Social Liaison Officer and the Mill and Estate Managers are the persons who are responsible for communications with stakeholders. (6.2.2)

The Mill and Estates have prepared a list of stakeholders that include suppliers, contractors, government, neighbouring estates, clinics, smallholders and local community representatives. The Mill and each Estate have established systems for receiving verbal and written communications and maintaining records on files. Inspection of records confirmed that enquiries and complaints are dealt with promptly, usually within 7 working days of receipt. (6.2.3)

**Criterion 6.3: There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all parties.**

A grievance mechanism has been developed and is included in the "Management Plan". Details of complaints and grievances, including the resolution process have been recorded since July 2007. (6.3.1)

Examination of the records showed that since implementation, only minor complaints, such as relating to housing, have required to be addressed. The system has been effective for addressing internal stakeholder issues and resolution carried out in a timely manner. (6.3.2)

The system for resolving complaints and grievances was explained to community representatives and other stakeholders during the SIA consultative process in August 2008. Records on file showed that local community representatives (Kampong Gajah and Kampong Pengkalan Tereh) subsequently made requests

to the Estates for assistance on issues, which confirmed the system is open to any affected parties. (6.3.3)

**Criterion 6.4: Any negotiations concerning compensation for loss of legal or customary rights are dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.**

IOI has prepared "Grievance Procedure for Land Owner Issues" that is applicable for assessing legal and customary rights. The procedure is available on file "Group Social Impact Assessment and Management Action Plans" dated 25 January 2008. (6.4.1)

The "Grievance Procedure for Land Owner Issues" includes information on calculation and distribution of compensation. (6.4.2)

Since IOI purchased the Pamol Group in January 2003, there has been no claim for compensation related to land issues. The company's Grievance Procedure for Land Owner Issues requires documentation of the claim and resolution process. (6.4.3)

**Criterion 6.5: Pay and conditions for employees and for employees of contractors always meet at least legal or industry minimum standards and are sufficient to provide decent living wages.**

Migrant workers from Indonesia make up the majority of the workforce, with smaller numbers from Myanmar, Nepal, and Bangladesh who are engaged on 2 or 3 year contracts. Pay and conditions are documented in the employment agreement between the company and workers. (6.5.1)

**Observation 09 – Refer Section 3.2 Page 20 for details**

Inspection of contracts of both local and foreign workers confirmed that pay and conditions are available in Bahasa Malaysia. Interviews of staff and workers confirmed that they understood terms and conditions of their contract, which had been explained to them by senior staff. (6.5.2)

Although some housing was constructed in the 1980s and originally consisted of two bedroom dwellings, IOI has built extensions to provide additional rooms and meet the government regulation. Inspection confirmed residents take pride in their housing and surroundings. The company allows residents to cultivate small vegetable gardens and interview confirmed this was of great benefit in reducing their living costs. Water is supplied continuously to housing – refer CAR01 Page 16 for further detail. Electricity is supplied from the Government system with residents charged for usage above RM20 per month. The company has started work to have the housing connected to the Government water supply.

The company provides free treatment at its clinics for workers and their families. Interview of workers confirmed that if the Estate Clinic cannot provide treatment the Health Assistant will issue a referral to a Government clinic/hospital. For such referrals, any

associated charges (including transport) are reimbursed upon presentation of receipts. Children have access to a Government Elementary School on site and transport to Secondary School is subsidised by the company. (6.5.3)

**Criterion 6.6: The employer respects the right of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, the employer facilitates parallel means of independent and free association and bargaining for all such personnel.**

IOI Group Human Resources Manager and Group Plantation Directors meet with NUPW officials when requested. Human Resources Manager holds copies of the minutes of meetings. At each Estate and the Mill the Employment Consultative Committee meeting is held annually to elect representatives. For example, at Pamol Timur Estate, the last meeting was held 18 August 2008 and attended by management, local workers representatives, ethnic representatives (Malays, Indonesians, Indians, and Bangladeshi), religious group representatives, and female representatives. (6.6.1)

The company prepared a policy on workers' freedom of association 2 January 2009 that is consistent with the requirements of Criterion 6.6 and is displayed on notice boards. (6.6.2)

**Criterion 6.7: Children are not employed or exploited. Work by children is acceptable on family farms, under adult supervision, and when not interfering with education programmes. Children are not exposed to hazardous working conditions.**

The minimum working age is 18. A check of foreign worker passport and local Identity Card is carried out during recruitment. Inspection of personnel files confirmed a copy of identity documents is held. During the audit, children were not observed at any of the work places of the Mill or Estates. (6.7.1)

**Criterion 6.8: Any form of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age, is prohibited.**

An Equal Opportunities Policy is displayed on notice boards at Muster areas of the Mill and Estates. Interview of Staff and Workers confirmed knowledge and awareness of the Policy. (6.8.1)

Interview of Staff and Workers confirmed that there is no discrimination between ethnic groups, religious beliefs or gender. Check of payroll documentation showed foreign and local workers and male and female workers were paid at the same base daily rate. (6.8.2)

**Criterion 6.9: A Policy to prevent sexual harassment and all other forms of violence against women and to protect their reproductive rights is developed and applied.**

Top management has approved a Policy on the prevention and elimination of sexual harassment in the

workplace, 4 January 2008. A female staff member has been appointed as a gender representative. A meeting of female staff and workers was held on 13 February 2009 with 17 attendees. Topics of discussion were the Sexual Harassment Policy and gender related issues. Records are held on file. (6.9.1)

The company has developed a specific Grievance Procedure on sexual harassment and violence that is available in Bahasa Malaysia. Interview of female staff and workers confirmed that a recent issue was addressed through the procedure and a successful outcome achieved with the support of management. (6.9.2)

**Criterion 6.10: Growers and mills deal fairly and transparently with smallholders and other local businesses.**

The Mill processes only crop harvested from Company Estates. (6.10.1 and 6.10.2)

Interviews confirmed that contractors/suppliers and workers understand contractual agreements, and stated that contracts are fair. The Company has standard terms and conditions of contract, which are explained to the contractors prior to signing. (6.10.3)

Payments are processed locally in the Estates and Mill. Interviews of contractors and examination of records indicated no complaints in relation to processing of payments. Contractors stated payments were made in a timely manner. (6.10.4)

**Criterion 6.11: Growers and millers contribute to local sustainable development wherever appropriate.**

The company has cooperated with the government to allow the water supply pipeline and underground electricity cable to be placed along the Estate access road to Kampong Pengkalan Tereh. The company makes donations to local schools and assists underprivileged students from kampong Gajah through the purchase of teaching aids and supplies. (6.11.1)

**Principle 7: Responsible Development of New Plantings**

*Pamol Kluang Group has not carried out any new oil palm developments and there are no plans for expansion of plantings. Principle 7 is not applicable to this Assessment.*

**Criterion 8.1: Growers and millers regularly monitor and review their activities and develop and implement action plans that allow demonstrable continuous improvement in key operations.**

IOI Policy is to use Paraquat only for weed control in immature palms and for control of volunteer oil palm seedlings. At Pamol Barat Estate, IOI has not used Paraquat because replanting has not yet begun. Paraquat usage at Pamol Timur is limited to immature palms. Similarly the use of Monochrotophos is strictly controlled within the IPM programme and used only when pest census data show that it is necessary. (8.1.1)

The Mill and Estates have prepared Environmental Improvement Action Plans for reducing the impacts of their operations. An example is the plan for reinstatement of riparian buffer strips along the small streams that originate within and flow through the estates. The riparian buffer strips are being implemented progressively at replant and will improve the diversity of plants within the estates. (8.1.2)

IOI is implementing a programme at each of its operations to optimise recycling of palm by-products and waste. An example is the IOI investment in the development of the Hy-Flux water treatment technology for palm oil mill effluent. This technology has been successfully demonstrated at a 15 tph palm oil mill and is in the process of being applied to a 30 tph mill. The technology has the potential to eliminate the emission of greenhouse gases and to enable the recycling of treated water for use in the mill. Solids from the wastewater treatment plan would be applied to the field as organic fertiliser. If the technology can be demonstrated successfully, it will be implemented within 5 years. (8.1.3)

The pollution prevention plans are documented in the Environmental Improvement Action Plan. An example is the programme to implement pollution control devices at all point sources of pollutants at the mill and estates. Sediment and oil traps have been installed on all drains at the mill and estates workshops, together with a schedule of regular inspections and maintenance. (8.1.4)

The Mill and Estates have prepared a Social Action Plan to resolve social issues that were identified during the stakeholder meetings held in August 2008. The Plan includes a description of each issue, proposed mitigation measures, responsibility and timeframe. An example is the response to complaints about the smoke emission from the small standby boiler at the mill. The company has refurbished the boiler to improve the operating efficiency and the policy is to use it only for emergency standby capacity. The standby boiler has not been used since May 2008. (8.1.5)

IOI has implemented coding of the relevant RSPO Indicators against expenditure items in its accounting system. This allows retrieval of information on expenditure associated with specific environmental and social aspects of the operations for each mill and estate. (8.1.6)

### 3.2 Details of Identified Nonconformities, Corrective Actions and Auditor Conclusions

Two (2) Nonconformities were assigned to Major Compliance Indicators. Two (2) Nonconformities were assigned to Minor Compliance Indicators. Pamol Kluang has prepared a Corrective Action Plan for addressing the identified Nonconformities. The Audit Team has reviewed and accepted the Pamol Kluang Corrective Action Plan.

#### NONCONFORMITIES (CAR) ASSIGNED TO MAJOR COMPLIANCE INDICATORS

##### CAR01: 2.1.1 Evidence of compliance with legal requirements

*Part (a): At the time of the Audit, inspection showed treated effluent had overflowed from the land application system due to inadequate control of the process and lack of furrow containment bund freeboard.*

*Part (b): Cleaning of water storage tanks had been completed for only 14 of the 70 houses at Pamol Timur Estate. Tap water from one of the houses where the tank had not yet been cleaned showed the presence of suspended solids, indicating unsuitability of the water for domestic use. Residents considered the supply unsafe for drinking and purchased bottled water for consumption.*

**Corrective Action:** Part (a) Land Application of POME

Inspection of the furrows used for land application showed that sediment had built up in the furrows over the previous years of use, which reduced the capacity for temporary storage of effluent. In addition, the “stop bund” at the terminal end of each furrow had not been maintained to prevent overflow and seepage. It should be noted that records showed the BOD of the treated effluent being applied to the furrows was <100 mg/L (the limit for discharge to river). Interview of the land application operator indicated furrows were not inspected prior to land application and routine maintenance was not carried out.

IOI took immediate action by ceasing land application. Temporary repairs were made to the terminal bunds of furrows and sandbags placed to prevent overflow. IOI engaged a contractor to “de-sludge” the land application furrows using excavators and placement of the solids on the adjacent frond stacks (Plate 1).



**Plate 1: Land Application Furrow after Desludging**

IOI has provided BSI with records of the contract and photographic evidence to confirm completion of the de-sludging and repair of furrow “stop bunds”. IOI has assigned 5 new operators to the land application system and carried out training in a revised operating procedure – refer CAR02 Page 18.

**Corrective Action:** Part (b) Cleaning of accumulated sediment from water storage tanks at housing.

IOI took immediate action and assigned workers to clean the overhead tanks at 38 individual houses. The residents at 3 of the houses cleaned their own water tanks. IOI advised that 15 of the houses were vacant. IOI provided BSi with records of the water tank cleaning, including signatures of the residents at each house and photographs (Plate 2). This confirmed that the tanks at all of the occupied houses had been cleaned. IOI also carried out cleaning of the concrete bulk storage tank. IOI collected water samples from two of the houses (selected randomly) after tank cleaning had been completed and arranged testing at an independent laboratory. The laboratory tests carried out by two accredited laboratories, Lotus Laboratory Services (M) Sdn. Bhd. (accredited by SAMM) and Nalco (accredited by UKAS) confirmed compliance with the Malaysian National Drinking Water Quality Standard. The free residual chlorine in house tap water was adequate (0.3 mg/L) and bacteria were not detected in either of the samples, which confirmed adequate water treatment, tank cleaning and disinfection of the supply.



**Plate 2: Overhead Household Water Tank after Cleaning**

In order to prevent a re-occurrence of the water quality problem, IOI has implemented a program of 6-monthly cleaning of household overhead tanks and annual cleaning of the concrete bulk storage tank.

IOI has prepared an operating procedure for the water treatment plant operation and testing of water quality supply to housing – refer CAR02 Page 17

*The Audit Team reviewed the evidence of the corrective actions and concluded that the land application system and the water supplied to housing met the legal requirements and the RSPO requirements for Indicator 2.1.1.*

**The Nonconformity against Major Compliance Indicator 2.1.1 was closed out.**

**CAR02: 4.1.1 Standard Operating Procedure (SOPs) for Estates and Mills**

*Part (a): A Nonconformity was assigned as at the time of the Audit the Mill had a generic SOP for operation of the Land Application system for treated POME.*

*However, this had insufficient detail for prevention of seepage and overflow from the land application furrows. The existing SOP did not contain detailed step-wise instructions for daily inspection, maintenance and control of the land application system; and*

*Part (b): The Mill had not prepared a SOP or Work Instruction for operation and monitoring of the domestic water treatment system. For example there were no regular checks of residual free chlorine in samples of tap water from housing.*

**Corrective Action Part (a):**

IOI prepared detailed step-wise Standard Operating Procedures for the Land Application System. IOI assigned 5 new operators to manage the land application system. The individual furrows have been assigned a number and the volume of each furrow has been measured. The POME will be applied in accordance with a programme that details the field number, furrow number and application volume. The operators are required to maintain records of furrow inspections and the volume of POME applied. The POME land application operators have been provided with hand held radios for improved communication with the pump operator at the POME treatment ponds.

**Corrective Action Part (b):**

IOI prepared a Standard Operating Procedure for the operation and testing of the Water Treatment System for supply of water to housing for domestic use. This consists of detailed instructions on water treatment and daily tests for residual free chlorine at the bulk storage tank and at housing.

IOI conducted training of the Land Application System Operators and the Water Treatment Plant operator in the new operating procedures. IOI has provided BSi with copies of the new Standard Operating Procedures, training records of the operators and the daily log sheets for the Land Application and Water Treatment Plant operation.

*The Audit Team reviewed the Standard Operating Procedures, Training Records and daily log sheets and concluded that effective corrective action had been taken. The Audit Team concluded the RSPO requirements for Indicator 4.1.1 had been met.*

**The Nonconformity against Major Compliance Indicator 4.1.1 was closed out.**

**NONCONFORMITIES (CAR) ASSIGNED TO MINOR COMPLIANCE INDICATORS**

IOI has implemented corrective action to address the identified nonconformities.

**CAR03: 4.1.2 Records of monitoring and the actions taken are maintained and kept for a minimum of twelve months.**

*A Nonconformity was assigned as at the time of the Audit, a system had not been implemented for independent checking for the effective operation of the Land Application of treated POME.*

**Corrective Action:**

IOI has implemented daily inspections of land application furrows and recording of information on inspections, any repairs carried out and the volumes of effluent applied to individual furrows. The Assistant Manager has responsibility to inspect the land application system at least monthly and to include the results in the monthly report.

*The Audit Team reviewed the POME inspection procedure and concluded that the recently implemented monitoring and reporting aspect that relates to management of POME land application, meets the requirements of Indicator 4.1.2.*

**The Nonconformity against Minor Compliance Indicator 4.1.2 was closed out.****CAR04: 5.3.2 Having identified wastes and pollutants, an operational plan should be developed and implemented, to avoid or reduce pollution.**

*A Nonconformity was assigned as at the time of the Audit, inspection showed inadequate freeboard was maintained at Cooling Pond No 3 and Anaerobic Pond No 1 to cater for recent heavy rain and there was risk of overflow of partly treated POME and discharge off site.*

**Corrective Action:**

IOI took immediate action and engaged an earth moving contractor to raise the height of the embankments of the effluent ponds (Plate 3). This provided additional storage capacity and an improved safety factor.



**Plate 3: Recent Earthworks to Increase the Effluent Pond Freeboard**

Although IOI Pamol holds a permit to discharge treated POME off site, it has preferred to apply the POME to the palms using a system of furrows. Treated POME has not been discharged off site since November 2007. Pamol Kluang has reviewed the management of the effluent treatment ponds and has decided to exercise the discharge option during situations when heavy rain occurs and POME cannot be applied to the land. Laboratory test results (February 2009) showed the BOD of final effluent was 78 mg/L, which was below the licence discharge limit of 100 mg/L.

*The Audit Team reviewed the photographic record and contract documents and concluded that the corrective actions were adequate to prevent pollution from effluent treatment pond overflow.*

**The Nonconformity against Minor Compliance Indicator 5.3.2 was closed out.****Observations/Opportunities for Improvement**

Nine (9) Observations/Opportunities for Improvement were identified. The progress with the Observations/Opportunities for Improvement will be checked at the Surveillance Assessment visit scheduled within 12 months of Initial Certification Approval.

01. **(4.3.3)** Some roads have inadequate numbers of “turn-out drains” for diversion of rainfall runoff into the field and prevention of erosion of road surface.
02. **(4.4.1)** Inspection of the recent replanting area near the mill showed several palms had been planted too close to the stream and were within the riparian strip. The Estate Manager stated that the palms will be removed and checks carried out to ensure palms are not planted within the riparian strips.
03. **(4.4.7)** There is a requirement to systematically inspect and maintain sediment traps and other pollution control devices at the Mill. Although inspection during the audit confirmed the PCDs had recently been cleaned, a system has not been implemented for recording of drain maintenance for water quality protection.
04. **(4.6.4)** Bangladeshi workers are employed as pesticide operators. Pictorial safety signs are posted to illustrate safe chemical work practices. Interview of the workers and observation of tasks confirmed they have an understanding of Bahasa Malaysia and safety precautions. However there is no information on the chemicals available in their language.
05. **(4.6.5)** At the time of the audit, the CHRA medical surveillance programme had recently commenced for all pesticide operators to undergo testing during 2009 calendar year.
06. **(4.7.1)** The list of step-wise procedures was not included in the Mill ERP document (filed in Safety Management Plan) and the ERP was undated. Pamol Barat Estate has not included copies of site plans and estate map in the ERP document. These issues were corrected by the Mill and Pamol Barat Estate OHS Coordinators during the Audit.
07. **(4.7.1)** The Mill workplace inspection checklist did not include examination of welding equipment to detect faulty pressure gauges. A faulty pressure gauge identified at the Mill workshop during the

audit was replaced immediately with a new gauge from the store.

- 08. (5.3.2) Scrap metal is stored at a designated area for sale to a recycler. However, non-metallic wastes were stored with scrap metal indicating inadequate segregation. During the audit, the mill sorted and separated the waste from the recyclable scrap metal.
- 09. (6.5.1) Interview found that the minority Myanmar, Bangladeshi and Nepalese workers may not understand the wages and deductions.

**3.3 Noteworthy Positive Components**

- *Mill and Estates have a good safety record.*

The safety record at Pamol Kluang has improved significantly since 2005. The number of LTAs recorded for the Mill and Estates has remained low since 2005 and the number of lost days has fallen from 113 in 2005 to 21 in 2008. Checks of the Accident Report File and Clinic records confirmed the reduction of the seriousness of accidents in 2007 and 2008. At the time of the assessment, the mill had registered 444 days since the last LTA.

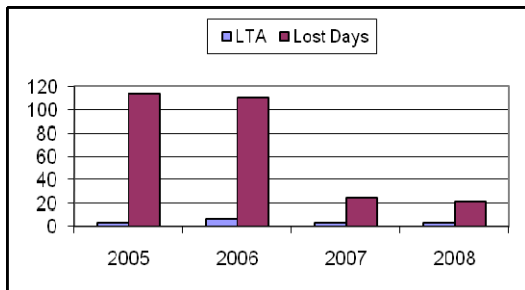


Figure 4: Total Numbers of LTAs and Lost Days since 2005

- *Contractor workshop has been upgraded to same standard as company workshops*



Plate 4: Contractor Workshop

- *Residents are allowed to cultivate small vegetable “kitchen” gardens at their houses. This is very beneficial to the lower paid daily rated workers as it greatly reduces their living costs*



Plate 5: Residents “Kitchen” Gardens

- *Good implementation of waste separation at source*



Plate 6: Recycling of Household Wastes

**3.4 Issues Raised by Stakeholders and Findings with Respect to Each Issue**

The majority of stakeholders had positive comments about Pamol Kluang. For the situations where stakeholders raised issues, the company’s response is stated.

**Worker Issues**

The majority of the labour workforce at the estate and mill are Indonesian who stated they were able to send savings home regularly. The Company provides a good

standard of housing. Indonesian workers also advised they were able to travel freely from the Estate to local towns as and when they wanted.

During interview of each separate group of staff/workers and linesite residents the issue of safety of the road to the school was raised. It was stated that during rain periods the road was very slippery and unsafe to travel by motorcycle.

**Company Response:** Estate to resurface with laterite.

During interview of mill linesite residents it was stated that during rain periods the smell from the effluent ponds was very bad and there was also an increase in the number of flies.

**Company Response:** Possible long term solution would be the Hy-Flux system (if practical), which would eliminate the anaerobic digester and methane emissions and odour.

During interview of mill linesite residents it was stated that when the “old” boiler was operating, residents could not hang washing outside or have their windows or doors open because of the soot.

**Company Response:** The old boiler has not been used since May 2008. The boiler has been re-tubed to improve efficiency and will only be used for emergency standby

#### Contractors & Consultants

Contractors interviewed stated they were treated fairly and did not raise any issues of concern

#### Local Communities

Residents of Kampung Pengkalan Tereh are not permitted to transport their FFB through the estate, which makes the transport cost higher due to having to travel around the estate. Local peoples’ representative has written a complaint regarding this issue to the estate management but there has been no progress yet on the resolution process.

**Company Response:** All local residents have unrestricted access to use the Estate roads for personal travel. Restrictions are applied only to the “commercial activity” of transporting FFB, in order to prevent theft of crop. Permission to transport FFB on Estate roads is given to smallholders who have no alternate route. The journey for Kampong Tereh is only an additional 3 – 5 km.

Information on job vacancies in the company was not circulated to kampong Gajah and people are not aware of any job opportunities in the company.

**Company Response:** Estate will “circularise” any job vacancies to local Kampongs.

Community representative considers that community and company (management and its workers) relationship was not close enough. Community representative suggested that a social gathering between community and company should be scheduled to build up good communications.

**Company Response:** Estate will follow up positively

Stack emissions of Kluang mill affected local housing. This issue was raised during social impact assessment. Re-tubing of the boiler has been carried out, however small quantities of particulate dust are still found in the kampong.

**Company Response:** Comment same as above “Issues Raised by Internal Stakeholders” The old boiler has not been used since May 2008. Boiler has been re-tubed to improve efficiency and will only be used as emergency standby. The new boiler complies with the Government emission standard and smoke emissions do not exceed Ringelmann 2.

#### Government

Government Officers did not raise any issues with the IOI Pamol operations relating to labour, environment, land or indigenous peoples’ issues.

#### NGOs, other interested parties

Tenaganita indicated that the “process” of implementing the gender policy is important for empowering women and the effectiveness of the gender committee should be reviewed periodically.

BSi received an email from a “Mac White” in relation to issues at Pamol Kluang. Attempts to obtain further details from “Mac White” were unsuccessful. BSi has investigated each of the claims and the findings are detailed below.

**Email: 7 March 2009 re RSPO (In Confidence)**

**“Pamol Kluang how to get RSPO Certificate??”**

**“Sembrong River very very pollution.”**

*Audit Team findings: The IOI Pamol Kluang Mill and Estates are located within the catchment of the Sembrong River. At the time of the audit inspection, heavy rain had occurred overnight and the river water was discoloured by suspended sediment, indicating pollution due to soil erosion from the catchment upstream of the Mill and Estates. Review of the IOI water quality monitoring results for the Sembrong River showed the river immediately upstream from the Pamol Kluang water supply intake ranges from Class I to Class III of the Malaysian Interim National Water Quality Standards. In comparison, the small streams that originate within the estates exhibit Class I water quality.*

**“Drinking water full of worms and bad smell.”**

*Audit Team findings: The water supply for the Mill and housing is drawn from the Sembrong River and undergoes treatment for pH adjustment, clarification and disinfection. Recent laboratory test results showed the water supply for Pamol Barat Estate was suitable for domestic use, but the water supply to Pamol Timur Estate housing at the time of the audit did not meet quality requirements due to the presence of suspended sediment particles. The Pamol Timur Estate had*

commenced a programme to clean the storage tanks at individual houses but had only completed the tank cleaning at 14 of the 70 houses. The audit team assigned a major nonconformity to this issue. The Corrective Action taken by the company is detailed in Section 3.2 (Page 16).

**“Estate using illegal chemicals. Alpasoh not registered. But very cheap. This is against RSPO law.”**

*Audit Team findings: Inspection of the pesticide store and records of purchases and stocks confirmed the estates use only chemicals that are approved by the Pesticides Board. The Estates do not use contractors to apply chemicals.*

**“Workers bunting must stop work. This also against labour law. Kompani don’t want to pay give birth allowance elaun. Force bunting workers to take leave.”**

*Audit Team findings: Interview of female staff and workers at the mill and estates confirmed that they are allowed to continue working when pregnant if they so desire. Local female staff and workers receive full maternity entitlements.*

**“Workers sick go hospital company pay but later deduct from Gaji.”**

*Audit Team findings: Interviews of workers at the Mill and Estates confirmed they receive free treatment at the company clinics. If treatment cannot be provided by the Health Assistant at the company clinic, a referral is issued for treatment at the government hospital. For such referrals, any associated charges (including transport) are reimbursed upon presentation of receipts.*

**“Tools also workers must pay. Staff must pay for mentol lampu. Why Kompani want to deduct from gaji?? Already pay income tax for housing some more must potong gaji.”**

*Audit Team findings: At the time of recruitment, harvesting tools are issued to workers free of charge. The harvesters are required to pay for subsequent issues of tools. This is standard practice throughout the industry and encourages workers to care for their tools. Electricity is supplied to housing from the government supply. The company does not issue lamps.*

**“Where got fair. Kompani using a lot of pendatang tanpa izin workers. This against the law.”**

*Audit Team findings: Inspection of payroll records, personnel files and interviews of staff and workers confirmed that employment of workers complies with the Employment and Immigration Acts. Checks of an FFB Contractor and the Contractor Workshop showed the majority of workers were Malaysian and the Indonesian workers were legalised.*

### 3.5 Acknowledgement of Internal Responsibility

Pamol Kluang acknowledges and confirms acceptance of the Assessment Report contents, including assessment findings. Pamol Kluang accepts the responsibility for implementing the corrective actions and addressing the opportunities for improvement detailed in the Assessment Report.

### 3.6 Formal Sign-off of Assessment Findings

Signed for on behalf of  
IOI Corporation Bhd (Pamol Kluang)



**Dato Foong Lai Choong**  
Group Plantation Director  
Date: 28 April 2009

Signed for on behalf of  
BSi Management Systems Singapore Pte Ltd



.....  
**Charlie Ross**  
Lead Auditor  
Date: 28 April 2009



## ***Appendix “A”***

### ***Time Bound Plan for other IOI Management Units***

## SCHEDULE FOR RSPO CERTIFICATION OF IOI ESTATES IN SABAH AND PENINSULA MALAYSIA

Jan'08	Feb'08	Mar'08	Apr'08	May'08	Jun'08	Jul'08	Aug'08	Sep'08	Oct'08	Nov'08	Dec'08
				Pamol Sabah Oil mill (Covering 6 estates) *						Sakilan Oil mill (Covering 3 estates) *	
Jan'09	Feb'09	Mar'09	Apr'09	May'09	Jun'09	Jul'09	Aug'09	Sep'09	Oct'09	Nov'09	Dec'09
		Pamol Kluang Oil mill (Covering 6 estates) *				Gomali Oil mill (Covering 9 estates)	Pukin Oil mill (Covering 5 estates)		Bukit Lee Lau Oil mill (Covering 5 estates)		
Jan'10	Feb'10	Mar'10	Apr'10	May'10	Jun'10	Jul'10	Aug'10	Sep'10	Oct'10	Nov'10	Dec'10
		Baturong Oil mill (Covering 4 estates)		Mayvin Oil mill (Covering 5 estates)			Ladang Sabah Oil mill (Covering 8 estates)				
Jan'11	Feb'11	Mar'11	Apr'11	May'11	Jun'11	Jul'11	Aug'11	Sep'11	Oct'11	Nov'11	Dec'11
		Morisem Oil mill (Covering 9 estates)	Leepang oil mill (7 estates)		Syarimo Oil mill (Covering 9 estates)-	-	-	-	-	-	-

\* Completed the audit.

**Harita Group, Kalimantan, Indonesia**

Property	Area (ha)	RSPO Certification	Comment
PT Kalimantan Prima Agro Mandiri (PT KPAM)	20,000	Not yet applicable	Company will only focus on PT SKS (5000 hectares) and PT. BNS (5000 hectares) to complete planting by the end of 2009. Planting is yet to be started. Expected to start in April 2009. SEIA has been completed for PT SKS and PT BNS. HCVF assessment has been completed for PT SKS and PT BNS. Soil survey and topographic study have been too completed for both groupings. Now clearing of land is going on where there is no land dispute. Land compensation assessment is in progress including measurement and verification of individual land. The rest of the land, P.T. KPAM, PTBSS, and PT KSL cultivation permits are yet to receive from the Government.
PT Berkat Nabati Sejahtera (PT BNS)	13,500	Jun 2012	
PT Sukses Karya Sawit (PT SKS)	13,500	Jun 2012	
PT Bumi Sawit Sejahtera (PT BSS)	11,000	Not yet applicable	
PT Ketapang Sawit Lestari (PT KSL)	24,500	Not yet applicable	

## ***Appendix “B”***

### ***Pamol Kluang RSPO Certificate Details***

IOI Corporation Berhad  
Level 8, Two IOI Square  
IOI Resort 62502 Putrajaya  
MALAYSIA

Certificate Number : SPO 547027  
Certificate Issue Date: (RSPO Approval Date)

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

Standards: RSPO Principles & Criteria : 2007; Malaysia National Interpretation : 2008

<b>Pamol Kluang Palm Oil Mill and Supply Base</b>	
Location	Kluang Johor Malaysia
Address	PO Box 1 86007 KLUANG JOHOR MALAYSIA
GPS Location	Longitude 103° 23' 24" Latitude 2° 6' 36"
CPO Tonnage Total Production	56,753
PK Tonnage Total Production	13,961
IOI Pamol Kluang Estates FFB Tonnage	Pamol Barat: 58,805 ; Pamol Timur: 52,905 ; Mamor: 40,484 ; Kahang: 27,719 ; Unijaya: 24,618 ; Swee Lam: 26,300
FFB Tonnage from IOI Gomali non-certified Estates*	22,376
CPO Tonnage Claimed**	51,738
PK Tonnage Claimed**	12,727

\* Tonnage not included in Certificate

\*\* Tonnage Claimed is the production from IOI Pamol Kluang Estates, nett of the production from the IOI Gomali Estates.

## ***Appendix “C”***

### ***Certification Assessment Plan***

AUDIT TEAM CR: Charlie Ross RR: Robyn Ross IN: Iman Nawireja JM: Junecele Maloloy						
DATE	TIME	ACTIVITY	CR	RR	IN	JM
Tuesday 17 March	AM	Opening Meeting	√	√	√	√
		Physical Inspection Mill, Interview Mill Workers Interview Contractors and External Stakeholders Review Pay Documentation Interview Female Office Staff/Workers	√ √ √	√ √ √	√ √	√ √
PAMOL KLUANG MILL	PM	Documentation review Inspect Housing, Interview Residents Visit housing and interview male foreign worker residents Interview workers re fauna protection	√	√ √	√ √	√ √
Wednesday 18 March	AM	Physical inspection Estate & Work Tasks (ie Harvesting, Spraying, Upkeep, Fertiliser Application, Buffer Zones, Stores, Workshop, etc) Interview Male Field Workers and Contractors Interview Female Field Workers Visit Clinic Interview Staff Interview Female Office Staff/Workers	√	√ √ √ √	√ √ √	√ √ √ √
PAMOL BARAT ESTATE	PM	Documentation Review Inspect Housing and Interview Residents Visit housing and interview male foreign worker residents Review Pay Documentation Interview External Stakeholders and Local Communities	√	√ √ √	√ √	√ √
Thursday 19 March	AM	Physical Inspection Estate & Work Tasks (ie Harvesting, Spraying, Upkeep, Fertiliser Application, Buffer Zones, Stores, Workshop, etc) Interview Male Field Workers and Contractors Interview Female Field Workers Visit Clinic Interview Staff	√ √	√ √ √	√ √	√ √
PAMOL TIMUR ESTATE	PM	Documentation Review Interview Female Office Staff/Workers Inspect Housing and Interview Residents Visit housing and interview male foreign worker residents Interview Local Stakeholders Interview External Stakeholders and Local Communities	√	√ √ √	√ √ √	√ √
Friday 20 March	AM	Follow-up any outstanding information/clarification/data Prepare IAV Report/Closing Presentation	√ √	√ √	√ √	√ √
	PM	Closing Meeting	√	√	√	