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**Verification Assessment Report to RSPO
On
IOI Pamol Kluang Complex,
IOI Group, Malaysia.**

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April 2015

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Background

BSI received an email dated 8 December 2014 containing letter from the RSPO Technical Director dated 5 December 2014 titled "**FINNWATCH REPORT – RSPO SECRETARIAT RECOMMENDATIONS**" urging BSI, as the certification body responsible for ensuring continuous compliance of the Pamol Kluang certification unit to RSPO requirement, to be more vigilant during audits of such social elements. According to the letter "The report made accusation of unsustainable practices in RSPO certified IOI plantations, particularly in Pamol Kluang Estate, Johor; Bahau, Bukit Serampang and Regent estates in Negeri Sembilan. Pamol Kluang Mill and estates are certified by BSI".

Subsequently, RSPO posted a statement dated 15 December 2014 on the RSPO website www.rspo.org news column entitles "STATEMENT – Finnwatch report update: Summary of RSPO Secretariat findings and recommendations" with making reference to Finnwatch report dated September 2014. The statement indicated that "the Finnish NGO Finnwatch published a report on suspected violation of labour rights on Malaysian pal plantations belonging to the RSPO Member Company IOI Group". The report specifically referred to RSPO Certified estates in the Malaysian states of Johor and Negeri Sembilan.

Initial attempts to verify the issues on-site at Pamol Kluang Certification Units were not successful because the company responded that the RSPO Technical Director had already conducted the verification assessment activity. However, BSI continued pursuing with the company with the planning of the recertification assessment of the Pamol Kluang certification Unit on 6 – 9 January 2015 and conducted the verification assessment during the recertification assessment.

After the completion of the recertification assessment which incorporated the verification assessment, initial discussions were held with the RSPO Technical Director on 17 February 2015. The initial discussion was followed up with the submission of some relevant documents which were raised by BSI as a concern during the verification assessment. The findings raised were communicated openly with Pamol Kluang Certification Unit during the recertification exit meeting attended by the Mill and Estate Managers, Assistant Managers and IOI Peninsular Malaysia's Sustainability Department Executives.

It was noted that IOI had responded to the Finnwatch report by posting the action plans on the IOI website on 19 December 2014 as a positive move to address the issues identified in the Finnwatch report. However, there were very limited progress towards the implementation of the action plans was noted during the verification assessment because the verification assessment was carried out within two weeks after the action plan being posted on the IOI website. It was noted that the management at Pamol Kluang Certification Units aware of company's action plans.

At the time of finalising this report, Pamol Kluang Certification Unit has developed corrective action plans and immediate corrections to address the findings as required for the certification process.

BSI Verification Assessment Team

Senniah Appalasamy – Lead Assessor

He holds degree in Resource Economics from Agriculture University, Malaysia. He has vast experience in Plantation crop management covering oil palm plantation, rubber, cocoa and pepper for more than 10 years. He is also experience in manufacturing sector as a quality controller and production management. He is involved in RSPO implementation and assessment since 2008 as a team member and subsequently as a lead auditor with RSPO approved certification body covering assessment with RSPO P&C, RSPO SCCS, RSPO NPP and RSPO Group Certification in Malaysia, Indonesia and Thailand. He has completed ISO 9001:2008, RSPO SCCS awareness training, RSPO Lead Auditor Training Course, RSPO SCCS Lead Auditor Training Course, RSPO – RED Lead Auditor Training Course, RSPO P&C Social Auditing Workshop on 21 – 23 January 2014 in Yogyakarta, Indonesia, International Sustainable Carbon Certification (ISCC) Lead Auditor training, Sustainability Report Assurance (SRA) Assessor Training, ISO 14001 Lead Auditor Training Course and OHSAS 18001 Lead Auditor Training Course. Besides RSPO, he is also qualified as ISCC lead auditor and SRA Lead Assessor. He have experience in other standards i.e. Global Gap Option 1 and 2 (Fruit, vegetable and aquaculture) and GMP B+ as team member. For this assessment he assess Mill and Estate best practices, supply chain, OSH, HCV, Legal, Environment, Social issues, stakeholder interview etc. He is able to speak and understand Bahasa Malaysia, English, Tamil and Bahasa Indonesia.

Muhammad Haris B. Abdullah – Team member

He graduated from the Open University Malaysia with a Bachelor of Business Administration (Hons) Majored in Human Resource Development and completed his Master's Degree in Business Administration from the University Utara Malaysia in January 2014. He has more than 3 years working experience in oil palm plantation and conducting social impact assessments of agriculture, agriculture best practices, and environmental impact assessment and workers welfare. He completed the RSPO Lead Auditor Training in April 2013 and passed the course. He is also passed the ISO 14001 Lead Auditor Training, OHSAS 18001 Lead Auditor Training Course and qualified as EICC auditor. He has completed International Sustainable and Carbon Certification (ISCC) Lead Auditor Training Courses. Recently he has attended the RSPO P&C Social and Labour Standards and the Mechanics of Social Auditing Workshop on 17 – 19 September in Bangkok, Thailand. He had assisted with conducting audits of oil palm plantation for more than 7 companies against the RSPO P&C in Indonesia and in Malaysia for the past 4 years. During this assessment, he assessed on the aspect of environment, Safety and Health, Legal, Social and

community engagements, Stakeholders consultation, and workers welfare. He is able to speak and understand Bahasa Malaysia, English, Tamil and Bahasa Indonesia.

Kelvin Lim Kok Wei – Team member

Kelvin Lim Kok Wei is a fulltime employee with BSI Services Malaysia. He graduated from University Tunku Abdul Rahman, Malaysia. He attended internal RSPO training in May 2014. He has completed ISO 9001:2008 Quality Management System Lead Auditor Training in February 2014, OHSAS 18001 Lead Auditor Training on in March 2015 and MSPO training on 14 March 2014. Currently he is an ISO 9001:2008 and Medical Device auditor with BSI. He has involved in RSPO audits since May 2014 and MSPO audits since May 2014 covering legal and social aspects. For this verification assessment he assessed legal issues, Social issues, workers consultation, Stakeholder Consultation, OSH, etc. He is able to speak and understand Bahasa Malaysia, English, Mandarin and Bahasa Indonesia.

Verification Assessment Methodology, Programme, Site Visits

The verification assessment activity was conducted from 6 - 9 January 2015 incorporated with the recertification assessment. The approach to the verification assessment was to treat the mill and its supply base as an RSPO Certification Unit. All the four (4) issues (Minimum Wage, worker's accommodation condition, Agreements of workers contract through Labour Agencies and Retention of passports) highlighted in the RSPO Technical Director's letter were verified.

The methodology for collection of objective evidence included physical site inspections, observation of tasks and processes, interviews of staff, general employees (local and foreign) and their families as well as external stakeholders (i.e. social NGO and government departments as part of the stakeholder consultation process), review of documentation and monitoring data. Social as well as environmental factors were covered. The specific issues highlighted in the RSPO Technical Director letter and RSPO P&C standard was used as the basis for checklists. Questionnaires were used to guide the collection of information to assess compliance. The comments made by external stakeholders were also taken into account during the verification assessment.

Since the verification assessment was conducted during the recertification assessment, public stakeholder notification was made on 6 December 2014, 30 days prior to the recertification assessment on the RSPO website. However at the end of the 30 days period there were no any comments received from stakeholders.

Stakeholder consultation involved internal and external stakeholders. External stakeholders were contacted by telephone and email to arrange meetings at a location convenient to them to discuss Pamol Kluang's social and environmental

performance including the four (4) issues highlighted in the RSPO Technical Director's letter. Meetings were held with stakeholders to voice their views on the performance of the company with respect to the RSPO requirements and aspects where they considered that improvements could be made including issues raised by RSPO. 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 verification assessment report.

Structured employees interviews with male and female employees and staff were held in private at the workplace in the mill and the estates. Field employees were interviewed informally in small groups in the field. In addition, the wives of workers and staff were interviewed in informal group meetings. Separate visits were made to each of the local communities to meet with the village head and residents. Government agencies such as the Labour Department and Ministry of Human Resources were contacted to discuss the issues in the letter from RSPO. There was a meeting held with local legal expert on 20th March 2015 to gather input and feedback on the legality issue specifically on Minimum Wage implementation. Company officials were not present at any of the internal or external stakeholder interviews.

This report is structured to provide a summary of the verification assessment result in relation to the issues highlighted in the letter from RSPO to BSI. There were four issues highlighted by RSPO as follows:

Issues highlighted by RSPO

1: Minimum wage

It was observed that significant number of workers at one of the estate were not getting monthly minimum wage (RM900/month) as required by the law. Although the company is possibly not in non-compliance with the local law, we see a real need for thorough investigation to work towards the implementation of policies, in line with the RSPO guidelines, ensuring that workers are allocated enough work to enable them to receive at least a monthly minimum wage.

BSI Verification Assessment Statement:

In the original contract of the foreign employees that was available during the verification assessment, the daily wage was stated as RM34.62/day for 6 days work/week. This is complying with the minimum daily wage as per Minimum Wages Order 2012 (ref. Guideline on the Implementation of The Minimum Wages Order 2012) for employees working 6 days/week as per below Table 1. Daily wage employees are paid RM34.62/day for 6 days work/week.

Table 1: The daily minimum wage rates for Peninsular.

(i) The daily minimum wage rates for Peninsular Malaysia are as follows:

| No. of Working Days in a Week | Daily Wages Rates | Average Monthly Wages |
|-------------------------------|-------------------|---|
| 6 | RM34.62 | RM34.62 x 26 days =RM900.12 ≈ RM900 |
| 5 | RM41.54 | RM41.54 x 21.67 days =RM900.17 ≈ RM900 |
| 4 | RM51.92 | RM51.92 x 17.33 days =RM899.77 ≈ RM900 |

However, this is not the case for employees involved in piece-rated work. During the verification assessment at Pamol Barat Estate it was sighted that foreign employees involved in piece-rated work are getting below the RM900 (on average lower than RM34.62 average per day worked excluding absents and unpaid leave) despite section 2 item (iii) "Guideline on the Implementation of The Minimum Wages Order 2012" require the employer to top-up the additional wages to meet the minimum wage of RM 900 in Peninsular Malaysia, Table 2. There was no top-up by the employer as required by the section 2 item (iii).

Table 2: Minimum wages for employees who are paid wages by piece-rated

| | |
|--|---|
| <p>2. MINIMUM WAGES FOR EMPLOYEES WHO ARE PAID WAGES BY PIECE-RATED, TONNAGE, TRIP OR COMMISSION.</p> <p>The method of implementation of the minimum wages for employees without basic wages but their wages are paid by piece-rated, tonnage, trip or commission are as follows:</p> <ul style="list-style-type: none"> (i) If the wages paid is above the minimum wages, the minimum wages of RM900 in Peninsular Malaysia or RM800 in Sabah, Sarawak and the Federal Territory of Labuan is deemed to have been complied with; (ii) If the wages paid is RM900 in Peninsular Malaysia or RM800 in Sabah, Sarawak and the Federal Territory of Labuan, the minimum wages of RM900 or RM800 is deemed to have been complied with; and (iii) If the wages paid is less than RM900 in Peninsular Malaysia or RM800 in Sabah, Sarawak and the Federal Territory of Labuan, the employer must top-up the additional wages to meet the minimum wages of RM900 or RM800. <p style="text-align: center;">3</p> | <p>This method does not deny the rights of employer/employee from <u>paying/receiving wages which are better off</u> in accordance with the terms of the contract of service.</p> |
|--|---|

Newly recruited employees (Local and foreign) in 2014 at the Pamol Kluang Palm Oil Mill were undergoing 6 months probation period with daily wages of RM25/day in accordance with the "Section 4 Reduction of Minimum Wage Rate – Employees in Probation Period sub-section (i) Reduction of the payment of the minimum wages rate not exceeding 30% for a probationer is based on the contract of service of the employee" as per the "Guideline on the Implementation of The Minimum Wages Order 2012". Postings on the Government Minimum Wage portal FAQ and other relevant information posted on the Government Minimum Wage portal gave an indication that probation period are not applicable for Foreign Employees since July 2013. An officer (unnamed – anonymity requested by the officer) from Malaysian Ministry of Human Resources who interviewee during the consultation with his lawyer on 26 January 2015 at Putra Jaya said that probation periods for foreign employees is not applicable however declined to comment about the legality of the "ANNOUNCEMENT" and action that the government would take on companies enforcing probation periods. The officer said that the ministry through its enforcing agency, the Labour Department will conduct an investigation and take necessary action if any employees or public make an official complaint against a company. He did not indicate whether there are any such cases.

The officer further explained that when the Minimum Wages Order 2012 was introduced, the government did not expect that companies would use the "Section 4 Reduction of Minimum Wage Rate – Employees in Probation Period sub-section (i) Reduction of the payment of the minimum wages rate not exceeding 30% for a probationer is based on the contract of service of the employee" on the "Guideline on the Implementation of The Minimum Wages Order 2012". He informed the verification assessment team that when the companies start to use the "probation clause", the Malaysian government received complaints from the foreign employees' embassies and threaten to stop sending their citizens to Malaysia. Subsequently the "ANNOUNCEMENT that Probation is Not Applicable to Foreign Employees since July 2013" was posted on the Minimum Wage Portal, Table 3.

Table 3: Probation Period Not Applicable to Foreign Employees

The screenshot displays the 'MINIMUM WAGES PORTAL' website. On the left is a dark sidebar with a menu including 'Multimedia', 'Relevant Law', 'Press Releases' (highlighted in yellow), 'Articles & Research', 'Related Links', 'Milestones', 'FAQs', 'Proposals / Opinions Form', and 'Employers'. The main content area has a white background. At the top right, there's a language selector showing 'English' and 'Bahasa Malaysia'. Below this, a date box shows '11 Jul 2013'. The main headline is 'Probation Period Not Applicable To Foreign Employees'. The text of the press release states: 'The Cabinet Committee on Foreign Employees and Illegal Immigrants (KKPA-PATI), in its meeting on 1 July 2013, chaired by YAB Tan Sri Dato' Haji Muhyiddin Bin Haji Mohd. Yassin, Deputy Prime Minister of Malaysia, had decided that probation period is not to be applied to foreign employees holding Visitor's Pass (Temporary Employment) and this condition shall be made compulsory to new intake of foreign employees. This decision was announced by the Deputy Prime Minister himself after the meeting held on 1 July 2013. In pursuance to this decision, all employers intending to employ foreign employees shall comply with this condition.' Below the text, it says 'Ministry of Human Resources' and '11 July 2013'. There is a 'Download Original Copy' button. At the bottom right, there is a 'Print' link.

It was noted that Pamol Kluang Palm Oil was practicing the probation period in the employment contract with justification that the "ANNOUNCEMENT" on the government Minimum Wage Portal has no legal binding. During the stakeholder consultation with local legal expert (unnamed – anonymity requested by the local legal expert) on 20 March 2015, he confirmed that the employers can implement the probation period for 6 months because the "ANNOUNCEMENT" is not gazetted. Due to this during the probation period the employees (Local and foreign) are paid RM25/day for the first six months of their joining to work in accordance with the "Section 4 Reduction of Minimum Wage Rate – Employees in Probation Period sub-section (i) Reduction of the payment of the minimum wages rate not exceeding 30% for a probationer is based on the contract of service of the employee" as per the "Guideline on the Implementation of The Minimum Wages Order 2012". Further verification with independent legal experts confirmed that employer can implement the probation period for employees until the time the "ANNOUNCEMENT" is gazetted as a law.

As a positive move, immediately after the report was published, IOI head office Human Resource Department, Putrajaya sent out "Memorandum" with subject "Revised Wages for Foreign Workers in Accordance with Minimum Wage Order 2012 – Estate Operations" dated 19 September 2014, indicating that effective "1st September 2014" onwards, the 6 month probation period shall not be applicable to all new foreign employees in the plantation. The probation period is continued to be implemented in the Pamol Kluang Palm Oil Mill. The employment contract at the Pamol Kluang Palm Oil Mill includes the "probation clause" for the newly joined foreign employees. The wages during the probation period is RM25/day in accordance with the "Section 4 Reduction of Minimum Wage Rate – Employees in Probation Period sub-section (i) Reduction of the payment of the minimum wages rate not exceeding 30% for a probationer is based on the contract of service of the employee" as per the "Guideline on the Implementation of The Minimum Wages Order 2012". As an improvement action plan, on 20 March 2015 the Head of Sustainability (Malaysia/Indonesia), IOI Corporation Berhad has confirmed that Pamol Kluang Palm Oil Mill will revise the pay to RM34.62/day to all employees at the Pamol Kluang Mill without the reduction of 30% wages during the probation period. He confirmed that this was agreed by the Group Plantation Director for implementation from 1 April 2015 onwards at the Pamol Kluang Palm Oil Mill.

The memo from IOI Human Resource Department (HRD) also stressed that estates are reminded to review the piece rates so that the workers are able to earn at-least "RM34.62/day or more". Should the employees earn less than RM34.62/day, the estates shall pay the minimum basic wage of RM34.62/day on average working days. At Pamol Barat Estate, it was noted that employees carrying out piece-rated work were paid below the RM34.62/day (average per day). The company is justifying the lower wage through issuing "warning letters" which is not indicated in the Minimum Wage Order 2012 neither the IOI HRD letter that wages can be reduced through "issuing warning letter" to employees. It was also confirmed by the independent

legal expert consulted on 20 March 2015 that minimum wage cannot be reduced through issuing of warning letters.

As a corrective action plan to address the underpaid employees, Pamol Barat Estate has paid back the underpaid amount to the affected employees. Moving forward, as a long term corrective action plan for continuous compliance, Pamol Kluang Certification Unit through the Head of Sustainability (Malaysia/Indonesia), IOI Corporation Berhad on 20th March 2015, has confirmed that all operating units at the Pamol Kluang will ensure that minimum wage for the piece-rated work to all employees.

This is in accordance to the FAQ on the government Minimum Wage Portal which indicate that the employer cannot pay lower than minimum wage even though the employees give consent, Table 4, FAQ item 2.

Table 4: FAQ Section on the Government Minimum Wage Portal–Reference to item 2

| True or False? My boss says... | |
|--|---|
| 1. is there anybody exempted from paying minimum wages... | True. This Minimum Wages Order 2012 shall not apply to domestic servants (eg. maid, gardener and personal driver) as defined under Section 2 of the Employment Act 1955 [Act 265] , Section 2 of the Sabah Labour Ordinance [Cap. 67] and Section 2 of the Sarawak Labour Ordinance [Cap. 76] . The Order also does not apply to apprentices. |
| 2. that it's okay for him to pay me less than minimum wages if I consent to it... | False! Your employer is required by law to pay you minimum wages. Even if you agree to it, he is punishable as per the stipulations of the law if he pays you less. |

There are contradicting two clauses in the employment contracts for the foreign employees whereby Contract of employment for New Foreign Employees recruited in 2014 indicate they have to work probation period of 6 months (clause 7 a) and 3 months (Clause 2). It was clarified by the mill management that the 3 - 6 months are for the employees to obtain the working skill required to operate machines at the mill and it is part of the on-going training.

There are additional terms and conditions stipulated in the Contract of employment which are not stipulated in the Minimum Wages Order 2012. These clauses allow IOI to pay lower than the minimum wage i.e. working slowly and wasting time. On 20th March 2015, IOI Head of Sustainability (Malaysia/Indonesia), IOI Corporation Berhad re-confirmed that the company is in the process of revising the contract of employment to the language of the foreign employees. The verification assessment team have not been given the access to the revised contract of employment at the time of finalising this report. IOI Head of Sustainability (Malaysia/Indonesia), IOI Corporation Berhad informed that the translation is on-going.

2: Worker's accommodation conditions

During RSPO Secretariat visit to the estates, it was apparent that the worker's quarters are old and require upgrading/repairs. This is corroborated by the workers (foreign and local) themselves through verbal interviews that complaints were made and actions taken were insufficient.

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Throughout the verification assessment and on-site visit to accommodation sites it was noted that all the employees (Local and foreign) at Pamol Kluang Certification Unit are provided with housing, water and electricity from government supply, medical and welfare amenities. There are government schools located in the estate. Request for repairs on the housing are attended to promptly at Pamol Kluang Certification Unit. Sundry shops and night markets are within the accessible distance. During the interviews with employees at the sites it was confirmed that they have access to all the facilities. Interviews with local and foreign employees confirmed that there were no any issues at the time of verification assessment conducted in relation to accommodation. They confirmed that the accommodation is satisfactory. Further verification with the Kluang Labour department confirms that the department did not receive any complaints in regards to accommodation at Pamol Kluang operating units. Similar comments were given by the NUPW Secretary at Kluang and other stakeholders interviewed. This was re-confirmed with site visit to accommodation sites.

3: Agreements of workers contract through Labour Agencies

It has come to our knowledge that foreign workers might have been required to agree to their contracts when still in their country of origin, and not having been properly briefed or provided with a copy of the contract in their own language. This requires further investigation and the company should have clear policies in place that cover their relation with such third party Labour Agency and on the handling of the workers contracts.

BSI Verification Assessment Statement

There were recruitments through agency. In the original contract was available and both operating unit and the employees have a copy each. The original contract itself is in local language and English. Originally the employees were recruited through an agent on behalf of IOI. The agent has given the foreign employees' terms in the local language which the foreign employees informed that they are aware of the contract details prior to arriving in Malaysia.

The BSI verification assessment team verified the contracts of employment. Pay and conditions have been carefully explained to employees by the plantation management during the induction program at the time of arrival. As an improvement action plan the company is in the process of translating the contract of employment into the language of the foreign employees. The verification assessment team have not been given the access to the revised contract of employment at the time of

finalising this report. IOI Head of Sustainability (Malaysia/Indonesia), IOI Corporation Berhad informed that the translation is on-going.

Further verification assessment at the Pamol Kluang Mill reveal that the "Vacation Leave Pay (VLP)" was paid RM25/day to newly recruited foreign employees in 2014 who are undergoing the "probation period" in accordance with the "Section 4 Reduction of Minimum Wage Rate – Employees in Probation Period sub-section (i) Reduction of the payment of the minimum wages rate not exceeding 30% for a probationer is based on the contract of service of the employee" as per the "Guideline on the Implementation of The Minimum Wages Order 2012". Further verification with independent legal experts confirmed that employer can pay the reduced wage during the probation period the time the "ANNOUNCEMENT" is gazetted as a law.

As an improvement action plan, on 20 March 2015 the Head of Sustainability (Malaysia/Indonesia), IOI Corporation Berhad has confirmed that Pamol Kluang Palm Oil Mill will revise the pay to RM34.62/day to all employees at the Pamol Kluang Mill without the reduction of 30% wages during the probation period although it is allowed as per "Section 4 Reduction of Minimum Wage Rate – Employees in Probation Period sub-section (i) Reduction of the payment of the minimum wages rate not exceeding 30% for a probationer is based on the contract of service of the employee" as per the "Guideline on the Implementation of The Minimum Wages Order 2012". He confirmed that this was agreed by the Group Plantation Director for implementation from 1 April 2015 onwards at the Pamol Kluang Palm Oil Mill.

4: Retention of passports

We understand that the company is holding the workers passports for security reason. Although in practice workers are allowed access to their passports at all time, it has come to our attention that the right of workers to access their documents at any time for any reason is not clearly reflected in the company's policy and suggest this policy and its procedures be improved.

BSI Verification Assessment Statement

Foreign employees and foreign employee's representatives from various countries interviewed confirmed that passports are handed over to the company to process the work permit and for other administrative arrangements which involve various embassies, FOMEMA medical screening, and the Malaysian immigration department to obtain working permits. The foreign employees confirmed that they gave consent to the management to keep the passports safely to ensure the safety of the document. This is implemented as per IOI's action plan to improve the passport retention issue and foreign employees indicated understanding. IOI's action plan for the passport safekeeping flow chart posted on the IOI Group's website can be accessed at <http://www.ioigroup.com/Content/NEWS/Newsroom>. No complaints

neither any other issues relevant to the passport were highlighted by the employees and stakeholder interviewed in government departments.

Conclusion

BSI verification assessment team concluded that IOI has noncompliance in regards to the RSPO P&C requirement related to implementation of minimum wages for foreign employees in relation to piece-rated work and documented pay and conditions.

These issues were communicate and presented to the Mill and Estate Managers, Sustainability Department Executives and Assistant Managers during the exit meeting and subsequently to the Head of Sustainability (Malaysia/Indonesia), IOI Corporation Berhad.

After the meeting with the local legal expert's opinion, the Head of Sustainability (Malaysia/Indonesia), IOI Corporation Berhad has developed correction and corrective action plans to address the noncompliance which includes paying back the underpaid employees on piece-rated work, re-training to management team in relation to minimum wage implementation for piece-rated work and re-briefing to employees on piece-rated work. As an improvement action plan, on 20 March 2015 the Head of Sustainability (Malaysia/Indonesia), IOI Corporation Berhad has confirmed that Pamol Kluang Palm Oil Mill will revise the pay to RM34.62/day to all employees at the Pamol Kluang Mill without the reduction of 30% wages during the probation period (although reduction is allowed as per the "Section 4 Reduction of Minimum Wage Rate – Employees in Probation Period sub-section (i) Reduction of the payment of the minimum wages rate not exceeding 30% for a probationer is based on the contract of service of the employee" as per the "Guideline on the Implementation of The Minimum Wages Order 2012"). He confirmed that this was agreed by the Group Plantation Director for implementation from 1 April 2015 onwards at the Pamol Kluang Palm Oil Mill.

Notes.

The verification assessment process was based on sampling and therefore nonconformities may exist which have not been identified. If you wish to distribute copies of this report external to your organisation, then all pages must be included. This verification assessment report and related documents is prepared for and only for the purpose of responding to RSPO Technical director's letter and for assessment the intended recipients only. As such, BSI does not accept or assume any responsibility (legal or otherwise) or accept any liability for or in connection with any other purpose for which the Report may be used, or to any other person to whom the Report is shown or in to whose hands it may come, and no other persons shall be entitled to rely on the Report. BSI encourages transparency of this report. RSPO Technical Director has confirmed on 1 April 2015 that consent from IOI Corporation Berhad has been obtained to make this report publicly available in accordance to RSPO-ASI accreditation requirement as per ISO/IEC 17021:2011.

Appendix A

On-Site Verification Assessment Plan

5 January 2015

Stakeholder Meeting with External Stakeholder

6 January 2015

Opening Meeting

Verification Assessment at Pamol Kluang Palm Oil Mill

Verification Assessment at Pamol Timur Estate

Interim Closing

7 January 2015

Opening briefing

Verification Assessment at Pamol Barat Estate

Interim Closing

8 January 2015

Opening briefing

Verification Assessment at Swee Lam Estate

Interim Closing

9 January 2015

Exit Meeting

Appendix B

Stakeholders Contacted

INTERNAL STAKEHOLDERS

| Mill | Estates |
|----------------------------------|----------------------------------|
| Mill manager and staffs | Estate manager and staffs |
| Boiler operators | Field supervisor/mandor |
| Engine room operators | Harvesters |
| Electrician | P&D Applicator |
| Store officer | Rat Baiting Applicators |
| Weighbridge Clerk | General Workers |
| Lap Assistants | Sprayers |
| Head of central workshop | Housewives (Locals) |
| Clinic/hospital assistants | Local Employees |
| Local Employees | Foreign Employees |
| Foreign Employees | Union Representative |
| Union Representative | Foreign Employees representative |
| Foreign Employees representative | Ambulance driver |
| | Hospital Assistant |
| | Clinic Helper |
| | Creche Operator |

EXTERNAL STAKEHOLDERS

| Government Department | NGOs and others | Local Communities |
|------------------------------|---|--------------------------|
| Labour Department | National Union of Plantation | Kampung Tereh Head of |
| Department of Safety and | Workers - Kluang Branch | Village |
| Health | Contractors | Kampong Gajah Village |
| Department of Environment | Suppliers | Representative |
| Ministry of Human Resources | Estate Temple Committee | Former Employees |
| School Teacher | Social NGO | Shop owners |
| Police Officer | Independent Expert on Minimum- Wage Implementation | |
| | MAPA – Malaysian Agriculture Producers Association | |

Appendix C

Abbreviations used

FAQ Frequently Asked Question
HRD Human resource Department
NGO Non Governmental Organisation
OSH Occupational safety and Health
MSPO Malaysian Sustainable Palm Oil
NUPW National Union of Plantation Workers
RM Ringgit Malaysia
RSPO Round Table on Sustainable Palm Oil
RSPO P&C RSPO Principle and Criteria