



PUBLIC SUMMARY
3RD RSPO SURVEILLANCE ASSESSMENT

AUDIT DATE : 16-18 APRIL 2013

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

Prepared by:

Food, Agriculture and Forestry Section
SIRIM QAS INTERNATIONAL SDN BHD
Building 4, SIRIM Complex, No. 1, Persiaran Dato' Menteri, Section 2,
P.O. Box 7035, 40700 Shah Alam, Selangor,
MALAYSIA

Tel : 603-5544 6440

Fax : 603-5544 6763

Website: www.sirim-qas.com.my

TABLE OF CONTENTS

1.0	Scope of the Certification Assessment	
1.1	Introduction.....	
1.2	Location of Mills and Estates.....	
1.3	Production Volume of All Certified Products.....	
1.4	Certification Details.....	
1.5	Description of The Supply Base.....	
1.6	Planting Profiles.....	
1.7	Time Bound Plan for Other Management Units.....	
1.8	Progress of Associated Smallholders / Smallgrowers Towards Compliance with Relevant Standard.....	
1.9	Organizational Information / Contact Person.....	
2.0	Assessment Process	
2.1	Certification Body.....	
2.2	Qualification of Lead Assessor and Assessment Team.....	
2.3	Assessment Methodology.....	
2.4	Date of Next Surveillance Visit.....	
3.0	Assessment Findings	
3.1	Summary of Findings.....	
3.2	Identified Non-conformities.....	
3.3	Status of Non-conformities Findings Previously Identified.....	
3.4	Noteworthy Positive Observations.....	
4.0	Certified organization's Acknowledgement of Internal Responsibility and Formal sign-off of assessment findings.....	

List of Tables

Table 1	Certification units covered in the assessment
Table 2	Location and addresses of mills and estates
Table 3	Actual CPO and PK tonnage since date of last reporting period
Table 4	Estimated certified CPO and PK tonnage for the next reporting period
Table 5	Actual FFB production by the supply base since date of last reporting period
Table 6	Estimated FFB production by the supply base for the next reporting period
Table 7	Planting profile of the supplying estates of Kempas SOU

Attachments:

Attachment 1	Location map of Certification Unit (mill and estates)
Attachment 2	Surveillance Audit Programme
Attachment 3	Detail of Non-Conformity and Corrective Actions Taken
Attachment 4	Verification on Previous Assessment Findings

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. 3. SOU 17 consist of Kempas Palm Oil Mill and the following company-owned estates: Kempas Estate, Kemuning Estate, Tangkah Estate, and Serkam Division. Pagoh Estate is now excluded from this CU since Sime Darby has decided to put the estate under different CU namely Pagoh POM with effective from January 2013. The SOU is equivalent to a certification unit (CU) 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.

Details of the SOU are described in Table 1:

Table 1: Certification units covered in the assessment

No.	Certification Unit	Palm Oil Mill	FFB Supplying Estates owned by SDPSB
1.	SOU 17	Kempas Oil Mill	Kempas Estate, Kemuning Estate, Tangkah Estate, and Serkam Division

1.2 Location of Mills and Estates

Kempas Palm Oil Mill, Kempas Estate is located in Jasin District, Melaka, while Kemuning Estate is located in Alor Gajah District, Melaka. Tangkah Estate is in Ledang District. 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 1 while their coordinates are detailed in Table 2.

Table 2: Location and addresses of mills and estates

Certification Unit	Estate/Mill	GPS Location		Location Address
		Latitude	Longitude	
SOU 17 – Kempas	Kempas 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
	Serkam Estae (Serkam Division)	2° 16' N	102° 39' E	77300 Merlimau, Melaka

1.3 Production Volume for All Certified Products

Table 3: Actual CPO and PK tonnage since date of last reporting period (September 2012 - March 2013)

FFB Received (mt)	176,698.74
FFB Processed (mt)	176,729.20
Total CPO Production (mt)	36,906.05
Total PK Production (mt)	8,758.15
Certified CPO (mt) sold as MB	Nil
Certified PK (mt) sold as MB	Nil
CPO (mt) sold as non-Certified	All
PK (mt) sold as non-Certified	All

Table 4: Estimated production of certified CPO and PK tonnage (April 2013 to March 2014)

FFB Received (mt)	113,721.86
FFB Processed (mt)	113,569.97
Total CPO Production (mt)	24,126.94
Total PK Production (mt)	6,136.03
Certified CPO (mt) to be claimed – MB	Not determined yet
Certified PK (mt) to be claimed – MB	Not determined yet
Non-Certified CPO (mt)	Not determined yet
Non-Certified PK (mt)	Not determined yet

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

The FFB is sourced from company owned estates that are certified and no third party crop is accepted. Details of the FFB contribution from each source to the SOU are shown in the following tables:

Table 5: Actual FFB production by the supply base since date of last reporting period (September 2012 to March 2013)

Estates	FFB Production	
	Tonnes	Percentage (%)
Kempas	78010.94	44.149
Kemuning	33074.31	18.718
Tangkah	27752.61	15.706
Serkam Div.	13137.84	7.435
Diamond Jubile	1169.72	0.662
Bukit Asahan	5412.22	3.063
Pagoh	14607.55	8.267
Welch	991.38	0.561
Sungai Baharu	134.80	0.076
Sengkang	622.87	0.353
Pengkalan Bukit	1394.22	0.789
Salak	272.61	0.154
Lanadron	117.67	0.067
Third party (if any)	Nil	Nil
Total	176,698.74	100.000

Table 6: Estimated FFB production by the supply base since date of last reporting period (April 2013 to March 2014)

Estates	FFB Production	
	Tonnes	Percentage (%)
Kempas	42715.78	37.562
Kemuning	23095.39	20.309
Tangkah	23300.39	20.489
Serkam Div.	10351.86	9.103
Bukit Pilah	204.82	0.180
Sungai Sebaling	40.47	0.035
Diamond Jubilee	463.69	0.408
Lanadron	11.83	0.010
St Helier	179.57	0.158
Pertang	236.86	0.208
Pengkalan Bukit	28.88	0.025
Bukit Asahan	2469.95	2.172
Kok Foh	950.23	0.836
Welch	56.46	0.050
Third party	9615.68	8.455
Total	113,721.86	100.000

1.6 Planting Profiles

The date of planting and age profiles for each estate in the SOU is detailed in Table 7.

Table 7: Planting profile of the supplying estates of Kempas SOU

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
Serkam Division	1970	915.63	878.31	779.30	99.01	88.73	11.27
Total		10,656.67	10,373.21	9,056.00	1,317.21	435.05	59.08

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

The details of the contact persons for SOU 17 are as shown below:

Name : Muhammad Ali Nuruddin
Designation : VP, RSPO & Certification Unit
Address : Level 3A, Main Block

Plantation Tower,
No 2, Jalan PJU 1A/7
Ara Damansara, 47301
Petaling Jaya, Selangor

Phone # : +603 78484376
Fax # : +603 78484363

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 assessment team consisted of four assessors. 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.
Mohamed Hidhir Bin Zainal Abidin	Assessor / Milling Operation, Occupational Health and Safety	<ul style="list-style-type: none"> • Over 100 days of auditing experience, having audited on: ISO 9001, ISO 14001, & RSPO. • 4 years' experience in palm oil milling. • Successfully Completed RSPO Lead

		<ul style="list-style-type: none"> Assessor Course – 2013. Successfully completed ISO 14001 EMS RABQSA/IRCA approved Lead Assessor – 2012. Successfully completed ISO 9001 QMS RABQSA/IRCA approved Lead Assessor – 2012. Successfully completed OHSAS 18001 OHSMS RABQSA/IRCA accredited Lead Assessor Course – 2012. B.Sc. (Hons) Chemical Engineering.
Dr. Rusli Mohd	Assessor / workers & community issues and related legal issues	<ul style="list-style-type: none"> Collected more than 50 auditor days in auditing RSPO and 16 days of Forest Management Certification (FMC). Reviewed about 5 or 6 FSC Forest Management certification reports. Prepared Consultancy Reports on SIA for WWF, KPKKT and PESAMA. Taught Industrial Relations and International Forestry. Research on forest certification. Ph.D. (Major: Forest Policy); Minor: Public Administration, North Carolina State Univ. M. Phil. (Forest Policy) Univ. of Edinburgh B.S.(For) UPM.
Mohd Razman Salim	Assessor / HCV habitat & ecology and related legal issues	<ul style="list-style-type: none"> 6 years working experience related to forest management. Successfully completed ISO 14001 EMS RABQSA/IRCA approved Lead Assessor – 2013. Successfully completed ISO 9001 QMS RABQSA/IRCA approved Lead Assessor – 2013. Successfully completed OHSAS 18001 OHSMS RABQSA/IRCA accredited Lead Assessor Course – 2013. B.Sc (Hons) Forestry, UPM.

2.3 Assessment Methodology

The surveillance assessment was guided by the sampling formula of 0.8 \sqrt{y} . Nonetheless, all the supply bases were assessed but different coverage of the RSPO requirements, in addition to Kempas Oil Mill itself.

The assessment team carried out field and office assessments for conformance against the RSPO-MY principles and criteria. The visits also covered HCV habitats, labour lines, storage areas and other workplaces.

Common systems were identified and specific evidences were recorded for individual estates. Interviews, particularly those with employees, local communities and suppliers were conducted formally as well as informally, without the presence of company management personnel. In addition to that, records as well as other related documentation were also reviewed.

The assessment programme is in Attachment 2.

2.4 Date of Next Surveillance Visit

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

3.0 Assessment Findings

3.1 Summary of Findings

The assessment was conducted as planned using the methodology described in Section 2.3. Findings against each of the RSPO MY-NI indicators are reported below. It was noted that SOU 17 was guided by their Estate/Mill Quality Management System documents for their operations. These documentation were inspired by the ISO 9001, ISO 14001 and OHSAS 18001 requirements.

A total of five major non-conformity and four minor non-conformity reports against RSPO MYNI requirements were raised as shown in Attachment 3. SOU 17 has taken necessary corrective actions in order to close all the major non-conformities raised. Minor non-conformities will be verified in the next surveillance assessment.

The previous year non-conformities have also been verified and most of them were satisfactorily closed out. One of them has been reissued due to lack of evidence of addressing it effectively (see Attachment 4).

PRINCIPLE 1: COMMITMENT TO TRANSPARENCY

Criterion 1.1

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

Indicator 1.1.1

Records of requests and responses must be maintained.
Major compliance

Guidance :

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

Audit findings

SOU 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.

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

Audit findings

SOU 17 has a documented system for identifying, accessing and updating the legal requirements and to monitor the status of legal compliance. SDSPB had ensured all applicable legal requirements pertaining to RSPO are established, implemented and maintained.

A special department, which is based in Kuala Lumpur was responsible in tracking the changes to the Acts and Regulations in their legal register by communicating with the publisher of the documents. This mechanism was outlined in its procedure. The revision of the legal register was done from time to time and shall there be any update, it would be communicated to the respective SOUs.

The laws affecting the oil palm industry are listed and made available to SOU 17. Among the identified legal requirements are Factories and Machinery Act and Regulations 1967, Occupational Safety and Health Act and Regulations 1994, Worker' Minimum Standards of Housing and Amenities Act 1990, Environmental Quality Act and Regulations 1974, and Pesticide Act 1974. There was evidence of compliance with the law in areas assessed except as raised in the five non-conformity reports. The evaluation of legal compliance was done by Environmental Safety and Health Coordinator.

At Tangkah Estate, the Legal and Other Requirements Register (LORR) was last reviewed on 21/9/2012. It was prepared by a staff, checked by Assistant Manager and approved by Manager. Evaluation of compliance was done by using the LORR simultaneously during review. It was found that all the legal requirements were rated compliance, although some are not. On other case, the LORR maintained at Kemuning Estate does not list the Workman's Compensation Act, 1952, which deals with social security aspects of foreign workers. It is recommended that the estate requested the relevant party to list the Act.

As for the confined space competent person, Kempas POM has obtained 8 AESP (Authorized Entrant & Standby Person) and 1 AGT (Authorized Gas Tester). With the availability of the competent person, Kempas POM has yet to start the confined space entry programme as well as the implementation of permit to work (PTW) for confined space as recommended by DOSH.

During assessment, it was found that all certificate of fitness (CF) of steam boilers, unfired pressure vessel (UPV) were in place and still valid. Annual inspection has been conducted before maximum of period validity of 15 months. Annual inspection for Kempas POM was last

conducted on 7 January 2013 for steam boiler and UPVs. Comments highlighted by DOSH inspector during inspection has been handled and rectified accordingly.

Person in-charge for electrical installation in Kempas POM has been granted competent licence by Energy Commission for electrical charge man @ “*penjaga jentera*” and has to be renewed on annual basis. Furthermore, electrical inspection with power generation capacity of 3060 kW including has to be inspected regularly. Monthly visit conducted by competent visiting electrical engineer and last visit report on 10 April 2013 was sighted during assessment, i.e. refer Form I (Regulation 69) under Electric Supply Act 1990. Comments from VE has been appropriately handled and rectified.

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 had also included measurements conducted by external accredited laboratories.

Despite their commitment to compliance there were still lapses. Two non-conformity reports were assigned to SOU 17, that is, scheduled wastes handling at Tangkah Estate were found not in compliance with some of the requirements in the Environmental Quality (Scheduled Waste) Regulations, 2005 . On the person in charge for internal combustion engine (ICE), Kempas POM had obtained the 1st grade ICE driver licence granted by DOSH. However, based on the greatest horsepower ICE available at Kempas POM, requirement of ICE visiting engineer has yet to be fulfilled for the 883hp generator set as required in Person In Charge Regulations, 1970. Another non-compliance issue observed with regards to the hearing conservation programme which has not been conducted for the last 2 years and had commented by DOSH visit. Therefore, major NCR was assigned.

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

Evidence of land ownership for selected audit sampling area which were Kemuning Estate & Merlimau Division area was available. The land title had been changed from Consolidated Plantations Sdn Bhd to Sime Darby Sdn Bhd. Land development for oil palm plantation by Sime Darby was authorised by legal. There were clear land ownership documents, which stated the land conditions for agricultural cultivation as sighted in *Kanun Tanah Negara (Borang 5BK)*. The assessor also noted and inspected that boundary stones at the Kemuning Estate and Merlimau Division have been clearly demarcated along the estate boundary with adjacent villagers land. So far, there has been no legitimate contest by local communities with demonstrable rights.

The boundaries were regularly patrolled by estate security to prevent illegal encroachments. Security officers were required to clock in at various checkpoints. Records were also kept and updated in the '*Buku Laporan Rondaan*'.

Criterion 2.3

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

Indicator 2.3.1

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

Major compliance

Indicator 2.3.2

Map of appropriate scale showing extent of claims under dispute.

Major compliance

Indicator 2.3.3

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

Minor compliance

Guidance:

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

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

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

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

Adequate time must be given for customary decision-making and iterative negotiations allowed for, where requested.

Negotiated agreements should be binding on all parties and enforceable in the courts. Establishing certainty in land negotiations is of long-term benefit for all parties.

Audit findings

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

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 2012/2013 and 2013/2014 were available. Financial year is from current year July to following year June. Besides the normal type of operating budgets allocated for the oil palm mills and plantations (that is, FFB yield/ha, OER, CPO yield/ha and unit cost of production), the budget continues to include allocation for welfare and social services.

The mill CAPEX document for 2012/2013 and 2013/2014 was made available during the audit. Most of the budget for the mill was on continual improvement programme on modification and machine upgrades as well as the budget for safety and environment. Accommodation and facilities upgrades for staff quarters and executive bungalow were also gazetted in the budget. For 2012/2013, budget allocation for building, facilities and support equipment, plant and machinery, motor vehicle and effluent treatment plant (ETP) was noted. For 2013/2014, CAPEX was also noted been allocated. Gazzeted budget for desludging the anaerobic pond was sighted with the budget on the ETP overhead power supply in order to cater power demand for ETP.

At Tangkah Estate, the replanting programme was projected for the next five years had been prepared as sighted in the 'Replanting programme 2009/10 to 2014/15', which includes Field No. 83A, 83K, 84A 84K, 85A1, 84A2 & 86N. Next replanting is 2020 since the oldest palm left planted in 1995. This programme is reviewed once a year.

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

Criterion 4.1

Operating procedures are appropriately documented and consistently implemented and monitored.

Indicator 4.1.1

Documented Standard Operating Procedures (SOP) for estates and mills

Major compliance

Indicator 4.1.2

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

Minor compliance

Audit findings

SOU 17 continued to adopt a comprehensive SOP for all its estate and mill practices. Operation activities in the estates and the mills include from seedlings in nursery to planting of young palms and plantation upkeep to mill despatch of CPO, PK and PKO that are guided by the standard operating procedures (SOP). They are established as part of the Estate/Mill Quality Management System documents. For the estates, on top of the Estate Quality Management System, technical guidelines as listed in the Agricultural Reference Manual (Issue No. 1/Year 2011/ Version 3/ Issue Date 01/07/2011) are also used.

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

Briefing on the SOPs and related documents were conducted and workers are frequently reminded about it during the morning muster. Interviews with employees revealed that they understand the requirements of the SOP.

It was also noted that relevant SOP were displayed at various workstation for easy reference, for example, at estate office notice board and mill workstation notice board.

Monitoring of the SOP implementation was closely done by person-in-charge and their records were verified. Among the records were work programmes for major activities at the estates such as manuring, herbicide spraying and replanting. Other records sighted were the issuance of Personal Protective Equipment, agrochemicals and fertilizer through the stock books, store requisition and issue sheets.

At the mill, among the records verified were station log sheets (Sterilizer, Press, Engine Room and Kernel Plant), smoke emission from boiler (extracted from CEMS system), effluent treatment plant discharge records and waste disposal record. All records were retained and made available during assessment.

Criterion 4.2

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

Indicator 4.2.1

Monitoring of fertilizer inputs through annual fertilizer recommendations.
Minor compliance

Indicator 4.2.2

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

Indicator 4.2.3

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

Audit findings

SOU 17 continued to monitor their fertilizer inputs as recommended by Sime Darby's upstream research and development unit, which is located at Carey Island, Selangor. The recommendation was made on annual basis as sighted in the Agronomic & Fertilizers Recommendation Reports – Oil Palm 2012/2013. Most of the fertilizers recommended were of the straight fertilizers for mature palms e.g. ammonium chloride, murate of potash (potassium), rock phosphate, magnesium and borate. Whereas for immature were compound fertilizers hat consists of N, P, K & Mg nutrients. Average dosage per palm is 11 kg for mature and 3 kg for immature.

Leaf (tissue) sampling was carried out and its result formed part of the basis for the fertilizers input recommendation. The analysis was also conducted by the research and development unit, Carey Island on annual basis. The last sampling was conducted in 18th & 19th July 2012 for January 2013 to February 2014 fertilizer application. The quantity of fertilizer applied corresponded to the recommended input stated in Agronomic & Fertilizer Recommendation Report – Oil Palm 2012/2013. Manuring programme was established thereafter based on this recommendation. All the relevant progress information was recorded in the Daily Monitoring Manuring form at Tangkah Estate. The progress however, is generally delayed for the entire estate manuring programme, i.e. about 5 months behind schedule. This was due limited storage space, unfavourable weather (September to December 2012), fertilizer supply constraint, spill over from previous financial year programme.

Soil sampling at Tangkah Estate was done at the frequency of once in 5 years [ref.: Sustainable Plantation Management System (SPMS)]. The objective of the soil sampling is to monitor the changes in physiochemical properties over time. The first soil sampling was done on 29/4/2010, 7/6/2010 and 5/7/2010, which samples were taken from different permanent sampling points. There were a total of 6 sampling points in Tangkah Estate, which were identified by SDPSB's R&D-Technology Transfer and Advisory Services (TTAS). The changes in physiochemical state of the soil are expected to be known after the next sampling in 5 years.

EFB mulching at Tangkah Estate is not recommended for mature area. Nonetheless, for immature palms it was recommended in the ARM at an application rate of 200 kg/palm/year and to be applied at the palm circle once a year. During the field visit at Field 2011A (47.18 Ha x 156 SPH), Ayer Panas Division, Tangkah Estate immature area, the assessor has noted that the estates have completely applied the EFB mulching as recommended and progress was adequately recorded in EFB application record book. To-date, the total EFB applied was 1,419.96 mt in the particular field. The record details included weight (mt), field number, date of delivery, transport number and delivery note from neighbouring (Lenga Mill) POM.

There also has been no evidence of open burning at Tangkah Estate replanting areas.

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

At Tangkah Estate, practice only circle spraying for field maintenance in the mature areas as stipulated in their SOP was continued. Harvesting path, soft grasses were maintained by grass cutting. For replanting areas, the estate continued to plant and maintained cover crops such as *Mucuna bracteta*, *Pureirra javanica* and *Calopogonium mucuinosodes*.

Generation of non-competitive ground covers especially *Nephrolepis bisserata* and soft grasses have significantly minimized the occurrence of bare ground, soil erosion and surface runoff.

During the field visit, Tangkah Estate had a satisfactory road condition and accessibility were made possible by regular maintenance guided by its road maintenance programmes (2012/13), which consist of roadside pruning, grading & compacting and resurfacing. The financial support for this operation could be seen in the annual budget 2012/13 financial year. Tangkah Estate has allocation for road maintenance activities such as bridges, culverts and roads upkeep. Progress report of the road maintenance programme was recorded in a form. Apart from that, there was also budget allocation under capital expenditure for constructing asphalt road at the residential area. The actual work done was found to be behind schedule due to unfavourable weather and machinery constraint.

Tangkah Estate was generally an undulating area. At the steep slope area, mitigation measures to minimize soil erosion such terracing and construction of roadside pits were done. The area, which have slopes more than 25°, have been demarcated by the GPS survey department of SDPSB. It was evident that these areas have been excluded from being planted in the replanting. There was no peat soil area at Tangkah Estate.

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

The site visit was to verify the protection of watercourses, including maintaining and restoring appropriate riparian buffer zones at or before replanting along all natural waterways within the estate.

During the site review at Ayer Panas Division, Tangkah Estate, there was a natural stream coming out from the Gunung Ledang National Park crossing the estate. The assessor was told by the management that this stream is classified as riparian reserve and buffer zone shall be provided at both sides of the stream. However, it was observed that the buffer zone was not demarcated and the assessor found trace of herbicides spray. It was also observed that the buffer zone has been planted with oil palms, which was planted in 2010. Therefore, an NCR was assigned for this issue.

There was no construction of bunds/weirs/dam across the main rivers or waterways passing through an estate.

Monitoring of quality of incoming and outgoing water through the estate needs to be carried out at a frequency of four times a year as required by Sustainable Plantation Management System, Appendix 7, SOP for taking water samples from stream/rivers, Clause 4.5 and Attachment 2. However, this was not done in Tangkah Estate. Water sampling analysis was only taken at midstream crossing Tangkah Estate. The last analysis was on 25/7/2012 [report ref.: IE 785/2012]. Among the parameters tested were pH, BOD, Chemical Oxygen Demand (COD), SS, AN and phosphorus content. The results have shown that no significant pollutant contributed by the estate.

The data of rainfall and rain days have been well maintained. The rainfall records were available on site for the past ten years. The average rainfall for Tangkah Estate was 2200 mm over 119 rain-days. Monitoring of water consumption by all the mill is also being carried out. Records on water usage (tonnage water use / tonne FFB processed) were sighted. It was observed that the records for mill water consumption (m³ of water per ton of FFB) were kept for the previous and current financial year. For the palm oil mill, usage of water per mt FFB

processed was recorded at 0.99 m³/tonnes FFB from July 2011 to June 2012. From the trend, consumption rate was found increasing marginally. For July 2012 onwards, the results still on the ascending trend where the average consumption up to February 2013 was at 1.02 m³/tonnes FFB processed. Water consumption was observed to be quite consistent but fluctuation of FFB processed due to the low crop season on the 1st quarter and mill period shutdown as well as inspection contributes to this high water consumption for the mill.

No natural watercourses were found to be within the estates. Only drainage canals were available in the Kemuning Estate and are being well maintained. Palms along the canals were not chemically sprayed only manual weeding activity was allowed. Buffer zone signs were erected beside of the drainage canal to create awareness for workers.

Criterion 4.5

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

Indicator 4.5.1

Documented IPM system.
Minor compliance

Indicator 4.5.2

Monitoring extent of IPM implementation for major pests.
Minor compliance

Specific Guidance:

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

Indicator 4.5.3

Recording areas where pesticides have been used.
Minor compliance

Indicator 4.5.4

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

Audit findings

SOU 17 maintained the documented IPM techniques as shown in SOP/Section B13/Pest & diseases and ARM/Section B15/Plant Protection. Usage of pesticides was justified and monitored. Information on the quantity of pesticides and areas applied were documented and used to monitor in relations to FFB produced or land area.

Based on inspected records at Ayer Panas Division, Tangkah Estate, it was noted that the barn owls were kept at a ratio of 1 box to 16 Ha. Based on latest population census of barn owls, which was done in August 2012, the occupancy rate was 32%.

Rat baiting campaign at Ayer Panas Division, Tangkah Estate, was carried out based recommendation in the latest version of ARM (w.e.f. 11/8/2012) i.e. to carry out calendar baiting. Calendar baiting means rat baiting is carried out every 6 months interval, whether or not there is any rat damage detected. If the uptake of baits is more than 20%, then another round of baiting should be carry out until the uptake is lesser than 20%. The bait used was warfarin based. The latest campaign at Ayer Panas Division was carried out in August 2012, at all fields. The next round of campaign supposed to be carried out in February 2013. However, due to most maintenance workers were diverted to manuring, this operation has been hold.

Beneficial plants from the three major species namely *Tunera subulata*, *Cassia cobanensis*, and *Antigonon leptopus* were continued to be planted in SOU 17 to maintain low population of leaf eating caterpillars, hence reduces the need to use chemical treatment. At Tangkah Estate, it was noted that the beneficial plants was mainly planted by the roadsides. There has been no

major outbreak of leaf eating pest at Tangkah Estate so far. Presence of leaf eating larvae was observed by the field staff from time to time.

Ganoderma census was continuously done by Tangkah Estate. The last census was done in April 2012 and they found only 2% infection of *Ganoderma*. Thus, no further action required. Records showing the agrochemicals active ingredient (ai) used per metric tonne basis were seen in Tangkah Estate. The records were updated until March 2013. Type of pesticide includes *Cypermethrin* and *Wafarin*. The most pesticide used was *Cypermethrinin*, which represented 0.05 lt/Ha/month. Likewise, records of location where pesticides have been used were also available.

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, No Chemicals listed in the World Health Organization Type 1A or 1B or Stockholm or Rotterdam Convention was observed.

Usage and method of agro-chemicals applications (pesticides and herbicides) were justified and stipulated in the ARM and SOP as well as in Safety Pictorial procedure. No illegal agrochemicals (stated by local and international laws) in particular paraquat were used or found in SOU 17. Paraquat was totally replaced by a systemic herbicide, glufosinate ammonium. Monnrocotophos is also not allowed.

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

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

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

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

Updated records to show agrochemicals purchase, storage and consumption are available in SOU 17. In order to avoid human exposure to concentrates chemicals, pre-mixing was practiced. MSDS were adequate for each agrochemical at the estate stores.

The last generic CHRA, which representing 140 estates was conducted in July 2010 by registered assessors [(ref.: JKPP IH 127/171-2(124) and JKPP IH 127/171-2(257)]. Based on the recommendation of the CHRA, medical surveillance has been conducted for employees, such as estate sprayers, store keepers and mill laboratory operators, whose jobs require them to be exposed to chemicals. The last medical surveillance done for WTP operator (never yet, since contractor just appointed 1 month ago Due to the earlier contractor absconded) and agrochemical operator (23/7/2012). Pregnant and breast-feeding women are strictly not allowed to work with pesticides.

Aerial application of agrochemicals is not practiced.

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

Edible Oil Manufacturers Association (MEOMA) standard.

All chemical are pre-mixed at a safe designated area at the store before being applied in the field.

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 had maintained and continued to implement QESH system procedure named MQMS for mill operation. With additional of supporting document on EHS implementation dated 1 July 2012, Kempas POM has specific directive on EHS implementation on guidelines and procedures for EHS risk management. For estate on the other hand, continued implementation of Agricultural Reference Manual as well as the Sustainable Plantation Management System - RSPO was sighted during the assessment.

The written Sime Darby Plantation Sdn Bhd on Occupational Safety and Health (OSH) policy remained valid. This OSH policy had been communicated to all employees through toolbox and standing meeting and were seen displayed on the mill and estates notice boards. Generally, by interviewing the workers and staffs revealed that awareness of OSH policy were understood.

Hazard identification, risk assessment and risk control (HIRARC) and CHRA records covered activities in the estates and mill were verified during the assessment. Most significant and routine activities for mill and estate were adequately covered including chemical spraying, harvesting 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 for the respective activities and operation. However, Kempas POM has yet to

incorporate changes for the new activities and operation in the premise for the next HIRARC revision exercise. The construction of new EFB press and vibrating screen has yet to be included. Most of moving part and rotating machinery were installed with machine guarding and properly covered. Appropriate administrative control was sighted with safety signs were displayed at all work station in the mill area including estates office and workshop. Overall administrative controls implementation for SOU 17 was found adequate during the assessment.

On the USECHH Regulation 2000, the CHRA generic report was presented during assessment and still valid until 2015 for mill and estate conducted by qualified assessor registered with DOSH. All significant work units that exposed to chemical was assessed and sampled for several mills and estates under Sime Darby Plantations Sdn Bhd. Some of the work unit assessed was applicable for Kempas POM and estate operation with current risk control and recommended control measure as recorded in form F of the CHRA report. Most of the recommendation has been implemented including installation of eye wash at selected work unit, minimum standard of PPE used and training provision for exposed employee, installation of engineering control equipment and medical surveillance programme as well as chemical exposure monitoring for the selected group of employees.

Based on the CHRA recommendation, personal chemical exposure monitoring has been conducted for those who exposed to chemical mainly, n-hexane, benzene, chloroform and manganese. Latest exposure monitoring was conducted on the 9/3/12 by registered hygiene technician. From the report, it was observed that exposure of all chemical monitored were below permissible exposure limit (PEL) for 8 hour time weighted average (TWA) mg/m^3 .

As recommended by CHRA, medical surveillance programme has been established for mill employees and estate workers. Group of workers from different work unit has been sent to OHD on annual basis as recommended by CHRA. Last health surveillance was conducted on September 2012 for welders, lab analyst and sampler and was sent to local OHD, DOSH registration number. From the results, all employees sent for checking are fit to work without any health deficiency under appropriate control of chemical exposure. For estate workers, group of workshop worker, chemical sprayer and chemical mixer was sent for annual medical surveillance programme on 24/10/12. The same local OHD summarized that all chemical sprayers and mixers are fit to work under organophosphorus exposure as well as welders for the workshop operator. However, a group of new sprayer at Kempas estate and also new workers for laboratory and store keeper has yet to be sent for baseline medical surveillance.

Annual audiometric testing has been conducted on 23 July 2012 consisting of 60 employees, by new audiometric consultant. Total of 11 hearing impairment cases recorded and further investigation will be conducted. Those affected employees have been scheduled for next year audiogram. However, new store keeper and lab operator has yet to be scheduled for baseline audiometric testing.

Permit to work (PTW) was seen implemented and showed improvement since the last audit. PTW is given to all contractors before entering the mill compound and signed by the applicant supervisory personnel (contractors) and approving authority (mill representative) before and after commencing work. PTW implementation was seen on type works that requires supervision and adequacy of PPE used, for example working at height and hot works (oxy cutting and welding). However, monitoring of contractors has yet to be improved where the oxygen and acetylene vessel was not fitted with flashback arrester. Furthermore, PTW for confined space entry has yet to be implemented as recommended by DOSH officer.

Checklist for the Personal Protective Equipment (PPE) required for the job has been filled accordingly depends on the classification of work. Appropriate PPE was used for each risk assessed. The field workers in the plantation and mill had been equipped with appropriate 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. For example PPE provided for sprayer gang has been completely worn and types of respiratory protection were standardized.

Emergency procedures exist and instructions during emergency were understood by those workers interviewed. Emergency response plan has been tested for both mill and estate. Emergency fire evacuation drill has been conducted on 18 December 2012 at Kempas POM. The objective of the drill was achieved and for the total evacuation time was within the evacuation time objective. For the fire fighter preparedness, Kempas POM has been provided with adequate number of fire extinguisher and fire hydrant point at strategic location in the mill. Fire extinguisher has been serviced and inspected by BOMBA officer on 16 February 2013. Hose reel and nozzle were inspected and tested on monthly basis by mill fire fighting team as well as during quarterly workplace inspection exercise. Workers trained in First Aid were found present in both field and mill operations. Those interviewed understood how to give first aid assistance. First Aid equipment was made available at worksites. First aid box has been inspected on the monthly basis by HA in the estate and head of first aid team in the mill.

OSH performance was continuously monitored and accident cases were managed in accordance with OSH Regulations. Accident records were kept and reviewed. An accident scoreboard was made available at mill and estates and updated regularly to show the current OSH performance status. In 2012 there were 2 cases recorded with 20 days of Lost Time Incident (LTI) at the mill. Accident investigation has been done by the OSH committee and has been reported with the format standardized for all Sime Darby Plantations Sdn Bhd. Root cause of accident has been identified and appropriate control measure has been implemented as well as revision of HIRARC for either engineering control, administrative control or the used of PPE to be implemented and improved after the occurrence of accident. Formal reporting to DOSH, JKPP 6 and JKPP 8 form was sighted submitted to DOSH in timely manner.

SOU 17 had appointed the Mill Engineer and Assistant Estate Manager assisted with HA as secretary of OSH committee to be responsible for the OSH implementation. Interview with members of the Safety Committee and review of records confirmed that quarterly OSH meetings and workplace inspections had been carried out. Issues raised during the meeting had been acted and resolved. Meeting minutes can be further improved by explicitly discussed the workplace inspection and accident investigation matters. Although the appointed safety committee has been structured, appointment letter especially for the new HA, estate assistant and estate manager has yet to be documented.

The assessor had noted that SOU 17 had their workers covered by accident insurance, policy number FW035773 with period of cover until June 2013. Local employees were covered by SOCSO.

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 had established their training needs and programmes for the year 2012/13. Generally, the training programme covers the major training identified such the implementation of SOPs, RSPO training, Safety & Health related training, first aid training, working at height, safe chemical handling and also emergency preparedness and response on incident occurrence. However, training matrix and plan specific for the nominated personnel has yet to be

established. Among safety and health training conducted were first aid training (27/9/12), CHRA training (28/9/12) and boiler operation and maintenance (8/2/12). Training attendance list was available and well maintained for those related training. Based on random interviews with relevant staff who attended trainings, it was observed that they understood the intent and importance of the training conducted and be able to demonstrate the knowledge in their routine jobs.

The training programmes were also extended to the contractors and suppliers. Trainings were either conducted internally by its own staff or externally by other department within Sime Darby Group or consultant. Training records were updated and well maintained.

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.

Environmental aspect and impact, which covers from upstream activities such as FFB reception until downstream processes was sighted during assessment. Identification and evaluation of environmental impact was done for all activities and processes related to the mill operation. Among the most significant environmental receptors are the boiler stack emission, which associated with air emission, palm oil mill effluent (POME) discharge (water) and land contamination which related to managing the schedule waste and general waste. However, the latest review did not cover the new installation of EFB press and waste as well as management and transportation of shredded EFB to composting plant as well as POME application to the composting plant. Therefore, Major NCR (MH2) was issued.

Mitigation measures for environmental improvement plan or known as Environmental Management Programmes (EMP) was established based on the EAI evaluation. From the evaluation exercise, significant environmental impact activities have been identified. However, environmental improvement plan for one of the activity on the silt trap operation was not developed. Leachates sourcing from boiler ash dumping area were not adequately managed. Therefore, minor NCR MH3 was issued. The status of environmental improvement plan will be verified in the next assessment.

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

Sime Darby SOU 17 had compiled information on the status of High Conservation Value (HCV) within and adjacent to their oil palm plantation area. The HCV Assessment Report named Biodiversity Baseline Assessment Report was prepared in 2008. The report compiled the documentation of HCV sites and activities from each of the visited estate; Kemuning Estate and Merlimau Division.

Sime Darby staff had identified protected area such as worships, graveyard, biodiversity area (tree planting area) & drainage canals for HCV sites. There were no historical sites or areas with slopes more than 25° in Kemuning Estate and Merlimau Division visited in SOU 17. Monitoring effort for all proposed activities in the action plan had been taken such as monitoring of Tree Planting where the action plan has set minimum monitoring programme, which is at least 2 times in a year.

The assessments of the HCV documents were recorded and compiled in the Biodiversity Action Plan and the Biodiversity Baseline Assessment Reports. There were no maps specifically dedicated to HCV showing the location and extent of HCV in the Kemuning Estate. A map showing all the HCV sites in the Kemuning Estate are needed where it would assist both auditors and estate managers to know where all the HCV sites are in an estate.

Site visits to the HCV indicated that HCV were kept intact and are being protected. Cemeteries and places of worship were also conserved. Worship areas such as surau and temple at the Merlimau Division, and old Muslim graveyard at the Kemuning Estate had been managed and classified as HCVs.

There was no evidence existence of rare, threatened or endangered species were found in these areas during the assessment. However, a near threaten mammals species which was *Viverra zibetha* (Musang Jebat) found dead beside the main roadside near to Merlimau Division. This mammal was listed in the Red List of Mammals For Peninsular Malaysia by PERHILITAN - 2010. It would be opportune for the estates to continue monitoring of biodiversity within the estate and update the biodiversity listing continuously.

Pond in the Kemuning Estate currently still been used by workers as main water supply. The assessor has been informed that the pond will be classified as HCV after getting water pipe supply. Besides putting the green wire fence surround the pond to prevent illegal hunting and fishing activities, an awareness sign such as 'No Fishing', 'No Hunting' were clearly displayed where it could create sense of awareness.

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 3R (reduced, recycle, re-use) on waste management. SOU 17 had established a waste management system on the identification of wastes and plans to reduce and dispose them in an environmentally and socially responsible manner. There was a program to encourage recycling of solid wastes with recycle bins provided in the mill compound.

Among the wastes, which had been identified were non-organic wastes such as general/domestic waste, scheduled waste, scrap iron, and mill processes waste /biomass/organic waste like fibre, shell, decanter cake, EFB and POME as well as non-organic wastes from the mill. The general domestic wastes were collected from the linesite and staff quarters and disposed to secured landfill managed by municipal council. Frequencies of collection were 2 times per week and domestic waste were collected from transit collection centre before disposal. Other than general wastes, plastic containers/bags from manuring and spraying activities were also collected, washed and reused. Chemical containers that could no longer be reused were pierced and properly stored at designated area before sent for disposal. Other than general wastes, plastic containers/bags from manuring and spraying activities were also collected, washed and reused.

Wastes from the palm oil milling process had been disposed as follows; EFB and decanter cake were sent for mulching in the field, while mill processes waste/residue/biomass i.e. fibre and shell were used as fuel in the boiler. Mulching programme will be managed and monitored by the estate with the arrangement of transports to evacuate EFB and decanter cake for daily application at field area. EFB and decanter cake may produce leachates if there were over dumping and prolong storage those biomass wastes generated. As a precaution, mitigation measure has been developed to prevent the source of water pollution to the monsoon drain.

While sources of pollution such as effluent from oil clarification plant and production floor washing activities or called (POME) will be treated in the effluent treatment plant and finally discharged into the nearby estate for land application with reference to written approval no: 000190 period validity 1 July 2012 to 30 June 2013 granted from DOE. ETP was designed to cater the processing capacity of 60 ton FFB with the final discharge BOD limit at 1000 mg/l. As to date, there was no occurrence of non-compliance result of final discharge BOD as the limit stipulated in the written approval was relatively higher than actual discharge limit. However, monitoring of POME to the land for fertilization has to be monitored regularly and to avoid overflowing to the nearby river.

Effluent treatment plant process start form a series of cooling and anaerobic ponds to final

aerated ponds, facultative ponds for aerobic process. Treated POME will be pumped from the final facultative pond and transferred to the estate's yum point for land application. Land application area was located at Kempas Estate, which has been constructed with culvert @ yum point and overflowing to the ditches and flatbeds. During the site visit, field 2000A Block 4 was visited for the daily land application programme. No evidence of POME overflow to the nearby stream or river sighted during the visit.

On the performance monitoring, monthly and quarterly report for final discharge were submitted in timely manner as stipulated in the written approval issued by DOE. Final discharge sample has been sent to accredited laboratory under Sime Darby R&D in Pulau Carey. For 2012 and to-date March 2013, there was no evidence of non-compliance and the average final discharge BOD only reported at 100-300 mg/l compared to the stipulated discharge limit of 1000 mg/l. Final discharge point was also equipped with flow meter and have been calibrated. Results of analysis were kept for reference and reporting purposes internally and externally to the regulatory body. In order to maintain hydraulic retention time (HRT) and efficiency of effluent treatment plant, periodic desludging has been programmed annually.

On the monitoring of smoke emission from boiler, online monitoring system or Continuous Emission Monitoring System (CEMS) was used to record and monitor smoke emission and shows real-time event to DOE office. For the stack particulate monitoring, 3rd party consultant was appointed to conduct the sampling twice a year. Form the report, it was evident stack sampling result was below 0.4 g/Nm³. However, the alarm system for boiler No. 1 has yet to be repaired as well as the frequency of stack monitoring for boiler no.1 which has yet to be fulfilled.

Other waste being generated from the maintenance activities of equipment and machinery in the estates or mill were scrap metal and scheduled wastes such as spent lubricant oil, spent oil filter, used batteries, spent or obsolete chemicals form mill laboratory and empty chemical containers. All estates had been operating their own Scheduled Waste store at individual operating unit site. The assessment team had visited the scheduled waste storage area. The housekeeping and labelling was found in accordance with Schedule Waste Regulation 2005. All estates and mill also maintained their own records for scheduled waste for waste identification and notification to DOE, waste inventory, waste disposal consignment and the waste information.

The established list of waste identified (2nd Schedule). Kempas POM has generated multiple types of scheduled waste namely, SW 305, SW306, SW307, SW 410, SW 409 and SW 322. As at end of March 2013, waste generation was updated in the inventory list. Last disposal made for SW 305 on 13/3/13. License number 000877 was sighted with all required information of waste, driver and lorry was verified before disposal was made. Nonetheless, enhancement still needed for Tangkah Estate in handling the scheduled waste especially in complying with the legal requirements. Non-conformity was raised against this issue under Indicator 2.1.1.

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 continued committed to use renewable energy in the mill. Fibre and shell were still

being used as boiler fuel to generate steam for the process, as well as electricity for the mill complex. The usage of fibre and nut shell had been monitored and records maintained.

Fossil fuel and biomass fuel usage per ton CPO from financial year of 2011 to 2013 were tabulated in the following table:

Year	FFB processed, mt	CPO production, mt	Diesel consumed, liter	Biomass fuel (ton)/CPO (ton)	Diesel consumption(lit)/ mt CPO
07/2011-06/2012	293,566	61,466	185,170	0.88	3.01
07/2012 up to Mar 2013	236,738	49,249	232,326	0.89	4.72

Diesel used per tonne CPO was significantly high compared to last financial year. Mill is still much dependent on the diesel genset as power backup instead of using steam turbine. However, the reducing of FFB processed for FY2013 may contribute to the high diesel consumption for Kempas POM.

<p>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.</p> <p>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</p> <p>Indicator 5.5.2 Previous crop should be felled/mowed down, chipped/shredded, windrowed or pulverized/ ploughed and mulched. Minor compliance</p> <p>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.</p> <p>Indicator 5.5.3 No evidence of burning waste (including domestic waste). Minor compliance</p>

Audit findings

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

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

<p>Criterion 5.6 Plans to reduce pollution and emissions, including greenhouse gases, are developed, implemented and monitored.</p> <p>Indicator 5.6.1 Documented plans to mitigate all polluting activities (Cross ref to C5.1). Major compliance</p> <p>Indicator 5.6.2 Plans are reviewed annually.</p>

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 maintained 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

Audit findings

The SIA report prepared in 2008 is still the basis for managing social issues in the SOU. The format of the report is similar with any other SIA reports of Sime Darby's SOUs. Among others, the report highlighted various social issues raised by the stakeholders and, subsequently, an action plan was developed to mitigate those issues. The areas of concerns were on communications, implementation of management systems, welfare of workers, occupational safety and health, education and training and living conditions.

As was mentioned in the last audit report, both of the SIA reports were prepared with the participation of various stakeholders, namely, estate employees, representatives of local communities, contractors and suppliers. The stakeholders were interviewed to gather their inputs, in the forms of complaints, requests and comments, to be incorporated into the reports.

In response to OFI in the last audit, the estates/mill did review and update their SIA action plans using different approaches. In Kempas estate, the management had a meeting on 19 March 2013 to identify social issues and, subsequently, an action plan was developed to address them. In Kemuning estate, they consulted local stakeholders to identify issues to be addressed in the action plan. The Kempas POM, on the other hand, had a gathering with local communities in order to foster closer collaborations between them. Incidentally, the mill has been frequently invited by the local JKKK to their meetings, which sometimes discuss issues of concern to both parties.

Although Kempas estate did review and update its social issues action plan, it did not carry out the sixth-monthly stakeholders' consultation as required by the company's own procedure. The latest stakeholders' consultation was carried out in December 2010. Due to this non-conformance to the company's procedure, a minor NCR is raised.

As mentioned above, the estates/mill took different approaches to review and update their social issues action plan. Furthermore, the contents of the revised action plans also differ. For examples, the contents of the revised action plans for Kempas estate dated 1/1/11 and 1/1/12 were identical. In addition, the estate identified several other issues for remedial actions but did not incorporate them into the existing action plans.

Kempas POM did quite similar to what Kempas estate did. Kemuning estate, on the other hand, reviewed and updated its action plan by incorporating new issues identified upon consultations with stakeholders.

In the interest of uniformity, it is recommended that Sime conduct a brief training on how to review and update the social action plans. The training would cover aspects, such as, the process of review and update as well as the contents of the actions plans .

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

The SOU continues to use the consultation and communication procedures and SOM reported in the previous audit to handle communications with internal and external parties. These procedures and manual are found in the Sime Darby Estate/Mill Quality Manual. Among others, the Procedure and SOM state the compulsory periods for the estates/mill to respond to external communications.

Mail correspondence is the most frequent means for communicating with external parties, particularly government agencies. Records of communications are kept in appropriate files often labelled by the name of the agency concerned.

Internal communications are done through meetings, briefings and posters at notice boards. As far as the field workers are concerned, the morning briefing appears to be the most popular channel of communication. Various pieces of information, for examples, new policies, regulations, work schedules, are conveyed to the workers at the morning briefings.

It was found that the Kempas Estate did not conform to the regulatory requirements of the government as well as the company's communications procedures. Sime Darby's external communication procedures state that the estate has to respond to external request within 2 weeks upon its receipt.

The Department of Safety and Health requested for reports on the accident, which happened on 23 Oct 2012 giving the estate one month to respond. Since there was no response from the estate, another request was made on 20 Feb 2013 giving the estate another two weeks to provide the report. No official record was available to show that the estate has responded to the second request. Due to this non-conformance with the standards and company procedures, a major NCR was raised.

The relevant appointment letters of the Assistant Managers at Kempas and Kemuning estates and Kempas mill were seen during the audit.

The list of stakeholders for FY 2012/13 for Kempas estate comprises 22 contractors, 22 suppliers, 11 local communities, 12 government agencies, including embassies, and 1 neighbouring estate.

The number of stakeholders for Kemuning estate included 9 contractors, 6 vendors, 15 local communities and 15 others including government agencies and neighbouring estates.

During the audit, it was found that Kemuning Estate did not maintain complete records of communications with stakeholders.

The estate did not maintain complete records of its reply to requests for accident reports from the Department of Safety and Health. They were not able to provide evidence on when the reply was made as no official letter was kept in the office. The accident in question was on Atiquil Islam on 30 Sept 2012. Due to this non-conformance, a minor NCR is raised for this criterion.

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

The availability of such procedures was reported in the last audit. The generic procedures are applicable in all estates and mill and can be referred to in the Estate/Mill Quality Management Manual. In addition, all the estates/mill have formulated procedures for dealing with complaints from its customers.

No record on disputes was available in the SOU. Therefore, this indicator is not yet applicable here.

No test case could be cited to provide evidence on this criterion.

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

No evidence was found on the taking of lands with customary rights. Nonetheless, the estates have documented procedures for handling boundary disputes, should these arise (refer the procedures in Sime Darby Estate Quality Management System and Mill Quality Management System).

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 are, at least, two documents which spelled out the pay and its conditions for the workers, namely the Collective Agreement (CA) between the Malaysian Agriculture Producers Association (MAPA) and National Union of Plantation Workers (NUPW) and their Letters of Employment. Both the documents were available and examined in the SOU. Currently, the agreements for harvesters are spelled out in the Collective Agreement of 2010 while those for the general worker are in the 2011 agreement. The appointment letters for all workers are kept in the estates' and mill's offices (seen at least 4 appointment letters at each estate and mill).

Currently, the Minimum Wage Order has already been implemented in the estates and mill, therefore, every worker and staff should receive at least RM900 per month, subject to

absenteeism and other factors. A few slips were seen at Kemuning estate and each did indicate the right amount of pay given to the respective workers. Currently, the basic daily wage is RM34.62. Conditions, such as holidays, overtime and social benefits are spelled out in the appointment letters and these are not lesser than those spelled out in the Employment Act, 1955.

In the SOU, the CA is available both in English and Bahasa Malaysia. Changes in CA, particularly, pertaining to pay and its conditions, are usually explained to the workers during morning briefings. According to the workers at Kempas estate, the union leaders have not been very helpful in giving advice in matters related to the CA. This fact was confirmed by the union leaders themselves. Nonetheless, in Kemuning estate, the union leader mentioned that briefings have been regularly carried out to explain new policies and regulations to the workers.

Worker's appointment letter is in Bahasa Malaysia. Files are maintained on foreign workers' contract agreement as well as their passports and work permits. A few passports were inspected at each estate and mill and all were found to be still valid.

Interviewed with workers at Kempas estate revealed that they did not fully understand the items in the pay slips particularly to see the consequences of the New Wage Order (NWO). Some of the workers, including those who are piece-rated, perceived that their wage should increase with the new wage policy. The piece-rated workers commented that their pay has been decreasing during the last few months despite of the NWO.

In the interest of correcting the misperceptions of the workers, it is recommended that additional briefing sessions be carried out to explain to them the NWO. In order to enhance the effectiveness of the briefings, these could be carried out in small groups.

Just as in other Sime Darby estates, houses, medical, educational and basic amenities are provided for the workers. Each estate has a clinic, a primary school, a surau, a kuil and a kindergarten. Water supply is provided at specific time periods free of charge while electricity bills have to be paid by the workers. The workers interviewed at Kempas estate expressed their satisfactions on the amenities provided to them.

The houses and the landscapes are very well maintained in the estates/mill. In addition, housing inspections are regularly carried out by the medical assistants. In Kemuning estate, the housing inspections are acted quite promptly by the estate management in cases where corrective actions are required.

It was found that the records on requests for housing repairs were not adequately maintained in Kempas Estate. The Request and Complaint Book at Kempas Estate was not updated and the latest entry was made in 2011. The workers interviewed mentioned that they have requested for repairs after 2011 and these were not entered into the book. The mandore in-charge of updating the book, confessed that she did not do so since 2011. Due to this non-conformance, a minor NCR was raised for this criterion.

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

There are union committees in the estates and mill, however, meetings with the management were not held on regular basis. In Kempas estate, there were only two meetings since 2011. The last meetings in Kemuning estate and Kempas POM were held on March 2012. According to the assistant manager at Kemuning estate, meetings with union are usually arranged when there are issues to be discussed for the benefit of both parties.

Notwithstanding the above, the estate's management does meet the union officials on a more regular basis through the estate's OSHA committee. This committee, which often has union officials as members, meets at least 4 times a year. Subsequently, they can use the meetings to voice to the management any issue of concerned to the union. The minutes of meetings of the estate's OSHA committee are kept in proper files.

The freedom of association (FOA) statement is often posted together with other policy statements on notice boards in the estates. The statements incorporate relevant provisions from Employment Act, 1955 and Industrial Relations Act, 1967.

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

The SOU continued to adhere with the company's policy of not recruiting any employee who is below 18 years old to work either in the estate or in mill. The employee master lists were examined in all estates and mill and no employee below 18 years old was recruited by the estate or mill. The youngest worker recruited was 18 years and 2 months in Kempas POM.

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

Statement on equal opportunities policy is embedded in Sime Darby's social policy statements. Again, the statement is often posted on notice boards in estates and mill.

There is no evidence of discrimination based on race, gender or national origin or any other factors. Interviews with the workers revealed that their pay and terms of work, for examples, are based on the MAPA and NUPW agreement and not decided conveniently by the estates/mill. Basic amenities are provided to all workers despite their nationality, race or gender.

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

The SOU continues to implement the company's gender policy, however, on a slow pace. To date, no sexual harassment case has been reported in the estates/mill.

The gender committees in estates/mill have not been active in organizing relevant activities for their members. Their activities, if any, have been limited to having meetings and carrying out few social activities.

In the interest of the members and the company as well, the management should strongly encourage the committee to immediately start planning and subsequently implement appropriate activities focusing on concerns of women. Such activities include awareness on sexual harassment, training on women rights and counselling for women affected by violence. The activities must be documented.

The grievance procedure is embodied in the Manual on the Implementation of Gender Policy, however, its applicability has not been tested.

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

Kempas POM has only started buying FFB from outside suppliers a week before the audit. No interview was, therefore, carried out with outside FFB suppliers.

An interview was carried out with two contractors at Kempas estate, namely, Mr. Rajandran of Setia Sdn. Bhd. and Pn. Selvarani ap Verapan to understand their business contracts with the estate. Mr. Rajandran has been involved as FFB transporter for 28 years while Pn. Selvarani has been doing contract spraying for nearly 13 years.

Their long-term business association is a testimony of their satisfactions in doing business with the estate. Their terms of business, including pricing and terms of payment, are bound by contracts, which were signed by both parties. Such contracts are, in principle, similar with those in other Sime estates.

Generally, they commented that the profit margin has slightly diminished because the rise in costs of production is not well matched up by the price received for their services. In spite of this, they have yet to send the appropriate signals to the estate's management. They have no other major comments, including the timing of payment.

This criterion is not yet applicable in this SOU as the mill has only started buying FFB from outside buyers about a week before the audit.

The two contractors interviewed mentioned that they do understand the salient points of the agreement since they have worked with the estates for a very long time. The contracts are legal and transparent and signed by the estate and contractors.

The two contractors interviewed have no complaints on timeliness of payment. According to them, payments are made within the period specified in the contracts.

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 SOU is located quite close to the city of Malacca and the north-south highway. The surrounding kampongs are quite well developed in terms of infrastructures and well served with basic amenities. Therefore, the communities are not dependent on the SOU for various services and amenities. The SOU has had very little role to play in the social and economic development of the local communities.

Nonetheless, the SOU is a source of employment for the locals, for example, about 10 people from the neighbouring communities are working in Kempas estate. In addition, the estates/mill did make financial and in-kind contributions to the local communities during festive seasons, such as Hari Raya celebrations.

Kemuning estate, on the other hand, has conducted training on tractor driving and pest management for the local folks who own oil palm plantations. As in many other Sime estates, the estate roads are being used by the Orang Asli for communication and transportation purposes.

According to Bendahari of UMNO Cawangan Kg. Kemuning, the kampong folks have no complaints about the estate. In fact, they are grateful that the estate has allowed the kampong road to be built on the estate lands. Occasionally, the estate makes in-kind contributions to the local folks during hari raya seasons.

PRINCIPLE 7: RESPONSIBLE DEVELOPMENT OF NEW PLANTINGS

Criterion 7.1

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

Indicators:

7.1.1 An independent and participatory social and environmental impact assessment (SEIA) to be conducted and documented

(Cross ref. to C 7.2, 7.3, 7.4, 7.5, 7.6).

Major compliance

Specific Guidance:

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

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

Minor compliance

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

Minor compliance

Guidance:

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

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

Audit findings

SDPSB has no plan for new planting. The assessors verified that they could not see any new land being opened up for new planting. Thus, Principle 7 is not applicable.

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

Criterion 8.1

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

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

Indicator 8.1.1

Minimize use of certain pesticides (C4.6)

Major compliance

Indicator 8.1.2

Environmental impacts (C5.1)

Major compliance

Indicator 8.1.3

Maximizing recycling and minimizing waste or by-products generation.

Major compliance

Specific Guidance

To work towards zero-waste (C5.3)

Indicator 8.1.4

Pollution prevention plans (5.6)

Major compliance

Indicator 8.1.5

Social impacts (C6.1)

Major compliance

Indicator 8.1.6

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

Minor compliance

Guidance

Specific minimum performance thresholds for key indicators should be established. (See also Criterion 4.2, 4.3, 4.4, and 4.5).

Growers should have a system to improve practices in line with new information and techniques and a mechanism for disseminating this information and throughout the workforce.

Audit findings

SOU 17 continued to utilize the already established system to regularly monitor and review their key activities at the mill and estates, and initiated where relevant action plans for continuous improvement in its key areas of operations.

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

- Installation of Continuous Emission Monitoring System (CEMS) where the real-time smoke emission result was transmitted directly to Department of Environment (DOE) at Putrajaya since 2012.
- New steam turbine 1.2 MW to cater the future power demand and maximize utilization of biomass fuel and reducing the fossil fuel consumption for power generation.
- Budgeted dumping pond construction and desludging programme for FY2012/2013.
- CAPEX for machinery replacement and upgrades and staff quarter's accommodation upgrades.

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. As at to-date, there has been no claim for certified CPO or PK by the CU.

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 SOUs, and assessors' verification of the corrective actions taken are in Attachment 3. All major nonconformities have been closed out.

3.3 Status of Non-conformities Previously Identified

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

3.4. Noteworthy Positive Observations

SOU 17 had improvement made to their RSPO implementation. This can be seen from physical improvement of housing and related amenities condition, use of cover crops instead of herbicides, as well as chemical and wastes storage area including the changing room for the sprayers.

The workers housing are kept clean and conducive.

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

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

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

SIME DARBY PLANTATION SDN BHD
KEMPAS PALM OIL MILL
Co. No: 647766-V



MOHD ASID BIN MAMAT
MILL MANAGER

Name :

Date : 23/10/2013

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 : 22/10/2013

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 nonconformities including 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.

RSPO SURVEILLANCE ASSESSMENT PLAN
--

1. Objectives

The objectives of the assessment are as follows:

- (i) To determine Sime Darby Plantation Sdn. Bhd., Kempas Certification Unit 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 : 16th – 18th April 2013

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

5. Assessment Team

- a. Lead Assessor : Valence Shem
- b. Assessor : Mohamed Hidir Zainal Abidin
Mohd. Razman Salim
Dr. Rusli Mohd.

7. Audit Method

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

9. Confidentiality Requirements

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

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

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

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

Day One: 16th April 2013 (Tuesday)

Activities /areas to be visited	Hidhir	Dr. Rusli	Razman	Valence	Auditee
0900-0930	Opening Meeting, audit team introduction and briefing on audit objectives, scope, methodology, criteria and programmes by audit team leader				Top mgmt & Committee Member
0930-1000	Briefing on the organization implementation of RSPO (including action taken to address main assessment findings)				Management Representative
1000-1300	Site visit and assessment at Kempas POM relating to Good Milling Practices, occupational safety and environmental issues Assessment on related Indicators of P1, P2, P3, P4, P5, P8	Site visit and assessment at Kempas Estate relating to local community issues such as EIA, SIA and management plans Assessment on related Indicators of P1, P2, P4, P5, P8	Site visit and assessment at Kemuning Estate relating to estates boundary, HCV and management plan Assessment on related Indicators of P1, P2, P4, P5, P8	Site visit and assessment at Tangkah Estate relating to Good Agricultural Practice and Environmental Issue Assessment on related Indicators of P1, P2, P3, P4, P5, P8	Guide/PIC
1300-1400	Lunch Break				
1400-1600	Continue assessment	Continue assessment	Continue assessment	Continue assessment	Relevant PIC
1600-1700	Audit team discussion and verification on any outstanding issues Note: Assessor to inform auditee on the required document/records				

Day Two: 17th April 2013 (Wednesday)

Activities /areas to be visited	Hidhir	Dr. Rusli	Razman	Valence	Auditee

0900-1300	Continue assessment at Kempas POM	Site visit and assessment at Kemuning Estate on responsible social considerations Assessment on related Indicators of P1, P2, P4, P5, P8	Site visit and assessment at Pagoh Estate relating to estates boundary, HCV and management plan Assessment on related Indicators of P1, P2, P4, P5, P8	Continue assessment at Tangkah Estate	Guide/PIC
1300-1400	Lunch Break				
1400-1600	Continue assessment	Continue assessment	Continue assessment	Continue assessment	Guide/PIC
1600-1700	Audit team discussion and verification on any outstanding issues Note: Assessor to inform auditee on the required document/records				

Day Three: 18th April 2013 (Thursday)

Activities /areas to be visited	Hidhir	Dr. Rusli	Razman	Valence	Auditee
0830-1200	Site visit and assessment at Kempas Estate on Environment and Occupational Safety Issues Assessment on related Indicators of P1, P2, P3, P4, P5, P8	Site visit and assessment at Kempas POM on responsible social considerations Assessment on related indicators of P1, P2, P3, P6, P8	Site visit and assessment at Merlimau Division relating to estates boundary, HCV and management plan Assessment on related Indicators of P1, P2, P4, P5, P8	Site visit and assessment at Kempas POM on Supply Chain Implementation including the model used	Guide/PIC
1200-1300	Lunch Break				
1300-1530	Audit Team Discussion, preparation on audit findings and issuance of NCR (if any)				
1530-1700	Closing Meeting				Top mgmt & Committee Member

DETAIL OF NON-CONFORMITY AND CORRECTIVE ACTIONS TAKEN

P & C Indicator	Specification Major/Minor	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
Indicator 2.1.1 NCR #: VS 01	Major	<p>Some of the regulations for schedule waste handling were not complied with.</p> <p><u>Evidence:</u> Regarding the handling of schedule wastes of Tangkah Estate (Ledang Division) and Kempas Palm Oil Mill (KPOM), it was found that some of the above regulations were not complied with, as stated below:</p> <ul style="list-style-type: none"> a) inadequate labelling for SW 425, 305, 306, 408, 410 and 110 (Tangkah) b) kept for more than 180 days without DOE's acknowledgement, e.g. SW 305 and 306 are kept since 21/11/2011 (Tangkah) c) inventory records in accordance to Fifth Schedule of the regulation was not updated (Tangkah & KPOM) d) waste information in accordance to Seventh Schedule of the regulation was not available for any schedule waste (Tangkah & KPOM) e) some of the schedule wastes were not registered in the Second Schedule (KPOM) 	<ul style="list-style-type: none"> a) Pictures of scheduled waste containers being labelled correctly were sent by Tangkah Estate. b) Overdue schedule wastes had been disposed through a licensed vendor and copies of consignment notes were sent to the assessor. c) Inventory of scheduled wastes had been updated accordingly and copies of 5th Schedule have been sent to the assessor. d) Waste information in accordance to 7th Schedule had been prepared and copies were submitted to the assessor. e) Notification to the DOE has been made online and copy of screenshot was sent to the assessor. 	<p>The corrective actions and evidence were found to be adequate.</p> <p>Status: Closed</p>
Indicator 4.4.1 NCR #: VS 02	Major	<p>The requirement of the Indicator was not adhered to.</p> <p><u>Evidence:</u> At Tangkah Estate (Ayer Panas Division), there is a natural stream which flows from Taman Negara Gunung Ledang crossing the estate. The management has classified the river as riparian reserve and buffer zone shall be provided at both</p>	<p>Tangkah Estate will restrict any form of agronomic activities at the affected buffer zone and picture of restriction sign being erected had been sent to the assessor. The affected area will be left for vegetation to grow naturally.</p>	<p>The corrective actions and evidence were found to be adequate.</p> <p>Status: Closed</p>

		sides of the stream. However, it was observed that the buffer zone was not demarcated and trace of herbicides spray was seen in which the buffer zone has been planted with oil palms in 2010.		
Indicator 2.1.1 NCR #: MH1	Major	<p>The following requirements were not adhered to</p> <ul style="list-style-type: none"> i) Factory & Machinery (Person In Charge) Regulation 1970 - Regulation 6(4) ; Requirement for >500hp ICE ii) Factory & Machinery (Noise Exposure) Regulation 1989 - Section 12 ; to conduct additional monitoring within 6 month of such changes in production, process, equipment etc. Section 27 ; shall institute a training programme (hearing conservation programme) for all employees exposed to noise level at or above action level and shall repeated at least once in every 2 years <p><u>Evidence:</u></p> <ul style="list-style-type: none"> i) There was no competent person in-charge for the greatest horsepower 650kVA/520kW/883hp genset at Kempas POM – 1st grade ICE visiting engineer. ii) - No additional noise monitoring conducted after installation of new EFB press at Kempas POM. - Hearing conservation programme has not been conducted since last 2 years - Sighted comments in DOSH logbook for not conducting the hearing conservation programme 	<ul style="list-style-type: none"> i) The SOU is in the midst of installing a power sub-station by TNB to replace usage of generator set, hence competent engine driver is not necessary. The installation is expected to be completed on 30/6/2013. Copy of Bank Guarantee validity from 17/6/2013 to 16/6/2014 was sent to the assessor. Nonetheless, for a long term plan, there were two mill staffs have been nominated by Kempas POM for registration of engine driver to the DOSH. Copies of both applications dated 26/6/2013 were sent to the assessor. ii) Kempas POM had appointed a consultant to conduct the noise monitoring. Copy of an approved Purchase Order, dated 6/6/2013 was sent to the assessor. Copy of quotation from NIOSH dated 27/5/2013 to conduct medical surveillance and audiometric testing was sent to the assessor. 	<p>Corrective actions and evidence are accepted but the approval of engine driver registration and report of noise monitoring and medical surveillance need to be verified in the next surveillance assessment.</p> <p>Status: Closed</p>
Indicator 5.1.1 NCR #:		The documented aspects and impacts and impacts risk assessment is not adequately reviewed and updated.	The affected activities had been included in the environmental aspects and impacts risk assessment. Copies of related documents i.e. environmental	The corrective actions and evidence were found to be adequate.

MH2		<p><u>Evidence:</u> EAI was not adequately covered activities at Kempas POM :</p> <ul style="list-style-type: none"> i) Installation of new EFB press and generation of waste ii) Management/transportation of shredded EFB to composting plant and POME application to composting plant. 	aspect and impact identification form and environmental impact evaluation form, which show the activities have been captured for risk assessment were sent to the assessor.	Status: Closed
Indicator 5.1.2 NCR #: MH3	Minor	<p>The requirement of the Indicator was not adhered to.</p> <p><u>Evidence:</u> Environmental improvement plan has not been developed for operation of silt trap No. 2 for inlet water (leachate) from boiler ash dumping area. From EAI evaluation, the high score point of 360 was noted, however there was no environmental improvement plan/management plan developed based on procedure Standard Operating Manual (SOM), Environmental Aspect Impact Evaluation Procedure sub section 5.4 appendix 5.4.1b issue no.2 dated 1/7/09.</p>	NA – Minor Indicator	To be verified during the next surveillance assessment.
Indicator 6.2.1 NCR #: RM1	Minor	<p>Kempas estate did not carry out the sixth-monthly stakeholders' consultation as required by the company's own procedure (<i>Tatacara Perundingan Menangani Masalah Sosial</i>)</p> <p><u>Evidence:</u> The latest stakeholder consultation was carried out in December 2010.</p>	NA – Minor Indicator	To be verified during the next surveillance assessment.
Indicator 6.2.3 NCR #: RM2	Minor	<p>Kemuning Estate did not maintain complete records of communications with stakeholders.</p> <p><u>Evidence:</u> The estate did not maintain complete records of its reply to requests for accident reports from the Department of Safety and Health. They were not able to provide evidence on when the reply was made as no official letter was kept in the office.</p>	NA – Minor Indicator	To be verified during the next surveillance assessment.

		The accident in question was on Atiqul Islam on 30 Sept 2012.		
Indicator 6.5.3 NCR #: RM3	Minor	The record on requests for housing repairs was not adequately maintained in Kempas Estate. <u>Evidence:</u> The Request and Complaint Book at Kempas Estate was not updated and the latest entry was made in 2011. The workers interviewed mentioned that they have requested for repairs after 2011 and these were not entered into the book. The mandore in-charge of updating the book, confessed that she did not do it so since 2011.	NA – Minor Indicator	To be verified during the next surveillance assessment.
Indicator 6.2.1 NCR #: RM4	Major	Kempas Estate did not conform with the regulatory requirements of the government as well as the company's communications procedures. Sime Darby's external communication procedures state that the estate has to respond to external request within 2 weeks upon its receipt. <u>Evidence:</u> The Department of Safety and Health requested for reports on the accident which happened on Puan Mookie on 23 Oct 2012 giving the estate one month to respond. Since there was no response from the estate, another request was made on 20 Feb 2013. Since then, no official record was available to show that the estate has responded to the second request.	The SOU claimed that they had actually sent the accident report but somehow had lost prior to the second reminder. The SOU then sought advice from the DOSH regarding how to settle the issue. The assessor was informed by the SOU that the DOSH had told them to have their representative be present at the DOSH office with a copy of the report. Therefore, documented evidence of receipt by the DOSH is unlikely to be necessary.	Explanation is accepted. Status: Closed

VERIFICATION ON PREVIOUS ASSESSMENT FINDINGS

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 	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>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>

		Kempas Oil Mill, the implementations on scheduled waste handling was still found to be n in accordance with the legal requirements.		
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 Gunong 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.	Common issue was verified at Kemuning Estate and Merlimau Division. It was found that there was initiative to mark the boundary with painted pegs although the boundary stones were not being able to locate. Status: Closed
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.	Status: Closed
Indicator 6.1.3	Minor	Pagoh Estate has not established a timetable for mitigation and monitoring of the identified impacts.	A Social Assessment for Pagoh Estate has been conducted together with Tangkah Estate. As a result of this	Common issue found at Kempas Estate. Status: NCR reissued

NCR #: ZE 03		A timetable for mitigation and monitoring of the identified impacts are not sighted in Pagoh Estate.	exercise, action plans has been established as per requirement and presented to SIRIM.	
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

OPPORTUNITIES FOR IMPROVEMENT	
Principle/Criteria/ Indicator	Details of Opportunities For Improvement
I 2.1.3	<p><u>A mechanism for ensuring that they are implemented.</u></p> <p>The rating of evaluation of compliance needs to be further improved. It was found at Tangkah Estate, some of the regulations were mistakenly rated e.g. Schedule Waste Regulations.</p>
I 4.4.3	<p><u>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</u></p> <p>The frequency of analysis of the incoming and outgoing water at Tangkah Estate should be as required by its procedure. It was found that, at the point of assessment, the last analysis was conducted on 25/7/2012 [report ref.: IE 785/2012]. Moreover, the samples taken only from the midstream of the waterways.</p>
I 4.8.1	<p><u>A training programme (appropriate to the scale of the organization) that includes regular assessment of training needs and documentation, including records of training for employees are kept.</u></p> <p>There is a need for Tangkah Estate to expedite the training on Environmental Aspect Impact Assessment which was planned to be conducted in November 2012 as it was observed that the understanding of the PIC on this subject was poor.</p>
Module E – CPO Mills: Mass Balance E.1.1	<p><u>The facility shall have written procedures and/or work instructions to ensure the implementation of all the elements specified in these requirements...</u></p> <p>Supply Chain Procedure for Sime Daby's palm oil mill is still in the draft stage. Document number: Sustainable Plantation Management System, Appendix 15, Standard Operating Procedure (SOP) for RSPO Supply Chain Certification System and Traceability.</p>
I 5.3.2	<p><u>Having identified wastes and pollutants, an operational plan should be developed and implemented, to avoid and reduce pollution</u></p> <p>Some of the requirement in <i>Jadual Pematuhan</i> yet to be followed which related to</p> <ul style="list-style-type: none"> • Alarm system to trigger (high opacity) black smoke has yet to be repaired for boiler no.1 • Frequency of stack sampling monitoring for boiler no.2 <p>have yet to be fulfilled.</p>
C 4.7	<p><u>Evidence of documented system Occupational Safety and Health (OSH) plan which is in the compliance with OSHA 1994 and Factory Machinery Act 1967 (Act139)</u></p> <ul style="list-style-type: none"> • HIRARC register has yet to be revised and updated for the new installation of machinery. For example EFB press at Kempas POM • Baseline audiometric and medical surveillance has yet to be conducted for new lab operator and store keeper. • New sprayer gang at Kempas Estate has yet to be sent for medical surveillance under OHD as recommended in CHRA. • PTW has been established for general work, hot work, working at height and has yet to be implemented for the confined space entry at the mill • Confined space entry programme has yet to implement at Kempas POM as required by DOSH

	<ul style="list-style-type: none"> Observed during site visit, oxygen and acetylene cylinder belongs to the contractor was not installed with flashback arrester for safety precaution Appointment letter for the new Safety & Health Committee members (estate manager, new HA and estate assistant) has yet to be made for the new financial year. Training matrix and plan has yet to be established with regards to the related training programmes for the nominated personnel. Minutes of meeting can be further improved by discussing and recording of workplace inspection issue and accident investigation matters.
I 4.8.1	<p><u>Training on Biodiversity Conservation / Management of High Conservation Areas (HCVs)</u> Based on email communication to request RSPO Training Awareness between Kempas SOU and Sime Darby Headquarters on 14 Sept 2012, Kemuning Estate & Merlimau Division have planned to conduct Biodiversity Conservation training. However, there still no evidence to show that the training has been conducted at the Kempas SOU 17 since the last surveillance audit (4-6 Sept 2012).</p>
I 5.2.1	<p><u>Identification and mapping of HCV habitats and protected areas</u> Assessment on the HCVs documentation at the Kemuning Estate found that there was no map of HCV specifically to show the location and extent of the HCV although the action plan showed that the map should be done at 15 March 2013.</p>
I 5.2.2	<p><u>Biodiversity Baseline Assessment Report & Monitoring of HCV habitats and protected areas</u> Merlimau Division need to review biodiversity assessment report which include endangered, rare & threatened species, since Large Indian Civet (Musang Jebat) was found dead beside the main roadside (beside to Merlimau Division). This species was classified as Near Threatened under Red List of Mammals – PERHILITAN 2010.</p>
2.1.1	<p><u>Evidence on compliance with legal requirements</u> The legal register maintained at Kemuning Estate does not list the Workman's Compensation Act, 1952 which deals with social security aspects of foreign workers. It is recommended that the estate requested the relevant party to list the Act.</p>
6.1.3	<p><u>A timetable with responsibilities for mitigation and monitoring is reviewed and as necessary</u> Upon examination on the updated and reviewed social action plans of the estates and mill, it was found their contents differ. For examples, the contents of updated action plans for Kempas estate dated 1/1/11 and 1/1/12 were identical. In addition, the estate identified several other issues for remedial actions but did not incorporate into the existing action plans Kempas POM did quite similar to what Kempas estate did. Kemuning estate, on the other hand, reviewed and updated its action plan by incorporating new issues identified upon consultations with stakeholders. In the interest of uniformity, it is recommended that Sime conducts a brief training on how to review and update the social action plans. The training would cover aspects, such as, the process of review and update as well as the contents of the actions plans.</p>
6.5.2	<p><u>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.</u> Interviewed with workers at Kempas estate revealed that they did not fully understand the items in the pay slips particularly to see the consequences of the New Wage Order (NWO). Some of the workers, including those who are piece-rated, perceived that their wage should increase with the new wage policy.</p>

	<p>In the interest of correcting the misperceptions of the workers, it is recommended that additional briefing sessions be carried out to explain to them the NWO.</p> <p>In order to enhance the effectiveness of the briefings, these could be carried out in small groups</p>
--	--