



**PUBLIC SUMMARY
RSPO MAIN ASSESSMENT**

AUDIT DATE : 17 – 23 NOVEMBER 2012

**HAP SENG PLANTATIONS HOLDINGS BERHAD
JEROCO CERTIFICATION UNIT**

Lahad Datu, Sabah, Malaysia

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SUMMARY

This Stage 2 assessment report describes the level of compliance of the Jeroco Plantations Sdn Bhd Certification Unit (Jeroco CU), one of the CUs of Hap Seng Plantation Holding Berhad (HSPHB) against the requirements of the RSPO Principles & Criteria for Sustainable Palm Oil Production, Malaysian National Interpretation Working Group (RSPO MYNIWG: 2010). This Stage 2 assessment was conducted on 17 – 23 November 2012.

SIRIM QAS International Sdn Bhd (SIRIM QAS International) was contracted by HSPHB to conduct this Stage 2 assessment. SIRIM QAS International is the leading testing, inspection and certification body (CB) in Malaysia having provided its services to all sectors of the business and industry for over 30 years.

SIRIM QAS International, as an accredited certification body by the United Kingdom Accreditation Service (UKAS) and STANDARDS MALAYSIA provides a comprehensive range of management system certification services on quality, environment and health and safety.

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

This Stage 2 assessment had resulted in the issuance of seven (7) non-conformity reports (NCRs). Five (5) of the NCRs were classified as major. In addition, the assessment team had raised nine opportunities for improvement (OFI), which the CU should improve upon in complying with the requirements of the RSPO MYNIWG: 2010.

Jeroco CU had taken appropriate corrective actions to address all the major NCRs which had been reviewed and accepted by the assessor. These major NCRs had therefore been closed out. Jeroco CU had also submitted a corrective action plan to address the minor NCRs and OFIs which had been accepted by the assessor. However, the verification of the corrective actions would be done during the surveillance audit.

Based on the findings of this Stage 2 assessment, it could be concluded that Jeroco CU had complied with the requirements of the RSPO MYNIWG: 2010. The five major NCRs raised during this Stage 2 assessment had been adequately addressed and closed out. The assessment team therefore recommends that the Jeroco CU be certified against the RSPO MYNIWG: 2010 for sustainable production of palm oil.

1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 National Interpretation Used

The operations of the mill and their supply bases of oil palm fresh fruit bunches (FFBs) were assessed against the requirements of the RSPO MYNIWG: 2010.

1.2 Certification Scope

This Stage 2 assessment covers the two palm oil mills; Jeroco Palm Oil Mill 1 (JPOM1) and Jeroco Palm Oil Mill 2 (JPOM2) and the five fresh fruit bunches (FFB) supplying estates, i.e. Batangan, Lutong, Lokan, Kapis and Lungmani. The scope of certification is the sustainable production of crude palm oil and palm kernel at JPOM1 and JPOM2 with FFBs supplied by the five estates. As the Jeroco CU had been fully developed, Principle 7 of the RSPO P&C was therefore not applicable.

1.3 Location and Map

The Jeroco CU (two palm oil mills and five oil palm estates) is located at off 40 KM Jeroco Road, Lahad Datu, Sabah, Malaysia. The maps of the Jeroco CU and the estates are shown in **Appendices 1 and 2** respectively while their positions are shown in **Table 1**.

Table 1
Location of Mill and Estates

| Mill/Estate | Year of Establishment | Area (Ha) | | GPS Location (Office) | |
|--------------|-----------------------|---------------|---------------|-----------------------|-------------|
| | | Total | Planted | Latitude | Longitude |
| Jeroco POM | | N A | N A | N5°25.866 | E118°25.033 |
| Batangan | 1983 | 3,633 | 3,394 | N5°24.729 | E118°26.996 |
| Lutong | 1983 | 2,448 | 2,194 | N5°21.926 | E118°26.437 |
| Lokan | 1985 | 3,155 | 2,837 | N5°25.863 | E118°22.963 |
| Kapis | 1985 | 2,681 | 2,342 | N5°26.572 | E118°24.850 |
| Lungmanis | 1995 | 2,200 | 1,953 | N5°28.771 | E118°24.188 |
| Total | | 14,117 | 12,720 | | |

1.4 Description of Supply Base (Fruit Sources)

All the five estates had been supplying FFB to JPOM1 and JPOM2. Apart from these estates, there were also FFBs regularly supplied by third parties suppliers from the surrounding smallholders. The average annual FFB contribution from the estates and third parties to JPOM1 and JPOM2 and the production of crude palm oil (CPO) & palm kernel (PK) for the last three years is summarised in Tables 2 and 3. Table 4 shows the average total of Tables 2 and 3.

Table 2
Average Annual FFB Contribution by the Estates and Third Parties to JPOM1 and Production of CPO & PK for the Past Three Years

| Year | FFB received | | Total (MT) | CPO Produced (MT) | PK Produced (MT) |
|----------------|--------------|-------------|------------|-------------------|------------------|
| | Own estates | 3rd parties | | | |
| 2010 | 144,827.22 | 32,805.23 | 177,632.45 | 37,643.08 | 8,764.02 |
| 2011 | 137,451.64 | 73,056.92 | 210,508.56 | 43,586.87 | 9,906.32 |
| 2012 | 113,109.20 | 68,189.37 | 181,298.57 | 37,775.42 | 8,911.62 |
| Average | 131,796.02 | 58,017.17 | 189,813.19 | 39,668.46 | 9,193.99 |
| Percentage (%) | 69 | 31 | 100 | | |

Table 3
Average Annual FFB Contribution by the Estates and Third Parties to JPOM2 and Production of CPO & PK for the Past Three Years

| Year | FFB received | | Total (MT) | CPO Produced (MT) | PK Produced (MT) |
|----------------|--------------|-------------|------------|-------------------|------------------|
| | Own estates | 3rd parties | | | |
| 2010 | 91,611.08 | 853.94 | 92,465.02 | 20,900.55 | 4,340.56 |
| 2011 | 131,097.92 | 2,076.63 | 133,174.55 | 28,874.46 | 5,964.02 |
| 2012 | 119,829.74 | 2,134.28 | 121,964.02 | 26,281.24 | 5,600.77 |
| Average | 114,179.58 | 1,688.28 | 115,867.86 | 25,352.08 | 5,301.78 |
| Percentage (%) | 99 | 1 | 100 | | |

Table 4
Average Annual FFB Contribution by the Estates and Third Parties to JPOM1 and JPOM2 and Production of CPO & PK for the Past Three Years

| Year | FFB received | | Total (MT) | CPO Produced (MT) | PK Produced (MT) |
|----------------|--------------|-------------|------------|-------------------|------------------|
| | Own estates | 3rd parties | | | |
| 2010 | 236,438.30 | 33,659.17 | 270,097.47 | 58,543.63 | 13,104.58 |
| 2011 | 268,549.56 | 75,133.55 | 343,683.11 | 72,461.33 | 15,870.34 |
| 2012 | 232,938.94 | 70,323.65 | 303,262.59 | 64,056.66 | 14,512.39 |
| Average | 245,975.60 | 59,705.46 | 305,681.06 | 65,020.54 | 14,495.77 |
| Percentage (%) | 80 | 20 | 100 | | |

Tables 5 to 9 show the details of the year of establishment of the Jeroco CU's supplying estates and their planting profiles

Table 5
Batangan Estate - Year of Establishment and Area Planted With Oil Palm

| Year of Planting | Planting cycle (1st/2nd Generation, etc.) | Mature /Immature | Area (Ha) | Percentage of mature/immature |
|------------------|---|------------------|-----------|-------------------------------|
| 1983 | 1st | Mature | 265.00 | 58% mature and 42% immature |
| 1984 | 1st | Mature | 141.00 | |
| 1985 | 1st | Mature | 431.00 | |
| 2004 | 2nd | Mature | 450.00 | |
| 2006 | 2nd | Mature | 388.00 | |
| 2008 | 2nd | Mature | 151.00 | |
| 2009 | 2nd | Mature | 148.00 | |
| 2010 | 2nd | Immature | 280.00 | |
| 2011 | 2nd | Immature | 682.00 | |
| 2012 | 2nd | Immature | 458.00 | |
| Total | | | 3,394.00 | |

Table 6
Lutung Estate – Year of Establishment and Area Planted With Oil Palm

| Year of Planting | Planting cycle (1st/2nd Generation, etc.) | Mature /Immature | Area (Ha) | Percentage of mature/immature |
|------------------|---|------------------|-----------|-------------------------------|
| 1983 | 1st | Mature | 710.00 | 86% mature and 14% immature |
| 1984 | 1st | Mature | 217.00 | |
| 1989 | 1st | Mature | 150.00 | |
| 1999 | 1st | Mature | 157.00 | |
| 2004 | 2nd | Mature | 42.00 | |
| 2006 | 2nd | Mature | 456.00 | |
| 2007 | 2nd | Mature | 159.00 | |
| 2011 | 2nd | Immature | 157.00 | |
| 2012 | 2nd | Immature | 146.00 | |
| Total | | | 2,194.00 | |

Table 7
Lokan Estate – Year of Establishment and Area Planted With Oil Palm

| Year of Planting | Planting cycle (1st/2nd Generation, etc.) | Mature /Immature | Area (Ha) | Percentage of mature/immature |
|------------------|---|------------------|-----------|-------------------------------|
| 1985 | 1st | Mature | 244.00 | 100% mature |
| 1986 | 1st | Mature | 149.00 | |
| 1987 | 1st | Mature | 296.00 | |
| 1989 | 1st | Mature | 161.00 | |
| 1995 | 1st | Mature | 239.00 | |
| 1998 | 1st | Mature | 439.00 | |
| 1999 | 1st | Mature | 1,309.00 | |
| Total | | | 2,837.00 | |

Table 8
Kapis Estate – Year of Establishment and Area Planted With Oil Palm

| Year of Planting | Planting cycle (1st/2nd Generation, etc.) | Mature /Immature | Area (Ha) | Percentage of mature/immature |
|------------------|---|------------------|-----------|-------------------------------|
| 1985 | 1st | Mature | 392.00 | 100% mature |
| 1990 | 1st | Mature | 50.00 | |
| 1992 | 1st | Mature | 210.00 | |
| 1996 | 1st | Mature | 796.00 | |
| 1997 | 1st | Mature | 373.00 | |
| 1998 | 1st | Mature | 521.00 | |
| Total | | | 2,342.00 | |

Table 9
Lungmanis Estate - Year of Establishment and Area Planted With Oil Palm

| Year of Planting | Planting cycle (1st/2nd Generation) | Mature /Immature | Area (Ha) | Percentage of mature/immature |
|------------------|-------------------------------------|------------------|-----------|-------------------------------|
| 1995 | 1st | Mature | 1,032.00 | 100% mature |
| 1996 | 1st | Mature | 923.00 | |
| Total | | | 1,955.00 | |

1.5 Date of Planting and Cycles

Refer Tables 5 to 9.

1.6 Other Certifications Held

Jeroco CU (mills and its entire supply base) do not hold any form of third-party certification for any of the internationally recognized management systems.

1.7 Organizational Information/Contact Person

Hap Seng Plantation Holdings Berhad (HSPHB) is a member of RSPO since 2 September 2005. HSPHB is one of the main divisions within Hap Seng Consolidated Berhad (HSCB) which consist 6 business divisions ranging from plantation to automotive. HSPHB was incorporated in Malaysia as a private limited company on 18 April 2007 as Hap Seng Plantations Holdings Sdn Bhd. It was subsequently converted into a public limited company on 3 May 2007 and is now known as Hap Seng Plantations Holdings Berhad.

The Jeroco CU is one of the subsidiaries under HSPHB, located at off KM 40, Jeroco Road, Lahad Datu, Sabah, Malaysia. At companywide, it is known as Jeroco Group of Estates. Jeroco CU consists of two palm oil mills (JPOM1 and JPOM2) and five fresh fruit bunches (FFB) supplying estates, i.e. Batangan, Lutong, Lokan, Kapis and Lungmanis. It was first established in 1983.

Initially, the milling capacity of JPOM1 was 60 MT/hr. It was then upgraded to 90 MT/hr by the approval of the Department of Environment (DOE) on 23 May 1995 to cater the rising FFB supply. The 30 MT/hr addition was achieved by building up another mill within the same premise. Internally within the company, the 60 MT/hr mill is known as JPOM1 and the 30 MT/hr as JPOM 2.

For the purpose of this certification, the two mills were considered as one instead of two certification units as has been made in the public announcement before. The reasons being that the two mills were sharing the same Malaysian Palm Oil Board (MPOB) License, DOE's written approval of prescribed premises and there was no registration of a new company required for the later mill. Moreover, the FFB supplying estates were the same. Although JPOM mills received and processed third party FFB, this assessment did not include the third party FFB suppliers.

The name of the contact person and the correspondence address of this CU are as detailed below:

Name : Mr. Liew Voon Heong
Designation : Chief Agronomist
Addresses :
(1) MDLD 2052, Jalan Executive 1
Taman Executive, Mile 1
Jalan Tengah Nipah
91109 Lahad Datu
Sabah, Malaysia

(2) Off 40 KM, Jalan Jeroco
Lahad Datu
Sabah, Malaysia
Telephone : +6089 278128, +6089 278138
Fax : +6089 278168
e-mail : liewvk@hapseng.com.my

1.8 Time Bound Plan for Other Certification Units

There are three CUs under HSPHB i.e. Bukit Mas, Jeroco and Tomanggong. All of the CUs are located in Sabah, Malaysia. As a member of RSPO, HSPHB is committed to full compliance with the RSPO's Principles and Criteria (P&C) in all its operations in Malaysia. Bukit Mas CU has been certified by TUV Rheinland in 2012. Jeroco CU and Tomanggong CU were planned to be certified in 2012.

1.9 Area of Plantation

The details of the year of establishment of the estates, the total land and area planted with oil palm, age of palm, planting cycle and percentage of planted area are shown in **Tables 5 to 9**.

1.10 Approximate Tonnage of CPO and PK Offered for Certification

The approximate volume of CPO and PK produced per year, as well as the volume offered for certification, is as shown in **Table 10**.

Table 10
Approximate CPO and PK tonnage Offered for Certification

| Supply Chain Model | Tonnage claimed for certification per year | |
|----------------------|--|-----------|
| | CPO | PK |
| SG certified (MT) | 24,864.47 | 5,225.82 |
| MB certified (MT) | 40,139.51 | 9,302.30 |
| Total certified (MT) | 65,003.98 | 14,528.12 |

2.0 ASSESSMENT PROCESS

2.1 Certification Body

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

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

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

SIRIM QAS International has vast experience in conducting assessment related to RSPO assessment. 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 Assessment Methodology (Programme, Site Visits)

The assessment for certification was carried out in conformity with the procedures as laid down in SIRIM QAS International's Procedure Manual. During the assessment, qualified SIRIM QAS International's assessors used the RSPO:MYNIWG: 2010 (Standard) and recorded their findings.

It was done in two stages, namely Stage 1 and Stage 2. The Stage 1 assessment was conducted to determine the adequacy of the established documentation in addressing the requirements of the certification Standard, while this Stage 2 assessment was a compliance or initial certification assessment. The Stage 1 assessment was conducted on 11 – 13 September 2012, simultaneously with another HSPHB's CU i.e. Tomanggong. There were twenty-two (22) issue of concerns raised and HSPHB had taken the necessary actions to rectify most of these issues. The assessment team had verified all the issues during this Stage 2 assessment.

This Stage 2 assessment was conducted from the 17– 23 November 2012 simultaneously with Tomanggong CU. The main objective of the Stage 2 assessment was to verify the CU's conformance to the requirements of the Standard, the RSPO MYNIWG: 2010.

The assessment was conducted by visiting the oil palm fields, POMs, HCV habitats, local villages, clinics, workers quarters, shops, chemical and waste storage areas, landfills and other workplaces. Random interviews were held with the CU's staff and employees, contractors and other relevant stakeholders. In addition, related records and other documentation were inspected. The details on the actual assessment programme are given in **Appendix 3**.

2.3 Assessment Team

The assessment team consisted of four assessors. The details of the assessors and their qualifications are detailed in **Table 12** below:

Table 11
Assessment Team

| Member of the Assessment Team | Role/area of RSPO requirements | Qualifications |
|-------------------------------|--|---|
| Valence Shem | Assessment Team Leader/ Good Agricultural Practices (GAP), Supply Chain and environmental issues | <ul style="list-style-type: none"> • experience in Oil Palm Plantation management • Successfully completed IEMA accredited Lead Assessor training for ISO 14001: 2004 • B. Tech. (Hons) Industrial Technology • Successfully completed and passed the RSPO Lead Assessor Course in 2011. |
| Khairul Najwan Ahmad Jahari | Assessor / HCV habitats & ecology | <ul style="list-style-type: none"> • experience in Forest related areas as a researcher with FRIM since 2003 • Attended a training on RSPO P & C and certification requirements in January 2011 • Successfully passed EMS 14001: 2004 Lead Auditor Course, March 2009. • Successfully passed OHSAS 18001: 2007 Lead Auditor Course, Feb 2009. • Successfully passed QMS 9001: 2008 Lead Auditor Course, Feb 2009. • B.Sc. of Forestry (Forest Management) • MSc Environmental (GIS Remote Sensing, still pursuing) • Successfully completed and passed the RSPO Lead Assessor Course in 2011. |
| Mohamad Hidhir Zainal Abidin | Assessor / Occupational health & safety and environmental issues at mill and estates | <ul style="list-style-type: none"> • experience in palm oil milling • Collected more than 50 auditing days for RSPO, ISO14001, OHSAS 18001 and ISO 9001 • Successfully completed IRCA/RABQSA accredited Lead Assessor training for ISO 9001, ISO14001 & OHSAS 18001 in 2012 • B.Sc. (Hons) Chemical Engineering, UKM |
| Dr. Rusli Mohd. | Assessor / workers' & community issues and related legal issues | <ul style="list-style-type: none"> • Attended RSPO Training • Prepared Consultancy Reports on SIA for WWF, KPKKT and PESAMA • Taught Industrial Relations and International Forestry. • Research on forest certification • Ph.D. (Major: Forest Policy); Minor: Public Administration, North Carolina State Univ. • M. Phil. (Forest Policy) Univ. of Edinburgh • B.S.(For) UPM |

2.4 Date of Next Surveillance Visit

The first surveillance audit will be conducted within nine to twelve months from the date of RSPO approval.

2.5 Stakeholder Consultations

SIRIM QAS International initiated the stakeholder consultation by announcing the invitation in the RSPO and SIRIM QAS International's websites on 2 October 2012. In addition, SIRIM QAS

International had also sent invitations through letters to all the relevant stakeholders, including government agencies and Non-Governmental Organizations (NGOs) on the same day.

Meetings and interviews with the relevant stakeholders were also arranged during the on-site assessment.

The method of consultation with the workers, contractors and the CU's staff were through random sampling from each group in each of the FFB supplying unit and POMs (e.g. mill operators, harvesters, general workers and sprayers) visited. The consultations which were conducted at the CU's office had included solicitation of comments on issues relevant to principles 4, 5 and 6 of the RPSO MYNIWG: 2010.

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

The findings of the assessment were highlighted and discussed during the on-site assessment. There were seven (7) NCRs raised for Jeroco CU against the requirements of the RPSO MYNIWG: 2010. Five (5) of them were classified as major. The details of the NCR and the corrective actions taken are described in **Appendix 4**. Evidences of the actions taken by the CU had been submitted to the assessment team. In addition, the assessment team had raised nine opportunities for improvement (OFI), which the CU should improve upon in complying with the requirements of the RPSO MYNI (see also **Appendix 4**). The OFIs will be verified during the conduct of the surveillance assessment. The detailed findings of the assessment on the CU's compliance with the requirements of the RPSO MYNI are as follows:

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 RPSO Criteria, in appropriate languages and forms to allow for effective participation in decision making.

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Findings:

HSPHB was still committed to transparency by allowing all information pertaining to environmental, social and legal issues relevant to RPSO criteria be made publicly available upon request. A document No.: HSPSB P1 1120 entitled "*Prosidur Memohon Maklumat*" (Procedure on Request for Information) was made available. Under this procedure, a stakeholder has to fill up a form to request for any relevant information pertaining to RPSO criteria. Other means of request for information could be made either verbally or in writing.

Additionally, HSPHB has a website, <http://www.hapsengplantations.com.my/index.php> which contains brief information about the company's structure, corporate profile, vision and mission, the business they were involved in, financial and the estates profiles.

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 RPSO 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)

Findings:

All documents listed in Criterion 1.2 were made available during the assessment, although original copies of land titles were kept at the Plantation Central Office in Sg. Segama. The estates only kept the duplicate copies of the land titles for safety reason. Jeroco CU had announced during a consultation on 19 October 2012 that all of these documents could be made available upon request.

The assessors had also sighted some management documents that have been displayed for public viewing at the estates' and mills' offices such as permits and licenses issued by the relevant authorities, company policies and organization charts.

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

Findings:

Jeroco had established and documented a procedure for identifying and tracking the up-dates on all the applicable legal requirements including the need to monitor the status of compliance. The Plantation Advisor (PA) was appointed as the person in-charge to conduct an evaluation of compliance at a frequency of once a year.

Jeroco had prepared a list of the applicable regulations it has to subscribe to. Nonetheless, the assessor had found that some of the relevant regulations had not been listed such as the MPOB Act 1998, MPOB Reg (Licensing) 2005, *Akta Timbang dan Sukat*, 1972, *Kementerian Perdagangan Dalam Negeri – Peraturan Kawalan Bekalan* 1974, Electric Supply Act 1990, Regulation 1990 and some of the regulations on Pesticide (Highly Toxic Pesticide) Regulation 1996. **Thus, an OFI 1 had been raised.**

With respect to the legal requirement related to Person in Charge (PIC) Regulations 1970, under Factory and Machinery Act 1967, it was observed that currently the Mill Manager at JPOM1 was a 2nd grade steam engineer and has yet to qualify as the 1st grade steam engineer as required by Regulation 6 (4) (Requirement for > 500hp ICE) & Regulation 6(3) [(Requirement for >100hp Internal Combustion Engine)] of the Factory and Machinery Act. **As a result, a major NCR (# VS01) was raised.**

On the environment related legislation under provision of Environment Quality Act 1974, it was found that JPOM1 had not obtained the written approval from the DoE for the internal combustion engine of the 3 units of generator set which consists of 2 units of 350kVA and 1 unit of 175kVA generator set and the 2 units of generator set with capacity of 625kVA and 350kVA at JPOM2. **This was raised as part of major NCR (# VS01).**

It was found out that training for the staff involved in the handling of scheduled wastes as required under Regulation 15, Environmental Quality (Scheduled Wastes) Regulations, 2005 had not been carried out. **This was also raised as part of major NCR VS01.**

All certificate of fitness (CF) for steam boilers, unfired pressure vessel (UPV), hoisting machine (crane) were in place and still valid and that the annual inspection has been conducted. The machine inspection history was maintained in the DOSH log book for all steam boilers, cranes and other UPVs.

For the fire fighting preparation, JPOM1 and JPOM2 has provided fire extinguishers and fire hydrant points at various locations in the mill. Fire extinguishers have been serviced and inspected regularly. Nonetheless, JPOM1 has yet to obtain fire certificate in accordance to Section 28, Requirement for Fire Certification, Fire Services Act, 1988. **This was raised as part of major NCR (# VS01).**

Criterion 2.2

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

Findings:

The right to use the land by Jeroco had been demonstrated and this right had not been disputed by any party. Assessor had sighted that there were clear land ownership documents. The original copies of these documents however, were kept in the Plantation Central Office, Sg. Segama. All the estates were under the jurisdiction of the Kinabatangan District Land Office. Based on document review, it was confirmed that the terms of the land title for all the estates have been complied with.

The perimeter boundary of the estates was visibly maintained by erecting pegs along the boundary, especially that adjacent to stateland and forest reserves. During the site review, most of the boundary stones had been located and visibly maintained.

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.

Findings:

This criterion is not applicable since there has been no land being encumbered or claimed as customary rights or disputed by any stakeholder.

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.

Findings:

The Capital Expenditure (CAPEX) budget for 2012 to 2016 for JPOM was made available during the assessment. The budget consists of mill continual improvement program on upgrading of machinery as well as on safety and environment. It was noted that funds had been allocated for greenhouse gases (GHG) emission reduction initiative on Clean Development Mechanism for JPOM1 and JPOM2. Other initiatives included on improving the quality of effluent.

The budget for the estates was also made available with a projection from 2012 to 2014 and it was annually reviewed. Projection of yield was available from 2012 to 2015 which ranged from 21 to 24 MT/ha/year. Also made available in the budget were production cost per metric tonne for FFB and CPO and CPO yield/ha.

A replanting programme was available from 2011 until 2020. This programme has been incorporated in the terms of reference of the Environmental Impact Assessment which has been submitted for approval to the state authority i.e. the Environmental Protection Department (EPD) dated August 2012. The areas which had been programmed to be planted in the estates were as in **Table 13** as follows:

Table 13
Area to be replanted from 2011 to 2020

| Estate | Total Area (Ha) | Total Replant Area (Ha) |
|---------------|------------------------|--------------------------------|
| Batangan | 3,633 | 1,977 |
| Lutong | 2,448 | 1,380 |
| Lokan | 3,155 | 1,089 |
| Kapis | 2,681 | 652 |
| Lungmanis | 2,200 | 267 |

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

Criterion 4.1

Operating procedures are appropriately documented and consistently implemented and monitored.

Findings:

HSPHB had a generic agriculture manual called the 'Oil Palm Agriculture Procedure' (OPAP). The OPAP has prescribed the procedures on all plantation activities from land preparation to FFB transportation including good agriculture practice, field maintenance and upkeep and control of pest and disease. In addition, Jeroco has a documented Safe Operating Procedure (SOP) on safe working practices for all field operations such as harvesting and applications of fertilizer, herbicides and pesticides.

Through random interviews held with the staff and workers, it was revealed that they had generally understood the contents of these documents and that their level of understanding on the SOP was found to be at an acceptable level. However, the assessor had found that the rat baiting during a visit at Field No. RP06/Block 13 of Batangan Estate had been carried out not following the prescribed procedures as in the OPAP. **Therefore, a minor NCR (# VS02) was raised.**

For the mill operations, HSPHB has prepared a Safe and Standard Operating Procedure (SSOP) as a reference. Other than the SSOP, safe working procedures which focus on mill safety operations including permit to work system had also been prepared and implemented.

Monthly performance reports on monitoring of all activities were made available during the assessment. Records for mill operations were verified and retained for internal and external check and balance. The assessor had found out that these monitoring reports had been kept and maintained in the office for at least a year. Records which are more than a year were kept in a designated store.

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

Findings:

Annual recommendation on fertilizer application was made by HSPHB's Agronomy Department. The recommendation was based on leaf and soil analysis which was conducted annually by an external laboratory. The results of the analysis were incorporated in the Agronomy Advisory Report (2011) and Fertilizer Recommendation (2012). The total amount of fertilizer for mature palms ranged from 8 to 10 Kg/palm/year, while for immature was around 6 Kg/palm/year.

The progress of the fertilizer application programme for each estate was being recorded and monitored. Based on random sampling of field record, including the dispatch of fertilizer from store, the assessor had confirmed that fertilizer application at Batangan Estate was found to be in accordance with the agronomist's recommendation. Generally, the progress of manuring had been on schedule.

Empty Fruit Bunches (EFB) was incinerated in the mill to produce bunch ash. The bunch ash would then be applied in the field by broadcasting on the palm circle at a rate of 1 kg/palm. Since most of the EFB was incinerated, EFB mulching was done on occasional basis. The method normally was by applying the EFB on the inter-row and on palm circle for matured and in-matured palms respectively.

HSPHB has a policy of not allowing an open burning. Based on a site visit made at the replanting area (Block 30 of Batangan Estate), it was evident that there has been no open burning.

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

Findings:

Jeroco CU was committed to minimize soil erosion. The method of controlling soil erosion had been outlined in the OPAP especially on the construction of terraces at hilly terrain. 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.

Planting of cover crop especially *Mucuna bracteata*, had consistently been practised at the slope of immature areas. Other cover crop species used were *Pueraria javanica* and *Calopogonium mucunoides*.

During the field visit, it was observed that the estates had satisfactory road condition and accessibility made possible by regular road maintenance programmes such as road resurfacing, grading and compacting, potholes patching and construction of roadside drains.

Jeroco CU has a map on soil types. Based on this map, it was noted that some 70% of the area was of Kretam Series which consists of mudstone, sandstone and misc. rocks. Other soil types were from the Lokan Series (mudstone and sandstone), Lungmanis Series (mudstone and alluvium) and Kinabatangan Series (alluvium). There was no peat and fragile soil.

Criterion 4.4

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

Findings:

Jeroco CU had continued to protect the water courses, including maintaining and restoring appropriate riparian buffer zones during and before replanting along all natural waterways. Baseline river water sampling had been initiated in tandem with the Environmental Impact Assessment (EIA), but the frequency of monitoring has yet to be determined since the approval of the EIA was still pending from the Environmental Protection Department (EPD).

The river water quality analysis was done by an accredited laboratory. Among the parameter tested were pH, dissolved oxygen (DO), bio-oxygen demand (BOD), chemical oxygen demand (COD) total suspended solids (TSS), ammoniacal nitrogen (AN), oil & grease (OG) and turbidity.

During the site visits at Lutong, Lungmanis and Lokan Estates, it was observed that the 20m buffer zone boundary with natural waterways had been identified with signboard being erected along the river. The oil palm trees in the buffer zone were painted red at the trunk to differentiate them with the other non-riparian zone oil palm trees. The boundary marker for buffer was sufficient and being maintained in accordance with the guidelines on Riparian Zone Management issued by the MPOB.

Although awareness training on buffer zone and the prohibition of spraying and manuring within these zones had been given, it was found that there were traces of herbicide spraying in Block 29/35 at the Lutong Estate. Interviews held with the sprayer gang had revealed that they had not understood the prohibition. **Therefore a major NCR (# NAJ 1) was raised.**

There has been no construction of bunds, weirs or dams across any water ways and rivers in the CU.

All estates had been monitoring data on rainfall as well as water consumption. Daily records of rainfall for each estate and mill were made available for inspection. However, it was observed that the data has yet to be used in the water management plan. **This was raised as OFI 2.**

Jeroco CU had monitored the amount of water consumed by the mill and line-sites. It was observed that records on water consumption (m³ of water per ton of FFB) by the mills and line-sites were being kept. Water usage from 2010 to 2012 (until October) had been monitored and presented during the assessment. For the palm oil mill, usage of water per MT FFB processed was at 1.55 m³ water/ton FFB in 2010 and 1.26 m³ water/ton FFB in 2011. There was a downward trend on water usage for 2010 to 2011. However, there was a slight increase for 2012 (until October) where it was recorded at 1.49 m³ water/ton FFB.

Criterion 4.5

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

Findings:

Jeroco CU has a procedure on controlling pests and diseases in the estates. The procedure was outlined in the OPAP, which includes the control methods for common pests such as bagworms, nettle

caterpillars, rats and rhinoceros beetles as well as *ganoderma*. The control methods were by conducting a census and applying pesticides whenever the population of pests has exceeded the threshold level. To-date, there has been no major outbreak of disease being reported.

A documented IPM technique has also been included in the OPAP. Beneficial plants from the three major species namely *Tunera subulata*, *Cassia cobanensis* and *Antigonon leptopus* had continued to be planted as host for the natural predators of leaf eating caterpillars so as to reduce the need to use chemical treatment.

Usage of agrochemicals had been justified and monitored. Information on the quantity of agrochemicals used and areas applied could be found in the Store Issue Chit. The data was then compiled to monitor the relation between amount of agrochemical consumed and the land area [active ingredient (ai) per Hectare].

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.

Findings:

Agrochemicals were used in a way that did not endanger the health of employees or the environment. There was no prophylactic use of agrochemicals. Jeroco CU had used paraquat for the last time in June 2012. Since then, it had been substituted by glyphosate and glufosinate. All estates had provided written justifications for all agrochemicals being used as prescribed in the OPAP.

Safety and health precautions as recommended in the respective chemical Material Safety Data Sheet (MSDS) had been referred to. Warning signage would be displayed at areas treated with agrochemicals. The agrochemicals store and the pre-mix area were bunded with concrete and secondary containment was used during the mixing to contain any potential spillage.

Pesticides selected for use were in accordance with Pesticides Act 1974 (Act 149) and the relevant provision (Section 53A), Classification, Packaging and Labelling of Hazardous Chemical Regulation 1997 and USECHH Regulations 2000, of the Occupational Safety & Health Act 1994. Chemical register was available in accordance to OSHA format. Empty chemical containers are triple rinsed, pierced and stored for disposal in accordance to the legal requirements.

The use of agrochemicals had also made references to Chemical Health Risk Assessment (CHRA) USECHH Regulations (2000) of the OSHA 1994 Act, which was conducted in 2009 for the estate and the mill.

Personnel who handled and being exposed to these agrochemicals had been assessed of the risks created by the chemical to their health. The estates had a schedule for medical surveillance of its pesticide operators (sprayers). Results of this monitoring showed that most of the workers were fit to work except for one case on lung infection; Pulmonary Tuberculosis (PTB).

Pregnant and breast-feeding women were strictly not being allowed to work with pesticides. This was verified by monthly medical surveillance conducted by the estate's clinic and feedback from the workers from time to time.

Aerial spraying was not a practice in HSPHB. To-date, there was no request from buyer to conduct chemical residue testing on CPO. It was found that the parameter for testing follows Palm Oil Refiners Association of Malaysia (PORAM) and Malayan Edible Oil Manufacturers Association (MEOMA) standard.

Records of pesticide use (including active ingredients used, area treated, amount applied per ha and number of applications) were being maintained and monitored.

Criterion 4.7

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

Findings:

HSPHB has established a policy on occupational health and safety. The written policy had been displayed at strategic locations in the offices of the mills and estates and communicated to all employees through toolbox and standing meeting. Based on the random interviews held with the workers and staff, it was found that they had been aware of the policy.

Hazard identification, risk assessment and risk control (HIRARC) register covering the activities in the estates and mill were verified during the assessment. HIRARC register had been revised and updated to incorporate changes and control measure implemented at the workplace. However, the revised register could be improved further to include other accidents such as those resulting from animal hazard, chemical poisoning during trunk injection, permanent disability and electrical shock. **This was raised as OFI 3.**

Appropriate risk control measures had been determined and implemented for the other work stations in the mill. Appropriate administrative control was sighted with safety signage and SOPs being displayed in the mill.

The organization structures on OHS at JPOM1 and JPOM2 were made available. The Assistant Manager or Administrative Executive has been given the responsibilities and duty of implementing the OHS. The mill and estates had held regularly meetings to discuss OHS matters. OHS Committee meeting had been carried out reasonably on schedule. The minutes of meeting were sighted (kept at site at least for a year).

On the USECHH Regulation 2000, the CHRA report for JPOM1 and JPOM2 which was still valid until 2014 was presented during assessment. CHRA was conducted by qualified an assessor (Hygiene Technician I) from NIOSH [ref.: JKKP HIE 127/171-2 (286)].

Medical monitoring programme had been conducted as recommended by the assessor for the exposed employees. Results of monitoring showed most of the workers were fit to work except for one case of lung infection or called Pulmonary Tuberculosis (PTB). Based on the interviews held with workers who had been involved in the handling of agrochemicals, it was found that there was no occurrence of the toxic reaction symptom so far. They were also aware of the importance of wearing PPE in the workplace.

On the Noise Exposure Regulation 1989, JPOM1 and JPOM2 had carried out an Initial Noise Exposure Monitoring in October 2011. Based on the report, Jeroco has to conduct a positive noise exposure monitoring within 6 month of the initial monitoring. However, JPOM 1 and JPOM2 have yet to conduct this monitoring. **This was therefore raised as part of OFI 3.**

Baseline audiometric testing has been conducted in December 2011 for all worker and staff at JPOM1. However, for JPOM 2, this test has yet to be conducted. There were 2 cases of hearing impairment for JPOM1 which have yet to be re-tested in the 2012 audiogram which has been planned on 6 December 2012. In addition, hearing conservation programme has yet to be conducted at JPOM1 and JPOM2 once every 2 years. It was observed that so far, there was no such programme being planned for JPOM1 and JPOM2. **This was therefore raised as part of OFI 3.**

Evidence of implementation of appropriate risk control measures was observed during the field and mill assessments, where employees had been provided with and seen to be using the appropriate PPE. Random interviews held with the workers had shown that they had understood the reasons and the importance of wearing PPE. Those who worked with chemicals had been trained on the use of PPE, chemical safety data sheet (CSDS) with emphasis on precautions attached to the product to be observed at all times, and on safe work practices based on chemical handling procedures.

Workers trained in First Aid were present in both field and mill operations. Those interviewed had demonstrated that they were capable of giving first aid assistance. First Aid equipment was made available at worksites and had been inspected on monthly basis. However, the content has yet to be

standardized in accordance with the guidelines for first aid kit in the 4th schedule of Safety, Health and Welfare Regulation 1970. **This was therefore raised as part of OFI 3.**

Records of PPE issuance were maintained and were presented to the assessor during the assessment. As part of administrative control, safety reminder, signage had also been erected and displayed at mill processing area as well as at highly hazardous area. Although appropriate control had been implemented, it was observed that a flashback arrestor had not been fitted to the acetylene and oxygen gas at the cages repairing bay. **This was therefore raised as part of OFI 3.**

The issuance of permit to work (PTW) for the all the hazardous areas such as confined space, working at height and other contractor's job in the premises was sighted during the audit. However, on the operational control on the issuance of PTW for confined space, further improvement could be made by up-dating the record in the column for the gas testing on a daily basis. **This was also raised as part of OFI 3.**

There were emergency procedures and instructions during emergency. Based on random interviews held with the workers, they had clearly indicated a good understanding on these procedures. Although a fire emergency response plan had been developed for JPOM1 and JPOM2, the drill of it has yet to be carried out. **This was therefore raised as part of OFI 3.**

In addition, emergency response plan for CPO spillage and fire outbreak for facilities particularly in barge and bulking installation has yet to be documented. **This was therefore raised as part of OFI 3.**

OSH performance had continuously been monitored and accident cases managed in accordance to NADOOPOD Regulation 2004. Accident records were kept and reviewed. An accident scoreboard (statistic) was made available at mill and estates and updated regularly to show the current OSH performance status.

Accident investigation had been conducted by the OSH Committee and notification to DOSH via JKKP Form 6 had been done on a timely manner. On the annual reporting, it was also observed that JPOM1 and JPOM2 had continuously submitted the Form JKKP 8 to DOSH on a timely manner.

The assessor had noted that Jeroco CU had covered their foreign workers under the Foreign Workers Compensation Scheme Policy with LONPAC Insurance Berhad. The local workers were covered by SOCSO.

Criteria 4.8

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

Findings:

Training schedule for implementation in 2012 was established at the beginning of the year. Refresher trainings for field activities such as for the sprayer, manuring and harvester gang and also first aid had been done and the records were made available. Training for sprayer gang and contractors, upon commencement of work had also been given on safety, RSPO and OSH requirements.

During field interviews held with the workers at JPOM1, it was observed that they were found to be knowledgeable on their daily work routine as had been prescribed in the SOP and were aware on the safety usage of PPE and First Aid procedures.

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.

Findings:

HSPHB has established an environmental aspects and impacts risk assessment for all activities related to the estate and mill operations. An EIA report, management action plan and continuous improvement plan dated October 2012 were presented during this assessment. The EIA was conducted by an assessment team from HSPHB Agronomist Department from 18th – 28th September 2012 specifically on JPOM1 and JPOM2 including the barge and bulking installations.

Environmental aspect and impact report and their mitigation measures relating to the normal/routine activities of the mill, workshop, barge and bulking installation, effluent treatment plant, waste generation and consumption of natural resources were presented. The report would be reviewed in October 2013.

Apart from the self-initiated assessment on environmental aspect and impact, HSPHB had also hired a consultant to conduct an EIA in 2012 on a proposed replanting of 14,524.20 ha of oil palms at Hap Seng Group of Estates. Jeroco CU was included in this assessment. An assessment report was prepared which described the adverse environmental impacts caused by the activities of estates. Among the identified environmental impacts were soil erosion, water pollution, biomass disposal, ecological impact, pest infestation, traffic & transportation, noise pollution, air pollution and waste generation.

Having identified the impacts, the consultant had recommended the appropriate mitigation measures to minimise them. Jeroco had established a management plan. This included planting of cover crop, provision of riparian zone, zero burning practice, providing buffer zone between forest reserves and proper management of agro-chemicals. Based on the site observations, it was evident that all of the mitigation measures had been implemented.

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.

Findings:

A report entitled “Potential High Conservation Value Area Assessment Report of Jeroco CU, Hap Seng Sdn Bhd, Sabah” (HCV Report) was made available. This report which was prepared by the Chief Agronomist and completed in October 2012 had identified all the High Conservation Value (HCV) within and adjacent to the CU. The report had also identified rare, threatened and endangered species (RTEs) in the estates including the management and action plan for their conservation.

However, the assessor was of the view that some improvements would be needed to the HCV assessment as during the site visits and random interviews held with the workers, it was observed that Orang Utans and Hornbill which had been commonly sighted along the borders of the Sg Simpang Forest Reserve but had not been mentioned in the HCV Report. **This was raised as OFI 4.**

Jeroco CU had been committed to discourage any illegal or inappropriate hunting, fishing or collecting activities in the estates. It was observed that signage on the prohibition of hunting had been erected. However, none was seen at the Lungmanis Estate. **This was therefore raised as OFI 5.**

Criterion 5.3

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

Findings:

Jeroco CU has established and implemented the 3R practice (reduced, recycle, re-use) on waste management. The waste management activities which had been described in the EIA report were aimed at reducing and disposing wastes in an environmentally and socially responsible manner.

There was a program to encourage recycling of solid wastes and prohibition of open burning of waste with recycle bins provided in the mill compound and the estate office and segregating degradable and non-degradable waste before disposing to the secured landfill in the estate.

Among the wastes which had been identified were general/domestic waste, scheduled waste, scrap iron, mill processes waste /biomass/organic waste such as shell, EFB and POME. The decanter cake generated from oil recovery process were collected and sent to estate for mulching. However, it was observed that there was a need for the mill to improve the bund of the decanter cake sump as it was located too near to the monsoon drain. **This was raised as OFI 6.**

The general domestic wastes were collected from the line-sites and disposed by burying them at the appropriate dumping sites. Generally, the land-fill areas were located away from natural water ways, rivers, forest reserves and residential area. Monitoring of the landfill areas were done from time to time by the staff in-charge to ensure the implementation is according to its guideline.

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 incinerated EFB and applied in the oil palm field, while crop residue/biomass i.e. fibre and shell were used as fuel in the boiler.

Palm oil mill effluent (POME) sourced from JPOM1 and JPOM2 were treated in the effluent treatment plant and finally discharged. It was observed that surface aerators were used at aerobic pond to improve dissolved oxygen and accelerate aerobic process. Final discharge of treated POME were then pump to the transit pond in the nearby estate before going to the constructed trenches for land irrigation. The discharge of POME had been made in compliance with the relevant laws.

Other wastes include those being generated from the maintenance activities of equipment and machinery in the estates or mill such as scrap metal and scheduled wastes (spent lubricant oil, spent oil filter and empty chemical containers). All estates have their own store for scheduled waste. Generally, the housekeeping of the scheduled waste store was found to be very well maintained.

However, it was observed that the following activities as stated in the *Jadual Pematuhan* have yet to be done:

- sampling on the frequency for iso kinetic stack (JPOM1 and JPOM2);
- installation of more laudable alarm system in JPOM2 to trigger (high capacity) black smoke; and
- Expediting on-line reporting via CEMS-DIS with DoE for JPOM1 and JPOM2.

These were raised as part of OFI 6.

Criterion 5.4

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

Findings:

HSPHB had established an initiative to maximize the use of renewable energy and minimize the use of fossil fuel 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 labour lines. The usage of fibre and nut shell had been monitored and records maintained.

Fossil fuel and biomass fuel usage per ton of CPO produced from 2010 to 2012 for JPOM1 was available & maintained.

The usage of renewable energy (fiber and nut shell) per tons of CPO produced showed a down trend. However, fossil fuel usage showed an increasing trend up to 2011 as the generation of electricity was very much dependant on the use of generator set.

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.

Findings:

It was verified during site visits, random interviews and review of records that no open burning had been carried out in line with the policy on zero burning as specified in the OPAP.

During the visit at the replanting area, it was evident that the previous crop had been chipped windrowed and mulched.

It was also found that solid wastes generated from the employees quarters, office and other facilities were dumped at designated landfill located in the estates which were far from residential area and waterways. Interviews held with the employees had revealed that they had understood on the restriction on burning wastes.

Criterion 5.6

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

Findings:

The mill and estates had identified the sources of pollution and emissions. Regular measurements of the emissions and pollutants had been taken and the data had been used to develop mitigating plans and strategies for improvement.

The assessor had verified the plan to mitigate polluting activities through the construction of oil traps, bunded diesel storage tank, reducing chemical consumption and treating POME in a series of ponds and regular monitoring of the final discharges.

It was observed that the action plan had been discussed and reviewed during regular operations meetings by the Mill Manager and Estate Manager.

There was no peat soil area in the Jeroco CU. Therefore, Indicator 5.6.3 is not applicable.

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.

Findings:

A social impact assessment (SIA) report was prepared in October 2012 covering the five estates, namely, Batangan, Kapis, Lokan, Longmanis, Lutong, and the JPOM1 and JPOM2. The report presents in detail the comments made by the various stakeholders on social impacts as well as the proposed mitigation plans by the estates/mill. Each of the issues raised by the participant was addressed in the action plan.

A file was kept containing the invitation letters to attend the SIA meeting and social impacts forms had been filled by the participants during the meeting. A total of 67 stakeholders were invited out of which only 20 participated in the meeting.

It was observed that the SIA and the report could be improved by: (i) employing other techniques of information gathering, for example, focus groups discussion, (ii) obtaining more information on the stakeholders and putting them in the list of stakeholders, and (iii) separating and discussing the issues identified for each of the estate and POM in the report. **This was raised as OFI 7.**

In addition, it was also observed that the SIA action plan could be improved by (i) identifying specific person in charge (PIC) responsible for taking actions on each of the mitigation measures and (ii) updating the plans at certain specific intervals. **This was raised as OFI 8.**

There was no monitoring report made available on the implementation of the SIA as it had just been implemented,

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.

Findings:

It was found that the estates and mills did not have documented procedures on consultation and communication. Only grievance procedures for internal and external parties were made available. **This was therefore raised as a major NCR (# RM01).**

As stated in the SIA report, the Estate/Mill Manager had been given the responsibility to handle on social issues. However, they could delegate this responsibility to the Assistant Manager.

The lists of stakeholders were prepared both by the estates/mill and the company headquarters was made available. The lists had included the government agencies, suppliers, contractors, schools, bus operators and traders.

It was found that the estates and mill had kept and maintained files on records of communication and consultation with external and internal parties and on actions taken in response made to inputs received from the stakeholders.

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.

Findings:

The estates and mill had prepared procedures on dealing with grievances and disputes raised by their staff and workers and external stakeholders. The procedures require the complainant to fill up a complaint form and forward it to the relevant officers of authority.

From the visits made to the line sites, it was observed that timely actions were taken on the complaints made by the workers.

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.

Findings:

HSPHB had an established procedures on dealing with land disputes, squatter and loss of legal and customary rights. On land disputes, the procedures require the estate management and the disputing party to first negotiate, failing which the case would be referred to the company's headquarters for further negotiation. If negotiation fails, the case would then be brought to a court for arbitration.

So far, there has been no dispute raised on customary rights, land or squatters. As such, the use of the procedures has yet to be verified.

The procedures on calculation, distribution and time frame for compensation had also been established. So far, there has been no compensation made to any disputing parties.

In addition to the above procedures, the Sabah Land Ordinance (SLO) 1930 provides another avenue on resolving disputes on land titles and rights and who should be compensated if losses are incurred.

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.

Findings:

Every staff or worker has to sign a contract of employment upon joining Jeroco. As required by the Sabah Labour Ordinance, pay and work conditions are spelt out in this contract which is signed by the workers or staffs. Among others, the contracts spell out the period of employment, wage rate, work benefits, overtime, annual leave and public holidays. Samples of employment contract were made available during the audit. The company also provided other benefits which include free housing, water supply, medical services and education for foreign children and subsidized electricity.

HSPSB also ensures that the contractors' workers receive comparable wages. The agreement between the company and the contractors spell out that the contractors "pay rates of wages and conditions of employment shall not less favourable than the established industrial rates and conditions of employment.

All the estates/mills provided two bedroom houses for their workers. In every estate there was a *surau*, shared clinic, kindergarten, crèche and canteen. In certain estates, electricity was provided for 24 hours while in some it was given on certain specific time period. There was a charge for electricity while water was provided free.

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.

Findings:

The workers in the estates and mills were not unionized. Furthermore, there was no formal organization formed among the workers to discuss related work or social matters. Nonetheless, in every estate/mill, a Joint Consultative Committee had just been formed to serve as a platform for the discussion of such issues. This JCC comprises the estate management, field supervisors, *mandores*, drivers and security officers.

At least one meeting had been held by the JCC in 2012 in every estate. The minutes of the meeting revealed that the scope of issues discussed in the meeting was fairly wide covering work and housing matters.

Jeroco CU has published some statements on freedom of association in the SIA report respecting the right of workers to be unionized. However, such statements were not written in the local languages as required by the standards. **Therefore, a minor NCR (# RM03) has been raised.**

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.

Findings:

HSPHB's labour policy does not allow children below 18 years old to work in the estates/mill. However, from an inspection on the Employee Master list in Lungmanis estate, it was found that 2 workers below 18 years of age had been recruited to work in the estates/mill. When probed further, it was revealed that the staff who screened the applications did not examine the months but instead only looked at the years the applicants were born. This has resulted in the recruitment of workers who have yet to reach 18 years old by a few months. Since this error was unintentional, **an OFI 9 was raised.**

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.

Findings:

It was found that HSPHB had published statements against discrimination in the recruitment of workers or staffs or in paying or promoting them. Such statements were written as the company's corporate culture. However, they had not been made publicly available as they were only circulated internally to the workers and staffs of the company. **Therefore, a major NCR (# RM02) was raised.**

There is no evidence of discrimination based on race, gender or national origin or any other factors. As shown in the employment letter, there were 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.

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.

Findings:

HSPHB has a policy on sexual harassment entitled "*Polisi Untuk Pencegahan dan Pembasmian Terhadap Gangguan Seksual Yang Tidak Diundang Di Tempat Kerja*" to guide the practices in the estates. The guidelines emphasize that sexual harassment is a threat to basic human rights and offenders would be punished accordingly, including termination from work. The guidelines had prescribed among others, the procedures for reporting sexual harassment assigning the responsibilities for action as well as the timelines involved.

Each of the estates in Jeroco CU had just formed a Gender Committee which would be responsible for organizing relevant activities and programmes. The committee had met at least once since its formation and had just started to organize some activities for the members, for examples, briefings on the subject of sexual harassment. So far there has been no report on sexual harassment in the estates/mill.

Criterion 6.10

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

Findings:

It was found that the purchase of FFB was covered by a written contract signed by both parties, namely the estate and the supplier. One of the items in the agreement was on the purchase price of FFB which was determined by a formula. This formula was applicable to any party selling FFB to the mills.

It was evident that the mill had displayed current and past FFB prices at their notice boards. Payments are made through cheques which are issued the month following the completion of the works. All the interviewees mentioned that, in the past, payment had been made very promptly. The records of payments seen testified that the contractors/suppliers have been paid on time.

Criterion 6.11

Growers and millers contribute to local sustainable development wherever appropriate.

Findings:

The estates serve the local communities in several ways. First, the estates had helped to provide local employment. Second, the roads within the estates were being used by local people for communication and transportation. Third, the estates' clinic had offered medical services at minimal costs to the local communities.

It was also found that the manager of the Lokan Estate is the chairman of the primary school's parents-teachers association. In his capacity, he has helped and supported the school in carrying activities, such as collecting donations, repairing school buildings and facilities.

PRINCIPLE 7: RESPONSIBLE DEVELOPMENT OF NEW PLANTINGS

There was no new planting in the Jeroco CU. Therefore 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.

Findings:

HSPHB has committed 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) at Kota Kinabalu.
- GHG emission reduction initiative on Clean Development Mechanism for JPOM1 and JPOM2 has been planned in 2013 which includes CDM project for the bioreactors gas capturing facilities, biogas treatment and power plant, biogas engine generator and other earth, civil and structural works for mills under HSPHB
- Initiative on reducing the effluent discharge limit by planning to install POME Polishing Plant at JPOM 1 and JPOM 2
- Annual de-silting programme to improve HRT for the effluent ponds.
- CAPEX for machine upgrades and accommodation upgrades for all staff.

RSPO Supply Chain Certification Audit for Module D (CPO Mills: Segregation) and Module E (CPO Mills: Mass Balance)

Jeroco has 2 POMs i.e. JPOM1 and JPOM2. These 2 POMs would enable the CU to process RSPO certified FFBS to produce RSPO certified CPO and PK using both supply chain models, the Segregation (SG) and Mass Balance (MB). The CU could also assign one of the POM to implement either the SG or the MB supply chain module.

During the assessment, it was found that Jeroco had established and documented the procedure for RSPO supply chain system for JPOM1 and JPOM2. However, based on documentation review and on-site inspection, the assessor was of the view that there were still lapses that these POMs need to address in order to fully comply with the requirements of the RSPO Supply Chain Standard, November 2011 (RSPO Supply Chain Standard). Specifically the POMs had not clearly described in their Standard Operation Procedure (SOP) on the following elements of the RSPO Supply Chain Standard:

- assuring a contamination of 5% maximum
- calculation of certified and non-certified crude palm oil (CPO) and palm kernel (PK) including the consideration of crop diversion in the MB accounting system; and
- indication of supply chain model to be used in relevant documents such as sales contract, invoice etc. e.g. product name\ SG or MB

The above non-conformances has resulted in the issuance of a major NCR (# VS03).

3.2 Detailed Identified Non-Conformities, Corrective Actions and Assessors' Conclusions

The Details on the NCRs and OFIs raised and the assessors' verification of the corrective actions taken are as in **Appendix 3 & 4.**

3.3 Noteworthy Positive Observations



Housekeeping at the estate's workshop has been one of the top priorities for Jeroco CU to ensure the occupational safety and environmental issues are taken care of.



In ensuring the potable water supplied to the employees is fit to be consumed, Jeroco CU has taken appropriate measures to treat its raw water source by having water treatment plants. Samples of water were frequently sent to the recognised laboratory in order to monitor the water quality.


3.4 Issues Raised by Stakeholders and Findings With Respect to Each Issue

The assessment team has verified issues raised by the stakeholder through interviews, site visit and record assessment. Issue highlighted by the stakeholder were addressed in the indicator above. Record of communication was kept in the mill & estate admin office.

3.5 Acknowledgement of Internal Responsibility and Formal Sign-Off of Assessment Findings

I the undersigned, representing SIRIM QAS International Sdn Bhd acknowledge and confirm the content of the assessment report and the findings of assessment.

Name : Valence Shem


Signature : 

Designation : Lead Assessor

Date : 14 June 2013

I the undersigned, representing the Jeroco Certification Unit, acknowledge and confirm the content of the assessment report and findings of assessment.

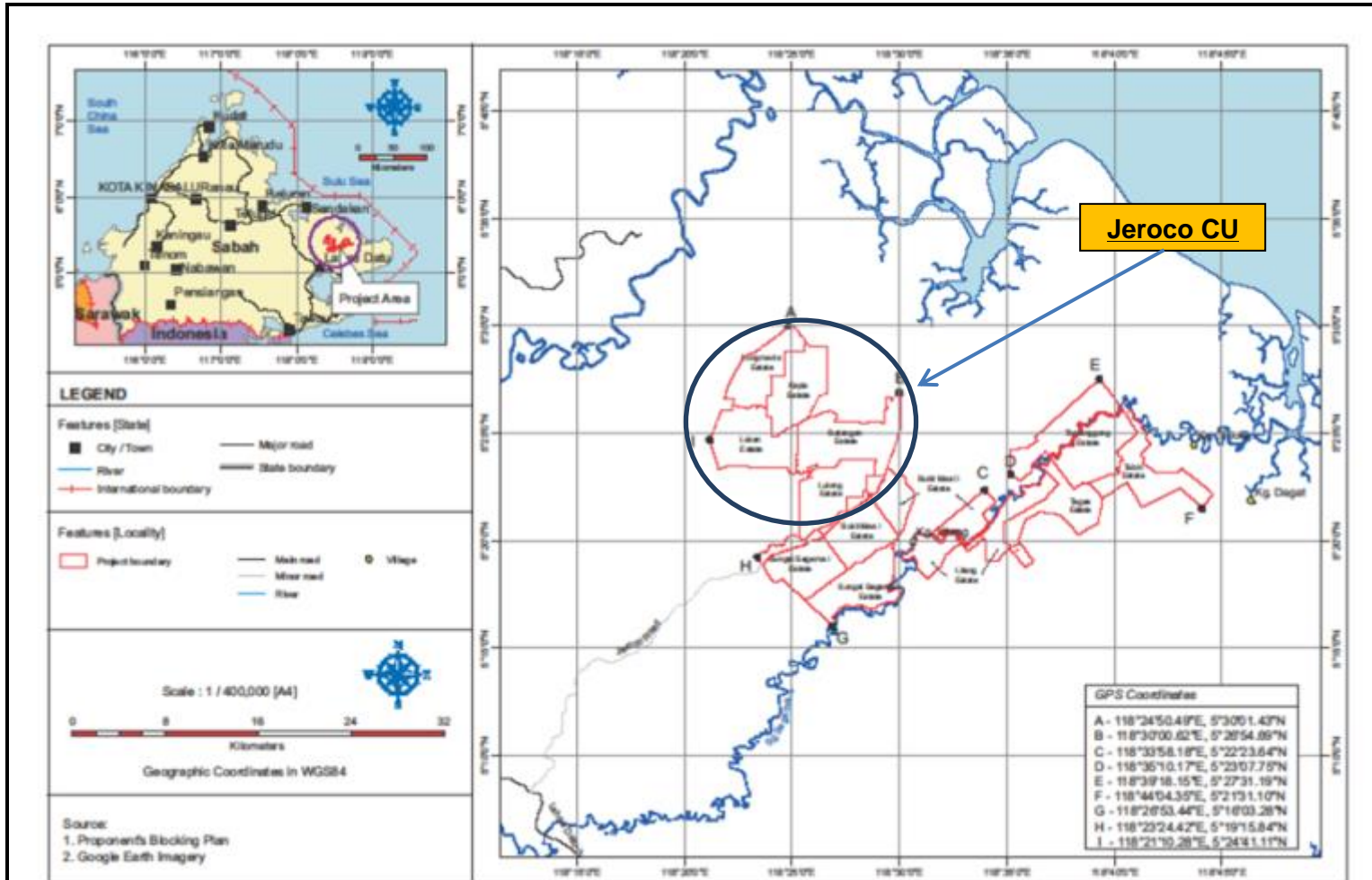
Name : Liew Voon Kheong

Signature : 

Designation : Chief Agronomist

Date : 18 June 2013

Map of Jeroco Certification Unit



Assessment Programme

Day One: 17th November 2012 (Saturday)

| Time | Activities / areas to be visited | | | | Auditee |
|-------------|--|--|--|--|-----------------------------------|
| | Hidhir | Valence | Najwan | Dr. Rusli | |
| 0800 – 0830 | Opening Meeting, audit team introduction and briefing on audit objectives, scope, methodology, criteria and programmes by audit team leader. | | | | Top Management & Committee Member |
| 0830 – 0900 | Briefing on updates (if any) related to RSPO implementation e.g.: <ul style="list-style-type: none"> • significant changes on organization activities, machinery, supply bases capacity, etc. • issue raised from interested party or stakeholder • corrective action taken to address previous pre-assessment findings | | | | Management Representative |
| 0900 – 1300 | Site visit and assessment at <u>Jeroco POM</u> relating to Good Milling Practices, occupational safety and environmental issues <ul style="list-style-type: none"> • Loading Ramp • Production area • Utilities e.g. engine room, boiler, WTP, etc • Laboratory • Workshop • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Continuous Improvement Plan Assessment on related Indicators of P1, P2, P3, P4, P5, P8 | Site visit and assessment at <u>Batangan Estate</u> relating to Good Agricultural Practice and Environmental Issue <ul style="list-style-type: none"> • Nursery (if any) • Good Agricultural Practice • Witness activities & assessment at site (weeding/ spraying/ harvesting/ other maintenance activities) • Replanting area • Riparian Zone • River system including POME application • Plantation on hilly/swampy area • Waste management at field and line site • Line site & facilities • General waste disposal area (including dump site if available) • Commitment to transparency | Site visit and assessment at <u>Lutong Estate</u> relating to estates boundary, HCV and management plan <ul style="list-style-type: none"> • Conservation area management • Verification of land titles and boundary stones • Riparian Zone • Water bodies • River system • Plantation on hilly/swampy area • Interview with stakeholders and relevant government agencies, if applicable • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Continuous Improvement Plan | Site visit and assessment at <u>Lungmanis Estate</u> relating to local community issues such as EIA, SIA and management plans <ul style="list-style-type: none"> • Interviews with Administration staff Union representatives (if any) • Discussion with management (CSR, community affairs), • Consultation with relevant government agencies, if applicable • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Visit line site and discussion with Workers and dependents • Facilities at living quarters (surau, provision shop, crèche, etc) • Visit and discussion with surrounding local community | Guide for each Assessor |

| | | | | | |
|-------------|---------------------|---|--|---|-------------------------|
| | | <ul style="list-style-type: none"> • Laws and regulations • Commitment to long-term economic and financial viability • Continuous Improvement Plan <p>Assessment on related Indicators of P1, P2, P3, P4, P5, P8</p> | Assessment on related Indicators of P1, P2, P4, P5, P8 | <ul style="list-style-type: none"> • Continuous Improvement Plan <p>Assessment on related Indicators of P1, P2, P4, P5, P8</p> | |
| 1300 – 1400 | LUNCH BREAK | | | | |
| 1400 – 1700 | Continue assessment | Continue assessment | Continue assessment | Continue assessment | Guide for each Assessor |

Day Two: 18th November 2012 (Sunday)

| Time | Activities / areas to be visited | | | Auditee | |
|-------------|--|---|--|---|-------------------------|
| | Hidhir | Valence | Najwan | | |
| 0800 – 1300 | Continue assessment at <u>Jeroco POM</u> | Continue assessment at <u>Batangan Estate</u> | Site visit and assessment at <u>Lungmanis Estate</u> relating to estates boundary, HCV and management plan <ul style="list-style-type: none"> • Conservation area management • Verification of land titles and boundary stones • Riparian Zone • Water bodies • River system • Plantation on hilly/swampy area • Interview with stakeholders and relevant government agencies, if applicable • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Continuous Improvement Plan | Site visit and assessment at <u>Lokan Estate</u> relating to local community issues such as EIA, SIA and management plans <ul style="list-style-type: none"> • Interviews with Administration staff Union representatives (if any) • Discussion with management (CSR, community affairs), • Consultation with relevant government agencies, if applicable • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Visit line site and discussion with Workers and dependents • Facilities at living quarters (surau, provision shop, crèche, etc) • Visit and discussion with surrounding local community | Guide for each Assessor |

| | | | | | |
|-------------|---------------------|---------------------|--|---|-------------------------|
| | | | Assessment on related Indicators of P1, P2, P4, P5, P8 | <ul style="list-style-type: none"> Continuous Improvement Plan | |
| 1300 – 1400 | LUNCH BREAK | | | | |
| 1400 – 1700 | Continue assessment | Continue assessment | Continue assessment | Continue assessment | Guide for each Assessor |

Day Three: 19th November 2012 (Monday)

| Time | Activities / areas to be visited | | | | Auditee |
|-------------|---|---|---|---|-------------------------|
| | Hidhir | Valence | Najwan | Dr. Rusli | |
| 0800 – 1300 | Site visit and assessment at Lutong Estate on Environment and Occupational Safety Issues <ul style="list-style-type: none"> Nursery (if any) Replanting area Witness activities & assessment at site i.e. (weeding/ spraying/ harvesting/ other maintenance activities) Chemical store Fertilizer store Estate Workshop Facilities at workplace (water treatment plant, clinic, genset etc.) Interview Safety Committee and contractors Commitment to transparency Laws and regulations Commitment to long-term economic and financial viability Continuous Improvement Plan Assessment on related Indicators of P1, P2, P3, P4, P5, | Site visit and assessment at Tomanggong POM on Supply Chain Implementation including the model used <ul style="list-style-type: none"> General Chain of Custody System Requirements for the supply chain Documented procedures Purchasing and goods in Outsourcing activity Sales and goods out Processing Records keeping Registration Training Claims Mass balance accounting (if applicable) | Site visit and assessment at Lokan Estate relating to estates boundary, HCV and management plan <ul style="list-style-type: none"> Conservation area management Verification of land titles and boundary stones Riparian Zone Water bodies River system Plantation on hilly/swampy area Interview with stakeholders and relevant government agencies, if applicable Commitment to transparency Laws and regulations Commitment to long-term economic and financial viability Continuous Improvement Plan Assessment on related Indicators of P1, P2, P4, P5, P8 | Site visit and assessment at Jeroco POM on responsible social considerations <ul style="list-style-type: none"> Interviews with Administration staff, Safety Committee, FFB Suppliers, contractors and Union representatives Discussion with management (CSR, community affairs), Facilities at workplace Consultation with relevant government agencies (if applicable) Pricing mechanism of FFB Continuous Improvement Plan Other areas identified during the assessment Assessment on related indicators of P1, P2, P3, P6, P8 | Guide for each Assessor |

| | | | | | |
|-------------|---------------------|---------------------|---------------------|---------------------|-------------------------|
| | P8 | | | | |
| 1300 – 1400 | LUNCH BREAK | | | | |
| 1400 – 1700 | Continue assessment | Continue assessment | Continue assessment | Continue assessment | Guide for each Assessor |

Day Four: 20th November 2012 (Tuesday)

| Time | Activities / areas to be visited | | | | Auditee |
|-------------|--|--|---|---|-------------------------|
| | Hidhir | Valence | Najwan | Dr. Rusli | |
| 0800 – 1300 | <p>Site visit and assessment at Tomanggong POM relating to Good Milling Practices, occupational safety and environmental issues</p> <ul style="list-style-type: none"> • Loading Ramp • Production area • Utilities e.g. engine room, boiler, WTP, etc. • Laboratory • Workshop • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Continuous Improvement Plan <p>Assessment on related Indicators of P1, P2, P3, P4, P5, P8</p> | <p>Site visit and assessment at North Bank Estate relating to Good Agricultural Practice and Environmental Issue</p> <ul style="list-style-type: none"> • Nursery (if any) • New Planting area • Good Agricultural Practice • Witness activities & assessment at site (weeding/ spraying/ harvesting/ other maintenance activities) • EFB mulching • Riparian Zone • Plantation on hilly/swampy area • Waste management at field and line site • Line site & facilities • General waste disposal area (including dump site if available) • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Continuous Improvement Plan <p>Assessment on related Indicators of P1, P2, P3, P4, P5, P7, P8</p> | <p>Site visit and assessment at North Bank Estate relating to estates boundary, HCV and management plan</p> <ul style="list-style-type: none"> • New Planting area • Conservation area management • Verification of land titles and boundary stones • Riparian Zone • Water bodies • River system • Plantation on hilly/swampy area • Interview with stakeholders and relevant government agencies, if applicable • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Continuous Improvement Plan <p>Assessment on related Indicators of P1, P2, P4, P5, P7, P8</p> | <p>Site visit and assessment at North Bank Estate relating to local community issues such as EIA, SIA and management plans</p> <ul style="list-style-type: none"> • Social consideration on New Planting area • Interviews with Administration staff Union representatives (if any) • Discussion with management (CSR, community affairs), • Consultation with relevant government agencies, if applicable • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Visit line site and discussion with Workers and dependents • Facilities at living quarters (surau, provision shop, crèche, etc) • Visit and discussion with surrounding local community • Continuous Improvement Plan <p>Assessment on related Indicators of P1, P2, P4, P5, P7, P8</p> | Guide for each Assessor |

| | | | | | |
|-------------|---------------------|---------------------|---------------------|---------------------|-------------------------|
| 1300 – 1400 | LUNCH BREAK | | | | |
| 1400 – 1700 | Continue assessment | Continue assessment | Continue assessment | Continue assessment | Guide for each Assessor |

Day Five: 21st November 2012 (Wednesday)

| Time | Activities / areas to be visited | | | | Auditee |
|-------------|--|---|--|---|-------------------------|
| | Hidhir | Valence | Najwan | Dr. Rusli | |
| 0800 – 1300 | Continue assessment at <u>Tomanggong POM</u> | Continue assessment at <u>North Bank Estate</u> | Site visit and assessment at <u>Litang Estate</u> relating to estates boundary, HCV and management plan <ul style="list-style-type: none"> • Conservation area management • Verification of land titles and boundary stones • Riparian Zone • Water bodies • River system • Plantation on hilly/swampy area • Interview with stakeholders and relevant government agencies, if applicable • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Continuous Improvement Plan Assessment on related Indicators of P1, P2, P4, P5, P8 | Site visit and assessment at <u>Tabin Estate</u> relating to local community issues such as EIA, SIA and management plans <ul style="list-style-type: none"> • Interviews with Administration staff Union representatives (if any) • Discussion with management (CSR, community affairs), • Consultation with relevant government agencies, if applicable • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Visit line site and discussion with Workers and dependents • Facilities at living quarters (surau, provision shop, crèche, etc) • Visit and discussion with surrounding local community • Continuous Improvement Plan Assessment on related Indicators of P1, P2, P4, P5, P7, P8 | Guide for each Assessor |
| 1300 – 1400 | LUNCH BREAK | | | | |
| 1400 – 1700 | Continue assessment | Continue assessment | Continue assessment | Continue assessment | Guide for each Assessor |

Day Six: 22nd November 2012 (Thursday)

| Time | Activities / areas to be visited | | | | Auditee |
|-------------|---|--|---|--|-------------------------|
| | Hidhir | Valence | Najwan | Dr. Rusli | |
| 0800 – 1300 | <p>Site visit and assessment at Tomanggong Estate on Environment and Occupational Safety Issues</p> <ul style="list-style-type: none"> • Nursery (if any) • Witness activities & assessment at site i.e. (weeding/ spraying/ harvesting/ other maintenance activities) • Chemical store • Fertilizer store • Estate Workshop • Facilities at workplace (water treatment plant, clinic, genset etc.) • Interview Safety Committee and contractors • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Continuous Improvement Plan <p>Assessment on related Indicators of P1, P2, P3, P4, P5, P8</p> | <p>Site visit and assessment at Jeroco POM on Supply Chain Implementation including the model used</p> <ul style="list-style-type: none"> • General Chain of Custody System Requirements for the supply chain • Documented procedures • Purchasing and goods in • Outsourcing activity • Sales and goods out • Processing • Records keeping • Registration • Training • Claims • Mass balance accounting (if applicable) | <p>Site visit and assessment at Tabin Estate relating to estates boundary, HCV and management plan</p> <ul style="list-style-type: none"> • Conservation area management • Verification of land titles and boundary stones • Riparian Zone • Water bodies • River system • Plantation on hilly/swampy area • Interview with stakeholders and relevant government agencies, if applicable • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Continuous Improvement Plan <p>Assessment on related Indicators of P1, P2, P4, P5, P8</p> | <p>Site visit and assessment at Tomanggong POM on responsible social considerations</p> <ul style="list-style-type: none"> • Interviews with Administration staff , Safety Committee, FFB Suppliers, contractors and Union representatives • Discussion with management (CSR, community affairs), • Facilities at workplace • Consultation with relevant government agencies (if applicable) • Pricing mechanism of FFB • Continuous Improvement Plan • Other areas identified during the assessment <p>Assessment on related indicators of P1, P2, P3, P6, P8</p> | Guide for each Assessor |
| 1300 – 1400 | LUNCH BREAK | | | | |
| 1400 – 1700 | Continue assessment | Continue assessment | Continue assessment | Continue assessment | Guide for each Assessor |

Day Seven: 23rd November 2012 (Friday)

| Time | Activities / areas to be visited | | | | Auditee |
|-------------|---|---------|--------|-----------|----------------------------|
| | Hidhir | Valence | Najwan | Dr. Rusli | |
| 0800 – 0930 | Verification on any outstanding issues for Jeroco and Tomanggong Certification Unit Assessor to inform auditee on required document / record | | | | Guide for each Assessor |
| 0930 – 1130 | Audit team discussion and preparation on assessment findings | | | | |
| 1130 – 1430 | LUNCH BREAK & FRIDAY PRAYER | | | | |
| 1430 – 1530 | Discussion and acceptance on audit findings with representatives from both certification units | | | | Management representatives |
| 1530 – 1700 | Closing meeting – presentation of assessment findings | | | | All |
| 1700 | End of assessment | | | | |

DETAIL OF NCRs AND CORRECTIVE ACTIONS TAKEN

| P & C Indicator | Specification Major/Minor | Detail Non-conformances | Corrective Action Taken by the CU and Verification by Assessors |
|----------------------------|----------------------------------|---|--|
| 2.1.1 NCR# VS01 | Major | <p>Some evidence of compliance with legal requirements was not found.</p> <p><u>Evidence:</u> The following legal requirements have yet to be fulfilled:</p> <ol style="list-style-type: none"> 1) Training on scheduled waste handling – Regulation 15, Environmental Quality (Scheduled Wastes) Regulations, 2005. 2) Fire certificate for Palm Oil Mill – Section 28, Requirement for Fire Certification, Fire Services Act, 1988 3) Competent persons in-charge for the greater horsepower generator sets at Jeroco Mill 2 and Lutong Estate and Steam Engineer in-charge – e.g. 1st Grade ICE driver (JPOM2, Lutong Estate), 1st Grade visiting engineer (JPOM 2), 1st and 2nd Grade Steam Engineer in-charge (JPOM 1), 1st Grade Steam Engineer in-charge (JPOM 2) - Factory & Machinery (Person In Charge) Regulation 1970 - Regulation 5(6)(ii) (25000>HS>10000), Regulation 6 (4), (Requirement for > 500hp ICE) & Regulation 6(3) (Requirement for >100hp ICE) 4) Written approvals for generator sets – Regulation 36, Environmental Quality(Clean Air)Regulations, 1978 | <ol style="list-style-type: none"> 1) Jeroco CU has received three quotations from various consultants to conduct training on schedule waste handling in the company between 28/3/2013 to 8/4/2013. Nonetheless, evidence that such training has been conducted has yet to be made available. This shall be further verified in the surveillance assessment. 2) JPOM has received a quotation from a consultant to supply, install, consult, testing and commissioning a fire fighting system according to BOMBA requirements on 18/3/2013. Nonetheless, evidence that this job has commenced has yet to be made available. This shall be further verified in the surveillance assessment. 3) Jeroco CU has posted a few advertisements searching for the required competent person in-charge since early of 2013. However, until now no candidate was found to have met the requirements. Jeroco CU would continue searching apart from having a plan to upgrade the competence of the existing engineers via appropriate trainings. The progress of this effort shall be verified in the surveillance assessment. 4) Jeroco CU has requested a quotation from a consultant to apply for an approval from the authority for the generator set on their behalf through a letter dated 20/2/2013. The consultant has proposed their price through a letter dated 3/3/2013. No official agreement has been made yet. This shall be further verified in the surveillance assessment. <p>Status: Closed</p> |

| | | | |
|---|--------------|---|---|
| <p>4.1.2</p> <p>NCR# VS02</p> | <p>Minor</p> | <p>Agriculture practices for pest & disease were not in accordance with Hap Seng's Oil Palm Agriculture Procedure (OPAP).</p> <p><u>Evidence:</u> The applications of rat baits (<i>brodifacoum</i>) at Batangan Estate were found not in accordance with OPAP.</p> | <p>Minor indicator – shall be verified in the surveillance assessment.</p> <p>Status: Not closed</p> |
| <p>RSPO Supply Chain Certification Standard, Nov 2011</p> <p>Module D – CPO Mills: Segregation and</p> <p>Module E – CPO Mills: Mass Balance</p> <p>NCR# VS03</p> | <p>Major</p> | <p>The current procedure for supply chain was inadequate.</p> <p><u>Evidence:</u> Some of the elements of the RSPO Supply Chain system at JPOM1 and JPOM2 were not meeting the requirements of the RSPO Supply Chain Standard for the SG and MB modules such as:</p> <ol style="list-style-type: none"> 1) Maximum contamination value of 5% for Segregation model 2) Calculation of certified and non-certified crude palm oil (CPO) and palm kernel (PK) including the consideration of crop diversion event in mass balance accounting system 3) The indication of supply chain model to be used in relevant documents such as sales contract, invoice etc. e.g. product name\ SG or MB | <p>Jeroco CU has submitted an SOP which prescribes the procedures to be implemented to address the gaps with respects to the requirements in the RSPO Supply Chain Standard for Modules D and E. The assessor was satisfied that the procedure has been adequate to fulfil the requirements. Nonetheless, the effectiveness of the procedure shall be verified in the surveillance assessment.</p> <p>Status: Closed</p> |
| <p>4.4.1</p> <p>NCR# NAJ-1</p> | <p>Major</p> | <p>Protection of water courses and wetlands, including maintaining and restoring appropriate riparian buffer zones along all natural waterways within the estate was not maintained.</p> <p><u>Evidence:</u> During the site review at Lutong Estate at block 29/35, it was found that there were herbicides spraying trace along the identified riparian reserved.</p> | <p>A copy of training attendance, training materials, and reminder on prohibition activities at buffer zone for the manuring and spraying workers has been submitted to the assessor. Training for sprayers was conducted on 13/12/20 while for manuring operators on 15/3/2013.</p> <p>Status: Closed</p> |

| | | | |
|---------------------------|-------|--|---|
| 6.2.1 NCR# RM01 | Major | <p>The estates and mill under Jeroco certification unit have no documented consultation and procedures.</p> <p><u>Evidence:</u> No documented consultation and communication procedures have been made available during the audit. Only grievance procedures for internal and external parties were available in the RSPO file.</p> | <p>HSPHB has prepared and documented the procedures on consultation and communication and submitted it to the assessor. The assessor had reviewed and found the procedures were adequate to comply the RSPO requirements. Nonetheless, its effectiveness would be tested in the surveillance assessment.</p> <p>Status: Closed</p> |
| 6.8.1 NCR# RM02 | Major | <p>The estates and mill under Jeroco certification unit have no publicly available equal opportunity policy.</p> <p><u>Evidence:</u> No evidence on publicly available equal opportunity policy was made available during the audit. Nonetheless, statements underlying the CU's commitment to equal opportunity were mentioned in Social Impact Assessment report (p.15). However, this report is not a public document and, therefore, not accessible to the public.</p> | <p>Jeroco CU has submitted photos showing the policy statements have been posted on the notice boards in the various estates and mills.</p> <p>Status: Closed</p> |
| 6.6.2 NCR# RM03 | Minor | <p>Estates and mill in Jeroco CU has no published statement in local languages recognizing freedom of association.</p> <p><u>Evidence:</u> No evidence on published statement in local languages recognizing freedom of association was made available during the audit. Statements underlying the CU's commitment to the freedom of association were found in the SIA Report. However, this report was not written in the local languages.</p> | <p>Minor indicator – shall be verified in the surveillance assessment.</p> <p>Status: Not closed</p> |

DETAIL OF OPPURTUNITIES OF IMPROVEMENT (OFI)

| Indicators | Issues raised |
|------------|---|
| 2.1.1 | Jeroco had prepared a list of the applicable regulations it has to subscribe to. Nonetheless, it was found that some of the relevant regulations had not been listed such as the MPOB Act 1998, MPOB Reg (Licensing) 2005, <i>Akta Timbang dan Sukat</i> , 1972, <i>Kementerian Perdagangan Dalam Negeri – Peraturan Kawalan Bekalan</i> 1974, Electric Supply Act 1990, Regulation 1990 and some of the regulations on Pesticide (Highly Toxic Pesticide) Regulation 1996. |
| 4.4.7 | All estates had been monitoring data on rainfall as well as water consumption. Daily records of rainfall for each estate and mill were made available for inspection. However, it was observed that the data has yet to be used in the water management plan. |
| 4.7 | <ul style="list-style-type: none"> • HIRARC register had been revised and updated to incorporate changes and control measure implemented at the workplace. However, the revised register could be improved further to include other accidents such as those resulting from animal hazard, chemical poisoning during trunk injection, permanent disability and electrical shock • JPOM1 and JPOM2 had carried out an Initial Noise Exposure Monitoring in October 2011. Based on the report, Jeroco has to conduct a positive noise exposure monitoring within 6 month of the initial monitoring. However, JPOM 1 and JPOM2 have yet to conduct this monitoring • Hearing conservation programme has yet to be conducted at JPOM1 and JPOM2 once every 2 years. It was observed that so far, there was no such programme being planned for JPOM1 and JPOM2 • First Aid equipment was made available at worksites and had been inspected on monthly basis. However, the content has yet to be standardized in accordance with the guidelines for first aid kit in the 4th schedule of Safety, Health and Welfare Regulation 1970. • As part of administrative control, safety reminder, signage had also been erected and displayed at mill processing area as well as at highly hazardous area. Although appropriate control had been implemented, it was observed that a flashback arrestor had not been fitted to the acetylene and oxygen gas at the cages repairing bay. • On the operational control on the issuance of PTW for confined space, further improvement could be made by up-dating the record in the column for the gas testing on a daily basis. • Although a fire emergency response plan had been developed for JPOM1 and JPOM2, the drill of it has yet to be carried out. • Emergency response plan for CPO spillage and fire outbreak for facilities particularly in barge and bulking installation has yet to be documented. |
| 5.3.2 | <p>The following activities as stated in the <i>Jadual Pematuhan</i> have yet to be done:</p> <ul style="list-style-type: none"> • sampling on the frequency for iso kinetic stack (JPOM1 and JPOM2); • installation of more laudable alarm system in JPOM2 to trigger (high capacity) black smoke; and • expediting on-line reporting via CEMS-DIS with DoE for JPOM1 and JPOM2. <p>• There was a need for the mill to improve the bund of the decanter cake sump as it was located too near to the monsoon drain.</p> |

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| 5.2.1 | Some improvements would be needed to the HCV assessment as during the site visits and random interviews held with the workers, it was observed that Orang Utans and Hornbill which had been commonly sighted along the borders of the Sg Simpang Forest Reserve but had not been mentioned in the HCV Report. |
| 5.2.3 | Jeroco CU had been committed to discourage any illegal or inappropriate hunting, fishing or collecting activities in the estates. It was observed that signage on the prohibition of hunting had been erected. However, none was seen at the Lungmanis Estate. |
| 6.1.1 | <p>The SIA exercise/report could be improved by:</p> <ul style="list-style-type: none"> a) Employing other techniques of information gathering, for example, focus groups discussion. b) Incorporating more descriptions on the neighbouring stakeholders, namely, the estates and local communities. The names of these estates and the local communities should be included in the list of stakeholders c) Separating the issues identified for each of the CUs and discussed them in their respective report. |
| 6.1.3 | <p>The SIA action plans could be improved by:</p> <ul style="list-style-type: none"> a) Identifying specific person in charge (PIC) responsible for taking actions on each of the mitigation measures b) Updating the plans at certain specific intervals |
| 6.7.1 | From an inspection on the Employee Master list in Lungmanis estate, it was found that 2 workers below 18 years of age had been recruited to work in the estates/mill. When probed further, it was revealed that the staff who screened the applications did not examine the months but instead only looked at the years the applicants were born. This has resulted in the recruitment of workers who have yet to reach 18 years old by a few months. |