



**PUBLIC SUMMARY  
FOURTH SURVEILLANCE ASSESSMENT**

**PPB OIL PALMS BERHAD  
TERUSAN CERTIFICATION UNIT**

**Sandakan, Sabah, Malaysia**

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## SUMMARY

This public certification summary provides the general information on the Terusan Certification Unit (Terusan CU) of the PPB Oil Palms Berhad (PPB), the assessment process, the findings of the surveillance, Non-Conformity Reports (NCRs), verification of corrective actions on the NCRs raised during the previous surveillance as well as the decision on the continued certification of the CU against the requirements of the RSPO Principles & Criteria (P&C) for Sustainable Palm Oil Production, Malaysian National Interpretation (MY-NI):2010 and the RSPO Supply Chain Certification Standard, November 2011.

The fourth surveillance audit on the Terusan CU was conducted on 25-29 August 2014. SIRIM QAS International Sdn Bhd (SIRIM QAS International) was contracted by PPB to conduct this surveillance assessment. SIRIM QAS International is the leading testing, inspection and certification body (CB) in Malaysia having provided its services to all sectors of the business and industry for over 30 years. SIRIM QAS International, as an accredited certification body by the United Kingdom Accreditation Service (UKAS) and STANDARDS MALAYSIA provides a comprehensive range of management system certification services on quality, environment, health and safety.

SIRIM QAS International has wide experience in conducting assessments on palm oil mills and oil palm estates for certification of management system against the requirements of the ISO 14001 and OHSAS 18001. SIRIM QAS International was approved as a certification body by RSPO on 21 March 2008. Since then, it has conducted many assessments on RSPO sustainable production of palm oil in Malaysia.

This surveillance assessment on the Terusan CU had resulted in the issuance of two (2) major NCRs and three (3) minor NCRs. The Terusan CU had taken corrective actions to address the major NCRs which had been verified by the assessor and therefore closed out. The CU had also submitted a corrective action plan to address the minor NCRs which had been reviewed and accepted by the assessors. The verification on these corrective actions would be under taken by SIRIM QAS International during the next surveillance audit.

Based on the evidences gathered during this surveillance, it could be concluded that Terusan CU had continued to comply with the requirements of the RSPO MY-NI: 2010 and the RSPO Supply Chain Certification Standard, November 2011. The two (2) major NCRs raised during this surveillance assessment had been adequately addressed and therefore closed out. The assessment team therefore recommends that the Terusan CU's certification against the RSPO MY-NI: 2010 and RSPO Supply Chain Certification Standard, November 2011 be maintained.

### 1.0 SCOPE OF ASSESSMENT

#### 1.1 National Interpretation Used

The operations of the Terusan Palm Oil Mill (TPOM) and its supply bases of oil palm fresh fruit bunches (FFBs) were assessed against the requirements of the RSPO MY-NI: 2010. For RSPO supply chain certification, the assessment on TPOM was conducted against the requirements of the Mass Balance (MB) module of the RSPO Supply Chain Standard, November 2011.

#### 1.2 Certification Scope

The certification unit (CU) being assessed in this surveillance was the Terusan CU which consisted of the TPOM and the Terusan 1, Terusan 2 and Rumidi Estates. The scope of certification is the sustainable production of crude palm oil (CPO) and palm kernel (PK) from the TPOM with FFBs supplied by these three estates.

#### 1.3 Location of Mill and Supply Base

TPOM, Terusan 1, Terusan 2 and Rumidi Estates are located in Sandakan District, Sabah, Malaysia. They are accessible via the Sandakan – Telupid Road. The CU is about 160 km from the town of Sandakan.

In the immediate vicinity of Terusan CU are a few villages and other oil palm plantations. Along the northern boundary, there are Kg. Rumidi, Kg. Tendu Batu and Kg. Nangoh. In the west are Kg. Perenchangan, Kg. Bakong-Bakong, Kg. Sualog, Kg. Panimbanan and Kg. Lidong. Kg. Toniting lies at the southern side while the Andamy Plantation is on the west separated by a public road from Terusan 1 and 2 Estates. Adjacent to the Rumidi Estate at the southern boundary is the Bidu-Bidu Forest Reserve. The map of the Terusan CU (mill and estates) is shown in **Attachment 1** while their coordinates are detailed in **Table 1** below.

**Table 1**  
**Coordinates of Terusan CU (Mills and Estates)**

Operating Unit	Latitude	Longitude
TPOM	5° 49' 54.687" N	117° 20' 30.315" E
Terusan 1 Estate	5° 47' 23.104" N	117° 23'37.202" E
Terusan 2 Estate	5° 49' 57.944" N	117°20'22.743" E
Rumidi Estate	5° 55' 59.804" N	117° 18'43.466" E

(Note: The coordinates are for the offices of the palm oil mill and estates)

#### 1.4 Description of Supply Base (Fruit Sources)

The main source of FFB was still from the company owned estates that had been certified with some quantity from independent suppliers. Details of the actual input of FFB and output of CPO and CPK for 2013 and projection for 2014 are as shown in **Table 2** below:

**Table 2**  
**Actual FFB Input, Processed, and CSPO and CSPK Outputs [Metric Tonnes (MT)]**  
**in 2013 and Projection for 2014**

	Actual		Projection
	2013	2014 (As of July)	2014
FFB 2012 Balance Carried Forward	0.890	0.000	0.000
FFB Received – Own estates	156,173.250	84,003.060	143,900.000
FFB Received – Independent suppliers	53,509.940	45,768.120	95,000.000
<b>FFB Processed – Total</b>	<b>209,684.080</b>	<b>129,771.180</b>	<b>238,900.000</b>
CSPO Production	31,632.620	17,225.945	30,694.000
Non CSPO Production	11,437.985	9,400.704	19,475.000
<b>Total CSPO Production</b>	<b>43,070.605</b>	<b>26,626.649</b>	<b>50,169.000</b>
CSPK Production	7,121.415	3,967.058	7,195.000
Non CSPK Production	2,586.142	2,114.451	4,750.000
<b>Total CSPK Production</b>	<b>9,707.557</b>	<b>6,081.509</b>	<b>11,945.000</b>

#### 1.5 Date of Planting and Cycle (Planted Area)

The planting profiles of all the directly managed supply bases are shown in **Table 3(a-c)**.

**Table 3a: Terusan 1 Estate**

Year of Planting	Planting Cycle 1 <sup>st</sup> / 2 <sup>nd</sup> Generation	Mature / Immature	Planted Area (ha)	Percentage of Planted Area (%)
1989	1 <sup>st</sup> Generation	Mature	244.60	9.61
1991	1 <sup>st</sup> Generation	Mature	709.60	27.89
1992	1 <sup>st</sup> Generation	Mature	1,007.60	39.61
1993	1 <sup>st</sup> Generation	Mature	582.30	22.89
<b>Total</b>			<b>2,544.10</b>	<b>100.00</b>

**Table 3b: Terusan 2 Estate**

Year of Planting	Planting Cycle 1 <sup>st</sup> / 2 <sup>nd</sup> Generation	Mature / Immature	Planted Area (ha)	Percentage of Planted Area
1990	1 <sup>st</sup> Generation	Mature	100.67	3.46
1991	1 <sup>st</sup> Generation	Mature	1,277.48	43.89
1993	1 <sup>st</sup> Generation	Mature	1,030.35	35.40
2014	2 <sup>nd</sup> Generation	Immature	502.09	17.25
<b>Total</b>			<b>2,910.59</b>	<b>100.00</b>

**Table 3c: Rumidi Estate**

Year of Planting	Planting Cycle 1 <sup>st</sup> / 2 <sup>nd</sup> Generation	Mature / Immature	Planted Area (ha)	Percentage of Planted Area
1991	1 <sup>st</sup> Generation	Mature	82.71	5.83
1994	1 <sup>st</sup> Generation	Mature	959.53	67.65
2000	2 <sup>nd</sup> Generation	Immature	290.08	20.45
2002	2 <sup>nd</sup> Generation	Immature	86.11	6.07
<b>Total</b>			<b>1,418.43</b>	<b>100.00</b>

### 1.6 Other Management System Certifications Held

TPOM and all the estates do not hold any other form of third-party certification of their management systems. Nevertheless, they had been implementing an internal system which was based on the requirements of the ISO 14001:2004 and the Occupational Safety and Health Act (1994). However, the CU had obtained the International Sustainability for Carbon Certification (ISCC).

### 1.7 Organisational Information/Contact Persons

Address : PPB Oil Palms Berhad,  
Sabah Operations,  
Lot 1A, KM 15, Jalan Labuk,  
Locked Bag 34,  
90009 Sandakan,  
Sabah  
Malaysia

Contact person : Mr. Edrin Moss (Senior Manager)  
Sustainability Department  
PPB Oil Palms Berhad

### 1.8 Time Bound Plan for Other Management Units

The time bound plan for the CUs in Malaysia under PPB had been completed. However, the time bound plan for the other 6 CUs (mills) in Indonesia, which are under Wilmar International Limited would be completed by 2016 as planned. The time bound plan also had included the latest acquired oil palm plantation in Nigeria, currently being developed according to the RSPO New Planting Procedure (NPP) which had undergone the Free, Prior and Informed Consent (FPIC) process and assessment for High Conservation Value (HCV) area.

### 1.9 Certification Details

Certification unit : Terusan Certification Unit.  
Company : Sapi Plantation Sdn Bhd.  
Parent company : PPB Oil Palms Berhad.  
Ultimate holding company : Wilmar International Limited (*based in Singapore*).  
RSPO Membership Number : 1-0011-04-000-00 (*by PPB Oil Palms Berhad.*).  
RSPO Member since : 28/09/2004.  
Certificate Number : RSPO 0008.  
Date of previous assessment : 17<sup>th</sup> to 19<sup>th</sup> July 2013.  
Date of certification : 7<sup>th</sup> September 2010.

## 2.0 ASSESSMENT PROCESS

### 2.1 Certification Body

SIRIM QAS International is the oldest and leading certification, inspection and testing body in Malaysia. SIRIM QAS International provides a comprehensive range of certification, inspection and testing services which are carried out in accordance with internationally recognised standards.

Attestation of this fact is the accreditation of the various certification and testing services by leading national and international accreditation and recognition bodies such as the Department of Standards Malaysia (STANDARDS MALAYSIA), the United Kingdom Accreditation Services (UKAS), the International Automotive Task Force (IATF), and the Secretariat of the United Nations Framework Convention for Climate Change (UNFCCC).

SIRIM QAS International is a partner of IQNet, a network currently comprising of 36 leading certification bodies in Europe, North and South America, East Asia and Australia.

SIRIM QAS International has vast experience in conducting assessment related to RSPO assessment. It has certified more than a hundred palm oil mills and several estates to ISO 14001 & OHSAS 18001 and also conducted assessments against RSPO Principle and Criteria. SIRIM QAS International was approved as a RSPO certification body on 21 March 2008.

### 2.2 Qualifications of Lead Assessor and Assessment Team

The assessment team consisted of three assessors. The details of the assessors and their qualifications are detailed below:

Member of the Audit Team	Role / area of RSPO requirements	Qualifications
Hazani Othman	Assessor Team Leader / Estate and mill environmental issues and supply chain	<ul style="list-style-type: none"> <li>An associate SIRIM's Lead Auditor (ISO 14001, ISO 9001, FSC &amp; MTCC FMC and CoC, RSPO P&amp;C).</li> <li>Approximate 20 years total working experience. Approximate 16 years experiences in management systems and sustainability auditing / certification.</li> <li>Over 400 auditor days of auditing experience of various scheme and industry</li> <li>Successfully completed SCS/FSC Forest Assessor Course - 2000.</li> <li>Successfully completed MTCC/Smartwood/GTZ endorsed Forest Certification Assessor Course - 2000.</li> <li>Successfully completed IRIM / FDPM / UPM / FRIM / APAFRI endorsed Forest and Environmental Audit Course – 2000.</li> <li>Successfully completed EARA ISO 14001 approved Lead Assessor Course - 2000.</li> <li>Successfully completed IRCA ISO 9001 approved Lead Assessor Course - 2005.</li> <li>Successfully completed MTIB / Sarawak Planted Forest - Forest Plantation Development Course – 2010.</li> <li>Successfully completed RSPO endorsed Lead Assessor Course - 2013.</li> <li>Successfully completed MTCC endorsed Auditor Course for Natural and Plantation Forests - 2013.</li> <li>Hold Bachelor of Forestry Science and Diploma in Forestry, Universiti Putra Malaysia.</li> </ul>
Khairul Najwan Ahmad Jahari	Assessor / Employees and social issues and HCV	<ul style="list-style-type: none"> <li>7 years experiences in forest related areas as a researcher with FRIM since 2003</li> <li>32 man-days in auditing for forest management certification using the MC&amp;I(2002) as forest auditor</li> <li>Attended Auditor Training Course on Malaysian Criteria and Indicators for Forest Management Certification [MC&amp;I (2002)] organized by MTCC, April 2009.</li> </ul>

		<ul style="list-style-type: none"> <li>• Attended Auditor Training Course on Malaysian Criteria and Indicators for Forest Plantation Certification [MC&amp;I (2002)] organized by MTCC 2010.</li> <li>• Attended a training on RSPO P&amp;C and certification requirements in January 2011</li> <li>• Successfully passed EMS 14001: 2004 Lead Auditor Course, March 2009.</li> <li>• Successfully passed OHSAS 18001: 2007 Lead Auditor Course, Feb 2009.</li> <li>• Successfully passed QMS 9001: 2008 Lead Auditor Course, Feb 2009.</li> <li>• B.Sc. of Forestry (Forest Management), Universiti Putra Malaysia</li> <li>• M Sc Environmental (GIS Remote Sensing, still pursuing)</li> <li>• Successfully completed and passed the RSPO Lead Assessor Course in 2011.</li> </ul>
Mohd. Hafiz Mat Hussain	Assessor / Good Agriculture Practices and health and safety issues.	<ul style="list-style-type: none"> <li>• 4 years experiences in Oil Palm Plantation.</li> <li>• Successfully passed ISO 9001, OHSAS 18001 &amp; ISO 14001:2004 Lead Auditor Course.</li> <li>• B.Sc. (Hons) Technology in Plantation Management – University Teknologi Mara.</li> </ul>

### 2.3 Assessment Methodology (Program, Site Visits)

The surveillance audit was conducted on 25 to 29 August 2014. The main objectives of this surveillance audit were to

- determine the continued compliance of the CU's against the requirements of the RSPO MYNI: 2010,
- verify the effectiveness of the corrective actions being implemented by the CU to address the NCRs raised during the previous surveillance audit; and
- make appropriate recommendation on the continued certification of the CU based on the findings of this surveillance audit.

The planning of this surveillance audit was guided by the RSPO Certification Systems Document. The sampling formula of  $\sqrt{0.8y}$ , where y is the number of estate in Terusan CU was not used as the mill and all the estates (TPOM, Terusan 1, Terusan 2 and Rumidi) were assessed.

The audit was conducted by inspecting the mill, planted areas, HCV habitats, labour lines, chemical and waste storage areas and other workplaces. Random interviews were held with the management, employees, contractors and other relevant stakeholders. In addition, records as well as other related documentation were also being evaluated. The details on the surveillance audit programme are presented in **Attachment 2**.

### 2.4 Stakeholder Consultation and List of Stakeholders Consulted

Not applicable.

### 2.5 Date of Next Surveillance Audit

Next surveillance audit should be conducted within twelve months from the date this annual surveillance audit was conducted.

## 3.0 ASSESSMENT FINDINGS

### 3.1 Summary of Findings

The audit findings were highlighted and discussed during the on-site audit. This surveillance audit had resulted in the issuance of two (2) major NCRs and three (3) minor NCRs. The details on the NCRs (including corrective actions taken) are as in **Attachment 3**.

The findings of this surveillance audit are presented based on the format for the RSPO MY-NI indicators. The detailed findings of this surveillance audit on the Terusan CU's continued compliance with the requirements of the RSPO MY-NI: 2010 are as follows:

**Principle 1: COMMITMENT TO TRANSPARENCY**

Clause	Indicators		Comply Yes/No	Findings
C 1.1 Oil palm growers and millers provide adequate information to other stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in appropriate languages and forms to allow for effective participation in decision making.	1.1.1	Records of requests and responses must be maintained. <i>Major.</i>	Yes	The record had shown that the Terusan CU had not received any request for such information from external stakeholders except from auditors, staff of the estates and the head office.
C 1.2 Management documents are publicly available, except where this is prevented by commercial confidentiality or where disclosure of information would result in negative environmental or social outcomes. This concerns management documents relating to environmental, social and legal issues that are relevant to compliance with RSPO Criteria. Documents that must be publicly available include, but are not necessarily limited to:-	1.2.1	Land titles / user rights (C 2.2)	Yes	Land titles had remained publicly available at the Terusan POM and offices of the Terusan estates.
	1.2.2	Safety and health plan (C 4.7)	Yes	Terusan CU had continued to adopt the PPB's occupational health and safety policy, plan and programme. The policy had continued to be displayed in mill and estates' offices, communicated and implemented at all levels of the organization.
	1.2.3	Plans and impact assessments relating to environmental and social impacts (C 5.1, 6.1, 7.1, 7.3)	Yes	The documents concerning the plans and impact assessments relating to environment and social were still being maintained and made publicly available at the estates and mill.
	1.2.4	Pollution prevention plans (C 5.6)	Yes	The publicly available documents being maintained had included the plan for prevention of pollution. <i>(Cross refers to C5.6).</i>
	1.2.5	Details of complaints and grievances (C 6.3)	Yes	The details on complaints and grievances could still be accessed freely by the stakeholders. It had also been made available during the stakeholders meeting held on 14 May 2014.
	1.2.6	Negotiation procedures (C 6.4)	Yes	The publicly available documents had included the negotiation procedures.
	1.2.7	Continuous improvement plan (C 8.1)	Yes	There were documents on continuous improvement plan which were still made publicly available.



**Principle 2: COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS**

Clause	Indicators		Comply Yes/No	Findings
<p>C 2.1 There is compliance with all applicable local, national and ratified international laws and regulations</p>	2.1.1	Evidence of compliance with legal requirements. <i>Major</i>	Yes	<p>Generally, Terusan CU had continued to comply with most of the applicable local, national and ratified international laws and regulations.</p> <p>It was observed that the land had continued to be utilized for agricultural purposes.</p>
	2.1.2	A documented system, which includes written information on legal requirements. <i>Minor</i>	No	<p>The CU had continued to maintain a register of all the applicable legal requirements. It was found that the register had continued to be reviewed for changes. However, it was noted that the register has yet to include the conditions as stated in the written approvals for generator sets for the estates and mill. <b>Thus, a minor NCR HO-2014-01 was raised.</b></p>
	2.1.3	A mechanism for ensuring that they are implemented. <i>Minor</i>	Yes	<p>Terusan CU had continued to maintain the mechanisms for ensuring all the applicable legal requirements were being implemented by having an internal audit, quarterly environmental consultant monitoring, management meeting, advisory visits and quarterly reporting of statutory compliance to the Legal Department in the headquarters.</p>
	2.1.4	A system for tracking any changes in the law. <i>Minor</i>	Yes	<p>The CU had continued to maintain the established system for tracking changes in the laws. The Corporate Social Responsibility (CSR) Department in PPB liaised with the Senior Sustainability Manager, managers of the respective operating units and the Legal Department in the headquarters to review and identify changes in the applicable laws by soliciting information from the relevant agencies and mass media such as internet, newsletter, etc.</p>
<p>C 2.2 The right to use the land can be demonstrated, and is not legitimately contested by local communities with demonstrable rights.</p>	2.2.1	Evidence of legal ownership of the land including history of land tenure. <i>Major</i>	Yes	<p>All the estates' land was leased from the Sabah State Government and the condition of the lease was for 'Agriculture Purpose'. All the estates were found to be in compliance with this lease condition.</p> <p>As reported in the previous surveillance audit, Sapi Plantation Sdn. Bud (SPSB) had purchased part of the Rumidi Estate from the</p>

				Sabah Land Development Board (SLDB) in August 1993. SLDB had secured the land title from the authority and transfer it to SPSB in a letter dated 11 September 2012. The audit team was informed that a draft title was issued by the Sabah Land and Survey Department but the registration was still pending.
	2.2.2	Growers must show that they comply with the terms of the land title. [This indicator is to be read with Guidance 2] <i>Major</i>	Yes	All the estates had continued to be in compliance with the terms and conditions of the lease agreements that the land would be for agricultural purpose.
	2.2.3.1	Evidence that boundary stones along the perimeter adjacent to state land and other reserves are being located and visibly maintained. <i>Minor</i>	Yes	During the site inspections in the Rumidi and Terusan 2 Estates, it was observed that there were distinct red coloured wooden boundary markers.  The positions of the boundary stones were labeled and marked on the boundary stone maps. In the Terusan 2 Estate, it was observed that the boundary stones were still in place and the audit team was able to locate them.
	2.2.3.2	Where there are, or have been, disputes, proof of resolution or progress towards resolution by conflict resolution processes acceptable to all parties are implemented. Cross ref. to 2.3.3, 6.4.1 and 6.4.2. <i>Minor</i>	Yes	As stated in the previous report, the legacy dispute covering the 57 hectares of land in the Rumidi Estate had been settled. The management of the Terusan CU had acknowledged the existence of the communities and therefore had excluded the land they had occupied from its ownership.
C 2.3 Use of the land for oil palm does not diminish the legal rights, or customary rights, of other users, without their free, prior and informed consent.	2.3.1	Where lands are encumbered by customary rights, participatory mapping should be conducted to construct maps that show the extent of these rights. <i>Major</i>	Yes	There was still no land within the estates being encumbered by customary rights.
	2.3.2	Map of appropriate scale showing extent of claims under dispute. <i>Major</i>	Yes	As indicated in the findings on Indicator 2.3.1, there were no longer cases involving land disputes.

	2.3.3	Copies of negotiated agreements detailing process of consent (C2.2, 7.5 and 7.6). <i>Minor</i>	Yes	Copies of negotiated agreements detailing process of consent were kept at the Terusan CU's office.
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**Principle 3: COMMITMENT TO LONG-TERM ECONOMIC AND FINANCIAL VIABILITY**

Clause	Indicators		Comply Yes/No	Findings
C 3.1 There is an implemented management plan that aims to achieve long-term economic and financial viability.	3.1.1	Annual budget with a minimum 2 years of projection <i>Major</i>	Yes	It was observed that the Terusan 2 and Rumidi Estates had continued to be committed to long-term economic and financial viability. A combined annual budget (Terusan 2 and Rumidi Estates) had been prepared before the end of current financial year. In addition, the estates had prepared budget projections up to financial year 2024.
	3.1.2	Annual replanting programme projected for a minimum of 5 years with yearly review. <i>Minor</i>	Yes	The Terusan 2 and Rumidi Estates had prepared a replanting programme for 2014 to 2018. However, there would be no more replanting in the Rumidi Estate from 2016 onward as it had already completed replanting in November 2013.

**Principle 4: USE OF APPROPRIATE BEST PRACTICES BY GROWERS AND MILLERS**

Clause	Indicators		Comply Yes/No	Findings
C 4.1 Operating procedures are appropriately documented and consistently implemented and monitored.	4.1.1	Documented Standard Operating Procedures (SOP) for estates and mills. <i>Major</i>	Yes	<p>For TPOM, the same SOP for each of the process had continued to be implemented. Brief versions of the SOP were still being displayed at appropriate locations. Generally it was observed that those activities being implemented which involved safety, health, environmental, quality, employees, etc. had followed the SOP.</p> <p>For the estates, the <i>Agriculture Manual &amp; Standard Operation Procedure [Manual and SSOP] (2011 Edition)</i> was still being used.</p> <p>Records of fertilizer application, pest and diseases control as well as weeding regimes had all been done still in accordance to this Manual and SSOP.</p> <p>It was also observed that the "Prosedur Menternak Kerbau" or 'Procedures on Buffalos Farming' was still being followed.</p>

	4.1.2	Records of monitoring and the actions taken are maintained and kept for a minimum of 12 months. <i>Minor</i>	No	Generally, it was observed that all the relevant records at the estates and POM had continued to be maintained and kept for a minimum period of 12 months. However, there were a few monitoring results which have yet to be made available. <b>Thus, a minor NCR HO-2014-02 was raised.</b>
C 4.2 Practices maintain soil fertility at, or where possible improve soil fertility to, a level that ensures optimal and sustained yield.	4.2.1	Monitoring of fertilizer inputs through annual fertilizer recommendations. <i>Minor</i>	Yes	Foliar sampling had continued to be carried out yearly, and the results still served as a basis for fertilizer recommendation. Fertilizers recommendation for 2014 had been prepared based on the foliar sampling done in 2013.  Based on the records being sighted, it was shown that the actual application of fertilizer in 2013 was in line with the recommended program and application rate.  As of June 14 2014, 66% and 52% of the recommended application of fertiliser had been made for the Terusan 2 and Rumidi Estate respectively.
	4.2.2	Evidence of periodic tissue and soil sampling to monitor changes in nutrient status. <i>Minor</i>	Yes	The estates had continued to carry out periodic foliar and soil sampling to monitor changes in nutrient status. The sampling was conducted by Eco-Management Unit. Annual foliar sampling for nutrients N, P, K, Mg, Ca & B had been carried out in all 3 estates in 2013 and the results had formed the basis for the fertiliser recommendations in 2014.
	4.2.3	Monitor the area on which EFB, POME and zero-burn replanting is applied. <i>Minor</i>	Yes	EFB mulching was done at a rate of 80 MT/ha/year. It was observed that the application of EFBs as fertilizer had continued to adhere to the structured EFB Application Program. Maps of EFB application and monthly records were being maintained.  Monthly records of EFB usage (block by block) were also being checked. The total EFB application until July 2014 was 15,704.29 MT which was applied on 546.23 ha.  POME was still being discharged for land irrigation after appropriate treatment. The monitoring of POME application was still being recorded in a logbook. Among the information being monitored was on daily activity, flow meter reading, and trenches being applied.

C 4.3 Practices minimise and control erosion and degradation of soils.	4.3.1	Documented evidence of practices minimizing soil erosion and degradation (including maps). <i>Minor</i>	Yes	<p>Slope classification maps for the Terusan 2 and Rumidi Estates were checked. As reported previously, the terrains of the estates were generally gentle and undulating. Only 0.68% and 0.01% of Terusan 2 Estate has a terrain of 12 ° to 18° and 18° to 25° respectively. For the Rumidi Estate, only 0.40% and a meagre 0.01% has a gradient of 12 ° to 18°, and 18° to 25° respectively. Planting of cover crops had continued along steep slopes.</p> <p>Soil erosion monitoring which had started in June 2011 with 6 plots in Terusan 2 Estate and recorded in the Soil Erosion Monitoring Forms had continued to be implemented. The last monitoring was done on 13/6/14.</p> <p>During the field inspection, it was observed that the estates had generally been well protected from soil erosion with natural vegetation. A map to indicate the planting of natural vegetation was presented. A total of 258.40 ha had been planted with cover crop in the Terusan 2 Estate. It was observed that the practices of circular weeding and frond stacking had further reduced the area with exposed soil.</p>
	4.3.2	Avoid or minimize bare or exposed soil within estates. <i>Minor</i>	Yes	<p>In order to avoid/minimise bare or exposed soil, the estates had continued to practise the slashing of weeds in the inter rows with minimum spraying. Only circle-spraying had continued to be done. The CU had continued to advocate no blanket spraying.</p> <p>Bare ground condition was still not being allowed in these estates. The upkeep of mature oil palm requires full ground cover in the inter-row to be maintained.</p>
	4.3.3	Presence of road maintenance programme. <i>Minor</i>	Yes	<p>It was observed that harvesting roads in all the estates were still of satisfactory condition and road cambers were being maintained to allow easy water runoff. There was still a road maintenance programme as shown in the machine utilization record documented as 'Heavy Machinery Schedule' for each of the estate.</p>
	4.3.4	Subsidence of peat soils should be minimised through an effective and documented water management programme. <i>Minor</i>	Yes	<p>There was no peat soil in the Terusan 2 and Rumidi Estates. Thus, there was no need for management of subsidence of peat soils.</p>

	4.3.5	Best management practices should be in place for other fragile and problem soils (e.g. sandy, low organic matter and acid sulphate soils). <i>Minor</i>	Yes	The <i>Bergosang</i> soil series still covered 54% of Terusan 1 and 2 Estates and the water levels were being maintained between 45 cm and 60 cm using sand bag bunds and water gates. The water level was being monitored using 'Free Board Indicators'. There were still 32 water gates in Terusan 2 Estate.
C 4.4 Practices maintain the quality and availability of surface and ground water.	4.4.1	Protection of water courses and wetlands, including maintaining and restoring appropriate riparian buffer zones at or before replanting along all natural waterways within the estate. <i>Major</i>	Yes	The <i>Riparian Zone Management Guidelines</i> for protection of riparian belts along the major rivers had continued to be implemented. During visits to the estates, it was observed that the boundaries of these riparian belts were still being clearly demarcated with red paint around the palm stems and there were blue signboards. Natural vegetation had colonized these riparian buffer belts as no weeding or fertilizer application had been allowed.
	4.4.2	No construction of bunds/weirs/dams across the main rivers or waterways passing through an estate. <i>Major</i>	Yes	It was observed that there was still no construction of bunds/weirs/dams across the main rivers or waterways in the estates. All stream and drainage were without any obstruction except for the 32 water gates at Terusan 2 Estate to control water level and prevent entry of brackish water into the planted areas.
	4.4.3	Outgoing water into main natural waterways should be monitored at a frequency that reflects the estates and mills current activities which may have negative impacts (Cross reference to C 5.1 and 8.1). <i>Major</i>	Yes	Outgoing water into the main natural waterways, which may have negative impacts, was still being monitored at the frequency specified. The water quality index (WQI) for specified stream had continued to be monitored at the point where the stream exits (outlet) from the estate. The water sampling process at the estate was still being done once every three months as specified in the EIA approval given by the Environment Protection Department, Sabah.  Among the parameters being measured were TSS, oil and grease, turbidity, nitrate and phosphate, and pH. The periodic monitoring report " <i>Laporan Pemantauan &amp; Pematuhan Syarat-Syarat Alam Sekitar</i> " conducted by a consultant on the final outgoing water sampling was verified.  It was found that the quality of the water samples taken from the selected rivers was still within the acceptable level quality index of Class II B category in accordance to the interim national water quality standard 2006 (INWQS) of the DOE.

				It was observed that the estates had continued to follow their action plans and continuous improvement programmes to minimize pollutant to the protected areas as recommended in the EIA report.
	4.4.4	Monitoring rainfall data for proper water management. <i>Minor</i>	Yes	Data on rainfall had continued to be collected. Records on rainfall from 2008 to July 2014 were made available for reviewing.
	4.4.5	Monitoring of water usage in mills (tonnage water use/tonne FFB processed). <i>Minor</i>	Yes	<p>Terusan CU had continued to monitor the amount of water being used by the mills and the estates. The water used was being segregated for domestic and mill consumption. For the mill consumption, the water usage had continued to be monitored per tonne FFB processed. Plan on minimizing water usage had continued to be implemented in all the offices, mills and estates. Rain water harvesting had continued in line sites and estate complexes.</p> <p>It was observed that the records of the mill's daily water use (litres of water per ton of FFB) as well as the monthly and daily water consumption in the estates were still being kept.</p>
	4.4.6	Water drainage into protected areas is avoided wherever possible. Appropriate mitigating measures will be implemented following consultation with relevant stakeholders. <i>Minor</i>	Yes	During the site visits to the mill, Terusan 2 and Rumidi Estates, it was observed that there was no evidence to indicate that water was drained into protected areas. Furthermore, the CU had continued to monitor water quality at the specified outlet points.
	4.4.7	Evidence of water management plans. <i>Minor</i>	Yes	A Water Management Plan for the estates and mill was presented to the assessment team. Awareness program and monitoring of water usage had continued to be implemented. The employees were made aware of the need to conserve water in all the offices, mill and estates. All water which was obtained from the rivers had continued to be treated for human consumption. To improve the harvesting of rain water, every house had been equipped with HDPE tank for collecting rain water.
C 4.5 Pests, diseases, weeds and invasive introduced species are effectively	4.5.1	Documented IPM system. <i>Minor</i>	Yes	Terusan CU had also continued to implement the Integrated Pest Management (IPM) in the estates. One of the techniques used was still by establishing beneficial plants along road sides and

managed using appropriate Integrated Pest Management (IPM) techniques.				vacant areas. The estates had continued to plant <i>Cassia cobanensis</i> , <i>Tunera subulata</i> and <i>Antigonon leptopus</i> .
	4.5.2	Monitoring extent of IPM implementation for major pests. <i>Minor</i>	Yes	All the estates had continued to carry out monthly detection and observation of leaf eating pests, mammalian pests and diseases like Ganoderma and Stem Rot. The monthly detection and observation were carried out by the staff. Records had indicated that there was no occurrence of major disease outbreak.
	4.5.3	Recording areas where pesticides have been used. <i>Minor</i>	Yes	All the estates visited had continued to record areas where pesticides had been used in the bin cards and program sheets. It was observed that pesticides had been used only when justified.
	4.5.4	Monitoring of pesticide usage units per hectare or per ton crop e.g. total quantity of active ingredient (a.i.) used/tonne of oil. <i>Minor</i>	Yes	Pesticides usage had continued to be monitored and recorded. The record provides all chemicals used such as herbicides, insecticides, pesticides, fertilizer, oil and lubricant and chemical for water treatment as well as the amount and type of chemicals used for each field, the area applied in ha and % of a.i. for each month.
C 4.6 Agrochemicals are used in a way that does not endanger health or the environment. There is no prophylactic use of pesticides, except in specific situations identified in national Best Practice guidelines. Where agrochemicals are used that are categorised as World Health Organisation Type 1A or 1B, or are listed by the Stockholm or Rotterdam Conventions, growers are actively seeking to identify alternatives, and this is documented.	4.6.1	Written justification in Standard Operating Procedures (SOP) of all agrochemicals use. <i>Major</i>	Yes	All chemicals usage was still based on the 'need to do basis' to enhance field operations and had continued to adhere to the written justification in the SOPs. The Agricultural Manual had included a chemical register list which indicates the purpose of usage (intended target), hazards signage, trade and generic names.
	4.6.2	Pesticides selected for use are those officially registered under the Pesticides Act 1974 (Act 149) and the relevant provision (Section 53A); and in accordance with USECHH Regulations (2000). <i>Major</i>	Yes	The Terusan CU's estates had continued to maintain a register of chemical hazardous to health which had been reviewed periodically. The pesticides which had been selected for use were those officially registered under the Pesticides Act 1974 (Act 149) and in accordance with USECHH Regulation.
	4.6.3	Pesticides shall be stored in accordance to the Occupational Safety and Health Act 1994 (Act 514) and Regulations and Orders and Pesticides Act 1974 (Act	Yes	The storage of agrochemicals was still done in accordance to the related legal requirements. Chemical stores in all the estates were constructed with concrete with locked doors. The chemical storekeepers were found to have a good understanding of the hazards involved and the required control measures on pesticides.



		149) and Regulations. <i>Major</i>		Records of the purchase, storage and use of agrochemicals had continued to be properly documented in the Stock Statement Return. All stores were being locked and manned by the assigned person-in-charge. The appropriate PPE for handling these agrochemicals were made available at the point of use and they had been inspected. The Safety Data Sheet for all chemicals was made available.
	4.6.4	All information regarding the chemicals and its usage, hazards, trade and generic names must be available in language understood by workers or explained carefully to them by a plantation management official at operating unit level. <i>Major</i>	Yes	The estates had continued to maintain the MSDS for chemicals used which was written in both English and Bahasa Melayu. The MSDS written in Bahasa Melayu were still being clearly displayed at the stores as well as on the back of the tank used to transport pre-mixed chemicals to the field.
	4.6.5	Annual medical surveillance as per CHRA for plantation pesticide operators. <i>Major</i>	Yes	Based on the recommendation of the CHRA, medical surveillance has continued to be conducted for employees, such as estate sprayers and mill laboratory operators, whose jobs required them to deal with chemicals.
	4.6.6	No work with pesticides for confirmed pregnant and breast-feeding women. <i>Major</i>	Yes	Terusan CU had continued to adhere to its policy of not allowing pregnant and breast-feeding women to work with pesticides and hazardous chemicals as required under the laws. During the visits made to Terusan 2 and Rumidi Estates, it was observed that there were no pregnant and breast-feeding women performing spraying activities.  The Medical Assistant (MA) had continued to conduct a monthly check to determine whether there were pregnant female workers.
	4.6.7	Documentary evidence that use of chemicals categorised as World Health Organisation Type 1A or 1B, or listed by the Stockholm or Rotterdam Conventions and paraquat, is reduced and/or eliminated.	Yes	The audit team had reviewed the Register of Chemical Hazardous to Health kept in the estates and found there was no chemical from Type 1A or 1B or listed by the Stockholm or Rotterdam Conventions being used.  An internal memorandum on policy statement issued by the Managing Director (Khoo Eng Min) dated 06/04/2007 stating no

		Adoption of suitable economic alternative to paraquat as suggested by the EB pending outcome of the RSPO study on IWM. <i>Minor</i>		use of 'Herbicide Paraquat' was still being followed.
	4.6.8	Documented justification of any aerial application of agrochemicals.  No aerial spraying unless approved by relevant authorities. <i>Major</i>	Yes	The CU had not conducted any aerial application of agrochemicals.
	4.6.9	Evidence of chemical residues in CPO testing, as requested and conducted by the buyers. <i>Minor</i>	Yes	To-date, there has been no request from buyer to test chemical residues in CPO. However, as part of the certification requirements on Food Safety Management System (FSMS) @ ISO22000, the Terusan POM had conducted CPO testing on pesticides, heavy metal and microbiological content on annual basis by an external accredited laboratory.
	4.6.10	Records of pesticide use (including active ingredients used, area treated, amount applied per ha and number of applications) are maintained for either a minimum of 5 years or starting November 2007. <i>Minor</i>	Yes	At Terusan 2 and Rumidi Estates, pesticides consumption had continued to be recorded in the "Chemical Consumption Record" and monitored on monthly basis. A Summary of Monthly Chemical Consumption was reviewed and it was found that there was a slight increase in the use of Active Ingredient (AI)/ hectare.  Records on pesticide consumption were still being maintained for a minimum period of 5 years.
C 4.7 An occupational health and safety plan is documented, effectively communicated and implemented.	4.7.1	Evidence of documented Occupational Safety Health (OSH) plan which is in compliance with OSH Act 1994 and Factory and Machinery Act 1967 (Act139). <i>Major</i>  The safety and health (OSH) plan shall cover the following	Yes	Terusan CU had continued to adopt the PPB Oil Palm's occupational health and safety policy, plan and programmes approved by the top management. This policy had continued to be displayed in mill and estate offices. The policy, OSH plan and programmes had continued to be communicated and implemented at all levels of the organization.

	a)	A safety and health policy, which is communicated and implemented	Yes	Occupational Health & Safety Policy and Safety and Health Manual (1st Rev, 19/12/09) were still in place. Mr. Ricky Godwin has been appointed as the Safety and Health Coordinator to oversee the implementation of the 'Health & Safety' programs within the Terusan CU.
	b)	All operations have been risk assessed and documented.	Yes	It was found that the Terusan CU's operations had been risk assessed and documented. HIRARC has been established and reviewed. The latest review of HIRARC for the Terusan POM was conducted on 8/8/14 while that for the Terusan 2 Estate was conducted on 24/7/14. The HIRARC had been revised to include driving operations in the field.
	c)	An awareness and training programme which includes the following specifics for pesticides:  i. to ensure all workers involved have been adequately trained in a safe working practices (See also C 4.8)  ii. all precautions attached to products should be properly observed and applied to the workers.	Yes	Training and briefing on chemicals related accidents had been provided to the relevant workers to educate them on safe working practices to ensure the applicable precautions were being adhered to.
	d)	The appropriate personal protective equipment (PPE) is used for each risk assessed operation.  i. Companies to provide the appropriate PPE at the place of work to cover all potentially hazardous operations such as pesticide application, land preparation, harvesting	Yes	Based on the HIRARC being carried out, the types of PPE for the various work stations had been identified using the 'PPE Usage Form'. Appropriate PPE had been provided to the respective workstations or jobs.

		and if used, burning.		
	e)	The responsible person (s) should be identified.	Yes	The Safety and Health Committee was still in existence. The Mill Engineer and the Assistant Estate Manager had been appointed as the secretary of this Committee for the mill and estate respectively.
	f)	There are records of regular meetings between the responsible person(s) and workers where concerns of workers about health and safety are discussed.	Yes	The Safety and Health Committee had continued to hold its quarterly meeting regularly. The meeting was chaired by the Mill Manager and Assistant Estate Manager for the mill and estate respectively. The minutes of meetings of the Committees held on 13/6/14, 7/3/14, 19/12/13 and 26/9/13 for the mill, and on 24/7/14, 10/4/14, 19/12/13 and 27/9/13 for the estate were reviewed. Among the main agenda being discussed during these meetings include the followings: i) previous minutes and arising matters. ii) Medical Assistant Report (Monthly Accident Statistics). iii) Mill Inspection Report.
	g)	Accident and emergency procedures should exist and instructions should be clearly understood by all workers.	Yes	An Emergency Response Plan (ERP) was still being maintained and generally understood by the relevant personnel. Among the content of emergency plan includes incident reporting, bund breakage, bush fire, fire breakout in mill, chemical spillage, flood, poisoning, violence, etc.
	h)	Workers trained in First Aid should be present in both field and mill operations.	Yes	The Medical/Hospital Assistant had conducted First Aid Training which was attended by the relevant field and mill operation personnel. The training was conducted in series.  The names of the trained First Aiders for each operating unit were publicly displayed at the relevant work stations in the mill.
	i)	First Aid equipment should be available at worksites	Yes	First Aid Kit was still being made available. Every First Aid Kit was assigned to a custodian to be monitored and replenished.
	4.7.2	Records should be kept of all accidents and periodically reviewed at quarterly intervals. <i>Major</i>	Yes	Record on accident had continued to be maintained and periodically reviewed on quarterly basis during the meeting of the Health and Safety Committee. It was observed from the record that there were few accidents being reported and the necessary follow up actions had been taken.

	4.7.3	Workers should be covered by accident insurance. <i>Major</i>	Yes	Workers had continued to be insured against accident. In addition the local workers were still covered by SOCSO.  Terusan CU had also continued to provide group insurance for all foreign workers as required under the Workmen Compensation Act 1952. A Foreign Workers Compensation Policy with certificate No. KK-W0383729-WFC-E007 issued by Ace Jerneh Insurance was sighted.
C 4.8 All staff, workers, smallholders and contractors are appropriately trained.	4.8.1	A training programme (appropriate to the scale of the organization) that includes regular assessment of training needs and documentation, including records of training for employees are kept. <i>Major</i>	Yes	It was observed that the CU had continued to organize annual training programme and keep proper record on the training it had organized.

**Principle 5: ENVIRONMENTAL RESPONSIBILITY AND CONSERVATION OF NATURAL RESOURCES AND BIODIVERSITY**

Clause	Indicators	Comply Yes/No	Findings
C 5.1 Aspects of plantation and mill management, including replanting, that have environmental impacts are identified, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.	5.1.1 Documented aspects and impacts risk assessment that is periodically reviewed and updated. <i>Major</i>	Yes	Terusan CU had continued to review and up-date the environmental aspects and impacts risk assessment for activities relating to the estates and mill operations. Documents, <i>TE/EAI 01: Identification of Environmental Aspects and Impacts and Evaluation of Significance for (Terusan Estates, as well for the mill)</i> were presented. Another document <i>TE/MIT 03/0513: Significant Environmental Aspects and Impacts Mitigation Methods for (Terusan Estates, as well for the mill)</i> was also presented.  There were no significant changes on the activities and operations being observed in the Terusan CU that could adversely affect the environment. The list of environmental significant impacts were still related to the 3 main environmental receptors such as land (scheduled wastes), air (particulate emission and black smoke) and water (from cleaning activities and effluent discharge) as well as consumption of resources, which were applicable to estates and mill.
	5.1.2 Environmental improvement	Yes	The estates and mill had also identified positive environmental

		<p>plan to mitigate the negative impacts and promote the positive ones, is developed, implemented and monitored.</p> <p><i>Minor</i></p>		<p>aspects as well as plan for improvement. Among the positive environmental aspects being implemented were the 3Rs program reuse of used tires for housing landscape decoration.</p> <p>Environmental improvement plan to prevent and mitigate negative environmental impacts and to promote positive ones was as documented in the “<i>Pollution Prevention Plan</i>”. The prevention and mitigation method concerning usage, generation and emission had continued to be implemented and monitored. Among the plans include monitoring the quality of effluent being discharged from the mill, fuel consumption and the 3Rs initiatives.</p> <p>Mitigation of the negative impacts of domestic wastes was still being done through 3R at the offices and housing by providing different bins for organic and inorganic wastes.</p> <p>The positive aspects of using fibre and shell for boiler, and EFBs for mulching and POME for land irrigation had continued to be implemented and monitored.</p>
<p>C 5.2</p> <p>The status of rare, threatened or endangered species (ERTs) and high conservation value habitats, if any, that exists in the plantation or that could be affected by plantation or mill management, shall be identified and their conservation taken into account in management plans and operations.</p>	5.2.1	<p>Identification and assessment of HCV habitats and protected areas within landholdings; and attempt assessments of HCV habitats and protected areas surrounding landholdings.</p> <p><i>Major</i></p>	Yes	<p>The HCVF scoping assessment of the estates had been completed in July 2008 and sites with attributes HCV 6 and HCV 4 had been identified. In addition to the report by the consultant entitled “<i>HCVF Scoping Assessment of Terusan 1 Estate, Terusan 2 Estate and Rumidi Estates of PPB Oil Palms Berhad</i>” a document “<i>High Conservation Value Identification and Management, Terusan Palm Oil Estates 2009</i>” had also been prepared.</p> <p>The HCV Management and Monitoring Action Plan 2011-2015 (HCV Plan) had been reviewed and revised on 17 July 2014. The HCV Plan outlines the monthly monitoring program and information on monitoring results. The personnel involved on the implementation of the HCV Plan had been trained on recognizing signs of animal activities by the Senior Manager of Biodiversity, Wilmar International.</p> <p>The management plans for 2014 had clearly stated financial support for the implementation of HCV activities such as boundary survey and marking and putting up signboard.</p> <p>The latest monitoring on HCV in the Rumidi and Terusan 2 Estates</p>

				were conducted on 25 July 2014 and 16 July 2014 respectively. There were no ERTs being found during this monthly monitoring.
	5.2.2	Management plan for HCV habitats (including ERTs) and their conservation. <i>Major</i>	Yes	As mentioned in the findings on indicator 5.2.1, the HCV Plan was reviewed on 17 July 2014. Since there were no new ERTs found during the last monitoring, there were therefore no changes being made to the HCV Plan, except for maintenance of faded signboard and pegs, additional signboard, awareness training and continuous monitoring.
	5.2.3	Evidence of a commitment to discourage any illegal or inappropriate hunting fishing or collecting activities, and developing responsible measures to resolve human-wildlife conflicts. <i>Minor</i>	Yes	<p>Poaching was still being prohibited with warning sign being placed at the entrances of each estate. Posters on protected animals were still being displayed at the guard posts and on notice boards in all the estates' offices. Evidence of a commitment to discourage any illegal or inappropriate hunting had been instituted through control at the entrance gates and monitoring teams. In addition, poster had also been circulated by the Sabah Wildlife Department, Sandakan District.</p> <p>Based on consultation held with the Forest Ranger of the Sabah Forestry Department in Telupid, it was observed that the department had appreciated the monitoring activities being carried out by the Terusan CU along the boundary of the Bidu-Bidu Forest Reserve and the riparian zone along Sg Labuk on encroachment and illegal logging.</p>
C 5.3 Waste is reduced, recycled, re-used and disposed off in an environmentally and socially responsible manner.	5.3.1	Documented identification of all waste products and sources of pollution. <i>Major</i>	Yes	<p>On wastes and sources of pollution as well as plan to mitigate them, the Terusan CU still made reference to the documents "<i>Environmental Aspect &amp; Impact Register</i>" and "<i>Pollution Prevention Plan</i>".</p> <p>In general, the wastes being generated were still both non-biodegradable bio-degradable wastes. Non-biodegradable wastes were scheduled wastes, particulate emission, black smoke and scrap metal from maintenance works in the mill and estates. Biodegradable wastes were crop residues/biomass/organic wastes like fruit fibres, shells, EFB and POME being generated from the mill's operations. Biodegradable wastes from estate were wastewater and domestic wastes.</p>
	5.3.2	Having identified wastes and	No	The " <i>Pollution Prevention Plan</i> " which outlines the specific actions

		pollutants, an operational plan should be developed and implemented, to avoid or reduce pollution. <i>Minor</i>		<p>to be taken on the handling, storage, mitigation, disposal of wastes and pollutant had continued to be implemented.</p> <p>Scheduled wastes had continued to be disposed in accordance to the prescribed regulations. Effluent (POME) and black smoke had also been controlled and continued to be discharged and emitted in accordance to the prescribed rules.</p> <p>Biodegradable wastes from mill, such as shell and fibre had continued to be used for boiler fuel, and the surpluses were being sold to interested buyers. EFB had also continued to be used as fertilizer in the estates. Other biodegradable domestic wastes had continued to be disposed in landfill.</p> <p>Collection areas and bins were still being provided for scheduled and solid wastes at the estates and mill respectively. Ponds and sumps were also being constructed for liquid wastes, as well as bund to contain leakage or spillage.</p> <p>However, it was observed that there were lapses on the implementation of the following activities:</p> <ul style="list-style-type: none"> <li>(a) labelling, recording and storing of scheduled wastes had not been consistently done at the Rumidi and Terusan 1 Estates; and</li> <li>(b) EFB had not been properly piled up and had fallen into the drain at the TPOM.</li> </ul> <p><b>Thus, a minor NCR HO-2014-03 was raised.</b></p>
	5.3.3	Evidence that crop residues / biomass are recycled (Cross ref. C 4.2). <i>Minor</i>	Yes	It was observed that pruned fronds were being stacked in the field to decompose. Felled palms were being shredded, windrowed and left to decompose in the field. In addition, EFB mulching was still being carried out in Terusan 2 Estate in order to recycle crop residues.
C 5.4 <b>Efficiency</b> of energy use and use of renewable energy is maximized.	5.4.1	Monitoring of renewable energy use per tonne of CPO or palm product in the mill. <i>Minor</i>	Yes	It was observed that fiber and shells from the processing of FFB had continued to be used as boiler fuel to generate steam for the mill operation, as well as electricity for the mill complex and line sites. The CU had recorded, maintained, and monitored the monthly usage of this renewable energy.



	5.4.2	Monitoring of direct fossil fuel use per tonne of CPO or kW per tonne palm product in the mill (or FFB where the grower has no mill). <i>Minor</i>	Yes	The mill and estates had continued to monitor the monthly consumption of diesel.
C 5.5 Use of fire for waste disposal and for preparing land for replanting is avoided except in specific situations, as identified in the ASEAN Guidance or other regional best practice.	5.5.1	No evidence of open burning. Where controlled burning occurs, it is as prescribed by the Environmental Quality (Declared Activities) (Open Burning) Order 2003. <i>Major</i>	Yes	There was no evidence of open burning at the Terusan 2 Estate, Rumidi Estate and Terusan POM.
	5.5.2	Previous crop should be felled/mowed down, chipped/shredded, windrowed or pulverized/ploughed and mulched. <i>Minor</i>	Yes	The estates had continued to strictly adhere to the policy as per the Agricultural Manual and SSOP on zero burning and that all crop should be felled, chipped/shredded, windrowed and left to decompose.
	5.5.3	No evidence of burning waste (including domestic waste). <i>Minor</i>	Yes	There was no evidence to indicate that waste was being burnt.
C 5.6 Plans to reduce pollution and emissions, including greenhouse gases, are developed, implemented and monitored.	5.6.1	Documented plans to mitigate all polluting activities (Cross ref to C 5.1). <i>Major</i>	Yes	As mentioned in the findings on Indicator 5.3.2 the “ <i>Pollution Prevention Plan</i> ” had described the plan to mitigate pollution including the methods for handling, storage, disposal of wastes and pollutants.
	5.6.2	Plans are reviewed annually. <i>Minor</i>	Yes	Documented mitigation plans on polluting activities were presented to the audit team. It was observed that the Terusan CU had continued to review and up-date those documents whenever there were changes on the activities and relevant laws related to the estates’ and mill’s operations.
	5.6.3	Monitor and reduce peat subsidence rate through water table management. (Within ranges specified in C 4.3). <i>Minor</i>	Yes	Terusan 2 and Rumidi Estates have no peat soil. A soil map which was produced by Param Agricultural Soil Surveys was presented as evidence to support this fact.

**Principle 6: RESPONSIBLE CONSIDERATION OF EMPLOYEES AND OF INDIVIDUALS AND COMMUNITIES BY GROWERS AND MILLERS**

Clause	Indicators		Comply Yes/No	Findings
<p>C 6.1 Aspects of plantation and mill management, including replanting, that have social impacts are identified in a participatory way, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.</p>	6.1.1	<p>A documented social impact assessment including records of meetings. <i>Major</i></p>	Yes	<p>The document entitled 'Primary Report of SIA (Design Phase) for Terusan Oil Palm Plantations and Terusan Palm Oil Mill of PPB Oil Palms Berhad (Sabah)' dated 1<sup>st</sup> April 2009 still formed the basis for managing social issues.</p> <p>It was observed that the estates and mill had updated the action plan in the SIA. They had continued to organize regular meetings with their workers representatives, FFB suppliers, canteen operators, contractors/suppliers and local communities to review and update old social issues as well as identified new ones. The outputs of these meetings had been incorporated into the SIA action plans for 2014.</p> <p>The reviewed Social Impact Management Plan and Community Development Plan, which had included a timetable with responsibilities for mitigation and monitoring, were presented during the surveillance. As new measures and projects had been introduced and implemented, it was evident that there was continuous improvement on handling social issues.</p>
	6.1.2	<p>Evidence that the assessment has been done with the participation of affected parties. <i>Major</i></p>	Yes	<p>The estates and mill had continued to hold regular meetings with representatives of the local communities and oil palm smallholders. Meetings with external stakeholders were held at least once a year while those with internal stakeholders were held more often. These meetings had served as a mechanism for revising and updating the SIA Action Plans, as well as issues that required long-term mitigation and monitoring plans.</p> <p>The latest stakeholder meeting was conducted on 14 May 2014 and attended by the smallholders, contractors, suppliers, district officer, MPOB, police, and teachers.</p>
	6.1.3	<p>A timetable with responsibilities for mitigation and monitoring is reviewed and updated as necessary. <i>Minor</i></p>	Yes	<p>A reviewed 'SIA Management Action Plan for Terusan CU' dated 16 May 2014 was verified. It was observed that the issues raised by the internal stakeholders were often related to housing, medical and child care facilities. The local communities, on the other hand, were more concerned with the help and support, which they could</p>

				obtain from the estates and mill, for examples, employment opportunities, road and services that could be provided for their benefits.
<p>C 6.2 There are open and transparent methods for communication and consultation between growers and/or millers, local communities and other affected or interested parties.</p>	6.2.1	Documented consultation and communication procedures. <i>Major</i>	Yes	<p>The previous audit had reported in some details the consultation and communication procedures used by the CU in handling internal and external communications. These were in accordance to the document <i>The Standard Operating Procedure for Consultation and Communication [Document No. RSPO 6.2(2)]</i> that was prepared by the RSPO Unit of PPB Oil Palms Bhd. Amended SOP consultation and communication procedure (RSPO 6.2) revision dated 21 July 2014 was verified.</p> <p>The CU had continued to use internal communication means, such as morning assemblies, notice boards and posters, suggestion boxes and complaint forms. External communication was mainly through mail correspondence.</p> <p>Several meetings had been conducted as one of the transparent methods for communications. For examples, meeting with stakeholders was conducted on 14 May 2014 and meeting of the Social and Welfare Committee was conducted on 25 June 2014. The Women and Child Committee meeting was conducted on 15 May 2014.</p>
	6.2.2	A nominated plantation management official at the operating unit responsible for these issues. <i>Minor</i>	Yes	As spelt out in the communications procedure, and noted in the appointment letter, the Estate and Mill Managers were still the persons appointed to handle communication matters.
	6.2.3	Maintenance of a list of stakeholders, records of all communication and records of actions taken in response to input from stakeholders. <i>Minor</i>	Yes	<p>Lists of stakeholders were updated on 7 May 2014 and maintained by the estates and mill. The lists comprised government agencies (national, state and local), contractors, suppliers (including FFB suppliers for mill), neighbouring estates, schools, panel doctors and local communities.</p> <p>Files on external communication were still being kept according to the agencies or parties communicated, for examples, Department of Safety and Health, and Department of Environment and so forth.</p>

				In addition, minutes of the various meetings held with internal and external stakeholders were also being kept for records and reference.
<p>C 6.3 There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all parties.</p>	6.3.1	Documentation of the process by which a dispute was resolved and the outcome. <i>Major</i>	Yes	<p>The CU had continued to use the Dispute and Resolution Procedure (Document RSPO 2.2), which was issued on 2/1/2009 for resolution of disputes. Grievance or dissatisfaction on the part of the employees was still being conveyed through the “Borang Aduan” (appended to Document RSPO 6.2).</p> <p>The estates and mill had continued to maintain their own files on complaints and requests for services. The records at Terusan POM and Terusan 1 Estate were sighted and found to be in order and being updated. In addition, some complaints were settled during the meetings of the Social/Workers Welfare Committee held on 21 April and 8 January 2014. This was confirmed during interviews held with the workers at Terusan POM and Terusan 1 Estate.</p>
	6.3.2	The system resolves disputes in an effective, timely and appropriate manner. <i>Minor</i>	Yes	<p>In terms of land matters, procedures for resolving dispute was still as prescribed in the State of Sabah Land Ordinance.</p> <p>It was reported that there had not been any outstanding disputes with any party since the last surveillance audit. The land claim issue involving the people of Kg. Gana Jati and Kg. Nangoh had already been resolved with the Terusan CU.</p>
	6.3.3	The system is open to any affected parties. <i>Minor</i>	Yes	The same complaints procedures would be used by the public to channel their dissatisfactions while the grievance procedures were for internal use.
<p>C 6.4 Any negotiations concerning compensation for loss of legal or customary rights are dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.</p>	6.4.1	Establishment of a procedure for identifying legal and customary rights and a procedure for identifying people entitled to compensation. <i>Major</i>	Yes	In the event of cases involving the loss of customary land rights, the estate will manage them using the same procedure entitled “ <i>Process for Identification of Legal and Customary Rights and Identifying People Entitled for Compensation</i> ”, which was based on the formal legal procedure for identification of native rights and entitlement, namely, gazetted areas of Sabah.
	6.4.2	A procedure for calculating	Yes	There were procedures on checking on legal status of the lands in

		and distributing fair compensation (monetary or otherwise) is established and implemented. This takes into account gender differences in the power to claim rights, ownership and access to land; and long-established communities; differences in ethnic groups' proof of legal versus communal ownership of land. <i>Minor</i>		question and laying out the criteria in deciding who should be compensated and the amount of compensation.
	6.4.3	The process and outcome of any compensation claims is documented and made publicly available. <i>Minor</i>	Yes	Other than the land claims issue mentioned earlier, there had not been any other issues of land claims involving the estates during this surveillance audit.
C 6.5 Pay and conditions for employees and for employees of contractors always meet at least legal or industry minimum standards and are sufficient to provide decent living wages.	6.5.1	Documentation of pay and conditions. <i>Major</i>	Yes	Pay and conditions of employment had been spelled out in the employment offer letter. The basic pay of any daily-waged worker was adjusted to RM 30.77/day so to achieve the basic minimum wage specified by the law. According to those interviewed, the monthly income would usually be more than RM800.00.
	6.5.2	Labour laws, union agreements or direct contracts of employment detailing payments and conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc) are available in the language understood by the workers or explained carefully to them by a plantation management official in the operating unit.	Yes	The employment contracts inspected were in Bahasa Melayu. The pay slips were in English and the computation of pay could be quite complicated. However, the CU had subsequently explained it to the workers.  During the interviews with the workers, it was found that most of them had a good understanding on the computation of their pay despite their little command of the English language.

		<i>Minor</i>		
	6.5.3	Growers and millers provide adequate housing, water supplies, medical, educational and welfare amenities in accordance with Workers' Minimum Standard of Housing and Amenities Act 1990 (Act 446) or above, where no such public facilities are available or accessible (not applicable to smallholders). <i>Minor</i>	Yes	<p>The workers and staffs were still being provided with company's houses supplied with free water and electricity. A Humana school, new mosque, clinic, crèche, and sundry shop were also still available in the CU. Both rain and treated water were used by the workers. Electricity was supplied at certain period of time in the evening and early morning.</p> <p>Most of the houses in the CU were newly constructed under the Class H scheme. The majority of the houses for the mill's employees however, were old and in the process of being replaced with new ones. Housing inspections for Terusan POM and Terusan 1 Estate were still being conducted regularly by the estate's Medical Assistant. The latest inspection on the houses at the Terusan POM and Terusan 2 Estate was conducted on 15 Aug 2014.</p>
C 6.6 The employer respects the right of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, the employer facilitates parallel means of independent and free association and bargaining for all such personnel.	6.6.1	Documented minutes of meetings with main trade unions or workers representatives. <i>Major</i>	Yes	The estate's and mill's workers were still not unionised. However, they could channel their views or problems to the management via the Social and Welfare Committee, whose membership comprised the representatives from the workers and management. The Committee had continued to meet on regular basis (at least twice per year) to discuss issues of interest to the workers in the estates and mill. The minutes of the meetings were kept in proper files for records. Latest meeting was held on 25 June 2014. This was verified with the workers representative during the audit.
	6.6.2	A published statement in local languages recognizing freedom of association. <i>Minor</i>	Yes	A policy entitled " <i>Himbauan</i> " was publicized as notices in Bahasa Melayu on freedom of workers to join union, which was made available publicly in all the estates and mill. This policy allows workers to join any registered organizations or associations. However, foreign workers were still not being allowed to hold any positions in the organizations or associations.

<p>C 6.7 Children are not employed or exploited. Work by children is acceptable on family farms, under adult supervision, and when not interfering with education programmes. Children are not exposed to hazardous working conditions.</p>	6.7.1	<p>Documented evidence that minimum age requirement is met. <i>Major</i></p>	Yes	<p>The CU had continued to adhere to the child labour policy as espoused by the International Labour Convention, which state, among others, that those under 18 years must not be employed.</p> <p>The master lists of employees sighted in the Terusan estates and Terusan POM had shown that no worker below the age of 18 years had been recruited since the last surveillance audit. The youngest employee recruited by Terusan estates was 19 years old.</p>
<p>C 6.8 Any form of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age, is prohibited.</p>	6.8.1	<p>A publicly available equal opportunities policy. <i>Major</i></p>	Yes	<p>As reported in previous audit, an equal opportunity policy had been made publicly available in the estates and mill.</p>
	6.8.2	<p>Evidence that employees and groups including migrant workers have not been discriminated against. <i>Minor</i></p>	Yes	<p>There was no evidence on employee discrimination. The terms of employment, work assignments, housing policy, medical and childcare facilities had not been found to be discriminatory. Interviews with workers also revealed that the CU had not discriminated its staffs and workers. Foreign workers received similar pay, stayed in the same housing complex and enjoyed similar medical benefits as their local counterparts.</p>
<p>C 6.9 A policy to prevent sexual harassment and all other forms of violence against women and to protect their reproductive rights is developed and applied.</p>	6.9.1	<p>A policy on sexual harassment and violence and records of implementation. <i>Major</i></p>	Yes	<p>Terusan CU had continued to adhere to the established policy on sexual harassment in the estates and mill. In addition, the manual entitled "<i>Sexual Harassment in the Workplace</i>" was still being kept in all the estates and mill. The Women and Children Welfare Committee (Jawatankuasa Kebajikan Wanita dan Kanak-Kanak) (JKWK) had continued to handle issues on sexual harassment related to women and children.</p>
	6.9.2	<p>A specific grievance mechanism is established. <i>Major</i></p>	Yes	<p>As mentioned above, the grievance procedure had been established. However, it had not been put to test because there has been no incidence on sexual harassment in the CU.</p>
<p>C 6.10 Growers and mills deal fairly and transparently with smallholders and other</p>	6.10.1	<p>Pricing mechanisms for FFB and inputs/services shall be documented. <i>Major</i></p>	Yes	<p>Based on interviews held with FFB suppliers and contractors of goods and services who had been doing business with the CU for many years, the CU had continued to be fair and transparent in</p>

local businesses.				doing business with them.
	6.10.2	Current and past prices paid for FFB shall be publicly available. <i>Minor</i>	Yes	Terusan POM had continued to display on the notice board at the weighbridge the past prices (January to July 2014) of FFB.
	6.10.3	Evidence that all parties understand the contractual agreements they enter into, and that contracts are fair, legal and transparent. <i>Minor</i>	Yes	A few business contracts signed by the mill and the contractors were verified and it was observed that both parties had understood the contractual agreements.
	6.10.4	Agreed payments shall be made in a timely manner. <i>Minor</i>	Yes	The FFB suppliers and contractors/suppliers interviewed had praised the CU for being very prompt with its payment. According to them, payments would usually be made between three to four weeks after delivery of FFB or services. The FFB crop advice had shown that payment was made within a month following the delivery of FFBs.
C 6.11 Growers and millers contribute to local sustainable development wherever appropriate.	6.11.1	Demonstrable contributions to local development that are based on the results of consultation with local communities. <i>Minor</i>	Yes	<p>The Terusan CU had continued to contribute to local development in several ways. Foremost, due to its close proximity, the mill had been the focal point for the local communities to sell their FFB. The estates and mill had also been one of the major sources of employment for the local villagers. During consultation with the community leaders of Kg Lidung and villagers of Kg Bakong-Bakong, it was found that more than 200 people from these villages were working with Terusan estates. The economic well-being of the local communities was still very dependent on the mill and the estates.</p> <p>The estates' roads were still the major means of communications between the interior kampongs and the surrounding areas, particularly the urban centers. The CU had also assisted in the maintenance and upkeep of roads in the villages by providing machinery and materials. During the site visit to Kg Gana Jati, it was found that the road was repaired as a follow up action taken after a stakeholder consultation process.</p> <p>The CU had also made contributions based on official request from the school and district offices for various events and activities including sports, academic excellent award and "Keamatan"</p>



				events.
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**Principle 7: RESPONSIBLE DEVELOPMENT OF NEW PLANTINGS**

It was observed that the Terusan CU had not done any new planting during this surveillance audit. Thus, Principle 7 was not applicable.

**Principle 8: COMMITMENT TO CONTINUOUS IMPROVEMENT IN KEY AREAS OF ACTIVITY**

Clause	Indicators		Comply Yes/No	Findings
C 8.1 Growers and millers regularly monitor and review their activities and develop and implement action plans that allow demonstrable continuous improvement in key operations.	8.1.1	Minimise use of certain pesticides (C4.6). <i>Major</i>	Yes	The estates had continued to be committed to minimise the use of pesticides by planting beneficial plants and reducing spraying in the inter rows by slashing woody growths and encouraging the growth of soft weeds and <i>Neproliepis biserrata</i> .
	8.1.2	Environmental impacts (C5.1). <i>Major</i>	Yes	Terusan CU had continued its commitment on continuous improvement of their operations. Actions as specified in the Continuous Improvement Plan and Pollution Prevention Action concerning environmental management had continued to be implemented.
	8.1.3	Maximizing recycling and minimizing waste or by-products generation. <i>Major</i>	Yes	It was observed that the CU had successfully implemented program for re-use of used tires. The used tires were re-used as landscape decoration, which had not only reduced waste, turned the line site to a beautiful landscape, but more important able to promote positive employee participation and creativity towards more 3R program.  EFB had continued to be used as fertilizer in the field. Fibre and shell had continued to be used as boiler fuel. Programmes on recycling and minimizing wastes had continued to be implemented. Recycling bins and proper management of schedules wastes had also been continued. Recycling bins for organic and non-organic wastes were still being provided to all the offices, line sites as well as landfill sites. Recyclable items had continued to be collected and disposed off to registered contractor.
	8.1.4	Pollution prevention plans	Yes	The Pollution Prevention Plan had continued to be implemented.

		(C5.6). <i>Major</i>		<p>Regulated sources of pollution, such as effluent, black smoke and scheduled wastes were still being controlled and monitored to comply with the legal requirements. Mill biodegradable wastes had continued to be recycled while non-biodegradable wastes were landfilled. Pond, sumps and oil traps were constructed and being maintained to prevent discharge of contaminated water.</p> <p>Bund had been constructed in chemicals and oil storage areas. Oil traps had been constructed at all workshops to contain any leakage / spillage of waste oils into the environment.</p>
	8.1.5	Social impacts (C6.1). <i>Major</i>	Yes	The Social Management Plan and Community Development Plan had continued to be implemented. It was observed that the CU had continued to build new houses in phases for the mill's employees, improved on the housing landscape using used tires. It was also observed that the CU had allocated a capital expenditure budget to build 4 new H-Type houses, new playground for Humana, computer room and library as continuous improvement on its social commitment.
	8.1.6	A mechanism to capture the performance and expenditure in social and environmental aspects. <i>Minor</i>	Yes	The CU had continued to maintain the same mechanism to capture the performance in social and environmental aspects. Based on the relevant records of stakeholders' inputs, environmental monitoring as well as annual budget and actual expenditure the CU had demonstrated that it had made continuous improvement in social and environmental performances.

**RSPO Supply Chain at the palm oil mill – Mass Balance Model –Module E**

Item No	Requirement	Findings
<b>E.1</b>	<b>Documented procedures</b>	
E.1.1	The facility shall have written procedures and/or work instructions to ensure the implementation of all the elements specified in these requirements. This shall include at minimum the following: a) Complete and up to date procedures covering the implementation of all the elements in these requirements b) The name of the person having overall responsibility for and authority over the implementation of these requirements and	<p><b><u>E.1.1.a</u></b> TPOM had continued to implement the MB model for its supply chain system. TPOM's main supply of RSPO-certified sustainable FFB was still from its own estates, i.e. Terusan 1, Terusan 2 and Rumidi Estates. Since the last audit, there have been no significant changes concerning procedures and key personnel performing activities related to the company's supply chain system. Thus, the established documented procedures on the supply chain system had remained the same.</p>

E.1.2	<p>compliance with all applicable requirements. This person shall be able to demonstrate awareness of the facilities procedures for the implementation of this standard.</p> <p>The facility shall have documented procedures for receiving and processing certified and non-certified FFBs.</p>	<p><b><u>E.1.1.b</u></b> Mr. Mustapha Habe had remained as the person responsible for ensuring the implementation and maintenance of the supply chain system as required under the RSPO Supply Chain Certification Standard. Ms. Umah Sarigoh, the Administration Officer has continued to be the critical support personnel in terms of system documentation and record keeping.</p> <p><b><u>E.1.2</u></b> The procedure for receiving and processing certified and non-certified had remained as per the established documented procedures on the supply chain system.</p>
E.2	<p><b>Purchasing and goods in</b></p> <p>E.2.1 The facility shall verify and document the volumes of certified and non-certified FFBs received.</p> <p>E.2.2 The facility shall inform the CB immediately if there is a projected overproduction.</p>	<p><b><u>E.2.1</u></b> All certified FFB came from Terusan CU's estates and non-certified FFB come from independent FFB suppliers. All delivery documents of certified FFB were verified to ensure the certified status of the FFB. Volumes of certified and non-certified FFBs received by the mill had been properly recorded and monitored.</p> <p><b><u>E.2.2</u></b> A projected input and production of FFB, CPO and CPK were presented. The actual input and production of FFB, CPO and CSPK for 2013 and Jan - July 2014, as well as the projection for the whole 2014 were also presented.</p> <p>In 2014, it was found that there were FFBs from other certified CU within the PPB Group being diverted to the Terusan POM. This had resulted in overproduction of CSPK. The projected and actual production of CSPK for the period from January - July 2014 was 3,836 MT and 3,967.058 MT respectively. However, it was found that the CB had not been informed of this overproduction of CSPK. <b>Thus, a major NCR HO-2014-04 was raised.</b></p>
E.3	<p><b>Record keeping</b></p> <p>E.3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements.</p> <p>E.3.2 Retention times for all records and reports shall be at least five (5) years.</p> <p>E.3.3 a) The facility shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, PKO and palm kernel meal on a three-monthly basis.</p>	<p><b><u>E.3.1</u></b> TPOM had continued to maintain an up-to-date records and made them accessible. Documents sighted during the audit were:</p> <ul style="list-style-type: none"> <li>• Training records.</li> <li>• Dispatch note and weighbridge on Incoming FFB.</li> <li>• Outgoing of CPO and CSPK records.</li> <li>• Production records.</li> </ul> <p><b><u>E.3.2</u></b> There was no change with regards to the retention time of record whereby all record</p>

<p>E.3.4</p> <p>E.3.5</p>	<p>b) All volumes of palm oil and palm kernel oil that are delivered are deducted from the material accounting system according to conversion ratios stated by RSPO.</p> <p>c) The facility can only deliver Mass Balance sales from a positive stock. However, a facility is allowed to sell short.</p> <p>The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. *product name*/MB or Mass Balance. The supply chain model used should be clearly indicated.</p> <p>In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that the crush is covered through a signed and enforceable agreement.</p>	<p>and report regarding RSPO SCCS would continue to be kept for at least 5 years.</p> <p><b>E.3.3</b> TPOM had continued to prepare a “Quarterly Report of Incoming Sustainable Raw Material” to monitor incoming certified and non-certified FFB, CPO and CPK.</p> <p>There was no sale of RSPO certified palm oil product except for palm kernel which was delivered from a positive stock. The monitoring report was sighted and it was found that the deduction on the quantity of palm kernel in the accounting system had been done accurately.</p> <p><b>E.3.4</b> Product names and model used were observed to have been clearly stated on the relevant documents such as sales contract, delivery order and weighbridge ticket.</p> <p><b>E.3.5</b> Not applicable. No outsource activity for kernel processing.</p>
<p><b>E.4</b></p> <p>E.4.1</p>	<p><b>Sales and good out</b></p> <p>The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information:</p> <p>a) The name and address of the buyer;  b) The date on which the invoice was issued;  c) A description of the product, including the applicable supply chain model (Segregated or Mass Balance)  d) The quantity of the products delivered;  e) Reference to related transport documentation.</p>	<p>There was no sale of CPO as RSPO-certified product. The produced certified CPO was sold under other certification programme. The certified PK however was sold as RSPO-certified product.</p> <p>All sale activities were handled by sales office under the group (Wilmar), which is based in Singapore.</p> <p>Among the sale-related documents which had been verified were the following:</p> <p>(a) Sale Contract.  (b) Weighbridge Ticket  (c) Delivery Order  (d) Invoice</p> <p>Generally, the sales documents has included the following necessary information:</p> <ul style="list-style-type: none"> <li>• Name of buyer, i.e. only Sandakan Edible Oil Sdn. Bhd.</li> <li>• Address of buyer, i.e. Km 8, Jln Batu Sapi Karamunting, 90729 Sandakan.</li> <li>• Description of products, which was ‘CSPK/MB’ being stated in DO, W/bridge Ticket, and Invoice.</li> <li>• Quantity.</li> <li>• Reference to DO No. in Invoice.</li> <li>• Reference to Contract No. in Invoice.</li> <li>• Contract Date.</li> </ul>

		However, it was found that the sales invoice had made no reference to related transport documentation, e.g. Sale Invoices No. 7689100988 (July 2014). <b>Thus, a major NCR HO-2014-05 was raised.</b>
<b>E.5</b>	<b>Training</b>	
E.5.1	The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems.	There was no significant changes on personnel and procedure. TPOM had conducted refresher training for the relevant workers.
<b>E.6</b>	<b>Claims</b>	
E.6.1	The facility shall only make claims regarding the use of or support of RSPO certified oil palm products that are in compliance with the RSPO Rules for Communications and Claims.	The delivery or sale of RSPO certified MB PK had not been announced in the RSPO eTrace since at present the e-Trace does not require such an announcement be made for the sale of RSPO certified PK. Furthermore, TPOM has not made any claims using the RSPO trademark for the certified RSPO products it sold.

### 3.2 Identified Non-Conformities

Details of the non-conformities, corrective actions taken by Terusan CU and assessors' verification of the corrective actions taken are as in **Appendix 3**. All nonconformities have been closed out.

### 3.3 Status of Non-conformities Previously Identified

The effectiveness of the corrective actions taken by the CU to address the previous non-conformities had been verified by the assessors. The assessors were satisfied that the corrective actions have been adequate to address the non-conformities and had therefore closed them out. The details of the verified nonconformities are as in **Attachment 4**.

### 3.4 Issues Raised by Stakeholders

There were various stakeholders interviewed during this surveillance comprising the workers, surrounding villagers and contractors. Generally, all of the stakeholders had given positive feedbacks on the Terusan CU.

### 3.5 Noteworthy Positive and Negative Observations

The level of awareness among the workers on the implementation of activities related to the requirements of the RSPO P&C was found to have improved further. The CU had also continued to make further progress on their compliance against the requirements of the RSPO P&C. In terms of the social aspects, the new workers housing complex (type H) had just been completed with the other amenities such as a crèche and worship places for both Muslim and Christian workers.

## 4.0 CERTIFIED ORGANIZATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

### Formal Sign-off of Surveillance Assessment Findings

I, the undersigned, on behalf of **SIRIM QAS International Sdn. Bhd.** acknowledge and confirm the contents of the assessment report and findings of the assessment.

Name : Hazani Othman

Signature : 

Designation : Lead Assessor

Date : 17/09/2014

I, the undersigned, representing **Ribubonus Certification Unit** acknowledge and confirm the contents of the assessment report and findings of the assessment.

Name : Edrin Moss

Signature : 

Designation : Senior Manager - Sustainability

Date : 20/01/2015

Location Map of Terusan CU



<b>SURVEILLANCE ASSESSMENT PLAN</b>
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**1. Objectives**

The objectives of the assessment are as follows:

- (i) To determine Terusan Certification Unit's conformance against the RSPO Principles & Criteria (P&C) for Sustainable Palm Oil Production Malaysian National Interpretation (MY-NI): 2010 and RSPO Supply Chain Certification Standard, November 2011.
- (ii) To verify the effective implementation of corrective actions arising from the findings of last assessment.
- (iii) To make appropriate recommendations based on the assessment findings.

**2. Date of assessment** : **25<sup>th</sup> – 29<sup>th</sup> August 2014**

**3. Site of assessment** : PPB Oil Palms Berhad  
Terusan Certification Unit,  
KM 20, Jalan Nangoh,  
Off Jalan Sandakan-Telupid,  
Sandakan,  
Sabah

**4. Reference Standard**

- a. RSPO P&C MY-NI 2010
- b. RSPO Supply Chain Certification Standard (November 2011)
- c. Company's audit criteria including Company's Manual/Procedures

**5. \*Assessment Team**

- a. Lead Assessor : Hazani bin Othman
- b. Assessors : Khairul Najwan bin Ahmad Jahari  
: Mohd Hafiz bin Mat Hussain
- c. Observer : Valence Shem

*\*If there is any objection to the proposed audit team, the organization is required to inform the Lead Auditor/RSPO Section Manager.*

**6. Audit Method**

Site audits including observation of practices, interviews with interested parties (employees, nearby population, etc.), documentation evaluation and evaluation of records.

**7. Confidentiality Requirements**

SIRIM QAS International shall not disclose any information concerning the company regarding all matters arising or coming to its attention with the conduct of the programme, which is of confidential in nature other than information, which is in the public domain.

In the event that there be any legal requirements for disclosing any information concerning the organization, SIRIM QAS International shall inform the organization of the information to be disclosed.

**8. Working Language** : English and Bahasa Malaysia

**9. Reporting**

- a) Language : English
- b) Format : Verbal and written
- c) Expected date of issue : 60 days after the date of assessment
- d) Distribution list : client file

**10. Facilities Required**

- a) Room for discussion
- b) Relevant document and record
- c) Personnel protective equipment if required
- d) Photocopy facilities
- e) A guide for each group

**11. Assessment Programme Details** : As follows



## Assessment Program

Day 1: 25<sup>th</sup> August 2014 (Monday)

Activities / areas to be visited	Hazani	Hafiz & Valence	Najwan	Auditee
0800-0830	Opening Meeting, assessment team introduction and briefing on audit objectives, scope, methodology, criteria and programmes by Lead Assessor.			Top mgmt & Committee Member
0830-0900	Briefing on the organization background and implementation of RSPO (including action taken to address previous assessment findings, progress of time bound plan, and significant changes, no. Of employee usage of SIRIM / RSPO logo, if any.  <i>(Please provide map of CU, which indicates mill &amp; its supply base, conservation areas, and surrounding neighbor, e.g. other plantations, wetland, forest, kampong etc.)</i>			Management Representative
0900-1200	Assessment at <b>Terusan POM</b> relating to Time Bound, Energy, Fuels and Mill Water Management Plan and Supply Chain implementation, which include: <ul style="list-style-type: none"> <li>• General requirements</li> <li>• Documented procedures</li> <li>• Purchasing and goods in</li> <li>• Outsourcing activity</li> <li>• Sales and goods out</li> <li>• Processing</li> <li>• Records keeping</li> <li>• Registration</li> <li>• Training</li> <li>• Claims</li> <li>• Mass balance accounting</li> </ul>	Assessment at <b>Terusan POM</b> relating to occupational safety and health, which may include: <ul style="list-style-type: none"> <li>• Production lines</li> <li>• Utilities (e.g. engine room, boiler, WTP etc.)</li> <li>• Laboratory</li> <li>• Oils and Chemicals store</li> <li>• Workshop</li> <li>• Interviews with employee and safety and health committees</li> </ul> Assessment on related indicators of P1, P2, P4.	Assessment at <b>Terusan POM</b> relating to social issues, which may include: <ul style="list-style-type: none"> <li>• Interviews with Administration staff, Gender Committee, Union representatives (if any) and FFB transporters.</li> <li>• Discussion with management (CSR, community affairs)</li> <li>• Consultation with relevant government agencies, if applicable</li> <li>• Facilities at workplace (rest area etc)</li> <li>• Visit and interview at facilities at (living quarters, surau, etc., if any)</li> <li>• Interview with surrounding local community and contractors, if any.</li> </ul> Assessment on related indicators of P.1, P2, P6, P7, P8.	Guide/PIC
1200-1300	Lunch Break			
1300-1700	Continue assessment	Continue assessment	Continue assessment	Relevant PIC
1700-1730	Assessor team discussion and verification of related outstanding issues, if any.			

**Day 2: 26<sup>th</sup> August 2013 (Tuesday)**

Activities / areas to be visited	Hazani	Hafiz & Valence	Najwan	Auditee
0800-1200	<p>Assessment at <b>Rumidi Estate</b> relating to environmental issues, which may include review of field, documents and interview with relevant personnel, such as:</p> <ul style="list-style-type: none"> <li>• Water and effluent control</li> <li>• Scheduled wastes store</li> <li>• Domestic waste collection and disposal</li> <li>• 3R Program</li> <li>• Facilities (e.g. WTP, Engine room, Workshop, if any)</li> </ul> <p>Assessment on related indicators of P1, P2, P4, P5, P7, P8.</p>	<p>Assessment at <b>Terusan 2 Estate</b> relating to occupational safety and health, which may include review of relevant workplace, processes and interview with relevant personnel, such as:</p> <ul style="list-style-type: none"> <li>• Administration department</li> <li>• Facilities at workplace (rest area, etc)</li> <li>• Utilities (gen-set, boiler, etc.)</li> <li>• Production area</li> <li>• Chemical store and mixing areas</li> <li>• Workshop</li> <li>• Weeding / spraying / harvesting / other field maintenance activities)</li> <li>• Emergency preparedness &amp; response on site</li> <li>• Interviews with employee and safety and health committees</li> </ul> <p>Assessment on related indicators of P1, P2, P4</p>	<p>Assessment at <b>Terusan 1 Estate</b> relating to social issues, which may include review of relevant workplace, documents and interview with relevant personnel, such as:</p> <ul style="list-style-type: none"> <li>• Administration staff, Gender Committee, Union representatives (if any)</li> <li>• Estate management (CSR, community affairs)</li> <li>• Consultation with relevant government agencies, if applicable</li> <li>• Plantation boundary</li> <li>• Facilities at workplace (rest area, water and electricity supply etc)</li> <li>• Visit and interview at facilities at (living quarters, surau, provision shop, crèche, etc)</li> <li>• Interview with surrounding local community and contractors, if any.</li> </ul> <p>Assessment on related indicators of P.1, P2, P6, P7, P8.</p>	Guide/PIC
1200-1300	Lunch Break			
1300-1700	Continue assessment	Continue assessment	Continue assessment	Guide/PIC
1700-1730	Assessor team discussion and verification of outstanding issues, if any.			

**Day 3: 27<sup>th</sup> August 2013 (Wednesday)**

Activities / areas to be visited	Hazani	Hafiz & Valence	Najwan	Auditee
0800-1200	<p>Assessment at <b>Terusan 1 Estate</b> relating to environmental issues, which may include review of field, documents and interview with relevant personnel, such as:</p> <ul style="list-style-type: none"> <li>• Water and effluent control</li> <li>• Scheduled wastes store</li> <li>• Domestic waste collection and disposal</li> <li>• 3R Program</li> <li>• Facilities (e.g. WTP, Engine room, Workshop, if any)</li> </ul> <p>Assessment on related indicators of P1, P2, P4, P5, P7, P8.</p>	<p>Assessment at <b>Rumidi Estate</b> relating to Good Agricultural Practice, which may include review of field, documents and interview with relevant personnel, such as:</p> <ul style="list-style-type: none"> <li>• Protection areas (e.g. steep area, riparian zone)</li> <li>• Soil erosion management</li> <li>• Replanting area</li> <li>• Nursery (if any)</li> <li>• Weeding / spraying / harvesting / other field maintenance activities)</li> <li>• Field landfill, if any</li> <li>• EFB , POME application, if applicable</li> <li>• Road maintenance</li> <li>• IPM application, if any</li> <li>• Interviews with employee and contractors, if applicable</li> </ul> <p>Assessment on related indicators of P1, P3, P4, P5, P7, P8.</p>	<p>Assessment at <b>Terusan 2 Estate</b> relating to HCV, which may include review of field, documents and interview with relevant personnel, such as:</p> <ul style="list-style-type: none"> <li>• Conservation / protection / sensitive areas (e.g. HCVs, steep areas, riparian / buffer zone etc.)</li> <li>• Plantation boundary</li> <li>• Management plan</li> <li>• Consultation with relevant government and surrounding community, if applicable</li> </ul> <p>Assessment on related indicators of P4, P5, P7.</p>	Guide/PIC
1200-1300	Lunch Break			
1300-1700	Continue assessment	Continue assessment	Continue assessment	Guide/PIC
1700-1730	Assessor team discussion and verification of outstanding issues, if any.			

**Day 4: 28<sup>th</sup> August 2013 (Thursday)**

Activities / areas to be visited	Hazani	Hafiz & Valence	Najwan	Auditee
0830-1300	<p>Assessment at <b>Terusan POM</b> relating to time bound plan, Good Milling Practices, and environmental issues, which may include review of field, documents and interview with relevant personnel, such as:</p> <ul style="list-style-type: none"> <li>• Domestic and Scheduled waste collection and disposal</li> <li>• 3R Program</li> <li>• EFB area</li> <li>• ETP</li> <li>• Utilities (e.g. engine room, boiler, WTP etc.)</li> <li>• Workshop</li> </ul> <p>Assessment on related indicators of P1, P2, P4, P5, P7, P8.</p>	<p>Assessment at <b>Terusan 2 Estate</b> relating to Good Agricultural Practice, which may include review of field, documents and interview with relevant personnel, such as:</p> <ul style="list-style-type: none"> <li>• Protection areas (e.g. steep area, riparian zone)</li> <li>• Soil erosion management</li> <li>• Replanting area</li> <li>• Nursery (if any)</li> <li>• Weeding / spraying / harvesting / other field maintenance activities)</li> <li>• Field landfill, if any</li> <li>• EFB , POME application, if applicable</li> <li>• Road maintenance</li> <li>• IPM application, if any</li> <li>• Interviews with employee and contractors, if applicable</li> </ul> <p>Assessment on related indicators of P1, P3, P4, P5, P7, P8.</p>	<p>Assessment at <b>Rumidi Estate</b> relating to HCV, which may include review of field, documents and interview with relevant personnel, such as:</p> <ul style="list-style-type: none"> <li>• Conservation / protection / sensitive areas (e.g. HCVs, steep areas, riparian / buffer zone etc.)</li> <li>• Plantation boundary</li> <li>• Management plan</li> <li>• Consultation with relevant government and surrounding community, if applicable</li> </ul> <p>Assessment on related indicators of P4, P5, P7.</p>	Guide/PIC
1300-1400	Lunch Break			
1400-1600	Continue assessment	Continue assessment	Continue assessment	Guide/PIC
1700-1730	Assessor team discussion and verification of outstanding issues, if any.			

**Day 5: 29<sup>th</sup> August 2014 (Friday)**

Activities / areas to be visited	Hazani	Hafiz & Valence	Najwan	Auditee
0800-1145	Continue assessment with unfinished requirements, and verification of related outstanding issues, if any.	Continue assessment with unfinished requirements, and verification of related outstanding issues, if any.	Continue assessment with unfinished requirements, and verification of related outstanding issues, if any.	Guide/PIC
1145-1345	Lunch Break and Friday Prayer			
1345-1530	Assessor team discussion, concluding and preparation for verbal reporting of assessment findings, and writing and issuance of NCR (if any)			
1530-1700	Closing Meeting			Top mgmt & Committee Member

Details of Non-Conformities Raised and Corrective Actions Taken

P & C / SC Indicator	Specification Major/Minor	Detail Non-conformances	Corrective Action Taken by the CU	Verification by Assessors
2.1.2	Minor	Terusan Palm Oil Mill, Rumidi and Terusan 1 Estates had yet to include in the register the conditions as stated in the written approval for their generator sets.	<p>a) The condition of the genset written approval will be registered in the legal register and to be audited once a year. Completion Date – October 2014.</p> <p>b) A training and meeting was conducted on the 21 October 2014. This training and meeting explained and disseminated the requirement of all written approval need to be observed and complied with.</p>	<p>The training and meeting records had been verified.</p> <p>The completion of updating the register and effectiveness of implementation shall be verified in the next audit.</p>
4.1.2	Minor	<p>There were a few monitoring results which have yet to be made available such as the following.</p> <p>(a) Periodic sewage analysis monitoring results for Rumidi and Terusan 1 estates.</p> <p>(b) Periodic boundary noise monitoring results for Rumidi and Terusan 1 estates.</p> <p>(c) Result of black smoke monitoring at Terusan Palm Oil Mill, Rumidi and Terusan 1 Estates.</p> <p>(d) Result of final effluent flow meter calibration for Terusan Palm Oil Mill.</p>	<p>a) Monitoring on noise, sewage and black smoke would be conducted by competent person. Date of completion would be by December 2014.</p> <p>b) The flow meter would be calibrated. Completion date December 2014.</p> <p>c) A training and meeting was conducted on the 21 October 2014. This is to ensure the operating unit understand and vigilant in complying with all the legal and other requirements.</p>	<p>The training and meeting records had been verified.</p> <p>The completion of actions taken, results and effectiveness shall be verified in the next audit.</p>
5.3.2	Minor	<p>It was observed that there were lapses on the implementation of the following activities:</p> <p>a) labelling, recording and storing of scheduled wastes had not been consistently done at the Rumidi and</p>	<p>a) The ES&amp;H will be sending a Competent Person for training on handling of schedule waste. Date of training – by November 2014.</p> <p>b) EFB contractor to transport all the EFB from the mill. Date of completion – On-going process.</p>	<p>The training and meeting records had been verified.</p> <p>The completion of actions taken and effectiveness shall be verified in the next audit.</p>

		<p>Terusan 1 Estates; and</p> <p>b) EFB had not been properly piled up and had fallen into the drain at the Terusan POM.</p>	<p>c) A meeting and training was conducted on the 21 October 2014 both for Terusan Estate and Mill. The meeting and training had discussed on the EFB disposal &amp; schedule waste compliance requirements.</p>	
E.2.2	Major	<p>The projected and actual production of CSPK as of July 2014 was 3,836 and 3,967.058 respectively. There was an overproduction of CSPK. However, the CB had not been informed of this overproduction.</p>	<p>a) A letter to inform on the overproduction against budget would be sent to the CB for verifications. Date of completions – October 2014.</p> <p>b) A training was conducted on 20<sup>th</sup> October 2014. This was to ensure that the person in-charge was aware of the new requirement of over production reporting.</p>	<p>The notification letter and training records had been verified.</p> <p>The effectiveness of actions taken shall be verified in the next audit.</p>
E.4.1.(e)	Major	<p>It was found that the sales invoice had made no reference to related transport documentation.</p>	<p>The D/N reference number would be captured in the sales invoice. Date of completion – immediate.</p>	<p>The actual implementation (recording system) shall be verified in the next audit.</p>

Details and Status of Previously Raised Non-Conformities

P & C Indicator	Specification Major/Minor	Detail Non-conformances	Corrective Actions Taken	Verification by Assessor
Indicator 2.1.1	Major	<p>Terusan mill and estates had yet to undertake the following:</p> <p>(a) Submit to the DoE the name and qualification of competent person as per requirement stated in the 'Jadual Pematuhan';</p> <p>(b) Submit for approval to the DOE as per requirement stated in the relevant regulation on the installation of generator sets;</p> <p>(c) Renewal of work permits which had expired in June 2013 for 12 foreign workers based on a random sampling made from the Master Employee List; and</p> <p>(d) Recruit competent persons to be in-charge of the 400kVA/320kW/430hp generator set at Terusan Mill; 200kVA/160kW/ 214hp at Terusan 1 and 150kVA/120kW/160hp at Terusan 2 Estate.</p> <ul style="list-style-type: none"> <li>- 1<sup>st</sup> Grade ICE driver for Terusan Mill</li> <li>- 2<sup>nd</sup> Grade ICE driver for Terusan 1 and Terusan 2 (Rumidi Div) Estate</li> </ul>	<p>a) Name and qualifications of the competent person has been submitted to the DoE;</p> <p>b) A contractor had been appointed by Terusan CU to obtain an approval from DoE for the installation of the diesel generator sets;</p> <p>c) Work permits (including for the 12 foreign workers) had been renewed; and</p> <p>d) Terusan CU has submitted an application to the DOSH for its candidates to sit for the ICE examination (Grade 1 and Grade 2). An advertisement had been made in the local newspapers (i.e. Daily Express) for ICE.</p>	<p>Relevant documents related to the actions taken in (a), (b), (c) and (d) were reviewed, accepted and verified by the assessment team.</p> <p>Status: This major NCR was closed out.</p>
Indicator 3.1.1	Major	<p>Terusan Mill, Terusan 1 and Terusan, 2 Estates had not prepared a 2 year budget projection. The budget projection was only for the year 2014.</p>	<p>Annual budget projection for 5 years had been prepared.</p>	<p>The annual budget projection for 5 years was reviewed, accepted and verified by the assessment team.</p> <p>Status: This major NCR was closed out.</p>



Indicator 3.1.2	Minor	Terusan 1 and Terusan 2 Estates did not have annual replanting program projected for a minimum of 5 years with yearly review	Annual replanting program for 5 years had been prepared.	The annual replanting program was reviewed, accepted and verified by the assessment team.  Status: This minor NCR was closed out.
Indicator 6.10.2	Minor	Terusan Palm Oil Mill (TPOM) had not displayed the past prices paid for FFB.	TPOM had displayed the past prices of FFBs at the office's notice board.	A photograph was submitted showing the past prices of FFB were being displayed.  Status: This minor NCR was closed out.