

Malaysian Sustainable Palm Oil (MSPO) Summary Report

Organization:	Unico-Desa Plantations Berhad – Unico Desa Palm Oil Mill (78983-V)		
Address:	Mill Location Address: KM60, Jalan Jeroco, Lahad Datu Postal Address: Unico Desa POM, MDLD 5123, KM3, Jalan Segama, 91100, Lahad datu, Sabah Regional Office Address: IOI Lahad Datu Regional Office, MDLD 5123, KM3, Jalan Segama, 91109 Lahad Datu		
MSPO Standard(s) Used:	MS2530-3:2013 Part 3: General principles for oil palm plantations and organized smallholders MS2530-4:2013 Part 4: General principles for palm oil mills	Accreditation Body(s):	Department Standards of Malaysia
Representative:	AGOS BIN ATAN Manager – Sustainability Palm Oil (SPO) (Sabah) agos@ioigroup.com		
Email:	udesaoilmill@gmail.com		
Website:	www.ioigroup.com		
Telephone:	089-577287, 016-8268896		
Site(s) audited:	1. Unico Desa Palm Oil Mill 2. Unico 1 Estate 3. Unico 3 Estate 4. Unico 5 Estate	Date(s) of audit(s):	22 nd & 26 th October 2018
Audit Scope:	Production and Processing of Oil Palm Fresh Fruit Bunch (FFB); Production of Crude Palm Oil (CPO) and Palm Kernel (PK); in compliance to MS2530 (Part 3 and Part 4).		
Mill Capacity:	60 MT/hr	Total Area (Certified):	11,396.48 HA
Visit Certification Assessment:	MSPO Main Assessment (Stage 2)	Number of Sites:	05 Supplying Estates
Lead auditor:	Mohd Saifuddin Rozlan	Additional team member(s):	Afiq Othman (Trainee Lead Auditor)
Certificate Number:			
Date of Issue:		Date of Expiry	
This report is confidential and distribution is limited to the audit team, client representative and the SGS office.			

1. Audit Objectives

The objectives of this audit were:

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

2. Scope of MSPO Certification

Production and Processing of Oil Palm Fresh Fruit Bunch (FFB); Production of Crude Palm Oil (CPO) and Palm Kernel (PK); in compliance to MS2530 (Part 3 and Part 4).

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

3. Current Certification

Currently **Unico-Desa Plantations Berhad** is being certified with other certification scheme as below:

Current Certification (Please tick the certification you are currently certified)			
<input type="checkbox"/>	ISO 9001	<input type="checkbox"/>	HACCP
<input type="checkbox"/>	EMS 14001	<input checked="" type="checkbox"/>	RSPO
<input type="checkbox"/>	OHSAS 18001	<input type="checkbox"/>	ISCC
<input type="checkbox"/>	ISO 22001	<input type="checkbox"/>	GMP Plus
<input type="checkbox"/>	HALAL	<input type="checkbox"/>	KOSHER
<input type="checkbox"/>	Co-GAP	<input type="checkbox"/>	None / Others:

4. Assessment Process and Audit Programme

4.1. Sampling Method

Sampling Methodology and Rationale
<p>Sampling of the estates to be audited has been conducted in accordance to the Risk Management (MPOB/MSPO/RMP/06) documents as below:</p> $S = r\sqrt{n}$ <p>Risk Factor: LOW (1.0)</p> $S = 1.0 (\sqrt{5}) = 2.236$ <p>3.0 estates to be visited</p> <p>Three (3) estates out of five (5) estates of Unico-Desa Plantations Berhad have been visited during the Stage 2 audit according to the formula stated in MSPO Risk Management Document.</p>

The assessment was conducted based on random samples and therefore nonconformities may exist which have not been identified. The methodology for objective evidence collection included physical site inspection, observation of tasks and processes, interview with workers, families and stakeholders, documentation review and monitoring data. Detailed audit plan can be referred below.

4.2. Audit Plan

The assessment was conducted in 04 audit days and involving 03 Estates & 1 Mill of Unico-Desa Plantations Berhad. The audit covers documentation review, internal procedures, management system, field inspection as well as identification of any significant issues for both environment or social issues.

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Audit Plan (Stage 2 MSPO Audit)

Organization:	Unico-Desa Plantations Berhad		
Address:	Unico Desa POM, KM3, Jalan Segama, 91100, Lahad Datu, Sabah, Malaysia		
Visit Number:	01 – Stage 2 Audit	Actual Visit Date:	22 nd – 25 th Oct 2018
Visit Due by Date:	Nil	For auditor information only	
Lead Auditor :	Muhammad Saifuddin Rozlan (MSR) Tel :017 9990950		
Audit Member	Afiq Othman (AO) (Trainee Lead Auditor) Tel : 013 3545321		
Additional Attendees and Roles	Nil		
Standard(s):	MSPO 2530:3: General Principles for Oil Palm Plantations and Organised Smallholder MSPO 2530:4: General Principles for Palm Oil Mills		
Audit Language:	English & Malay		
Audit Scope:	TBC during the assessment		

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

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

and to identify as applicable areas for potential improvement.

Date	Time	SGS Team	Organisational and Functional Units/ Processes and Activities	Key Contact
21 st Oct 2018	2015	ALL	Audit Team Arrive in Tawau (AK5751 – 2015)	MSR & AO
22 nd Oct 2018 Monday	0600 1000 1015-1030 1030-1200 P.M 1200-1300 1300-	ALL	<p>Travel to Lahad Datu from Tawau</p> <p>Audit Team arrive at Unico 1 Estate</p> <p>Opening Meeting <u>Opening Presentation by Unico Desa:</u> <ul style="list-style-type: none"> - Safety briefing - Introduction to Unico Desa <u>Opening Presentation by Audit Team:</u> <ul style="list-style-type: none"> - Audit process approach - Confirmation of audit standards & scope - Confirmation on Audit arrangement </p> <p>Day 1 Audit: Unico 1 Estate</p> <p><u>Site Visit</u> Operational activities, biodiversity area, dumping site, buffer zone, workers quarters, storage area, workshop, environment components, safety and health practices and social responsibilities.</p> <p>Lunch Break</p> <p>Continue Audit – Documentation Review</p>	<p>Audit Team & Unico Desa Representative</p> <p>Audit Team & Unico Desa Management Representatives (Estates & Mill)</p> <p>Audit Team & Unico 1 Estate Representative</p>

	1700			Audit Team & Unico 1 Estate Representative
	1700-1715		Debriefing of findings	Audit Team & Unico 1 Estate Management
	1715		Depart from Unico 1 Estate to accomodation	
23 rd Oct 2018 Tuesday	A.M	ALL	Day 2 Audit: <u>Unico 3 Estate</u>	Audit Team & Unico 3 Estate Representative
	0900		Audit Team arrive at Unico 3 Estate	
	0900-0915		Confirmation on audit arrangement	Audit Team & Unico 3 Estate Management
	0930 - 1200		<u>Site Visit</u> Operational activities, biodiversity area, dumping site, buffer zone, workers quarters, storage area, workshop, environment components, safety and health practices and social responsibilities.	Audit Team & Unico 3 Estate Representative
	P.M 1200-1300		Lunch Break	
	1300-1700		Continue Audit – Documentation Review	Audit Team & Unico 3 Estate Representative
	1700-1730		Debriefing of findings	Audit Team & Unico 3 Estate Management
	1730		Depart from Unico 3 Estate to accomodation	
24 th Oct 2018 Wednesday	A.M	ALL	Day 3 Audit: <u>Unico 5 Estate</u>	Audit Team & Unico 5 Estate Representative
	0900		Audit Team arrive at Unico 5 Estate	
	0900-0915		Confirmation on audit arrangement	Audit Team & Unico 5 Estate Management
	0930 - 1200		<u>Site Visit</u> Operational activities, biodiversity area, dumping site, buffer zone, workers quarters, storage area, workshop, environment components, safety and health practices and social responsibilities.	Audit Team & Unico 5 Estate Representative
	P.M 1200-		Lunch Break	

	1300			
	1300-1700		Continue Audit – Documentation Review	Audit Team & Unico 5 Estate Representative
	1700-1730		Debriefing of findings	Audit Team & Unico 5 Estate Management
	1730		Depart from Unico 5 Estate to accomodation	
25 th Oct 2018 Thursday	A.M	ALL	Day 4 Audit: <u>Unico Desa POM</u>	Audit Team & Unico Desa Representative
	0900		Audit Team arrive at Unico Desa POM	
	0900-0915		Confirmation on audit arrangement	Audit Team & Unico Desa POM Management
	0930 - 1200		<u>Site Visit</u> Mill processes and facilities, POME, land application (if applicable), storage area, workshop, WTP (if any), workers quarters, environment components, safety and health practices and social responsibilities.	Audit Team & Unico Desa POM Representative
	P.M 1200-1300		Lunch Break	
	1300-1600		Continue Audit – Documentation Review	Audit Team & Unico Desa POM Representative
	1600-1700		Audit team meeting	Audit Team
	1700-1730		Closing Meeting	Audit Team & Unico Desa Management Representatives
	1730		Depart from Unico Desa POM to Tawau	
26 th Oct 2018 Friday	1050		Audit Team Travel back to Kuala Lumpur (AK5747-1050)	

4.3. Certification Body

Auditor	Role	Qualification, Education, Working Experience.
Mohd Saifuddin Rozlan	Lead Auditor	<ul style="list-style-type: none"> - MSPO Certified Auditor - Bachelor of Forestry (Wood, Fibre and Tecnology) - 6 years experiences working for SGS as Lead Auditor (FSC, PEFC, ISCC & MSPO)

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Afiq Aliyyuddin Othman	Trainee Lead Auditor	- MSPO Certified Auditor - BSc. (Hons) Marine Technology - A year experience working in Ministry of Natural Resources and Environment - 5 years experiences working for Sime Darby Plantation Berhad as Sustainability and Quality Management.
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4.4. Audit Planning Matrix

Area / Department / Process / Function	Standard	Visits:	MA	SA1	SA2	SA3	SA4
		Dates:	22-26/10/2018				
		Auditor(s):	1. Saifuddin Rozlan 2. Afiq Othman				
Unico Desa POM	MS2530-4:2013 Part 4: General principles for palm oil mills		X	O	O	O	O
Unico 1 Estate	MS2530-3:2013 Part 3: General principles for oil palm plantations and organized smallholders		X	O		O	
Unico 2 Estate	MS2530-3:2013 Part 3: General principles for oil palm plantations and organized smallholders			O	O		O
Unico 3 Estate	MS2530-3:2013 Part 3: General principles for oil palm plantations and organized smallholders		X		O	O	
Unico 4 Estate	MS2530-3:2013 Part 3: General principles for oil palm plantations and organized smallholders			O		O	O
Unico 5 Estate	MS2530-3:2013 Part 3: General principles for oil palm plantations and organized smallholders		X		O		O

*For each completed visit, mark "X" in the box for each department or process covered. For planned visits, indicate with an "O" in the box for each process to be covered.

5. Previous Audit Results (Not Applicable)

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

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

6. Audit Findings Summary and Recommendations

The management system documentation demonstrated conformity with the requirements of the audit standard and provided sufficient structure to support implementation and maintenance of the management system.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
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The organization has demonstrated effective implementation and maintenance / improvement of its management system.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
The organization has demonstrated the establishment and tracking of appropriate key performance objectives and targets and monitored progress towards their achievement.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
The internal audit program has been fully implemented and demonstrates effectiveness as a tool for maintaining and improving the management system.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
The management review process demonstrated capability to ensure the continuing suitability, adequacy and effectiveness of the management system.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Throughout the audit process, the management system demonstrated overall conformance with the requirements of the audit standard.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
The audit team concludes that the organization <input checked="" type="checkbox"/> has <input type="checkbox"/> has not established and maintained its management system in line with the requirements of the standard and demonstrated the ability of the system to systematically achieve agreed requirements for products or services within the scope and the organization's policy and objectives.		
Number of nonconformities identified:	0	Major
	2	Minor
Therefore, the audit team recommends that, based on the results of this audit and the system's demonstrated state of development and maturity, management system certification be:		
<input checked="" type="checkbox"/> Granted / <input type="checkbox"/> Continued / <input type="checkbox"/> Withheld / <input type="checkbox"/> Suspended until satisfactory corrective action is completed.		

7. Significant Audit Trails Followed

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

7.1. Details of Certified Entity

Estate/ Mill	Location Address	Geo-Coordinate (GPS)
		Latitude, Longitude
Unico Desa POM	Address: KM60, Jalan Jeroco, Lahad Datu Postal address: Unico Desa POM, MDLD 5123, KM3, Jalan Segama, 91100, Lahad datu, Sabah	5° 24' 47.12" N, 118°31'45.59"E
Unico 1	<u>Postal address:</u> Unico Plantation Sdn. Bhd – Unico 1 MDLD 5123, KM3, Jalan Segama, 91100 Lahad Datu, Sabah	5° 24' 40.93" N, 118°31'23.8" E
Unico 2	<u>Postal address:</u> Unico Plantation Sdn. Bhd – Unico 2 MDLD 5123, KM3, Jalan Segama, 91100 Lahad Datu, Sabah	5°25'10.24"N, 118°31'29.1"E
Unico 3	<u>Postal address:</u> Unico Plantation Sdn. Bhd – Unico 3 MDLD 5123, KM3, Jalan Segama, 91100 Lahad Datu, Sabah	5°27'54.44"N, 118°33'4.73"E
Unico 4	<u>Postal address:</u> Unico Plantation Sdn. Bhd – Unico 4 MDLD 5123, KM3, Jalan Segama, 91100 Lahad Datu, Sabah	5°23'52.38"N, 118°33'34.1"E
Unico 5	<u>Postal address:</u> Unico Plantation Sdn. Bhd – Unico 5 MDLD 5123, KM3, Jalan Segama, 91100 Lahad Datu, Sabah	5°22'25.62"N, 118°32'11.1"E

Table 1: Address and Coordinates of Mill and Supplying Estates

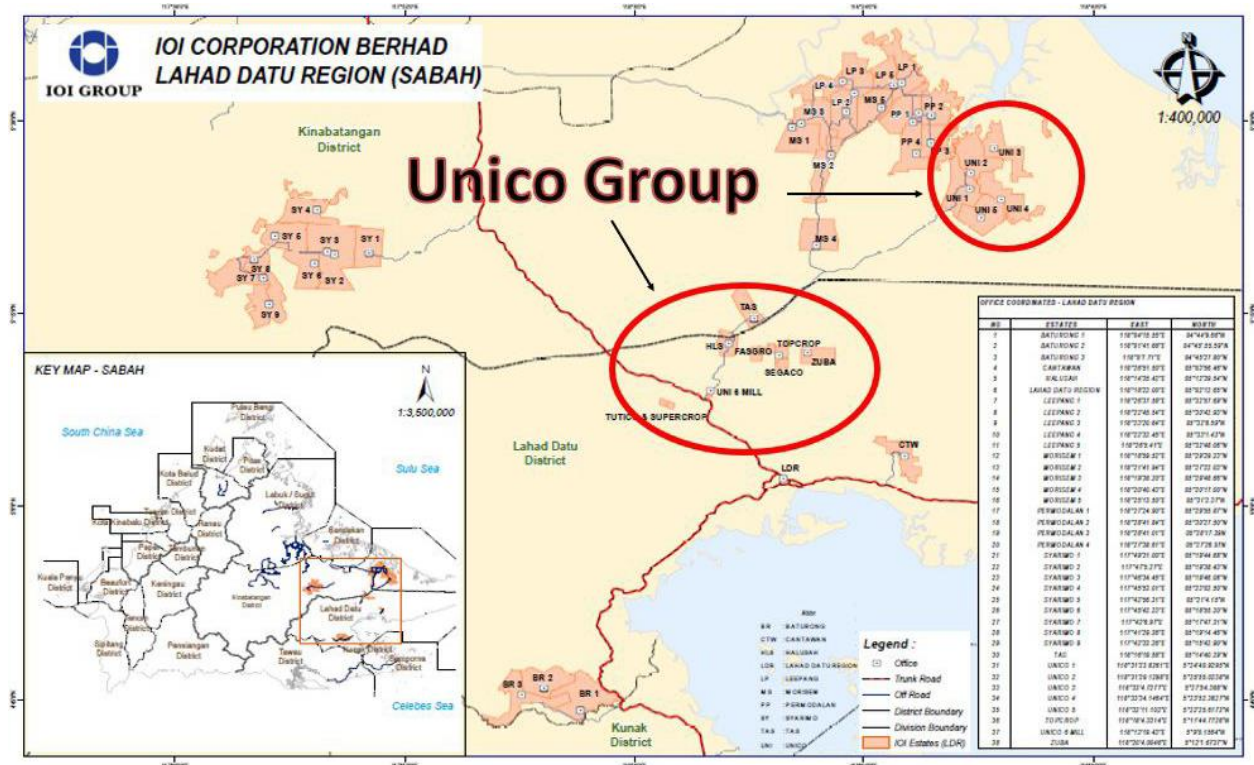


Figure 1: Unico Desa Plantations Berhad Map

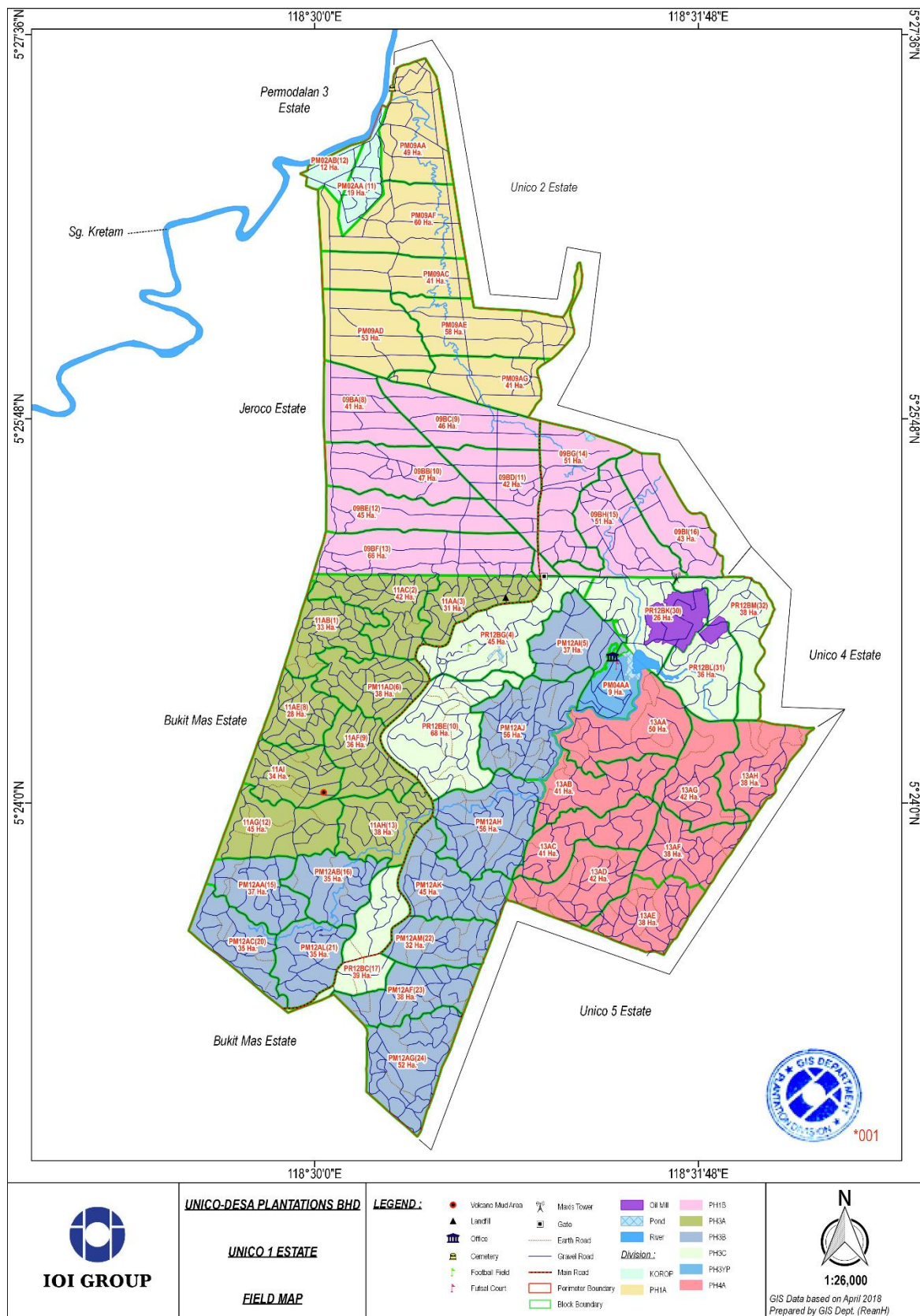


Figure 2: Unico 1 Estate Map

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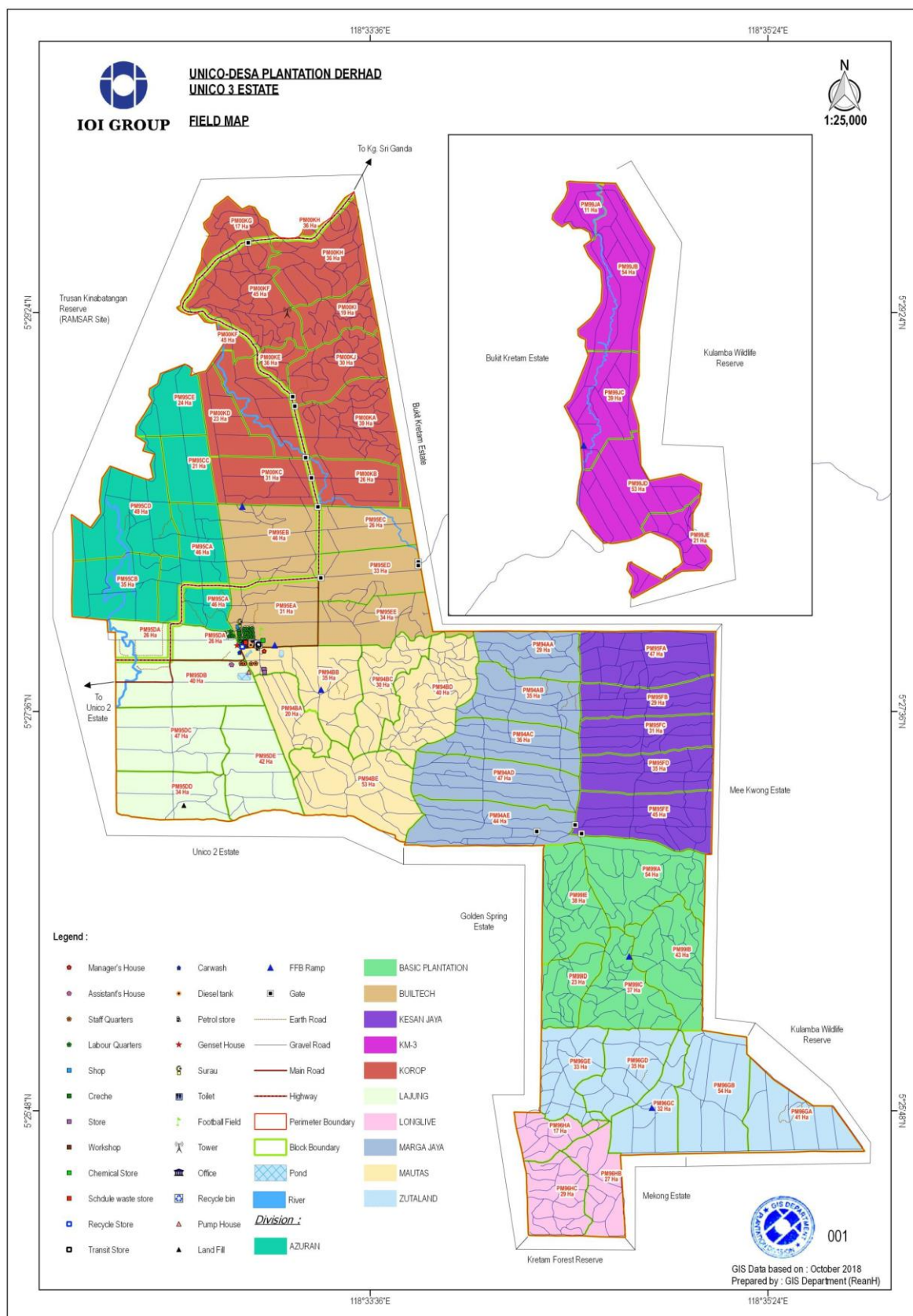


Figure 3: Unico 3 Estate Map

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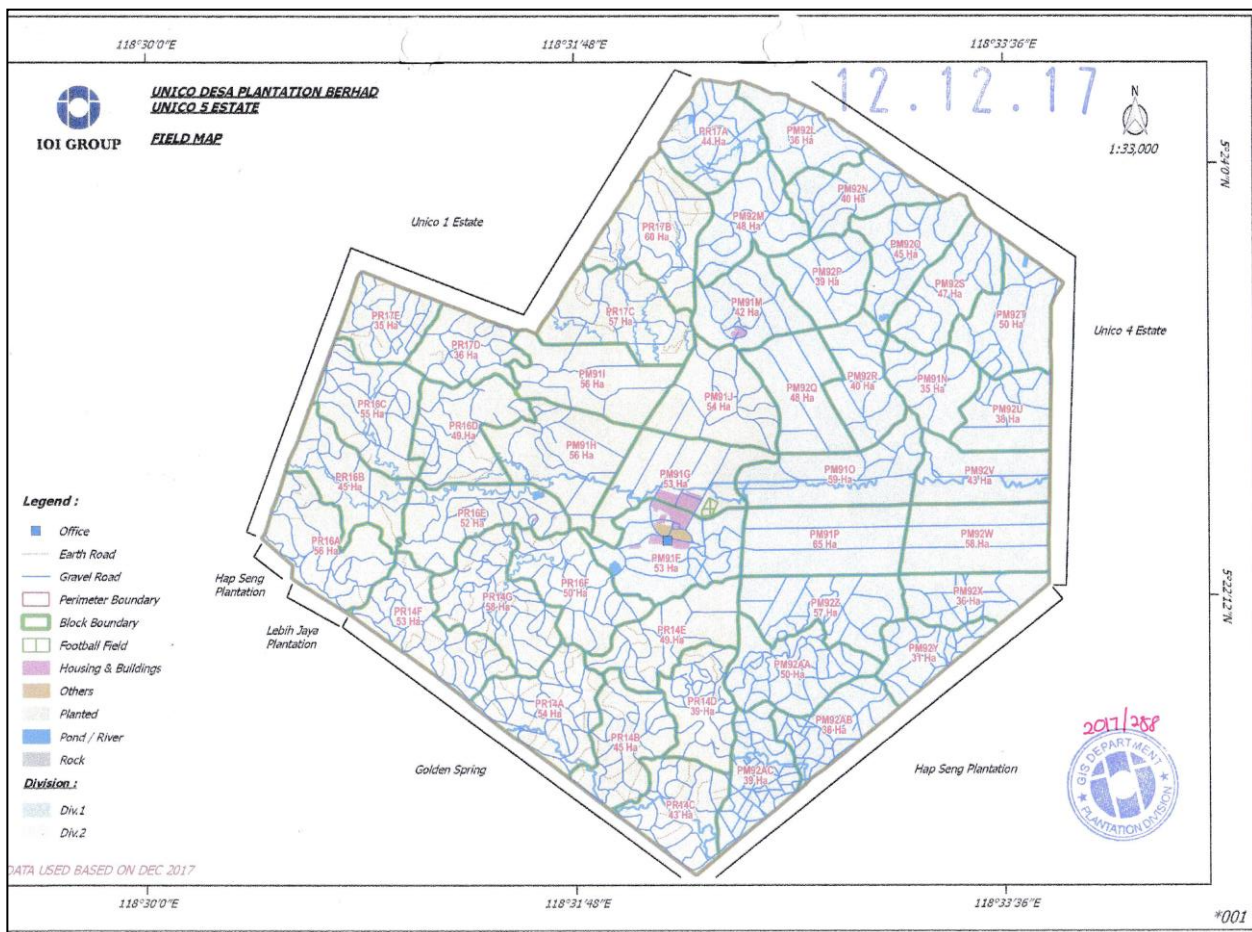


Figure 4: Unico 5 Estate Map

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Description of Supply Base and Mill Processing Capacity

The FFB are sourced from their supply base estates which are directly managed by **Unico-Desa Plantations Berhad** as well as from surrounding independent smallholders. The actual and estimated crop production from each estate and mill processing and production are listed in Table 2 and Table 3 respectively below.

Estate	FFB Production (MT) Period:	
	Actual FY (2017/2018)	Estimated (FY 2018/2019)
Unico 1	50,101.81	62,120.00
Unico 2	52,791.90	60,100.00
Unico 3	45,580.95	56,160.00
Unico 4	42,242.80	56,790.00
Unico 5	26,073.32	25,120.00
Outside Crop (Smallholders)	8,743.12	16,790.00
TOTAL	225,533.90	277080.00

Table 2: FFB Production (Actual & Estimated)

Mill	Actual FY (2017/2018)	Actual FY (2017/2018)		Estimated (FY 2018/2019)	Estimated (FY 2018/2019)	
	FFB (MT)	CPO (MT)	PK (MT)	FFB (MT)	CPO (MT)	PK (MT)
Unico Desa POM (60MT/hr)	225,533.90	44,897.37	9885.65	277080.00	59,570	13,300
		OER (%)	KER (%)		OER (%)	KER (%)
		20.71	4.56		21.50	4.80

Table 3: Mill FFB Process, CPO & PK Production, OER & KER (Actual & Estimated)

7.2. Area of Plantations

Certified Area Statement (Ha)						
Estate	Titled Area (Ha)	Planted (Ha)		Conservation (Ha)	HCV (Ha)	Others (Ha)
		Immature Area (Ha)	Mature Area (Ha)			
Unico 1	2317.50	0	2,142	41.24	0	175.5
Unico 2	2352.02	0	2,146	71.54	79.77	126.25
Unico 3	2203.80	0	2,080	105.62	0	123.8
Unico 4	2235.69	0	2,103	74.02	0	132.69
Unico 5	2287.47	891	1,256	70.57	6.8	133.67
TOTAL	11396.48	891	9727	362.99	86.57	691.91

Table 4: Hectare Statement of Supplying Estates

7.3. Stakeholder Consultation and List of Stakeholders Contacted

Stakeholder consultation took place in the form of meetings and interviews. The interviews and meetings were intended to obtain input from the stakeholders followed by an evaluation of the relationship between the stakeholder and the company. See **Appendix 2** for stakeholder's details and comments.

7.4. Comment on MS2530-3 Compliance Status

<p>Comment on Principle 1</p>	<p><u>Policy on Implementation of MSPO</u> – The IOI Group has established a policy titled “IOI Group Sustainable Palm Oil Policy” dated on March 2018 signed by Group Chief Executive Officer – Dato’ Lee Yeow Chor.</p> <p>Observed the policy was stated the continuous improvement outlined in the MSPO. Observed the policy had been communicated to all employees based on training records sighted.</p> <p>Based on interview with management, the policy is being communicated to all employees during master call every morning.</p> <p><u>Internal Audit</u> – IOI Group has established “Internal Audit Procedure – MSPO/SOP/IA/1 Rev01 dated on 01 August 2017”. Observed the procedure stated the close out actions must be within 2 weeks period from internal audit completion date.</p> <p>Internal Audit Plan and Internal Audit Report were made available during the audit.</p> <p>Observed all non-conformities issued by internal auditor (SPO Team) have been resolved with adequate corrective action and identified the preventive measure for every non-conformity raised.</p> <p>Noted all Internal Audit Reports for the whole Unico Desa Plantations have reviewed by respective estate top managements.</p> <p><u>Management Review</u> – Internal audit report for all Unico Desa Plantations was reviewed by respective estate top management. Observed, minutes of meeting of management review at all estates visited are well maintained.</p> <p><u>Continual Improvement</u> - “Continuous Improvement Plan FY2018/2019” was established which based on social & environmental impact as example below:</p> <p>Unico 1 Estate</p> <ul style="list-style-type: none"> • Toilet Door for Humana • New Cabinet at creche • Electricity <p>Unico 3 Estate</p> <ul style="list-style-type: none"> • Soft Mat for Creche
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	<ul style="list-style-type: none"> • Safety signboard • Repainting all palms Buffer Zones <p>Unico 5 Estate</p> <ul style="list-style-type: none"> • New Labour Quarters Concrete – 3 Block • Fertilizer Store Concrete <p>Currently, all estates are using PDR (Portable Data Record) based on Mobile Crop Monitoring System to check and record the FFB chit harvesting process. Training for the implementation has been provided by the estate management to employees and training records are well maintained.</p> <p>Apart from that, no other new technique or technology being implemented at the moment.</p>
Comment on Principle 2	<p><u>Transparency of documents relevant to MSPO requirements –</u> Sighted Stakeholder Request Procedure. The procedure is divided into two level namely Corporate Level and Estate Level. Based on the procedure, any request or complaint at estate level can be made through Estate Social Liaison Officer or Estate Manager.</p> <p>All request and complaint will be recorded in a log book also known as “Buku Hijau”. The log book is well maintained and sighted at each interface during the audit.</p> <p><u>Transparent method of communication and consultation –</u> IOI Group will publish Annual Report of every year performance along with other information for viewing of the stakeholders which can be seen from the link below: https://www.ioigroup.com/Content/IR/IR_Reports</p> <p>Apart from publishing annual report for public view, each estate conducts internal stakeholder meeting which involved employee and also external stakeholder meeting whereby all external stakeholders will be invited annually for the meeting. The external stakeholder meeting will be conducted at region level where any information or issue will be discussed during the meeting. Meeting minutes of both internal and external stakeholder meeting were sighted during the audit.</p> <p><u>Traceability –</u> Observed Bunch Count /Grading Procedure & FFB Evacuation Direct to Mill Procedure has been established dated September 17 and August 17 respectively.</p> <p>Each estate has appointed responsible individual to ensure all traceability implementations are in accordance to the standard procedures established.</p> <p>Mobile Crop Monitoring System (MCMS) has been used by the organization to automate the process of grading, bunch count and also as part of traceability system which able to reduce processing time, processing step, enhance accuracy and allow traceability up to harvester/</p>

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	<p>cutter. By Implementing this new system, estate will be able to operate with minimal supervision on the traceability system.</p> <p>Identification of field/ block can be seen on site through signage, marking on palm and field map. All FFB harvested and evacuated will be grouped based on individual harvester before being sent to mill. Harvested bunch will be marked with unique coding for each harvester. A system called Portable Data Reader (PDR) will be used to help record harvester's productivity based on bunch count & field number. From the system, a printed receipt will be printed containing name of harvester, harvested block, number of bunch and weigh of total bunch. Some of the information will be transferred to FFB chit to be surrendered to mill weighbridge operator. All records of sales & delivery of FFB are well maintained by the estates assessed.</p>
Comment on Principle 3	<p><u>Regulatory requirements –</u> All estates followed applicable local, state, national and ratified international laws and regulations.</p> <p>All estates have made available updated List of Laws, Covenant & Standard Applicable to Sabah Estate dated on 27 September 2018 consist of:</p> <ul style="list-style-type: none"> • Federal Laws • State Laws • International Laws, Covenants & Standards • Guidelines, Codes of Conduct/ Practice and other standards <p>All estates operating with valid permits and licenses issued by local authority or third parties as example below:</p> <ul style="list-style-type: none"> • MPOB License • Controlled Goods License • Suruhanjaya Tenaga Licence <p>Observed each estate appointed person in charge to update the list of laws assisted by Sustainable Palm Oil Team Lahad Datu.</p> <p><u>Legal land use rights –</u> Land titles presented during the audit showed that there were 2 combinations which are Unico 1, 2, 4 & 5 and Unico 2 & 3. The land currently being leased from the state government with a tenure ship period until 31/12/2098.</p> <p>Sighted examples of quit rent payment record made to the local government.</p> <p>During site visit, conducted visual inspection on boundary marking, all boundary was clearly identified as below:</p> <ul style="list-style-type: none"> • Boundary with estate (Blue/White Color) • Boundary with forest/wildlife reserve/riparian (Red Colour) <p>Based on visual inspection and interviewed with estate personnel, the GIS team could not locate original boundary stones in all estates. As a replacement, the GIS team planted pegs with identification to indicate their border and made available in the Estate Map.</p>

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	<p>Apart from neighbouring with among sisters estates, some of the estates neighbouring with local village, smallholder estates, wildlife conservation area (Kulamba Wildlife Reserve) & Forest Reserve (Trusan Kinabatangan Reserve – Ramsar Site).</p> <p>As of today, no issue of land dispute recorded.</p> <p><u>Customary rights –</u> There is no issue on legal acquisition of land title and fair compensation evident even before acquisition of the land.</p>
Comment on Principle 4	<p><u>Social Impact Assessment –</u> Social Impact Assessment Management Action Plan & Continuous Improvement Plan has been established in each estate visited.</p> <p>Observed the assessment consist of:</p> <ul style="list-style-type: none"> • Demographic • Adherence to National Laws and Regulations • General Work/ Labour Condition • Social Liaison Officer • Grievance Procedure • Sexual Harassment Procedure • Stakeholder Request Procedure • Grievance Procedure for Land Owner Issues • Employee Handbook • Facilities/Amenities • Customs and Cultures • Social Impact Assessment <p>Noted the risk assessment was conducted to mitigate social impact identified through establishment and implementation of action plans.</p> <p><u>Complaints and grievances –</u> “Section 7.5: Grievance Procedure” in “Group Social Impact Assessment Management Action Plan & Continuous Improvement Plan” was sighted. The procedure was established to handle any complaints or grievances. The procedure specified that every complaint or grievance must be resolved within 3-5 working days. Observed the complaints received were handled within stipulated time.</p> <p>“Complaints/Grievance Book” & “Social & Grievance Record” was made available at each estate offices.</p> <p>Based on stakeholder (Internal & External) meeting and random interviews, the surrounding communities are aware that complaints can be made any time and well aware of the medium.</p> <p><u>Commitment to contribute to local sustainable developments –</u> Unico Desa Plantations estates have always been contributing to local communities. Below are the contribution noticed have been made by the estate managements.</p> <ul style="list-style-type: none"> • “Menghantar Murid & Guru – Pertandingan Tarian di Lahad Datu” • “Permohonan Kebenaran Meminjam Kerusi Sempena Untuk Perkahwinan”

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- Donation for Teacher Day Celebration 2018
- “*Latihan Sempadan Hutan Dan Kawasan Penampungan Sungai*” conducted for neighbouring estate workers & managers
- “*Sumbangan Sinar Ramadhan 2018 – SK Jeroco*”
- Every month pay to Humana School.

All estates periodically will conduct Internal Stakeholder Meeting to discuss any internal issue between the employee and the estate management while External Stakeholder Meeting is being conducted at region level where all applicable external stakeholders will be call upon to join the meeting.

Employees health and safety –

“Occupational Safety, Health and Hygiene Policy” was revised dated on 03 March 2018 signed by Plantation Director – N B Sudhakaran was made available.

- “Occupational Safety, Health and Hygiene Policy” was revised dated on 03 March 2018 signed by Plantation Director – N B Sudhakaran was made available. Observed the policy was available at all notice board in the estates and already communicated in policy training and every morning muster call
- “*Penaksiran Risiko*” or HIRARC was identified 31 activities (e.g: harvesting, manuring, replanting) within estate operation.
- Training Programme 2018 – Safety & Health Training & Safety and Health Programme were available during the audit.
- Observed during site visit to all activities, all employees were using appropriate PPE based on HIRARC assessment. PPE Stock Record was sighted.
- Daily PPE inspection was conducted during muster call to ensure all employees is using useable PPE.
- Several procedures were established to ensure the handling and storage of chemical was according to regulations:
 - “*Prosedur Kerja Selamat Penyemburan Racun*”
 - “*Prosedur Kerja Selamat Penyimpanan dan Pengurusan Stor Bahan Kimia*”
 - “*Prosedure Kerja Selamat Pembancuh Bahan Kimia*”
- Sahrul Bin Kassim (Safety Officer) appointed as the safety representative for Unico Dessa Plantations group. Safety & Health Organization Chart was made available which consist of 15 employers’ representative & 12 employee’s representative.
- Safety meeting conducted on quarterly basis. Sample of meeting minutes were sighted.
- Observed several ERP was evident at all activities notice board which consist of:
 - Chemical Spillage (Store/Premix Area/Field)
 - Estate Tractor
 - Fire Outbreak
 - Diesel & Lubricant Spill
 - Physical Injury
- Observed the annual accident report (JKKP8) was available which consist of 6 (Unico 3 Estate) & 4 (Unico 5 Estate) minor accident for year 2017.
- During site inspection, Mandora in charge is demonstrated well on usage of first aid kit.

	<p>l) The First aid kit was checked every month by internal clinic staff. m) Every accident occur was reported in "Accident/Incident Investigation report" and review by safety community on safety meeting.</p> <p><u>Employment conditions –</u> IOI Group established "Sustainable Palm Oil Policy" dated on March 2018 which show the commitment regarding good social practice in "Human Rights and Workplace" point in policy.</p> <p>Addition to that, IOI Group established "Equal Opportunity & Freedom of Association Policies" dated on October 2017.</p> <p>Noted the minimum wages for East Malaysia is RM920 based on "<i>Perintah Gaji Minimum 2016</i>". Daily rate is RM35.38. All sampled payslips reflect adequate payment as per legal requirement.</p> <p>"Employee Identification Cum Input Document" & employment contract (<i>Kontrak Pekerjaan – Lampiran C</i>) was recorded for all employee's information as employee registration.</p> <p>All employees (local and foreigner) are equipped with proper identification and working documentation.</p> <p>The employment contract stated the 8 working hours (0600 until 1400 including rest time). Observed the working hours also stated at notice board at muster call area. 2 times daily rate wages for paid to the employees that work on rest day.</p> <p>Based on the employment contract and pay slip sampled:</p> <ul style="list-style-type: none"> • 2 times daily rate wages for paid to the employees that work on rest day. • Overtime rate = RM6.65/hour. • 15 Public Holiday • Annual leave depends on years of works (employees not take the annual leave which the Vacation Leave Pay (VLP) was paid end of the years) <p>Check roll Daily Record & Daily Overtime Records for employees above was showed the attendance of employees for 8 hours working and working overtime.</p> <p>For harvester, the wages based on FFB Tonnage (RM33.50/Ton FFB) which the price/ton based on age planting profiles.</p> <p>Observed several social benefits was offered to employees by Unico Grouping as below:</p> <ul style="list-style-type: none"> • House (Free Electricity/Water) • Maternity Leave • Productivity incentive • Clinic (Free Medical) • Futsal field • Mosque • Yearly Production Bonus
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	<ul style="list-style-type: none"> • Free Passport Renewal • Creche Ayah <p>Observed the visit to lanesite, the worker's quarters were habitable and have basic amenities and facilities. The new house under construction to replace the old house. Interview with the workers indicate there were no issues on housing.</p> <p>IOI Group was established "Sustainable Palm Oil Policy" dated on March 2018 which show the commitment regarding good social practice and Sexual Harassment in "Human Rights and Workplace" point in policy.</p> <p>JCC Meeting was conducted between employee's representative and employer as a medium to voice out any problems or issue. "<i>Jawatan Kuasa Perwakilan Pekerja Tahun 2018</i>" / ECC was available and free elected by employees.</p> <p>Observed the minutes meeting was made available. Everything issued raised was act by employer based on reasonable time frame.</p> <p>Based on employment record, the youngest employees are 20 & 19 years old. No evident of young or forced labour in the estate.</p> <p><u>Training and competency –</u> Each estate came up with "Health and Safety Management Plan" which included training needs based on position and workplace. Observed all training records sighted included attendance, photo training conducted & training document/slide. Each training conducted came up with analytical summary of the employees understanding and competencies.</p> <p>Annual Training Programme was made available namely "Training Programme 2018" which covered all aspects as below:</p> <ul style="list-style-type: none"> • Safety and Health Training • Environmental Training • Social Training
<p>Comment on Principle 5</p>	<p><u>Environmental management programme –</u> Sighted Sustainable Palm Oil Policy which was last revised in March 2018 endorsed by Group Chief Executive Officer, Dato' Lee Yeow Chor and Group Head Sustainability, Dr. Surina Ismail. The policy covers environment element which stated commitment towards GHG Emission Reduction progressively. Also stated their commitment towards complying with legal and other applicable regulations.</p> <p>Each estate together with Sustainability Palm Oil (SPO) Team conducted Environment Impact Assessment and came up with an individual assessment report. The report including Environment Management Action Plan and Continuous Improvement Plan too as preventive and mitigation measures from environment impact assessed.</p> <p>Among the environmental aspects that were covered in the assessment are:</p>

	<ol style="list-style-type: none"> 1. Waste product and GHG emission source 2. Potential Pollutant 3. Side / By-product 4. Integrated Pest Management 5. High Conservation Area 6. Impact from replanting 7. Water management <p>Among sighted Continuous Improvement Plans related to environment are:</p> <ol style="list-style-type: none"> 1. Used tires are being reused as fencing to demarcate scrap iron area. This initiative is to reduce industrial waste produce by the estate. 2. Repainting program of buffer zone marking on palms along buffer zone area. The organization had also acquired approval to upgrade drainage system at linesite area. 3. All assessed estates currently practice recycling programme to reduce waste generation. During site visit, 3R bin can be seen in several places such as office, linesite, landfill area etc. Collected recyclable wastes will sold to collector from outside. 4. "Gotong Royong" activity being done on weekly basis. <p>During the audit, noted that all Continuous Improvement Plans are being implemented accordingly.</p> <p>All assessed estates were found to have annual training programme which comprises of environment, safety & health training. Below are among of the training programme & records related to environment sampled:</p> <ol style="list-style-type: none"> 1. Recycle Waste Awareness Training 2. Buffer Zone Training 24/4/18 3. Triple Rinse Training 4. Spill Kit & Drip Tray, Oil Trap and Workshop SOP Training 5. Oil Trap Training <p>The estate management acquired any input regarding environmental issues from the internal stakeholder (employees) through Employee Consultation Meeting. The meeting minutes from conducted meetings was seen well maintained.</p> <p><u>Efficiency of energy use and use of renewal energy –</u></p> <p>Apart from using diesel as source of fuel for machineries, it is also being used as fuel for generator set for electricity conversion to power office and housing complex. Observed diesel consumption is being monitored monthly and yearly for 5 years period. The estate management came up with comparison of actual usage of diesel against budgeted diesel usage on monthly basis. The management did come up with justification for each overbudgeted diesel due to unforeseen reasons such increase of genset running hours for worker's linesite, inefficient farm tractors condition and new water treatment plant installed which require diesel operated water pump.</p> <p>The Unico 1 and Unico 3 Estates did not engage any contractor for operation activities except for Unico 5. Unico 5 Estate appointed replanting contractor namely Matahari Enterprise for land preparation for</p>
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	<p>programmed replanting fields. Sighted the record of diesel usage by the contractor is being kept by the Unico 5 Estate management.</p> <p><u>Waste management and disposal –</u> All type of wastes including scheduled waste, domestic waste, industrial waste and recycle waste have been identified in Environmental Impact Assessment Report. To ensure all wastes identified being handled responsibly, the estate management came up with Environmental Management Action Plan. All estates practice centralized collection of used herbicide container, other scheduled wastes and discarded scrap irons. The estates share the same contractors for the said type of wastes. As for domestic waste, each estate provides designated place such as landfill for domestic waste. Noted all landfills visited were located with ideal distance from linesite and watercourse. Landfill site was clearly indicated on all audited estate maps. The landfills were appropriately maintained and equipped with warning signage, open and close dates, emergency response plan and emergency contact.</p> <p>Sighted several procedures related to waste management:</p> <ol style="list-style-type: none"> 1. Chemical Container Handling dated 1st Aug 2012. 2. Domestic Waste Management dated 27th Mar 2017. 3. Unico-Desa Oil Mill Schedule Waste Management System dated 25/7/17 applicable for all estates in Unico Desa group) <p>During the audit, triple rinsing and puncturing of used herbicide and pesticide containers could not be evident due to they have been collected by authorized collector.</p> <p><u>Reduction of pollution and emission –</u> All polluting activities are also being assessed during Environment Impact Assessment and reported in the same report mentioned above.</p> <p>Based from Unico 3 soil maps, it indicates some of the estate field is containing peat. The estate management monitor water level in the peat area based on gauges installed in designated drained. The water level in the area should be maintained between 50 – 60 cm from peat surface. The water level is being control by water gates installed in field drains to achieve desirable water level. Record of monitoring water level sighted during the audit.</p> <p><u>Minor CAR #1</u> Sighted Unico 3 Estate Environment Impact Assessment (EIA) Report had been established. One of the negative impacts identified at workshop area is accidental spillage of oil and diesel on the ground. However, the report and emergency response plan did not specify on how to conduct cleaning of oil spillage on the ground.</p> <p><u>Natural water resources –</u> Water Management Plan sighted had been established for UDOM and Supply Bases (including Unico 1, 3, and 5 Estates). Based on observation during site visit, all action plans determined are being carried out accordingly.</p>
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All water sampling and lab testing for the whole Unico Desa group is being conducted by licensed consultant by DOE namely Kiwiheng Environmental Consultants Sdn Bhd. All water sampling points have been identified in EMP report produced by the appointed consultant dated 28/9/16. According to Sustainability Palm Oil Team, ever since, the consultant has been appointed in year 2016, all water quality monitoring was done by consultant. However, before consultant appointed, the estates practiced internal water sampling and monitoring. The latest internal lab test result available is for FY 16/17. Last water sampling and lab test conducted by consultant was on 1/8/18 lab report number EL/W/0718/196. All the lab testing conducted by DSM Accredited laboratory. Below are the tested parameters:

1. Total Suspended Solid
2. Oil & Grease
3. Turbidity
4. Faecal Coliform
5. Total Coliform

Noted from the test result, all water sampled conformed the national standards.

Apart from that, all estates practice water sampling for raw water and treated water and send to outside DSM accredited laboratory on quarterly basis. This is to ensure that the water is safe for consumption. Sighted sample of water usage record by Unico 5 estate.

All water usage will be measured using water flowmeter meter and the reading will be recorded on daily basis.

Riparian Buffer was seen appropriately maintained and no sign of chemical activities had been done in the area at all estates audited. Adequate warning signage and buffer zone signage were observed had been erected. Apart from that, palms nearby buffer zone were marked with red paint to alert sprayers and manurers of the buffer zone. Based on observation no sign of construction of bunds, weirs and dams across main rivers or waterways passing through an estate.

Rain water harvesting is being practiced at housing complex. Each house provided with tank for rain water collection. The rain water collected used for drinking and cleaning.

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

Noted that all estates have conducted High Conservational Value (HCV) Assessment and established the report. It was found that all HCV areas and conservation areas have been appropriately identified in the report. Among identified HCV area in the plantations group are forest and wildlife reserve (HCV 1) and steep hills area (HCV 4.2). All areas are clearly indicated in estate maps.

Noted all management plan to comply with requirement from HCV report is incorporated in the report itself. Sighted actual practice on the ground adhered the recommendation and requirement from the report.

Signage of prohibition of illegal hunting and fishing were evident in all estates entrance and also spotted at several areas in estate fields and

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	<p>nearby buffer zones, offices and HCV area. Type of RTE species that potentially available in the estates were also displayed together with the prohibition signage.</p> <p><u>Zero burning practices</u> - Zero Burning Policy had been established dated May 2018 endorsed by IOI Plantation Director, Mr. NB Sudhakaran. In the policy specify commitment towards zero burning by complying with all applicable regulations, providing necessary resources such as training for workers and extending to contractors working with IOI Plantation.</p> <p>From site visit, noticed no sign of practice of open burning for land preparation being adopted. All land preparation was done through felling and chipping of the old palms.</p>
Comment on Principle 6	<p><u>Implementation of standard best practices</u> – Procedures sighted available: 1. Group Standard Operating Procedures (StOPs) for Estate Operation. The procedure covers: - Seed Production Unit - Planting Density - Nursery - land Clearing and Preparation - Tidal Gates - Planting Technique - LCC - Manuring - Weeding - P&D - Harvesting - Road Maintenance - Workshop - Foliar Sampling 2. Mobile Crop Monitoring System Standard Operating Procedure for newly implemented PDR.</p> <p>Based on observation, all estates apply best practices as per guidelines established.</p> <p><u>Site management</u> – For slop area that is allowed to be planted with palms, noted that Legumes Cover Crops (LCC) have been fully grown at all erosion prone areas.</p> <p>All fields and blocks have been identified with unique coding based on planting year and running alphabetical order. All the identification codes can be seen on markers physically installed in the field. Addition to that, all identifications were found to be reflected on estate operation maps.</p> <p><u>Economic and financial viability plan</u> – All estates assessed have come up with 5 Years Business Plans prepared by the estate managements and approved by Estate</p>

	<p>Managers. These business plans will be reviewed annually to suit current condition of estate performance.</p> <p>Among the items covered in the business plan were:</p> <ul style="list-style-type: none"> - 10 years replanting program. - Crop projection - Employee requirement - Mature costing - Area statement - General charges statement - Capital expenditure statement <p>Long term replanting programme is not applicable for all estates visited except Unico 5 Estate. The estate will be having replanting activity up until FY 20/21. The total area of replanting until FY 20/21 forecasted is 2,147 ha altogether.</p> <p>Previous year performance discussed by all estates during their management review meeting periodically and as and when needed. The management review meeting will be conducted at region level. The latest meeting conducted was on 15/10/18 for Lahad Datu Region including Unico Desa Plantations Berhad.</p> <p>Crop production and quality will be monitored through PDR system. As for fertilizer application, Spraying and replanting activity will be monitored through programme developed. This is to ensure that progress and performance of each estate is being closely monitored.</p> <p>Sampled programme:</p> <ul style="list-style-type: none"> - Spraying programme for FY 18/19 - Fertilizer application schedule and requirement FY 18/19 - 10 years replanting programme. <p><u>Transparent and fair pricing dealing –</u></p> <p>This criterion not applicable for Unico 1 and 3 as no contractor engaged for outsource work.</p> <p>Sighted Replanting Agreement between Unico 5 Estate and Matahari Enterprise on 1/3/18. Also observed the rate of payment agree between the two parties.</p> <p>Observed payment record made by Unico 5 to Matahari Enterprise for replanting work. Payment made progressively based on work progress of the contractor. Noted the first payment made as agreed rate and pricing in timely manner. Sampled Payment Voucher dated 27/7/18 P/V No. MBB/MA/47/07-1718 authorised by estate manager.</p> <p><u>Subcontractor –</u></p> <p>In the agreement mentioned earlier, a special clause agreement emphasizing on MSPO implementation was sighted and acknowledged and agreed by the hired contractor.</p> <p>During the audit, all outsource services had completed work. Hence no contractors available to be audited.</p>
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	To monitor completion rate of contractor's work. Mohd Salim Bin Abd Kadir, Estate Assistant Manager Unico 5 monitored the work on daily basis and recorded into the Shredding and Chipping Record Book for Replanting FY 16/17.
Comment on Principle 7	<p><i>Note: the whole Principle 7 is not applicable for this audit as there is no new planting in the plantations area.</i></p> <p><u>High biodiversity value</u> –</p> <p><u>Peat land</u> –</p> <p><u>Social and environmental impact assessment</u> –</p> <p><u>Soil survey</u> –</p> <p><u>Planting on steep terrain and/or on marginal and fragile soils</u> –</p> <p><u>Customary land</u> -</p>

7.5 Comment on MS2530-4 Compliance Status

Comment on Principle 1	<p><u>Policy on Implementation of MSPO</u> –</p> <p>The IOI Group was established the policy entitled “IOI Group Sustainable Palm Oil Policy” dated on March 2018 signed by Group Chief Executive Officer – Dato’ Lee Yeow Chor. The policy stated the company commitment towards ensuring continuous improvement as per MSPO standard. All policies established are being communicated to all level of employees during morning briefing and training.</p> <p><u>Internal Audit</u> –</p> <p>IOI Group was established “Internal Audit Procedure – MSPO/SOP/IA/1 Rev01 dated on 01 August 2017”.</p> <p>Observed the procedure stated the close out actions must be within 2 weeks’ period from internal audit completion.</p> <p>Internal audit plan was made available – September 2018 which planned on 24 September 2018.</p> <p>Internal audit report was made available dated on 24 September 2018. Observed the internal audit checklist based on MSPO principle & criteria. Observed all non-conformities issued by internal auditor (SPO Team) have been resolved as per corrective action and identified the preventive measure for every non-conformity raised within stipulated time.</p> <p><u>Management Review</u> –</p> <p>Internal audit report for UDOM was review by top management. Observed the minutes of meeting was maintained. All corrective action for every non-conformity raised was addressed in management meeting above.</p> <p><u>Continual Improvement</u> -</p>
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	<p>“Continuous Improvement Plan FY2018/2019” was established which based on social & environmental impact as example below:</p> <ul style="list-style-type: none"> • New Staff Quarters • New Labour Quarters • New Recycled Waste Store • Biogas Plant Project <p>Observed UDOM is in progress installing of biogas plant. Observed the installation already 80% and fully estimate operate in December 2018. Budget allocation was approval by top management based on “Capital Expenditure Ratification for Financial Year 2016/2017.</p> <p>As to date, no training needed as the facilities is under installation.</p>
Comment on Principle 2	<p><u>Transparency of documents relevant to MSPO requirements –</u> Sighted Stakeholder Request Procedure. The procedure is divided into two level namely Corporate Level and Mill Level. Based on the procedure, any request or complaint at estate level can be made through Mill Social Liaison Officer or Mill Manager.</p> <p>All request and complaint will be recorded in a log book also known as “Buku Hijau”. The log book is well maintained and sighted at each interface during the audit.</p> <p><u>Transparent method of communication and consultation –</u> IOI Group will publish Annual Report of every year performance along with other information for viewing of the stakeholders which can be seen from the link below: https://www.ioigroup.com/Content/IR/IR_Reports</p> <p>Apart from publishing annual report for public view, the mill conducts internal stakeholder meeting which involved employee and also external stakeholder meeting whereby all external stakeholders will be invited annually for the meeting. The external stakeholder meeting will be conducted at region level where any information or issue will be discussed during the meeting. Meeting minutes of both internal and external stakeholder meeting were sighted during the audit.</p> <p>Sighted Stakeholder Request Procedure. The procedure is divided into two level namely Corporate Level and Mill Level. Based on the procedure, any request or complaint at estate level can be made through Mill Social Liaison Officer or Mill Manager. The procedures were established on 25/1/08. Mill Representative has been appointed to deal with any issue pertaining stakeholder engagement. Sighted stakeholder list had also been established comprising internal and external stakeholder like:</p> <ol style="list-style-type: none"> 1. Internal 2. Government 3. Non-Government Organization 4. Estate/Mill 5. Supplier 6. Smallholder 7. Transporter 8. Executive and staff

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	<p><u>Traceability –</u> The mill adopted Traceability Procedure that has been established for ISCC implementation.</p> <p>Mill has appointed several person in charge from different stations in the mill. At each interface, every incoming and outgoing of product will be inspected and checked by appointed PICs to ensure the practice is in accordance to procedure. Sampled Traceability PIC appointment letter: Dated 24/9/18</p> <ol style="list-style-type: none"> 1. Yapp Shong Vui. 2. Samiah Binti Rahman 3. Martinini Binti Lairie. <p>Based on sampled documents of delivery documents, the implementations of traceability is in accordance to the procedure adopted. Delivery records must have:</p> <ol style="list-style-type: none"> 1. FFB Delivery Chit by Estate 2. Gate Pass by mill AP 3. Grading Chit by Grader 4. Weighbridge Ticket by Mill <p>Records of storage and sales are being well maintained and can be obtained from “POM Daily Production Report” and “Chain of Custody for PK and CPO respectively”. Record of sales can be obtained from “The CoC (CPO)” consists of</p> <ol style="list-style-type: none"> 1. Sounding Report 2. Notice of vessel readiness 3. Pre-inspection advice 4. Certificate of tankers (Combined pressure and cleanliness) 5. time sheet 6. Dry Certificate
<p>Comment on Principle 3</p>	<p><u>Regulatory requirements –</u> UDOM followed applicable local, state, national and ratified international laws and regulations.</p> <p>UDOM was made available updated list entitled “List of Laws, Covenant & Standard Applicable to Sabah Estate & Mill Operations” dated on 27 September 2018 consist of:</p> <ul style="list-style-type: none"> • Federal Laws • State Laws • International Laws, Covenants & Standards • Guidelines, Codes of Conduct/ Practice and other standards <p>UDOM operating with valid permit and licenses issued by local authority or third parties as example below:</p> <ul style="list-style-type: none"> • MPOB License No: 500220904000 valid 31/07/2019 • DOE License (Jadual Pematuhan for Mill Operation and Incinerator Operation) • Controlled Goods License • Suruhanjaya Tenaga License

	<p>Observed the list of laws was updated by the mill representative assisted by Sustainable Palm Oil Team Lahad Datu. Sighted appointment letter of the person in charge.</p> <p><u>Legal land use rights</u> – UDOM was in the Unico 1 Estate compound. The mill area consists of 5.5HA on Unico 1 estate.</p> <p>The UDOM was have clear boundary which the plant was gated.</p> <p><u>Customary rights</u> – Please refer MS2530-3 comments for this section.</p>
Comment on Principle 4	<p><u>Social Impact Assessment</u> – “Social Impact Assessment Management Action Plan & Continuous Improvement Plan – 30 October 2017” was established.</p> <p>Observed the assessment consist of:</p> <ul style="list-style-type: none"> • Demographic • Adherence to National Laws and Regulations • General Work/ Labour Condition • Social Liaison Officer • Grievance Procedure • Sexual Harassment Procedure • Stakeholder Request Procedure • Grievance Procedure for Land Owner Issues • Employee Handbook • Facilities/Amenities • Customs and Cultures • Social Impact Assessment <p>Observed the risk assessment was conducted to assess social impact and identify mitigation measure for every risk assessed.</p> <p><u>Complaints and grievances</u> – “Section 7.5: Grievance Procedure” in “Group Social Impact Assessment Management Action Plan & Continuous Improvement Plan” stated the procedure to handle any complaints or grievances. Grievance Procedure stated that complaint or grievance must be resolved within 3-5 working days.</p> <p>“Complaints/Grievance Book” & “Social & Grievance Record” was made available at UDOM offices.</p> <p>Based on stakeholder (Internal & External) meeting and random interviews, local communities are aware that complaints can be made any time and how to go about the procedure. Observed all complaint was resolved in timely manner.</p> <p><u>Commitment to contribute to local sustainable developments</u> – Observed the UDOM has made contributions to local communities and employees as below:</p> <ul style="list-style-type: none"> • Labour Day Celebration dated on 01/05/2018 • Contribution “Maulidur Rasul” dated on 01/12/2017

	<ul style="list-style-type: none"> • Contribution on “Hari Raya Korban” dated on 24/08/2017 • Donation to Kinabatangan Police dated on 07/09/2018 <p>Observed all contribution record was keep in “Social & Grievance Record” file.</p> <p><u>Employees health and safety –</u></p> <p>“Occupational Safety, Health and Hygiene Policy” was revised dated on 03 March 2018 signed by Plantation Director – N B Sudhakaran was made available.</p> <p>“Health and Safety Management Plans –UDOM” was established as per guidelines on OSH Management in IOI Group.</p> <ol style="list-style-type: none"> “Occupational Safety, Health and Hygiene Policy” was revised dated on 03 March 2018 signed by Plantation Director – N B Sudhakaran was made available. Observed the policy was available at all notice board in the mill and already communicated in policy training and every morning muster call “<i>Penaksiran Risiko</i>” or HIRARC was identified 28 activities (e.g: Oil room, lubricant store) within mill operation. Latest review was on 03/10/2019. Training Programme 2018 – Safety & Health. Observed the training was conducted based on the risk assessment conducted by mill. Observed during site visit to all activities, all employees were using appropriate PPE based on HIRARC assessment. PPE Stock Record was sampled during the audit. Daily PPE inspection was conducted during muster call to ensure all employees was using useable PPE. Several procedures were established to ensure the handling and storage of chemical was according to regulations: <ul style="list-style-type: none"> • “<i>Prosedur Kerja Selamat Penyimpanan dan Pengurusan Stor Bahan Kimia</i>” • “<i>Prosedur Kerja Selamat Ruang Terkurung</i>” • “<i>Prosedur Kerja Selamat Mengutip Tong bahan Kimia Kosong</i>” Observed the ‘Chemical Health Risk Assessment’ was available dated 04/04/2016 which covers all area that use chemical handling and identified the hazardous rating. Chemical Register was available dated on September 2018. Sahrul Bin Kassim (Safety Officer) was appointed as the safety representative for Unico Grouping. Safety & Health Organization Chart was made available which consist of 9 employers’ representative & 7 employee’s representative. Appointment letters for OSH members were available. Noted safety meeting attended by all representatives. Observed the latest safety meeting was conducted on 14/09/2018 Observed several ERPs was evident at all activities notice board which consist of: <ul style="list-style-type: none"> • Flood • Fire Outbreak • Physical Injury • Chemical Spillage • Crude Palm Oil, Diesel & Lubricant Spill
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	<p>l) During site inspection, observed the employees understood well on how to use first aid kit. Latest training on first aid kit usage provided and training records were sighted.</p> <p>m) The First aid kit was checked every month by internal clinic staff. Latest Inspection Checklist was made available.</p> <p>n) Every accident occur was reported in "Accident/Incident Investigation report", JKPP 6 & JKPP 8 and review by safety community on safety meeting.</p> <p><u>Employment conditions –</u></p> <p>IOI Group was established "Sustainable Palm Oil Policy" dated on March 2018 which show the commitment regarding good social practice in "Human Rights and Workplace" point in policy.</p> <p>In additional, the IOI Group established "Equal Opportunity & Freedom of Association Policies" dated on October 2017.</p> <p>Observed the minimum wages for East Malaysia is RM920 based on "<i>Perintah Gaji Minimum 2016</i>". Daily rate is RM35.38.</p> <p>Based on document review, the contract employment was revised the daily rate to RM35.40 by IOI Group Top Management.</p> <p>Based on sampled worker's pay slips (September 2018) in compliance to minimum wages regulations.</p> <p>"Employee Identification Cum Input Document" & employment contract (<i>Kontrak Pekerjaan – Lampiran C</i>) is being used to record all employee's employment information. "<i>Kontrak Pekerjaan – Lampiran C</i>" issued to all employees were agreed by employees.</p> <p>The employment contract stated the 8 working hours (0700 until 1500 & 1500 until 2300 including rest time). 2 shifts required for mill operation which allowed the workers overtime (2-4 hours). Observed the working hours also stated at notice board at muster call area. 2 times daily rate wages for paid to the employees that work on rest day depending on volume of crops.</p> <p>Overtime rate = RM6.65/hour.</p> <p>Based on the employment contract and pay slip sampled:</p> <ul style="list-style-type: none"> • 2 times daily rate wages for paid to the employees that work on rest day. • Normal Day Rate = RM35.40/daily • Overtime rate = RM6.65/hour. • 15 Public Holiday • Annual leave depends on years of works (employees not take the annual leave which the Vacation Leave Pay (VLP) was paid end of the years) <p><i>Laporan Kehadiran Individu & Overtime Requisition Form</i> for employees was shown and reflected the attendance of employees for 8 hours working and working overtime.</p>
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	<p>Observed several social benefits was offered to employees by Unico Grouping as below:</p> <ul style="list-style-type: none"> • House (Free Electricity/Water) • Maternity Leave • Productivity incentive • Clinic (Free Medical) • Futsal field • Mosque • Yearly Production Bonus • Free Passport Renewal • Creche Ayah <p>Observed the visit to linesite, the worker's quarters were habitable and have basic amenities and facilities. The new house under construction to replace the old house. Interview with the worker's proved there were no issues on housing.</p> <p>Additionally, IOI Group was established "Policy on Harassment at Workplace" dated on July 2018. Observed the "Sexual Harassment Book" to record complaints pertaining was available. As to date, no complaint was recorded.</p> <p>Gender Meeting is also being conducted periodically.</p> <p>JCC Meeting was conducted between employee's representative and employer as a medium to voice out any problems or issue. "Jawatan Kuasa Perwakilan Pekerja Tahun 2018" ECC was available and free elected by employees. Interviewed worker's representative cum chairmainof ECC. All ECC member consist of 6 workers which elected by all workers based on housing blocks.</p> <p>Latest JCC Meeting with employer was conducted in September 2018. Observed the minutes meeting was made available. All issues raised were handled by employer in timely manner.</p> <p>Based on employment record, the youngest employees are 19 years old. No evident the young labour or forced labour in the mill.</p> <p><u>Training and competency</u> –</p> <p>Based on "Health and Safety Management Plan" stated the training needs based on position and workplace. Observed the training records included attendance, photo training conducted & training document/slide.</p> <p>Observed training outcomes (analytical of the employees understanding and competencies) were analysed.</p> <p>Annual Training Programme was made available entitled "Training Programme 2018 – Inhouse Training" which covered all aspects as below:</p> <ul style="list-style-type: none"> • Safety and Health Training • Environmental Training • Social Training
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Comment on Principle 5

Environmental management programme –

Sighted Sustainable Palm Oil Policy which was last revised in March 2018 endorsed by Group Chief Executive Officer, Dato' Lee Yeow Chor and Group Head Sustainability, Dr. Surina Ismail. The policy covers environment element which stated commitment towards GHG Emission Reduction progressively. Also stated their commitment towards complying with legal and other applicable regulations.

The mill management together with Sustainability Palm Oil (SPO) Team conducted Environment Impact Assessment and came up with an assessment report. The report including Environment Management Action Plan and Continuous Improvement Plan too as preventive and mitigation measures from environment impact assessed.

Among the environmental aspects that were covered in the assessment are:

1. Waste product and GHG emission source
2. Potential Pollutant
3. Side / By-product
4. Water management

Among sighted Continuous Improvement Plans related to environment are:

1. To build new recycle waste store at mill site.
2. Building new proper scheduled waste store to adhere EQ SW Reg 2005. (Completed).

Efficiency of energy use and use of renewal energy –

Sighted Summary of Diesel Consumption Monitoring for period July 2017 – June 2018 (FY17/18). There were indications of overbudget observed from the summary. According to mill manager the overbudget was due to Maintenance of one of the mill turbines which required the other turbine to operate with genset assistance.

The mill continuously monitors energy generation from turbine and generator set. Mill management explained that they are in progress of upgrading their effluent system and also installing biogas plant to increase efficiency of energy generation and to reduce GHG emission. The project estimated to be completed December 18. Diesel issuance is being monitored daily. The record book was presented during the audit.

Mill management explained that they are in progress of upgrading their effluent system and also installing biogas plant to increase efficiency of energy generation and to reduce ghg emission. The project estimated to be completed December 18. The completion of the project will be verified during next surveillance.

Waste management and disposal –

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

1. Waste from cleaning activity
2. Scheduled waste from maintenance activity and chemical container

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	<p>3. Domestic waste, sewage and garden residue 4. Industrial waste such as scrap iron and used tyres 5. Palm oil effluent 6. EFB 7. Fiber, shell and boiler ash</p> <p>Among the action plans for the management of waste identified as below:</p> <p>1. SW disposal in accordance to SW Reg 2005.</p> <p>2. Recycle programme being carried out to reduce domestic waste. 3R bins were placed in several locations such as housing complex and in the mill.</p> <p>3. Other domestic wastes are being sent to landfill in Unico 1 Estate which is managed by the mill management. It is being scheduled twice a week. Scheduled twice a week.</p> <p>4. "Gotong Royong" activity conducted at housing complex monthly on monthly basis.</p> <p>5. POME is being used for land irrigation and to comply with Jadual Pematuhan by DOE.</p> <p>6. EFB and Kernel shell to be used as boiler fuel.</p> <p>7. Used tyre will be used for beautification purpose such as plant container, barrier and etc.</p> <p>8. Scrap iron will be disposed through contractor.</p> <p>SOPs sighted available:</p> <p>1. Chemical Container Handling dated 1st Aug 2012. 2. Domestic Waste Management dated 27th Mar 2017. 3. Unico Desa Palm Oil Mill Schedule Waste Management System dated 25/7/18</p> <p><u>Reduction of pollution and emission –</u> All polluting activities involved in the mill have been identified and assessed and reported in Environment Impact Assessment (EIA) report mentioned above.</p> <p>Management plan to address polluting activities involved in the mill has been incorporated in Environment Impact Assessment (EIA) report mentioned earlier. Based on observation during site visit all practices were in accordance to management plan established.</p> <p>During site visit to ETP, noted all ponds are in good condition. Observed all ponds were installed with signage to indicate pond name, retention time and last desludging date. Summary of lab test result for period FY 17/18 to monitor effluent performance was presented during the audit. from the summary shows BOD results are in compliance with Jadual Pematuhan which is not to exceed 20 mg/l BOD.</p>
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	<p><u>Minor CAR #2</u></p> <p>However, during site visit to land irrigation site in Unico 1 Estate (09BI), sighted overflow of final effluent discharge from drainage. This is against Jadual Pematuhan DOE ASSH(B)31/152/000/063 T&C #9 which prohibits any spillage of effluent.</p> <p><u>Natural water resources –</u></p> <p>Water Management Plan sighted had been established for UDOM and Supply Bases (including Unico 1, 3, and 5 Estates). Based on observation during site visit, all actions plan determined were being carried out accordingly.</p> <p>From the water management plan, all activities that require water and potential waste water have been identified such as water for processing, cleaning, domestic use.</p> <p>All reporting regarding environmental performance including effluent performance were made to DOE through online platform called OER. All reports sent on quarterly basis.</p> <p>Also noted water lab test result for treated water. The water sampling is scheduled twice a year. Latest sampling and lab testing conducted was May 2018. Noted all parameters tested were in compliance to NWQA</p> <p>Mill management explained that they are in progress of upgrading their effluent system and also installing biogas plant to increase efficiency of energy generation and to reduce ghg emission. The project estimated to be completed December 18.</p>
<p>Comment on Principle 6</p>	<p><u>Implementation of standard best practices –</u></p> <p>Sighted Group Standard Operating Procedures For Palm Oil Mill (StOPs) issue date 1/7/17 issue 2 Doc No IOI/StOP/A.</p> <p>The procedure covers:</p> <ol style="list-style-type: none"> 1. FFB Reception 2. FFB handling 3. Sterilizer 4. Treshing 5. Digestion and Pressing 6. Oil room 7. Kernel room 8. Storage and dispatch 9. laboratory 10. ETP 11. WTP 12. Boiler 13. Engine room 14. Workshop <p>During site visit observed practices in the mill are in accordance to the procedures established.</p>

Site management –

During the audit, the mill was not in operation due to the process was not started during the visit. Hence visual observation could not be done during site visit. To ensure all workers adhere to best practices, procedures being displayed at each station.

During processing days, supervisors will records mill activities and monitoring of mill performance into daily log sheet. Among the daily log sheet sighted were:

1. Daily Shift Production Report
2. Flowmeter Record for CPO
3. Sludge Pit Flowmeter
4. Tipper Operation
5. Boiler Daily Log Sheet
6. Steriliser Time Sheet
7. Press Log Sheet
8. Engine Driver Log Sheet
9. Steam Turbine Log Sheet
10. Switchboard Wattage Record.

Every planned maintenance programme and completed maintenance will be recorded by foreman.

The mill is practicing regular monitoring of quality of CPO and Kernel mainly on:

1. Oil Loss
2. Kernel Loss
3. Moisture and Dirt
4. Free Fatty Acid (FFA) and DOBI for CPO
5. Unstripped Bunch (USB)

Few samples of laboratory results were taken and observed that all the results were within the specification as specified in the Processing Procedures.

Economic and financial viability plan –

Sighted the budget breakdown for FFB, CPO and PK production for the FY 2017/2018 - 2021/2022.

The budget explains forecast and budget for:

1. CPO and PK Production
2. Crop Monthly Breakdown
3. Executive and staff requirement
4. POM Expenditure
5. General Charges Statement
6. Capital Requirement
7. Depreciation calculation

	<p>Also noted 2 years review of business plan had been conducted. Performance review was done to compare actual performance against budgeted for FY 16/17 and 17/18.</p> <p><u>Transparent and fair pricing dealing</u> – Mill will make a summary of FFB Supplied outsider for the month and provide the summary to Procurement Department (HQ). Procurement Department will advise for payment and mill will transfer the payment through online platform. Noted all the payment have been made in timely manner.</p> <p>There was no contract agreement between mill and outsider. However, the company declare that outside suppliers are free to send crops to the mill. It was on free will basis and the mill will ensure the payment made in timely manner.</p> <p><u>Subcontractor</u> – During the audit, sighted contract agreement between the mill and CPO Transporter and PK transporter. Although MSPO was not mentioned in the main contract agreement, mill has provided addendum for MSPO Compliance as evidence that they have been briefed on the MSPO requirement and acknowledged (signed) it.</p>
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8. Nonconformities

Non-Conformity	N° 1 of 2	<input type="checkbox"/> Major	<input checked="" type="checkbox"/> Minor
Department / Function:	Principle 5, Reduction of Pollutions and Emissions	Standard Ref.:	MS2530-3:2013 Part 3, Indicator: 4.5.4.2
Document Ref.:	Environment Impact Assessment Unico 3 Estate	Issue / Rev. Status:	Open (Due by 24 th October 2019)
Details of Nonconformity:	Sighted Unico 3 Estate Environment Impact Assessment (EIA) Report had been established. One of the negative impacts identified at workshop area is accidental spillage of oil and diesel on the ground. However, the report and emergency response plan did not specify on how to conduct cleaning of oil spillage on the ground.		
Root Cause Analysis:			
Correction & Corrective Action:			

Non-Conformity	N° 2 of 2	<input type="checkbox"/> Major	<input checked="" type="checkbox"/> Minor
Department / Function:	Principle 5, Reduction of Pollutions and Emissions	Standard Ref.:	MS2530-4:2013 Part 4, Indicator: 4.5.4.3
Document Ref.:	Jadual Pematuhan DOE ASSH(B)31/152/000/063	Issue / Rev. Status:	Open (Due by 24 th October 2019)
Details of Nonconformity:	During site visit to land irrigation (effluent discharge) site in Unico 1 Estate (09BI), sighted overflow of final effluent discharge from drainage. This is against Jadual Pematuhan DOE ASSH(B)31/152/000/063 T&C #9 which prohibits any spillage of effluent.		
Root Cause Analysis:			
Correction & Corrective Action:			

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

- ☐ Corrective actions to address identified major nonconformities shall be carried out immediately and SGS notified of the actions taken within 30 days. An SGS auditor will perform a **follow up visit** within 90 days to confirm the actions taken, evaluate their effectiveness, and determine whether certification can be granted or continued.
- ☐ Corrective actions to address identified major nonconformities shall be carried out immediately and **records with supporting evidence sent to the SGS auditor** for close-out within 90 days.
- ☒ Corrective Actions to address identified minor non-conformities shall be documented on a action plan and sent by the client to the auditor within 90 days for review. If the actions are deemed to be satisfactory they will be followed up at the next scheduled visit
- ☐ Corrective Actions to address identified minor non-conformities have been detailed on an action plan and the intended action reviewed by the Auditor, deemed to be satisfactory and will be followed up at the next scheduled visit.
- ☐ Appropriate immediate action taken in response to each non-conformance as required

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

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

9. General Observations & Opportunities for Improvement

Positive Observations:

1. Unico-Desa Plantations has shown a good level of maturity of sustainability practices.
2. Commitment shown by all parties involved were exemplary.

Important Observations and Opportunities for Improvements:

No OFI identified dduring the audit.

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Appendix 1: Multi –Site Address List

Site name / Address	Audit Dates	Activities at this site
Unico Desa POM KM60, Jalan Jeroco, Lahad Datu Postal address: Unico Desa POM, MDLD 5123, KM3, Jalan Segama, 91100, Lahad datu, Sabah	22 nd October 2018	Assessment of conformance against Standard MS2530-4:2013
Unico 1 Estate Unico Plantation Sdn. Bhd – Unico 1 MDLD 5123, KM3, Jalan Segama, 91100 Lahad Datu, Sabah	23 rd October 2018	Assessment of conformance against Standard MS2530-3:2013
Unico 3 Estate Unico Plantation Sdn. Bhd – Unico 3 MDLD 5123, KM3, Jalan Segama, 91100 Lahad Datu, Sabah	24 th October 2018	Assessment of conformance against Standard MS2530-3:2013
Unico 5 Estate Unico Plantation Sdn. Bhd – Unico 5 MDLD 5123, KM3, Jalan Segama, 91100 Lahad Datu, Sabah	25 th October 2018	Assessment of conformance against Standard MS2530-3:2013

Appendix 2: List of Stakeholders Contacted

Stakeholders Details	Relationship	Stakeholder's Input / Comments	Clients Feedback / Response
Mr. Micheal	Ex Village - Kg Sri Ganda	Q1: How do you describe the relationship of the community and Unico Desa A1: Relationship between the local community and Unico Desa has been good so far. Good rapport has been well maintained ever since IOI Group acquired Unico Desa from previous company. Unico Desa helped the community in many ways such as road repairing, provide briefing on MSPO	A1: Noted by Unico Desa Management A2: Senior Management of Unico Desa responded that they will consider to supply organic fertilizer such as Empty Fruit Bunch (EFB) since the locals have been supplying FFB to Unico Desa POM

		<p>implementation and also providing job opportunities for the community. Apart from it, Unico Desa POM has been consistently buying FFB from the locals.</p> <p>Q2: Do you have any request that you would like to be extended to the Unico Desa Management?</p> <p>A2: If possible, the local community requested Unico Desa to supply fertiliser for local planters among the community. Considering the price would be cheaper and logistically easier to manage.</p>	
Mr. Khairul	Department of Environment	No issue. As to date IOI Unico Desa was comply to all DOE requirements.	Nil
Ms. Hastinah Binti Mesara Ms. Norbaya Binti Adiman	Gender Community	As to date, no gender issues occur. The community was well established to ensure all women secure from sexual harassment	Nil

Appendix 3: MPOB License

Estate/Mill	MPOB License Number	Scope	Expiry Date
Unico Desa Oil Mill	500220904000	Menjual dan mengalih FFB, PK, CPO, SPO Membeli dan mengalih FFB, PK, CPO Menyimpan PK, CPO, SPO Mengilang FFB	31.07.2019
Unico 1 Estate	504639702000 502072002000	Menjual dan mengalih FFB Menjual dan mengalih FFB	31.01.2019 30.06.2019
Unico 2 Estate	502072002000 503927702000 556478011000	Menjual dan mengalih FFB Menjual dan mengalih FFB Menghasilkan SLGBIJI Menjual dan mengalih SLGBIJI Menyimpan SLGBIJI	30.06.2019 30.04.2019 31.12.2018
Unico 3 Estate	502072002000	Menjual dan mengalih FFB	30.06.2019

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Unico 4 Estate	504758002000 502072002000	Menjual dan mengalih FFB Menjual dan mengalih FFB	30.06.2019 30.06.2019
Unico 5 Estate	502072002000	Menjual dan mengalih FFB	30.06.2019

-End of Report-