



**PUBLIC SUMMARY
2ND RSPO SURVEILLANCE ASSESSMENT**

AUDIT DATE : 4-6 SEPTEMBER 2012

**SIME DARBY PLANTATION SDN. BHD.
CERTIFICATION UNIT (SOU 17) – KEMPAS
MELAKA, MALAYSIA**

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SUMMARY REPORT

1.0 Scope of the Certification Assessment

1.1 Introduction

The certification unit, Kempas Certification Unit and commonly known as Strategic Operating Unit 17 (SOU 17) within Sime Darby Plantation Sdn. Bhd. (SDPSB) was assessed for continuing certification against the RSPO Principles and Criteria for Sustainable Palm Oil Production MYNI (RSPO MYNI). This assessment is the Surveillance assessment no. 2. SOU 17 consisting of Kempas Palm Oil Mill and the following company-owned estates: Kempas Estate, Kemuning Estate, Tangkah Estate and Pagoh Estate. The SOU is equivalent to a certification unit as defined in the RSPO Certification Systems Document. Each SOU consists of one mill and its supply bases.

This assessment covered a management unit and its supply bases as detailed in Table 1. The supply bases assessed were confined to estates owned by SDPSB.

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

1.2 Location of Mill and Estates

Kempas Palm Oil Mill and Kempas Estate are located in Jasin District, Melaka while Kemuning Estate is located in Alor Gajah District, Melaka. Tangkah Estate is in Ledang District, Johor and Pagoh Estate is in Muar District, Johor. All of these estates are located in the southern region of Peninsular Malaysia.

The locations of the estates and oil mill, which make up SOU 17 are shown in Attachment 1a & 1b, while their coordinates are detailed in Table 1.

Table 1: Location and addresses of mill and estates

Estate/Mill	Coordinates		Location Address
	Latitude	Longitude	
Kempas Palm Oil Mill	2° 36.68" N	102° 28' 52.99" E	77000 Jasin, Melaka
Kempas Estate	2° 15' N	102° 26' E	71000 Jasin, Melaka
Kemuning Estate	2° 27' N	102° 20' E	76460 Tebong, Melaka
Tangkah Estate	2° 22' N	102° 37' E	84900 Tangkak, Johor
Pagoh Estate	2° N	10 ° E	84309 Bukit Pasir, Johor

1.3 Production Volume for All Certified Products

The approximate annual tonnage of CPO and PK produced as well as the tonnage claimed for certification are as follows:

Table 2: Actual CPO and PK tonnage for Kempas POM since date of last reporting period (April 2011 to August 2012)

FFB Received (mt)	FFB Processed (mt)	CPO Production (mt)	PK Production (mt)	Certified CPO (mt)	Certified PK (mt)
432,861.93	432,829.13	90,576.53	23,071.02	89,331.17	23,212.78

Table 3: Estimated quantity of CPO and PK for Kempas POM (September 2012 to August 2013)

FFB Received (mt)	FFB Processed (mt)	CPO Production (mt)	PK Production (mt)	Certified CPO to be claimed (mt)	Certified PK to be claimed (mt)
244,630.97	244,659.96	51,532.24	12,423.18	53,217.50	12,726.23

Table 4: Actual FFB production by the certified supplying estates sent to Kempas POM since date of last reporting period (April 2011 to August 2012)

Estates	FFB Production	
	Tonnes	Percentage (%)
Kempas	167799.49	38.765
Kemuning	71723.64	16.570
Tangkah	66430.97	15.347
Pagoh	64064.93	14.800
Serkam	27692.84	6.398
Diamond Jubilee	2135.16	0.493
Bukit Asahan	7442.62	1.719
Kok Foh	169.37	0.039
Sua Betong	390.09	0.090
New Labu	120.47	0.028
Tampin Linggi	1425.02	0.329
Bukit Pilah	265.91	0.061
Sungai Sebaling	63.47	0.015
Welch	97.21	0.022
St Helier	331.29	0.077
Pertang	360.92	0.083
ungai Baharu	238.89	0.055
Sengkang	3233.41	0.747
Pengkalan Bukit	6129.74	1.416
Siliau	24.57	0.006
Third party (if any)	118,92.95	2.748
Total	420,140.01	100%

Table 5: Estimated FFB production by the certified supplying estates to be sent to Kempas POM (September 2012 to August 2013)

Estates	FFB Production	
	Tonnes	Percentage (%)
Kempas	105350.33	43.065
Kemuning	46412.29	18.972
Tangkah	41591.11	17.002
Pagoh	14607.00	5.971
Serkam	19393.84	7.928
Diamond Jubilee	1633.41	0.668
Bukit Asahan	6150.61	2.514
Kok Foh	950.23	0.388
Bukit Pilah	204.82	0.084
Sungai Sebaling	40.47	0.017
Welch	991.38	0.405
St Helier	179.57	0.073
Pertang	236.86	0.097
Sungai Baharu	134.80	0.055
Sengkang	622.87	0.255
Pengkalan Bukit	1423.10	0.582
Salak	272.61	0.111
Lanadron	117.67	0.048
Third party (if any)	4317.45	1.765
Total	244,630.42	100%

1.4 Certification Details

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

Parent company: Sime Darby Plantation Sdn. Bhd.

Certificate no RSPO 005 - Kempas Oil Mill

The date of certification was the date of the RSPO approval, which was 20th May 2010.

1.5 Description of The Supply Base

Kempas Palm Oil Mill commenced operations in December 2003 with a processing capacity of 60 metric tonnes of fresh fruit bunches (FFB) per hour. A significant proportion of the FFB are sourced from company-owned estates, that is, 90% of the FFB are from SOU 17 itself while 10% are sourced from neighbouring non-RSPO certified estates. The total combined land area of the four estates is 12,125.44 hectares (ha) of which 11,483.81 ha had been planted with oil palm.

The FFB contribution from each estate is detailed in Table 2 while the percentage of planted area in each estate is detailed in Table 6.

Percentage of immature area is detailed in Table 6. Table 6 also detailed out year of oil palm establishment and their respective total and planted areas. Prior to the oil palm establishment,

cocoa and rubber were the crop grown at Kempas and Pagoh while rubber at Kemuning and Tangkah Estates.

1.6 Planting Profiles

Table 6: Areas of plantations

Estate	Year of oil palm establishment	Area (ha)				Area (%)	
		Total	Planted	Mature	Immature	Mature	Immature
Kempas Estate	1979	1745.45	1655.67	1598.58	57.09	96.55	3.45
Kemuning Estate	1973	2540.90	2540.90	2103.57	437.33	82.79	17.21
Merlimau Estate	1987- 2006	2792.93	2792.93	2765.12	27.81	99.00	1.00
Tangkah Estate	1966	2661.76	2505.40	1809.43	695.97	67.98	26.15
Pagoh Estate	1975	2334.02	1988.91	1752.99	235.92	75.10	10.11
Total		12,075.06	11,483.81	10,029.69	1,454.12	421.42	57.92

1.7 Time Bound Plan for Other Management Units

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

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

1.8 Progress of Associated Smallholders / Smallgrowers Towards Compliance with Relevant Standard

SDPSB has no explicit contract agreement with smallholders / smallgrowers on trading solely to them. Hence, there is no established plan for the supply base other than SDPSB owned estates to be in conformance with RSPO requirements. Subsequently, the CPO produced from the smallholders crop needs to be excluded through Mass Balance calculation.

1.9 Organizational Information / Contact Person

Sime Darby Plantation Sdn. Bhd.
 SOU 17 (with the address at Kempas Estate)
 71000 Jasin, Melaka,
 Malaysia

Contact person:

Tn. Hj. Abdul Aziz Jamaluddin
 Chairman of SOU 17 and Kempas Estate Senior Manager
 Phone : + 60 89 826290
 Fax : + 606 2635260

2.0 Assessment Process**2.1 Certification Body**

SIRIM QAS International Sdn. Bhd. is the oldest and leading certification, inspection and testing body in Malaysia. SIRIM QAS International provides a comprehensive range of certification, inspection and testing services which are carried out in accordance with internationally recognised standards. Attestation of this fact is the accreditation of the various certification and testing services by leading national and international accreditation and recognition bodies such as the Department of Standards Malaysia (STANDARDS MALAYSIA), the United Kingdom Accreditation Services (UKAS), the International Automotive Task Force (IATF), and the Secretariat of the United Nations Framework Convention for Climate Change (UNFCCC). SIRIM QAS International is a partner of IQNet, a network currently comprising of 36 leading certification bodies in Europe, North and South America, East Asia and Australia.

SIRIM QAS International has vast experience in conducting assessment related to RSPO assessment. We have certified more than a hundred palm oil mills and several estates to ISO 14001 & OHSAS 18001. We have also conducted pre assessment against RSPO Principle and Criteria.

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

2.2 Qualification of Lead Assessor and Assessment Team

The details of the assessors and their qualification are detailed below:

Assessment Team	Role/Area of RSPO Requirement	Qualification and Experience
Valence Shem	Lead Assessor / Good Agricultural Practices (GAP) and environmental issues	<ul style="list-style-type: none"> • Collected more than 300 Auditor days in auditing ISO 14001 and RSPO. • Nine years' 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 – 2011.
Dr. Zahid Emby	Assessor / community issues	<ul style="list-style-type: none"> • Over 40 days of auditing experience, having audited to FSC Forest Management and RSPO requirements. • Peer reviewer for FSC Forest Management certification reports. • Attended a training on RSPO P&C and

		<p>certification requirements in 2008, November 2009 and February 2011.</p> <ul style="list-style-type: none"> • Doctor of Philosophy. • M.A. (Social Anthropology). • B.A. Hons (Social Anthropology/Sociology).
Ruzita Abd Gani	Assessor / Occupational health & safety and environmental issues at mill	<ul style="list-style-type: none"> • Collected more than 950 Auditor days in auditing ISO 14001, OHSAS 18001, MS 1722 OHSMS and RSPO. • Five years' experience in Oil Palm Milling • Successfully completed RSPO Lead Assessor Course – 2008. • Successfully completed IRCA accredited Lead Assessor training for OHSAS 18001 in 2005. • Successfully completed IRCA accredited Lead Assessor training for ISO 9001 in 2004. • Successfully completed EARA accredited Lead Assessor training for ISO 14001 in 2002. • B. Sc (Hons). Chemical Engineering.
Dr. Samsuddin Musa	Assessor / HCV, ecology and environmental issues	<ul style="list-style-type: none"> • Collected 45 auditor days in auditing Forest Management Certification (FMC). • Twenty six years working experience related to forest management the latest being Conservation of Biological Diversity through Sustainable Forest Management. • PhD from Universiti Kebangsaan Malaysia (UKM) in 2011. • B.Sc. (Hons) Forestry.

2.3 Assessment Methodology

The Surveillance Assessment 2 was conducted on 4th to 6th September 2012. The main objective of this assessment was to:

- determine conformance against the RSPO MYNI.
- verify the effective implementation of corrective actions arising from the findings of main assessment.
- make appropriate recommendations based on the current assessment findings.

Planning for the Surveillance 2 assessment was guided by the RSPO Certification Systems Document. The sampling formula of $0.8 \sqrt{y}$, where y is the number of estates in the SOU, was used. Nonetheless, all of the four estates and the mill (Kempas Palm Oil Mill) were visited and assessed, but the coverage of number of RSPO P&C indicators were selective for each estate.

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

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

2.4 Date of Next Surveillance Visit

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

3.0 Assessment Findings

3.1 Summary of Findings

The findings of the assessment were highlighted and discussed during the on-site Surveillance 2 assessment. There were several nonconformities reports (NCR) being raised on SOU 17 compliance against the requirements of the RSPO MYNI. The details of the NCRs and the corrective actions taken are as in Attachment 3. Evidences of the actions taken by the CU had been submitted to the assessment team.

The findings for the assessment are reported based on RSPO MYNI indicator.

PRINCIPLE 1: COMMITMENT TO TRANSPARENCY

Criterion 1.1

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

Indicator 1.1.1

Records of requests and responses must be maintained.
Major compliance

Guidance :

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

Audit findings

SOU 17 was still continuing to implement the procedure for responding to any communication as outlined in their Estate/Mill Quality Management System documents. The system required response to all communication within a certain timeframe. Action may then be taken to fulfil the request or for decision to be made by relevant person-in-charge. All communications were logged and registered.

The records for all communication were identified and maintained in different files depending on the stakeholder. Each record stated the date of communication received, response and remarks whether requests have been addressed. Among the records inspected were correspondences with the authorities, communities and employees.

SDPSB has a procedure for responding to requests for information on issues relevant to the RSPO criteria. Assessment of the implementation of the procedure showed that records of communication between management and internal and external stakeholders (namely workers/suppliers/contractors/local authorities/local community) are maintained.

Among the records sighted were communications with workers and minutes of stakeholder consultation forum with the local communities as well as actions taken to handle complaints made by workers.

Criterion 1.2

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

This concerns management documents relating to environmental, social and legal issues that are relevant to compliance with RSPO Criteria. Documents that **must** be publicly available include, but are not necessarily limited to:-

- 1.2.1 Land titles / user rights (C 2.2)
- 1.2.2 Safety and health plan (C4.7)
- 1.2.3 Plans and impact assessments relating to environmental and social impacts (C 5.1, 6.1, 7.1, 7.3)
- 1.2.4 Pollution prevention plans (C 5.6)
- 1.2.5 Details of complaints and grievances (C 6.3)
- 1.2.6 Negotiation procedures (C 6.4)
- 1.2.7 Continuous improvement plan (C 8.1)

Guidance:

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

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

Audit findings

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

SDPSB continued to use the internet for disseminating public information. Information relating to land titles, safety and health plans, pollution prevention plans and the procedure for complaints and grievances were available through SDPSB website at <http://plantation.simedarby.com>.

Among the documents that were made available for viewing are:

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

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

- 1) Occupational Safety & Health;
- 2) Environment & Biodiversity;
- 3) Social;
- 4) Gender;
- 5) Slope Protection & River, and
- 6) Quality.

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

To the point of this assessment, SOU 17 has not received any request pertaining Criterion 1.2.

PRINCIPLE 2: COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

Criterion 2.1

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

Indicator 2.1.1

Evidence of compliance with legal requirement

Major compliance

Indicator 2.1.2

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

Minor compliance

Indicator 2.1.3

A mechanism for ensuring that they are implemented.

Minor compliance

Indicator 2.1.4

A system for tracking any changes in the law.

Minor compliance

Guidance:

1. Lists down all applicable laws including international laws and conventions ratified by the Malaysian government.
2. Identify the person(s) responsible to monitor this compliance.
3. Display applicable licenses and permits.

Unit responsible to monitor these will also be responsible to track and update changes.

Audit findings

SDPSB has a documented system for identifying and tracking of legal requirements. As required by the procedure there is evidence that the Mill and Estate Managers have complied with the requirements to identify, track and update changes of legal requirements and to evaluate compliance to it on an annual basis.

Among the legal requirements they have identified were Environmental Quality Act and Regulations, 1974, Factories and Machinery Act and Regulations, 1967, Occupational Safety and Health Act and Regulations, 1994 & Worker' Minimum Standards of Housing and Amenities Act, 1990.

Relevant licenses and permits were valid and displayed at the estate and mill offices. Among those seen displayed include those from MPOB, Energy Commission and Domestic Trade Ministry for purchase of FFB, generation of electricity, diesel and fertilizer storage. Operational performance monitoring activities conducted included the employee audiometric test, hearing conservation programme, workplace inspection and monitoring of smoke & dust particulates emission from the boiler and discharges from the effluent treatment plant. The monitoring of boiler emissions and effluent discharges has also included measurements conducted by external accredited laboratories.

Based on the result of the evaluation, the assessor has verified that this exercise has produced reliable results to gauge the legal compliance of the company.

Nonetheless, it was found that at Kempas Estate, there was a standby unit of generator set (Caterpillar Model SR4, 230 kW), which the need of whether or not to obtain a Written Approval [Environmental Quality (Clean Air) Regulations 1978, Reg. 36] from the Department of Environment was not evident.

Criterion 2.2

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

Indicator 2.2.1

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

Major compliance

Indicator 2.2.2

Growers must show that they comply with the terms of the land title. [This indicator is to be read with Guidance 2]

Major compliance

Indicator 2.2.3

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

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

Indicator 2.2.4

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

Guidance:

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

Audit findings

SOU 17 has relevant proof of legal ownership of the land in the assessed estates. Copies of land titles were sighted and SOU 17 complies with the terms of the land title. The original ownership documents are kept at SDPSB's headquarters. So far, there has been no legitimate contest by local communities with demonstrable rights.

During the assessment of the Pagoh and Tangkah estates, field visits to the estate boundaries were made to ensure that the boundaries were clearly demarcated and that boundary stones were visible particularly those adjacent to forest reserves or development areas. It was found that in boundary stones were not consistently visible. Some of the boundary stones at the Pagoh Estate had been identified while some were not found especially at the boundary with quarry site. In Tangkah Estate, boundary stones were not able to be located at the boundaries between the estate and Gunong Ledang National Park. Since the National Parks is a highly protected site it would be important that the boundaries between the estate and the park be properly demarcated to avoid potential encroachment. However, boundary stones were not found along estate boundaries with the park. Attempts to locate boundary stones were not successful making it difficult to validate the boundaries. The boundaries were regularly patrolled by estate security to prevent illegal encroachments.

A minor NCR was raised as there was no evidence of boundary stones along the perimeter of Tangkah Estate with the Gunong Ledang National Park.

Subsequently the Tangkah Estate had taken steps to locate the boundary stones and make it more visible. Evidence of actions taken reported includes located boundary stones as well steps taken to mark trees leading on the boundary as well as trees on the boundary with red paint and flagging tape to enable clear boundary demarcation.

Based on the documentary evidence provided by Tangkah Estate on actions taken to address the minor NCR above, it was found that the actions were in line with the requirements and thus the minor NCR was closed. It is recommended that field visits to the site be undertaken in the next audit to verify the implemented actions.

Criterion 2.3

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

consent.

Indicator 2.3.1

Where lands are encumbered by customary rights, participatory mapping should be conducted to construct maps that show the extent of these rights.

Major compliance

Indicator 2.3.2

Map of appropriate scale showing extent of claims under dispute.

Major compliance

Indicator 2.3.3

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

Minor compliance

Guidance:

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

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

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

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

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

Audit findings

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

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

Criterion 3.1

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

Indicator 3.1.1

Annual budget with a minimum 2 years of projection

Major compliance

Specific Guidance:

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

Indicator 3.1.2

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

Minor compliance

Audit findings

The budget documents for their Financial Years 2011/2012 and 2012/2013 were available. Apart from this, the company's Business Planning Consolidation Report (which can be accessed in the computer system), also showed budget projection for 5 years. The budgets have included the allocation for crop, oil yield/ha, fertilizer, agrochemical, and pest and disease control to name a few.

The replanting plan for both Kemuning Estate and Kempas Estate was available on site and are

projected for ten years, 2011 - 2021. This included the details about the costing and total area in hectare. It was also evident that this plan was reviewed by the top management on annual basis.

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

Criterion 4.1

Operating procedures are appropriately documented and consistently implemented and monitored.

Indicator 4.1.1

Documented Standard Operating Procedures (SOP) for estates and mills
Major compliance

Indicator 4.1.2

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

Audit findings

Operation activities at the estates were guided by standard operating procedures (SOP) established as part of the Estate Quality Management System documents, technical guidelines as listed in Agricultural Reference Manual (ARM) and for activities related to environmental requirements, SOPs in the Sime Darby Plantation-Sustainable Plantation Management System (SPMS) were referred to.

The agriculture manual provides guidance on oil palm nursery, oil palm replanting, field upkeep, FFB harvesting and collection. As for the mill, the SOP (part of the Mill Quality Management System) covers aspects related to oil palm processing, boiler operation, effluent treatment plant, products analysis method, workshop activity and chemical and waste handling procedures. It was also seen for critical operation the SOP has been translated into the local language and displayed at all workstations in the mill and other strategic work places for the employees to refer.

The estates' staffs conduct briefing on estate SOP and related documents frequently during the morning muster. Through random interviews held with the staff and workers, the assessor confirmed that most of them have good knowledge of their field operation standard requirements.

The Assistant Managers and Mill Engineer were tasked with the responsibility to ensure that the SOPs were implemented as well as for safe keeping of relevant records for verification. Among the records sighted were work programmes for harvesting, manuring and herbicide spraying at the estates and SOP for FFB grading, utilities and boiler operations, process start-up and shut down at the mill. Other records viewed include the issuance of agrochemicals and fertilizer through the stock books, store requisition and issue sheets and PPE issuance. All the records were well maintained and kept for the minimum of 12 months.

Monitoring of the best practices implementation is also verified by inspections carried out by the Plantation / Mill Advisor on a quarterly basis.

Nevertheless, lapses were found at some operational control during the site visits and records checking specially for the activities like EFB mulching, incoming and outgoing water analysis and management of domestic waste at landfills.

Criterion 4.2

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

Indicator 4.2.1

Monitoring of fertilizer inputs through annual fertilizer recommendations.
Minor compliance

Indicator 4.2.2

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

Indicator 4.2.3

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

Audit findings

All the estates visited had been keeping track on their fertilizer input. The assessors sighted records on the movement of the fertilizer and found to be current. The applications of the fertilizers were on scheduled and as recommended by the agronomist and their dosage varies from one estate and field to another estate and field much on the basis of leaf (or tissue) analysis carried out annually. The results of the analysis are reported in the 'Agronomic & Fertilizers Recommendation Reports – Oil Palm 2012/2013'. All the relevant information was recorded in the Manuring Cost Book/Pesticides of the respective estate.

EFB mulching was recommended by the R&D unit at an application rate of 35 to 45 mt/Ha in selected fields. During the field visit, the assessor has noted that the estates have applied the EFB mulching as recommended and progress was adequately recorded.

During the visit at Kemuning Estate, Field Number 2011A and 2011B, based on records inspection, it was found that the actual total tonnage of EFB applied has a significant difference from what has been recommended by its Agriculture Reference Manual

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

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

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

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

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

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

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

Specific Guidance: Appropriate conservation practices should be adopted.

Indicator 4.3.3: Presence of road maintenance programme.
Minor compliance

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

Specific Guidance:

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

Indicator 4.3.5: Best management practices should be in place for other fragile and problem soils (e.g. sandy, low organic matter and acid sulphate soils).
Minor compliance

Guidance:

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

1. Expediting establishment of ground cover upon completion of land preparation for new replant.

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

Audit findings

The topography for both Tangkah and Pagoh estates inspected were generally flat and slightly undulating. However, there were areas with steep slopes exceeding 25° in both Pagoh and Tangkah estates. Such areas have been set aside as conservation areas. It would be opportune if such areas were clearly marked and named on a map with information on extent and protection status provided. Current information available on maps were conservation areas which do specify the type of conservation status and encompasses both steep sites as well and swamps and abandoned areas. In Tangkah Estate the steep areas exceeding 25° were found to be adjacent to the Gunung Ledang National Park. Site inspection of the site indicated that the site has been set aside for conservation. The site was mainly planted with rubber and has been left untouched. Evidence of other species coming into site is evident.

In Pagoh Estate, 25° slopes were also protected and was also mainly former rubber areas. There was also a steep site which was established as biodiversity conservation area. The area was planted with rattan, *Acacia mangium*, and *Eucalyptus sp.* It was evident that other pioneer species are beginning to establish in the site as well. However, a biodiversity assessment of the site is not undertaken. It would be opportune that such assessment be made periodically to monitor the species composition and assess the contribution of the site in enhancing biodiversity conservation.

At all estates assessed, they were found committed to minimize and control soil erosion. Among the best practices evident were construction and maintenance of terraces, frond stacking (straight) to prevent/slow down surface run off, the provision road-side drain pit at the hilly areas and the grow of legume cover in replanting areas.

In addition, it was also observed that all estates had maintained soft vegetation such as grasses and ferns to avoid bare soil in the matured fields. Inter-row vegetation was slashed annually to maintain the growth of soft grass and fern for soil conservation. Weed spraying activities had also been carefully limited to circle and path spraying for field maintenance in the mature areas in accordance with the requirement of their SOP. Other efforts noted was the planting of cover crop at the areas that are prone to erosion.

Also, there were road maintenance programmes which consist of road resurfacing, grading and culvert upkeep being implemented as planned for the estates visited. The financial support for this operation could be seen in the annual budget. Records of this activity are adequately maintained. On-site assessment and travelling on them showed that most of the roads were in reasonably good condition.

Criterion 4.4

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

Indicator 4.4.1

Protection of water courses and wetlands, including maintaining and restoring appropriate riparian buffer zones at or before replanting along all natural waterways within the estate.

Major compliance

Specific Guidance:

Riparian buffer zones: Reference to be made to relevant national regulations or guidelines from state authorities e.g. Department of

Irrigation and Drainage (DID), whichever is more stringent.

Indicator 4.4.2

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

Indicator 4.4.3

Outgoing water into main natural waterways should be monitored at a frequency that reflects the estates and mills current activities which may have negative impacts (Cross reference to 5.1 and 8.1).
Major compliance

Indicator 4.4.4

Monitoring rainfall data for proper water management
Minor compliance

Indicator 4.4.5

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

Specific Guidance:

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

Indicator 4.4.6

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

Indicator 4.4.7

Evidence of water management plans.
Minor compliance

Audit findings

There were no natural water courses found within Pagoh estate. Water channels were those that were constructed and some leads in a swamp area. The swamp area, which appears to be a natural wetland was outside the boundary of the estate but harbors high diversity associated to water bodies. Hornbills have been sighted in this site and there were evidence of wild boars. It would be opportune if the vegetation bordering the swamp area along this canal be conserved. Enhancing the regeneration of such areas can promote the increase in biodiversity.

There were also some swamp areas in Tangkah estate which were set aside as conservation areas and identified as conservation areas on the map. It is encouraged that all staff to be aware of such areas as conservation areas as it was found that in a few spots palms were planted. There were also constructed canals in Belumong Division, which have been identified as buffer zone. Earmarked on map as buffer areas but are not managed as buffer areas. Upon inspection of the site, it was argued that such as area is not a natural waterway and may not be considered as buffer zone. Although the reasons may be valid, the area has been marked as buffer zone by the estate management and thus should be treated as one. It would thus be prudent for all staff to have a common understanding the concept of riparian buffers and that its application is standardized throughout all the estates.

In the previous audit, an OFI was raised for the Ledang Division where it was unclear if a natural waterway through Field 1985A which was marked as a buffer area but is not managed as conservation areas as there was evidence of chemical weeding. An inspection of Field 1985A was conducted to verify the OFI. It was found that there has been some engineering work being undertaken where the original canal has been closed and a new canal has been constructed. The management clarified that the previous canal was not a natural waterway and was less than 5 meter width to be considered as a buffer. However to address the OFI, the Ledang Division will establish this new canal as a riparian buffer and will manage the site as a conservation site. Consequently, the OFI raised in the previous audit has been closed.

However, it is proposed that in the next audit, a site inspection be conducted to Field 1985A under the Ledang Division to verify the status and management of the buffer zone.

Sites where water samples taken for analysis was also clearly marked along canals. There was no release of POME into waterways. Water analysis is being conducted regularly. Inspections of records in Pagoh Estate office showed that results of water analysis were available.

There was no sample taken or analysis conducted in 2012. There was also no interpretation of the results in the report. It would be ideal if the timing and frequency of samples taken and analyses are kept consistent and that interpretation of results be included to support management actions.

At the visited estates, the auditors did not find any drainage going into any protected areas. It was also confirmed that there were no weirs/dams across the main rivers or waterways passing through estates.

SOU 17 has also identified the source of outgoing water from the mill and estates, which lead into natural waterways. The sources identified are run off from the estates, discharges from the ETP and monsoon drain from the mill. Periodic monitoring of these discharges, as well as the river water, was being carried out. The monitoring stations are well marked within the estates and mapped out. The water analysis report had been shown to the assessor for verification. Among the parameters tested in the analysis were BOD, COD, TS, SS, O&G to name a few. The lab engaged by the company was one of Sime Darby's subsidiaries located at Carey Island, Selangor. Results of analysis showed that they were within permissible limits. However, in the company's procedure i.e. Sustainable Plantation Management System, Appendix 7, the action to be taken after obtaining the analysis result was not described .

Both the mill and estates are monitoring the rainfall data as well as their water consumption as required by RSPO criteria & indicator. Monthly and annual rainfall data have been well maintained over the past ten years in SOU 17. The records were also noted in the Agronomist's report.

SOU 17 was seen committed in ensuring that the water used and discharged is sustainable. The mill consumed rain water that was collected in a man-made pond and treated water piped from the public water supply scheme. The rain water was used for general cleaning while water from the public water supply scheme was used for processing FFB and the boiler. The estates tapped water from the nearby river as their main supply.

Criterion 4.5

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

Indicator 4.5.1

Documented IPM system.

Minor compliance

Indicator 4.5.2

Monitoring extent of IPM implementation for major pests.

Minor compliance

Specific Guidance:

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

Indicator 4.5.3

Recording areas where pesticides have been used.

Minor compliance

Indicator 4.5.4

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

Minor compliance

Audit findings

Documentation of IPM system is available in the Agricultural References Manual (ARM) dated July 2008 and updated in the Sime Darby Plantation Estate Quality Management System dated November 2008.

Planting of beneficial plants from the three major species namely *Tunerra sp.*, *Cassia cobanensis*, and *Antigonon leptopus*. was still actively practised by the SOU as one of their IPM activities. Census of leaf eating pest such as bagworm was continuously done. Since the last certification audit, there had been no major pest outbreak reported by any of the assessed estates. Apart from that, SOU 17 continued the use of barn owls for rat control was also observed during the site visit. The assessed estates were also having updated records to show the agrochemicals active ingredient (ai) used per hectare and per metric tonne basis.

Criterion 4.6

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

Indicator 4.6.1

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

Indicator 4.6.2

Pesticides selected for use are those officially registered under the Pesticides Act 1974 (Act 149) and the relevant provision (Section 53A); and in accordance with USECHH Regulations (2000).
Major compliance

Specific Guidance:

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

Indicator 4.6.3

Pesticides shall be stored in accordance to the Occupational Safety and Health Act 1994 (Act 514) and Regulations and Orders and Pesticides Act 1974 (Act 149) and Regulations.
Major compliance

Specific guidance:

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

Indicator 4.6.4

All information regarding the chemicals and its usage, hazards, trade and generic names must be available in language understood by workers or explained carefully to them by a plantation management official at operating unit level.
Major compliance

Indicator 4.6.5

Annual medical surveillance as per CHRA for plantation pesticide operators.
Major compliance

Indicator 4.6.6

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

Indicator 4.6.7

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

Indicator 4.6.8

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

Indicator 4.6.9

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

Minor compliance

Indicator 4.6.10

Records of pesticide use (including active ingredients used, area treated, amount applied per ha and number of applications) are maintained for either a minimum of 5 years or starting November 2007.

Minor compliance

Audit findings

SOU 17 continued to use the chemicals that are registered under the Pesticide Act 1974, and in accordance with USECHH Regulations (2000) of the Occupational Safety and Health Act 1994. Chemicals listed in the World Health Organization Type 1A or 1B or Stockholm or Rotterdam Convention and Paraquat were not used in any of the estates.

Written justification for all agrochemicals used in the estate is available in the Agriculture Reference Manual (ARM), SOPs and Safety Pictorial procedure. Updated records to show agrochemicals purchase, storage and consumption are available in every estate visited. A chemical register that indicates the purpose of chemical usage (intended target), hazards classification, trade and generic names and MSDS for each chemical used are available at the store. The Safety Pictorial procedures are used as a means of communication to the employees during training and briefing session.

Usage and storage of agrochemicals including pesticides are in accordance with Pesticide Act 1974, Occupational Safety & Health Act 1994 and USECHH Regulations 2000. The agrochemical stores are locked at all times and only authorised personnel are allowed to open and issue the chemicals. CHRA was conducted for all sprayers, manurers and the mill laboratory staff. At the fields and Kempas Palm Oil Mill visited usage of required PPE by these groups of employees was enforced and seen worn. Based on the recommendation of the CHRA, medical surveillance has been conducted for these employees and results showed that their level of exposure were below permissible limits.

Records of pesticide used and area of application were well maintained. Aerial application of agrochemicals was not used by the SOU.

Pregnant and breast-feeding women are strictly not allowed to work with pesticides.

Empty chemical containers are triple rinsed, pierced and stored for disposal in accordance with the legal requirements. Pre-mixing of agrochemical was practiced to avoid human exposure to concentrated chemicals.

To date, SOU 17 has not received any request from buyers to test chemical residue in CPO.

Criterion 4.7

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

Indicator 4.7.1

Evidence of documented Occupational Safety Health (OSH) plan which is in compliance with OSH Act 1994 and Factory and Machinery Act 1967(Act139).

Major compliance

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

- a. A safety and health policy, which is communicated and implemented.
- b. All operations have been risk assessed and documented.
- c. An awareness and training programme which includes the following specifics for pesticides:
 - i. To ensure all workers involved have been adequately trained in a safe working practices (See also C4.8)
 - ii. All precautions attached to products should be properly observed and applied to the workers.
- d. The appropriate personal protective equipment (PPE) are used for each risk assessed operation.
 - i. Companies to provide the appropriate PPE at the place of work to cover all potentially hazardous operations such as pesticide application, land preparation, harvesting and if used, burning.
- e. The responsible person (s) should be identified.
- f. There are records of regular meetings between the responsible person(s) and workers where concerns of workers about health and

safety are discussed.

- g. Accident and emergency procedures should exist and instructions should be clearly understood by all workers.
- h. Workers trained in First Aid should be present in both field and mill operations.
- i. First Aid equipment should be available at worksites.

Indicator 4.7.2

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

Specific Guidance:

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

Indicator 4.7.3

Workers should be covered by accident insurance.
Major compliance

Audit findings

SOU 17 continued to implement an integrated quality, environmental and occupational health and safety management system throughout its operating unit based on the requirements of the ISO 9001:2008, ISO 14001:2004 & OHSAS 18001:2007 standards despite discontinue to be certified against those standards, except for Kempas Palm Oil Mill, which is still certified to OHSAS 18001. Hence, the requirement of RSPO C 4.7 has been incorporated into their management system documents.

The contents of SDPSB's Occupational Safety and Health (OSH) policy remained valid. The policy as well as other key policies had been communicated to all employees through briefings and are displayed on the mill and estates notice boards. Similarly, with documented OSH plan and programmes. Interviews with employees revealed that they were aware of the OSH policy, objectives and programmes and generally understood their requirements.

Hazard identification, risk assessment and risk control (HIRARC) and CHRA records covers activities in the estates and mill were verified during the assessment. Among the activities sighted were chemical spraying, harvesting and FFB collection in the estates, and boiler operation, FFB sterilization, kernel extraction and oil extraction and clarification in the mill. Appropriate risk control measures had been determined and implemented.

The OSH plan had also addressed issues related to emergency, treatment of illness/injury during the job, compliance with regulations such as Occupational Safety and Health Regulations: Safety and Health Committee 1996, Use of Chemicals Hazardous to Health 2000, Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease 2004; and Factories and Machinery Regulations: Steam Boiler and Unfired Pressure Vessel 1970 and Noise Exposure 1989. Nonetheless, Tanghai Estate, Kemuning Estate, Pagoh Estate need to ensure the safety & health committee shall consist of equal representatives from the employee & the management.

Recently Kempas mill has installed new machines i.e. EFB press and oil screen. However relevant document (*Borang JKJ 105*) which is the notification of new machinery was not available during the assessment.

OSH performance was continuously monitored and accident cases were managed in accordance with OSH Regulations. An accident scoreboard is made available at mill and estates and updated regularly to show the current OSH performance status.

Other parameters measured and monitored include OSH Committee meeting, workplace inspection, audiometric test, LEV inspection, and health surveillance.

The field workers in the plantation and mill had been provided with PPE. PPE issuance were verified

and found acceptable. Workers interviewed showed that they understood the reason and the importance of wearing PPE provided by the company. At the time of assessment all employees at mill and estates were found to adhere to the requirements of donning them in their workplace.

It was also noted that training on first aid, emergency procedures and chemical handling for supervisors, mandores and workers had been conducted and training records were maintained. First aid boxes were provided and maintained at several locations in the mill, offices, stores & workshop. Each estate mandore had also been provided with the first aid box.

SOU 17 has appointed the mill engineer and assistant estate manager to be responsible for the OSH implementation. Interview with members of the Safety Committee and review of records confirmed that regular safety meetings and workplace inspections had been carried out.

The assessor had noted that SOU 17 had their workers covered by accident insurance. Through examination of records, the insurance was valid at the point of the assessment.

Criteria 4.8

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

Indicator 4.8.1

A training programme (appropriate to the scale of the organization) that includes regular assessment of training needs and documentation, including records of training for employees are kept.

Major compliance

Audit findings

SOU 17 continued to use the generic process for the identification of training needs for financial year 2011/12. It focused mainly on the job and on OSH-related issues. Apart from the employees, the training programmes also extended to the contractors and suppliers. It included RSPO awareness, ESH Induction, Basic First Aid, Fire Fighting, 5S Housekeeping, understanding of MSDS, agrochemicals spraying, harvesting skills and machine SOPs. Training records were available and had been properly filed for most of the trainings. The records had included information on the title of the training, name, and signature of the attendees, name of the trainer, time and venue. Based on interviews held with workers from the spraying, manuring, harvesting, and mulching operations, it was revealed that generally the level of their understanding on these subjects and the training efficiency had been satisfactory.

Consultations with estate assistant managers however, indicated that they have not been trained in environment protection, biodiversity conservation or management of High Conservation Areas (HCVs). During the audit of Pagoh and Tangkah estates, it was found that there is a lack of awareness and capacity on aspects related to environment and biodiversity conservation. It was also evident that issues of related to identification and management HCV's have not been communicated to all staff. There were also variations on the interpretations of identification and management of HCVs. This could have contributed to issues related to areas being identified on the map as well as on the ground as HCV areas but are not being managed as HCVs because it is not treated as HCVs by the estate staff.

Thus, there should be proper training be provided to all relevant staff of the estate on environment, biodiversity conservation and HCVs. Such training would be very useful to enhance capacity of the staff and workers in addressing issues related to environment and biodiversity particularly in the implementation of biodiversity action plan. Training is necessary to ensure continuous improvement of the overall management of the estate.

Apart from that, it was also found training on scheduled waste handling for Kemuning Estate and RSPO Supply Chain for Kempas Oil Mill have not been conducted. A major NCR is raised for this non-compliance.

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

Criterion 5.1

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

Indicator 5.1.1

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

Major compliance

Indicator 5.1.2

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

Minor compliance

Audit findings

SOU 17 had developed its environmental aspects/impacts register associated with their activities. The assessor found that most of the activities were identified and evaluated accordingly.

Generally, the Environmental Aspect Identification (EAI) and Environmental Impact Evaluation (EIE) were reviewed on annual basis. Environmental improvement plan or known as Environmental Management Programmes (EMP) were then established. It is based on the identified significant aspects that can be improved within the SOUs capabilities. Among the EMP at estates level are reduction of diesel consumption and the planting of beneficial plant while EMP at oil mills include ensuring their effluent discharge and boiler smoke emission are within the legal requirements. Monitoring records showed their effluent discharge and smoke emission were within the legal permissible limits.

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

Criterion 5.2

The status of rare, threatened or endangered species (ERTs) and high conservation value habitats, if any, that exists in the plantation or that could be affected by plantation or mill management, shall be identified and their conservation taken into account in management plans and operations.

Indicator 5.2.1

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

Major compliance

Indicator 5.2.2

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

Major compliance

Indicator 5.2.3

Evidence of a commitment to discourage any illegal or inappropriate hunting fishing or collecting activities, and developing responsible measures to resolve human-wildlife conflicts.

Minor compliance

Audit findings

An inspection of the status of HCV habitats (including ERTs) were conducted for Tangkah Estate and Pagoh Estate. HCVs that were identified included areas such as water catchment sites, protected areas riparian buffers and places of worship and cemeteries. There were no historical sites in both estates.

The audit involved consultation of staff and inspection of documents such as management plans and HCV assessment reports in the office as well the inspection of the HCVs in the field. The inspection found that both estates assessed had common biodiversity assessment reports, which contained the Biodiversity Action Plan. The Action Plan contained consisted of information represented in tabular format with general descriptions of HCV and Biodiversity areas, action steps and monitoring activities was conducted annually.

The assessment of the documents related to HCV was not easy as information were found in separate files. The biodiversity action plan was considered as the management plan. Although information on the location of the HCV could be obtained, there were no maps specifically dedicated to HCV showing the location and extent of HCV. Currently, the biodiversity action plan and the biodiversity baseline assessment reports will have to be referred for information on HCVs. The management plan was found not specific to a particular estate but rather general descriptions that could be applied to any HCV sites. For example, even when the estates did not have steep areas, the action plans still highlights the actions required if such areas were available. It was not clear on how frequent biodiversity assessment were to be undertaken and that if it will undertake for each estate. It would be advantageous to have periodic assessments be conducted for each estate.

During the inspection of both estates, it was found that the management often had some difficulties on identifying the number and locations of HCVs within the estate due to the absence of a dedicated map for HCVs.

Inspection of Pagoh Estate was made on two temples, one of which was adjacent to a mature forest site owned by *Pusat Latihan Kemahiran Negara*. Areas with steep slopes were also inspected and were found to be conserved as HCVs. Temples, riparian buffers, cemeteries, steep slopes and swamp areas set aside as conservation areas were also inspected in Tangkah estates. All sites were found to be managed as conservations sites although there were some inconsistencies in the management as reported for riparian buffers and conservation areas.

During the visit at Pagoh Estate and Tangkah Estate, it was found that there were several sites identified as HCV areas but were not included as HCV or protected areas under the biodiversity assessment report. For Pagoh Estate, there were several riparian buffers to be included whereas for Tangkah Estate there were several conservation areas not included.

It was also found that there were no buffer areas between the Tangkah Estate and the Gunung Ledang National Park. Since the park is a protected area with high conservation value forest, efforts need to be taken to minimise impact of plantation activities on the HCV. In this respect a reasonable buffer needs to be established and marked along the boundary with the Park where no activities are conducted.

The identification and management of HCVs need to be further improved. There needs to be better and more consistent understanding of the HCVs. Areas identified on the map as HCVs should be clearly demarcated as HCVs on the ground (and vice versa) and managed as conservation areas.

The Management plan for HCV habitats as the current management plan and action plan for SOU 17 seem to be a standard template that is used for all the estates. Management plans could be improved as follows:

1. A list of all the HCV sites in an estate is documented. A description is provided for each HCV with details such as location, extent, site conditions, and conservation value of each site provided.
2. A map showing all HCV areas in the estate. This would assist both auditors and estate managers to know where all the HCV sites are in an estate.
3. Management plan and plans of actions should be specific to individual estates catering for the differing site specification. Regular monitoring of action plan should be conducted by individual

estates.

4. Proper signage indicating HCV site should be erected to create awareness.
5. Where HCV consist of forest or regenerated sites an assessment of the site should be conducted.

There has been inconsistency in the marking of HCVs between estates. For example in Pagoh Estate, most waterways are identified as buffer zones and marked in the field. On the other hand, in Tangkah Estate only natural waterways with width exceeding 5 meter were marked. Regulations require all natural waterways more than 5 meters has to be classified as riparian buffers. There is a need to be consistent understanding on the identification and management of HCVS and conservation areas between all estates.

In the previous audit, a minor NCR was raised under Indicator 5.2.1 on need for consultations with Gunung Ledang National Park. Inspection found that the Ayer Panas Division under Tangkah Estate had carried out consultations with the Park manager and an updated baseline report produced on Biodiversity was found to be acceptable. The minor NCR was closed as the actions taken to address it were found to be adequate.

Criterion 5.3

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

Indicator 5.3.1

Documented identification of all waste products and sources of pollution.

Major compliance

Indicator 5.3.2

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

Minor compliance

Specific Guidance:

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

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

Indicator 5.3.3

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

Minor compliance

Audit findings

SOU 17 continued to practice waste management plan that covered the identification of waste, reduced, recycled and disposed off in an environmentally and socially responsible manner. The scheduled wastes were generally managed in accordance to the Environmental Quality (Scheduled Wastes) Regulation 2005, although some improvements were needed.

Among the identified waste were general/domestic waste, scheduled waste, scrap metal, crop residue / biomass from the estates and mill, i.e. fibre and shell, are used as fuel in the boiler while EFB and POME are sent to estate for mulching and land application. Due to distance from oil palm mill, POME is practiced at Kempas estate only.

SOU 17 continued practicing waste segregation to facilitate the 3R initiatives and to optimize the disposal pit usage. The segregated waste bins i.e. plastic, glass and paper waste were placed at several locations within the estate and mill compound. Apart from that, scrap metal was also sent for recycling.

General wastes that cannot be salvaged for recycling/reuse were sent to the disposal pit for burying

within the plantation. No permanent site had been allocated for the disposal of waste. Temporary pits were closed once filled and a new pit established. A procedure on disposal site selection and operation is available. However, improvement needed as domestic waste disposal sites at Kemuning Estate and Tangkah Estate were too close with the workers housing area.

Criterion 5.4

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

Indicator 5.4.1

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

Minor compliance

Indicator 5.4.2

Monitoring of direct fossil fuel use per tonne of CPO or kW per tonne palm product in the mill (or FFB where the grower has no mill).

Minor compliance

Audit findings

SOU 17 had been committed to use renewable energy in the mill. Fibre and nutshell had been used as boiler fuel to generate steam for the process, as well as generating electricity to power the Kempas Palm Oil Mill and labour lines. The usage of this renewable energy is monitored by SOU 17.

The monitoring of fossil fuel usage as per tonne of CPO on a monthly basis had also been done in the estates as required by the RSPO P&C indicator.

Criterion 5.5

Use of fire for waste disposal and for preparing land for replanting is avoided except in specific situations, as identified in the ASEAN Guidance or other regional best practice.

Indicator 5.5.1

No evidence of open burning. Where controlled burning occurs, it is as prescribed by the Environmental Quality (Declared Activities) (Open Burning) Order 2003.

Major compliance

Indicator 5.5.2

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

Minor compliance

Specific Guidance:

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

Indicator 5.5.3

No evidence of burning waste (including domestic waste).

Minor compliance

Audit findings

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

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

Criterion 5.6

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

Indicator 5.6.1

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

Indicator 5.6.2

Plans are reviewed annually.
Minor compliance

Specific Guidance:

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

Audit findings

SOU 17 has established and maintains their plans to reduce pollution. These plans are translated into SOP in their Estate/Mill Quality management System and Sime Darby Plantation - Sustainable Plantation Management System or environmental management program.

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

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

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

Criterion 6.1

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

Indicator 6.1.1

A documented social impact assessment including records of meetings.
Major compliance

Specific Guidance:

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

Indicator 6.1.2

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

Specific Guidance:

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

Indicator 6.1.3

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

Guidance:

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

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

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

1. Access and use rights.
2. Economic livelihoods (e.g. paid employment) and working conditions.
3. Subsistence activities.
4. Cultural and religious values.
5. Health and education facilities.

6. Other community values, resulting from changes such as improved transport /communication or arrival of substantial migrant labour force.

Audit findings

In November 2008, after the Stage 2 Audit, SOU 17 produced a SIA report that had been conducted by an external consultant. The SIA highlighted the impacts and recommended a mitigation plan for SOU 17 to implement. This SIA report was sighted during the current assessment. However, Pagoh Estate could not produce a copy of the SIA, and did not establish a timetable for mitigation and monitoring of the identified impacts. This timetable was not sighted during the surveillance audit, thus an NCR is raised for Indicator 6.1.3.

Criterion 6.2

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

Indicator 6.2.1

Documented consultation and communication procedures.
Major compliance

Indicator 6.2.2

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

Indicator 6.2.3

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

Specific Guidance:

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

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

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

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

Audit findings

SOU 17 has a consultation and communication procedure which is part of their EQMS document. The implementation of the procedure was verified during the assessment. The SOU 17 management team has conducted meetings with community leaders, workers' representatives, material and service suppliers and contractors. Interviews with these stakeholders confirmed that social, safety and health as well as welfare-related issues had been discussed. The assessment verified that a list of stakeholders was maintained by SOU 17. However, Pagoh Estate was only able to produce a list of suppliers and contractors. Hence, as an updated, full and complete list of stakeholders for Pagoh Estate was not sighted during the audit a NCR is raised for Indicator 6.2.3.

Criterion 6.3

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

Indicator 6.3.1

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

Major compliance

Specific Guidance:

Records are to be kept for 3 years.

Indicator 6.3.2

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

Minor compliance

Indicator 6.3.3

The system is open to any affected parties.

Minor compliance

Guidance:

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

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

Audit findings

There is documentation in all the estates, except Pagoh Estate, of the process by which a dispute is resolved as well as the documentation of the outcome. The aggrieved parties can fill in the complaint form, write a letter or submit the complaint verbally to anyone in the main office. The complaints and the outcome are recorded and kept in the Complaints File.

Assessment of the records revealed that grievances and complaints had been resolved in a timely and appropriate manner.

However, Pagoh Estate has no documented system for dealing with complaints and grievances. The process by which a dispute was resolved is not documented. Complaints logbook or grievance file or suggestion box or flow charts for dealing with grievances are not sighted during the audit. Hence, a major NCR is raised for Criterion 6.3 (6.3.1, 6.3.2, 6.3.3).

Criterion 6.4

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

Indicators 6.4.1

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

Major compliance

Indicator 6.4.2

A procedure for calculating and distributing fair compensation (monetary or otherwise) is established and implemented. This takes into account gender differences in the power to claim rights, ownership and access to land; and long-established communities; differences in ethnic groups' proof of legal versus communal ownership of land.

Minor compliance

Indicator 6.4.3

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

Minor compliance

Specific Guidance:

This criterion should be considered in conjunction with Criterion 2.3.

Audit findings

A procedure for identifying boundary and squatter disputes, which covers legal and customary rights and for identifying people entitled to compensation was sighted during the audit. The calculation and distribution of fair compensation is determined by HQ and performed whenever the issue arises.

Criterion 6.5

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

Indicator 6.5.1

Documentation of pay and conditions.

Major compliance

Indicator 6.5.2

Labour laws, union agreements or direct contracts of employment detailing payments and conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc) are available in the language understood by the workers or explained carefully to them by a plantation management official in the operating unit.

Minor compliance

Indicator 6.5.3

Growers and millers provide adequate housing, water supplies, medical, educational and welfare amenities in accordance with Workers' Minimum Standard of Housing and Amenities Act 1990 (Act 446) or above, where no such public facilities are available or accessible (not applicable to smallholders).

Minor compliance

Guidance:

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

Audit findings

There is clear evidence of the documentation of pay and conditions of employment in the MAPA/NUPW collective agreement (CA), the Wages and Terms and Conditions of Employment, effective 1st November 2010 for three (3) years (Industrial Court Award No. 1514/2010), and the AMESU CA for staff (expiring end of 2012).

Contracts of employment detailing payments and conditions of employment (e.g. working hours, overtime, deductions, sickness, holiday entitlement and maternity leave) stated in the CA are explained to the workers by their union representatives as well as by a plantation management official. This was confirmed by the workers and staff interviewed.

Adequate housing, water supplies, medical, educational and welfare amenities in accordance with Workers' Minimum Standard of Housing and Amenities Act 1990 (Act 446) are provided by SOU 17. This was confirmed through visits to the line sites as well as through consultations with workers. All workers are provided with free housing, including water supply. A nominal fee is charged for electricity. Other facilities provided were a creche, a playground and facilities for religious purposes (a surau and a Hindu temple).

Estate/mill workers and staff have access to clinics provided by SOU 17 and to the Visiting Medical Officer (VMO) monthly check-up and Occupational Health Doctor (OHD) annual check-up. The clinics are supervised by Hospital Assistants (HA).

Criterion 6.6

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

Indicator 6.6.1

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

Indicator 6.6.2

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

Guidance:

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

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

Audit findings

SOU 17 respects the rights of its personnel to join any trade union of their choice and to bargain collectively. This is evident through the official published statement in Bahasa Melayu and English recognizing freedom of association. Meetings held with union/workers' representatives were minuted.

Interviews with employees revealed that generally they understood the requirement of C 6.6.

Criterion 6.7

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

Indicator 6.7.1

Documented evidence that minimum age requirement is met.
Major compliance

Guidance:

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

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

Audit findings

There was clear evidence that the minimum age requirement was being complied with. There was no record of persons under the age of eighteen, the minimum working age under Malaysian Labour Laws (Am. Act A1238) employed by SOU 17. A clear policy on not employing children both in the estate and mill established by SDPSB is publicised through posters exhibited in various parts of the estates. Interviews with workers revealed that they are aware of this policy and that the policy is being implemented and enforced.

Criterion 6.8

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

Indicator 6.8.1

A publicly available equal opportunities policy.
Major compliance

Indicator 6.8.2

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

Guidance:

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

Audit Findings

An equal opportunities policy adopted by SDPSB is publicly available at SOU 17 and was clearly displayed in the offices of the estates and mill.

There was no evidence that any employee (local or foreign) has been discriminated. All workers irrespective of their origin for example were provided with the same housing facilities and are covered under the same collective agreement which specifies the terms & conditions of work.

During consultations with workers, no issue was raised on this matter.

Criterion 6.9

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

Indicator 6.9.1

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

Indicator 6.9.2

A specific grievance mechanism is established.
Major compliance

Guidance:

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

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

Audit findings

SDPSB has a published and official policy on prohibiting sexual harassment and violence against women. This policy has been made available to the employees and to the public and a specific grievance mechanism established and implemented. Interviews with female employees showed that they are not only aware of this policy but also understand generally, what behaviour constitutes sexual harassment.

Criterion 6.10

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

Indicator 6.10.1

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

Indicator 6.10.2

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

Indicator 6.10.3

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

Minor compliance

Indicator 6.10.4

Agreed payments shall be made in a timely manner.
Minor compliance

Guidance :

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

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

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

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

Audit findings

Pricing mechanisms for FFB and inputs and services are documented and current and past prices are made publicly available. An interview with a contractor revealed that he understood the contractual agreements that his company had entered into and that the provisions were fair and transparent. The assessment team was also informed that agreed payments were made in a timely manner.

Criterion 6.11

Growers and millers contribute to local sustainable development wherever appropriate.

Indicator 6.11.1

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

Minor compliance

Guidance:

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

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

Audit Findings

The two estates and oil mill audited did not carry out consultation with local communities in relation to contribution to local development. Only ad hoc contributions to local development are carried out. For example, it has granted children from the surrounding areas access to schools within the plantation area, it provided employment opportunities for local people and helped out in the distribution of food and water during floods in surrounding areas and has helped the local community in various ways during festivals. But there is no evidence of systematic consultations with local communities to identify possible contributions to local development. Hence, a NCR is raised for indicator 6.11.1.

PRINCIPLE 7: RESPONSIBLE DEVELOPMENT OF NEW PLANTING

Criterion 7.1

A comprehensive and participatory independent social and environmental impact assessment is undertaken prior to establishing new

plantings or operations, or expanding existing ones, and the results incorporated into planning, management and operations.

Indicators:

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

Specific Guidance:

SEIAs to include previous land use / history and involve independent consultation as per national and state regulations, via participatory methodology which includes external stakeholders.

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

For Sarawak, steep slopes are considered high risk erosion areas and cannot undergo replanting unless specified in the EIA report [Natural Resources and Environment (Prescribed Activities) Order 1994] and approved by the Natural Resources and Environment Board (NREB).

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

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

Guidance:

The terms of reference should be defined and impact assessment should be carried out by accredited independent experts, in order to ensure an objective process. Both should not be done by the same body. See also C 5.1 and C 6.1.

This indicator is not applicable to development of smallholder schemes below 500ha.

For Sabah, new planting or replanting of area 500ha or more requires EIA. For areas below 500ha but above 100ha, proposal for mitigation measures (PMM) is required. For Sarawak, only new planting of area 500ha and above requires EIA. Onus is on the company to report back to the DOE on the mitigation efforts being put in place arising out of the EIA.

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

There are no new planting for the Kempas Certification Unit and therefore this Principle 7, from Criterion 7.1 to 7.7 are not applicable. Only replanting exists.

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

Criterion 8.1

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

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

Indicator 8.1.1

Minimize use of certain pesticides (C4.6)
Major compliance

Indicator 8.1.2

Environmental impacts (C5.1)
Major compliance

Indicator 8.1.3

Maximizing recycling and minimizing waste or by-products generation.
Major compliance

Specific Guidance

To work towards zero-waste (C5.3)

Indicator 8.1.4

Pollution prevention plans (5.6)
Major compliance

Indicator 8.1.5

Social impacts (C6.1)
Major compliance

Indicator 8.1.6

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

Guidance

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

Audit findings

Generally, SOU 17 has established continuous improvement plans. Most of the plans had been implemented through the requirement of their internal integrated management system. Among the improvement plans are practices to minimize chemical usage by substituting through the planting of cover crops in the immature fields rather than using herbicides for field upkeep; on the welfare of workers front, and implementation of their action plan developed based on findings of the SIA.

Module E – CPO Mills: Mass Balance

Certification for CPO mills is necessary to verify the volumes of certified and uncertified FFB entering the mill and volume sales of RSPO certified producers. A mill may be taking delivery of FFB from uncertified growers, in addition to those from its own certified land base. In that scenario, the mill can claim only the volume of oil palm products produced from processing of the certified FFB as MB. The estimated tonnage of CPO and PK products that could potentially be produced by the certified mill must be recorded by the certification body in the public summary of the certification report. This figure represents the total volume of certified palm oil product (CPO and PK) that the certified mill is allowed to deliver in a year. The actual tonnage produced should then be recorded in each subsequent annual surveillance report.

Audit findings

Generally, SDPSB is in the midst of preparing its procedure for RSPO supply chain implementation for all of its palm oil mills. At the point of this assessment, SOU 17 has presented to the assessor its tentative procedure. It was found that the procedure still needs to go further enhancement in order to adequately fulfil the requirements of the standard. SOU 17 also needs to conduct training on this requirement to all its relevant personnel.

Since Kempas Oil Mill was still accepting and processing the uncertified FFB from third parties, all the certified CPO and PK produced ever since the last assessment must be classified as Mass Balance products. In addition, SOU 17 has yet to decide whether to stop receiving the third parties' crop. Therefore, all the annual estimated CPO and PK to be produced are also classified as Mass Balance products.

3.2 Identified Non-conformities

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

3.3 Status of Non-conformities Previously Identified

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

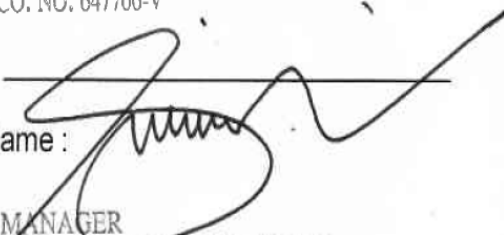
3.4. Noteworthy Positive Observations

SOU 17 is committed to RSPO certification, for example, those evidences that include upgrades and continuous improvements in key areas as mentioned in Principle 8. Overall, SDPSB as a Division is found committed to meeting the time bound plan.

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

I, the undersigned, representing SOU 17 acknowledge and confirm the contents of the assessment report and findings of the assessment.

SIME DARBY PLANTATION SDN BHD
(Formerly known as Sime Plantation Sdn Bhd)
KEMPAS ESTATE
CO. NO. 647766-V


Name : _____
MANAGER
SUHAIMI BIN ABU BAKAR

Date : 12/10/2013

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

Valence Shem

Date : 22/2/2013

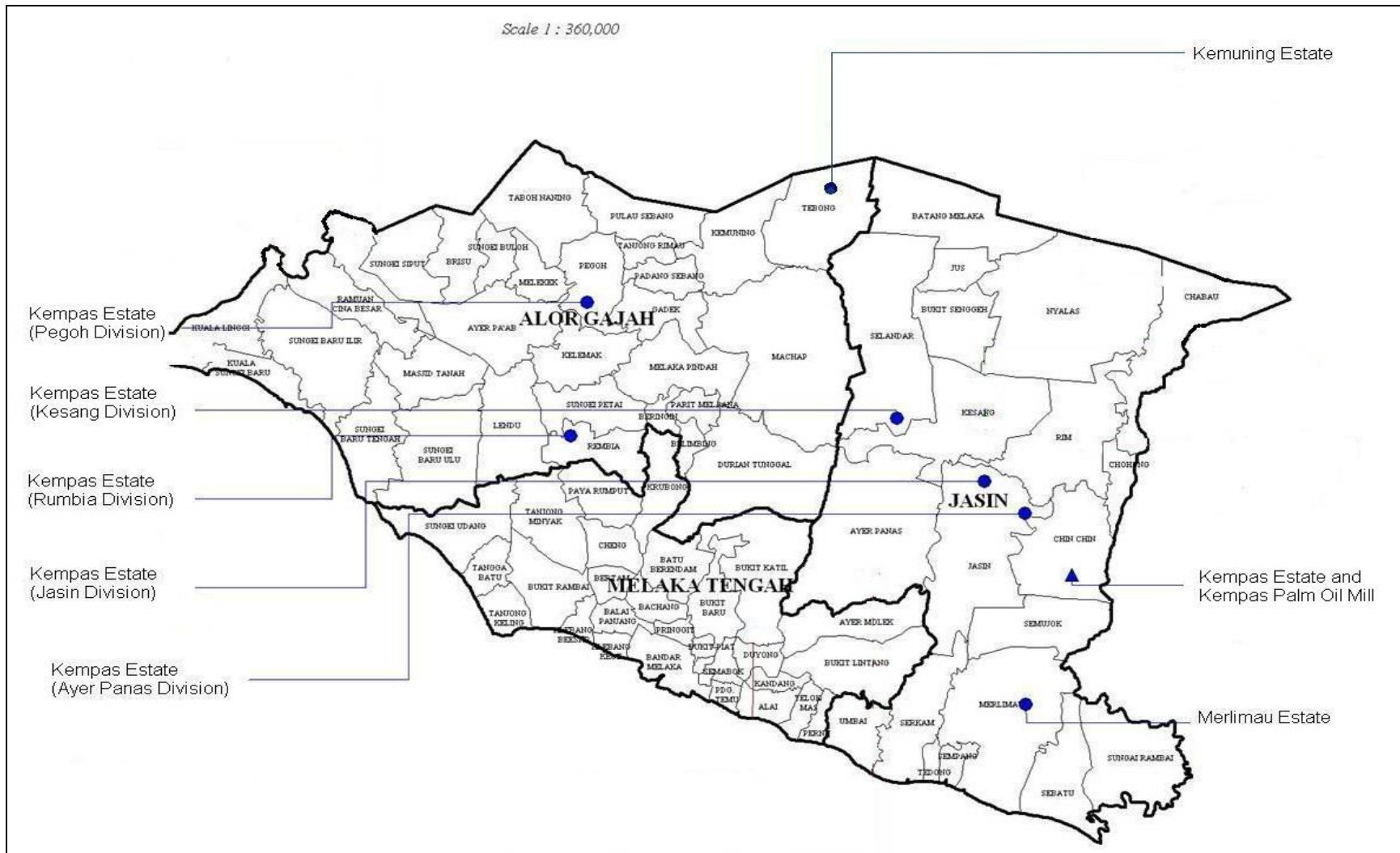
Name : VALENCE SHEM
(Lead Assessor)

Recommendation

Based on the evidence gathered it can be concluded that **Sime Darby Plantation Sdn. Bhd. Kempas-SOU 17** continue to conform to the requirements of the RSPO MY-NI: 2008. All major nonconformities have been closed out through verification of corrective action records.

Therefore, the assessment team recommends **Sime Darby Plantation Sdn. Bhd. Kempas-SOU 17**, to continue to be certified against RSPO MY-NI: 2008.

LOCATION OF SOU 17 – KEMPAS ESTATE, KEMUNING ESTATE & KEMPAS PALM OIL MILL IN MELAKA, MALAYSIA



LOCATION OF SOU 17 – PAGOH ESTATE AND TANGKAH ESTATE IN JOHOR, MALAYSIA



Note: Not to scale

RSPO SURVEILLANCE ASSESSMENT PLAN
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1. Objectives

The objectives of the assessment are as follows:

- (i) To determine Sime Darby Plantation Sdn. Bhd. SOU 17 conformance against the RSPO Principles & Criteria Malaysian National Interpretation (MYNI).
- (ii) To verify the effective implementation of corrective actions arising from the findings of last assessment.
- (iii) To make appropriate recommendations based on the assessment findings.

2. Date of assessment : 4th – 6th September 2012

3. Site of assessment : Sime Darby Plantation Sdn. Bhd.
Kempas Certification Unit (SOU 17), 71000 Jasin, Melaka

4. Reference Standard

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

5. Assessment Team

- a. Lead Assessor : Valence Shem
- b. Assessor : Ruzita Abd. Gani
Dr. Samsudin Musa
Dr. Zahid Emby
- c. Observer : Radziah Mohd. Daud

Assessment Programme Details

Day One: 4th September 2012 (Tuesday)

Time	Activities / areas to be visited			
	Ruzita	Valence	Dr. Samsudin	Dr. Zahid
0900 – 0915	Opening Meeting, at SOU 17 Kempas office			
0915 – 0945	Briefing on updates (if any) related to RSPO implementation in Kempas SOU			
0945 – 1300	Site visit and assessment at Tangkah Estate relating to safety and environmental issue Assessment on P1, P2, P3, P4 (4.1, 4.6, 4.7, 4.8), P5 (P5.1, 5.3, 5.5), P6 (6.5, 6.10), P8	Site visit and assessment at Kempas Estate relating to estate management and environmental issue Assessment on P1, P2, P3, P4 (4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.8), P5 (P5.1, 5.3, 5.5), P8	Site visit and assessment at Pagoh Estate relating to estates boundary, HCV and management plan Assessment on P1, P2, P3, P4 (4.1), P5 (5.2, 5.5), P6 (6.2) P8	Site visit and assessment at Kemuning Estate and Kempas Oil Mill relating to local community and indigenous peoples issues such as EIA, SIA and management plans Assessment on P1, P2, P3, P6, P8
1300 – 1400	LUNCH BREAK			
1400 – 1700	Continue with assessment			

Day Two: 5th September 2012 (Wednesday)

Time	Activities / areas to be visited			
	Ruzita	Valence	Dr. Samsudin	Dr. Zahid
0800 – 1300	Site visit and assessment at Kempas Oil Mill on Safety and Health practices Assessment on P1, P2, P3, P4 (4.1, 4.8), P5 (5.1, 5.3, 5.4, 5.5, 5.6), P8 and Related RSPO Supply Chain Standard requirements	Site visit and assessment at Kemuning Estate on Estate Operation Assessment on P1, P2, P3, P4 (4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.8), P5 (P5.1, 5.3, 5.5), P8	Site visit and assessment at Tangkah Estate on conservation of natural resources and biodiversity Assessment on P1, P2, P3, P4 (4.1), P5 (5.2, 5.5), P6 (6.2) P8	Site visit and assessment at Pagoh Estate on responsible social considerations Assessment on P1, P2, P3, P6, P8
1300 – 1400	LUNCH BREAK			
1400 – 1700	Continue with assessment			

Day Three: 6th September 2012 (Thursday)

Time	Activities / areas to be visited			
	Ruzita	Valence	Dr. Samsudin	Dr. Zahid
0800 – 1100	Verification on outstanding issues for Kempas Certification Unit Assessor to inform auditee on required document / record			
1100 – 1300	Audit team discussion and preparation on assessment findings			
1300 – 1400	LUNCH BREAK			
1400 – 1500	Continue Audit team discussion and preparation on assessment findings			
1500 – 1530	Discussion and acceptance on audit findings with representatives from SOU 17			
1530 – 1700	Closing meeting at Kempas Estate Office for SOU 17 – presentation of Kempas Certification Unit assessment findings			
1700	End of assessment & Travel from SOU 17 to SIRIM, Shah Alam			

DETAILS OF NON-CONFORMITY REPORT AND CORRECTIVE ACTION TAKEN

P & C Indicator	Specification Major/Minor	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
Indicator 4.8 NCR #: SM 01	Major	<p>There was no evidence of training on some activities that related to implementation of RSPO such as biodiversity conservation and management provided to workers and staff, scheduled waste and supply chain.</p> <ul style="list-style-type: none"> • The action plan under the biodiversity assessment requires efforts to be undertaken to increase awareness of HCV and the action plan for Tangkah estate requires training to be conducted. Consultations with staff of Pagoh estate indicated that there is a lack of awareness on the biodiversity action plan and there were no evidence of training conducted on HCV or biodiversity conservation for both estates. • Training on RSPO Supply Chain requirements has yet to be conducted for Kempas Palm Oil Mill • Training for person in-charge on scheduled waste has yet to be conducted for Kemuning Estate. Although there was evidence that scheduled waste training has been conducted in Pagoh, Kempas, Tangkah Estate and Kempas Oil Mill, the implementations on scheduled waste handling was still found to be n in accordance with the legal requirements. 	<p>SOU 17 has planned to conduct trainings on biodiversity conservation awareness, supply chain and scheduled waste management. Application letters to Sime Darby Plantations headquarters and Melaka Department of Environment have been presented to SIRIM.</p>	<p>The plan to conduct the trainings was adequate and acceptable. However, the actual implementation including records of such trainings need to be verified in the next surveillance audit.</p> <p>Status: Closed</p>

Indicator 2.2.3 NCR #: SM 02	Minor	There was no evidence of biodiversity stones visibly maintained along the perimeter with Gunung Ledang National Park. During the inspection of boundaries between Tangkah estate and Gunung Ledang National Park as well the quarry site, it was found that the boundary stones could not be located along the perimeters.	Although the boundary stones were difficult to locate, Tangkah Estate has made an initiative to mark the boundary by using pegs and painting the diameter of trees. Tangkah Estate has presented pictures of this activity to SIRIM.	To be verified in the next surveillance audit
Criterion 6.3 Indicator 6.3.1, 6.3.2, 6.3.3 NCR #: ZE 01	Major	Pagoh Estate has no documented system for dealing with complaints and grievances. The process by which a dispute was resolved is not documented. Complaints logbook or grievance file or suggestion box or flow charts for dealing with grievances are not sighted during the audit.	The Complaint Log Book was found to be misplaced by Pagoh Estate. Having the book being found, it will now be kept appropriately.	The evidence was found to be acceptable but the efficiency of the whole system of handling complaints and grievances needs to be verified in the next surveillance audit. Status: Closed
Indicator 6.11.1 NCR #: ZE 02	Minor	Pagoh Estate, Kemuning Estate and Kempas Oil Mill did not carry out consultation with local communities in relation to contribution to local development. Only ad hoc contributions to local development are carried out. No evidence of consultation with local communities to identify possible contributions to local development.	The consultation with the stakeholder / local community has actually been conducted on 28/5/2012 for Pagoh Estate and 14/8/2012 for Kemuning Estate and Kempas Oil Mill. However, no minute was recorded. To rectify this, SOU 17 has produced the meeting records and attendance list, and presented to SIRIM.	The evidence was found to be acceptable but the follow ups of the meeting output need to be verified in the next surveillance audit.
Indicator 6.1.3 NCR #: ZE 03	Minor	Pagoh Estate has not established a timetable for mitigation and monitoring of the identified impacts. A timetable for mitigation and monitoring of the identified impacts are not sighted in Pagoh Estate.	A Social Assessment for Pagoh Estate has been conducted together with Tangkah Estate. As a result of this exercise, action plans has been established as per requirement and presented to SIRIM.	The evidence of action plans was found to be acceptable but the effectiveness of its implementation needs to be verified in the next surveillance audit.
Indicator 6.1.3 NCR #: ZE 04	Minor	Pagoh Estate has not developed a list of stakeholders. List of stakeholders for Pagoh Estate was not sighted during the audit.	A new stakeholder list has been created using a new format which contains the current list of stakeholders. The list has been presented to SIRIM.	The evidence was found to be adequate and acceptable. Status: Closed

VERIFICATION ON PREVIOUS ASSESSMENT FINDINGS

P & C, Indicator	Detail Non-conformances	Verification	Status
Criterion 2.1 Indicator 2.1.1	1) <ul style="list-style-type: none"> a) Notification of spent hydraulic oil for MD and empty contaminated containers for TE not evident. b) Scheduled waste containers at TE and MD scheduled waste store found not labeled according to legal requirements. c) Consignment note copy No. 2 disposal dated 8/4/11 for SW 409 to Texcycle was not sent to DOE (MD) d) No evident that 7th schedule has been established and acknowledged to the transporter (KPOM & MD) e) No evident that the scheduled waste handler has attended training on scheduled waste management. 2) No record of written approval for two units of diesel generator available at KPOM – issue raised during ST 2 Assessment.	1) Practice was still found not consistent and adequate. 2) Written approval for diesel generators were available at KPOM	1) Non-conformity was reissued under Indicator 4.8. 2) Closed
Criterion 4.8 Indicator 4.8.1	Through the assessment at KPOM, TE and MD noted that the scheduled waste handlers were not adequately trained in managing the scheduled waste (Refer to NCR AK 1). The evaluation of legal compliance recorded was found inaccurate. The emergency response training was not conducted on annual basis as required by own procedure at Tangkah Estate.	Interview with persons in-charge indicates enhancement is still needed.	Non-conformity was reissued under Indicator 4.8.
Criterion 5.1 Indicator 5.1.1	The aspects and impacts register did not recognized key activities such as replanting, manuring, spraying, line site, chemical, scheduled waste and fertilizer storage. The last review of the aspects and impacts register was conducted in August 2008.	The environmental aspect and impact identification for the estate for replanting, manuring, spraying, schedule waste store, chemical store, pest & disease control, harvesting and collection, FFB transportation, compound and petrol/diesel had been completely updated.	Closed

Criterion 5.2 Indicator 5.2.1	There no evidence on 1. Stakeholders consultation with Gunung Ledang Johor National Parks in Tangkah Estate. 2. Assessment on old graveyard at Air Panas Division and water catchment in KRU at Kemuning Division.	Stakeholder consultation with Gunung Ledang Johor National Park and the revised Biodiversity Baseline report dated May 2011 are found acceptable.	Closed
Criterion 6.6 Indicator 6.6.1	1. Only the minutes of one meeting between Ayer Panas Division and NUPW is available. 2. No systematic record of minutes is available.	The minutes of meeting between NUPW/Merlimau Division enclosed to close the Non-conformity was sighted and found acceptable.	Closed

OPPORTUNITIES FOR IMPROVEMENT

Principle/Criteria/ Indicator	Description of Opportunities For Improvement
I 4.7.1	<p>Recently Kempas mill has installed new machineries such as EFB press & oil screen however relevant document i.e. 'Borang JKJ 105 ~ notification of new machineries' was not made available during the conduct of audit.</p> <p>Tangkah Estate, Kemuning Estate, Pagoh Estate need to ensure the safety & health committee shall consist of equal representatives from the employee & the management.</p>
I 2.1.1	<p>Kempas Estate has a standby unit of generator set (Caterpillar Model SR4, 230 kW). However, the needs of whether or not to obtain a Written Approval [Environmental Quality (Clean Air) Regulations 1978, Reg. 36] from the Department of Environment was not evident.</p>
I 4.1.1	<p>Operating procedures are appropriately documented and consistently implemented and monitored</p> <ul style="list-style-type: none"> ▪ SOU 17 needs to ensure that the application of EFB needs to be in accordance with its Agriculture Reference Manual (ARM) requirements. It was found that the actual EFB application rate for Block 2011A and 2011B of Kemuning Estate has a significant difference with what is required by the ARM. ▪ SOU 17 has the procedure (Sustainable Plantation Management System, Appendix 7) to sample and analyze its water quality of its incoming and outgoing water ways. However, the action to be taken after obtaining the analysis result was not described. <p>SOU 17 needs to ensure all its landfill for domestic waste are managed according to its guideline and waste management plan. It was found that the landfill at Kemuning and Tangkah Estate was too close to labour quarters and water way</p>
I 5.2.1	<p>During the audit of Pagoh and Tangkah estates, it was found that there were several sites identified as HCV areas but were not included as HCV or protected areas under the biodiversity assessment report. For Pagoh there were several riparian buffers to be included where else for Tangkah estate there were several conservation areas that were not included.</p> <p>It was also found that there were no buffer areas between the Tangkah estate and the Gunong Ledang National Park. Since the park is a protected area with high conservation value forest, efforts need to be taken to minimise impact of plantation activities on the HCV. In this respect a reasonable buffer needs to be established and marked along the boundary with the Park where no activities are conducted.</p>
I 5.2.2	<p>The current management plan and action plan for SOU 17 seem to be a standard template that is used for all the estates. Management plans could be improved as follows:</p>

1. A list of all the HCV sites in an estate is documented. A description is provided for each HCV with details such as location, extent, site conditions and conservation value of each site provided.
2. A map showing all HCV areas in the estate. This would assist both auditors and estate managers to know where all the HCV sites are in an estate.
3. Management plan and plans of actions should be specific to individual estates catering for the differing site specification. Regular monitoring of action plan should be conducted by individual estates
4. Proper signage indicating HCV site should be erected to create awareness.
5. Where HCV consist of forest or regenerated sites an assessment of the site should be conducted

There have been inconsistencies in the marking of HCVs between estates. For example in Pagoh estate most waterways are identified as buffer zones and marked in the field. On the other hand in Tangkah only natural waterways with width exceedinfg 5m are marked. Regulations require all natural waterways between 3-5m to be also classified as riparian buffers. There needs to be consistent understanding on the identification and management of HCVS and conservation areas between all estates. For example, some conservation areas in Pagoh and Tangkah estates are still planted with palms.