



**PUBLIC SUMMARY
RSPO MAIN ASSESSMENT**

AUDIT DATE : 3 - 5 SEPTEMBER 2008

**SIME DARBY PLANTATION SDN. BHD.
KEMPAS CERTIFICATION UNIT (SOU 17)**

JASIN, MELAKA, MALAYSIA

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SUMMARY

This main assessment report describes the compliance of the Kempas certification unit SOU 17 (SOU 17), one of the Certification Units (CUs) of the Sime Darby Plantation Sdn.Bhd. (Sime Darby) against the requirements of the RSPO Principles & Criteria (P&C) Malaysian National Interpretation (MY-NI):2008. This main assessment was conducted on 3rd – 5th September 2008

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

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

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

This main assessment had resulted in the issuance of seven (7) major Non-Conformity Report (NCR) and nine (9) minor Non-Conformity Report (NCR). SOU 17 had taken appropriate corrective actions to address the major NCR which had been verified by the assessor and therefore closed out. SOU 17 had also submitted a corrective action plan to address these minor NCR which had been accepted by the assessor. The verification on these corrective actions to address the minor NCR would be under taken by SIRIM QAS International during the next audit.

Based on the evidences gathered during this assessment, it could be concluded that SOU 17 has conformed to the requirements of the RSPO MY-NI: 2008. The seven major NCR raised during this assessment has been adequately addressed and therefore closed out. The assessment team therefore recommends that SOU 17 for certification against the RSPO MY-NI: 2008.

1.0 Introduction

1.1 Description of Certification Unit (Estate and Mill)

The certification unit which was assessed is Kempas Certification Unit and known as Strategic Operating Unit 17 (SOU 17) within Sime Darby Plantation Sdn. Bhd. (SDPSB). Strategic Operating Units (SOU) are the local management units which were established after the merger of the three plantation companies namely Sime Plantation Sdn. Bhd., Golden Hope Sdn. Bhd. and Kumpulan Guthrie Berhad.

SOU17 consists of Kempas Palm Oil Mill and the following company-owned estates: Kempas Estate, Kemuning Estate, Merlimau Estate, Tangkah Estate and Pagoh Estate. Kempas Estate, Merlimau Estate and Pagoh Estate belonged to the previous Sime Plantation Sdn. Bhd. Kemuning Estate was under Kumpulan Guthrie while Tangkah Estate was owned by Golden Hope Sdn. Bhd. The new Sime Darby Plantation Sdn. Bhd. has established and deployed its policies and procedures to ensure consistent practices within all the SOUs. It was evident that some of the practices in the estates are still influenced by the policies of the previous owners.

1.2 Location of Mill and Estates

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

The locations of the estates and oil mill which make up SOU 17 are shown in Attachment 1a–11 while their coordinates are detailed in Table 1.

Table 1: Location of mill and estates

Estate/Mill	Latitude	Longitude	Location Address
Kempas Palm Oil Mill	2° 14'36.68" 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
Merlimau Estate	2°10' N	102 °26' E	77309 Merlimau, Melaka
Tangkah Estate	2°22' N	102 °37' E	84900 Tangkak, Johor
Pagoh Estate	2° N	102 ° E	84309 Bukit Pasir, Johor

1.3 Description of The Supply Base

Kempas Palm Oil Mill was commissioned in December 2003 with a processing capacity of 60 metric tonnes of fresh fruit bunches (FFB) per hour. All the FFB are sourced from company-owned estates. 80% of the FFB are from SOU 17 itself while 20% are sourced from neighbouring non-RSPO certified estates.

The FFB contribution from each estate is detailed in Table 2 while the percentage of planted area in each estate by age and planting cycle is detailed in Attachment 4.

It was noted that, FFB production of Kemuning and Tangkah Estates are particularly low due to higher percentage of immature area as compared to other estates. Percentage of immature area is detailed in Table 3. Table 3 also detailed out year of oil palm establishment and their respective total and planted areas. Prior to the oil palm establishment, cocoa and rubber were the crop grown at Kempas, Merlimau and Pagoh while rubber at Kemuning and Tangkah Estates.

Table 2: FFB contribution by estate

Estate	FFB Production July 2007 – June 2008	
	Tonnes	%
Estates undergoing RSPO certification		
Kempas Estate	84 874	32
Kemuning Estate	29 310	11
Merlimau Estate	88 794	33
Tangkah Estate	11 915	5
Pagoh Estate	51 210	19

Total	266 103	100
Estates that have yet to undergo RSPO certification		
Bukit Asahan Estate	20 413	31
New Labu/Kirby Estate	20 189	31
Salak Estate	21 409	33
Serkam Estate	2 254	3
Kok Foh Estate	1 256	2
Total	65 521	100

Table 3: Areas of plantations

Estate	Year of oil palm establishment	Area (ha)				% of Area	
		Total	Planted	Mature	Immature	Mature	Immature
Kempas Estate	1979	3 046	2 934	2 934	0	0	0
Kemuning Estate	1976	2 112	2 057	1 657	398	81	19
Merlimau Estate	1988	2 855	2 807	2 779	28	99	1
Tangkah Estate	1959	1 831	1 439	926	513	64	36
Pagoh Estate	1979	2 342	2 251	2 036	215	90	10
Total		12 186	11 488	10 334	1 154	90	10

1.4 Other Management System Certifications Held

Table 4: Other certifications held by SOU 17

Estate/Mill	Type of certification
Kempas Estate	Occupational Health and Safety management system based on OHSAS 18001:1999
Kemuning Estate	Nil
Merlimau Estate	Occupational Health and Safety management system based on OHSAS 18001:1999
Tangkah Estate	Forest Management Certification (withdrawn in March 2009)
Pagoh Estate	Occupational Health and Safety management system based on OHSAS 18001:1999
Kempas Palm Oil Mill	Occupational Health and Safety management system based on OHSAS 18001:1999 and HACCP-based Food Safety management system based on MS 1480

Although not all of the operating units have third-part certification, SOU 17 has implemented an integrated quality, environmental and occupational health and safety management system throughout the entire operating unit which is based on the requirements of the ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:1999 standards.

1.5 Organisational Information / Contact Person

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

Contact person:

Mr. Andrew Cheng Mui Fah
 Chairman of SOU 17 and Kempas Estate Senior Manager
 Phone : + 60 89 826290
 Fax : + 606 2635260

1.6 Approximate Tonnages Offered for Certification (CPO and PK)

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

Table 5: Approximate annual tonnage of CPO and PK produced (for July 2007 to June.2008) and claimed for certification

FFB Processed (tonne)	CPO Production (tonne)	PK Production (tonne)	% of FFB from company owned estates (RSPO certified)	CPO Tonnage claimed for certification: (tonne)	PK Tonnage claimed for certification: (tonne)
330 940	66 390	16 450	80	53 940	13 370

It is to be noted that there is no third party contribution of FFB. However, there is contribution from other estates owned by the company which have yet to undergo RSPO certification.

2.0 Assessment Process

2.1 Assessment Methodology (Program, Site Visits)

The assessment for certification was carried out in two stages, namely Stage 1 and Stage 2. The Stage 1 assessment was conducted to determine the adequacy of the established documentation in addressing the requirements of RSPO MYNI: 2008 as well as to identify the relevant stakeholders. The Stage 1 assessment covered Kempas Oil Mill, Kemuning Estate, Merlimau Estate, Tangkah Estate and Pagoh Estate. The selection of sites was made based on the locality of the estates e.g. neighbouring forest reserves or HCV area such as water catchment area. The findings from the Stage 1 assessment were used for planning of the Stage 2 assessment.

The Stage 1 assessment was conducted on 24th and 25th June 2008 while the Stage 2 assessment was conducted from the 3rd to 5th September 2008. The main objective of the Stage 2 assessment was to verify compliance to RSPO MYNI: 2008. Planning for the Stage 2 assessment was guided by the RSPO Certification Systems Document. The sampling

formula of $0.8 \sqrt{y}$, where y is the number of estates in the SOU, was used. Based on this, the mill (Kempas Palm Oil Mill) and two of the estates (Kempas Estate and Kemuning Estate) were sampled.

The assessment was conducted by visiting the field, mill, HCV habitats, labour lines, chemical and waste storage areas and other workplaces. Interviews with management, employees, contractors and other relevant stakeholders were also conducted. Apart from the above, records as well as other related documentation were also evaluated. Details of the Stage 2 assessment programme are in Attachment 3.

The assessment non-conformity report was raised on site and all the major non-conformities have been closed-out based on the corrective action evidence submitted to the assessment team. Detail of the non-conformity report and corrective action are in Attachment 4.

2.2 Date of Next Surveillance Audit

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

2.3 Assessment Team

Assessment Team	Role/area of RSPO requirement	Qualification
1. Sabarinah Marzuky	Assessment Team Leader/ environmental issues	<ul style="list-style-type: none"> • Involved in Environmental Impact Assessment Studies related to agriculture including oil palm plantation. • Completed RSPO Lead Assessor Course - 2008 • Successfully completed IRCA accredited Lead Assessor training for ISO 9001-2007 • Successfully completed IRCA accredited Lead Assessor training for OHSAS 18001-2005 • Successfully completed EARA approved Lead Assessor training for ISO 14001-1999 • M.E Civil Engineering (Environment) • B.Sc. (Hons) Urban and Regional Planning
2. Ruzita Abd. Gani	Assessor / mill-related environmental issues and mill and plantation-related occupational safety & health issues	<ul style="list-style-type: none"> • Working experience in Palm Oil Milling • Completed RSPO Lead Assessor Course – 2008 • Successfully completed IRCA accredited Lead Assessor training for ISO 9001-2004 • Successfully completed IRCA accredited Lead Assessor training for OHSAS 18001-2005 • Successfully completed EARA approved Lead Assessor training for ISO 14001-2002 • B.Sc. (Hons) Chemical Engineering

3. Dr. Zahid Emby	Assessor / community issues	<ul style="list-style-type: none"> • Peer reviewer for FSC Forest Management certification reports • Doctor of Philosophy • M.A. (Social Anthropology) • B.A.Hons (Social Anthropology/Sociology) • Attended RSPO training
4. Dr. Yap Son Kheong	Assessor / HCV habitats & ecology	<ul style="list-style-type: none"> • Completed RSPO Lead Assessor Course – 2008 • Successfully completed EARA approved lead Assessor course for ISO 14001- 2001 • Ph. D. (Forest Biology) under the University of Aberdeen (Scotland) and University of Malaya Fellowship in Tropical Rain Forest Project. • B.Sc. Hons. Second Class Upper (Botany) <p>• Professional Organizations:</p> <ol style="list-style-type: none"> 1. Member of the IUFRO Working Party on Seed Problems. Nominated as one of the candidates for the Co-Chairman of Working Party in 1986. 2. Project Leader for Project 8 of the Reproductive Biology of Tropical Trees of the ASEAN-Australian Tree Improvement Programme 1986. Given the role to develop research activities on reproductive biology within ASEAN countries with sponsorship from Australia. 3. Elected member of the Committee on Forest Tree and Shrub Seeds of the International Seed Testing Association. 1989 to 1992. 4. Vice Chairman of the Working Group on Seed Origin and Genetic Resources of the ASEAN Canada Forest Tree Seed Centre. 1990 to 1995. Responsible in coordinating research activities on genetic resources within the ASEAN countries. 5. Project leader on Impact of Acid Precipitation on Forest working in conjunction with researchers from China, Indonesia, Japan and Thailand.
5. Patrick Ng Hong Chuan	Technical specialist on Good Agricultural Practices (GAP)	<ul style="list-style-type: none"> • Successfully completed IRCA approved Lead Assessor training for ISO 14001-2008 • MSc. Environmental Engineering and Sustainable Development (distinction), Imperial College London. • B.Eng. (Hons) Civil <p>• Achievement :</p> <ol style="list-style-type: none"> 1. Black and Veatch Prize in Environmental Engineering (top student award), Imperial College London (2007).

		<p>2.ERM Prize for Engineering for Sustainable Development, Imperial College London (2007)</p> <p>3. Recipient of the prestigious British Chevening Award – Malaysia Programme 2006 for post-graduate studies in UK (Imperial College London).</p>
6. Mohd Shaari	Azlisham	<p>Trainee Assessor / worker issues & plantation practices</p> <ul style="list-style-type: none"> • Successfully completed IRCA approved Lead Assessor training for ISO 14001 . • Seven years experience in oil palm plantation management • B.Sc. (Hons) Plantation Technology & Management • Diploma In Planting Industry And Management

2.4 Stakeholder Consultation

Stakeholder consultation was initiated with the announcement in the RSPO web site and SIRIM QAS web site on 20th May 2008. Apart from that, letters were also sent to relevant stakeholders including government agencies and NGOs and these were followed-up with telephone calls.

All enquiries received prior to the Stage 2 assessment were responded to, while comments made were considered in the planning for the assessment.

Among the stakeholders consulted during the Stage 2 assessment were employees, government agencies, local communities, FFB suppliers, contractors and other interested parties. The consultations took place in the form of meetings and interviews. Consultation with the employees and suppliers involved random sampling from each group in each of the areas (e.g. harvesters, general workers, sprayers, and crèche ayah from the different divisions). Each session lasted between an hour and an hour and a half. The consultations included issues relevant to principle 4, 5 & 6. The consultations were conducted in SOU17.

The consultations with local communities were carried out at their premises/grounds. The consultations were intended to solicit their views on the impact of the nearby estates and oil mill operation on their economic and socio-cultural life.

The SOU 17 management representative was not present in any of the consultation sessions. As such, the stakeholders were able to present their views in a frank and open manner.

Details of the stakeholders consulted are listed below:

Government Agencies/Service Provider

1. Department of Occupational Safety & Health (DOSHS), Melaka.
2. Department of Occupational Safety & Health (DOSHS), Johor.
3. Department of Occupational Safety & Health (DOSHS), Negeri Sembilan.
4. Department of Environment (DOE), Melaka.
5. Department of Environment (DOE), Johor.
6. Department of Environment (DOE), Sembilan.

7. District Labour Department (Muar), Johor.
8. Labour Department, Melaka.
9. Forestry Department, Air Keroh, Melaka.
10. District Forestry Department (Johor Utara), Johor.
11. Merlimau Water Treatment Plant, Merlimau, Melaka.

Non-Governmental Organizations

1. Malaysian Nature Society (MNS).
2. World Wide Fund for Nature (WWF).

Local Communities

1. Community Leader for state legislative assembly (DUN) Merlimau.
2. JKKK Chairman for Lembah Kesang.
3. Community Leader for Kampung Semuju.
4. Tok Batin (village head man) Kampung Tebong Station Tengah.
5. JKKK Kampung Kuala Sungga.
6. JKKK Kampung Tebong.
7. JKKK Kampung Kubang Badak (Orang Asli village).

Other Interested Parties

1. Contractor 1 – Replanting.
2. Contractor 2 - Supplier of electrical items.
3. Contractor 3 - Supplier of vehicle tyres.
4. Contractor 4 – Harvesting.
5. Contractor 5 - Supplier of signboards.
6. NUPW Secretary Kempas Estate.
7. NUPW Chairman Kemuning Estate.

Identified Employees

1. Kempas Palm Oil Mill – Boilerman
2. Kempas Palm Oil Mill – Wireman
3. Kempas Palm Oil Mill – Storekeeper
4. Kempas Palm Oil Mill – Ramp operator
5. Kempas Palm Oil Mill – Mechanic
6. Kempas Palm Oil Mill – Production operator
7. Kempas Palm Oil Mill – Engine driver
8. Kempas Palm Oil Mill – Laboratory operator
9. Kemuning Estate – Field mandores
10. Kemuning Estate –Tractor drivers
11. Kemuning Estate – FFB harvesters
12. Kemuning Estate – Field upkeep workers
13. Kemuning Estate – General workers
14. Kemuning Estate – FFB loaders
15. Kempas Estate – Field mandores
16. Kempas Estate – Tractor drivers
17. Kempas Estate – FFB harvesters
18. Kempas Estate – General workers
19. Kempas Estate – Field upkeep workers
20. Kempas Estate – General workers

3.0 Assessment Findings

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

PRINCIPLE 1: COMMITMENT TO TRANSPARENCY

Criterion 1.1 : Oil palm growers and millers provide adequate information to other stakeholders 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

SDPSB has a procedure for responding to requests for information on issues relevant to the RSPO criteria. Assessment of the implementation of the procedure showed that records of communication are maintained. Among the records sighted were correspondences with the authorities and minutes of stakeholder consultation forum with the local communities. It was noted that the responses were made in a timely manner. It was reported in the minutes of the Kampong Terentang JKKK meeting dated 4th August 2008 that a verbal claim had been made through the village headman that several palms in the estate belonged to one of the villagers. There was evidence that this issue is being addressed by the estate. Correspondence dated 30th October 2008 from Kempas Estate to the village headman on this issue was sighted.

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

SOU 17 has adopted the Sime Darby Plantation-Sustainable Plantation Management System procedure. The procedure (communication clause 3.2) has defined several means to disclose information to public. Among the mechanisms available are through the annual report, brochures and website.

The assessment team verified Sime Darby's use of its website as the mechanism to make available information relating to land titles, safety and health plans, environmental and social plans, pollution prevention plans as well as continuous improvement plans. The procedure on negotiations and the

handling of complaints and grievances are also publicly available in the website. Following are the web addresses for the verification:

http://plantation.simedarby.com/Sustainability_Management_Programmes_aspx

http://plantation.simedarby.com/Boundary_Disputes.aspx

http://plantation.simedarby.com/Land_Title.aspx

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

SDPSB has a documented system for identifying and tracking of legal requirements. The document also stated the need to monitor the status of legal compliance. Legal compliance is being evaluated on an annual basis. The evidence of evaluation was documented in the register of applicable legal requirements (document no. SM/5.2/LR).

It is the responsibility of the Mill and Estate Manager to ensure that SOU 17 operations complied with relevant legal requirements.

SOU 17 was found to be complying with most of the legal requirements. Site assessments at operational areas and supporting facilities confirmed evidence of compliance. Relevant licenses and permits are valid and displayed at the estate and mill offices. Monitoring activities were being conducted in accordance with the relevant requirements. These included the employee audiometric test and hearing conservation programme and monitoring of smoke & dust particulates emission from the boiler and discharges from the effluent treatment plant. The monitoring of boiler emissions and effluent discharges has also included measurements conducted by external accredited laboratories

Despite the above-mentioned compliance, SOU 17 clearly needs to enhance its maintenance of documentation relating to legal compliance. Written approval for the steam boilers and one unit of stand-by diesel generator for the mill and the Chemical Health Risk Assessment (CHRA) for Kemuning Estate were not made available during the assessment. A major non-conformity was raised against Indicator 2.1.1. The corrective action taken by the company was to search and locate the written approval for the fuel burning equipment. CHRA for Kemuning Estate was conducted on 5th & 6th November 2008 by the Department of Occupational Safety & Health (DOSH) registered assessor. Both documents were verified by the assessor on 17th October 2008.

Criterion 2.2 : The right to use the land can be demonstrated, and is not legitimately contested by local communities with demonstrable rights.

Indicator 2.2.1 : Evidence of legal ownership of the land including history of land tenure.
Major compliance

Indicator 2.2.2 : Growers must show that they comply with the terms of the land title. [This indicator is to be read with Guidance 2]
Major compliance

Indicator 2.2.3 : Evidence that boundary stones along the perimeter adjacent to state land and other reserves are being located and visibly maintained.
Minor compliance

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

Indicator 2.2.4 : Where there are, or have been, disputes, proof of resolution or progress towards resolution by conflict resolution processes acceptable to all parties are implemented. CF 2.3.3, 6.4.1 and 6.4.2.
Minor compliance

Guidance:

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

Audit findings

SOU 17 has the relevant evidence of legal ownership. Copies of land titles were sighted. They are also complying with the terms of the land title.

During the site assessment, it was noted that SOU 17 has managed to locate some of the boundary stones adjacent to the forest reserves, riparian zone and small holdings.

Generally, there has been no dispute on land rights over the years. However, during the recent stakeholder consultation forum, one of the villagers living next to Kempas Estate i.e Kampung Terentang, made a verbal claim through the village headman that several palms in the estate belonged to him.

The assessment team tried to contact the said stakeholder during the Stage 2 assessment. However, since details were not available and the village headman was not able to meet the team, it was highlighted that SOU 17 needs to proceed to resolve the issue.

Updates after the assessment showed that SOU 17 had taken action by mapping the area and had consulted the stakeholder and the village headman. Discussions are ongoing and hence details of the investigation and consultation will be assessed during the surveillance assessment.

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

The assessment verified that the property was bought by SDPSB and no customary rights issues are involved (refer to C2.2).

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 budgets for Financial Year 2007/2008 and 2008/2009 were available. The budgets have included allocation for welfare and social services, such as the upgrading of workers' quarters and the provision of better rest areas in the mill.

Allocations had also been made for improving environmental conditions such as constructing a proper chemical and scheduled wastes store.

A replanting programme for ten years was also sighted as detailed in the document 'Replanting programme 2006 to 2016'.

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 has adopted best practices established by SDPSB. Among the documents referred to are Estate Quality Management System documents (EQMS), Agricultural Reference Manual (ARM), Sime

Darby Plantation-Sustainable Plantation Management System (SPMS) and Pictorial Safety Standard (PSS). Work instructions in the local language were displayed at strategic locations such as at the chemical stores and workshops in the estates and work stations in the mill.

Records of best practices implementation and of other field operations such as manuring and spraying programmes, agrochemicals used and rat census were also well maintained. Similarly, the operation shift log book and other records on machine preventive maintenance and product losses and quality for the mill were being maintained.

Monitoring of the best practices implementation is verified by inspections carried out by the Plantation / Mill Advisor on a quarterly basis. For the operating units with certification, annual independent third party assessments are also conducted with the same aim.

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 fertilizes its palms in accordance to the annual Agronomic & Fertilizers Recommendation Reports – Oil Palm (2007/2008). The report also showed evidence of periodic leaf (tissue) sampling. However, there were no records of soil sampling and soil nutrient status. Hence, a minor non-conformity was raised on this issue.

SOU 17 was also monitoring the empty fruit bunch (EFB) and palm oil mill effluent (POME) application at locations identified in field maps for the EFB and POME application programme. Each estate has its own criteria for the application. For example, the application of POME was restricted to Kempas Estate because of transportation-related considerations. In the case of EFB application in Kempas Estate, it was based on the recommendation of the Plantation Advisor.

Site review during the assessment verified that the implementation was being carried out in accordance with the programme. The Plantation Advisor's report also confirmed that the programme was being implemented as recommended.

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

Audit findings

SOU 17 is implementing, in as practicable a manner as possible, the best practices for minimizing erosion. The practices that were evident included terracing, stacking of fronds to prevent/slow down surface run off and the provision of water/moisture conservation pits. It was noted, however, that there are relatively large areas in Kempas Estate that are bare of surface cover. A minor nonconformity was raised to highlight this matter.

SOU 17 has road maintenance programmes such as resurfacing, grading and culvert maintenance which are recorded and monitored in the costing books. However, the road maintenance programme needs to be enhanced to include regular maintenance of side drains to channel water away from the road surface.

Criterion 4.4 : Practices maintain the quality and availability of surface and ground water.

Indicator 4.4.1 : Protection of water courses and wetlands, including maintaining and restoring appropriate riparian buffer zones at or before replanting along all natural waterways within the estate.
Major compliance

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

Indicator 4.4.2 : No construction of bunds/weirs/dams across the main rivers or waterways passing through an estate.
Major compliance

Indicator 4.4.3 : Outgoing water into main natural waterways should be monitored at a frequency that reflects the estates and mills current activities which may have negative impacts (Cross reference to 5.1 and 8.1).
Major compliance

Indicator 4.4.4 : Monitoring rainfall data for proper water management
Minor compliance

Indicator 4.4.5 : Monitoring of water usage in mills (tonnage water use/tonne FFB processed).
Minor compliance

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

Indicator 4.4.6 : Water drainage into protected areas is avoided wherever possible. Appropriate mitigating measures will be implemented following consultation with relevant stakeholders.
Minor compliance

Indicator 4.4.7 : Evidence of water management plans.
Minor compliance

Audit findings

SOU 17 has made efforts to protect water courses. There were evidences that the riparian zones of all natural waterways within the estate had been identified and were being maintained. These areas were previously cleared as part of field upkeep. Following the implementation of the programme to establish a riparian belt, all clearing of vegetation within the belt has been stopped, allowing natural regeneration

to occur. With time, through gradual regeneration, some woody vegetation will be established.

It was also confirmed that there were no weirs/dams across the main rivers or waterways passing through estates.

SOU 17 has also identified the source of outgoing water from the mill and estates which lead into natural waterways. The sources identified are run off from the estates, discharges from the ETP and monsoon drain from the mill. Periodic monitoring of these discharges, as well as the river water, was being carried out. However, the process for reviewing the results of the analyses and taking appropriate follow-up action needs to be enhanced. A major nonconformity was raised because it was noted that although the results of several parameters measured exceeded the permissible limit, no investigation or action had been carried out to rectify the situation. An example was the cadmium content in the river which exceeded the permissible level specified in the WHO Standard for Drinking Water. The audit team noted that the permissible level specified in the WHO Standard for Drinking Water is more stringent than the Interim National Water Quality Standard, which is used for measurement of river water quality. In response to the non-conformity report raised, SOU 17 took another sample on 24th October 2008 at the same monitoring point. The latest result showed that all parameters measured were within the limits specified in the WHO Standard for Drinking Water.

Apart from that, SOU 17 had also received complaints from a nearby village and a neighbouring plantation on black discharges especially during heavy rain. The complaints were made during the stakeholder consultation forum organized by SDPSB.

Verification by the assessment team revealed that the discharge was from silt trap no 2 which originates from run off around the canteen and bunch ash conveyor at the mill. Results from monitoring of the silt trap discharge showed that the BOD & SS level for this point fluctuate against permissible levels specified in Standard A, which is the limit to be followed for any discharge into waterways, located upstream of any Water Treatment Plant. The discharge from this point goes into the nearby stream and into Sungai Kesang, which is upstream of Merlimau Water Treatment Plant. A major nonconformity was raised on this matter.

Consultation during the Stage 2 assessment with the management of the Merlimau Water Treatment Plant confirmed that they have not had any problem with discharges from the mill or estate for the past one year. Apart from that, consultation with a local community leader of Merlimau State Legislative Assembly revealed that he had not received any complaint on the mill's operation lately. He admitted that there had been complaints regarding the mill's operation during its early years.

SOU 17 and in particular the mill management has taken corrective action by desludging the silt trap after the Stage 2 assessment. The results of recent monitoring activities received by the assessment team on 24th November 2008 showed that BOD & SS levels were within permissible levels specified in Standard A. The management has also decided to upgrade the silt trap. Budget approval for the upgrading was sighted as part of the corrective action taken.

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

Both the mill and estates are monitoring the rainfall data as well as their water consumption as required by RSPO criteria & indicator.

Criterion 4.5: Pests, diseases, weeds and invasive introduced species are effectively managed using appropriate Integrated Pest

Management (IPM) techniques.

Indicator 4.5.1: Documented IPM system.

Minor compliance

Indicator 4.5.2: Monitoring extent of IPM implementation for major pests.

Minor compliance

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

Indicator 4.5.3: Recording areas where pesticides have been used.

Minor compliance

Indicator 4.5.4: Monitoring of pesticide usage units per hectare or per ton crop e.g. total quantity of active ingredient (ai) used / tonne of oil.

Minor compliance

Audit findings

Documentation of IPM system is available in the Agricultural References Manual (ARM) dated December 2007 and updated in the Sime Darby Plantation Estate Quality Management System dated April 2008.

Kempas Estate reported that rats are their major pest and had carried out rat baiting over the whole of the main division of Kempas Estate with Ebor 401 (a.i. bromadiolone) - a second generation bait. Section 16.3 of the company's ARM states that census needs to be carried out in areas where rats are a problem and a baiting campaign carried out when fresh damage is above 5%. In addition, warfarin (first generation) based baits are recommended in the ARM to avoid casualty to predators (i.e. barn owls).

The estate admitted that they had not carried out any fresh damage census prior to the baiting campaign which appeared to be prophylactic. They also reported that barn owl occupancy in the nesting boxes had dropped from about 70% previously to about 25% currently. No investigation was initiated to determine the cause of the marked drop in the barn owl population.

The major pest in Kemuning Estate was reported to be rhinoceros beetles in the replants. Fresh damage census caused by rhinoceros beetles was available for Kru division's 07C which at 7% justified the treatment of cypermethrin as stipulated in the estates EQMS Section B13 (rhinoceros beetles). However, no census figures were available for the other 2 neighbouring fields of 07A and 07B but prophylactic spraying continued to be carried out. A minor nonconformity was raised on this matter.

Prophylactic spraying with cypermethrin at fortnightly intervals was also reported to be carried out in the nursery of the same division of Kemuning Estate as clonal oil palm materials were planted in the nursery. Apparently, the estate does not carry out prophylactic cypermethrin spraying if DxP materials were planted. The Estate EQMS Section A13 (Pests & Diseases in nurseries) did not document any differences of spraying regime to be carried out for different planting materials.

It was also noted that, there are sporadic incidences of leaf eating caterpillars. SOU 17 has made efforts to rectify the matter by planting beneficial plants as part of the IPM in the estates. Species of plants noted were mainly the *Tunera sp.* with some *Antigonon leptopus* and to a much lesser extent, *Cassia cobanensis*. It was highlighted to the assessment team that SOU 17 is having problems in keeping the latter species due to pests. Hence, extra effort needs to be taken to achieve SDPSB recommendation for planting the beneficial plants at certain ratio of for *Cassia*, *Tunera* and *Antigonon*.

Kempas Estate is also plagued with rather severe incidences of *Ganoderma*, especially in the older areas and the estate is handling this disease as per their SOP.

Records of pesticide usage by area and amount used were 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 has written justifications for all agrochemicals used in the estates in the ARM and SOP. Site assessment at chemical stores and verification of the chemical register list and chemical stock card confirmed that all agrochemicals used are registered under the Pesticides Act 1974. Agrochemicals categorized as World Health Organization Type 1A were being used in the estates i.e. Bromadiolone, a second generation bait for rat baiting. However, SOU 17 has implemented integrated pest management initiative to reduce this agrochemical usage by setting target of one occupied barn owl box for every 10 ha as biological control for rat damage. It was also confirmed that Paraquat was not used.

The use and storage of agrochemicals including pesticides was observed to be in accordance with

Pesticides Act 1974, Occupational Safety & Health Act 1994 as well as USECHH Regulations 2000. Chemical containers were labelled with information on the purpose of chemical usage (intended target), hazards signage, trade and generic names. Chemical stores are locked and only appointed personnel are allowed to open and issue out the chemicals. Empty chemical containers are triple rinsed and stored for disposal in accordance with legal requirements.

Employees who are exposed to chemicals in the course of carrying out their jobs are sent for medical check-up annually. Medical surveillance reports were sighted for estate sprayers and mill laboratory operators. The medical reports showed that the relevant workers are fit to carry out their job.

SDPSB has a policy of not allowing confirmed pregnant and breast-feeding women to work with pesticides. Interviews with female employees revealed that they were aware of this requirement.

To date, SOU 17 has not received any request from buyers to test chemical residue in CPO. It was also noted that SOU 17 does not practice aerial application of agrochemicals. Records of pesticide used and area of application were well maintained.

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 is implementing an integrated quality, environmental and occupational health and safety management system through out their operating unit which is based on the requirements of the ISO 9001:2000, ISO 14001:2004 & OHSAS 18001:1999 standards. Some of the operating units are also certified to OHSAS 18001. Hence, the requirement of RSPO C 4.7 has been incorporated into their management system documents.

SOU 17 has adopted SDPSB's Occupational Safety and Health (OSH) policy which came into effect in April 2008. The hazard identification, risk assessment and risk control (HIRARC) had been carried out covering all activities in the estate and mill as well as supporting facilities such as the workshop, the

effluent and water treatment plants, chemical and waste storage and the laboratory.

Based on the risk assessment, SOU 17 has identified significant hazards and risks and determined appropriate risk control measures. Among the risk control measures identified and implemented are providing designated trailers to carry harvesting tools and field workers to the field.

SOU 17 is also improving conditions in the chemical mixing area by installing a shower room which acts both as an emergency shower as well as for after work cleaning. Work attire washing facilities are also provided. These efforts are aimed at reducing contamination to the workers' families.

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

However, the effectiveness of the control measures needs to be improved. During the site assessment, instances of sprayers and harvesters not wearing appropriate PPE were observed. A minor nonconformity was raised on this matter.

Nevertheless, interviews with employees revealed that they were aware of the OSH policy, safe working practices and the importance of wearing PPE provided by the company.

SOU17 has appointed the mill engineer and assistant estate manager to be responsible for the OSH implementation. Interview with members of the Safety Committee and review of records confirmed that regular safety meetings and workplace inspections had been carried out. Safety performance was being monitored and accident cases were managed in accordance with OSH Regulations.

SOU 17 has also ensured that all workers are covered by accident insurance.

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 has established a generic process for the identification of training needs which focuses mainly on the job and on OSH-related issues. Among the training identified were machine safe operating procedure, fire fighting, first aid training, understanding of MSDS and harvesting skills.

A nonconformity was raised as the current process does not ensure that appropriate training is given to the employees to enhance competence in non-production job related matters such as scheduled wastes management, legal requirements and RSPO MYNI principles and criteria. SOU 17 has reviewed the established training needs and programmes. Necessary training also been conducted. Among the training records were sighted are chemical handling on 1st November 2008, awareness on usage of PPE on 9th April 2009 and spraying technique on 19th January 2009.

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 has conducted the environmental aspects and impacts risk assessment for all activities related to estate and mill operation as well as other facilities such as the workshop, chemical and waste storage, the effluent and water treatment plants and the laboratory. Assessment of the documented aspects and impacts records showed that the person-in-charge (PIC) for updating and reviewing the records understood the process. However, there was a concern from the assessment team as the PICs are subject to transfer to other SOU. SDPSB need to ensure that the new PIC would be trained on the process.

SOU 17 has established an improvement plan to mitigate the significant aspects from the above risk assessment. Among the significant aspects are mill effluent discharge, boiler smoke emission, diesel consumption and scheduled & domestic waste disposal.

Site assessment confirmed that the improvement plan is being implemented. Evidence of implementation included the installation of an oil trap at diesel storage area and the construction of chemical and scheduled wastes storage.

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

SOU 17 had engaged the services of a second party in November 2007 to carry out an assessment to identify the HCV habitats as well as any rare, threatened or endangered species. This exercise was limited to Pagoh, Merlimau and Kempas Estates.

The output, in the form of a report entitled 'A Conservation Assessment of Estates within Sime Plantation Unit 4' had identified the presence of protected Dusky Langur within Rumbia Division of Kempas Estate. However, a management plan for this animal has yet to be developed. A major nonconformity was raised on this matter. It is noted that Rumbia Division is adjacent to Sungai Udang forest reserve.

Kemuning Estate was completely established with oil palms from rubber plantation. The nearest

forested area is near Tebong Division which is completely isolated from the plantation by the utility resource gas pipeline and a railway line, thus preventing entry of fauna from the forest. With that in view, assessment output at Pagoh and Merlimau would be similar to Kemuning Estate.

In the case of Tangkah Estate, which had forest management certification based on FSC requirements until 30th March 2009, HCV assessments had been carried out to comply with requirements of that certification.

SOU 17 has taken action to rectify the nonconformity raised by consulting the relevant government agencies such as the Department of Wildlife and National Parks (PERHILITAN). A management plan has been established taking into consideration the outcome from the consultation.

Apart from the above findings, the assessment team had received a comment from the Jabatan Perhutanan Johor Utara- one of the consulted stakeholders. The comment was that there had been instances of illegal loggers using the estate roads for their activities. Clarification with the estate management on this matter revealed that they were aware of loggers using their access road for the preparation of logging camps. However, currently they have no means of determining whether these loggers are operating legally or illegally.

Under the National Forestry Act 1984, the State Forestry Department is empowered to act on illegal activities within Permanent Reserved Forests. The relevant authority will have to act against any intrusion of the forest.

Generally, it was noted SOU 17 has taken action to eliminate illegal activities by tightening the security at all its entry points. For example, as a measure to curb illegal hunting, the security personnel check road users entering the area for traps and guns.

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 : Scheduled wastes 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 has established a waste management plan that covers the identification of waste and plan to reduce and dispose the waste in an environmentally and socially responsible manner.

Among the identified waste are general/domestic waste, scheduled waste, scrap metal, crop residue / biomass from the estates and mill and fibre, shell, EFB and POME from the mill.

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

General wastes that cannot be salvaged for recycling/reuse are sent to the disposal pit for burying within the plantation. No permanent site has been allocated for the disposal of waste. Temporary pits are closed once filled and a new pit is established. A procedure on disposal site selection and operation is available.

Crop residue / biomass from mill, i.e. fibre and shell, are used as fuel in the boiler while EFB and POME are sent to estate for mulching and land application.

During site assessment, it was observed that the scheduled wastes management needs to be enhanced. Minor nonconformity was raised for SOU 17 to rectify the situation. It was noted that the storage and documentation relating to the handling of scheduled waste was not in accordance with the requirements of the authority.

Evidence has been presented to the audit team demonstrating satisfactory implementation of corrective action to address this matter.

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 is committed to using renewable energy in the mill. Fibre and shell are used as boiler fuel to generate steam for the process, as well as electricity for the mill complex and labour lines. The usage of this renewable energy is monitored by SOU 17.

SOU 17 is also monitoring the usage of fossil fuel as required by the RSPO P&C indicator.

Criterion 5.5 : Use of fire for waste disposal and for preparing land for replanting is avoided except in specific situations, as identified in the ASEAN Guidance or other regional best practice.

Indicator 5.5.1 : No evidence of open burning. Where controlled burning occurs, it is as prescribed by the Environmental Quality (Declared Activities) (Open Burning) Order 2003.

Major compliance

Indicator 5.5.2 : Previous crop should be felled/mowed down, chipped/shredded, windrowed or pulverized/ ploughed and mulched.

Minor compliance

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

Indicator 5.5.3 : No evidence of burning waste (including domestic waste).

Minor compliance

Audit findings

SOU 17 is implementing the SDPSB's zero burning policy. This practice has been adopted company wide since 1989. The palm trees are felled, chipped/shredded and left to decompose within the replanting area.

Site assessment around the plantation and the mill confirmed no trace of open burning.

Criterion 5.6 : Plans to reduce pollution and emissions, including greenhouse gases, are developed, implemented and monitored.

Indicator 5.6.1 : Documented plans to mitigate all polluting activities (Cross ref to C5.1).
Major compliance

Indicator 5.6.2 : Plans are reviewed annually.
Minor compliance

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

Audit findings

The 'Pollution reduction action plan 2007/2008', established by SOU 17, identified significant environmental impacts, actions to be taken, persons in charge and the time frame for the implementation. Among the planned actions are the reduction of effluent and improvement of the quality of effluent discharge. This is to be achieved by optimizing mill water consumption and the construction of another unit of effluent pond. During the assessment, it was observed that the mill is in the process to raise bund around the final effluent pond to prevent overflow during heavy rain.

Another planned action is aimed at emission reduction by phasing out estate vehicles which have been identified as having high emission of black smoke and high fuel consumption. Records of the monitoring of the implementation of these plans were available. The action plans were reviewed during regular operations meetings.

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

Criterion 6.1

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

Indicator 6.1.1

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

Specific Guidance:

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

Indicator 6.1.2

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

Specific Guidance:

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

Indicator 6.1.3

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

Guidance:

Identification of social impacts may be carried out by the grower in consultation with other affected parties, including women and migrant workers as appropriate to the situation. The involvement of independent experts should be sought where this is considered

necessary to ensure that all impacts (both positive and negative) are identified.

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

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

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

Audit findings

SOU 17 had yet to conduct a social impact assessment (SIA) during the Stage 2 assessment. Hence, Indicators 6.1.2 and Indicator 6.1.3 could not be verified. A major and a minor nonconformity were raised on these matters respectively.

In November 2008, SOU 17 has produced a SIA report that had been conducted by an external consultant. The SIA has highlighted the impacts and recommended a mitigation plan for SOU 17 to implement.

SOU 17 has taken appropriate corrective action to fulfill the requirement of C6.1

Criterion 6.2

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

Indicator 6.2.1

Documented consultation and communication procedures.

Major compliance

Indicator 6.2.2

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

Minor compliance

Indicator 6.2.3

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

Minor compliance

Specific Guidance:

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

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

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

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

Audit findings

SOU 17 has a consultation and communication procedure which is part of their EQMS document. The implementation of the procedure was verified during the assessment. Meeting minutes between the SOU 17 management team, community leaders and workers' representatives were sighted. SOU 17

has also conducted meeting with FFB suppliers, material suppliers and contractors. Interviews with these stakeholders confirmed that social, safety and health as well as welfare-related issues had been discussed. However, minor nonconformity was raised as there was no evidence of communication on the corrective actions taken in response to the complainants.

Apart from that, minor nonconformity was also raised on the absence of a nominated management official at the operating unit with responsibility for issues relating to consultation and communication between growers and/or millers with local communities and affected or interested parties.

The assessment verified that a list of stakeholders was maintained by SOU 17. Identified stakeholders included employees, suppliers and nearby villages. However, the neighbouring smallholders had not been included in this list.

Criterion 6.3

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

Indicator 6.3.1

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

Specific Guidance:

Records are to be kept for 3 years.

Indicator 6.3.2

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

Indicator 6.3.3

The system is open to any affected parties.
Minor compliance

Guidance:

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

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

Audit findings

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

Assessment of the records revealed that grievances and complaints had been resolved in a timely and appropriate manner. However, the current mechanism for dealing with complaints and grievances is open to workers only. Major nonconformity was raised to highlight this matter.

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

SOU 17 has established a procedure for identifying boundary and squatter disputes which can also cover legal and customary rights and for identifying people entitled to compensation. However, there was no procedure for calculating and distributing fair compensation. A minor nonconformity was raised on this matter. A procedure for handling land dispute was established and has included the requirements on calculating and distributing fair compensation. The procedure was guided by National Land Code/ State/ Federal Land Enactment/Ordinance and Forestry Act.

Indicator 6.4.3 is not applicable to SOU 17 as of date, there is no case reported.

Criterion 6.5

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

Indicator 6.5.1

Documentation of pay and conditions.

Major compliance

Indicator 6.5.2

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

Minor compliance

Indicator 6.5.3

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

Minor compliance

Guidance:

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

Audit findings

There is clear evidence of the documentation of pay and conditions of employment in the collective agreement (CA) (MAPA/NUPW field and other general employees and fringe benefits agreement, 2007) for a continuous period of three years. However, the agreement on the wages for harvesters,

harvesting kanganies, loaders and other loaders on oil palm estates 2005 expired on 30th June, 2008, and a new collective agreement is in the process of negotiation.

Contracts of employment detailing payments and conditions of employment (e.g. working hours, overtime, deductions, sickness, holiday entitlement and maternity leave) stated in the CA are explained to the workers by their union representatives as well as by a plantation management official. This was confirmed by the employees as well as the union leader interviewed. They also understood the monthly deduction for EPF and SOCSO from their salaries. Interviews with contractors and suppliers also revealed that they understood the terms and conditions of the agreements with them.

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

SOU 17 also provides clinics for estate and mill workers, which are supervised by Hospital Assistants (HA). Workers also have access to the Visiting Medical Officer (VMO) monthly check-up and Occupational Health Doctor (OHD) annual check-up.

Kempas Estate won the Ladang Bahagia Award in 2006. This award is presented by the Human Resources Ministry for the best plantation company that complied with the Minimum Housing Standard Act 1990, providing job to the local communities, providing others facilities such as road, crèche, playground, sports programmes and consideration of workers welfare. Kempas Estates also won the MPOB CSR Award in 2008 given by MPOB for appreciation to the best plantation company for their contribution to the workers development.

However, during consultation with Kemuning estate employees, there were complaints about the limited hours of water supply to their houses and the lack of transportation facilities to cater for emergencies. In response to the comment, since January 2009 continuous water supply is provided to the estate. Records of water pump running hours were submitted to assessor for verification. Since January 2009, a standby vehicle was allocated to cater for emergency case

Criterion 6.6

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

Indicator 6.6.1

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

Indicator 6.6.2

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

Guidance:

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

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

Audit findings

SOU 17 respects the rights of its personnel to join any trade union of their choice and to bargain collectively. This is evident through the official published statement in Bahasa Melayu and English recognizing freedom of association. Apart from that, minutes of meetings between the management with workers' union representatives were available.

Meetings between the union members were also conducted and the minutes were available. It was noted, however, that this meeting is called only when there are issues raised by the members.

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

Criterion 6.7

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

Indicator 6.7.1

Documented evidence that minimum age requirement is met.

Major compliance

Guidance:

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

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

Audit findings

There was clear evidence that the minimum age requirement was being complied with. There was no record of persons under the age of eighteen, the minimum working age under Malaysian Labour Laws (Am. Act A1238) employed by SOU 17. A clear policy on not employing children both in the estate and mill has also been established by SDPSB. Interviews with the workers revealed that this policy is being implemented.

Criterion 6.8

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

Indicator 6.8.1

A publicly available equal opportunities policy.

Major compliance

Indicator 6.8.2

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

Minor compliance

Guidance:

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

Audit findings

An equal opportunities policy at SDPSB is publicly available. This policy, which has been adopted by SOU17, was clearly displayed in the office.

There was clear evidence that employees including migrant workers have not been discriminated against. For instance, all workers were provided with the same housing facilities irrespective of their origin.

Apart from that, all workers are covered under the same collective agreement which specifies the terms & conditions for working. During consultations with workers, no issue was raised on this matter.

Criterion 6.9

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

Indicator 6.9.1

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

Major compliance

Indicator 6.9.2

A specific grievance mechanism is established.

Major compliance

Guidance:

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

A committee specifically to address concerns of women may be required to comply with the criterion. This committee will consider matters such as; training on women's rights, counselling 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

SOU 17 has published a policy on prohibiting sexual harassment and violence against women. This policy has been made available to the employees and to the public. This policy was established at SDPSB level in consultation with the employees.

It was noted that there was no specific grievance mechanism for handling sexual harassment issues at Kemuning Estate. Consultation with female employees confirmed that the mechanism was not available. Major nonconformity was raised to highlight this matter to SOU 17.

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

Indicators 6.10.1 and 6.10.2 are not applicable to SOU 17.

Consultation with suppliers and contractors revealed that they understood the contractual agreements they had entered into and that the provisions were fair and transparent. The assessment team was also informed that agreed payments were made in timely manner.

Criterion 6.11

Growers and millers contribute to local sustainable development wherever appropriate.

Indicator 6.11.1 Demonstrable contributions to local development that are based on the results of consultation with local communities.
Minor compliance

Guidance:

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

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

Audit findings

It was noted that SOU 17 had conducted a consultations with the local communities and the outcomes from these sessions were acted upon. SOU17 has accommodated the requests made by the local communities to the extent possible.. For example, it has granted children from the surrounding areas unlimited access to schools within the plantation area.

SOU 17 has also provided employment opportunities as part of its contribution to local development. Apart from that, SOU17 has allowed its area to be used for the national service programme. As part of its contribution to assist students in making career choices, SOU 17 has hosted sessions for briefing university students about plantation management.

SOU 17 also helped out in the distribution of food and water during floods in surrounding areas and has helped the local community in various ways during festivals.

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

Criterion 8.1

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

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

Indicator 8.1.1

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

Indicator 8.1.2

Environmental impacts (C5.1)
Major compliance

Indicator 8.1.3

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

Specific Guidance

To work towards zero-waste (C5.3)

Indicator 8.1.4

Pollution prevention plans (5.6)
Major compliance

Indicator 8.1.5

Social impacts (C6.1)
Major compliance

Indicator 8.1.6

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

Guidance

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

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

Audit findings

Generally, SOU 17 has established continuous improvement plans for all the indicators except for indicator 8.1.5 (refer to C6.1). Most of the plans are implemented through the internal integrated management system requirements.

Evidence sighted included the commitment to minimize the use of certain pesticides by implementing IPM. Site assessment and consultation with workers confirmed that the IPM is being implemented. Among the targets set for IPM programme is the establishment of three decameter of beneficial plants for every hectare at the ratio of 6:2:2 for *Cassia cobanensis*, *Tunera sp* and *Antigonon Leptopus*.

Another target set is one occupied barn owl box for every 10ha. Efforts and action plans need to be regularly monitored and reviewed to ensure this target is achieved (cross refer to C 4.5.2 page 22 paragraph 3).

Other improvement plans include the commitment to zero waste by not only using by-products such as EFB & POME in the fields but also increasing the awareness of workers on 3R's initiatives at their living quarters.

4.0 Comments from Stakeholder

Stakeholder consultations were conducted as part of the Stage 2 assessment. No comment received from the stakeholders among others Department of Occupational Safety & Health (DOSHS), Department

of Environment (DOE) and Malaysian Nature Society (MNS). Comment highlighted by Merlimau Water treatment Plant, Merlimau District Forestry Department, JKK Ladang Kesang and Community leader for Kampung Semuju was verified during this assessment.

5.0 Assessment Recommendation

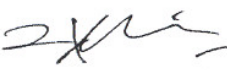
Based on the evidence gathered, it can be concluded that **Sime Darby Plantation Sdn. Bhd. Kempas Certification Unit (SOU 17)** has conformed to the requirements of the RSPO MYNI. All major nonconformities have been closed out through verification of corrective action records.

The audit team recommends **Sime Darby Plantation Sdn. Bhd. (Kempas Certification Unit – SOU 17)** for certification against RSPO MYNI.

6.0 Organization’s Acknowledgement of Internal Responsibility and Formal Sign-off of Assessment Findings.

I, the undersigned, representing Sime Darby Plantation Sdn. Bhd., Kempas Certification Unit (SOU 17), acknowledge and confirm the contents of the assessment report and findings of assessment.

Name : ZUHAIRI BIN ZUBIR

Signature : 

Date : 28th May 2009

RSPO MAIN ASSESSMENT PLAN

1. Objectives

The objectives of the assessment are as follows:

- (i) To determine Sime Darby Plantation Sdn. Bhd (SDPSB) conformance against the RSPO Principles & Criteria Malaysian National Interpretation (MYNI).
- (ii) To make appropriate recommendations based on the assessment findings.

2. Date of assessment : 3 - 5 September 2008

3. Site of assessment : SIME DARBY PLANTATION SDN. BHD.
Kempas Estate, 71000 Jasin, Melaka.
Kemuning Estate, 76460 Tebong, Melaka.
Tangkah Estate, 84900 Tangkak, Johor.
Merlimau Estate, 77309 Merlimau, Melaka.
Pagoh Estate, 84309 Bukit Pasir, Johor.
Kempas Palm Oil Mill, 77000 Jasin, Melaka.

4. Reference Standard

- a. RSPO P&C MYNI : 2008
- b. Company's audit criteria including Company's Manual/Procedures

5. Assessment Team

- a. Lead Assessor : Sabarinah Marzuky
- b. Assessor : Dr. Zahid Emby
: Dr. Yap Son Kheong
: Ruzita Abd Gani
: Mohd Azlisham Shaari
- c. Technical Specialist : Patrick Ng Hong Chuan

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

6. Audit Method

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

7. Confidentiality Requirements

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

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

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

9. **Reporting**

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

10. **Facilities Required**

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

11. **Audit Program Details** : as below

DAY ONE: 3 September 2008 - Wednesday

Time/ Activities & areas to be visited	Sabarinah & Patrick Ng	Dr. Yap Son Kheong	Ruzita & Azlisham	Auditee
08.00-08.15 am	Opening Meeting, Audit team introduction and briefing on audit objectives, scope, methodology, criteria and programmes by audit team leader.			Top mgmt & Committee Member
08.15-08.30 am	Briefing on the organization background and implementation of RSPO (including action taken to address pre certification assessment findings)			MR
08.30-1.00 pm	Site visit and assessment at Kempas Estate <ul style="list-style-type: none"> • Nursery (if any) • Chemical store 	Site visit and assessment at Kempas Estate <ul style="list-style-type: none"> • Conservation area • Riparian zone • River system including POME discharge 	Site visit and assessment at Kempas Oil Mill: <ul style="list-style-type: none"> • Production area (incoming to storage) 	Guide/PIC

	<ul style="list-style-type: none"> • EFB mulching • witness activities & assessment at site (weeding/ spraying/other maintenance activities/ harvesting) 	<ul style="list-style-type: none"> • Boundary • Water catchment area • Interview with relevant government agencies (if applicable) 	<ul style="list-style-type: none"> • ETP • Utilities e.g. boiler etc. • Workshop • Scheduled waste store • Chemical store 	
01.00-02.00 pm	Break			
02.00-04.30 pm	Assessment on P1, P2, P3, P4 (4.1, 4.2, 4.3, 4.4, 4.5, 4.6.), 5 (5.3, 5.5), P8.1	Assessment on P2,P3, P4 (4.4), P5 (5.2, 5.5) Assessment on P1, P2, P3, P4 (4.1, 4.2, 4.3, 4.4, 4.5, 4.6.), 5 (5.3, 5.5), P8.1	Assessment on P1, P2, P3, P4(4.1, 4.4, 4.7, 4.8) P5 (5.1, 5.3, 5.4, 5.6), P6 (6.2), P8 (8.1)	Guide /PIC
04.30-05.30 pm	Audit Team Discussion & End of Day 1			

Day 2: 4 September 2008 - Thursday

Activities/area to be visited	Sabarinah & Patrick Ng		Dr. Zahid	Ruzita & Azlisham	Auditee
08.00-01.00 pm	Site visit and assessment at Kemuning Estate <ul style="list-style-type: none"> • Nursery (if any) • Chemical store • EFB mulching • witness activities & assessment at site (weeding/ spraying/other maintenance activities/ harvesting) 		Site visit & assessment at Kempas Oil Mill & Kempas estate <ul style="list-style-type: none"> • Administration department • Facilities at workshop (rest area, etc) • Interview with union representative • Interview with FFB supplier (small holders) • Consultation with related government agencies & other stakeholder (if applicable) 	Site visit and assessment at Kempas Estate facilities <ul style="list-style-type: none"> • Scheduled waste store • Workshop • General waste disposal • Assessment on P1, P2, P3, P4 (4.1, 4.7, 4.8), P5 (5.1, 5.3, 5.4, 5.5, 5.6), P6 (6.2), P8 (8.1) 	
01.00-02.00 pm	Break				
01.00-04.30 pm	Assessment on P1, P2, P3, P4 (4.1, 4.2, 4.3, 4.4, 4.5, 4.6.), 5 (5.3, 5.5), P8.1	Assessment on P1, P2, P3, P6, P8	Continue Assessment		Guide /PIC

04.30-05.30 pm	Audit Team Discussion & End of Day 2	
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Day 3: 5 September 2008 - Friday

Activities/area to be visited	Sabarinah	Dr. Yap	Dr. Zahid & Azlisham	Ruzita	Auditee
08.00-01.00pm	<ul style="list-style-type: none"> • Verification on plan for other management unit & smallholder certification • Verification on any outstanding issue 	Site visit and assessment at Kemuning Estate <ul style="list-style-type: none"> • Conservation area • Riparian zone • River system including POME discharge • Boundary • Water catchment area • Interview with relevant government agencies (if applicable) 	Site visit & assessment at Kemuning Estate <ul style="list-style-type: none"> • Administration department • Facilities at workshop (rest area, etc) • Interview with union representative • Consultation with related government agencies (if applicable) 	Site visit and assessment at Kemuning Estate facilities <ul style="list-style-type: none"> • Scheduled waste store • Workshop • General waste disposal • Assessment on P1, P2, P3, P4 (4.1, 4.7, 4.8), P5 (5.1, 5.3, 5.4, 5.5, 5.6), P6 (6.2), P8 (8.1) 	
01.00-02.00 pm	Break				
02.00-03.30 pm	Audit Team Discussion				
03.30-04.30 pm	Discussion on the audit findings and Closing meeting				All

DETAILS OF NON-CONFORMITY REPORT AND CORRECTIVE ACTION TAKEN

P & C, Indicator	NCR Major/Minor	Detail Non-conformances	Corrective Action Taken	Verification	Date of NCR Closure
Criterion 2.1 Indicator 2.1.1	Major	<p>1. Written approval for fuel burning equipments were not available as required by Environmental Quality (Clean Air) Regulations 1978 - written approval from Department of Environment (DOE) for steam boilers and stand-by diesel generator set.</p> <p>2. Chemical Health Risk Assessment at Kemuning Estate is not yet conducted as required by Occupational Safety and Health (Use and Standard of Exposure of chemicals Hazardous to Health) Regulations 2000.</p>	<p>Obtained approval from DOE for boilers and stand by diesel generator set</p> <p>To conduct CHRA at Kemuning Estate</p>	<p>Written approval for steam boilers and stand by diesel generator set are available.</p> <p>CHRA has been conducted on 5 & 6 November 2008 by registered assessor (Reference no; JKPP IH 127/171-2(124))</p>	<p>17/10/2008</p> <p>4/12/2008</p>
Criterion 4.2 Indicator 4.2.2	Minor	<p>Soil sampling was not carried out and soil nutrient status was not available. Only leaf nutrient status was evident in the Agronomic and Fertilizer Recommendation Report – Oil Palm (2006/07 and 2007/08 for Kempas estate, 2007 and 2008 for Kemuning estate).</p>	<p>Soil sampling to be conducted by Research & Development (R&D) Department, Carey Island.</p> <p>To address in the Sustainable Plantation Management System procedure the needs to conduct soil sampling. Soil sampling will be carried out every 25 years.</p>	<p>Letter dated 24/10/2008 has requested Research & Development (R&D) Department, Carey Island to conduct soil sampling.</p> <p>Section 4, requirement 4.2.5 of Sustainable Plantation Management System procedure has addressed the need to conduct soil sampling for every 25 years.</p>	<p>12/11/2008</p>

<p>Criterion 4.3 Indicator 4.3.2</p>	<p>Minor</p>	<p>Many areas visited in Kempas estate appeared quite bare and incidences of exposed soil conditions were evident. Almost bare ground conditions were noted (but not confined to) at block 12 of 1992 planting, block 6 of 1989 planting and blocks 5, 7 and 8 of 1994 plantings.</p>	<p>To implement counter measure on minimizing soil erosion as mention in the ARM</p>	<p>Photograph has shows silt trap and U-shape frond stacking practice have been implemented to minimize soil erosion due to surface water run off. In addition soft grasses have been seen to be growing in that affected areas.</p>	<p>04/11/2008</p>
<p>Criterion 4.4 Indicator 4.4.3</p>	<p>Major</p>	<p>The monitoring of discharges need to be enhanced in ensuring no negative impacts to the environment & action taken to rectify the situation is not documented to prevent recurrence.</p> <p>1. Discharge from Kempas oil mill silt trap no 2 on 4th September 2008 was flowing into stream that leads to Sg. Kesang which is located upstream of Loji Air Merlimau and few villages. A comment during stakeholder consultation on this matter was highlighted by the neighbouring JKKK on 4th August 2008. Monitoring results for April, May & June 2008 showed that the limit (for SS and BOD) exceeded Standard A.</p> <p>2. The monitoring results of river water at Kempas Estate exceeded the limit used for comparison (e.g. for cadmium).</p>	<p>1(a). To add additional trap in order to trap more oil and dirt from cleaning activities from canteen and boiler area.</p> <p>1(b). To desilt silt trap no. 1 and no. 2</p> <p>1(c). To continue and strictly monitor quality of effluent discharge from silt trap.</p> <p>2. To conduct river water sampling on monthly basis and to appoint water treatment consultant.</p>	<p>1(a). Effectiveness of the additional trap will be verified in the next audit</p> <p>1(b). Photograph shows the silt trap no 1 & no.2 have been desilted</p> <p>1(c). Result of monitoring received on 24/11/2008 shows the readings for SS and BOD are within the limit. Letter from Syarikat Air Melaka Berhad (19/9/2008) has confirmed no interruption of their operation due to intake water quality.</p> <p>2. River water analysis was conducted on 24/10/2008 by external laboratory and result showed that the parameter</p>	

		3. No record available for sewage discharge monitoring.	3. To conduct monitoring of sewage discharge and desilt the septic tank periodically.	sampled were within the limit. 3. Monitoring of sewage discharge was conducted and desilting of septic tank was carried out. Service purchase order record sighted.	
Criterion 4.5 Indicator 4.5.2	Minor	1. Rat baiting carried out with Ebor 401 baits (second generation) for the whole of the main division in Kempas Estate (1704 ha) without the support of a census. 2. No fresh damage census caused by rhinoceros beetles for Kemuning Estate's (Kru Div) 07A and 07B to justify prophylactic spraying with cypermethrin at fortnightly intervals. 3. Prophylactic spraying of cypermethrin was carried out in the nursery of Kemuning estate for clonal materials. The EQMS did not document any differences of spraying regime for different material (clonal or normal DXP).	1. Rat damage census was carried before the rat baiting campaign. 2. Census of Rhinoceros beetles damage was carried out. 3. Practice of prophylactic spraying was stopped.	1. Data on rat damage census established. 2. P&D census has been carried out and checklist has been filled-up accordingly. 3. 'Daily store issues' records show no prophylactic spraying chemical was issued.	4/11/2008
Criterion 4.7 Indicator 4.7.1	Major	Improper PPE in weeding and harvesting operations in KRU Division of Kemuning estate. 1. One of the sprayers working in field 07B was wearing short pants and short sleeves shirt and one sprayer was only wearing one	To provide training and briefing on the requirements of PPE and safety & health to all sprayers and harvesters.	Training was conducted on 16 September 2008 for sprayers and harvesters on appropriate usage of PPE. PPE Inspection Checklist	28/10/2008 28/10/2008

		<p>glove.</p> <p>2. Sickle cover was not used when harvesting pole is left in the field after work.</p> <p>3. Broken helmet was used in the field at Kempas Estate.</p>		<p>has been established and implemented as part of the monitoring to ensure appropriate usage of PPE.</p> <p>Photograph has shown appropriate PPE has been given and used by sprayers and harvesters.</p>	04/11/2008
Criterion 4.8 Indicator 4.8.1	Major	<p>Training programme is limited to safety issues.</p> <p>1. There is no training programme available for training related to RSPO requirements except for those related to safety programme.</p> <p>2. The established training needs identification need to be reviewed to ensure the appropriate level of training given to the required personnel.</p>	<p>Training programme has been established to include relevant training such as RSPO P&C, waste management and not limit to safety and health training.</p> <p>Training needs has established for all level of employees</p>	<p>Training programmes and training need has been established. Records of the programme implementation were verified. Among the training records were sighted are chemical handling on 1st November 2008, awareness on usage of PPE on 9th April 2009 and spraying technique on 19th January 2009.</p>	17/10/2008
Criterion 5.2 Indicator 5.2.2	Major	<p>A group of Dusky Langur, a protected species within the country, was found within the Rumbia division of Kempas estate. A management plan for this group of protected animals is to yet develop.</p>	<p>To establish a management plan for biodiversity and high conservation value area. To communicate with Jabatan Perhilitan Melaka on the proper management of Dusky Langur.</p>	<p>A management plan for biodiversity and high conservation value area has been established. Jabatan Perhilitan Melaka has received letter from SOU 17 dated 23/10/2008 and now awaiting their response.</p>	11/11/2008
Criterion 5.3	Minor	<p>1. Site review at scheduled waste stores observed that, scheduled</p>	<p>1. Scheduled waste have been labelled as per regulations</p>	<p>1. Photograph shows scheduled waste have been</p>	17/10/2008 28/10/2008

Indicator 5.3.2		<p>waste were not adequately labeled (i.e. waste hazard, waste code, waste name, company name, address, telephone no. and date of generation). It was also observed at Kempas palm oil mill that contaminated rag/gloves were not kept in the durable containers.</p> <p>2. Notification to Department of Environment (DOE) on the generation of scheduled wastes was not evident (i.e. SW 410, SW 305, SW 306, SW 307 and SW 404)</p> <p>3. Scheduled wastes inventory records were not accurately filled-up.</p> <p>4. Scheduled wastes consignment note were not adequately filled-up and copies of the document were not submitted to DOE.</p> <p>5. The waste information was not available for SW307, SW305, SW306 and SW322.</p> <p>6. Inadequate secondary containment at Kemuning estate chemical store and workshop.</p>	<p>requirement. All scheduled waste was kept in durable containers.</p> <p>2. Notification of scheduled waste generation has been submitted to DOE.</p> <p>3. To update the Inventory records.</p> <p>4. To provide training to scheduled waste handler</p> <p>5. To established waste information for all scheduled waste</p> <p>6.To provide secondary containment at chemical store and workshop</p>	<p>labeled in accordance with regulations</p> <p>2. Notification of scheduled waste generation has been submitted to DOE on 10 October 2008 and accepted by DOE.</p> <p>3. Inventory records have been updated.</p> <p>4. Training was conducted on 13 & 14 November to the relevant person in charge and attendance list made available.</p> <p>5. Waste information for scheduled waste has been established</p> <p>6. Photograph at chemical store and workshop shows secondary containment provided.</p>	24/11/2008
Criterion 6.1 Indicator	Major	No evidence of documented social impact assessment (SIA) has been	Social Impact Assessment (SIA) has been conducted by the consultant.	The SIA report and the management plan have been	

6.1.1		carried out for SOU 17.		established. The implementation of the plan will be verified in the next audit.	
Criterion 6.1 Indicator 6.1.2 Indicator 6.1.3	Minor	As SOU 17 has not conducted the SIA, thus there is no evidence of the participation of affected parties. A time table for mitigating and monitoring negative impacts is yet to be established.	Social Impact Assessment (SIA) has been conducted by the consultant with participation of affected parties.	Issues highlighted in the JKKK meeting were considered in the SIA. A time table for mitigating and monitoring negative impacts has been established.	12/11/2008
Criterion 6.2 Indicator 6.2.2	Minor	No nominated plantation management official at the operating unit responsible for looking into issues related to communication and consultation between growers and/or millers, local communities and other affected or interested parties.	Estate Manager has nominated as plantation management official	Appointment letter dated 9/9/2008 has been issued to Estate Manager as plantation management official. Requirement 5.5.2, Section 5 of Quality Management Manual (QMM) has addressed the estate manager shall be appointed as the Management Representative	13/11/2008
Criterion 6.1 Indicator 6.2.3	Minor	1. The list of stakeholder for SOU 17 is inadequate. For example the list as in stakeholder file at Kempas estate has not included the neighbouring smallholders. 2. Records of communication on actions taken in response to input from stakeholder is not available. For example an input highlighted	1. To update the list of stakeholder 2. To document action item in response to comment from stakeholders	1. List of stakeholders was updated to include all smallholders and local community. 2. Meeting was conducted on 4/8/2008 and meeting minutes have been generated. SOU 17 also has	17/10/2008 04/11/2008

		during stakeholder consultation in 2007 and August 2008.		established action plan in response to complaint from stakeholder complete with relevant person in-charge and time frame.	
Criterion 6.3 Indicator 6.3.3	Minor	The procedure for dealing with complaints and grievances were applicable only for workers.	To established procedure for dealing with complaints and grievances for all stakeholders.	Sustainable Plantation Management System procedure has addressed the requirements to handle complaints and grievances matters from all stakeholders.	13/11/2008
Criterion 6.4 Indicator 6.4.2	Minor	There is no procedure for calculating and distributing fair compensation.	To established procedure for calculating and distributing fair compensation.	A procedure for handling land dispute has addressed the requirements on calculating and distributing fair compensation.	21/10/2008
Criterion 6.9 Indicator 6.9.2	Major	No specific grievance mechanism for handling sexual harassment issues has been established in Kemuning Estate.	Grievance mechanism for handling sexual harassment issues has been established.	A procedure for handling grievance mechanism for handling sexual harassment issues has been established.	13/11/2008

AGE AND PERCENTAGE OF AREA OF AGE AND PLANTING CYCLE

Estates Age (years)	A. Kempas Estate			B. Kemuning Estate		
	Planting Cycle (1 st /2 nd generation)	Area (ha)	planted area (%)	Planting Cycle (1 st /2 nd generation)	Area (ha)	Planted area (%)
31				1 st generation	13.00	0.63
30						
29						
28				1 st generation	52.00	2.53
27						
26				1 st generation	18.00	0.88
25				1 st generation	78.00	3.79
24				1 st generation	151.00	7.34
23	1 st generation	361.11	12.31			
22	1 st generation	174.22	5.94			
21	1 st generation	58.39	1.99	1 st generation	155.00	7.54
20	1 st generation	70.15	2.39	1 st generation	199.00	9.67
19	1 st generation	281.44	9.59			
18				1 st generation	39.00	1.90
17						
16	1 st generation	362.49	12.35			
15	1 st generation	107.85	3.68			
14	1 st generation	495.07	16.87	1 st generation	42.00	2.04
13				1 st generation	50.00	2.43
12						
11						
10						
9	1 st generation	192.11	6.55			
8	1 st generation	596.88	20.34	2 nd generation	127.00	6.17
7				2 nd generation	232.00	11.28

6				2 nd generation	283.00	13.76
5	2 nd generation	43.66	1.49	2 nd generation	79.00	3.84
4						
3	1 st generation	190.76	6.50	2 nd generation	141.00	6.86
2				2 nd generation	70.00	3.40
1				2 nd generation	163.00	7.92
<1				2 nd generation	165.00	8.02
Total		2934.13	100		2057.00	100

AGE AND PERCENTAGE OF AREA OF AGE AND PLANTING CYCLE

Estates Age (years)	C. Pagoh Estate			D. Tangkah Estate		
	Planting Cycle (1 st /2 nd generation)	Area (ha)	% of planted area	Planting Cycle (1 st /2 nd generation)	Area (ha)	% of planted area
31	1 st generation	86.23	3.83			
30	1 st generation	14.94	0.66			
29						
28						
27						
26						
25				2 nd generation	103.51	7.19
24	1 st generation	78.36	3.48	2 nd generation	74.05	5.15
23	1 st generation	571.65	25.39	2 nd generation	52.75	3.66
22				2 nd generation	38.27	2.66
21						
20	1 st generation	170.49	7.57			
19	1 st generation	33.91	1.51			
18						
17	1 st generation	76.00	3.38			
16	1 st generation	316.40	14.06			

15	1 st generation	146.96	6.53			
14	1 st generation	147.48	6.55			
13	1 st generation	127.46	5.66	2 nd generation	50.32	3.50
12						
11				2 nd generation	309.67	21.52
10				2 nd generation	24.03	1.67
9				2 nd generation	45.72	3.18
8						
7				2 nd generation	57.59	4.00
6				2 nd generation	10.58	0.73
5	2 nd generation	83.93	3.73			
4	2 nd generation	74.60	3.31			
3	2 nd generation	107.32	4.77	2 nd generation	159.67	11.10
2				2 nd generation	242.55	16.86
1	2 nd generation	107.28	4.77	2 nd generation	41.57	2.89
<1	2 nd generation	108.14	4.80	2 nd generation	228.64	15.89
Total		2251.15	100		1438.92	100

AGE AND PERCENTAGE OF AREA OF AGE AND PLANTING CYCLE

Estates Age (years)	E. Merlimau Estate		
	Planting Cycle (1 st /2 nd generation)	Area (ha)	% of planted area
31			
30			
29			
28			
27			
26			
25			

24			
23			
22			
21	1 st generation	155.60	5.54
20	1 st generation	103.48	3.69
19			
18	1 st generation	63.94	2.28
17	1 st generation	196.03	6.98
16	1 st generation	486.43	17.33
15	1 st generation	401.76	14.31
14	1 st generation	531.32	18.93
13	1 st generation	652.34	23.24
12			
11			
10	1 st generation	82.04	2.92
9			
8	1 st generation	61.66	2.20
7	1 st generation	44.70	1.59
6			
5			
4			
3			
2	1 st generation	27.81	0.99
1			
<1			
Total		2807.11	100