



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

**AUDIT DATE : 8 – 10 FEBRUARY 2012**

**SIME DARBY PLANTATION SDN. BHD.  
SERI INTAN CERTIFICATION UNIT (SOU 05)**

**TELUK INTAN DISTRICT,  
PERAK, MALAYSIA**

**Prepared by:**

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

Tel : 603-5544 6440

Fax : 603-5544 6763

Website: [www.sirim-qas.com.my](http://www.sirim-qas.com.my)

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**Abbreviations:**

ARM	Agriculture Reference Manual
BOD	Biochemical Oxygen Demand
B.Sc.	Bachelor of Science
CA	Collective Agreement
CHRA	Chemical Health Risk Assessment
COD	Chemical Oxygen Demand
CPO	Crude Palm Oil
CUs	Certification Units
DID	Drainage and Irrigation Department, Malaysia
DOE	Department of Environment
DOSH	Department of Occupational Safety and Health
EAI	Environmental Aspect Identification
EARA	Environmental Auditors Registration Association
EB	Executive Board
EFB	Empty Fruit Bunch
EIA	Environmental Impact Assessment
EIE	Environmental Impact Evaluation
EMP	Environmental Management Plan
EPF	Employees Provident Fund
EQA	Environmental Quality Act
ERT	Endangered, Rare and Threatened Species
FFB	Fresh Fruit Bunch
FMA	Factory Machineries Act
FSC	Forest Stewardship Council
GAP	Good Agricultural Practice
GPS	Global Positioning System
Ha	Hectares
HCV	High Conservation Value
HIRARC	Hazard Identification, Risk Assessment and Risk Control
IEMA	Institute for Environmental Management and Assessment
IPM	Integrated Pest Management
ISO	International Organization for Standardization
IRCA	International Register of Certificated Auditors
JCC	Joint Consultative Committee
MSDS	Material Safety Data Sheet
MOA	Memorandum of Alliance or Agreement
MPOA	Malaysian Palm Oil Association
MPOB	Malaysia Palm Oil Board
MYNI	Malaysia National Interpretation
MYNI – WG	Malaysia National Interpretation – Working Group
NADOPOD	Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease
NCR	Non-Conformity Report
NGO	Non Governmental Organisation
OER	Oil Extraction Rate
OG	Oil & Grease
OSH	Occupational Safety and Health
OSHA	Occupational Safety and Health Act
OHSAS	Occupational Health and Safety Assessment Series
Ph.D.	Doctor of Philosophy
PIC	Person-In-Charge
PK	Palm Kernel
PMM	Proposal of Mitigation Measure
POM	Palm Oil Mill
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
PTW	Permit To Work
QMS	Quality Management System
RSPO	Roundtable on Sustainable Palm Oil
SIA	Social Impact Assessment
SDPSB	Sime Darby Plantation Sdn. Bhd.
SOCISO	Social Security Organization
SOU	Strategic Operating Unit
SOP	Standard Operating Procedure
SPIEU	Sabah Plantation Industry Employees Union
TQEM	Total Quality Environment Management
UNFCCC	United Nations Framework Convention for Climate Change
UKAS	United Kingdom Accreditation Services
USA	United States of America
USECHH	Use and Standards of Exposure of Chemicals Hazardous to Health
WWF	World Wide Fund for Nature

## SUMMARY REPORT

### 1.0 Scope of the Certification Assessment

#### 1.1 Introduction

This surveillance assessment report described one certification unit of Sime Darby Plantation Sdn. Bhd. (SDPSB) Strategic Operating Unit (SOU) namely SOU 05 – Seri Intan. Seri Intan SOU was certified by other certification body (CB) i.e. Control Union Certification on 3rd March 2011. The certificate is valid until 2nd March 2016. SDPSB has decided to transfer the certifier to SIRIM QAS International Sdn. Bhd. beginning from the first surveillance audit.

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

The assessment covered a management unit and its supply bases as detailed in Table 1. The supply bases assessed were confined to estates owned by SDPSB. There are four main estates supplying to Seri Intan Palm Oil Mill (POM) i.e. Seri Intan Estate, Sabrang Estate, Sogomana Estate and Sungai Wangi Estate. Based on samples, this assessment excludes Sungai Wangi Estate. Some portion of Sogomana Estate is sending its crop to Selaba Palm Oil Mill which is also belonged to SDPSB under different certification unit.

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

Details of the SOUs are described in Table 1:

Table 1: Certification units covered in the assessment

No.	Certification Unit	Palm Oil Mill	FFB Supplying Estates owned by SDPSB
1.	SOU 05	Seri Intan Oil Mill	Seri Intan Estate, Sabrang Estate, Sogomana Estate and Sungai Wangi Estate

#### 1.2 Location of Mills and Estates

SOU 05 is located in Seri Intan District. The locations of the SOUs are shown in Attachment 1.

Details of the three SOUs are shown in Table 2.

Table 2: Location and addresses of mills and estates

Certification Unit	Estate/Mill	GPS Location		Location Address
		Latitude	Longitude	
SOU 05 – Seri Intan	Seri Intan POM	4°02'N	101°01'E	Kilang Kelapa Sawit Seri Intan, Bt.5 Jln. Maharaja Lela,36009 Teluk Intan, Perak
	Seri Intan Estate	4°02'N	101°01'E	Seri Intan Estate,

				36009 Teluk Intan, Perak
	Sabrang Estate	3°58'35.70"N	100°58'26.02"E	Sabrang Estate 36009, Teluk Intan, Perak.
	Sungai Wangi Estate	4°14'33.2"N	100°42'50.6"E	Ladang Sungei Wangi, 32000 Sitiawan, Perak
	Sogomana	4°4'N	100°7'E	Ladang Sogomana, 32500, Changkat Kruing, Perak

### 1.3 Production Volume for All Certified Products

Table 3: Actual CPO and PK tonnage since date of last reporting period ( March 2011-February 2012)

Certification unit	FFB Processed (mt)	CPO Production (mt)	PK Production (mt)	Certified CPO (mt)	Certified PK (mt)
SOU 05	269,482.685	56,445.438	14,314.049	51,187.598	12,958.569

Table 4: Approximate certified CPO and PK tonnage (March 2012–February 2013)

Certification unit	FFB Processed (tonne)	CPO Production (tonne)	PK Production (tonne)	CPO Tonnage claimed for certification (tonne)	PK Tonnage claimed for certification (tonne)
SOU 05	323,578.370	68,997.760	17,706.800	64,445.50	16,586.80

### 1.4 Certification Details

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

Parent company: Sime Darby Plantation Sdn. Bhd.

Certificate number: C811218CU-RSPO-01.2011

The date of certification is the date of the RSPO approval which is 3rd March 2011.

The certification for SOU 05 – Sri Intan covers the production of Sri Intan Oil Mill with FFB supplied by the following company owned estates: Seri Intan, Sabrang, Sogomana and Sungai Wangi and smallholder.

### 1.5 Description of The Supply Base

The FFB is sourced from company owned estates that are certified and a small percentage from smallholders' crop. Details of the FFB contribution from each source to the SOU are shown in the following tables:

**Table 5: Actual FFB production since date of last reporting period (March 2011- February 2012)**

Estates	FFB Production	
	Tonnes	Percentage (%)
Seri Intan	73,951.67	28
Sabrang	93,024.67	35
Sungai Wangi	47,156.44	18
Sogomana	27,618.21	10
Smallholders	25,363.09	9
Total	267,114.08	100

### 1.6 Date of Planting and Replanting Cycle

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

**Table 6: Percentage of planted area in Seri Intan Estate by age and planting cycle**

Year of planting	Planting cycle (1st, 2nd, 3rd, etc. Generation)	Mature / Immature	Planted area (ha)	Percentage of planted area (%)
E00789	2nd	Mature	32.30	0.88
E00790	2nd	Mature	67.03	1.82
E00791	2nd	Mature	79.62	2.16
E00796	2nd	Mature	116.98	3.18
E00700	2nd	Mature	102.41	2.78
E00701	2nd	Mature	75.81	2.06
E00705	2nd	Mature	62.80	1.71
E00707	2nd	Mature	65.84	1.79
E00707A	2nd	Mature	82.76	2.25
E00707B	2nd	Mature	62.54	1.70
E00707C	2nd	Mature	71.29	1.94
E0071989	2nd	Mature	77.54	2.11
E0071989A	2nd	Mature	84.10	2.29
E0071991	2nd	Mature	84.10	2.29
E0071991A	2nd	Mature	106.10	2.88
E0071991B	2nd	Mature	49.69	1.35
E0071992	2nd	Mature	61.21	1.66
E0071992A	2nd	Mature	60.54	1.65
E0071992B	2nd	Mature	69.61	1.89
E0071993A	2nd	Mature	115.59	3.14
E0071995	2nd	Mature	80.66	2.19
E0071995A	2nd	Mature	89.95	2.44
E0071995B	2nd	Mature	46.65	1.27
E0071995C	2nd	Mature	56.87	1.55
E0071995D	2nd	Mature	57.27	1.56
E0071995E	2nd	Mature	79.14	2.15
E0071996	2nd	Mature	69.53	1.89
E0071996A	2nd	Mature	66.96	1.82
E0071996B	2nd	Mature	75.95	2.06

E0071996C	2nd	Mature	49.09	1.33
E0071996D	2nd	Mature	74.07	2.01
E0071996E	2nd	Mature	56.07	1.52
E0071997A	2nd	Mature	97.35	2.65
E0071997B	2nd	Mature	71.75	1.95
E0071998A	2nd	Mature	104.58	2.84
E0071998B	2nd	Mature	39.53	1.07
E0072004	2nd	Mature	61.73	1.68
E0072004A	2nd	Mature	94.26	2.56
E0072004B	2nd	Mature	66.38	1.80
E0072005	2nd	Mature	53.54	1.46
E0072005A	2nd	Mature	55.55	1.51
E0072005B	2nd	Mature	88.67	2.41
E0072007	2nd	Mature	77.03	2.09
E0072007A	2nd	Mature	103.19	2.80
E00708	2nd	Mature	81.59	2.22
E0072009	2nd	Immature	145.84	3.96
E0072009A	2nd	Immature	54.91	1.49
E0072009B	2nd	Immature	65.35	1.78
E0072009C	2nd	Immature	88.24	2.40
Total			3679.56	100.00

Table 7: Percentage of planted area in Sabrang Estate by age and planting cycle

Year of planting	Planting cycle (1st, 2nd, 3rd, etc. Generation)	Mature / Immature	Planted area (ha)	Percentage of planted area (%)
1996A	2nd	Mature	133.47	3.58
1996B	2nd	Mature	87.53	2.35
1996C	2nd	Mature	92.33	2.48
1997A	2nd	Mature	82.64	2.22
1997B	2nd	Mature	80.90	2.17
1998A	2nd	Mature	48.73	1.31
1998B	2nd	Mature	137.89	3.70
2000A	2nd	Mature	92.74	2.49
2000A1	2nd	Mature	73.51	1.97
2000A2	2nd	Mature	62.31	1.67
2000B	2nd	Mature	55.77	1.50
2001A	2nd	Mature	74.18	1.99
2001A1	2nd	Mature	66.42	1.78
2001A2	2nd	Mature	61.57	1.65
2001A3	2nd	Mature	70.34	1.89
2002A	2nd	Mature	85.12	2.29
2002A1	2nd	Mature	96.23	2.58
2002A2	2nd	Mature	42.41	1.14
2003	2nd	Mature	100.18	2.69
2006A	3rd	Mature	51.33	1.38

2008	3rd	Mature	134.14	3.60
2010A	3rd	Immature	86.52	2.32
2010B	3rd	Immature	98.45	2.64
2011A	3rd	Immature	24.88	0.67
1991	2nd	Mature	96.29	2.59
1992	2nd	Mature	113.00	3.03
1992A	2nd	Mature	61.55	1.65
1993A	2nd	Mature	106.71	2.87
1993B	2nd	Mature	127.53	3.42
1993B1	2nd	Mature	86.35	2.32
1995A	2nd	Mature	117.89	3.17
1995B	2nd	Mature	148.16	3.98
1996D	2nd	Mature	116.90	3.14
2000C	2nd	Mature	104.40	2.80
2001B	2nd	Mature	97.43	2.62
2002B	2nd	Mature	100.89	2.71
2002B1	2nd	Mature	93.24	2.50
2005	3rd	Mature	121.31	3.26
2006B	3rd	Mature	134.43	3.61
2010C	3rd	Immature	85.11	2.29
2011B	3rd	Immature	73.23	1.97
Total			3724.01	100.00

Table 8: Percentage of planted area in Sungai Wangi by age and planting cycle

Year of planting	Planting cycle (1st, 2nd, 3rd, etc. Generation)	Mature / Immature	Planted area (ha)	Percentage of planted area (%)
1985	1st	Mature	90.71	5.91
1990	1st	Mature	132.48	8.64
1991	1st	Mature	34.08	2.22
1993	1st	Mature	24.03	1.57
1993	1st	Mature	68.87	4.49
1997	1st	Mature	351.72	22.93
1999	1st	Mature	148.63	9.69
1999	1st	Mature	87.47	5.70
1999	1st	Mature	113.79	7.42
1999	1st	Mature	149.57	9.75
2000	1st	Mature	151.46	9.87
2000	1st	Mature	134.57	8.77
2004	1st	Mature	18.83	1.23
2006	1st	Mature	27.94	1.82
Total			1534.15	100.00



**Table 9: Percentage of planted area in Sogomana Estate by age and planting cycle**

Year of planting	Planting cycle (1st, 2nd, 3rd, etc. Generation)	Mature / Immature	Planted area (ha)	Percentage of planted area (%)
1985	1st	Mature	39.77	3.73
1987	1st	Mature	6.83	0.64
1992	1st	Mature	89.05	8.36
1993	1st	Mature	35.82	3.36
1993	1st	Mature	65.83	6.18
1993	1st	Mature	74.16	6.96
1997	1st	Mature	104.23	9.78
1998	1st	Mature	61.20	5.74
1998	1st	Mature	55.34	5.19
1998	1st	Mature	61.04	5.73
1998	1st	Mature	50.06	4.70
1999	1st	Mature	54.85	5.15
1999	1st	Mature	26.25	2.46
1999	1st	Mature	32.58	3.06
1999	1st	Mature	28.80	2.70
1999	1st	Mature	79.10	7.42
1999	1st	Mature	124.29	11.66
1999	1st	Mature	76.46	7.17
Total			1065.66	100.00

### **1.7 Time Bound Plan for Other Management Units**

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

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

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

SDPSB has no explicit contract agreement with smallholders / smallgrowers on trading solely to them. Hence, there is no established plan for the supply base other than SDPSB owned estates to be in conformance with RSPO requirements. Subsequently, the

CPO that produced from the smallholders crop needs to be excluded through Mass Balance calculation.

## 1.9 Organizational Information/Contact Person

The details of the contact persons for SOU 05 are as shown below:

Chairman of **SOU 05**:

Name: Tan Jin Swee

Designation: General Manager, Perak South Zone

Address: Perak South Zone Office, c/o Ladang Sungai Wangi, 32000 Sitiawan, Perak Darul Ridzuan

Phone #: 05-6221477

Fax #: 05- 6222434

e-mail: tan.jin.swee@simedarby.com

## 2.0 Assessment Process

### 2.1 Certification Body

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

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

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

### 2.2 Qualification of Lead Assessor and Assessment Team

The assessment team consisted of four assessors. The details of the assessors and their qualification are detailed below:

Assessment Team	Role/Area of RSPO Requirement	Qualification and Experience
Valence Shem	Assessor / Good Agricultural Practices (GAP) and environmental issues	<ul style="list-style-type: none"><li>• Experience in Oil Palm Plantation management</li><li>• Successfully completed IEMA accredited Lead Assessor training for ISO 14001: 2004</li><li>• B.Tech. (Hons) Industrial Technology</li></ul>

		<ul style="list-style-type: none"> <li>• Successfully completed and passed the RSPO Lead Assessor Course – 2011.</li> </ul>
Ruzita Abd Gani	Assessor / Occupational health & safety and environmental issues at mill	<ul style="list-style-type: none"> <li>• Experience in Oil Palm Milling</li> <li>• Successfully completed RSPO Lead Assessor Course - 2008</li> <li>• Successfully completed IRCA accredited Lead Assessor training for OHSAS 18001 in 2005</li> <li>• Successfully completed IRCA accredited Lead Assessor training for ISO 9001 in 2004.</li> <li>• Successfully completed EARA accredited Lead Assessor training for ISO 14001 in 2002</li> <li>• B. Sc (Hons). Chemical Engineering</li> </ul>
Dr. Rusli Mohd	Assessor / workers & community issues and related legal issues	<ul style="list-style-type: none"> <li>• Reviewed FSC Forest Management certification reports</li> <li>• Prepared Consultancy Reports on SIA for WWF, KPKKT and PESAMA</li> <li>• Taught Industrial Relations and International Forestry.</li> <li>• Research on forest certification</li> <li>• Ph.D. (Major: Forest Policy); Minor: Public Administration, North Carolina State Univ.</li> <li>• M.Phil. (Forest Policy) Univ. of Edinburgh</li> <li>• B.S.(For) UPM</li> <li>• Attended RSPO Training</li> </ul>
Khairul Najwan Ahmad Jahari		<ul style="list-style-type: none"> <li>• Experience related to forest management, inventory, surveying, HCVF and logging operation.</li> <li>• Successfully completed accredited Lead Assessor training for ISO 14001: 2004, ISO 9001:2008 and OHS 18001:2000</li> <li>• Successfully completed RSPO Lead Assessor Course – 2011.</li> <li>• B. Sc of Forestry (Forest Management)</li> </ul>

### 2.3 Assessment Methodology

The surveillance assessment was guided by the sampling formula of  $0.8 \sqrt{y}$ . hence, only three estates were assessed namely Sri Intan, Sabrang and Sogomana in addition to Sri Intan Oil Mill itself.

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

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

The assessment programme is in Attachment 2.

## 2.4 Date of Next Surveillance Visit

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

## 3.0 Assessment Findings

### 3.1 Introduction

The assessment was conducted as planned using the methodology described in Section 2.3. Findings against each of the RSPO MY-NI indicators are reported below. It was noted that SOU 05 was guided by their Estate/Mill Quality Management System documents for their operations. These documentation were inspired by the ISO 9001, ISO 14001 and OHSAS 18001 requirements.

A total of **two** non-conformity reports against RSPO MYNI: 2008 requirements were raised as shown in Attachment 3. SOU 05 has taken necessary corrective actions in order to close all the non-conformities raised.

The previous year non-conformities have also been satisfactorily closed following verification of the implemented corrective actions. The assessment team examined all the action plans and found them to be adequate. SDPSB showed their commitment to address the non-conformities by establishing action plans as detailed in Attachment 4.

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

### **Criterion 1.1**

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

### **Indicator 1.1.1**

Records of requests and responses must be maintained.

Major compliance

### **Guidance :**

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

## **Audit findings**

SOU 05 was still continuing to implement the procedure for responding to any communication as outlined in their Estate/Mill Quality Management System documents. The system required response to all communication within a certain time frame. Action may then be taken to fulfil the request or for decision to be made by relevant person-in-charge. All communications were logged and registered.

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

### **Criterion 1.2**

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

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

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

**Guidance:**

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

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

### **Audit findings**

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

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

Among the documents that were made available for viewing are:

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

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

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

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

To the point of this assessment, SOU 05 has not received any request pertaining Criterion 1.2.

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

### **Criterion 2.1**

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

#### **Indicator 2.1.1**

Evidence of compliance with legal requirement

Major compliance

#### **Indicator 2.1.2**

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

Minor compliance

#### **Indicator 2.1.3**

A mechanism for ensuring that they are implemented.

Minor compliance

#### **Indicator 2.1.4**

A system for tracking any changes in the law.

Minor compliance

## **Audit findings**

SOU 05 has a documented system for identifying, accessing and updating the legal requirements and to monitor the status of legal compliance. SDSPB had ensured all applicable legal requirements pertaining to RSPO are established, implemented and maintained.

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

The laws affecting the oil palm industry are listed and made available to SOU 05. Among the identified legal requirements are Factories and Machinery Act and Regulations 1967, Occupational Safety and Health Act and Regulations 1994, Worker' Minimum Standards of Housing and Amenities Act 1990, Environmental Quality Act and Regulations 1974, and Pesticide Act 1974. There was evidence of compliance with the law in areas assessed except as raised in the five non-conformity reports. The evaluation of legal compliance was done by Environmental Safety and Health Coordinator. Nonetheless, some of the applicable legal requirements such as MPOB Act, Weights and Measures Act 1972 and Control of Supplies Act to name a few have yet to be registered .

During the on-site assessment, all SOU 05 commitments towards maintaining compliance with legal requirements were evident. Examples are Certificate of Equipment, Chemical Packaging and Labelling, Chemical Health Risk Assessment, Environmental, Safety & Health Committee Meeting, Noise Mapping, Audiometric test, reporting of Accidents in accordance to NADOOPOD Regulations 2004. Approval letters were sighted for relevant operations. Mill visits, field trips and monitoring records showed that effluent discharges, boiler smoke emission, scheduled waste and chemical management were within the legal specification. Machine written approval was found still valid and well maintained.

Despite their commitment to compliance there were still lapses. One non-conformity raised to SOU 05, that is, no training has been conducted to the person in-charge of handling scheduled waste at Sogomana Estate (Main Division), Sabrang Estate and Sri Intan Estate.

**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**

The SOU 05 has evidence of legal ownership. There is no change of ownership was noted. Copies of land titles for the estates were sighted and it was evident that the terms of land title were being complied with except for Sogomana estate. SOU is in the midst of resolving the outstanding matter with Land Office. Relevant document were verified by the auditors.

During the site assessment in Sabrang Estate, Sogomana Estate and Sri Intan Estate, it was noted that all the estates have managed to locate a few of the boundary stones adjacent to the forest reserves, state land and small holdings.

**Criterion 2.3**

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

**Indicator 2.3.1**

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

Major compliance

**Indicator 2.3.2**

Map of appropriate scale showing extent of claims under dispute.

Major compliance

**Indicator 2.3.3**

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

Minor compliance

**Guidance:**

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

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

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

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

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

**Audit findings**

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

**PRINCIPLE 3: COMMITMENT TO LONG-TERM ECONOMIC AND FINANCIAL VIABILITY****Criterion 3.1**

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

**Indicator 3.1.1**

Annual budget with a minimum 2 years of projection

Major compliance

**Specific Guidance:**

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

**Indicator 3.1.2**

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

Minor compliance

**Audit findings**

The budget documents for their Financial Years 2010/2011 and 2011/2012 are available. Financial year is from current year July to following year June. Besides the normal type of operating budgets allocated for the oil palm mills and plantations (that is, FFB yield/ha, OER, CPO yield/ha and unit cost of production), the budget continues to include allocation for welfare and social services.

The replanting programme for the next ten years had been prepared as sighted in the 'Replanting programme 2011 to 2021. This programme is reviewed once a year and is incorporated in their annual financial budget. The programme was being implemented as scheduled.

**PRINCIPLE 4: USE OF APPROPRIATE BEST PRACTICES BY GROWERS AND MILLERS****Criterion 4.1**

Operating procedures are appropriately documented and consistently implemented and monitored.



**Indicator 4.1.1**

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

**Indicator 4.1.2**

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

**Audit findings**

SOU 05 continued to adopt a comprehensive SOP for all its estate and mill practices. Operation activities in the estates and the mills include from seedlings in nursery to planting of young palms and plantation upkeep to mill despatch of CPO, PK and PKO that are guided by the standard operating procedures (SOP). They are established as part of the Estate/Mill Quality Management System documents. For the estates, on top of the Estate Quality Management System, technical guidelines as listed in the Agricultural Reference Manual are also used.

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

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

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

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

At the mill, among the records verified were boiler chemical usage, boiler smoke emission, effluent treatment plant discharge, steam turbine running hours and its maintenance schedule.

**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 05 continued to monitor their fertilizer inputs as recommended by Sime Darby's upstream research and development unit which is located at Carey Island, Selangor. The

recommendation was made on annual basis as sighted in the Agronomic & Fertilizers Recommendation Reports – Oil Palm 2011/2012.

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

EFB mulching was recommended by the R&D unit at an application rate of 35 mt/Ha in selected fields and to be applied at the palm inter-rows. During the field visit, the assessor has noted that the estates have applied the EFB mulching as recommended and progress was adequately recorded. There also has been no evidence of open burning in SOU 05.

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

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

Minor compliance

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

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

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

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

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

Minor compliance

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

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

Minor compliance

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

Minor compliance

**Specific Guidance:**

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

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

Minor compliance

**Guidance:**

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

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

## **Audit findings**

SOU 05 is committed to minimize soil erosion. In general, the soil and water conservation practices include constructing and maintaining terraces (terrace planting) on hilly to steep terrains, L-shaped frond stacking and contour stacking of the pruned fronds were clearly advocated in line with the SOP and other biomass retention in the field were consistently implemented.

SOU 05 continued to practice only circle and path spraying for field maintenance in the mature areas as stipulated in their SOP. Other efforts noted was the planting of Vertiver grass at the areas that are prone to erosion. For replanting areas, the company continued to plant and maintain cover crops. Generation of non-competitive ground covers especially *Nephrolepis bisserata* and soft grasses have significantly minimized the occurrence of bare ground, soil erosion and surface runoff.

During the field visit, SOU 05 had satisfactory road condition and accessibility were made possible by regular maintenance guided by its road maintenance programmes which consist of road resurfacing, grading & compacting and culvert maintenance. The financial support for this operation could be seen in the annual budget. Records of this activity are adequately maintained.

Silt pits at estates visited were seen strategically located along the road to collect diverted road runoff to further minimize road rutting. No peat soils were found during the field visit.

Generally, SOU 05 have complied with the requirement of conserving areas with more than 25<sup>0</sup> slope gradients to minimise soil erosion and degradation. Consultation with managers indicated that they were fully aware of the requirements to conserve such areas. Inspection indicated that the sites are not adversely disturbed.

**Criterion 4.4**

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

**Indicator 4.4.1**

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

Major compliance

**Specific Guidance:**

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

**Indicator 4.4.2**

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

Major compliance

**Indicator 4.4.3**

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

Major compliance

**Indicator 4.4.4**

Monitoring rainfall data for proper water management

Minor compliance

**Indicator 4.4.5**

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

Minor compliance

**Specific Guidance:**

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

**Indicator 4.4.6**

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

Minor compliance

**Indicator 4.4.7**

Evidence of water management plans.

Minor compliance

**Audit findings**

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

During the site review at Sabrang, Sogomana and Seri Intan Estate, it was found that signboards were erected at all the identified buffer zone rivers. At the replanting areas, the identified buffer zones were excluded from being developed. Interviews with the workers revealed that they understand the requirement of keeping the riparian zones free from any agricultural activities.

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

Outgoing water into natural waterways from Seri Intan Oil Mill was mainly from rain water. It was observed that the process water was channelled into effluent treatment plant. Guided by their SOP, Seri Intan Oil Mill has conducted its monitoring of effluent discharge quality periodically according to the Environmental Quality Act. The sampling point was well marked and mapped out. The water analysis reports were shown to the assessor for verification. Among the parameters tested in the analysis were BOD, Total Solids, Suspended Solids, Oil and Grease, Ammoniacal Nitrogen.

The data of rain fall and rain days have been well maintained over the past ten years. Monitoring of water consumption by all the mill is also being carried out. Records on water usage (tonnage water use / tonne FFB processed) were sighted.

SOU 05 had developed water management plans. The plans consist of data on demand and supply of water for mills and line site consumption as well as for the estates/fields. Among items in the plans are:

- Action to reduce treated water usage at the mills,
- Intensification of coordination and communication activities to promote effective consumption goals,
- Contingency plan for water shortage.

**Criterion 4.5**

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

**Indicator 4.5.1**

Documented IPM system.

Minor compliance

**Indicator 4.5.2**

Monitoring extent of IPM implementation for major pests.

Minor compliance

**Specific Guidance:**

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

**Indicator 4.5.3**

Recording areas where pesticides have been used.  
Minor compliance

**Indicator 4.5.4**

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

## **Audit findings**

SOU 05 maintained the documented IPM techniques as shown in SOP/Section B13/Pest & diseases and ARM/Section B15/Plant Protection. Usage of pesticides was justified and monitored. Information on the quantity of pesticides and areas applied were documented and used to monitor in relations to FFB produced or land area.

Beneficial plants from the four major species namely *Tunera subulata*, *Cassia cobanensis*, *Antigonon leptopus* and *Euphorbiacae sp.* were continued to be planted in SOU 05 to maintain low population of leaf eating caterpillars, hence reduces the need to use chemical treatment.

*Ganoderma* census was continuously done in SOU 05 and infected palms have been identified. The disease was mitigated by excavating the infected soil during replanting and exposing it to sunlight. This is in accordance with their Agricultural Reference Manual.

Records showing the agrochemicals active ingredient (ai) used per hectare and per metric tonne basis were seen in SOU 05. Likewise, records of location where pesticides have been used were also available.

**Criterion 4.6**

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

**Indicator 4.6.1**

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

**Indicator 4.6.2**

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

**Specific Guidance:**

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

**Indicator 4.6.3**

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

**Specific guidance:**

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

**Indicator 4.6.4**

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

**Indicator 4.6.5**

Annual medical surveillance as per CHRA for plantation pesticide operators.

Major compliance

**Indicator 4.6.6**

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

Major compliance

**Indicator 4.6.7**

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

Minor compliance

**Indicator 4.6.8**

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

Major compliance

**Indicator 4.6.9**

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

Minor compliance

**Indicator 4.6.10**

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

Minor compliance

## **Audit findings**

SOU 05 continued to use the chemicals that are registered under the Pesticide Act 1974, Chemicals listed in the World Health Organization Type 1A or 1B or Stockholm or Rotterdam Convention.

Usage and method of agro-chemicals applications (pesticides and herbicides) were justified and stipulated in the ARM and SOP as well as in Safety Pictorial procedure. No illegal agrochemicals (stated by local and international laws) in particular paraquat were used or found in SOU 05. Paraquat was totally replaced by a systemic herbicide, glufosinate ammonium.

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

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

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

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

Updated records to show agrochemicals purchase, storage and consumption are available in SOU 05. In order to avoid human exposure to concentrates chemicals, pre-mixing was practiced. MSDS were adequate for each agrochemical at the estate stores.

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

Aerial application of agrochemicals is not practiced.

SOU 05 mills have carried out the chemical residue test although till today no request from their CPO buyer.

**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 05 had adopted SDPSB's Occupational Safety and Health Policy, plan and programme. The SDPSB Safety and Health Policy were seen displayed prominently in Bahasa Malaysia and English on notice boards at mill and estate office and Muster Ground. Random interviewed with employees showed that they generally understood the basic requirements of the policy, i.e. to work safely, comply with legal requirements, follow established procedures and instructions from boss.

The plan had been documented, communicated and implemented to all levels of the organization. Based on the risk assessment, SOU 05 had identified and reviewed significant hazards and risks and determined appropriate risk control measures. The hazard identification, risk assessment and risk control (HIRARC) records, as well as CHRA records were verified during the assessment. At the estates, the HIRARC carried out covered activities like chemical

mixing and spraying, harvesting and FFB collection however the HIRARC can be improved to include trunk injection activities. As for the mill, among the identified activities were FFB sterilization, kernel and oil extraction as well as maintenance activities.

Field inspection and observation of spraying tasks confirmed chemicals being applied were in accordance with the product safety precautions. CSDS were available at point of use – example, at mill: water treatment plant, boiler chemical dosing area; at the estate: chemical store and chemical mixing area. The pesticides used were registered under the Pesticides Act 1974 and in accordance to USECHH Regulations (2000). At mill and estate CHRA and Health Surveillance were conducted accordingly.

In the estate, it was noted that clean water was provided and transported to the field for use by the sprayer team for washing their hands before consuming any food during mid-morning work break or rest.

Appropriate personal protective equipment (PPE) were given to employees of SOU 05 and they were seen to be wearing them including face masks, goggles, nitrile gloves, apron, Wellington boot and hard hat to estate workers to cover all potentially hazardous operations such as pesticide application and FFB harvesting. At the mill the employees were provided and they were seen donned hard hat, safety shoes, gloves, ear plugs, safety glass, goggles and apron. PPE issuance record was sighted and found acceptable for frequency of PPE replacement.

At the estate and mill, the Managers are responsible for all matters related to OSH as they have the direct control over their assets.

SOU 05 had established OSH Committee and continued to use the same Committee to facilitate their OSH implementation plan. Roles and responsibility of each member, including worker's representative, were clearly defined and the committee meetings were held on a quarterly basis. Meeting minutes were available on file and detailed the discussions that include accident cases, workplace inspections, relevant training required for workers, health monitoring results and areas for improvement.

SOU 05 continued to maintain the existing facilities for various types of emergencies that had been identified. At the mill, an 'Emergency Room' equipped with basic facilities (i.e. stretcher, First Aid kit, emergency eye wash and shower station) were provided. They also continued to use the already documented Accident and Emergency procedures that include steps required to response for a range of potential emergencies. Site Plan and Emergency Callout list of Contacts was reviewed annually and updated.

Workers trained in First Aid were present in both the field and mill operations, including on every shift. Interviews with First Aiders found that they were aware of their duties and responsibility. First Aid boxes were provided and maintained at several locations in the mill's and estates' office, stores and workshop. At the estate, each mandore had been seen provided with the First Aid box to take with them when on duty in the field. First Aid kits were also made available at Laboratory and Boiler Control Room.

OHS training for staff and workers had been conducted as per the OSH plan and programmes developed by the SHO, and the training records were being kept by mill and estates. Among the training provided were safe operating procedure, first-aid, proper handling of chemicals and the use of PPE.

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



SOU 05 had insured all its foreign workers in the mill and the estates via Worker's Compensation Accident Scheme via a recognized insurance underwriter. The local employees are covered by SOCSO.

**Criteria 4.8**

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

**Indicator 4.8.1**

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

Major compliance

### **Audit findings**

SOU 05 had established their training needs and programmes for the year 2011/12. Generally the training programme covers the major training identified such as RSPO awareness, Safety & Health awareness, First Aid, Fire Fighting and the implementation of SOPs.

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

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

**Criterion 5.1**

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

**Indicator 5.1.1**

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

Major compliance

**Indicator 5.1.2**

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

Minor compliance

### **Audit findings**

SOU 05 had developed its environmental aspects/impacts register associated with their activities. The assessor found that most of the activities were identified and evaluated accordingly.

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

Interview with the PIC for reviewing and updating the aspect and impact assessment revealed

that further enhancement is still needed.

**Criterion 5.2**

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

**Indicator 5.2.1**

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

Major compliance

**Indicator 5.2.2**

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

Major compliance

**Indicator 5.2.3**

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

Minor compliance

**Audit findings**

The SOU 05 had complied information about the status of High Conservation Value (HCV) within and adjacent to their estates. The HCV assessment report "An Assessment of the Biodiversity of Sime Plantations Lower Perak Estate (BU2), Conservation Values & Recommendations", prepared by Wild Asia completed in 1<sup>st</sup> May 2007, had assessed HCV assessment for Sogomana Estate has been conducted by RSPO unit, Sime Darby on December 2008. The HCV assessment had identified protected, rare, threatened or endangered species.

The biodiversity action plan was considered as management plan has developed based on the assessment finding and consultation with related stakeholders. The action plan contained of information represented in tabular format with general descriptions of HCV, action steps and monitoring activities. However the certain stakeholders was not consulted during the assessment.

**Criterion 5.3**

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

**Indicator 5.3.1**

Documented identification of all waste products and sources of pollution.

Major compliance

**Indicator 5.3.2**

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

Minor compliance

**Specific Guidance:**

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

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

**Indicator 5.3.3**

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

Minor compliance

## **Audit findings**

The SOU has identified the wastes generated from their operations. Among the wastes identified were biomass from the mill, general wastes from line site and scheduled wastes.

Waste management plan and SOP for the disposal of the identified wastes was sighted in the SOU. For example, EFB was sent to the field for mulching while fibre is used as fuel for boiler. General waste is appropriately managed by landfilling at designated disposal area within the plantation. The landfill areas were located far from housing and waterways.

While sources of pollution such as mill effluent, smoke from boiler operation and scheduled waste from maintenance activities. An operational control procedure was established and monitoring activities was carried as per schedule to ensure all wastes and pollutants do not give rise to significant impact to the environment.

Recycling of palm biomass generated from the milling activities was fully exploited by the SOU 05. It was observed biomass such as excess fibre, shell and EFB were recycle where excess fibre and shell were used as fuel in the boiler and EFB were sent to estate for mulching.

Nonetheless, enhancement needed in all the estates in handling the scheduled waste especially in complying the legal requirements. Non-conformity has been raised against this issue under Indicator 2.1.1.

### **Criterion 5.4**

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

#### **Indicator 5.4.1**

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

Minor compliance

#### **Indicator 5.4.2**

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

Minor compliance

## **Audit findings**

SOU 05 continued to use renewable energy in the mill. Fibre and shell are used to power the boiler and generate steam for the process as well as electricity for the mill complex and labour line.

Records of monitoring for both renewable energy and fossil fuel are available as per the requirement of the indicator. Besides that, diesel reduction programme has been initiated and monitored as part of their environmental management program.

### **Criterion 5.5**

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

#### **Indicator 5.5.1**

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

Major compliance

#### **Indicator 5.5.2**

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

Minor compliance

**Specific Guidance:**

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

**Indicator 5.5.3**

No evidence of burning waste (including domestic waste).

Minor compliance

### **Audit findings**

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

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

**Criterion 5.6**

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

**Indicator 5.6.1**

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

Major compliance

**Indicator 5.6.2**

Plans are reviewed annually.

Minor compliance

**Specific Guidance:**

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

### **Audit findings**

SOU 05 has established and maintained their plans to reduce pollution. These plans are translated into SOP in their Estate/Mill Quality management System and Sime Darby Plantation - Sustainable Plantation Management System or environmental management program.

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

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

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

**Criterion 6.1**

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

**Indicator 6.1.1**

A documented social impact assessment including records of meetings.

Major compliance

**Specific Guidance:**

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

**Indicator 6.1.2**

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

Minor compliance

**Specific Guidance:**

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

**Indicator 6.1.3**

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

Minor compliance

**Guidance:**

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

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

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

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

## **Audit findings**

A report entitled "Baseline SIA Perak Zone SOU 5" was completed on December 2008. The authors of the report invited relevant stakeholder groups including estate workers and representatives of local communities to participate in the SIA exercise. The various stakeholders identified issues to be addressed and, subsequently, an action plan was formulated to manage those issues. The report, however, provided information on the socio-economic profiles of the stakeholders, particularly the local communities. Only the estate profiles were given. The action plan presented issues to be addressed by the respective estates and each of the estates was required to prepare their own action plans to manage those issues within a stipulated time frame. The estate's action plan is revised annually

It was found that the SIA report prepared for SOU 05 did not include relevant stakeholders of Seri Intan Mill. As a result, no social issues were initially identified for action by the Mill and, subsequently, no mitigation plan was recommended as required by the standard. The background information in the report (p.4), survey sample of SIA (p.7), issues identified and social management plan did not include or mention Seri Intan Mill at all.

Seri Intan Mill, however, prepared an action plan for the year 2011/12. The background of this action plan, however, was not available.

Due to this omission, a minor NCR was raised for indicator 6.1.2.

While the current format of the SIA report is adequate, its contents can be improved by:

- i. incorporating socio-economic information of the local communities as well as presenting more comprehensively issues faced by them.
- ii. refining the technique of data collection so that the local communities would be at ease to voice their concerns. During this audit, local community leaders mentioned a variety of issues not covered in the report, for examples, use of roads, cattle rearing in the estates, theft of oil palms fruits, and estates contributions to local community. These issues have surfaced earlier but not captured in the SIA exercise.

The action plans of the estates often lack information on the timing of the projects. Only the Seri Intan Mill has the action plan for 2012.

It is strongly recommended that during the revision of the SIA, a more refined survey technique is employed so as to ensure that more diverse issues be captured and subsequently effectively managed. The action plans would also need to be more complete. In addition, the plans must be up-to-date (**observation**).

**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**

In response to Indicator 6.2.1, external communication procedures have been established and documented in the Sime Darby Estate Quality Manual and followed by all the estates.

Interviews with the estates' management personnel and local communities revealed that consultations with relevant stakeholders, for examples, with local communities are done on issue basis. It is recommended that such consultations be made on regular basis for the benefits of both parties. The local community leaders who were interviewed at Sabrang and Sogomana Estates agreed that regular consultations with the estates could help to clarify certain issues of interest to both parties.

The estates do maintain records of consultation with external parties, for examples, with government agencies and suppliers. A list of stakeholders comprising vendors, contractors, NGOs, local communities, is kept in every estate. For example, the total number of stakeholders for Sabrang Estate in 2011 was 42.

As indicated in the Sime Darby Plantation Quality Management System (Procedure for External Communication) the Estate Manager is the nominated person to handle communication and consultation issues. However, the Assistant Mill Manager on a rotation basis, is the nominated person for the Seri Intan Mill.

On the topic of communication, the estates may like to refine their techniques particularly in dealing with the foreign workers as it was found that these workers still do not understand the information communicated to them, for example, in the case of the RM 200 incentive

**Criterion 6.3**

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

**Indicator 6.3.1**

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

**Specific Guidance:**

Records are to be kept for 3 years.

**Indicator 6.3.2**

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

**Indicator 6.3.3**

The system is open to any affected parties.  
Minor compliance

**Guidance:**

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

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

**Audit findings**

The estates use the procedures documented in the Sime Darby Plantation Quality Management System (Procedures for Handling Social Issues and Procedures for Handling Boundaries Disputes) to handle disputes arising from social, boundary and workers issues. In addition, the Industrial Relations Act, 1967 does provide for mechanisms for resolving disputes between employers and their employees. Workers complaints are usually filed in Complaint Books which will later be taken up by the state administration for action. These complaints usually pertain to housing matters, such as repairs and improvements.

Complaints pertaining to works are channeled through the union to the assistant managers. If the complaints are not solved, then these will be taken up with the manager.

Interviews with the estate management reveal that there has been no dispute with outside parties or with workers during the past years and, therefore, no records are available to judge whether or not the system resolved disputes in an effective, timely and appropriate manner.

**Criterion 6.4**

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

**Indicators 6.4.1**

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

Major compliance

**Indicator 6.4.2**

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

Minor compliance

**Indicator 6.4.3**

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

Minor compliance

Specific Guidance:

This criterion should be considered in conjunction with Criterion 2.3.

**Audit findings**

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

**Criterion 6.5**

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

**Indicator 6.5.1**

Documentation of pay and conditions.

Major compliance

**Indicator 6.5.2**

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

Minor compliance

**Indicator 6.5.3**

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

Minor compliance

**Guidance:**

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

**Audit findings**



The pay and conditions of work are spelled out in the Collective Agreement (CA) between Malaysian Agriculture Producers Association (MAPA) and National Union of Plantation Workers (NUPW). The CA for harvesters has been concluded in 2010 while for the general worker was concluded in 2011. In addition, the specific job specifications for an individual worker are spelled out in the appointment letters.

In all the estates, the CA has not been translated into Bahasa Malaysia or other languages understood by the workers, as required by Indicator 6.5.2. However, there is evidence that the estates have taken efforts to explain the terms of employment to the workers. According to union leaders interviewed, briefing on any matter, including on terms of work, are usually done during the morning briefing sessions or master. The union leaders also help to explain to the workers on matters related to employment once they receive the relevant information from the union executives at the state level.

Furthermore, the contract of employment for individual workers is in Bahasa Malaysia, a language understood by most workers.

It is strongly urged that the CA be translated into the language understood by the workers, for example, Bahasa Malaysia.

All the estates provide housing, water supply, medical, educational and basic amenities for the workers. Water is currently provided free of charge. There is a primary school and a clinic in almost every estate. House upgrading projects have either been approved (Seri Intan), are still ongoing or completed (Sogomana) in the estates.

**Criterion 6.6**

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

**Indicator 6.6.1**

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

**Indicator 6.6.2**

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

**Guidance:**

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

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

**Audit findings**

There is a trade union committee in all the estates each of which is affiliated to the State NUPW based in Ipoh. According to all the union leaders, this committee does meet informally but the minutes are seldom taken and filed.

Meetings are held between the estates' management and the union leaders and minutes are kept for every meeting. However, the meetings were not held regularly but rather on ad-hoc or issue basis (for examples, only three meetings were held in Seri Intan Estate since July 2009) . Meetings between the management and unions usually take place through the Safety and Health committee or Joint Consultative Committee (eg. Sogomana) Union leaders can raise issues on employment in this meeting.

There is a published statement on freedom of association in all the estates. This statement is based on the provisions of Employment Act, 1955 and Industrial Relations Act, 1967. It is usually posted on notice boards for workers to see.

**Criterion 6.7**

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

**Indicator 6.7.1**

Documented evidence that minimum age requirement is met.  
Major compliance

**Guidance:**

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

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

**Audit findings**

The latest Employee Master Listing kept in all the estates show that there is no child labour in all the estates. For example, the listing dated 09.02.12 for Seri Intan Estate shows none of the 388 workers is below 20 years old. Furthermore, interviews with workers and union leaders also reveal that no children work in the estates even during school holidays.

**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**

There is no evidence of discrimination based on race, gender or national origin or any other factors. Interviews with the union representatives and workers revealed that their pay and terms of work are based on the MAPA and NUPW agreement and not decided by the estates. A policy on non-discrimination is incorporated in the statement of Social Policy of Sime Darby and posted on notice boards in all estates.

**Criterion 6.9**

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

**Indicator 6.9.1**

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

Major compliance

**Indicator 6.9.2**

A specific grievance mechanism is established.

Major compliance

**Guidance:**

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

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

## **Audit findings**

Sime Darby Plantation has explicit policy statements on sexual harassment which provide guidance for the Estates to formulate their own activities. In addition, a Manual on the Implementation of Gender Policy has also been documented which incorporates, among others, the grievance procedures. Each of the estates in the SOU has a Gender Committee which plans appropriate social and educational programs and activities for their members. Interviews with the unions and workers reveal that there has been very rare incidence of sexual harassment in the estates. Meetings of Gender Committee are kept in all estates. However, it was observed that there have been little activities directed at gender related issues.

**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**

Interviews with suppliers at Sabrang and Seri Intan Estates and Mill reveal that these stakeholders were very satisfied with the estates. Most of the suppliers have been in business with the estates and mill for very long time . Business and service transactions between the SOUs and suppliers, particularly the more expensive ones, are bound by detail written contracts duly signed by both parties. It was mentioned that contracts were either issued by Sime Darby HQ or the Estate depending on the size of the contract. Whichever is the case, the contracts clearly spelled out the terms of the services, including the pricing mechanism (the case of FFB) and the payment system.

For example, the contract for harvesting between Sime and Pang Kok Ming in Sogomana Estate contains very detail information on the terms of delivery of FFB.

As required by the Indicator 6.10.2 the current and past FFB prices at Seri Intan Mill are posted on the notice board at the guard house.

### **Criterion 6.11**

Growers and millers contribute to local sustainable development wherever appropriate.

### **Indicator 6.11.1**

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

#### Guidance:

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

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

## **Audit Findings**

The estates have become important entities in the local communities providing support and contributing help in monetary and in kind forms to them. The schools in some estates are attended by children from neighbouring villages; their roads are used by the public; their grass cutting services are used by the schools and kampong folks, their financial contributions helped to run activities in schools and kampongs. Each of the estates has some programmes on social responsibility either for the workers or the surrounding communities. The community leaders of Sabrang Estate testified that they have received a lot of help and support from the estate in various forms, such as repairing damaged roads, transporting kampong folks during floods and grass cutting.

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

### Criterion 7.1

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

#### Indicators:

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

Major compliance

Specific Guidance:

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

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

Minor compliance

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

Minor compliance

Guidance:

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

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

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

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

### **Criterion 8.1**

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

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

#### **Indicator 8.1.1**

Minimize use of certain pesticides (C4.6)

Major compliance

#### **Indicator 8.1.2**

Environmental impacts (C5.1)

Major compliance

#### **Indicator 8.1.3**

Maximizing recycling and minimizing waste or by-products generation.

Major compliance

Specific Guidance

To work towards zero-waste (C5.3)

#### **Indicator 8.1.4**

Pollution prevention plans (5.6)

Major compliance

#### **Indicator 8.1.5**

Social impacts (C6.1)

Major compliance

#### **Indicator 8.1.6**

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

Minor compliance

**Guidance**

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

**Audit findings**

Generally, the SOU 05 has established continuous improvement plans for all the indicators. Most of the plans had been implemented through the requirement of their internal integrated management system. Among the improvement plans are practices to minimize chemical usage by substituting through the planting of cover crops in the immature fields rather than using herbicides for field upkeep; on the welfare of workers front, new housing and facilities are being constructed in phases as part of the company's commitment to provide better living conditions.

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

Details of the non-conformities, corrective actions taken by all assessed SOUs, and assessors' verification of the corrective actions taken are in Attachment 3. All nonconformities have been closed out.

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

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

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

SOU 05 had improvement made to their RSPO implementation. This can be seen from physical improvement of housing and related amenities condition, use of cover crops instead of herbicides, as well as chemical and wastes storage area including the changing room for the sprayers.

The workers housing are kept clean and conducive.

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

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

Among the stakeholder consulted during the surveillance assessment were:

- Workers from different group of tasks
- Management staff
- Union representative
- FFB supplier
- Local community
- Female worker representative
- Civil work contractor

Generally all stakeholder consulted give positive remarks that they have no issue on dealing/working with all the three SOUs assessed. They have seen some improvements on since the implementation of the RSPO Certification Scheme.

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

I, the undersigned, representing SOU 05 acknowledge and confirm the contents of the assessment report and findings of the assessment.

*Tan Jin Swee*

Date : 27/12/2012

\_\_\_\_\_  
Name : Tan Jin Swee

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

*Valence Shem*

Date : 27/12/2012

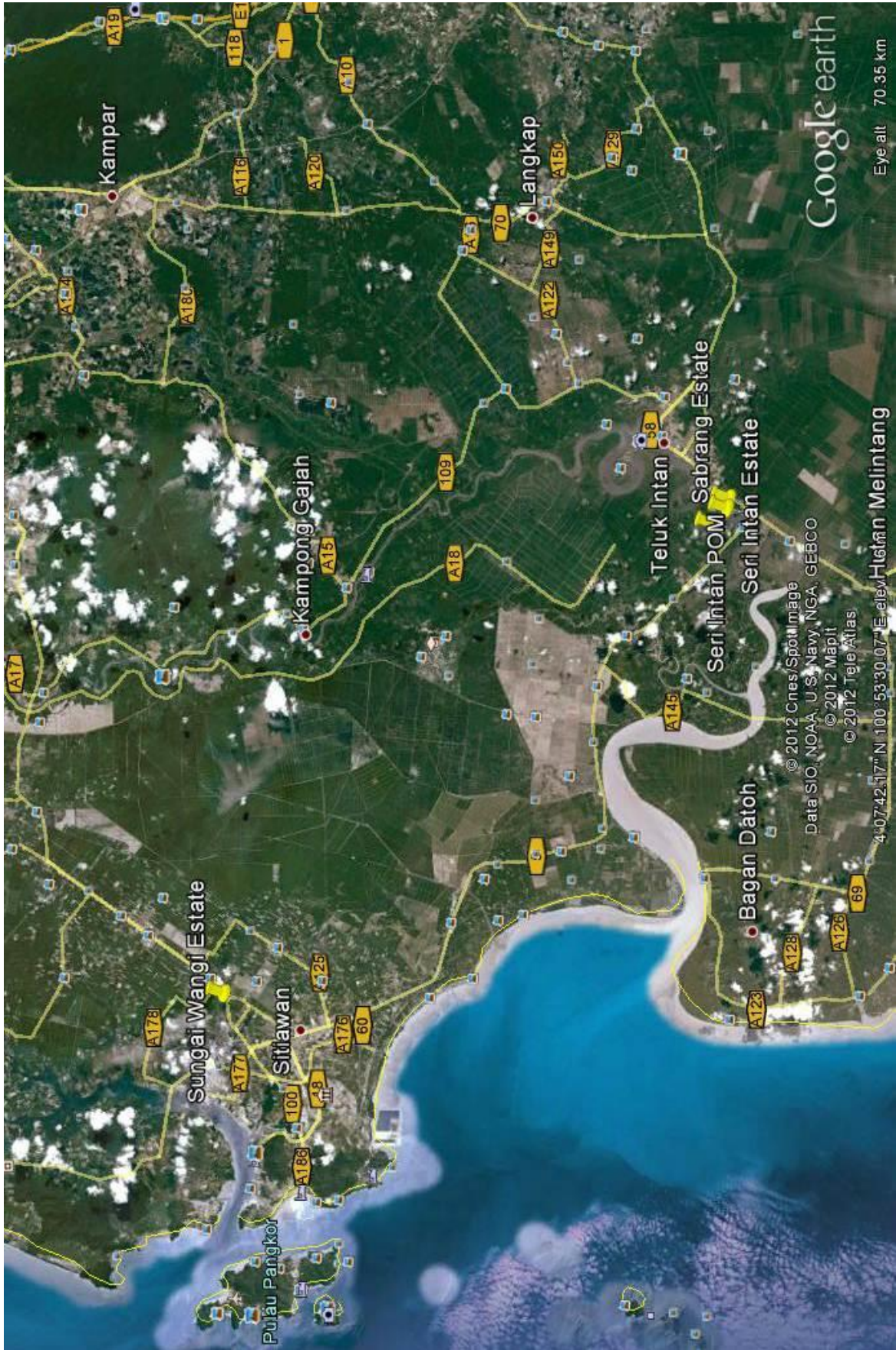
\_\_\_\_\_  
Name : VALENCE SHEM  
(Lead Assessor)

#### Recommendation

Based on the evidence gathered it can be concluded that **Sime Darby Plantation Sdn. Bhd. Sri Intan-SOU 05** continue to conform to the requirements of the RSPO MY-NI. All nonconformities including major nonconformities have been closed out through verification of corrective action records.

Therefore, the assessment team recommends **Sime Darby Plantation Sdn. Bhd. Sri Intan-SOU 05** to continue to be certified against RSPO MY-NI:.





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

The objectives of the assessment are as follows:

- (i) To determine Sime Darby Plantation Sdn. Bhd. (**SOU 05**) conformance against the RSPO Principles & Criteria Malaysian National Interpretation (MY-NI).
- (ii) To verify the effective implementation of corrective actions arising from the findings of last assessment.
- (iii) To make appropriate recommendations based on the assessment findings.

**2. Date of assessment** : 8<sup>th</sup> – 10<sup>th</sup> February 2012

**3. Site of assessment** : Sime Darby Plantation Sdn. Bhd.  
Seri Intan POM  
36009 Teluk Intan  
Perak Darul Ridzuan, Malaysia

**4. Reference Standard**

- a. RSPO P&C MY-NI
- b. RSPO Supply Chain Certification System (25 November 2011)
- c. RSPO Supply Chain Certification Standard (25 November 2011)
- d. Company's audit criteria including Company's Manual/Procedures

**5. \*Assessment Team**

- a. Lead Assessor : Valence Shem
- b. Assessors : Ruzita Abd. Gani  
Khairul Najwan B. Jahari  
Dr. Rusli Mohammad  
Mohamed Hidhir Zainal Abidin (Observer)

*\*If there is any objection to the proposed audit team, the organization is required to inform the Lead Assessor/ SIRIM's Food, Agriculture and Forestry Section Head.*

**7. Audit Witness:** None

**8. Audit Method**

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

**9. Confidentiality Requirements**

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

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

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

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

**Day one: 8<sup>th</sup> February 2012 (Wednesday)**

Activities /areas to be visited	Ruzita & Hidhir	Dr. Rusli	Najwan	Valence	Auditee
0930-1000	Opening Meeting, audit team introduction and briefing on audit objectives, scope, methodology, criteria and programmes by audit team leader				Top mgmt & Committee Member
1030-1100	Briefing on the organization implementation of RSPO (including action taken to address main assessment findings)				Management Representative
1100-1300	<p>Site visit and assessment at <b>Seri Intan POM</b></p> <ul style="list-style-type: none"> <li>Verify previous audit findings</li> </ul> <p>Assessment on P1, P2 (2.1), P4(4.7), P5, P8</p> <ul style="list-style-type: none"> <li>Production area &amp; supporting facilities</li> <li>Waste management</li> <li>Mill workers line site</li> </ul>	<p>Site visit and assessment at <b>Sogomana Estate.</b></p> <ul style="list-style-type: none"> <li>Verify previous audit findings</li> </ul> <p>Assessment on P1, P2 (2.1,2.1.1), P6, P8</p> <ul style="list-style-type: none"> <li>Local communities and stakeholders</li> <li>Interview with Union representative</li> <li>Workers Issues</li> </ul>	<p>Site visit and assessment at <b>Sogomana Estate</b></p> <ul style="list-style-type: none"> <li>Verify previous audit findings</li> </ul> <p>Assessment on P1, P2 (2.1, 2.2), P3, P4 (4.4.7), P5 (5.1-5.6), P8</p> <ul style="list-style-type: none"> <li>Conservation area management</li> <li>Riparian Zone</li> <li>Boundary</li> <li>Water catchment area</li> <li>Landfill area</li> </ul>	<p>Site visit and assessment at <b>Sabrang Estate</b></p> <ul style="list-style-type: none"> <li>Verify previous audit findings</li> </ul> <p>Assessment on P1, P2, P3, P4 (4.1, 4.2, 4.3, 4.4, 4.5, 4.6), P8</p> <ul style="list-style-type: none"> <li>Good Agricultural Practice</li> <li>IPM</li> <li>Witness activities at site i.e. spraying / weeding harvesting, etc</li> </ul>	Guide/PIC
1300-1400	Lunch Break				
1400-1600	Continue with the outstanding elements	Continue with the outstanding elements	Continue with the outstanding elements	Continue with the outstanding elements	Relevant PIC
1600-1700	Audit team discussion and verification on any outstanding issues Note: Assessor to inform auditee on the required document/records				

**Day two: 9<sup>th</sup> February 2012 (Thursday)**

Activities /areas to be visited	Ruzita & Hidhir	Dr. Rusli	Najwan	Valence	Auditee
0900-1300	Assessment at <b>Seri Intan POM</b> on supply chain requirements	<p>Site visit and assessment at <b>Sabrang Estate.</b></p> <ul style="list-style-type: none"> <li>Verify previous audit findings</li> </ul> <p>Assessment on P1, P2 (2.1,2.1.1), P6, P8</p> <ul style="list-style-type: none"> <li>Local communities and stakeholders</li> <li>Interview with Union representative</li> <li>Workers Issues</li> </ul>	<p>Site visit and assessment at <b>Sabrang Estate</b></p> <ul style="list-style-type: none"> <li>Verify previous audit findings</li> </ul> <p>Assessment on P1, P2 (2.1, 2.2), P5 (5.1-5.6), P8</p> <ul style="list-style-type: none"> <li>Conservation area management</li> <li>Riparian Zone</li> <li>Boundary</li> <li>Water catchment area</li> </ul>	<p>Site visit and assessment at <b>Sogomana Estate</b></p> <ul style="list-style-type: none"> <li>Verify previous audit findings</li> </ul> <p>Assessment on P1, P2, P3, P4 (4.1, 4.2, 4.3, 4.4, 4.5, 4.6), P5, P8</p> <ul style="list-style-type: none"> <li>Good Agricultural Practice</li> <li>IPM</li> <li>Witness activities at site i.e. spraying / weeding harvesting, etc</li> <li>Chemical &amp; scheduled waste</li> </ul>	Guide/PIC

				store	
1300-1400	Lunch Break				
1400-1600	<p>Site visit and assessment at <b>Seri Intan Estate</b></p> <p>Assessment on P1, P2 (2.1-2.1.1), P4 (4.7), C5.3, P8</p> <ul style="list-style-type: none"> <li>• Linesites</li> <li>• Water and power supply</li> <li>• Waste management</li> <li>• Chemical and scheduled waste store</li> </ul>	<p>Site visit and assessment at <b>Seri Intan Estate.</b></p> <ul style="list-style-type: none"> <li>• Verify previous audit findings</li> </ul> <p>Assessment on P1, P2 (2.1,2.1.1), P6, P8</p> <ul style="list-style-type: none"> <li>• Local communities and stakeholders</li> <li>• Interview with Union representative</li> </ul> <p>Workers Issues</p>	Continue with the outstanding elements	Continue with the outstanding elements	Guide/PIC
1600-1700	<p>Audit team discussion and verification on any outstanding issues</p> <p>Note: Assessor to inform auditee on the required document/records</p>				

**Day three: 10<sup>th</sup> February 2012 (Friday)**

Activities /areas to be visited	Ruzita & Hidhir	Dr. Rusli	Najwan	Valence	Auditee
0830-1200	<p>Site visit and assessment at <b>Sabrang Estate</b></p> <p>Assessment on P1, P2 (2.1-2.1.1), P4 (4.7), C5.3, P8</p> <ul style="list-style-type: none"> <li>• Linesites</li> <li>• Water and power supply</li> <li>• Waste management</li> <li>• Chemical and scheduled waste store</li> </ul>	<p>Site visit and assessment at <b>Seri Intan POM</b></p> <ul style="list-style-type: none"> <li>• Verify previous audit findings</li> </ul> <p>Assessment on P1, P2 (2.1,2.1.1), P6, P8</p> <ul style="list-style-type: none"> <li>• Local communities and stakeholders</li> <li>• Interview with Union representative</li> <li>• Workers Issues</li> </ul>	<p>Site visit and assessment at <b>Seri Intan Estate</b></p> <ul style="list-style-type: none"> <li>• Verify previous audit findings</li> </ul> <p>Assessment on P1, P2 (2.1, 2.2), P5 (5.1-5.6), P8</p> <ul style="list-style-type: none"> <li>• Conservation area management</li> <li>• Riparian Zone</li> <li>• Boundary</li> <li>• Water catchment area</li> </ul>	<p>Site visit and assessment at <b>Seri Intan Estate</b></p> <ul style="list-style-type: none"> <li>• Verify previous audit findings</li> </ul> <p>Assessment on P1, P2, P3, P4 (4.1, 4.2, 4.3, 4.4, 4.5, 4.6), P8</p> <ul style="list-style-type: none"> <li>• Good Agricultural Practice</li> <li>• IPM</li> <li>• Witness activities at site i.e. spraying / weeding / harvesting, etc</li> </ul>	Guide/PIC
1200-1430	Lunch Break and Friday Prayer				
1430-1600	Audit Team Discussion, preparation on audit findings and issuance of NCR (if any)				

1600- 1700	Closing Meeting	Top management & Committee Member
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**DETAIL OF NON-CONFORMITY AND CORRECTIVE ACTIONS TAKEN**

<b>P &amp; C Indicator</b>	<b>Specification Major/Minor</b>	<b>Detail Non-conformances</b>	<b>Corrective Action Taken</b>	<b>Verification by Assessor</b>
Indicator 2.1.1  NCR #: VS 01	Major	Training on scheduled waste as per requirements of the regulation has yet to be conducted. There has been no training given for person in-charge of scheduled wastes handling at Sogomana Estate-Main Division, Sabrang Estate & Seri Intan and based on the interview, the knowledge of the scheduled waste handler can be further improved.	Training on scheduled waste handling for SOU 05 has been plan and conducted.	Training record verified.  Status : Closed.
Indicator 6.1.2  NCR #: RM 01	Minor	The SIA report prepared for SOU5 did not include relevant stakeholders of Seri Intan Mill. As a result, no social issues were identified for action by the Mill and, subsequently, no mitigation plan was prepared as required by the standard.	To include relevant stakeholders in the SIA	Will be verified in the next surveillance assessment.  Status : Open

**VERIFICATION ON PREVIOUS ASSESSMENT**

<b>P &amp; C, Indicator</b>	<b>Previous Assessment Findings</b>	<b>Verification by Assessor</b>	<b>Status</b>
Indicator 5.6.2 Minor	On a number of estates, diesel tank bunds were noted to be in-adequate. Bunds too small. Cracked. No valves on drain pipes. Valves left on – no locks to ensure they remain off until drainage.	All skid tanks for storage of diesel have adequate secondary containment. All valves were found to be off during the site visit.	Closed
Indicator 6.3.2 Minor	A request from local school for repairs, made in June 2008, has still not been attended.	No more complaint raised by any local schools during the period under review.	Closed
Indicator 6.5.3 Minor	Security at the linesites is not as effective as it shall be with reports of isolated incidents of violence.	No violence incident reported during the period under review. Contact numbers of security in-charge were clearly displayed on main notice boards.	Closed