



**PUBLIC SUMMARY  
1<sup>ST</sup> RSPO SURVEILLANCE ASSESSMENT**

**AUDIT DATE : 5<sup>TH</sup> - 9<sup>TH</sup> NOVEMBER 2012**

**SIME DARBY PLANTATION SDN. BHD.  
CERTIFICATION UNIT(SOU 33) – DERAWAN**

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## SUMMARY REPORT

### 1.0 Scope of the Certification Assessment

#### 1.1 Introduction

This surveillance assessment public summary described one certification unit of Sime Darby Plantation Sdn. Bhd. (SDPSB) strategic operating unit (SOU) namely SOU 33 – Derawan. SOU Derawan was certified by other certification body (Control Union Certification) on 30th December 2011. This assessment is the first surveillance assessment after SDPSB decided to transfer the certification body to SIRIM QAS International Sdn. Bhd.

SOU is equivalent to a certification unit as defined in the RSPO Certification Systems Document. Each SOU consists of one mill and its supply bases. The supply bases are made up of estates owned by SDPSB and smallholders' plantations located near the oil mill.

This assessment covered a management unit and its supply bases as detailed in Table 1. The supply bases assessed were confined to estates owned by SDPSB. There are two main estates supplying to Derawan Palm Oil Mill (POM) i.e. Derawan Estate and Takau Estate.

The focus of the assessment team was to determine SOU Derawan conformance against the RSPO P&C MYNI as well as to verify the actions taken on the previous assessment findings.

Details of the SOUs are described in Table 1:

Table 1: Certification units covered in the assessment

No.	Certification Unit	Palm Oil Mill	FFB Supplying Estates owned by SDPSB
1.	SOU 33	Derawan Oil Mill	Derawan Estate and Takau Estate

#### 1.2 Location of Mills and Estates

SOU 33 is located in Bintulu District, Sarawak, Malaysia.

#### 1.4 Certification Details

The name of the certified Unit and its RSPO identification are as follows:

Parent company: Sime Darby Plantations Sdn. Bhd.

Certificate no: C819169CU-RSPO-01.2011

The date of certification was the date of the RSPO approval which was 30th December 2011.

The certification for SOU 33 – Derawan covers production from Derawan Oil Mill with FFB supplied by the following company owned estates: Derawan Estate and Takau Estate. Crop from third party is not accepted by Derawan Oil Mill.

## 1.8 Time Bound Plan for Other Management Units

Initially, there were a total of 65 certification units under Sime Darby Plantation Sdn. Bhd. located in Peninsular Malaysia, Sabah & Sarawak in Malaysia and in Kalimantan, Sumatera & Sulawesi in Indonesia. 42 units in Malaysia and 23 units in Indonesia. At the point of this surveillance assessment, there were 58 palm oil mills (58 SOUs) and a total of 230 oil palm estates. The variance was due to in Malaysia, 3 palm oil mills (Jeleta Bumi, Sungai Sama and Sungai Tawing) had been closed down and another 3 mills (Mostyn, Sepang and Bukit Talang) were assigned to receive crop solely from third parties. 1 mill (Tamiang) in Indonesia has ceased its operation.

Sime Darby Plantation Sdn. Bhd is committed to RSPO certification as announced in the earlier assessment. The certification assessments are being conducted as per their plan with the target for completion by December 2011. To date 39 of their SOUs in Malaysia and 16 SOUs in Indonesia are certified and the remaining 3 SOUs in Indonesia have undergone assessment and pending for certification approval.

## 2.0 Assessment Process

### 2.1 Certification Body

SIRIM QAS International Sdn. Bhd. 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. We have certified more than a hundred palm oil mills and several estates to ISO 14001 & OHSAS 18001.

SIRIM QAS International was approved as a RSPO certification body on 21st March 2008.

### 2.2 Qualification of Lead Assessor and Assessment Team

The assessment team consisted of four assessors. None of the assessor has involved any auditing stage at Derawan certification unit since this assessment was conducted on transfer of certification body basis. The details of the assessors and their qualification are detailed below:

Assessment Team	Role/Area of RSPO Requirement	Qualification and Experience
Valence Shem	Assessment Team Leader/ Good Agricultural Practices (GAP) and environmental issues	<ul style="list-style-type: none"><li>• Collected more than 300 Auditor days in auditing ISO 14001 and RSPO.</li><li>• Nine years' experience in Oil Palm Plantation management.</li></ul>

		<ul style="list-style-type: none"> <li>• Successfully completed IEMA accredited Lead Assessor training for ISO 14001: 2004.</li> <li>• B.Tech. (Hons) Industrial Technology</li> <li>• Successfully completed and passed the RSPO Lead Assessor Course – 2011.</li> </ul>
Mohamad Hidhir Zainal Abidin	Assessor / Occupational health & safety and environmental issues at mill and estates	<ul style="list-style-type: none"> <li>• 4 years' experience in palm oil milling</li> <li>• Collected 20 auditor days in auditing for RSPO.</li> <li>• Collected more than 50 auditing days for ISO14001 and ISO 9001.</li> <li>• Successfully completed IRCA/RABQSA accredited Lead Assessor training for ISO 9001, ISO14001 &amp; OHSAS 18001 in 2012.</li> <li>• B.Sc. (Hons) Chemical Engineering, UKM.</li> </ul>
Dr. Rusli Mohd.	Assessor / workers' & community issues and related legal issues	<ul style="list-style-type: none"> <li>• Collected more than 30 auditor days in auditing RSPO and 16 days of Forest Management Certification (FMC).</li> <li>• Reviewed about 5 or 6 FSC Forest Management certification reports.</li> <li>• Prepared Consultancy Reports on SIA for WWF, KPKKT and PESAMA.</li> <li>• Taught Industrial Relations and International Forestry.</li> <li>• Research on forest certification.</li> <li>• Ph.D. (Major: Forest Policy); Minor: Public Administration, North Carolina State Univ.</li> <li>• M. Phil. (Forest Policy) Univ. of Edinburgh</li> <li>• B.S.(For) UPM.</li> </ul>
Mahzan Munap	Assessor/ Occupational health & safety and related legal issues	<ul style="list-style-type: none"> <li>• Collected over 370 days of auditing experience in OHSAS 18001 and MS 1722 OHSMS (72 days for palm oil milling &amp; 8 days for oil palm plantation). and 9 days RSPO.</li> <li>• CIMAH Competent Person with Malaysian Department of Occupational Safety and Health (DOSH) since 1997.</li> <li>• Occupational Safety and Health Trainer at INSTEP Petronas.</li> <li>• Successfully completed RSPO Lead Assessor Course – 2008.</li> <li>• Successfully completed Lead Assessor Course for OHSAS 18001-2000.</li> <li>• Successfully completed IRCA accredited Lead Assessor training for ISO 9001-2006.</li> <li>• Successfully completed RABQSA/IRCA EMS Lead Assessor Course for ISO 14001 in 2008.</li> <li>• MBA, Ohio University.</li> </ul>

		<ul style="list-style-type: none"><li>• B.Sc. Petroleum Engineering, University of Missouri, USA.</li></ul>
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### **2.3 Assessment Methodology**

The Surveillance Assessment 2 was conducted on 5<sup>th</sup> to 9<sup>th</sup> November 2012. The main objectives of this assessment were to:

- a) determine conformance against the RSPO Principles & Criteria - MYNI and RSPO Supply Chain.
- b) verify the effective implementation of corrective actions arising from the findings of main assessment.
- c) make appropriate recommendations based on the current assessment findings.

Planning for the Surveillance 1 assessment was guided by the RSPO Certification Systems Document. The sampling formula of  $0.8 \sqrt{y}$ , where y is the number of estates in the SOU, was used. Nonetheless, all of the five estates and the mill (Derawan Palm Oil Mill) were visited and assessed, but the coverage of number of RSPO P&C indicators were selective for each estate.

The assessment was conducted by visiting the field, mill, HCV habitats, labour lines, chemical and waste storage areas and other workplaces. Interviews with management, employees, contractors and other relevant stakeholders were also conducted. Apart from the above, records as well as other related documentation were also evaluated. Details of the Surveillance 2 assessment programme are in Attachment 2.

The assessment non-conformity report was raised on site and all the major non-conformities have been closed-out based on the corrective action evidence submitted to the assessment team. Detail of the non-conformity report and corrective action are in Attachment 3.

### **2.4 Date of Next Surveillance Visit**

The next surveillance audit will be conducted within nine to twelve months from this audit.

## **3.0 Assessment Findings**

### **3.1 Summary of Findings**

The assessment was conducted as planned using the methodology described in Section 2.3. Findings against each of the RSPO MY-NI indicators are reported below. It was noted that SOU 33 was guided by their Estate/Mill Quality Management System documents for their operations. These documentation were inspired by the ISO 9001, ISO 14001 and OHSAS 18001 requirements.

A total of four major and one minor non-conformity reports against RSPO MYNI: 2008 requirements were raised as shown in Attachment 3. SOU 33 has taken necessary corrective actions in order to close all the major non-conformity raised. Apart from that, the assessors have also raised opportunities for improvement (OFI) as detailed in Attachment 5. The minor NCRs and OFIs will be verified in the next surveillance audit.

The previous year non-conformities have also been satisfactorily closed following verification of the implemented corrective actions. The assessment team examined all the action plans

and found them to be adequate. SDPSB showed their commitment to address the non-conformities by establishing action plans as detailed in Attachment 4.

## **PRINCIPLE 1: COMMITMENT TO TRANSPARENCY**

### **Criterion 1.1**

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

### **Indicator 1.1.1**

Records of requests and responses must be maintained.  
Major compliance

### **Guidance :**

Growers and millers should respond constructively and promptly to requests for information from stakeholders

## **Audit findings**

SOU 33 was still continuing to implement the procedure for responding to any communication as outlined in their Estate/Mill Quality Management System documents. The system required response to all communication within a certain timeframe. Action may then be taken to fulfil the request or for decision to be made by relevant person-in-charge. All communications were logged and registered. The records for all communication were identified and maintained in different files depending on the stakeholder. Each record stated the date of communication received, response and remarks whether requests have been addressed. Among the records inspected were correspondences with the authorities, local communities and employees. Even though SOU 33 did not have any HCV area, except buffer zones, they maintained the relevant stakeholder, e.g. SESCO (Sarawak Electric Company). In the assessment, there has been no major issue raised from the stakeholder that could affect the certification.

### **Criterion 1.2**

Management documents are publicly available, except where this is prevented by commercial confidentiality or where disclosure of information would result in negative environmental or social outcomes.

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)
- 1.2.2 Safety and health plan (C4.7)
- 1.2.3 Plans and impact assessments relating to environmental and social impacts (C 5.1, 6.1, 7.1, 7.3)
- 1.2.4 Pollution prevention plans (C 5.6)
- 1.2.5 Details of complaints and grievances (C 6.3)
- 1.2.6 Negotiation procedures (C 6.4)
- 1.2.7 Continuous improvement plan (C 8.1)

### **Guidance:**

Examples of commercially confidential information include financial data such as costs and income, and details relating to customers and/or suppliers. Data that affects personal privacy should also be confidential.

Examples of information where disclosure could result in potential negative environmental or social outcomes include information on sites of rare species where disclosure could increase the risk of hunting or capture for trade, or sacred sites, which a community wishes to maintain as private.

## **Audit findings**

There was no restriction noted as to the documents made available to the public except those prevented by commercial confidentiality or where disclosure of information would result in negative environmental or social outcomes.

SDPSB continued to use the internet for disseminating public information. Information relating to land titles, safety and health plans, pollution prevention plans and the procedure for

complaints and grievances were available through SDPSB website at <http://plantation.simedarby.com>.

Among the documents that were made available for viewing are:

- Good Agricultural Practices;
- Social enhancement;
- Sustainability initiatives;
- Sustainability Management Programmes, and;
- Complaint and grievances procedure.

These documents highlight current SDPSB practices and their continual improvement plans. Besides the above document SDPSB policy on the followings are also available at the same website:

- 1) Social;
- 2) Quality;
- 3) Food Safety;
- 4) Occupational Safety & Health;
- 5) Environment & Biodiversity;
- 6) Slope Protection and Buffer Zone;
- 7) Lean Six Sigma, and;
- 8) Gender.

In addition to the website, the policies were also displayed at various locations including the main notice boards of the estates, mill offices and muster ground notice boards for employees and visitors to view.

To the point of this assessment, SOU 33 has not received any request pertaining Criterion 1.2.

## **PRINCIPLE 2: COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS**

### **Criterion 2.1**

There is compliance with all applicable local, national and ratified international laws and regulations

#### **Indicator 2.1.1**

Evidence of compliance with legal requirement

Major compliance

#### **Indicator 2.1.2**

A documented system, which includes written information on legal requirements.

Minor compliance

#### **Indicator 2.1.3**

A mechanism for ensuring that they are implemented.

Minor compliance

#### **Indicator 2.1.4**

A system for tracking any changes in the law.

Minor compliance

## **Audit findings**

SOU 33 has established a documented system for identifying and tracking of legal requirements. The document also stated the need to monitor the status of legal compliance. At the estates and mill assessed, it was evident that SOU 33 has a documented system for identifying and updating the changes of legal requirements and to monitor the status of legal compliance. There is evidence of compliance to legal requirements, which has been evaluated



on an annual basis. The evidence of evaluation was documented in the register of applicable legal requirements. The date of evaluation of compliance varied within the SOU. For example, at Damai Estate, the legal register sighted was simultaneously reviewed with evaluation of legal compliance in July 2012.

As to date no change to SOU 33 activities and no new legal requirements associated to their operation. Among the identified legal requirements are Environmental Quality Act and Regulations, 1974, Factories and Machinery Act and Regulations, 1967, Occupational Safety and Health Act and Regulations, 1994 & Worker' Minimum Standards of Housing and Amenities Act, 1990 and Pesticide Act 1974. There were clear compliance with the law in all areas sampled except as raised in the Non-Conformity Report, MM 4 and MH 02.

Relevant licenses and permits such as MPOB license, Energy Commission and Domestic Trade Ministry for diesel and fertilizer storage were valid and displayed at the estate and mill offices. Monitoring activities were being conducted in accordance with the relevant procedures and requirements.

It was found that Derawan CU had on most instances fulfilled the legal requirement except for the following lapses and thus one Non-conformity report was raised for:

- A. Non-fulfillment of competent persons in accordance to:
  - 1. Section 6, Factories and Machinery (Person-In-Charge) Regulations 1970, wherein, no 1<sup>st</sup> Grade Internal Combustion Engine driver in charge of the Gensets at the mill during every shift and no 1<sup>st</sup> or 2<sup>nd</sup> Grade Internal Combustion Engine Driver in charge of the estate Gensets during operations of the Gensets. NCR MM1.
  - 2. Electricity Supply Act 1990 wherein the mill did not have B4 Electrical Chargeman as required under the as it is operating an 11kV overhead line to line site. NCR MM1.
- B. The mill did not have a Fire Certificate from BOMBA, a requirement under Section 28 of the Fire Services Act, 1988. NCR MM1.
- C. Some implementations in scheduled waste handling at Derawan POM, Derawan Estate & Takau Estate were found not in accordance with regulation. NCR VS 01.

As required by the Sarawak Labour Ordinance, CAP 76, the estates and mills do have written contracts, in the form of employment offer letters, covering the employment of foreign workers. However, it was found out that there were inconsistencies in completing the offer letters, (i.e. period of employment), and also discrepancies in the contents of the contract (i.e. maximum contract period and employment benefits). In Takau Estate, for example, the chief clerk understood that the period of employment refers to the first contract period the worker joined the estate i.e. during Astral management, and not the current period as it should be. In some offer letters, certain employment benefits have been deleted and while others remained intact.

It appears that there is an urgent need for the relevant parties to discuss and finalize the details before completing the form and streamline its contents.

**Criterion 2.2**

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

**Indicator 2.2.1**

Evidence of legal ownership of the land including history of land tenure.

Major compliance

**Indicator 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]  
Major compliance

**Indicator 2.2.3**

Evidence that boundary stones along the perimeter adjacent to state land and other reserves are being located and visibly maintained.

Minor compliance

Specific Guidance: Growers should attempt to comply with the above indicator within 15 months from date of announcement of first audit. Refer to State Land Office for examples of other reserves.

**Indicator 2.2.4**

Where there are, or have been, disputes, proof of resolution or progress towards resolution by conflict resolution processes acceptable to all parties are implemented. CF 2.3.3, 6.4.1 and 6.4.2.

Minor compliance

Guidance:

1. For any conflict or dispute over the land, the extent of the disputed area should be mapped out in a participatory way.
2. Where there is a conflict to the condition of land use as per land title, growers must show evidence that necessary action has been taken to resolve the conflict with the relevant authorities.
3. Ensure a mechanism to solve the dispute (Refer to C 6.3 and C6.4)
4. Evidence must be demonstrated that the dispute has been resolved.
5. All operations shall cease on land planted beyond the legal boundary.

**Audit findings**

There is no change of ownership for Sahua Estate, which is combined with Derawan, Takau and Damai Estate. Sahua Estate was under the district of Kemena Land. Copies of land titles for the estates were sighted and it was evident that the terms of land title were being complied with for the purpose of Oil Palm planting. The original ownership documents are kept at SDPSB's headquarters.

Based on document review, it was confirmed the terms of the land title for the estate has been continuously complied. In general, Sahua Estate in SOU 33 had taken continual improvement and follow-up for their land status.

SOU 33 also made aware of their boundary area. During the site review, all the boundary mark had visibly maintained for the estate. It was found the boundary mark along the perimeter adjacent with the Sg. Similajau buffer reserves are being located and visibly maintained. The figures below shows the SOU 33 was maintained the boundary mark.

The map was sighted to indicate the boundary stone available for Sahua Estate. Also noted that Sahua Estate had taken initiatives to relocate the unseen boundary stone and engaged Juru Ukur Permata Malaysia based on letter dated 6 March 2012 regarding the demarcation.

There is no any land dispute recorded for year 2012 for Sahua Estate. It was also noted in the minute of meeting with stakeholders, there are no issues raised.

**Criterion 2.3**

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

**Indicator 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.

Major compliance

**Indicator 2.3.2**

Map of appropriate scale showing extent of claims under dispute.

Major compliance

**Indicator 2.3.3**

Copies of negotiated agreements detailing process of consent (C2.2, 7.5 and 7.6).

Minor compliance

**Guidance:**

Where lands are encumbered by legal or customary rights, the grower must demonstrate that these rights are understood and are not being threatened or reduced. This criterion should be considered in conjunction with Criteria 6.4, 7.5 and 7.6.

Where customary rights areas are unclear these are best established through participatory mapping exercises involving affected and neighbouring communities.

This criterion allows for sales and negotiated agreements to compensate other users for lost benefits and/or relinquished rights. Negotiated agreements should be non-coercive and entered into voluntarily, carried out prior to new investments or operations and based on an open sharing of all relevant information in appropriate forms and languages, including assessments of impacts, proposed benefit sharing and legal arrangements.

Communities must be permitted to seek legal counsel if they so choose. Communities must be represented through institutions or representatives of their own choosing, operating transparently and in open communication with other community members.

Adequate time must be given for customary decision-making and iterative negotiations allowed for, where requested. Negotiated agreements should be binding on all parties and enforceable in the courts. Establishing certainty in land negotiations is of long-term benefit for all parties.

### **Audit findings**

Evidences of ownership (cross refer to section 2.2) are available and were sighted. It was also noted from records sighted, as well as through interviews with stakeholders, that there were no disputes on land rights within the area under management of SOU Derawan.

### **PRINCIPLE 3: COMMITMENT TO LONG-TERM ECONOMIC AND FINANCIAL VIABILITY**

**Criterion 3.1**

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

**Indicator 3.1.1**

Annual budget with a minimum 2 years of projection

Major compliance

**Specific Guidance:**

Annual budget may include FFB yield/ha, OER, CPO yield/ha and cost of production that is not required to be publicly available.

**Indicator 3.1.2**

Annual replanting programme projected for a minimum of 5 years with yearly review.

Minor compliance

### **Audit findings**

There was an annual budget for Financial Year 2012/13 for every estate of the CU and Rajawali POM. Financial year is from current year July to following year June. It included Capital and Operating Expenditures. The budget generally covers the provision of allocation for Mill and Estate operations (that is, FFB yield/ha, OER, CPO yield/ha and unit cost of production), and maintenance, Land & Infrastructure, Plant & Machineries, Housing, Buildings & Amenities, Office Equipment and upkeep. Most of the budget for the mill was on continual improvement programme on modification and machine upgrades as well as the budget for safety and environment. As for year 2012/2013 on the environmental element, allocation budget for de-sludging program for anaerobic and aerobic pond was sighted.

The replanting programme for the next ten years had been prepared as sighted in the 'Replanting programme 2011 to 2021. This programme is reviewed once a year and is

incorporated in their annual financial budget. The programme was being implemented as scheduled.

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

**Criterion 4.1**

Operating procedures are appropriately documented and consistently implemented and monitored.

**Indicator 4.1.1**

Documented Standard Operating Procedures (SOP) for estates and mills

Major compliance

**Indicator 4.1.2**

Records of monitoring and the actions taken are maintained and kept for a minimum of 12 months.

Minor compliance

#### **Audit findings**

SOU 33 has established and adopting the SOP to all estates and mills. These SOPs were also applicable to other Sime Darby CU in their daily operation. Estates operations were guided by Estate Quality Management System (EQMS) and compliments with technical guidelines in the Agricultural Reference Manual (Issues No 1, Year 2011, Version 3, dated 1 July 2011 was updated on 1<sup>st</sup> July 2011). Mill operations on the other hand, were established with SOP and manual and procedure associated with mill operation. Coverage of operation from incoming direct material (FFB), CPO and PK processing, boiler and power generation operation, effluent treatment, laboratory and analysis method, workshop and maintenance activities and chemical and waste handling procedures.

For activities related to environmental requirements, SOPs in the Sime Darby Plantation - Sustainable Plantation Management System are referred to.

It was also noted that relevant SOP were displayed at various workstation for easy reference, for example, at estate office notice board and mill workstation. Random interview with the mill operators showed that they understand the requirement stated in the SOPs. For example, it was observed that:

- a) ripeness standard and chemicals usage had been properly understood by the estate workers as evident during the random interviews with them.
- b) mill Operation Manual that included aspects related to oil palm processing, boiler operation, effluent treatment plant, products analysis, workshop activity and chemical and waste handling had been followed and those workers interviewed understood the importance of conforming to established procedures and the consequences of departure from specified procedures.

Records of monitoring and the actions taken by the estates and mill continued to be maintained and kept for a minimum of 12 months. Among the record sighted were station log sheets (Sterilizer, Press, Oil room and Kernel Plant), smoke emission from boiler (extracted from CEMS system), effluent treatment plant discharge record, and waste disposal record. All records were retained was made available during assessment.

**Criterion 4.2**

Practices maintain soil fertility at, or where possible improve soil fertility to, a level that ensures optimal and sustained yield. MY-NIWG recommends that the indicators in criterion 4.2 and 4.3 are linked

**Indicator 4.2.1**

Monitoring of fertilizer inputs through annual fertilizer recommendations.

Minor compliance

**Indicator 4.2.2**

Evidence of periodic tissue and soil sampling to monitor changes in nutrient status.  
Minor compliance

**Indicator 4.2.3**

Monitor the area on which EFB, POME and zero-burn replanting is applied.  
Minor compliance

**Audit findings**

SOU 33 continued to monitor their fertilizer inputs as recommended by Sime Darby's upstream research and development unit, which is located at Carey Island, Selangor. The recommendation was made on annual basis as sighted in the Agronomic & Fertilizers Recommendation Reports – Oil Palm 2012/2013.

Leaf (tissue) sampling was carried out and its result formed part of the basis for the fertilizers input recommendation. The quantity of fertilizer applied corresponded to the recommended input stated in Agronomic & Fertilizer Recommendation Report – Oil Palm. The soil analysis has also been incorporated in the agronomist report. All the relevant information was recorded in the Manuring Cost Book/Pesticides of the respective estate.

EFB mulching was recommended by the R&D unit at an application rate of 45 mt/Ha in selected fields and to be applied at the palm inter-rows. During the field visit, the assessor has noted that the estates have applied the EFB mulching as recommended and progress was adequately recorded.

There also has been no evidence of open burning in SOU 33 at the replanting areas as required in SDPSB policy.

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

**Indicator 4.3.1;** Documented evidence of practices minimizing soil erosion and degradation (including maps).  
Minor compliance

**Specific Guidance:** Replanting on sloping land must be in compliance with MSGAP Part 2: OP (4.4.2.2)

For Sarawak, steep slopes are considered high risk erosion areas and cannot undergo replanting unless specified in the EIA report and approved by the Natural Resources and Environment Board (NREB).

For Sabah, slopes 25 degree and steeper are considered high risk erosion areas and cannot undergo replanting unless specified in the EIA report [Environment Protection (Prescribed Activities)(Environment Impact Assessment) Order 2005] and approved by the Environmental Protection Department (EPD).

Slope determination methodology (slope analysis) should be based on average slope using topographic maps or topographical surveys.

**Indicator 4.3.2:** Avoid or minimize bare or exposed soil within estates.  
Minor compliance

**Specific Guidance:** Appropriate conservation practices should be adopted.

**Indicator 4.3.3:** Presence of road maintenance programme.  
Minor compliance

**Indicator 4.3.4 :** Subsidence of peat soils should be minimised through an effective and documented water management programme  
Minor compliance

**Specific Guidance:**

Maintaining water table at a mean of 60 cm (within a range of 50-75cm) below ground surface through a network of weirs, sandbags, etc. in fields and watergates at the discharge points of main drains.

**Indicator 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).

Minor compliance

**Guidance:**

Techniques that minimise soil erosion are well-known and should be adopted, wherever appropriate. These may include practices such as:

1. Expediting establishment of ground cover upon completion of land preparation for new replant.
2. Maximizing palm biomass retention/ recycling.
3. Maintaining good non-competitive ground covers in mature areas.
4. Encouraging the establishment/regeneration of non-competitive vegetation to avoid bare ground.
5. Construction of conservation terraces for slopes >15°
6. Advocating proper frond heap stacking such as contour/L-shaped stacking. For straight line planting and stacking along the terrace edges for terrace planting.
7. Appropriate road design and regular maintenance.
8. Diversion of water runoff from the field roads into terraces or silt pits.
9. Construction of stop bunds to retain water within the terrace.
10. Maintaining and restoring riparian areas in order to minimize erosion of stream and river banks.

**Audit findings**

SOU 33 is committed to minimize soil erosion. The topography for all the estates was generally undulating and hilly. During the site visit, soft vegetation such as ferns was maintained at those hilly areas. SOU 33 continued to practice only circle and path spraying for field maintenance in the mature areas as stipulated in their SOP. For replanting areas, the company continued to plant and maintain cover crops. Generation of non-competitive ground covers especially *Nephrolepis bisserata* and soft grasses have significantly minimized the occurrence of bare ground, soil erosion and surface runoff.

During the field visit, SOU 33 had satisfactory road condition and accessibility were made possible by regular maintenance guided by its road maintenance programmes which consist of road resurfacing, grading & compacting and culvert maintenance. The financial support for this operation could be seen in the annual budget. Records of this activity are adequately maintained.

Silt pits at estates visited were seen strategically located at some field to along the road to collect diverted road runoff to further minimize road rutting. In addition, these pits could also retain moisture to the oil palm fields.

**Criterion 4.4**

Practices maintain the quality and availability of surface and ground water.

**Indicator 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.

Major compliance

**Specific Guidance:**

Riparian buffer zones: Reference to be made to relevant national regulations or guidelines from state authorities e.g. Department of Irrigation and Drainage (DID), whichever is more stringent.

**Indicator 4.4.2**

No construction of bunds/weirs/dams across the main rivers or waterways passing through an estate.

Major compliance

**Indicator 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 5.1 and 8.1).

Major compliance

**Indicator 4.4.4**

Monitoring rainfall data for proper water management

Minor compliance

**Indicator 4.4.5**

Monitoring of water usage in mills (tonnage water use/tonne FFB processed).

Minor compliance

Specific Guidance:

Data trended where possible over 3 years to look into resource utilization

**Indicator 4.4.6**

Water drainage into protected areas is avoided wherever possible. Appropriate mitigating measures will be implemented following consultation with relevant stakeholders.

Minor compliance

**Indicator 4.4.7**

Evidence of water management plans.

Minor compliance

**Audit findings**

SOU Derawan continued to protect the watercourses and wetlands. This includes maintaining and restoring appropriate riparian buffer zones at or before replanting along all natural waterways within the estate.

During the site review at Saha Estate, it was seen the 20m buffer zone boundary with Sg Similajau were identified with signboard being erected along the river. The oil palm trees in the buffer zone being ring sprayed with red paint at the trunk to differentiate them with the other non-riparian zone oil palm trees. The boundary marker for buffer was sufficient and maintained. There were no traces of spraying or manuring in the buffer zone. This practice was in accordance with the riparian zone policies and HCV management plan guideline. Therefore, the Derawan CU had maintained the watercourses within the estate.

There were no constructions of bunds, weirs or dams across any waterways and rivers in any of the Saha Estate. The natural rivers flowing adjacent each estate was being monitored.

Incoming and outgoing water crossing the estates were consistently analyzed for its quality. The latest water sampling conducted in Saha Estate was on 17 April 2012. It was noted the results are within specifications against of SOP for water samples from streams/river Ver. 1, issue 1, dated 1<sup>st</sup> November 2008. Among the parameter of monitoring such as pH, BOD, COD, SS, AN, Phosphorus Nitrate N, total nitrogen, and oil, grease.

SOU 33 had also monitored the amount of water consumed by mill and its line sites. It was observed that the records of the mill and line sites water consumption (m<sup>3</sup> of water per ton of FFB) were being kept. Water usage plan for year 2012/2013 has been developed to reduce the usage of water by each contributing unit.

The data of rainfall and rain days have been well maintained over the past ten years. SOU 33 had developed water management plans. The plans consist of data on demand and supply of water for mills and line site consumption as well as for the estates/fields. Among items in the plans are:

- Action to reduce treated water usage at the mills,
- Intensification of coordination and communication activities to promote effective consumption goals,
- Details for investment on new infrastructure such as reservoir and HDPE tanks to facilitate rainwater harvesting,
- Contingency plan for water shortage.

**Criterion 4.5**

Pests, diseases, weeds and invasive introduced species are effectively managed using appropriate Integrated Pest Management (IPM) techniques.

**Indicator 4.5.1**

Documented IPM system.  
Minor compliance

**Indicator 4.5.2**

Monitoring extent of IPM implementation for major pests.  
Minor compliance

**Specific Guidance:**

Major pests include leaf eating caterpillars, rhinoceros beetle and rats.

**Indicator 4.5.3**

Recording areas where pesticides have been used.  
Minor compliance

**Indicator 4.5.4**

Monitoring of pesticide usage units per hectare or per ton crop e.g. total quantity of active ingredient (ai) used / tonne of oil.  
Minor compliance

**Audit findings**

SOU 33 maintained the documented IPM techniques as shown in SOP/Section B13/Pest & diseases and ARM/Section B15/Plant Protection. Usage of pesticides was justified and monitored. Information on the quantity of pesticides and areas applied were documented and used to monitor in relations to FFB produced or land area.

Beneficial plants from the three major species namely *Tunera subulata*, *Cassia cobanensis* and *Antigonon leptopus*. were continued to be planted in SOU 33 to maintain low population of leaf eating caterpillars, hence reduces the need to use chemical treatment. Census records confirmed that there has been no major outbreak of leaf eating pest.

Records showing the agrochemicals active ingredient (ai) used per hectare and per metric tonne basis were seen in SOU 33. Likewise, records of location where pesticides have been used were also available. All the records were current.

**Criterion 4.6**

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

**Indicator 4.6.1**

Written justification in Standard Operating Procedures (SOP) of all Agrochemicals use.  
Major compliance

**Indicator 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).  
Major compliance

**Specific Guidance:**

Reference shall also be made to CHRA (Chemical Health Risk Assessment)

**Indicator 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 149) and Regulations.  
Major compliance

**Specific guidance:**



Unless participating in established recycling programmes or with expressed permission from the authorities, triple rinsed containers shall be pierced to prevent misuse. Disposal or destruction of containers shall be in accordance with the Pesticide Act 1974 (Act 149) and Environmental Quality Act 1974 (Scheduled Wastes) Regulations 2005.

**Indicator 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.

Major compliance

**Indicator 4.6.5**

Annual medical surveillance as per CHRA for plantation pesticide operators.

Major compliance

**Indicator 4.6.6**

No work with pesticides for confirmed pregnant and breast-feeding women.

Major compliance

**Indicator 4.6.7**

Documentary evidence that use of chemicals categorised as World Health Organization Type 1A or 1B, or listed by the Stockholm or Rotterdam Conventions and paraquat, is reduced and/or eliminated. Adoption of suitable economic alternative to paraquat as suggested by the EB pending outcome of the RSPO study on IWM.

Minor compliance

**Indicator 4.6.8**

Documented justification of any aerial application of agrochemicals. No aerial spraying unless approved by relevant authorities.

Major compliance

**Indicator 4.6.9**

Evidence of chemical residues in CPO testing, as requested and conducted by the buyers.

Minor compliance

**Indicator 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.

Minor compliance

## **Audit findings**

SOU 33 continued to use the chemicals that are registered under the Pesticide Act 1974, Chemicals listed in the World Health Organization Type 1A or 1B or Stockholm or Rotterdam Convention.

Usage and method of agro-chemicals applications (pesticides and herbicides) were justified and stipulated in the ARM and SOP as well as in Safety Pictorial procedure. No illegal agrochemicals (stated by local and international laws) in particular paraquat were used or found in SOU 33. Paraquat was totally replaced by a systemic herbicide, glufosinate ammonium.

Records of agrochemicals use including active ingredients used, area treated, amount applied per ha and number of applications are maintained and kept up-to date.

Relevant information of the agrochemical used by estate workers, largely via morning muster and the use of Safety Pictorial poster, were conveyed and understood by all interviewed during the spraying activities and fertilizer application. It was also verified in the training records that training in chemical handling especially to the sprayers and the storekeeper, had been conducted with the aim of disseminating the correct information and ensuring understanding regarding the usage and hazards of the agrochemicals.

Chemical stores are at all times locked. The ventilation facility was found to be working well during the site visit. At the chemical stores, the safety and communication documentation include a chemical register, which indicates the purpose of chemical usage (intended target),

MSDS, hazards signage, trade and generic names.

Usage and storage of agrochemicals including pesticides are in accordance with Pesticide Act 1974, Occupational Safety & Health Act 1994 and USECHH Regulations 2000. Empty chemical containers are triple rinsed, pierced and stored for disposal in accordance to the legal requirements.

Updated records to show agrochemicals purchase, storage and consumption are available in SOU 33. In order to avoid human exposure to concentrates chemicals, pre-mixing was practiced. MSDS were adequate for each agrochemical at the estate stores.

Based on the recommendation of the generic CHRA, medical surveillance has been conducted for employees, such as estate sprayers and mill laboratory operators, whose jobs require them to be exposed to chemicals. Pregnant and breast-feeding women are strictly not allowed to work with pesticides.

Aerial application of agrochemicals is not practiced in this SOU.

As at to-date, no request from CPO buyer to test chemical residue in CPO. It was found that parameters for testing follow Palm Oil Refiners Association of Malaysia (PORAM) and Malayan Edible Oil Manufacturers Association (MEOMA) standard.

**Criterion 4.7**

An occupational health and safety plan is documented, effectively communicated and implemented

**Indicator 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).

Major compliance

The safety and health (OSH) plan shall cover the following:

- a. A safety and health policy, which is communicated and implemented.
- b. All operations have been risk assessed and documented.
- 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 C4.8)
  - ii. All precautions attached to products should be properly observed and applied to the workers.
- d. The appropriate personal protective equipment (PPE) are 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 and if used, burning.
- e. The responsible person (s) should be identified.
- f. There are records of regular meetings between the responsible person(s) and workers where concerns of workers about health and safety are discussed.
- g. Accident and emergency procedures should exist and instructions should be clearly understood by all workers.
- h. Workers trained in First Aid should be present in both field and mill operations.
- i. First Aid equipment should be available at worksites.

**Indicator 4.7.2**

Records should be kept of all accidents and periodically reviewed at quarterly intervals.

Major compliance

**Specific Guidance:**

Record of safety performance is monitored through Lost Time Accident (LTA) rate.

**Indicator 4.7.3**

Workers should be covered by accident insurance.

Major compliance

**Audit findings**

SOU Derawan continued to embrace the SDPSB's Occupational Safety And Health policy. The

policy had been communicated to all levels of the organization through briefings and being displayed prominently in Bahasa Malaysia and English on notice boards at mill and estate office and Muster Ground. Random interviewed with employees showed that they generally understood the basic requirements of the policy, i.e. to work safely, comply with legal requirements, and follow established procedures and instructions from superiors.

A safety management plan for each operating unit had been established. The OSH management plan sighted addressed issues related to hazards and risks, legal register and its requirements for compliance, OSH awareness and training programme, accident and emergency procedures, treatment of illness/injury during the job, use of PPE, OSH Committee meetings, etc. Generally, the OSH plans were acceptable. In deed, the CU made earnest attempt to comply with OSH Act 1994 and Factories and Machinery Act 1967, except those lapses as highlighted in NCR MM1 (Indicator 2.1.1) and NCR MM3 (Indicator 4.7.1).

Based on the risk assessment, SOU 33 had identified and reviewed significant hazards and risks and determined appropriate risk control measures. The hazard identification, risk assessment and risk control (HIRARC) records, as well as CHRA records were verified during the assessment. At the estates, among the HIRARC carried out covered activities like chemical mixing and spraying, chemical storage, harvesting and FFB collection, machine maintenance and working in confined space. At Damai estate the HIRARC Register was last reviewed on 21<sup>st</sup> June 2012. As for the mill, among the activities identified were FFB sterilization, kernel and oil extraction, oil clarification as well as maintenance activities.

Evidence of implementation on the control measures was observed during the field and mill assessments. For example, at the mill, machines which have moving parts had been well guarded, SOP for critical equipment operations (e.g. boiler, sterilizer, etc) clearly summarized and displayed, Local Exhaust Ventilation (LEV) installed at laboratory, Permit To Work enforced, and fire fighting facilities installed at strategic locations. In the estate, it was noted that eye wash and shower room were made available at chemical mixing area.

An OFI had been assigned to SOU 33 as Derawan estate had yet to update its chemical register for using new chemical, for example, EBOR rat bait, etc.

Pesticides selected for use by the mill and estates were all Class II, III and IV chemicals registered under the Pesticides Act 1974 and they were stored in accordance to the Pesticides Act 1974 and OSHA 1994.

Field inspection and observation of spraying tasks confirmed chemicals being applied were in accordance with the product safety precautions. MSDS were made available at point of use – for example, at mill's water treatment plant, boiler chemical dosing area and chemical mixing area and at the chemical store of each estate.

The chemical store was observed locked at all times, chemicals labelled, store ventilated, PPE and warning signages posted and fire extinguisher provided outside store, and MSDS and SOP made readily available at store .

Chemical hazards communication had been given through awareness and training programme to all workers involved in handling chemicals. The objective was to ensure all workers involved have been adequately trained in understanding MSDS, safe working practices and the correct use of PPE. Those trained included sprayers, manure spreaders, laboratory personnel, boilerman and store clerk.

PPEs that had been commonly used by workers include safety boots, helmets, goggles, ear plugs, rubber and cotton gloves, aprons and breathing masks. Records of PPE issuance were maintained and were presented to assessor during the assessment. They were acceptable.

During the site tour, it was observed that signage (to remind workers to wear appropriate PPE) was posted at the appropriate places. Workers interviewed understood the reasons and importance why they were required to wear the PPE.

The person(s) responsible for OSH at the POM and estate had been identified and made known. They are respectively Mill and Estate Manager. OSH responsibilities were also shared with the Safety Committee and workers can channel any OSH issues of concerns through their Workers Representative or directly to management. To structurally share the OSH responsibility, sub-committee such as Training Committee and Accident Investigation Committee could be established in addition the existing Workplace Inspection Committee. An OFI was issued with regard to this. In addition, another OFI was issued to Derawan estate for not clearly recording and implementing workplace inspection program.

Interviews with members of the Safety Committee and review of records confirmed that the scheduled 3-monthly OHS Committee meeting had been carried out reasonably on schedule by the POM and estates. The minutes of meeting were sighted (kept at site at least for a year) and distributed to Responsible Party to carry out actions as a result of these meetings, and, corrective actions completed within the given timeline. Tool-box meeting had also being held to disseminate current or topical OHS information or to reinforce safety, like the use of PPE and the correct work methods as per SOP, Work Instruction and Pictorial Safety Standard.

Each operating unit of SOU 33 has its own Emergency Response Team. They comprised of First Aiders, Fire Fighters and Search and Rescue Team. It also had basic emergency kit that include stretcher, First Aid box, emergency eye wash and shower station. Accident and emergency procedures exist. Information to response to emergencies had been disseminated. This included emergency contact number, site plan showing evacuation route to assembly point and location of firefighting equipment and action to be taken during emergency by staff and contractors. Instructions to respond to accident and emergency situations were tested and it was found to be clearly understood by all workers interviewed both at the mill and field.

Derawan POM had conducted its last fire and evacuation drill on 11<sup>th</sup> August 2012. Emergency Response Organization chart and post-mortem report following drill was sighted. For enhancement, OFI had been raised to SOU 33 to consider an Event Recorder as member of the Emergency Response Team as well as to conduct a night emergency drill in view that the POM currently operate round the clock.

Medical clinics continued to be made available at the estates assessed. They were staffed by trained Estate Hospital Assistants (EHA) and on call 24 hours a day. The clinics were monthly checked by the VMO to ensure they were hygienic and sharps and medical waste handled correctly.

On-going monthly health surveillance of workers had been conducted by the Estate Health Assistant to ensure they are healthy and fit to work. Recommendation of personnel for medical surveillance at most significant working activities like pesticides sprayers, fertilizer applicators, and mill operators had been verified and results of examination showed that personnel exposure to chemicals were below permissible limit.

Although audiogram had been conducted for mill personnel, an OFI had been assigned as retest follow-up for those with Standard Threshold Shift had yet to be expedited. It was nearing the 90-day permissible time limit per Factories and Machinery (Noise Exposure) Regulation 1989 from the last test.

The issuance of PTW (permit to work) for the all the hazards area such as confined space and other contractor's job in the premises was sighted during the audit. An OFI had been given for:

- a. Work Permit for Confined Space Entry to be issued daily instead of for the duration of work and the monitoring of gases in the confine space atmosphere to be monitored frequently, daily.
- b. renewal of Authorized Gas Tester to be expedited as the mill currently did not have one with valid certificate.

First aid boxes had been positioned at several strategic locations at the mill and provided to each of the Field Supervisors except at Block 20, Damai estate during manuring activity. An NCR MM3 had been allocated to this slip. Workers trained in First Aid were present in both field and mill operation. The Field Supervisors tested were conversant with the first aid practices for minor injuries. Interviews with First Aiders at the field and mill showed that they were aware of their duties and responsibility.

The first aid boxes were inspected. Most first aid kit inspected need replenishment and their contents checked as some items were found missing. An OFI had been raised for inadequate medical supplies.

On-going monitoring of OSH performance was visible. They were monitored through Lost Time Accident (LTA). Accident scoreboard was prominently displayed in front of the mill and estates office. They were updated regularly to show the current OSH performance status.

Records of all accident according to the categories of workers were kept and orderly maintained in the estate clinic and offices of the estate. Accident cases were reviewed at quarterly Safety & Health Committee meeting. An OFI had been issued as investigation of accident for LTI less than 4 days was not consistently implemented and discussed in the Safety and Health Committee meeting at Derawan Estate.

Accident cases as well as the returning of annual accident statistics via form JKPP 8 have been reported/submitted promptly to DOSH by the Safety Officer. It was in accordance with the Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Poisoning (NADOPOD) Regulations, 2006.

SOU 33 had continued to provide a group insurance for all workers as required under the Workmen Compensation Act 1992. The underwriter is RHB Insurance. Sighting of records and cross check with workers showed that they were covered with insurance policy and valid until May 2013.

**Criteria 4.8**

All staff, workers, smallholders and contractors are appropriately trained.

**Indicator 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.

Major compliance

**Audit findings**

Training needs on RSPO P&C related elements been conducted. The training needs had been identified jointly by the Mill or Estate Manager in conjunction with the Safety and Health Officer. The training programme for 2012/2013 for both estates and mill were made available and the focus was mainly on safety and standard operating procedures. Budget had been allocated to conduct training related to environment, social, safety and good agricultural practice. Among the training programmes that had been conducted was SOP for Agrochemical spraying, Harvesting, Manuring, PPE, First Aid (given by Red Crescent Bintulu On 23-25/2/12). Training attendance list was available and well maintained.

It was observed that all training records had been properly filed. The records include information on the title of the training, name and signature of the attendees, name of the trainer, time and venue. Based on interviews held with workers from the mill as well as those at estate it was evident that their understanding and implementation of the following issues need to be further improved:

- Legal and other requirement
- Environmental aspect and impact
- HIRARC
- Schedule Waste Management from identification to disposal (NCR MH 1)
- First Aid Training (PIC for field work/staff)
- biodiversity conservation and management
- awareness on the HCV monitoring

Contractors had also been briefed on safety, RSPO and OSH requirements upon commencement of work.

## **PRINCIPLE 5: ENVIRONMENTAL RESPONSIBILITY AND CONSERVATION OF NATURAL RESOURCES AND BIODIVERSITY**

### **Criterion 5.1**

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

#### **Indicator 5.1.1**

Documented aspects and impacts risk assessment that is periodically reviewed and updated.

Major compliance

#### **Indicator 5.1.2**

Environmental improvement plan to mitigate the negative impacts and promote the positive ones, is developed, implemented and monitored.

Minor compliance

## **Audit findings**

SOU 33 had established its environmental aspects/impacts register associated with their activities. Environmental aspect and impact, which covers from upstream activities such as FFB reception until downstream processes was sighted during assessment. Identification and evaluation of environmental impact was done for all activities and processes related to the mill operation. Among the most significant environmental receptors are the boiler stack emission, which associated with air emission, palm oil mill effluent (POME) discharge (water) and land contamination which related to managing the schedule waste and also general waste.

Assessment team has confirmed there was no change to SOU 33 operations, therefore environment aspects and impact register still found valid and appropriate. Mitigation measures for environmental improvement plan or known as Environmental Management Programmes (EMP) were then established. It is based on the identified significant environmental aspects that can be improved within the SOUs capabilities.

Interview with the PIC for reviewing and updating the aspect and impact assessment revealed that further enhancement is still needed especially in understanding the environmental risk assessment method.

**Criterion 5.2**

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.

**Indicator 5.2.1**

Identification and assessment of HCV habitats and protected areas within landholdings; and attempt assessments of HCV habitats and protected areas surrounding landholdings.

Major compliance

**Indicator 5.2.2**

Management plan for HCV habitats (including ERTs) and their conservation.

Major compliance

**Indicator 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.

Minor compliance

**Audit findings**

The report of “The Biodiversity Baseline Assessment Report, Sime Darby Plantation for SOU 33 (Sarawak Region)” was prepared by PS-RSPO Unit, TQEM Department dated June 2009. The assessment had covered all the High Conservation Value area (HCV) within and adjacent to their estates. The HCV assessment had identified on the rare, threatened and endangered species (ERTs) for estate named Saha, Takau, Damai and Derawan. The audit was sampled at Saha Estate only.

The management plan and action plan has developed based on the assessment finding and consultation with related stakeholders. The action plan contained of information represented in tabular format with general descriptions of HCV, action steps and monitoring activities.

The Saha Estate had identified the significant HVC, e.g. HCV4, which is to control and maintained the river buffer zone, and protection on erosion control near Sg. Similajau. The relevant area was at block 94SC, 94SB, 94SA and many more.

Results of the assessment shows ERTs were not found in Saha Estate. However, during the site visit and interview with the workers and estate staff, it was noted the Sg Similajau was common with a crocodile. However, it was not highlighted in the assessment report. It also found the monitoring has been conducted along the buffer zone during the harvesting and road maintenance as required in the action plan. However, the records of the monitoring were not available. A Crocodile was listed in First Scheduled, as Protected in Wildlife Conservation Act 2010. It also listed as Endangered species under IUCN Red List. Therefore, OFI had been raised to improve the assessment and monitoring report.

The Saha Estate had a commitment to discourage any illegal or inappropriate hunting, fishing or collecting activities by putting a signage in front of the entrance as figure below:

**Criterion 5.3**

Waste is reduced, recycled, re-used and disposed off in an environmentally and socially responsible manner.

**Indicator 5.3.1**

Documented identification of all waste products and sources of pollution.

Major compliance

**Indicator 5.3.2**

Having identified wastes and pollutants, an operational plan should be developed and implemented, to avoid or reduce pollution.

Minor compliance

**Specific Guidance:**

Schedule waste to be disposed as per EQA 1974 (Scheduled Wastes) Regulations, 2005. Reference to be made to the national programme on recycling of used HDPE pesticide containers.

Municipal waste disposal as per local authority or district council in accordance to the Ministry of Health guidelines (i.e. specifications on landfills, licensed contractors, etc) or Workers' Minimum Standards of Housing and Amenities Act 1990 (Act 446).

**Indicator 5.3.3**

Evidence that crop residues / biomass are recycled (Cross ref. C4.2).

Minor compliance

**Audit findings**

SOU 33 continued to practice 3R (reduced, recycle, re-use) on waste management. SOU 33 had established a waste management system on the identification of wastes and plans to reduce and dispose them in an environmentally and socially responsible manner. There was a program to encourage recycling of solid wastes with recycle bins provided at the mill compound.

Among the wastes, which had been identified were non-organic wastes such as general/domestic waste, scheduled waste, scrap iron, and mill processes waste /biomass/organic waste like fibre, shell, EFB and POME as well as non-organic wastes from the mil.

The general domestic wastes were collected from the linesites and disposed by burying them at dumping site. All estates have its own designated dumpsite that is managed as a secured landfill. Specific guidelines had been established for the construction of landfill sites. The domestic waste landfill constructed at the Derawan Estate was inspected. It is located away from any river, streams and forest reserves. Proper signage had been erected at the landfill site for the buried waste.

Other than general wastes, plastic containers/bags from manuring and spraying activities were also collected, washed and reused. Chemical containers that could no longer be reused were pierced and properly stored at designated area.

Wastes from the palm oil milling process had been disposed as follows; EFB were sent for mulching in the field, while crop residue/biomass i.e. fibre and shell were used as fuel in the boiler.

Palm oil mill effluent (POME) was treated in the effluent treatment plant and finally discharged into watercourse with reference to written approval no: JPKKS000646A period validity 1 July 2012 to 30 June 2013 granted from DOE. ETP was designed to cater the processing capacity of 40 ton FFB per hour with additional of tertiary treatment plant or so called "super effluent system" (SES) to increase efficiency and reduce BOD level.

Currently the tertiary treatment plant was performed well based on the result from weekly and monthly final discharge analysis. However, there was an occasion of non-compliance on 16 February 2012 during DOE visit. Sample taken by DOE officer showed the BOD and suspended solid were over the limit stipulated in the written approval.

On the performance monitoring, monthly and quarterly report for final discharge were submitted in timely manner as stipulated in the written approval. Water quality monitoring for Sungai Similajau was also done on the monthly basis. Sample taken at 500 meter before and after final discharge point was sent for analysis together with final discharge sample to accredited laboratory (ESI Laboratory Sdn Bhd) and Sime Darby owned laboratory in Pulau Carey. Other than that, SOU 33 also conducted pesticide analysis to counter check pesticide residue in



Sungai Tukai and microbiology analysis on treated water. Result of analysis was kept for reference and reporting purposes internally and externally to the regulatory body.

On the monitoring of smoke emission from boiler, online monitoring system or Continuous Emission Monitoring System (CEMS) was used to record and monitor smoke emission and shows real-time event to DOE office. Notification has been submitted to DOE regarding the CEMS failure and still under repaired. For the stack particulate monitoring, Third party consultant was appointed to conduct the sampling twice a year. From the report, it was evident stack sampling result was below 0.4 g/Nm<sup>3</sup>.

Other waste being generated from the maintenance activities of equipment and machinery in the estates or mill were scrap metal and scheduled wastes such as spent lubricant oil, spent oil filter and empty chemical containers. All estates had been operating their own Scheduled Waste store at individual operating unit site. The assessment team had visited the scheduled waste storage area and the housekeeping and labelling has yet to be improved.

On the management of Schedule Waste as per Schedule Waste Regulation 2005, for example the 2<sup>nd</sup> Schedule which refer notification of waste generated, 5<sup>th</sup> Schedule on the inventory of waste and 7<sup>th</sup> Schedule for waste information was not made available during the assessment. 6<sup>th</sup> Schedule of the regulation was not well implemented where there was not evident to show that consignment note has been submitted to DOE and the copy from occupier was not obtained. On the labelling of schedule waste, it was noted implementation was not in accordance to the 3<sup>rd</sup> schedule of the regulation. Therefore major NCR was raised.

All estates and mill continued to face the problem of disposal of scheduled waste due to limited schedule waste contractor in Sarawak. This had caused the mill and estate to store the scheduled waste for a period of more than 180 days and/or more than 20 tonnes capacity for especially the uncommon schedule waste or less in quantity generated. Awareness on the schedule waste management has yet to be improved to related personnel as mention on the training non-conformity issue. On the other hand, mechanism to identify competence and license schedule waste contractor has yet to be established for SOU 33 in order to expedite the waste disposal activity. OFI was raised on the issue.

**Criterion 5.4**

Efficiency of energy use and use of renewable energy is maximized.

**Indicator 5.4.1**

Monitoring of renewable energy use per tonne of CPO or palm product in the mill.

Minor compliance

**Indicator 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).

Minor compliance

**Audit findings**

SOU 33 continued committed to use renewable energy in the mill. Fibre and shell were still being used as boiler fuel to generate steam for the process, as well as electricity for the mill complex and linesites. The usage of fibre and nutshell had been monitored and records maintained.

The energy used on biomass fuel showed a slight reduction in 2011/2012 per tonne of CPO produced. This may reflected to the decreasing volume of FFB processed and compared to 2010/2011 data. However, the trend showed fluctuation of energy use for both biomass and fossil fuel comparatively.

**Criterion 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.

**Indicator 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.

Major compliance

**Indicator 5.5.2**

Previous crop should be felled/mowed down, chipped/shredded, windrowed or pulverized/ ploughed and mulched.

Minor compliance

**Specific Guidance:**

A special dispensation from the relevant authorities should be sought in areas where the previous crop or stand is highly diseased and there is a significant risk of disease spread or continuation into the next crop.

**Indicator 5.5.3**

No evidence of burning waste (including domestic waste).

Minor compliance

**Audit findings**

Fire was not used in all estate operations, replanting, land clearing and waste disposal. This practice has been adopted company-wide since 1989 in accordance with what had been written in their zero burning policy and in the Agricultural Reference Manual. All replanting areas in the SOU were developed without the practice of burning.

The replanting practice was verified on site at all the estates where there was no trace of open burning. Instead, palms are felled, chipped/shredded and windrowed within the plantation during replanting development. The palm biomass was left to rot naturally.

**Criterion 5.6**

Plans to reduce pollution and emissions, including greenhouse gases, are developed, implemented and monitored.

**Indicator 5.6.1**

Documented plans to mitigate all polluting activities (Cross ref to C5.1).

Major compliance

**Indicator 5.6.2**

Plans are reviewed annually.

Minor compliance

**Specific Guidance:**

Pollutants and emissions are identified and plans to reduce them are developed in conformance to national regulations and guidance.

**Audit findings**

SOU 33 has established and maintains their plans to reduce pollution. These plans are translated into SOP in their Estate/Mill Quality management System and Sime Darby Plantation - Sustainable Plantation Management System or environmental management program.

Among the plans were to reduce black smoke emission, enhance the scheduled waste management, reduce diesel consumption and ensure effluent discharge is within the legal requirements.

Monitoring of the pollution and emissions plans were carried out as per schedule and result of monitoring showed there were improvements towards positive trend.

## **PRINCIPLE 6: RESPONSIBLE CONSIDERATION OF EMPLOYEES AND OF INDIVIDUALS AND COMMUNITIES AFFECTED BY GROWERS AND MILLS**

### **Criterion 6.1**

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

#### **Indicator 6.1.1**

A documented social impact assessment including records of meetings.

Major compliance

#### **Specific Guidance:**

Non-restrictive format incorporating elements spelt out in this criterion and raised through stakeholder consultation including local expertise.

#### **Indicator 6.1.2**

Evidence that the assessment has been done with the participation of affected parties.

Minor compliance

#### **Specific Guidance:**

Participation in this context means that affected parties or their official representatives or freely chosen spokespersons are able to express their views during the identification of impacts, reviewing findings and plans for mitigation, and monitoring the success of implemented plans.

#### **Indicator 6.1.3**

A timetable with responsibilities for mitigation and monitoring is reviewed and updated as necessary.

Minor compliance

#### **Guidance:**

Identification of social impacts may be carried out by the grower in consultation with other affected parties, including women and migrant workers as appropriate to the situation. The involvement of independent experts should be sought where this is considered necessary to ensure that all impacts (both positive and negative) are identified.

Particular attention should be paid to the impacts of outgrower schemes (where the plantation includes such a scheme).

Plantation and mill management may have social impacts on factors such as:

1. Access and use rights.
2. Economic livelihoods (e.g. paid employment) and working conditions.
3. Subsistence activities.
4. Cultural and religious values.
5. Health and education facilities.
6. Other community values, resulting from changes such as improved transport /communication or arrival of substantial migrant **labour force**.

## **Audit findings**

The social impact assessment report for SOU 33 was prepared in June 2009 covering the four estates (Derawan, Takau, Damai and Saha) and Derawan mill. As for other Sime Estates, the report presented the background setting of the assessment, highlighted the social issues and proposed mitigation measures. Each of the estates and the mill had to formulate its own action plan to address the issues raised by the various stakeholders. Among the issues raised, include emergency transportation, school bus, grocery prices at the estates' canteens and jobs for local communities.

The SIA report was prepared with the inputs from various stakeholder groups, namely, estate workers, local communities (wherever applicable), vendors and suppliers. Closed dialogues with workers, local communities and suppliers were held to determine issues affecting the various stakeholders. In addition, an open forum for external stakeholders was held in Bintulu to gather information from government agencies and other parties. The attendance lists of individuals who participated in the dialogues were attached to the report. Photographs of the forum were also appended to the report.

An action plan for SOU 33 to mitigate the issues raised was presented at the end of the report. Subsequently, each of the estates and the mill was required to prepare its own action plan to manage its own specific issues within a stipulated time frame. According to Sime Estates' procedure for handling social issues, the estates and mill are required to revise the action plans half-yearly.

The estates did not review their action plans as required by the standards and Sime's own procedures. The SIA action plan for Damai Estate was only reviewed in July 2012 and this does not conform to Sime Darby's procedure for handling social issues which requires the plan to be reviewed and updated every six months. Also, no review was done by Takau Estate. Furthermore, there was no report to show the progress of the various actions taken to mitigate the specific issues raised for the estate.

Due to this non-compliance on indicator 6.1.3, a minor NCR was raised for SOU 33.

Although there was no review report done, discussions with the workers and staffs revealed that the estates have taken some actions to address some of the issues raised. Nonetheless, to date no formal action has been taken to address the issue of high grocery prices in the estate's canteens. The interviews and remarks from some staffs suggested that grocery price is still a relevant issue.

In the interest of the workers and staffs, it is felt that some concerted efforts be undertaken to address the grocery price issue.

**Criterion 6.2**

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

**Indicator 6.2.1**

Documented consultation and communication procedures.  
Major compliance

**Indicator 6.2.2**

A nominated plantation management official at the operating unit responsible for these issues.  
Minor compliance

**Indicator 6.2.3**

Maintenance of a list of stakeholders, records of all communication and records of actions taken in response to input from stakeholders.  
Minor compliance

**Specific Guidance:**

Decisions that the growers or mills are planning to make should be made clear, so that local communities and other interested parties understand the purpose of the communication and/or consultation.

Communication and consultation mechanisms should be designed in collaboration with local communities and other affected or interested parties. These should consider the use of existing local mechanisms and languages. Consideration should be given to the existence/ formation of a multi-stakeholder forum.

Communications should take into account differential access to information of women as compared to men, village leaders as compared to day workers, new versus established community groups, and different ethnic groups.

Consideration should be given to involving third parties, such as disinterested community groups, NGOs, or government (or a combination of these), to facilitate smallholder schemes and communities, and others as appropriate, in these communications.

**Audit findings**

Sime Darby Plantation has documented external and internal communication procedures for the

estates and mill to follow. In addition, the company has also prepared standard operating manuals on customer communications. These procedures and manual are found in the Sime Darby Estate/Mill Quality Manual.

Generally, the estates and mills have been following these procedures and operating manuals in their communication with external agencies or internal parties. Evidence on compliance with these procedures is abundance by way of the letters of communication between the estates and mill with various agencies, for examples, government agencies like Malaysian Palm Oil Board, Department of Environment, Labour Office and Department of Occupational Safety and Health and so on.

The estates and mill communicate with their workers through various means, such as briefings and meetings, notice boards, emails, letters, and so on. The morning briefings appear to be most popular channel by which the estate management communicates whatever policies to the workers. Nonetheless, the estates and mill do not keep records on these briefings.

As stated in the external communication procedure, the Estate Manager is the nominated person to handle communication and consultation issues in the estates. However, the manager may delegate the responsibility to the assistant managers to handle certain issues. Letters are issued appointing assistant managers to be the responsible official in-charge of these issues.

The estates maintain files on records of communication and consultation with external and internal parties, for examples, with government agencies, suppliers and their own workers. Normally, the files are labeled as "communication" files or labeled according to the communicating agency.

Lists of stakeholders comprising vendors, contractors, local communities and government agencies are kept in every estate and mill. The latest lists of stakeholders were made available during the audit.

Records of communications and actions taken, usually in the form of letters, are kept in files in the estates and mill.

**Criterion 6.3**

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

**Indicator 6.3.1**

Documentation of the process by which a dispute was resolved and the outcome.  
Major compliance

**Specific Guidance:**

Records are to be kept for 3 years.

**Indicator 6.3.2**

The system resolves disputes in an effective, timely and appropriate manner.  
Minor compliance

**Indicator 6.3.3**

The system is open to any affected parties.  
Minor compliance

**Guidance:**

Dispute resolution mechanisms should be established through open and consensual agreements with relevant affected parties.

Complaints may be dealt with by mechanisms such as Joint Consultative Committees (JCC) with gender representation. Grievances may be internal (employees) or external.

## **Audit findings**

Sime Darby Plantation has documented procedures which have to be followed by the SOU to handle disputes arising from social as well as land issues (refer the Estate/Mill Quality Management Manual). Interviews with the estate management and workers revealed that there have been no social and land dispute with outside parties or workers during the past years. Therefore, no records are available to judge whether or not the system resolved disputes in an effective, timely and appropriate manner.

The estates and mill have also developed procedures for handling complaints or grievances from workers. Grievances are usually passed to the *mandores* or assistant managers, first. If the complains are not resolved, then, these will brought to the attention of the manager for his decision. However, complaints are seldom brought directly to the manager for his decision.

Complaints on housing and other services are usually entered into record books. The records include the name of the person who complained, his address, date, and type of service required. In most estates, complains are entered into record books by office staffs. However, in Derawan POM, the workers are required to make written requests by way of completing request forms.

One of the drawbacks of verbal requests is that there is no guarantee such requests are entered into record books and thus no proof can be shown on the requests. It is felt that written request is a better option than verbal request in getting services.

### **Criterion 6.4**

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

#### **Indicators 6.4.1**

Establishment of a procedure for identifying legal and customary rights and a procedure for identifying people entitled to compensation.

Major compliance

#### **Indicator 6.4.2**

A procedure for calculating 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.

Minor compliance

#### **Indicator 6.4.3**

The process and outcome of any compensation claims is documented and made publicly available.

Minor compliance

Specific Guidance:

This criterion should be considered in conjunction with Criterion 2.3.

## **Audit findings**

The SOU has been using the procedures for handling boundary issues developed by Sime Darby Plantation to deal with customary rights and compensation for loss of legal rights (Appendix 3, Plantation Quality Management System). The procedure starts with confirmation of conflict, negotiation with affected parties and, if not resolved, arbitration process will take place. Compensation on loss of legal rights will be determined by the land authority. So far, there has been no dispute involving customary rights in SOU 33.

**Criterion 6.5**

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

**Indicator 6.5.1**

Documentation of pay and conditions.  
Major compliance

**Indicator 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.  
Minor compliance

**Indicator 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).  
Minor compliance

**Guidance:**

Where temporary or migrant workers are employed, a special labour policy should be established. This labour policy would state the non discriminatory practices; no contract substitution of original contract, post arrival orientation program to focus especially on language, safety, labour laws, cultural practices etc; decent living conditions to be provided. Migrant workers are legalised, and a separate employment agreement should be drawn up to meet immigration requirements for foreign workers, and international standards, if ratified.

**Audit findings**

As required by the Sarawak Labour Ordinance, pay and work conditions are spelled out in the employment contracts signed by the workers and staffs. Among others, the contracts spell out the period of employment, wage rate, work benefits, overtime, annual leave and public holidays,. These contracts are renewed every time the worker renews its employment with the estate or mill. Details on monthly salary and deductions for every worker and staff are shown in their pay slips. Interviews with workers suggest that they understand the information shown in the pay slips.

The appointment letter is in Bahasa Malaysia. Interviews revealed that there is a certain degree of ignorance or misunderstanding on the terms of employment among foreign workers. The majority of them do not understand their entitlements for annual leave, for example. Also, they do not fully comprehend the concept of sick leave.

It would certainly help these workers if appropriate training sessions could be carried out to explain in detail the terms and conditions of the contract.

All the estates provide three bedroom houses for their workers. In every estate there is a *surau*, clinic, kindergarten, crèche and canteen. In certain estates electricity is provided 24 hours while others are given on certain specific time period. Water is provided free of charge.

Visits made to the line site show that the houses and compounds are quite well kept. The workers mentioned that they are happy with the accommodation and services provided. In most cases, complaints are attended quite promptly.

**Criterion 6.6**

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

**Indicator 6.6.1**

Documented minutes of meetings with main trade unions or workers representatives.  
Major compliance

**Indicator 6.6.2**

A published statement in local languages recognizing freedom of association.  
Minor compliance

**Guidance:**

The right of employees and contractors to form associations and bargain collectively with their employer should be respected.  
Documented company policy recognizing freedom of association.

Labour laws and union agreements or in their absence, direct contracts of employment detailing payments and other conditions are available in the languages understood by the workers or explained carefully to them by a plantation management official in the operating unit.

**Audit findings**

The workers in the estates and mill are not unionized. Workers' representatives, usually *mandores*, sit in the Safety and Health Committee together with estates' staffs, to discuss many issues of interest to workers and management. Many other issues, such as those pertaining to job and welfare, are also discussed in the meetings of the estates' and mill OSHA committee.

Minutes of the meetings are kept as required by the Occupational Safety and Health Act, 1994.

A published statement on freedom of association is displayed in the estates, except in Takau Estate and Derawan POM.

Due to this non-conformance, a minor NCR is raised for SOU 33.

**Criterion 6.7**

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

**Indicator 6.7.1**

Documented evidence that minimum age requirement is met.  
Major compliance

**Guidance:**

Growers and millers should clearly define the minimum working age, together with working hours. Only workers 16 years and older may be employed, with the stated exception of family farms. Smallholders should allow work by children only if permitted by national regulations.

The minimum age of workers should be not less than 16 years, or the minimum school leaving age, or the minimum age permitted under national regulations, where higher.

**Audit findings**

Sime Darby has a very strict policy on child labour. The current Employee Master Listing or Workers Register in all the estates and mill show that no person below 18 years old is employed by the estates/mill. Discussions with the workers revealed that they fully understand the implications of employing under-aged workers.

**Criterion 6.8**

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

**Indicator 6.8.1**

A publicly available equal opportunities policy.  
Major compliance

**Indicator 6.8.2**



Evidence that employees and groups including migrant workers have not been discriminated against.  
Minor compliance

**Guidance:**

The grievance procedures detailed in 6.3 apply. Positive discrimination to provide employment and benefits to specific communities is acceptable as part of negotiated agreements

## **Audit Findings**

A policy on non-discrimination is incorporated in the statement of Social Policy of Sime Darby and posted on notice boards in all estates/mill.

There is no evidence of discrimination based on race, gender or national origin or any other factors. As shown in the employment letter, there are no differences in the terms of employment between foreign and local workers or between male and female workers. These workers live in the same housing complex and enjoy similar benefits. However, due to government policies, education opportunities differ between local and foreign children. Interviews also revealed that there is no discrimination on any bases in the estates/mill.

### **Criterion 6.9**

A policy to prevent sexual harassment and all other forms of violence against women and to protect their reproductive rights is developed and applied.

#### **Indicator 6.9.1**

A policy on sexual harassment and violence and records of implementation.  
Major compliance

#### **Indicator 6.9.2**

A specific grievance mechanism is established.  
Major compliance

#### **Guidance:**

There should be a clear policy developed in consultation with employees, contractors and other relevant stakeholders, which should be publicly available. The policy is applicable within the boundaries of the plantation/mills or while on duty outside the premises. Progress in implementing the policy should be regularly monitored and the results of monitoring activities should be recorded.

A committee specifically to address concerns of women may be required to comply with the criterion. This committee will consider matters such as; training on women's rights, counseling for women affected by violence and child care facilities to be provided by the growers and millers. The activities of the committee should be documented.

## **Audit findings**

Sime Darby Plantation has explicit policy statements on sexual harassment which guide the activities carried out in the estates. In addition, a Manual on the Implementation of Gender Policy has also been documented which incorporates, among others, the grievance procedures.

Each of the estates in the SOU has a Gender Committee which plans appropriate programs and activities for their members. Interviews with the workers reveal that there has been no incidence of sexual harassment in the estates. Minutes of meetings of Gender Committee, though irregularly held, are kept in all estates.

The minutes of meetings as well as interviews held revealed that there have been few activities directed at gender related issues, such as women's rights, awareness on gender issues, and so forth. It is about time that the committees take the proper step by organizing more relevant activities moving away from the normal social activities, like gatherings and social trips.

The authority in the estates and mills could help the gender committees by giving proper support and encouragement for them to carry out more focused and relevant activities.

**Criterion 6.10**

Growers and mills deal fairly and transparently with smallholders and other local businesses.

**Indicator 6.10.1**

Pricing mechanisms for FFB and inputs/services shall be documented.

Major compliance

**Indicator 6.10.2**

Current and past prices paid for FFB shall be publicly available.

Minor compliance

**Indicator 6.10.3**

Evidence shall be available that all parties understand the contractual agreements they enter into, and that contracts are fair, legal and transparent.

Minor compliance

**Indicator 6.10.4**

Agreed payments shall be made in a timely manner.

Minor compliance

**Guidance :**

Transactions with smallholders should consider issues such as the role of middlemen, transport and storage of FFB, quality and grading. The need to recycle the nutrients in FFB (under 4.2) should also be considered; where it is not practicable to recycle wastes to smallholders, compensation for the value of the nutrients exported might be made via the FFB price.

Smallholders must have access to the grievance procedure under criterion 6.3, if they consider that they are not receiving a fair price for FFB, whether or not middlemen are involved.

The need for a fair and transparent pricing mechanism is particularly important for out growers, who are contractually obliged to sell all FFB to a particular mill.

If mills require smallholders to change practices to meet the RSPO criteria, consideration must be given to the costs of such changes, and the possibility of advance payments for FFB could be considered.

**Audit findings**

Issues related to smallholders are not applicable to Derawan POM as it does not buy fruits from outside crops. Interviews were made with a few suppliers and contractors to understand the business relationships between them and the estates/mill.

Interviews with suppliers and contractors revealed that the estates/mill follow the normal purchasing process as adopted by any other organizations. The transaction starts with the issue of request order by the estate/mill and then followed by the furnishing of quotation for the service. Once agreed, the estates/mill will issue a purchase order and, subsequently, the supplier delivers the goods or services together with invoice. Soon, payment for the goods or services will be made to the service providers. All transactions are transparent and made through legal channels.

Jobs which are long-term in nature and of significant amount are bound by contracts duly signed by the estates/mill and the service providers. These contracts specify the terms of the services, like job specifications, pricing and payment systems. These contracts are written in the English language.

The suppliers/contractors mentioned that they understand the contracts because they have been servicing the estates for quite a long time. They usually received their payments in the form of cheques the following month after the job was done. Those interviewed mentioned that they have been quite happy with the treatment received from the estates/mill.

As mentioned earlier, most of the service providers interviewed have been doing business with the estates/mill for a long time (> 5 years) and they were satisfied with the treatment they received from the estates. All contracts are legal and transparent.

Payments are made through cheques, which are issued the month following the delivery of goods and services. All the interviewees mentioned that, in the past, payment has been made very promptly.

**Criterion 6.11**

Growers and millers contribute to local sustainable development wherever appropriate.

**Indicator 6.11.1**

Demonstrable contributions to local development that are based on the results of consultation with local communities.

Minor compliance

**Guidance:**

Contributions to local development should be based on the results of consultation with local communities. See also Criterion 6.2. Such consultation should be based on the principles of transparency, openness and participation and should encourage communities to identify their own priorities and needs, including the different needs of men and women.

Where candidates for employment are of equal merit, preference should always be given to members of local communities in accordance to national policy. Positive discrimination should not be recognized as conflicting with Criterion 6.8.

**Audit Findings**

The estates/mill in SOU 33 was not really bordered by local communities and, therefore, has little contributions to make to their social and economic development. Incidentally, the estates/mill has been directed not to make financial contributions to any party without the approval from the higher authority.

In spite of the above, the estates are important employment provider to the citizens of Sarawak. All staffs who work in the offices are from the state of Sarawak. At the local level, the estate roads are open for public use. Furthermore, transportation is provided to the workers' children as well as to the workers themselves to go to nearby town.

**PRINCIPLE 7: RESPONSIBLE DEVELOPMENT OF NEW PLANTINGS**

**Criterion 7.1**

A comprehensive and participatory independent social and environmental impact assessment is undertaken prior to establishing new plantings or operations, or expanding existing ones, and the results incorporated into planning, management and operations.

**Indicators:**

7.1.1 An independent and participatory social and environmental impact assessment (SEIA) to be conducted and documented (Cross ref. to C 7.2, 7.3, 7.4, 7.5, 7.6).

Major compliance

**Specific Guidance:**

SEIAs to include previous land use / history and involve independent consultation as per national and state regulations, via participatory methodology which includes external stakeholders. For Sabah, slopes 25 degrees and above are considered high risk erosion areas and cannot undergo replanting unless specified in the EIA report [Environment Impact Assessment (Order 2005)] and approved by the Environmental Protection Department (EPD). For Sarawak, steep slopes are considered high risk erosion areas and cannot undergo replanting unless specified in the EIA report [Natural Resources and Environment (Prescribed Activities) Order 1994] and approved by the Natural Resources and Environment Board (NREB).

7.1.2 The results of the SEIA to be incorporated into an appropriate management plan and operational procedures developed, implemented, monitored and reviewed.

Minor compliance

7.1.3 Where the development includes smallholder schemes of above 500ha in total, the impacts and implications of how it is managed should be documented and a plan to manage the impacts produced.

Minor compliance

**Guidance:**

The terms of reference should be defined and impact assessment should be carried out by accredited independent experts, in order to ensure an objective process. Both should not be done by the same body. See also C 5.1 and C 6.1. This indicator is not applicable to development of smallholder schemes below 500ha. For Sabah, new planting or replanting of area 500ha or more requires EIA. For areas below 500ha but above 100ha, proposal for mitigation measures (PMM) is required. For Sarawak, only new planting of area 500ha and above requires EIA. Onus is on the company to report back to the DOE on the mitigation efforts being put in place arising out of the EIA.

Assessment of above and below ground carbon storage is important but beyond the scope of an EIA. Note: This aspect will be considered by an RSPO Greenhouse Gas Working Group.

## **Audit Findings**

There was no new planting or plan to develop new area for oil palm plantation in SOU Derawan. Thus Principle 7 is not applicable.

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

**Criterion 8.1**

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

MY NIWG commits to demonstrate progressive improvement to the following but not limited to:

**Indicator 8.1.1**

Minimize use of certain pesticides (C4.6)

Major compliance

**Indicator 8.1.2**

Environmental impacts (C5.1)

Major compliance

**Indicator 8.1.3**

Maximizing recycling and minimizing waste or by-products generation.

Major compliance

**Specific Guidance**

To work towards zero-waste (C5.3)

**Indicator 8.1.4**

Pollution prevention plans (5.6)

Major compliance

**Indicator 8.1.5**

Social impacts (C6.1)

Major compliance

**Indicator 8.1.6**

A mechanism to capture the performance and expenditure in social and environmental aspects.

Minor compliance

**Guidance**

Specific minimum performance thresholds for key indicators should be established. (See also Criterion 4.2, 4.3, 4.4, and 4.5). Growers should have a system to improve practices in line with new information and techniques and a mechanism for disseminating this information and throughout the workforce.

## **Audit findings**

SOU 33 continued to utilize the already established system to regularly monitor and review their key activities at the mill and estates, and initiated where relevant action plans for continuous improvement in its key areas of operations.

Evidence on action taken sighted for continuous improvement included the following:

- Installation of Continuous Emission Monitoring System (CEMS) where the real-time smoke emission result was transmitted directly to Department of Environment (DOE).
- To budget new 45 ton/hour boiler and 2MW steam turbine in 2013 for more efficient stack emission and to cater increasing power and steam demand.
- Modification of Effluent Treatment Plant by integration biological and chemical treatment system to enhance the quality of effluent discharge.
- CAPEX for machine upgrades and accommodation upgrades for all staff.

### **Module D – CPO Mills: Segregation**

Certification for CPO mills is necessary to verify the volumes of certified and uncertified FFB entering the mill, the implementation of any processing controls (for example, if segregation is used), and volume sales of RSPO certified producers. A mill may be taking delivery of FFB from uncertified growers, in addition to those from its own certified land base. If a mill processes certified and uncertified FFB without segregating the material then only Module E is applicable.

The estimated tonnage of CPO and PK products that could potentially be produced by the certified mill must be recorded by the certification body in the public summary of the certification report. This figure represents the total volume of certified palm oil product (CPO and PK) that the certified mill is allowed to deliver in a year. The actual tonnage produced shall then be recorded in each subsequent annual surveillance report.

The mill must also meet all registration and reporting requirements for the appropriate supply chain under the approved RSPO supply chain managing organisation (RSPO IT System or Greenpalm).

## **Audit findings**

Generally SDPSB is in the midst of preparing its procedure for RSPO supply chain implementation for all of its palm oil mills. At the point of this assessment, SOU 33 has presented to the assessor its tentative procedure. It was found that the procedure still needs to go further enhancement in order to adequately fulfil the requirements of the standard. SOU 33 also needs to conduct training on this requirement to all its relevant personnel.

All the certified CPO and PK produced ever since the last assessment is classified as Segregation products. SOU 33 decided not to accept any crop from non-certified supplier. Thus, all the annual estimated CPO and PK produced are classified as Segregation products.

### **3.2 Identified Non-conformities**

Details of the non-conformities, corrective actions taken by the SOU, and assessors' verification of the corrective actions taken are in Attachment 3..

### **3.3 Status of Non-conformities Previously Identified**

All previous nonconformities were verified for the corrective actions effectiveness. Corrective action has been taken and verified by the assessor. Details of the verified nonconformities are in Attachment 4.

### **3.4. Noteworthy Positive Observations**

SOU 33 had improved their RSPO implementation. This can be seen from physical improvement of housing and related amenities condition, use of cover crops instead of herbicides, as well as chemical and wastes storage area including the changing room for the sprayers.

The workers housing are kept clean, beautiful and good housekeeping was still continually practiced at all workplace.

The level of awareness among the workers on the RSPO implementation has also improved. They are able to explain not only the operating procedure related to their work but also the impact of its deviation, the consequence for not following them and the importance in achieving conformity to the RSPO requirements.

Commitment from top management on the RSPO implementation is also evident during the assessment.

### **3.5 Issues Raised by Stakeholders and Findings with Respect to the Issues**

Generally, all stakeholder consulted give positive remarks that they have no issue on dealing/working with the SOU.

#### 4.0 Certified organization's Acknowledgement of Internal Responsibility and Formal sign-off of assessment findings

I, the undersigned, representing SOU 33 acknowledge and confirm the contents of the assessment report and findings of the assessment.

*ZALIZAN*

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Name : ZALIZAN MOHD TAHIR

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



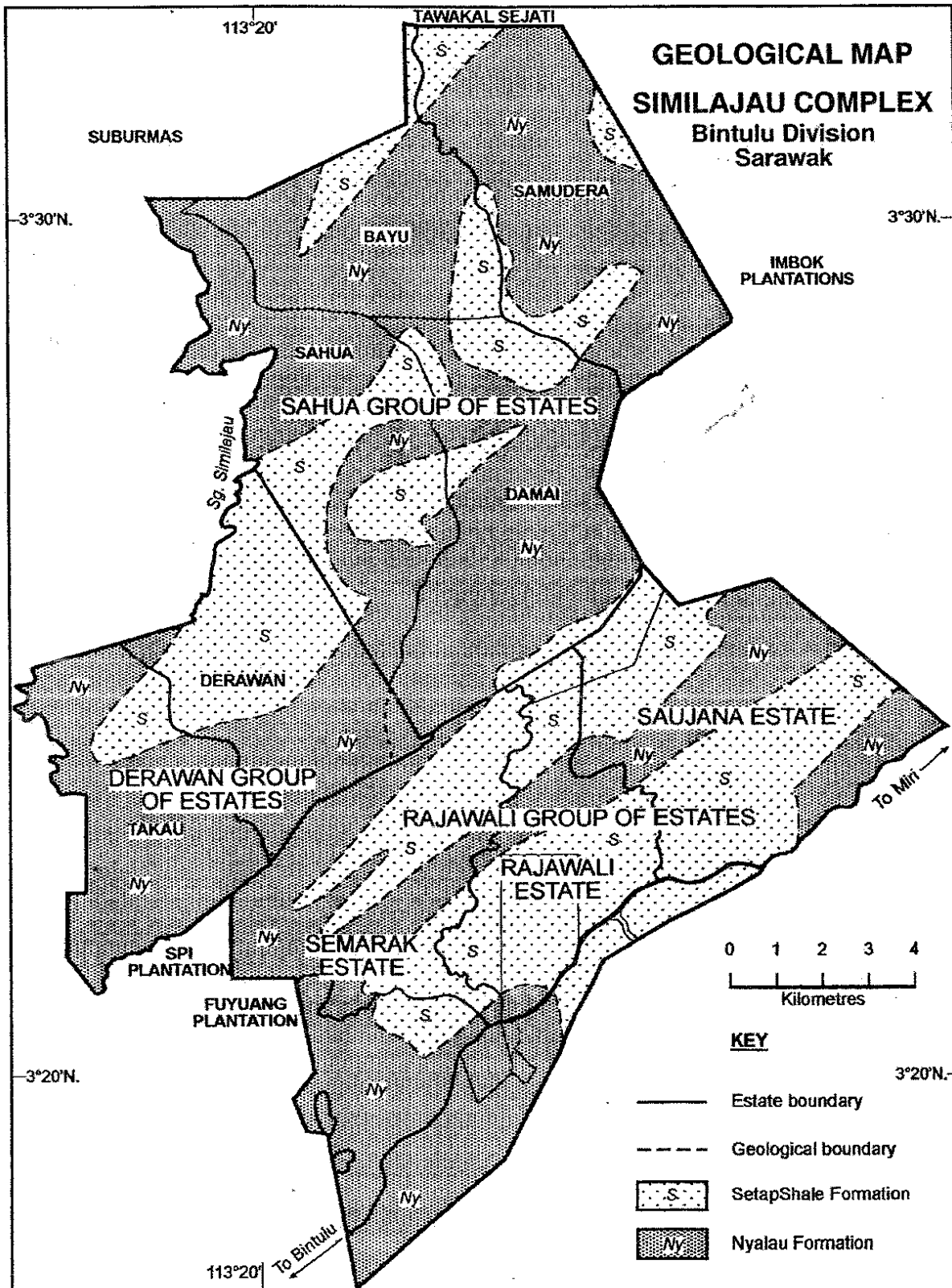
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Name : VALENCE SHEM  
(Lead Assessor)

#### Recommendation

Based on the evidence gathered it can be concluded that **Sime Darby Plantation Sdn. Bhd. Derawan-SOU 33** continue to conform to the requirements of the RSPO MY-NI: 2008. All nonconformities including major nonconformities have been closed out through verification of corrective action records.

Therefore, the assessment team recommends **Sime Darby Plantation Sdn. Bhd. Derawan-SOU 33** to continue to be certified against RSPO MY-NI: 2008.





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

The objectives of the assessment are as follows:

- (i) To determine Sime Darby Plantation Sdn. Bhd. (SOU 32 & 33) conformity against the RSPO Principles & Criteria Malaysian National Interpretation (MYNI).
- (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** : 5<sup>th</sup> – 9<sup>th</sup> November 2012

**3. Site of assessment** : Sime Darby Plantation Sdn. Bhd.  
Rajawali (SOU 32) **and** Derawan (SOU 33) Certification Unit,  
97011 Bintulu, Sarawak.

**4. Reference Standard**

- a. RSPO P&C MYNI:2008
- b. RSPO Supply Chain Standard (November 2011)
- c. Company's audit criteria including Company's Manual/Procedures

**5. Assessment Team**

- a. Lead Assessor : Valence Shem
- b. Assessors : Mohd. Hidhir B. Zainal Abidin  
Khairul Najwan B. Ahmad Jahari  
Dr. Rusli B. Mohammad  
Tn. Hj. Mahzan B. Munap

**7. Audit Method**

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

**13. Assessment Programme Details** : As follow:

**Day One: 5<sup>th</sup> November 2012 (Monday)**

Time	Activities / areas to be visited				
	Hidhir	Valence	Najwan	Dr. Rusli	Hj. Mahzan
0800 – 0830	Opening Meeting, audit team introduction and briefing on audit objectives, scope, methodology, criteria and programmes by audit team leader				
0830 – 0900	Briefing on updates (if any) related to RSPO implementation in Rajawali & SOU Derawan e.g.: <ul style="list-style-type: none"> <li>significant changes on organization activities, machinery, supply bases capacity, etc.</li> <li>issue raised from interested party or stakeholder</li> <li>corrective action taken to address previous assessment findings</li> </ul>				
0945 – 1300	Site visit and assessment at <b>Rajawali POM</b> relating to GMP and Environmental Issue  Assessment on related Indicators of P1, P2, P3, P4, P5, P8	Site visit and assessment at <b>Takau Estate</b> relating to Good Agricultural Practice and Environmental Issue  Assessment on related Indicators of P1, P2, P3, P4, P5, P8	Site visit and assessment at <b>Rajawali Estate</b> relating to estates boundary, HCV and management plan  Assessment on related Indicators of P1, P2, P4, P5, P8	Site visit and assessment at <b>Samudera Estate</b> relating to local community and indigenous peoples issues such as EIA, SIA and management plans  Assessment on related Indicators of P1, P2, P4, P5, P8	Site visit and assessment at <b>Derawan POM</b> relating to Occupational Safety & Health Issue  Assessment on related Indicators of P1, P2, P3, P4, P5, P8
1300 – 1400	<b>LUNCH BREAK</b>				
1400 – 1700	Continue with assessment				
1700	End of day 1				

**Day Two: 6<sup>th</sup> November 2012 (Wednesday)**

Time	Activities / areas to be visited				
	Hidhir	Valence	Najwan	Dr. Rusli	Hj. Mahzan
0800 – 1300	Site visit and assessment at <b>Derawan POM</b> relating to GMP and Environmental Issue  Assessment on related Indicators of P1, P2, P3, P4, P5, P8	Site visit and assessment at <b>Semarak Estate</b> relating to Good Agricultural Practice and Environmental Issue  Assessment on related Indicators of P1, P2, P3, P4, P5, P8	Site visit and assessment at <b>Sahua Estate</b> relating to estates boundary, HCV and management plan  Assessment on related Indicators of P1, P2, P4, P5, P8	Site visit and assessment at <b>Takau Estate</b> relating to local community and indigenous peoples issues such as EIA, SIA and management plans  Assessment on related Indicators of P1, P2, P4, P5, P8	Site visit and assessment at <b>Rajawali POM</b> relating to Occupational Safety & Health Issue  Assessment on related Indicators of P1, P2, P3, P4, P5, P8
1300 – 1400	<b>LUNCH BREAK</b>				
1400 – 1700	Continue with assessment				
1700	End of day 2				

**Day Three: 7<sup>th</sup> November 2012 (Wednesday)**

Time	Activities / areas to be visited				
	Hidhir	Valence	Najwan	Dr. Rusli	Hj. Mahzan
0800 – 1300	Site visit and assessment at <b>Derawan Estate</b> on Occupational Safety & Health practices and Environmental Issue  Assessment on related Indicators of P1, P2, P3, P4, P5, P8	Site visit and assessment at <b>Bayu Estate</b> relating to Good Agricultural Practice and Environmental Issue  Assessment on related Indicators of P1, P2, P3, P4, P5, P8	Site visit and assessment at <b>Semarak Estate</b> relating to estates boundary, HCV and management plan  Assessment on related Indicators of P1, P2, P4, P5, P8	Site visit and assessment at <b>Rajawali POM</b> on responsible social considerations  Assessment on P1, P2, P3, P6, P8	Site visit and assessment at <b>Damai Estate</b> on Occupational Safety & Health practices  Assessment on related Indicators of P1, P2, P3, P4, P5, P8
1300 – 1400	<b>LUNCH BREAK</b>				
1400 – 1700	Continue with assessment			Site visit and assessment at <b>Derawan POM</b> on responsible social considerations  Assessment on P1, P2, P3, P6, P8	Continue with assessment
1700	End of day 3				

**Day Four: 8<sup>th</sup> November 2012 (Thursday)**

Time	Activities / areas to be visited				
	Hidhir	Valence	Najwan	Dr. Rusli	Hj. Mahzan
0800 – 1300	Site visit and assessment at <b>Rajawali Estate</b> on Occupational Safety & Health practices and Environmental Issue  Assessment on related Indicators of P1, P2, P3, P4, P5, P8	Site visit and assessment at <b>Rajawali POM</b> on Supply Chain Implementation including the model used	Site visit and assessment at <b>Bayu Estate</b> relating to estates boundary, HCV and management plan  Assessment on related Indicators of P1, P2, P4, P5, P8	Site visit and assessment at <b>Damai Estate</b> relating to local community and indigenous peoples issues such as EIA, SIA and management plans  Assessment on related Indicators of P1, P2, P4, P5, P8	Site visit and assessment at <b>Samudera Estate</b> on Occupational Safety & Health practices  Assessment on related Indicators of P1, P2, P3, P4, P5, P8
1300 – 1400	<b>LUNCH BREAK</b>				
1400 – 1700	Continue with assessment	Site visit and assessment at <b>Derawan POM</b> on Supply Chain Implementation including the model used	Continue with assessment		
1700	End of day 4				

**Day Five: 9<sup>th</sup> November 2012 (Friday)**

Time	Activities / areas to be visited				
	Hidhir	Valence	Najwan	Dr. Rusli	Hj. Mahzan
0800 – 1000	Verification on outstanding issues for Rajawali & Derawan Certification Unit				
1000 – 1200	Audit team discussion and preparation on assessment findings				
1200 – 1430	<b>LUNCH BREAK &amp; FRIDAY PRAYER</b>				
1430 – 1600	Closing meeting at Rajawali & Derawan Estate Office for SOU 32 & 33 – presentation of Rajawali & Derawan Certification Unit assessment findings				
1630	End of assessment				

**DETAIL OF NON-CONFORMITY AND CORRECTIVE ACTIONS TAKEN**

<b>P &amp; C Indicator</b>	<b>Specification Major/Minor</b>	<b>Detail Non-conformances</b>	<b>Corrective Action Taken</b>	<b>Verification by Assessor</b>
Indicator 2.1.1  NCR# VS 1	Major	Some implementations in scheduled waste handling at Derawan POM, Derawan Estate & Takau Estate were found not in accordance with regulation <ul style="list-style-type: none"> <li>i) Labeling of containers</li> <li>ii) Some containers were not closed especially for SW 410</li> <li>iii) Absence of Second, Fifth &amp; Seventh Schedule</li> <li>iv) Sixth Schedule was not submitted to DOE</li> <li>v) Return of Sixth Schedule from the occupier was not obtained</li> </ul>	The SOU has presented to the assessors all the corrective action evidence via copies of relevant documents and pictures of physical practice. Evidence includes correct labeling all the relevant schedules	Closed
Module D – CPO Mills: Segregation D.5 Processing D.5.1  NCR# VS 3	Major	At Derawan POM, the documented procedure for supply chain was inadequate. The guarantee of maximum 5% contamination has yet to be described in the procedure when comes to receiving & processing of diverted FFB from other palm oil mill.	The assessor was informed that the procedure is currently under development with the involvement of SDPSB HQ in Kuala Lumpur. The SOU will not claim their sales as certified product before the procedure gets effective.	Procedure will be verified in the next assessment Closed.
Indicator 4.8.1  NCR # MH 1	Major	Training programmes was not effective. The understanding and implementation of the following issues, need to be further improved among the staff at Derawan Mill and Derawan Estate: <ul style="list-style-type: none"> <li>i) Legal and other requirement</li> <li>ii) Environmental aspect and impact</li> <li>iii) HIRARC</li> <li>iv) Schedule Waste Management from identification to disposal</li> </ul>	Records of training have been submitted to the assessor .	Closed

		v) First Aid Training ( PIC for field work/staff)		
Criterion 4.1  NCR# MM 4	Major	The mill has not compliance to the following 1) Steam Engineer Grade 2 and Engine Driver Grade 1 for every shift. 2) Fire Certificate. 3) A4 Electrical Chargeman. 4) There was no 1 <sup>st</sup> Grade Internal Combustion Engine driver in charge of the Gensets at the mill during every shift and no 1 <sup>st</sup> or 2 <sup>nd</sup> Grade Internal Combustion Engine Driver in charge of the estate Gensets during operations of the Gensets.	Two 2 <sup>nd</sup> Grade Steam Engineer sat for the examination on 11 <sup>th</sup> December 2012.  Tendering Installation of fire fighting system is in progress  Vacancy position for A4 Chargeman and 1 <sup>st</sup> Grade Internal Combustion Engine (ICE) has been advertised by mill.	Action taken accepted Closed
Indicator 6.6.1  NCR# RM 01	Minor	A published statement in local language recognizing freedom of association was not available in Takau Estate and Derawan POM.  In the other estates, the statement is usually posted on notice boards for public viewing. However, the statement was not seen in Takau Estate and Derawan POM.	To publish statement in local language	To be verify in the next audit
Indicator 6.1.3  NCR# RM 02	Minor	The timetable on mitigation measures to manage the social issues identified in the social impacts assessment (SIA) conducted in 2009 was not reviewed at Takau estate.	To establish mitigation measure	To be verify in the next audit

**VERIFICATION ON PREVIOUS ASSESSMENT (2009)**  
**NON-CONFORMITY REPORTS FOR SOU 33 RAISED BY CONTROL UNION**

<b>P &amp; C, Indicator</b>	<b>Previous Assessment Findings</b>	<b>Verification by Assessor</b>	<b>Status</b>
Indicator 4.3.1 Minor  NCR#: 01/2001	Documented evidence of practices minimizing soil erosion and degradation (including maps).  Evidence of non-conformity: Not all estates have soil maps.	All the assessed estates were able to present soil maps on site.	Closed
Indicator 4.3.2 Minor  NCR#: 02/2009	Avoid or minimize bare or exposed soil within estates.  Evidence of non-conformity: SOP section B4, only mentions weeding and spraying in the plantation and makes no reference to roadside. Unnecessary spraying of a 2m wide band alongside roads on some estates is resulting in bare ground and erosion.	Efforts to limit roadside spraying were seen as significant soft vegetation was left unsprayed along the roadside. Results should be better in time.	Closed
Indicator 5.6.2 Minor  NCR#: 03/2009	(Relating to the reduction of pollution) Plans are reviewed annually. Pollutants and emissions are identified and plans to reduce them are developed in conformance to national regulations and guidance.  Evidence of non-conformity: On a number of estates, diesel tank bunds were noted to be in-adequate. Bunds too small. Cracked. No valves on drain pipes. Valves left on – no locks to ensure they remain off until drainage.	Secondary containments of diesel skid tanks at all the visited stores were found to be adequate and well managed. All valves were closed during the visits.	Closed

<b>OPPORTUNITIES FOR IMPROVEMENT</b>	
<b>Principle/ Criteria/ Indicator</b>	<b>Details of Opportunities For Improvement</b>
<b>I 2.1.1</b>	<p><b><u>A system for tracking any changes in the law</u></b> Some of the applicable legal requirements such as (but not limited to) from</p> <ul style="list-style-type: none"> <li>• MPOB Act 1998, MPOB Reg (Licensing) 2005</li> <li>• Akta Timbang dan Sukat, 1972, KPDN – Peraturan Kawalan Bekalan 1974</li> <li>• Ordinan Perniagaan (Seksyen 5, 23 &amp; 24(2))</li> <li>• National Resource and Environment Ordinance on EIA</li> </ul> <p>have yet to be registered in the Legal and Other Requirements Register (LORR).</p>
<b>RSPO SCC Module D &amp;E D.3.4 &amp; E.3.4</b>	<p><b><u>Record keeping</u></b> The trade names should be used and specified in relevant documents, e.g. weighbridge ticket, DO, dispatch ticket, etc. e.g. *product name*/SG or Segregated or MB or Mass Balance.</p>
<b>I5.3.2</b>	<p><b><u>Having identified wastes and pollutants, an operational plan should be developed and implemented, to avoid and reduce pollution</u></b> Mechanism to identify competence scheduled waste contractor has yet to be established.</p>
<b>C4.7</b>	<p><b><u>Evidence of documented system Occupational Safety and Health (OSH) plan which is in the compliance with OSHA 1994 and Factory Machinery Act 1967 (Act139)</u></b></p> <ul style="list-style-type: none"> <li>• Work inspection program was not clearly recorded and implemented at Derawan Estate</li> <li>• Investigation of accident for LTI less than 4 days was not consistently conducted and discussed in the Safety and Health Committee meeting at Derawan Estate</li> <li>• Derawan Estate has yet to update the chemical register for the new chemical used. Example EBOR rat bait etc</li> </ul>
<b>C4.7</b>	<p>a) Issuance of Work Permit for Confined Space Entry to be issued daily and the monitoring of gases in the confine space atmosphere to be monitored frequently.</p> <p>b) Renewal of Authorized Gas Tester to be expedited.</p> <p>c) The composition of the Emergency Response Team to include Event Recorder.</p> <p>d) Night emergency drill to be considered for mill since it is currently operating round the clock.</p> <p>e) The Safety Committee could be enhanced with establishment of sub-committees, for example, Workplace Inspection Committee, Training Committee and Accident Investigation Committee.</p> <p>f) Follow-up retest of Audiogram for those with Standard Threshold Shift to be expedited not to exceed permissible time limit per Factories and Machinery (Noise Exposure) Regulation 1989 – for mill only.</p> <p>g) Most first aid kit inspected needs to be replenished and their contents checked as some were missing.</p>
<b>I5.2.1</b>	<p><b><u>Identification and assessment of HCV habitats and protected areas within landholding; and attempt assessment of HCV habitats and protected areas surrounding landholdings</u></b></p> <ul style="list-style-type: none"> <li>• Biodiversity Assessment has been conducted for SOU 33. Sg Similajau was identified as HCV4. However during the site review and interview with the workers, it was noted the crocodile were commonly sighted at Sg Similajau. However it was not highlighted in the assessment report and action plan. Therefore the Biodiversity Assessment report for SOU 33 needs to be improved.</li> <li>• The Biodiversity Action Plan has been followed, however the monitoring records were not available.</li> </ul>



14.8.1	<p><b><u>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.</u></b></p> <p>The training on biodiversity conservation and management to workers and staff need to be improved.</p>
12.1.1	<p><b><u>Evidence on compliance with legal requirements</u></b></p> <p>As required by the law, the estates and mills do have written contracts, in the form employment offer letters, covering the employment of foreign workers. However, it was found out that there were inconsistencies in completing the contract forms, (i.e. period of employment), and also discrepancies in the contents of the contract (i.e. maximum contract period and employment benefits).</p> <p>It appears that there is an urgent need for the relevant parties to discuss and finalise the details before completing the form and streamline its contents.</p>
16.1.3	<p><b><u>A timetable with responsibilities for mitigation and monitoring is reviewed and as necessary</u></b></p> <p>Several issues were raised during the social impact assessment exercise carried out in 2009, for examples, housing conditions and amenities, services at the clinics, the prices of goods at the canteens in the estates and employment for local communities.</p> <p>While some action plans have been formulated and implemented to address the other issues, so far, no formal action has been taken to address the issue of high grocery prices. The interviews during the audit and remarks from some staffs revealed that grocery price is still a relevant issue. Remarks were also made on the prices of food at the Rajawali POM's cafeteria.</p> <p>In the interest of the workers and staffs, it is felt that some concerted efforts be undertaken to address the issues raised.</p>
16.3.1	<p><b><u>Documentation of the process by which a dispute was resolved and the outcome</u></b></p> <p>Certain estates/mills (e.g. Takau, Damai and Rajawali POM) require their workers to make verbal requests for services and these requests are then entered into record books by the clerks. Certain other estates/mills (e.g. Derawan POM) require their workers to make written requests by way of completing request forms.</p> <p>One of the drawbacks of verbal requests is that there is no guarantee such requests are entered into record books and thus no proof can be shown on the requests. It is felt that written request is a better option than verbal request in getting services.</p>
16.5.2	<p><b><u>Labor 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.</u></b></p> <p>Interviews with the workers revealed that there is a certain degree of ignorance on the terms of the employment contract among foreign workers. The majority of them do not understand their entitlements for annual leave, for example. Also, they do not fully comprehend the concept of sick leave.</p> <p>It would certainly help these workers if appropriate training sessions could be carried out to explain in detail the terms and conditions of the contract.</p>
16.9.1	<p><b><u>A policy on sexual harassment and violence and records of implementation</u></b></p> <p>Gender committees have been formed in the estates and mills. However, it was found that they have not been very active in organizing activities of direct relevance to women needs as required by the indicator.</p> <p>The authority in the estates and mills could help the gender committees by giving proper support and encouragement for them to carry out more focused and relevant activities.</p>