



**PUBLIC SUMMARY
SECOND SURVEILLANCE ASSESSMENT**

AUDIT DATE : 17-21 JUNE 2013

**PPB OIL PALMS BERHAD
SRI KAMUSAN CERTIFICATION UNIT**

**Labuk Sugut, Sandakan,
Sabah, Malaysia**

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TABLE OF CONTENT

- 1.0 **SCOPE OF THE SURVEILLANCE ASSESSMENT**
 - 1.1 Introduction
 - 1.2 Location of Mill and Estates
 - 1.3 Production Volume of All Certified Products
 - 1.4 Certification Details
 - 1.5 Description of The Supply Base
 - 1.6 Planting Profiles
 - 1.7 Organizational Information/Contact Person(s)
- 2.0 **ASSESSMENT PROCESS**
 - 2.1 Certification Body
 - 2.2 Assessment Team
 - 2.3 Assessment Methodology
 - 2.4 Date of Next Surveillance Visit
- 3.0 **ASSESSMENT FINDINGS**
 - 3.1 Summary of Findings
 - 3.2 Supply Chain Assessment
 - 3.3 Identified Non-Conformances
 - 3.4 Status of Non-Conformities Previously Identified
 - 3.5 Noteworthy Positive Observations
- 4.0 **ASSESSMENT RECOMMENDATION**
- 5.0 **CERTIFIED ORGANIZATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY AND FORMAL SIGN-OFF OF ASSESSMENT FINDINGS**

Tables:

- Table 1 Area of each Estates and Area Planted with Oil Palm
- Table 2 Location of Mill and Estates
- Table 3 Actual CPO and PK Tonnage (MT) for Sri Kamusan CU in 2012
- Table 4 Actual (January 2013 – May 2013) and Estimated Tonnage (MT) (June 2013 – December 2013) of CPO and PK for Sri Kamusan CU
- Table 5 Average Annual FFB Contribution by Each Estate and Other Sources to Sri Kamusan POM for 2012 and 2013 (Up to May)
- Table 6a Sri Kamusan Estate: Year of Establishment of Estates and Area Planted with Oil Palm
- Table 6b Hibumas 1 Estate: Year of Establishment of Estates and Area Planted with Oil Palm
- Table 6c Hibumas 2 Estate - Year of Establishment of Estates and Area Planted with Oil Palm
- Table 6d Jebawang Estate - Year of Establishment of Estates and Area Planted with Oil Palm
- Table 6e Sekar Imej Estate - Year of Establishment of Estates and Area Planted with Oil Palm
- Table 6f Sapi Sugut Estate - Year of Establishment of Estates and Area Planted with Oil Palm

Attachments:

- Attachment 1 Location Map of Sri Kamusan Certification Unit
- Attachment 2 Surveillance Assessment Programme
- Attachment 3 Verification of Previous Audit Findings
- Attachment 4 Details of Non-Conformities and Corrective Actions Taken

1.0 SCOPE OF THE SURVEILLANCE ASSESSMENT

1.1 Introduction

The certification unit (CU) of the Sri Kamusan, a wholly-owned subsidiary company of PPB Oil Palms Berhad (PPB) was first assessed by SIRIM QAS International Sdn Bhd (SIRIM QAS International) against the RSPO Principles and Criteria for Sustainable Palm Oil Production MYNI (RSPO MYNI: 2010) in December 2010 and certified in 2011. This surveillance assessment was conducted on 17-21 June 2013.

The CU comprised the Sri Kamusan Palm Oil Mill (Sri Kamusan POM), Sri Kamusan Estate, Hibumas 1 Estate, Hibumas 2 Estate, Jebawang Estate, Sekar Imej Estate and Sapi Sugut Estate. This surveillance assessment did not cover the independent smallholdings that had been supplying fresh fruit bunches (FFBs) to the Sri Kamusan POM.

Sri Kamusan POM commenced its operations in 2005 with a processing capacity of forty (40) metric tonnes (MT) of FFBs per hour. The total combined land area of the six estates is 14,258.1 hectares (ha) of which **7,636.12** ha had been planted with oil palm (**Table 1**). This figure on the area which had been planted with oil palm was different from that being reported in the previous surveillance audit was obtained from the latest survey conducted on the estates.

Table 1
Area of Each Estates and Area Planted with Oil Palm

Estate	Year of Establishment	Total Area (ha)	Planted Area (ha)
Sri Kamusan	1999	2,832.00	1,565.87
Hibumas 1	2001	2,449.38	1,829.77
Hibumas 2	2000	3,472.62	2,306.22
Jebawang	2003	403.80	337.44
Sekar Imej	2004	3,642.00	1,011.24
Sapi Sugut	2004	1,458.30	585.58
Total		14,258.10	7,636.12

1.2 Location of Mill and Estates

The Sri Kamusan CU is located in the Beluran District of Sabah, Malaysia covering 25 land parcels. It is located about 189 km from Sandakan. In the immediate vicinity of the POM and all the estates are villages and other oil palm plantations. The distance from Hibumas 1 Estate Parcel 13 to the furthest parcel i.e. Sekar Imej Parcel 5 is about 74.15 km. In between these two Parcels are villages and 11 plantations belonging to other companies, namely Tongod Jaya, Fortune Leong, Melapi, Borneo Samudera, Boustead, Ikatan Kayangan, IJM and several other smallholdings.

The locations of the Sri Kamusan POM and all the six estates covered in this surveillance assessment are shown in the map in **Attachment 1** while their respective GPS coordinates are given in **Table 2**.

Table 2
Location of Mill and Estates

Operating Unit	Latitude	Longitude
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Sri Kamusan POM	06°12' 14.295' N	117°17' 27.662" E
Sri Kamusan Estate	06°12' 31.357" N	117° 19' 17.590" E
Hibumas 1 Estate	06°13' 12.767" N	117° 32' 53.449" E
Hibumas 2 Estate	06°16' 16.949" N	117° 28' 23.967" E
Jebawang Estate	06° 18'48.366" N	117° 24' 28.709" E
Sekar Imej Estate	06°15' 52.964" N	117°16' 54.669" E
Sapi Sugut Estate	06°14' 34.413" N	117°17' 09. 495" E

1.3 Production Volume for All Certified Products

All the six estates had been supplying FFBs to the Sri Kamusan POM. Apart from these estates, there were independent smallholders and small growers which had been sending their harvests to the Sri Kamusan POM. The actual (2012) and expected (2013) tonnage of CPO and PK produced by the Sri Kamusan POM as well as the tonnage claimed for certification are summarised in **Tables 3 and 4** respectively.

Table 3
Actual CPO and PK Tonnage (MT) for Sri Kamusan CU in 2012

FFB Received	198,971.13
FFB Processed	198,918.55
Total CPO Production	41,556.816
Total PK Production	8,097.796
Certified CPO to be Claimed – Mass Balance	25,009.58
Certified PK to be Claimed – Mass Balance	4,551.150
Non-Certified CPO	15,992.751
Non-Certified PK	3,064.57

Table 4
Actual (January 2013 – May 2013) and Estimated Tonnage (MT) (June 2013 – December 2013) of CPO and PK for Sri Kamusan CU

	Actual (Jan-May 2013)	Estimate (Jun-Dec 2013)	Total
FFB Received	214,215.30	254,045	468,260.30
FFB Processed	214,163.69	254,045	468,208.69
Total CPO Production	45,940.414	54,620	100,560.414
Total PK Production	8716.277	10,924	19,640.277
Certified CPO to be claimed – Mass Balance	9,825.900	14,774.74	24,600.640
Certified PK to be claimed – Mass Balance	1,674.500	3,043.060	4,717.560
Non-Certified CPO	8,246.380	14,540.160	22,786.540
Non-Certified PK	1,944.740	2,282.840	4,227.580

1.4 Certification Details

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

Parent company : PPB Oil Palms Berhad
 Certificate number : RSPO 0011
 The date of certification : 13th May 2010
 Date of previous surveillance: 14-18 ay 2012

1.5 Description of The Supply Base

The FFBs for the Sri Kamusan POM were still being sourced from company owned certified estates and a small percentage from smallholders' crop. The details on the FFB contribution from each estate and other sources are shown in **Table 5**.

Table 5
Average Annual FFB Contribution by Each Estate and Other Sources to
Sri Kamusan POM for 2012 and 2013 (Up to May)

Estate	FFB Production (2012)		FFB Production (Jan-May 2013)	
	Tonnes	Percentage	Tonnes	Percentage
Sri Kamusan Estate	32,057.54	26.13	11,315.00	23.2
Hibumas 1 Estate	31,703.69	25.84	12,573.00	25.8
Hibumas 2 Estate	35,543.77	28.97	15,452.17	31.7
Jebawang Estate	8,005.36	6.54	3,210.08	6.6
Sekar Imej Estate	7,610.72	6.21	3,130.03	6.4
Sapi Sugut Estate	7,752.73	6.31	3,025.00	3.0
Total	122,673.81	100.00	48,705.28	100
Outside Suppliers	80,141.98		35,488.52	

1.6 Planting Profiles

Tables 6a to 6f detailed out the year of establishment of each of the estate, the planted area and the percentage of planted area in each estate by planting cycle.

Table 6a
Sri Kamusan Estate
Year of Establishment of Estates and Area Planted with Oil Palm

Year of Planting	Planting Cycle	Planted Area (ha)	Percentage of Planted Area
2000	1 st Generation	390.48	24.9
2002	1 st Generation	386.87	24.7
2003	1 st Generation	788.52	50.4
Total		1,565.87	100.0

Table 6b
Hibumas 1 Estate
Year of Establishment of Estates and Area Planted with Oil Palm

Year of Planting	Planting Cycle	Planted Area (ha)	Percentage of Planted Area
1999	1 st Generation	1,068.72	57.9
2000	1 st Generation	201.87	11.2
2001	1 st Generation	224.67	12.3
2004	1 st Generation	125.41	6.8
2006	1 st Generation	139.60	7.6
2007	1 st Generation	69.50	4.2
Total		1,829.77	100.0

Table 6c
Hibumas 2 Estate
Year of Establishment of Estates and Area Planted with Oil Palm

Year of Planting	Planting Cycle	Planted Area (ha)	Percentage of Planted Area
2000	1 st Generation	500.94	21.7
2005	1 st Generation	817.80	35.5
2006	1 st Generation	907.24	39.3
2007	1 st Generation	80.24	3.5
Total		2,306.22	100.00

Table 6d
Jebawang Estate
Year of Establishment of Estates and Area Planted with Oil Palm

Year of Planting	Planting Cycle	Planted Area (ha)	Percentage of Planted Area
2003	1 st Generation	337.44	100.00
Total		337.44	100.00

Table 6e
Sekar Imej Estate
Year of Establishment of Estates and Area Planted with Oil Palm

Year of Planting	Planting Cycle	Planted Area (ha)	Percentage of Planted Area
2004	1 st Generation	185.13	18.2
2005	1 st Generation	135.91	13.4
2007	1 st Generation	121.63	11.8
2008	1 st Generation	377.82	34.6
2009	1 st Generation	190.75	22.0
Total		1,011.24	100.00

Table 6f
Sapi Sugut Estate
Year of Establishment of Estates and Area Planted with Oil Palm

Year of Planting	Planting Cycle	Planted Area (ha)	Percentage of Planted Area
2004	1 st Generation	158.94	27.14
2005	1 st Generation	426.59	72.86
Total		585.53	100.00

party contribution of FFB for claiming of CPO and PK.

1.7 Organizational Information/Contact Persons

PPB through its Headquarter in Sandakan is responsible for overseeing the Sri Kamusan CU and other management units in Sabah. The correspondence address and contact persons are as detailed below:

Address:

PPB Oil Palms Berhad
 Sabah Operations
 Lot 1A, KM 15, Jalan Labuk
 Locked Bag 34
 90009 Sandakan
 Sabah, Malaysia

Contact Persons:

1. (in Sandakan):
 Mr. Tee Seng Heng
 General Manager
 Phone : +6089 671546 / +6089 670208
 Fax : +6089 670260
 e-mail : teesh@wilmar.com.my

2. (at Sri Kamusan):
 Mr. Chang Sip Woon
 Group Manager
 Address : Km 238 off Jalan Nangoh Pitas
 Labuk Sugut, Sandakan
 Sabah, Malaysia.
 Telephone: +089-259105/019-8839011
 Fax : +089-259102
 e-mail : edwardmasiqi@wilmar.com.my

2.0 ASSESSMENT PROCESS

2.1 Certification Body

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

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

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

2.2 Qualifications of Lead Assessor and Assessment Team

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

Assessment Team	Role/Area of RSPO Requirement	Qualification and Experience
Dr. S.K. Yap	Assessment team leader/ estate environmental issues and HCV habitats	<ul style="list-style-type: none"> Over 400 auditor days of auditing experience, having audited to the following: ISO 14001, MTCS and FSC forest management certification & RSPO Completed RSPO Lead Assessor Course - 2008 Successfully completed EARA approved lead Assessor course for ISO 14001: 2001 Ph. D. (Forest Biology) University of Aberdeen (Scotland) and University of Malaya Fellowship in Tropical Rain Forest Project B.Sc. Hons. Second Class Upper (Botany), University of Malaya <p>Memberships in Professional Organizations:</p> <ul style="list-style-type: none"> Member of the IUFRO Working Party on Seed Problems. Nominated as one of the candidates for the Co-Chairman of Working Party in 1986 Project Leader for Project 8 of the Reproductive Biology of Tropical Trees of the ASEAN-Australian Tree Improvement Programme. 1986. Given the role to develop research activities on reproductive biology within ASEAN countries with sponsorship from Australia Elected member of the Committee on Forest Tree and Shrub Seeds of the

		<p>International Seed Testing Association. 1989 to 1992</p> <ul style="list-style-type: none"> • Vice Chairman of the Working Group on Seed Origin and Genetic Resources of the ASEAN Canada Forest Tree Seed Centre. 1990 to 1995. Responsible in coordinating research activities on genetic resources within the ASEAN countries • Project leader on Impact of Acid Precipitation on Forest working in conjunction with researchers from China, Indonesia, Japan and Thailand
Mohamed Hidhir Bin Zainal Abidin	Lead Assessor / Milling Operation, Occupational Health and Safety	<ul style="list-style-type: none"> • Over 100 days of auditing experience, having audited on: ISO 9001, ISO 14001, & RSPO • 4 years' experience in palm oil milling • Successfully Completed RSPO Lead Assessor Course – 2013 • Successfully completed ISO 14001 EMS RABQSA/IRCA approved Lead Assessor – 2012 • Successfully completed ISO 9001 QMS RABQSA/IRCA approved Lead Assessor – 2012 • Successfully completed OHSAS 18001 OHSMS RABQSA/IRCA accredited Lead Assessor Course – 2012 • B.Sc. (Hons) Chemical Engineering
Dr. Lim Hin Fui	Assessor / Social issues and related legal issues	<ul style="list-style-type: none"> • 10 days of auditing experience in RSPO. • Over 50 days of auditing experience FSC and forest management certifications under the MTCS • Successfully completed EARA approved Lead Assessor training for ISO 14001 in 2009 • Attended a training on FSC P&C and MC&I for FMC in December 1999 • Attended Auditor Training Course on MC&I for Forest Management Certification, 2009 • Attended Auditor Training Course on MC&I for Forest Management Certification (MC&I Forest Plantation), 2009 • Attended a training on RSPO P&C and certification requirements in November 2010 & April 2012 • Head of Policy and Socio-Economic Branch, Forest Research Institute Malaysia • Ph. D in Social Sciences, University of Malaya
Mohd Norddin Abdul Jalil	Assessor / Good Agricultural Practices (GAP) and related legal issues	<ul style="list-style-type: none"> • B.Sc.(Agriculture) Universiti Pertanian Malaysia (1974-1979) • Trainer of Certificate in Plantation Practices on Plant Science, Soil Science, Compensation and Benefits in the Plantation Industry, General Field Maintenance and Cultivation& Certificate in

		<p>Plantation Management on General Field Maintenance and Oil Mill Processing, Estate Safety, Health & Welfare for <i>The Incorporated Society of Planters</i> from 2005 until present.</p> <ul style="list-style-type: none"> • Trainer of plantation management for supervisors for <i>Ladang Rakyat Terengganu Sdn. Bhd.</i> – 2012 • Trainer of Basic Agriculture Practices For Supervisors for <i>Far East Holdings Bhd.</i> – 2012 <p>Memberships in Professional Organizations:</p> <p>The Incorporated Society Of Planters – Central Terengganu Branch</p> <ul style="list-style-type: none"> • Member Since 1979 • Honorary Secretary from 1987 – 1992 • Vice Chairman from 1993 – 1995 • Chairman from 1996 -2005 • Member of Executive Committee from 2001- 2005 • Chairman from 2001 – 2003 of MAPA – Terengganu Branch • Panel Member of The Industrial Court Of Malaysia from 2004 - 2006 • MPOA – Terengganu Branch Chairman from 2002 – 2004 • Attended a training on RSPO P&C and certification requirements in 2012
Zulkarnain Abdullah	Assessor / RSPO Supply Chain Certification Standard	<ul style="list-style-type: none"> • Over 400 auditor days of auditing experience, having audited to the following: FSC forest management certification and PEFC chain of custody scheme, RSPO Supply Chain Certification and ISO 9001 Quality Management System • Completed RSPO Supply Chain Certification Course • Successfully completed EARA approved lead Assessor course for ISO 9001 • B. Sc. Forestry majoring in Forest Management from Universiti Pertanian Malaysia, Serdang, Malaysia. • 15 years as a production manager in wood base manufacturing company.

2.3 Assessment Methodology

This surveillance assessment was conducted on 17-21 June 2013. The main objectives of this surveillance assessment were to:

- (i) verify the Sri Kamusan CU's continued compliance against the RSPO MYNI: 2010 and the Sri Kamusan POM against the requirements of the RSPO Supply Chain Certification Standard, November 2011;
- (ii) verify the effectiveness of implementation of corrective actions to address the minor NCRs raised during the previous surveillance; and
- (iii) make appropriate recommendations based on the findings of this surveillance on the

continued certification of the Sri Kamusan CU for sustainable production of palm oil products and the Sri Kamusan POM for supply chain.

The surveillance assessment was guided by the sampling formula of 0.8 \sqrt{y} . Nonetheless, all the estates were visited in this assessment but were assessed against the different elements of the standard. The POM was assessed in every surveillance.

The assessment team carried out field and office assessments for conformance against the requirements of the RSPO-MYNI: 2010. The visits also covered HCV habitats, labour lines, storage areas and other workplaces.

In addition, during this surveillance an assessor had been assigned to conduct a supply chain assessment on the Sri Kamusan POM against the requirements of the RSPO Supply Chain Certification Standard, November 2011. The findings of the assessment are also presented in this public summary.

Common systems were identified and specific evidences of compliances were recorded for each individual estate. Interviews, particularly those with employees, local communities and suppliers were conducted without the presence of the CU's personnel. In addition to that, records as well as other related documentation were also reviewed. The details of the assessment programmes are as in **Attachment 2**.

The assessment team had also verified the corrective actions taken by the Sri Kamusan CU to address the minor NCRs raised during the previous surveillance through on-site visits. The assessment team was satisfied with the actions taken by the CU and had therefore closed out all the minor NCRs See **Attachment 3**.

2.4 Date of Next Surveillance Visit

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

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

The findings of this surveillance assessment were presented during the on-site closing meeting. There were one (1) major and one (1) minor NCRs raised on the Sri Kamusan CU against the requirements of the RSPO MYNI: 2010. The details of the NCR and the corrective actions taken are as in **Attachment 4**.

Based on the findings of this surveillance, it could be concluded that the Sri Kamusan CU had continued to comply with the requirements of the RSPO MYNI: 2010. The 1 major NCRs raised during this surveillance had been adequately addressed and therefore closed out. The assessment team therefore recommends that Sri Kamusan CU of the PPB Oil Palms Berhad to maintain its certification against the RSPO MYNI: 2010 for the sustainable production of palm oil.

It was also found that the Sri Kamusan POM had continued to comply with the requirements of the RSPO Supply Chain Certification Standard, November 2011. There was no NCR being raised. Therefore, the assessment team also recommends that the supply chain certification of the Sri Kamusan POM be maintained.

The detailed findings of the assessment on the CU's compliance with the requirements of the RPSO MYNI are as follows:

PRINCIPLE 1: COMMITMENT TO TRANSPARENCY

Criterion 1.1

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

Findings:

The Sri Kamusan had written to all stakeholders informing them on the availability of documents for public review. Letters to the stakeholders such as government agencies, suppliers, contractors, provision shops, neighbouring estates, panel doctor, schools and villages were sent on 28 May 2013.

A system of recording the requests for these documents had continued to be maintained in every estate. The '*Rekod Peminjaman Document RSPO*' documenting requests for documents at the Hibumas 1 Estate, was examined. Similar records were also examined for the other estates. For 2012, there were 13 documented requests from the staff of the CU to examine these documents. There was no request received from external stakeholders. Each estate had continued to assign a person to be in charge on communication and consultation.

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)

Findings:

The relevant documents as required in this Criterion were still publicly made available upon request. Each estate had continued to maintain record of requests made by stakeholders and this record was presented during the assessment. In addition, all policies of the company had clearly been displayed on notice boards in all the offices.

PRINCIPLE 2: COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

Criterion 2.1

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

Findings

Sri Kamusan CU had continued to implement its documented system for identifying and tracking of legal and other requirements. The Mill and Estate Managers had continued to identify, track and update changes on legal requirements and also to evaluate compliance to it on an annual basis. *Register of Legal and Other Applicable Requirement* dated 31 January 2013 was presented during assessment. At the time of surveillance, there were no major changes on the CU's activities and operation. However there were some updates on the legal requirements associated with their operations. Among the identified changes were Communication and Multimedia (Spectrum) Regulations 2000, National Wages Consultative Council Act 2011-Minimum Wages Order 2012 and Weight and Measure Act 1972.

An evaluation of the CU compliance with the relevant laws for year 2012 had been conducted by the estates and mill. The comprehensiveness of the evaluation had improved since the last assessment. The *Register of Legal and Other Applicable Requirement* had, however, not included the international laws and conventions which Malaysia had rectified but copies of these documents were available in the files. **An OFI SK 1/2013 was therefore raised.**

The relevant licenses and permits were still being displayed at the estates and mill offices. The CU had continued to conduct operational performance monitoring activities on the employees' audiometric test, hearing conservation programme, workplace inspection and monitoring of smoke and dust particulates emission from the boiler and discharges from the effluent treatment plant.

The Sri Kamusan CU had continued to comply with the Sabah Labour Ordinance (cap 67) related to the provisions of wages, paid public, annual and sick leaves in its employment contracts with the workers. Inspection of the payment records of workers in the 5 estates had shown that they had continued to be paid the minimum wage as determined by the government. This was in line with the National Wages Consultative Council Act 2011-Minimum Wages Order 2012 for Sabah, Sarawak and the Federal Territory of Labuan.

The payments made to SOCSO and EPF had continued and records were presented to the audit team. The Sri Kamusan CU had also continued to insure its staffs in the estates and POM.

The employment of foreign workers was still being done according to the *Lesen Untuk Menggaji Pekerja Bukan Pemastautin, Seksyen 118, Ordinan Buruh Sabah Bab 67* (Licence for employing foreign workers). As required by law, all foreign workers had continued to be insured.

From the site visits made to the workers' housing in the five estates, it was found that the housing specifications had been in accordance with the Minimum Standards of Housing and Amenities Act 1990. The number of houses was found to be sufficient to accommodate all the workers. It was also observed that new houses with better facilities were in the process of being completed.

The prescribed requirements/activities related to compliance to the EIA conditions of approval had continued to be monitored, evaluated and submitted every quarterly to the Environment Protection Department, Sabah (EPDS). The assessment was still being conducted by an independent consultant Ekohandal Sdn Berhad. The report was written in accordance to the conditions set by EPDS.

During the surveillance, it was found that all certificates of fitness (CFs) of steam boilers, unfired pressure vessel (UPV) had continued to be displayed and still valid. Annual inspection had been conducted on or before the maximum validity period of 15 months. The annual inspection for Sri Kamusan POM was last conducted on 15 April 2013 for steam boiler and UPVs.

Comments highlighted by DOSH's inspector following the inspection had been acted on and rectified accordingly.

For the major NCR raised during the previous surveillance on the Notification of Fitness and Inspection Regulation 1970, the JKK 105 has been sent to DOSH for approval and with other machinery list for updates. Installation of the new sterilizer was completed and hydrostatic test (HT) was carried out on 8 October 2012 and witnessed by DOSH officer. Result was satisfactory without any leakages and a drop on the pressure being observed.

Another major NCR which was also raised during the previous surveillance on the person in charge for boiler at the Sri Kamusan POM had been rectified by transferring a mill manager with 1st grade steam engineer qualification from Sabah Mas CU.

On the other hand, the person who was manning the operation had yet to be upgraded in his competency and only one 1st grade engine driver was available. For the internal combustion engine (ICE) the greatest horsepower ICE (400kVA/320kW/435hp) was operated without a 1st grade ICE driver in charge. In Hibumas 1 and Sekar Imej, there were no competent ICE drivers in charge for manning the operation of the generator sets. **Therefore, a major NCR MH1 was raised.**

The other major non-compliance was on the obtaining of written approval for the generator sets at Hibumas 1 and Sekar Imej Estates. Written approval for 2 units of 160kVA/128kW/174hp at Hibumas 1 Estate and 1 unit of 200kVA/160kW/217hp at the Sekar Imej Estate had yet to be obtained during the audit. This non-compliance had been included as part of the major NCR MH1.

Person in-charge for electrical installation in Sri Kamusan POM had been granted competent licence by the Energy Commission for electrical charginan @ "*penjaga jentera*" PJ-T-1-B-0622-2008 (AO). Monthly visits had been conducted by a competent visiting electrical engineer (VE) were recorded with the last visit report on 17 June 2013. Comments from VE had been appropriately handled and rectified.

Criterion 2.2

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

Findings:

Sri Kamusan CU was still the legal owner of the land. Each estate was provided with the legal use of the land through a Country Lease signed by the Director of Lands and Surveys of Sabah following the payment of premium. The management of the individual estate had continued to comply with the condition that the land shall be for agricultural purposes throughout the whole tenure of the title.

All the estates had maps to indicate the locations of the boundary stones. During the site visits, the boundary stones of Sri Kamusan, Hibumas 1 and 2, Jembawang and Sekat Imej Estates were inspected. It was observed that owing to the difficulty of locating the boundary stone, boundary marking had also been done with Belian poles painted in red and white.

An OFI was raised during the previous surveillance as some of the missing boundary stones had yet to be located. The estate management was able to locate these missing boundary stones using GPS based on the identified boundary stones as reference points. This OFI had therefore been closed out.

There was still no formal conflict or dispute over the land. Although the Sri Kamusan CU had rights of ownership over the land (as per land title), there had been cases of 'infringement' or use of land by the local communities. The villagers in Kg Tapat had planted oil palm and rubber trees as well as building their houses in Hibumas 2 Estate (Parcel 6) and villagers in Kg. Kaibotan and Kg. Menonod had planted oil palm in Parcel 4 of Sekar Imej Estate.

The management of the Sri Kamusun CU had not resorted to legal means to prevent trespassing by the villagers. A Joint Consultative Committee (comprising the management of the CU and relevant stakeholders) chaired by the Group Manager had been established to deal with both external and plantation-wide issues. The committee had met twice in 2012.

A MoU had been drafted spelling out the terms of access of the villagers to the plantation land for agricultural/subsistence. Issues were resolved through the Joint Consultative Committee. Sekar Imej Estate had reached an agreement with the signing of the MoU on 18 November 2010 with the villagers of Kg. Kaibotan and Kg. Menonod, granting them access to the plantation land for agricultural/subsistence purpose. The villagers had confirmed that the MoU was signed with prior, free and informed consent.

Negotiation on the signing of a similar MoU with the local villagers of Kg. Tampat at Hibumas 2 Estate was still in progress as confirmed during consultation with the villagers during this assessment.

In addition, the Hibumas 2 and Jebawang Estates had allowed villagers from 20 houses hit by floods to shift their houses on a 10.8 ha of the company's land. The villagers had agreed that they would not expand on the use of company land. These were recorded in the minutes of the Mesyuarat Bersama Ketua Kampung dan JKKK Kampung Sungai-Sungai Dengan Pihak Syarikat (Meeting between Heads of Villages and Health and Safety Committee Kampung Sungai-Sungai with Company), dated 26 April 2012. These villagers were in the process of applying for the 10.8 ha land to be excised from the company area.

Criterion 2.3

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

Findings:

As mentioned above, the estate's management had been given the legal right to all the land for cultivation through the title provided by the State Department of Lands and Surveys. There was no land within the estates being encumbered by issues on customary rights.

Although there was incidence of infringement, the estate's management had allowed the villagers to continue using the land through mutual agreement under the terms as spelt out in a MOU. The MOU was signed between Sekar Imej Estate and villagers of Kg. Kaibotan and Kg. Mononod. Negotiation to sign a similar MoU with the local villagers of Kg. Tampat at Hibumas 2 was still in progress. Villagers who were provided with 10.8 of land for building houses had agreed that they would not expand into the company land.

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

Criterion 3.1

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

Findings:

Most of the budget allocation for the current year 2011/2012 had been spent which includes the allocation for building a composting plant on concrete path. This plant was provided with additional fund to improve on leacheates management.

An annual short-term budget had continued to be prepared for every coming financial year before the end of current financial year. Budget for financial year 2013 was made available in every estate. The budget had continued to allocate provisions for operations, maintenance, protection from pests and diseases as well as research activities. In addition, plan on the reduction of POME discharge to comply with the BOD of 20 ppm as stipulated under *Jadual Pematuhan* by the DOE and the installation of a 2-phase decanter had been budgeted for 2013. The CAPEX document for 2012/2013 was made available during the audit. Most of the budget was allocated on mill continual improvement programme on modification and machine upgrades

as well as on safety and environmental management. There were also allocations on accommodation and facilities upgrades for staff quarters and executive bungalow in the budget.

In addition, there was still a Five Year Plan (2012-2017) being prepared for the individual estate. All the estates in the Sri Kamusan CU had continued to harvest crops from the first generation planting done from 1999 to 2009. Therefore there would be no replanting during the next 10 years.

The management plan for Sri Kamusan CU from 2013 to 2024 which had given the information on FFB yield/ha, OER, CPO yield/ha, the cost of production plus the development of infrastructure, was made available to the auditors.

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

Criterion 4.1

Operating procedures are appropriately documented and consistently implemented and monitored.

Findings:

Sri Kamusan CU had continued to use the *Wilmar International Limited The Agriculture Manual* and Safe Standard Operating Procedure (SSOP) which were updated in January 2012 and June 2012 respectively. It was observed that the SOPs had continued to be communicated to the workers as evident during the random interviews held with the workers involved with oil palm harvesting, herbicide spraying and fertilizer application.

As in the estates, the mill also had in place its own Mill Operation Manual on oil palm processing, boiler operation, effluent treatment plant, products analysis method, workshop activity and chemical and waste handling procedures. Likewise, the mill also had its SSOP Manual being revised in May 2103, with 7 new and 1 revised SSOP on composting plant. The 7 new SSOPs which covered activities on contractors management, shovel and prime mover driver, grass cutting and lastly on the mill security. At both the POM and estates, it was clearly seen that the SOP had continued to be displayed on their notice boards or workstations for the employees. The SOP had also been translated into Bahasa Malaysia.

The relevant employees had continued to be briefed or trained on the SOPs and SSOPs by their respective supervisors. Through random interviews held with the staff and workers, it was observed that the level of their understanding on the contents of the SOP was found to be satisfactory. The SOPs had continued to be consistently implemented and monitored where, in the case of POM, the shift supervisors were tasked to check that all log books, log sheets, check sheets were filled up accordingly as required by the schedule. This was done by signing the log book, a copy of which was kept by mill management.

Monthly Progress and Annual Reports on monitoring of all activities were still being made available during the surveillance as well as official monthly reporting to MPOB. These reports had also continued to be displayed on the office's notice boards. These monitoring reports were kept and maintained in the estates' and mill offices for at least a year. For the mill, operation records such as laboratory analysis, oil and kernel losses, effluent discharge, oil and kernel extraction rate, machine operation hours and maintenance records pertaining to Permit To Work and equipment maintenance were sampled and found to have been properly maintained.

Sri Kamusan CU had continued to monitor the progress of estates through the Monthly Harvesting Statistic, Agrochemical Monthly Return, rainfall data, manuring and spraying programmes, Plantation Advisor's visit reports and Safety Performance Statistic. The auditors had found that all the above records were being kept and maintained in the office for a year.

Criterion 4.2

Practices maintain soil fertility at, or where possible improve soil fertility to, a level that ensures optimal and sustained yield.

MY-NIWG recommends that the indicators in criterion 4.2 and 4.3 are linked

Findings:

Records had shown that the EMU- Research and Development Unit had continued to conduct annual leaf sampling for foliar analysis to determine the nutritional status of the palms for fertilizer recommendation. The Agriculture Manual and the SOP had recommended that all fertilizers should be applied evenly. However it was observed that the fertilizer had been applied in a narrow band in Hibumas 1 Estate (Block 23) and Jebawang Estate (Block 017). An OFI SK 2/2013 was therefore raised.

The soil map consisting of 18 soil series was made available to the auditors. The annual leaf sampling for foliar analysis in all estates in Sri Kamusan CU had also been conducted by the EMU-R&D in April, 2013 to determine the nutrient status of the oil palms.

The use of fertilizer had continued to follow the recommendation made by the internal agronomist and the planting of palm by an independent consultant. The recommendation by the agronomist on the use of fertilizer would be based on annual leaf analysis. The assessment team had referred the annual report prepared by the agronomist and the bi-annual report on planting by the Planting Advisory. The application of fertilizers had been done as recommended and scheduled.

All the estates had been keeping tracks on the use of fertilizer. The audit team had sighted records on the movement of fertilizer and confirmed that they had been kept current. The fertilizer dosage varied from one estate and field to another in accordance with the recommendations of the agronomist.

Sri Kamusan CU had continued to distribute Empty Fruit Bunches (EFBs) to supplement the inorganic fertilizers but in a very small area of the Sri Kamusan Estate (Block 009) which was not in accordance to the Agriculture Manual and SOP which require EFBs to be applied over the entire selected field and therefore an **OFI SK 3/2013** was raised against this malpractice.

Palm oil mill effluent (POME) had continued to be applied to supplement the inorganic fertilizer only on the matured field of Sri Kamusan Estate as other estates were far from the Sri Kamusan POM. The POME was pumped into a storage tank before being distributed on the field.

Criterion 4.3

Practices minimise and control erosion and degradation of soils.

Findings:

Sri Kamusan CU had continued to implement various methods to minimize soil erosion and degradation as evident during the site assessment and verification of records in the estates.

It was observed that 80% of the estates in the Sri Kamusan CU were hilly and being terraced to control soil erosion. Leguminous cover crops such as *Mucuna bracteata* were planted to prevent erosion especially in the slopes. Stop bunds had been constructed at 20 meter interval to retain water within the terrace.

All steep sites had still been left unplanted and covered with natural vegetation to prevent soil erosion. In addition, cut fronds had continued to be stacked in the field to reduce surface erosion.

Weed spraying activities had also been carefully limited to the base of the palm to avoid overspray to other areas. It was however observed in Block 026 Sri Kamusan Estate was devoid of natural soft covers due to continuous path sprayings resulting in the raising of OFI SK 4/2013.

Soil erosion monitoring plots were laid out in 3 different terrains and conditions as 0-12° (shaded), 0-12° (open), 12°-25° (open), 12°-25° (shaded); > 25° (open) and > 25° (shaded).

Detailed map on slopes of different gradients of the estates was presented during the site visit. Areas with gradient above 25 degrees were demarcated on the map and protected. In addition, soil maps with agro-management plan were also made available in the environmental

management plans and annual agronomic reports.

All the estates have had their own structured road maintenance program which was made available during the assessment. Among the programs which had continued to be implemented to keep the roads in good condition were re-surfacing, grading and compacting, construction and maintenance of road side drains.

During the on-site visit, it was observed that the main and subsidiary roads in all the estates in the Sri Kamusan CU had continued to be well maintained. Side drains had been constructed to allow sufficient surface runoff.

The machineries used in road maintenance were observed to be doing the maintenance work in the field. Records of jobs completed were maintained in the monthly progress report of each estate. Maps indicating the progress on road maintenance were presented. There was a stock pile of 3" dry crusher-run (DCR) for road maintenance.

There was no peat soil area or fragile and problem soils in the Sri Kamusan CU. Therefore, Indicators 4.3.4 and 4.3.5 were not applicable.

Criterion 4.4

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

Findings:

Sri Kamusan CU had continued to implement the procedures on the maintenance and management of areas identified as riparian reserves. Sub-chapter 3.1.1 of the *Agriculture Manual and Standard Operating Procedure for Oil Palm* provides guidelines on the identification, marking, maintenance and management of riparian reserves. Width of riparian was also specified in the EIA report and in the manual guidelines for riparian reserve in accordance to the Sabah Water Resource Enactment 1998 and Drainage and Irrigation Department guidelines 1998. Maps indicating the riparian buffer belts were presented by each of the estates. The riparian buffer belt with a width of 40 m along Sungai Bungaya in Block 40 Hibumas 1 Estate was inspected and was still found to be intact with natural vegetation.

All the six estates inspected had demarcated the riparian buffers along the major water ways. A buffer of 5m width was still being maintained for small streams except where there were existing roads. The specifications of the Drainage and Irrigation Department (DID) on riparian belt had continued to be adhered to. It was observed that oil palm trunks marking the boundary of the buffers had been painted to alert the workers not to blanket spray or fertilize palms along the buffer zones of streams.

During the previous surveillance it was observed that spraying was conducted within a buffer belt in Division C, Block 46 and 47 of Sri Kamusan Estate. This had resulted in the issuance of a major NCR. In order to address this major NCR, training was conducted on 24 May 2013 to all sprayers and supervising staff to make them understand on the need to protect all riparian belts. This type of training would be conducted periodically to ensure that the sprayers and supervising staff would not repeat the same mistake.

In addition, signboards with warning "*Dilarang Sembur Racun Dan Membaja Di Kawasan Ini*" had been erected in areas declared as riparian zones. More warning signage was observed at appropriate spots during this surveillance. Stakes to mark riparian buffer zone boundary had been placed and repainting of faded red markings of the oil palms along the riparian buffer zone had been done. Therefore this major NCR had been closed out.

During this surveillance, it was observed that wetlands and many water bodies had continued to be protected. The largest was the seasonal flood plain in Hibumas 1 Estate which had been demarcated as HCV site. No planting had been conducted within this area. In Hibumas 2 Estate, there was also a freshwater swamp forest which had been protected as a HCV site. During the on-site visits, it was observed that there were still no weirs/dams being constructed across the main rivers or waterways passing through the estates.

In every estate of the Sri Kamusan CU, the water quality index (WQI) for a selected stream had continued to be monitored at the point where the stream exited (outlet) from the estate. The water sampling process was done once every three months as specified in the EIA approval given by the Department of Environment Protection Sabah. Three water sampling points had been inspected during this surveillance and the reports prepared by the consultant on water sampling data were made available.

During the examination of these reports prepared by Ekohandal Sdn. Berhad on the water sampling from the individual estate, sampling points for water in Sri Kamusan Point 4 should be changed as the river being selected was a swamp. The sampling points in Sri Kamusan Estate and the labelling of these points could be improved. Therefore an OFI SK 5/2013 was raised.

The quality of the water samples taken from the selected rivers was still within the acceptable level quality index of Class II B category in accordance to the interim national water quality standard 2006 (INWQS) of the DOE.

It was observed that all the estates had continued to follow their action plans and continuous improvement programmes to minimize pollutant to the protected areas as recommended in the EIA report for the individual estate.

Both the POM and estates had continued to monitor the rainfall data as well as their water consumption as required under this criterion. The data was then used by the CU in the management of water for the POM as well as for the workers in the estates. Monthly water consumption from 2010 to February 2013 for Jebawang and Hibumas 2 was presented. Owing to the increase in housing facilities, the quantity of water consumption had increased from 54,210.4 liters in 2011 to 87,518 liters in 2013.

It was observed that the water for the POM had continued to be sourced from a pond located next to it. Water used by the mills had been monitored. It was observed that the records of the mill's daily water use (litres of water per ton of FFB) as well as the monthly and daily water consumption in the estates were being kept. The usage of water per MT FFB had fallen from 1.73 m³/MT FFB in 2011 to 1.53 m³/MT FFB in 2012 and 1.32 m³/MT FFB for the first 5 months of 2013.

A water management plan had continued to be implemented with improvement being made to include all sources of water. A Special SOP for water treatment plant had also been presented. Stagnant ponds in Sri Kamusan Estate had been created for water conservation and catchment areas.

Criterion 4.5

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

Findings:

No pesticide had been used during the last 24 months. The SOP had documented an integrated pest management (IPM) system. The IPM techniques being used include detection, census and treatment controls to be applied when pests population or crop damages has reached the threshold level. There was still no prophylactic application made in the estate. The control on rat or other pest would only be implemented when census had shown a 20% and 5% damages respectively. Control would then be confined to only the affected areas.

In addition, the Sri Kamusan CU had continued to encourage the planting of beneficial plant such as *Turnera subulata*, *Cassia cobanensis* and *Antigonon leptopus* as part of the IPM on the biological control over bagworms and nettle caterpillars. A beneficial plants map had been prepared for the estates.

The assessment team had also examined the records of pesticide usage including active ingredients, areas treated, amount applied per hectare and the number of applications. These records were found to have been well maintained by the estate.

Criterion 4.6

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

Findings:

Although no pesticides had been used for the last 24 months, Sri Kamusan CU had continued to justify the usage of all agrochemicals in the SOP. This included the specific targets and the correct dosage of agrochemicals to be used.

All information on the chemicals and its usage, hazards, trade and generic names had continued to be made available in the store and explained carefully to the field workers by a staff from the plantation management. The staff and plantation workers such as the storekeepers, sprayers and fertilizer applicators had been properly trained and had understood on the hazards and the safety procedures on the use of these chemicals. The trade and generic names of the chemicals were made known to the workers through the MSDS training.

Training on spraying of chemical had continued to be conducted at quarterly intervals and follow-up discussion had been reported and documented. Record on training and reviews on training programmes were presented during the assessment. Based on interviews held with the sprayers during the field inspection had indicated that they were still knowledgeable with the chemical being used and on the required safety procedures.

The chemical stores had continued to be in compliance with the provisions of the Occupational Safety and Health Act 1994 (Act 514) and Regulations and Orders and Pesticides Act 1974 (Act 149) and Regulations. References had been made to Chemical Health Risk Assessment (CHRA). All of the stores were still well ventilated and secured. Only authorized personnel were allowed to enter the chemical stores.

There had been a proper documentation of records on the purchase, storage and use of agrochemicals as indicated in the Stock Statement Return which was presented during the assessment. An interview held with the chemical storekeeper had revealed that he had understood the hazards involved in the handling of chemicals as well as the required control measures.

Based on the recommendation of the CHRA, medical surveillance had continued to be conducted for employees, such as estate sprayers and mill laboratory operators, whose jobs required them to be exposed to chemicals. An annual medical surveillance as required by the CHRA to personnel being exposed to agrochemicals had continued to be done.

The Sri Kamusan CU had continued with its policy on restricting pregnant women to work with pesticide. Interviews held with the female spraying gang had confirmed that they had been aware of this policy. In addition to the annual medical surveillance, the Sri Kamusan CU had continued to monitor the female sprayers' health condition through a monthly medical check-up by the Medical Assistants. The records on medical check-ups had continued to be updated in the sprayers' medical records. Female workers still had to undergo pregnancy test to ensure that no pregnant or breast feeding females had been exposed to chemical hazards.

As to-date, there was no request from CPO buyer to test chemical residue in CPO. However, as per the requirement of the Food Safety Management System (FSMS) @ ISO22000, Sri Kamusan POM had continued to conduct CPO testing on pesticides, heavy metal and microbiological content on annual basis by external accredited laboratory, IDELAB Sdn Bhd. Certificate of analysis dated 28th May 2013 was presented during assessment and result showed that these elements were below the stipulated limit.

All agrochemicals that would be applied were those that had been registered under the Pesticides Act 1974 (Act 149). Paraquat usage had still been totally banned in the estates and

this was verified during the inspection on the chemical stores during the assessment. There has been no aerial application of agrochemicals in the Sri Kamusan CU.

Criterion 4.7

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

Findings:

The Sri Kamusan CU had continued to implement the PPB's Occupational Safety and Health Policy, plan and programme. The documented OSH plan, including HIRARC assessment for each estate and mill was made available. This plan had been communicated and implemented at all levels of the organization.

However, it was observed that Sri Kamusan POM had yet to update the chemical register and the material safety data sheet (MSDS) for the new chemical being used and also other chemical/lubes such as Ekocast for boiler furnace brickwork. The baseline audiometric and annual audiogram had been conducted for the POM, but the hearing conservation programme had yet to be repeated for every 2 years.

The HIRARC covers activities in the estates and mill. Among the activities identified were chemical mixing and spraying, harvesting and FFB collection in the estates. As for the mill, the identified activities were FFB sterilization, kernel and oil extraction and clarification and others. Appropriate risk control measures had been identified and a person had been assigned to monitor the implementation of the control measures. HIRARC register had been updated with regards to the latest accident occurrence. Other new contractor's activities at the POM had yet to be registered. For example, the construction of a new loading ramp would need to be registered. It was also observed during site inspection that the boiler fireman was not wearing proper PPE for furnace clinkers cleaning. Long hand gloves were not provided for the said operators.

These lapses in full compliance with the documented system Occupational Safety and Health (OSH) plan which was in accordance with OSHA 1994 and Factory Machinery Act 1967 (Act139) had resulted in the raising of **OFI SK 6/2013**.

Training on spraying was still being carried out at quarterly intervals and had been adequately documented. The sprayers who were interviewed were found to be knowledgeable with the chemical they had been using and on the safety practices. MSDS was made available in the store for reference. A MSDS Data Sheet had been prepared for each estate.

It was observed that first aid box was still being provided to the field supervisors as well as made available at several strategic locations at the mill and chemical mixing areas.

Emergency Response Plan and Personnel responsible were documented and appointed. Records of accidents according to the categories of workers were still being made available in the clinics and offices of the estates.

Accident cases had continued to be monitored and reported to the Department of Occupational Safety and Health (DOSH) by the Safety Officer. Records of number of accidents and number of lost man days were presented for Segar and Sapi Divisions of Segar Imeg Estate.

The Sri Kamusan CU had continued to insure its staff in the estates and POM. Insurance had also continued to be provided to foreign workers.

Criteria 4.8

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

Findings:

Sri Kamusan CU had continued to implement the training programmes being planned for the year 2012/13. Generally the training had covered the programmes being identified such as the

implementation of SOPs, RSPO P&C, safety and health, first aid, working at height, safe chemical handling and also emergency preparedness and response on incident occurrence. Among safety and health trainings conducted were PPE awareness training (8/4/13) first aid training (19/3/12), medical surveillance and chemical handling technique by visiting medical officer (VMO) (12/6/13) and fire evacuation drill (ERP) training (11/4/12).

Based on the interviews with relevant staffs who had attended these trainings it was found that they had understood the intent and importance of the training and had been able to demonstrate the knowledge in their routine jobs. Overall, the implementation of the training programme had been satisfactory.

It was also observed that all training records had continued to be properly filed. The records had included information on the title of the training, name and signature of the attendees, name of the trainer, time and venue.

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

Criterion 5.1

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

Findings:

The Sri Kamusan CU had continued to conduct an environmental aspects and impact risk assessment for the mill and the individual estate. A report entitled *Significant Environmental Aspects and Impacts Mitigation Methods for Sri Kamusan Sdn Berhad*, was presented during the assessment. The report had been updated with the addition of the impacts from infrastructures development. The documentation of this report could be further improved with the version and date of the report being indicated to avoid confusion on its validity. This same practice could also be extended to other documents such as the Water Management Plan. An **OFI SK 7/2013** was therefore raised.

The individual estate had continued to submit an environment monitoring report to the Sabah Environmental Protection Department, as part of the requirements of the EIA approval. The Water sampling was done at three points; SK1, SK2 and SK3 all along Anak Sg. Sugut. A map showing the sampling points was available. Water samples analysis had continued to be done by ALS Technichem (M) Sdn Bhd, an accredited laboratory. Water quality was found to be still within the Class II B.

Environmental improvement plans to mitigate the identified negative impacts had continued to be implemented which include identifying buffer zones, segregation of recyclable waste, oil spill control and emergency preparedness.

Criterion 5.2

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

Findings:

As had been reported in the previous surveillance, a report entitled 'The High Conservation Value Assessment Report' had identified all the HCV sites for the six estates. Based on the report, an Action Plan for HCV had been prepared with the participation of the local communities.

The audit team had inspected the HCV sites being protected in the Sri Kamusan Estate, Hibumas 1 Estate, Hibumas 2 Estate and Sekar Imej Estate. It was observed that there was still signage been erected in all these HCV sites indicating the classes and that no activity was permitted in these areas. It was also reported that encroachment into 57.5 ha of the protected

HCV sites had occurred in Parcel 5 of Sekar Imej Estate.

For HCV 3, the various ecosystems had also continued to be protected. The Sri Kamusan HCV site was located in secondary forest next to the Bonggaya Forest Reserve. The flood plain that had been demarcated as HCV site in the Hibumas 1 and Hibumas 2 Estates had also been inspected and found to be marked on maps and demarcated on ground. This flood plain was part of the larger ox-bow lake system of the Sungai Sugut.

The most common HCV sites had been those classified under HCV 4.2 for soil erosion control and water protection owing to the hilly terrain of all the estates. It was observed that all the steep areas had still been left protected with no planting activities being allowed.

Areas which provide employment and cash income had been included as HCV 5 such as part of Hibumas 2 Estate, which had been planted by the local communities. For HCV 6, areas with religious sites and rituals as well as cultural events were identified as in the Hibumas 1 Estate where a site with a dead tree that was believed to be a “keramat” had been marked as HCV 6. Six villages had been identified to be having attributes of these two categories of HCVs.

On the landscape level, the Hibumas 1 Estate has the Class V Bonggaya-Labuk Mangrove Forest on its eastern boundary which formed the protective belt for the coast line. The identified HCV site formed by seasonal Perupok Swamp Forest in Hibumas 1 Estate is also part of the surrounding freshwater swamp forest.

It was observed that there were still signage at each estate to ban hunting. The entrance to each estate had gates and manned by guards. Regular patrols had continued to be conducted and reported on the protection of these HCV sites. 6 of the CU’s staff had been trained as Honorary Games Warden by the Sabah Wildlife Department.

Owing to the development activities on the neighbouring land near the Sri Kamusan Estate, there were evidences of poaching detected along the road bordering the area. The security at the entrance gate should be tightened and the end of the road blocked to discourage hunters. An **OFI SK 8/2013** was therefore raised.

Criterion 5.3

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

Findings:

The management had continued to implement the waste management system and reduce and dispose wastes in an environmentally and socially responsible manner. The program to encourage recycling of solid wastes had also continued. The Sri Kamusan POM had continued to practice 3R (reduced, recycle, re-use) on waste management exercise.

Mulching programme was still being managed and monitored by the estate with the arrangement of transports to evacuate EFB and decanter cake for daily application at field area.

EFB had continued to be conveyed to the composting plant for further composting process. The general domestic wastes were still being collected from the line sites and staff quarters and disposed to designated landfill area located at the individual estate. All wastes collected were transported to the landfill and segregated before being disposed in the burial ground. Sandwiched layering with soil was still being practiced to avoid scavenging and waste odors. Plastic containers/bags from manuring and spraying activities were also collected, washed and reused.

Recycling programme for paper, glass, plastic and aluminium was still being implemented. It was observed that recyclable wastes had continued to be collected and stored at designated areas.

Sources of pollution such as effluent from oil clarification plant and production floor washing

activities or called (POME) was still being treated in the effluent treatment plant (ETP) and finally discharged into the nearby estate for land application. However, the regular monitoring of POME to the land for fertilization had continued to avoid overflowing to the nearby river.

On the performance monitoring, monthly and quarterly report for final discharge were still being submitted in timely manner as stipulated in the written approval issued by DOE. Final discharge sample had been sent to accredited third party laboratory. For 2012, there was no evidence of non-compliance and the final discharge BOD was reported to be still below the stipulated discharge limit of 20 mg/l. Additional monitoring of stream had continued at 2 points in the upstream and downstream of Sungai Sugut.

Monitoring of smoke emission from boiler was still being done by an online monitoring system or Continuous Emission Monitoring System (CEMS). For the stack particulate monitoring, 3rd party consultant (Green Environmental Services) had continued to conduct the sampling twice a year. From the report presented, it was evident that stack sampling result was still below the statutory requirements.

All the estates had continued to operate their own Scheduled Waste store at individual operating unit site in accordance with the Environmental Quality (Scheduled Wastes) Regulations 2005. The assessment team had visited the scheduled waste storage area. The housekeeping and labeling was found in accordance with Schedule Waste Regulation 2005. All estates and mill had also continued to maintain their own records for scheduled waste for waste identification and notification to DOE, waste inventory, waste disposal consignment and the waste information.

Scheduled waste (spent engine oil) was still being collected by licenced contractor Tiong Cheong Bricks Sdn Bhd and Petrojadi. Sri Kamusan CU had continued to generate multiple types of scheduled waste namely SW 110, SW 102, SW 305, SW 306, SW 410, SW 408, SW 409, SW 417 and SW 312 in accordance to the 2nd Schedule. All wastes generated were stored and disposed accordingly except for Sekar Imej Estate.

From the May 2013 inventory list at the Sekar Imej Estate, it was found that several types of wastes stored had exceeded the 180 days storage period. The last disposal for SW 306 was made on 23/5/13 while for SW 404, it was made by Department of Environment (DOE) Licensed Contactor on 28/1/13.

During this assessment, there were evidences that there had been lapses in the management of the scheduled wastes. For example, at Hibumas 1 Estate, storage area for scheduled waste at the temporary workshop had yet to be upgraded and improved. Documents related to identification and selection of competent contractors for scheduled waste had yet to be obtained before disposal arrangement was made. Verification of valid license and type of wastes being collected had to be determined from the contractor's "*Jadual Pematuhan*". Other documents and records such as signed copy of waste consignment or 6th schedule and waste information had yet to be established at Sri Kamusan CU. A **minor NCR** was therefore raised on these lapses on the management of scheduled waste.

Criterion 5.4

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

Findings:

The Sri Kamusan CU had continued to be committed to using renewable energy in the mill. As such, fibre and nutshell had still being used as boiler fuel to generate steam for the mill operations. The usage of processed wastes consisting of fibre and nut shell had also continued to be monitored and recorded.

The monitoring of fossil fuel usage as per tonne of CPO on a monthly basis had also continued to be done in the estates. Monitoring record were maintained.

Criterion 5.5

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

Findings:

It was verified during the assessment through site visits, interviews and records that there had been no open burning carried out in line with the CU's policy on zero burning. There was also no replanting program being scheduled as the estates had been established with young palms.

Criterion 5.6

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

Findings:

The CU had continued to implement plans to reduce pollution and emissions. Among the actions which had been taken were on the reduction and improvement on the quality of effluent being discharged.

The *Waste and Pollution Identification, Prevention, Mitigation and Improvement Plan* was revised in 2012 for each of the estate to include activities from the nursery, growing, drainage, planting, fertilizing, scheduled waste and mill operation.

Records of the plans and evidence of implementation had been sighted. The action plans had also been reviewed during regular operations meetings.

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

PRINCIPLE 6: RESPONSIBLE CONSIDERATION OF EMPLOYEES AND OF INDIVIDUALS AND COMMUNITIES BY GROWERS AND MILLERS**Criterion 6.1**

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

Findings:

As mentioned in the previous surveillance, an SIA for Sugut Region Estates (PPB Oil Palms Bhd) Beluran, Sabah, Malaysia had been conducted for the mill and the estates in October 2010 by a consultant, Malaysian Environment Consultants Sdn Bhd. The assessment was conducted with full consultations of all the 6 communities living within the vicinity of the estates.

In the previous surveillance report, it was also stated that the SIA reports could be enhanced (OFI) by incorporating two other sections, namely an executive summary at the beginning and a recommendation on the timeframe for the plan review. The Sri Kamusan CU has taken effort to prepare the executive summary and the timeframe for the plan review. This OFI had therefore been closed out.

The last meeting on the SIA Action Management Plan Review was held on 16 April 2013 in Sri Kamusan Estate. Minutes of meetings had indicated that the SIA Action Management Plan had been discussed and revised. The revised Management Action Plan for the SIA comprised of internal and external consultations.

A total of 17 impact parameters had been identified during the management plan review related to issues, proposed action, location, person-in-charge, time line and progress. For the Sri Kamusan Estate, various measures had been implemented while some were still on-going and these were time-bound, scheduled-implementation, and being monitored.

It was observed that some decisions in the revised plans could be better understood if supported with pertinent clarifications or explanations. The revised action plans could also be improved by incorporating new issues, namely, those surfaced after/during the implementation

of the plans. **An OFI was therefore raised.**

Criterion 6.2

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

Findings:

The management of the estates had continued to use the established procedures (RSPO File 6.2) to communicate with both internal and external stakeholders.

1. Internal communications:
 - (a) management to staff/workers communications (through daily assemblies, circulars, memos, notice board and poster, environmental and social campaigns, management by walking about)
 - (b) Staff to management communications (suggestion boxes, daily informal communications, staff/worker representatives, written complaint form, management by walking about.)
2. External communication (two-way) through:
 - (a) Public Information Request (PIR) form
 - (b) Complaint form
 - (c) Complaints and grievances from local communities to be investigated through Negotiation and Resolution Procedure
 - (d) Invitation external stakeholders to the estate or mill (gathering, public consultation, tour of the estate or mill's operation, meeting to discuss special issues, activities/programs beneficial to them).

Two forms were still being used in communications; the Request Form (Borang Permohonan) and Complaint Form (Borang Aduan).

The Managers and Assistant Managers were still the persons-in-charge at the operating units for communications. For Sri Kamusan Estate, the person-in-charge (PIC) on external communication would be the manager or Assistant Manager. This was informed to all external stakeholders as documented in Sri Kamusan Estate RSPO File 6.2. For Hibumas 1 Estate, the PICs are senior manager, senior assistant manager and 2 assistant managers (Hibumas 1 Estate RSPO File 6.2).

The mill and estates had continued to maintain a list of stakeholders, records of all communication and actions taken in response to input from stakeholders. Details of the updated list of stakeholders (3 April 2013) were available and kept in Sri Kamusan Estate RSPO File 1.1/1.2.

All letters of communication with external stakeholders were still being kept while the Request Form and Complaints and Grievances File were maintained for internal stakeholders.

Criterion 6.3

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

Findings:

The 'Procedure for Collective Negotiations and Resolution of Disputes or Grievances' was still being used by the mill and all estate to resolve all disputes or grievances. The Complaint Form or Borang Aduan was used to lodge the grievances.

Under the procedure, the aggrieved parties could either fill in the Complaint Form or write a letter or submit the complaint verbally to anyone in the main office or to the responsible official on social issues or to the workers' representatives or gender representatives.

The Procedure for Collective Negotiations and Resolution of Disputes or Grievances remained open to both internal and external stakeholders. This system was applied to all the estates and mill. It was observed that the procedures had been able to resolve disputes in an effective,

timely and appropriate manner. Samples of complaints had been examined and there were no serious issues being observed.

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.
This criterion should be considered in conjunction with Criterion 2.3.

Findings:

The same process for identification of legal and customary rights and Identifying people entitled for compensation was still being used. This procedure involves (1) establishment of legal and native customary rights and (2) establishment of people entitlement for compensation.

Fair compensation of the affected native customary land together with all buildings, erection and crops shall vest in the Government [Section 16 (2) of Sabah Land Ordinance 1930]. Hence, the Sri Kamusan CU had not established a separate procedure for calculating and distributing fair compensation.

In spite of the clear-cut rights of ownership by Sri Kamusan POM over the land (as per land title), the management had not resorted to legal means to prevent trespassing by the villagers. This had helped to develop a workable and participatory mechanism to resolve customary rights claim and illegal encroachment by the local indigenous people.

To-date, there has been no claim on losses of legal and customary rights and hence no amount of compensation had ever been paid.

Criterion 6.5

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

Findings:

Pay and conditions for the staff employment had continued to be made according to legal and industry standard. Pay and conditions of both local and foreign workers were still as outlined in the employment contract under section 19 of the Sabah Labour Ordinance (Chapter 67). The employment contracts given to the employees, was still in Bahasa Malaysia.

Most of the field workers such as sprayers, workers for manuring and harvesters were paid on a piece-rated basis according to their work performances. A worker was able to receive more than RM 800 per month which was in line with National Wages Consultative Council Act 2011- Minimum Wages Order 2012 where the minimum wage rates payable to an employee is RM800 a month for Sabah.

During random interviews held with the workers, a discrepancy on pay was being raised. On further investigation, it was found that the workers were on different pay schemes. The different methods of payment between normal field workers and harvesters could be explained clearer to workers. **OFI SK9/2013** was raised.

The Sri Kamusan CU had continued to provide adequate housing, water supplies, medical, educational and welfare amenities in accordance to the Workers' Minimum Standard of Housing and Amenities Act 1990 (Act 446). In all the estates and POM, new two-bedroom houses (four in a row) had been built to replace the old wooden houses. In every estate there were *surau*, clinic, crèche, Humana school (pre-school and primary children) operated by an NGO (Borneo Child Aid Society), canteen (at mill only), sundry shop, playground and recreational area.

Electricity was still being provided 8 hours a day while piped treated water was supplied free of charge. Workers and their dependent had continued to enjoy free medical treatment. Based on visits made to mill and estate workers' houses in the Sri Kamusan Estate, it was observed that the houses and compounds had been well kept. Rubbish bins were still being provided free of

charge and recycle bins were placed in strategic places in the workers' and staffs' housing area. A new mosque was built for use in Hibumas 2 Estate.

The management of the CU had continued to be financially committed to upgrade and build more workers' accommodation. The upgrading and building of new workers accommodation had started and was expected to be completed in 5 years. During the site inspection, it was observed that new housing had been constructed to replace those temporary houses.

In the 2012 surveillance assessment report, an OFI was raised as the owner of the sundry store at Hibumas 1 Estate had informed the auditor that the displayed price tags showed the prices of the items bought on credit. The cash prices were less than the prices on credit. It would certainly help both groups of customers if the cash price tags were also being displayed. Customers would then make better informed decisions before buying the various items. A visit made to the same sundry shop had shown that the owner had displayed the list of goods available and their prices. Each of the items was also tagged with prices.

Interviews held with two clients at the sundry shop indicated that they were satisfied with the prices listed as the shop owner has to purchase the goods from Sandakan town, which takes about 8 hour-driving time to and fro. The shop owner had charged an item the same price whether it was bought on cash or credit. Hence, this previous OFI has now been closed out.

During the previous surveillance, an OFI was raised as it was observed that the crèche minders had had little exposure and appropriate knowledge and skill on their job. Records in RSPO File 4.8 showed that a training program for 4 crèche minders in Sri Kamusan Estate was held on 24 April 2013. The training involved topics such as role of crèche minders and parents, cleanliness at the crèche, ensuring the safety and health of the children). Hence, this OFI had been closed out.

During the previous surveillance audit, an OFI was also raised on the need to enhance the attractiveness of the landscape by planting trees and plants at appropriate locations. It was observed that the CU had planted 20 mahogany trees around the surau and new workers' housing of Sri Kamusan Estate. Hence, this OFI had now been closed out.

Criterion 6.6

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

Findings:

The estate workers still had no union. However, there were worker organizations in all the estates.

Formal meetings of the workers' representative were held via the following committees in the mill and estates:

- 1) Social and Worker Committee (Jawatankuasa Sosial dan Kebajikan Pekerja) (quarterly meeting, last meeting was held on 6 June 2013 in Sri Kamusan Estate).
- 2) Safety and Health Committee ((quarterly meeting, last meeting was held on 26 March 2013 in Sri Kamusan Estate).
- 3) Jawatankuasa Wanita dan Kanak-Kanak (quarterly meeting, last meeting was held on 12 June 2013 in Sri Kamusan Estate).

Through these committees, workers' issues were brought to the attention of the management.

An official published statement in Bahasa Melayu and languages understood by the workers recognizing freedom of association was still made available and being exhibited in public places. The workers whom were consulted had confirmed that they were aware of their rights to join a union.

Criterion 6.7

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

Children are not exposed to hazardous working conditions.

Findings:

The company had a child labor policy prohibiting employment of children as defined by the ILO Convention. There was no person under the age of eighteen, the minimum working age under Malaysian Labor Laws (Act A1238) being employed by the CU.

The Sri Kamusan CU's child labour policy or 'Polisi Buruh Kanak-Kanak' was still being displayed on the notice boards of the POM and estates that the minimum age of employment is 18.

The Age of Workers List of Sri Kamusan Estate, as at May 2013 (RSPO File 6.7) showed that no person below 18 years old was recruited to work either in the estate and the POM. For the 35 local workers, the youngest age of the worker was 18 years and 3 months, while for the 204 foreign workers; the youngest was 19 years and 6 months. Similarly, in the Segar-Imej Estate, all 132 local workers and 42 foreign workers were above 18 years.

Criterion 6.8

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

Findings:

An equal opportunities policy had continued to be made publicly available in languages understood by the workers. This policy had been posted in the estates. The statement of Equal opportunity Policy or Polisi Peluang Kesamarataan) in both Bahasa Malaysia and English was still being displayed on the notice boards of the mill and estates. It supports the principle of fairness and non-discrimination, aims to treat individuals with dignity and respect, free from unlawful and unethical discrimination. In particular, it aims not to discriminate on gender, race or ethnic origin, disability, sexual orientation, age or faith; but to build a global and able workforce that is based on meritocracy.

Job openings were still made available to any qualified person regardless of his/her socio-cultural, political or gender background. Based on the discussions held with the mill's administration staff and operators as well as Indonesian workers in the Sri Kamusan and Hibumas 1 Estates, it was found that there was no evidence and case of discrimination based on race, gender or national origin.

All workers (local or migrant, male or female) had been paid the same salary and conditions of employment associated with the jobs they were hired for. This was confirmed by checking on the letter of offer to the employees and through consultations held with the workers. For example, the employment contract showed that daily wage of both local and foreign workers (male and female) was RM30.77 a day for 8-hours working.

The local and foreign workers in all the estates and POM had continued to enjoy the same benefits such as free housing, water and electricity supply and medical treatment.

There was still a difference in education opportunity for the children of the local and foreign workers. Local children had continued to attend the boarding primary school at SK Bin Sulong, Kg Bin Sulong, which is located about 26km from the mill. On the other hand, children of foreign workers attended the Humana schools (until standard 6) at Sri Kamusan, Hibumas 1 and Jebawang Estates. This difference was due to the educational policy of the government.

Criterion 6.9

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

Findings:

The CU had continued to abide by the published policy on sexual harassment and violence which had been made available to all employees in languages they understood. This policy was

in line with the law (Penal Code, section 509) that deals with the issue of sexual harassment in Malaysia and the Code of Practice and Eradication of Sexual Harassment in the Workplace, which was established by the Human Resources Ministry in 1999.

To-date, there was no case of sexual harassment being reported. The consultations held with Sri Kamusan Estate's *Jawatankuasa Kebajikan Wanita dan Kanak-Kanak* (5 members) and 5 administrative staff as well as 7 mill female administrative staff and 3 female mill operators showed that the workers did not suffer any sexual harassment.

The Gender Committee, the '*Jawatankuasa Kebajikan Wanita dan Kanak-Kanak*' (JKWK) whose responsibilities among others was to look into gender issues had been established in each estate/mill had continued to meet once in every three months. The JKWK had continued to organise awareness programmes on sexual harassment in work places. The latest was being conducted on 24 April 2013. Besides the JKWK, the grievance could also be channeled to Social and Worker Committee.

In the previous surveillance report, an OFI was raised as it was observed that a few of the activities organized by the JKWK had direct relevance with the subject of sexual harassment. Such activities should include talks by the authorities on women's rights, awareness on gender issues, and so forth. In the minutes of the meeting of the JKWK 2013/2 dated 12 June 2013, it was decided that a talk would be held at the office of the Sri Kamusan Estate to enhance the understanding of the workers on sexual harassment. Following the proposed action to be undertaken by the CU, therefore this OFI had been closed out.

Criterion 6.10

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

Findings:

The Joint Consultative Committee had continued to discuss issues on pricing and contracts on FFBs in its meeting held once every three months.

The pricing mechanism and daily prices were still being displayed on the notice board of the mill. The mill's 2 FFB procurement officers had also continued to discuss prices with suppliers from time to time.

Based on interviews held with the Assistant Manager of Borneo Samudera Sdn Berhad and two other smallholders from Kg. Tangkangit (near to the mill) supplying FFBs to the Sri Kamusan POM, it was found that they had understood the business relationships between them and the POM. These smallholders had been happy with their trading relationship with the mill as payments had been promptly made.

There was no contract being signed between the POM and the smallholders on the purchase of FFBs. This was confirmed by a supplier (Borneo Samudera Sdn Bhd) and two other smallholder suppliers at Kg. Tangkangit. In practice, payment was still made by cheque before 12th day of the month for previous month purchase.

Payment was based on daily pricing from MPOB which is accessible via www.bepi.mpob.my and also via SMS. The final price was decided by PPB Sandakan Office. Current prices had continued to be displayed on notice board of the mill while past prices were documented at their payment vouchers.

Complaint regarding prices and other FFB related dealings between the mill and suppliers were registered with the Mill Manager and reviewed by an internal mechanism.

Criterion 6.11

Growers and millers contribute to local sustainable development wherever appropriate.

Findings:

Sri Kamusan CU had continued to hold consultations with the neighboring communities related to local development. This was evident from the records being kept. The Sri Kamusan POM had also assisted the surrounding villages in minor road maintenance and repairs. Interviews with 3 villagers in Kg Tangkangit (Sri Kamusan Estate) on 18 June 2013 and 20 villagers on 19 June 2013 in Kg. Keliaga (Hibumas 1 Estate) had confirmed that their village roads were being maintained and repaired free of charge by the estates.

Record (letter dated 15 April 2012) had shown that Hibumas 1 Estate had also made in-kinds contributions. The Hibumas 2 and Jebawang Estates had also contributed to repairing road in Kg Tapat.

The villagers in Kg Tangkangit, Kg Subang and Kg. Keliaga had also confirmed that they were allowed to use the roads in Sri Kamusan and Hibumas 1 Estates without any charge. Similarly, the Hibumas 2 and Jebawang Estates had provided free access of their roads to the villagers of Kg. Tapat.

Record had shown that of the 23 Malaysian workers employed in Hibumas 1 Estate, 3 (13%) were from the local communities within the vicinity of the estate while the remaining 20 were from various parts of Sabah. The Sekar Imej Estate had 132 Malaysian workers of which 130 (98%) were from local communities.

In addition, the Sri Kamusan POM had donated to the Sekolah Kebangsaan (SK) Sungai Beluran for the school's annual sport event, the printing of school magazine and Majlis Anugerah Cemerlang 2012 for the Sekolah Menengah Kebangsaan (SMK) Telupid.

Similarly, the Sekar Imej and Sapi-Sugut Estates had also contributed to SK Sualok in organizing the sport event for the SMK Ulu Sapi Zone Sandakan and in the Field and Track Championship of the Tongod District School Sport Council 2013. These Estates had also contributed to the launching of the rural electric power supply in Kg Baba (Telupid) and the construction of the district office of the Ministry of Youth and Sport in Beluran.

Through regular consultations with the local communities, the Sri Kamusan CU had continued its efforts to contribute to local development by creating more job opportunities and improved amenities.

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.

Findings:

Sri Kamusan CU has no plan for new planting. The assessors had verified that there was no 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:

Findings:

Sri Kamusan CU had continued to regularly monitor and review their key activities at the mill and estates, and implement action plans for continuous improvement in its key areas of operations.

Evidences which had been sighted on actions taken to allow for continuous improvement included the commitment to minimize the use of certain pesticides by implementing IPM. For the last 24 months, the improvement plans had also included the commitment to zero waste and using the by-products such as EFB and POME in the fields.

SIA had been carried out with the participation of the affected communities. A management plan had been established although it was noted that certain social factors such as economic livelihood, working condition and facilities on health and education had not been fully addressed. Training of the local people for plantation work had been initiated and this could be intensified. The training programmes (conducted at SAPI) and the Joint Adaptation Program had produced some qualified and trained locals to fill the supervisory and other field positions. This program could be further developed to cover other forms of educational and skill enhancement activities such as oil palm agronomy, IT-literacy, plantation-related skill and competencies. Some of these programs may be tailored for the surrounding communities to fulfill the estates' training needs and CSR objectives. However, it was observed that the training related to environmental impact could be further enhanced by structuring it into different levels for the different groups of workers.

A mechanism to capture the performance and expenditure on environmental and social aspects had been well established. It was not limited to social and environmental aspects but being extended to occupational safety and health matters. There was provision for changing and shower rooms for sprayers to ensure no contamination to their family. The well-organized documentation system had allowed efficient monitoring of the implemented systems on the ground.

3.2 Supply Chain Assessment

Module E – CPO Mills: Mass Balance

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

Findings:

Sri Kamusan Palm Oil Mill (Sri Kamusan POM) has a document entitled "Standard Operation Procedure - Supply Chain and Traceability (Mass Balance Model)" (SOP) dated April 20, 2013, version 2 describing the procedures on the activities related to its supply chain certification system as required in the RSPO Supply Chain Certification Standard, November 2011 (RSPO Supply Chain Standard). The established SOP has addressed all the requirements of the RSPO Supply Chain Standard.

Mr. Saripuddin Hussain had been appointed as the new RSPO Management Representative (MR) replacing the previous MR. An interview held with the new MR had revealed that he has a good knowledge on the RSPO supply chain requirements.

All certified FFBs for the Sri Kamusan POM were sourced from the PPB own estates whilst the non-certified FFBs came from third party suppliers. Sri Kamusan POM had prepared a Quarterly Report of Incoming Sustainable Raw Material 2012 to monitor the incoming certified and non-certified FFB. The report was sighted and found to be adequate.

Delivery related documents such as FFB Dispatch Note # 13931 dated January 31, 2013 referring to Sri Kamusan Sdn Bhd and Weighbridge ticket # 211295 dated January 31, 2013 referring to Sri Kamusan Palm Oil Mill had clearly stated the words "RSPO sustainable FFBs" to indicate the FFBs had originated from certified plantations.

Sri Kamusan POM had maintained an up-to-date records and made them accessible to the auditor. The following records were sighted during the audit:

- Training records
- Incoming FFB
- Outgoing of CPO and PK records
- Production records

All record related to RSPO Supply chain standard requirements will be kept for 5 years.

Sri Kamusan POM had prepared “Quarterly Report of Incoming Sustainable Raw Material 2012” to monitor incoming certified and non-certified FFB on 3 monthly basis.

During this assessment the independent palm kernel crush was not audited.

All sale activities will be conducted by Willmar/PPB Office based in Singapore. All goods (CPO and PK) were sent to the Sandakan Edible Oil Sdn Bhd (part of Willmar/PPB group) for further processing. A delivery document (DO # 10496 dated 28/5/2013) had stated trade name used i.e. CPO/MB. The delivery order was found to have stated all the required information such as:

Name and address of the buyer – Sandakan Edible Oils Sdn Bhd

Date on which the invoice was issued – 28/5/2013

Description of product – CPO/MB

Quantity of the products delivered– 38.24 MT

The Sri Kamusan POM had conducted the latest training on the RSPO Supply Chain Certification Standard on 19/4/2013 by a trainer from PPB CSR Department in Sandakan entitled “RSPO SCCS Awareness” which was attended by the staff of Sri Kamusan POM.

Attendance list was made available and a training evaluation was conducted to gauge the competency of staff. A random interview held with Ms. Julianah bt Raji, a weighbridge clerk during which it was found that she has a good understanding on the basic requirements of the RSPO Supply Chain Certification Standard.

Base on the relevant records being reviewed and interviews conducted with the relevant personnel, it was confirmed Sri Kamusan POM had yet to make any claims regarding the use of or support of RSPO certified palm products. Nevertheless they were aware on the RSPO Rules for communication and claims.

3.3 Identified Non-Conformities

The details of the non-conformities raised during this surveillance, corrective actions taken by Sri Kamusan CU to address it and the assessors’ verification of the corrective actions taken are in **Attachment 4**.

3.4 Status of Non-Conformities Previously Identified

The effectiveness of the corrective actions taken by the CU to address the previous non-conformities had been verified by the assessment team during this surveillance. Details of the verified non-conformities are in **Attachment 3**.

3.5 Noteworthy Positive Observations

The Sri Kamusan CU had continued to make improvement on the implementation on the key activities related to the requirements of RSPO MYNI: 2010. This was evident in the 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 were being kept clean and conducive.

The level of awareness among the workers on implementation of activities related to the RSPO MYNI: 2010 was also found to be adequate and satisfactory. They were able to explain not only the operating procedure related to their work but also the impact of its deviation, the consequence for not following them and the importance in achieving conformity to the RSPO

requirements.

4.0 ASSESSMENT RECOMMENDATION

It was found that the Sri Kamusan CU had continued to comply with the requirements of the RSPO MYNI. The Sri Kamusan CU had taken the appropriate corrective actions to address the major non-conformity. The assessment team had verified and was satisfied with the corrective actions taken by the CU to address the major non-conformity and had subsequently closed it out.

The CU had submitted a corrective action plan to address the minor non-conformity which the assessment team had raised during this surveillance. The assessment team had accepted the corrective action plan. However the verification of the corrective action to close out this minor non-conformity would be conducted during the next annual surveillance.

Based on the above findings, the assessment team therefore recommends that the Sri Kamusan CU of the PPB Oil Palms Berhad be allowed to maintain its certification against the RSPO MYNI: 2010 for the sustainable production of palm oil.

As it was also found that the Sri Kamusan POM had continued to comply with the requirements of module E of the RSPO Supply Chain Certification Standard, November 2011, the assessment team therefore recommends that the supply chain certification of the Sri Kamusan POM be maintained.

5.0 ORGANIZATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY AND FORMAL SIGN-OFF OF ASSESSMENT FINDINGS

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

Name : Dr. Yap Son Kheong

Signature:



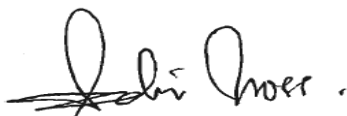
Designation: Assessment Team Leader

Date : 7 September 2013

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

Name: Edrin Moss

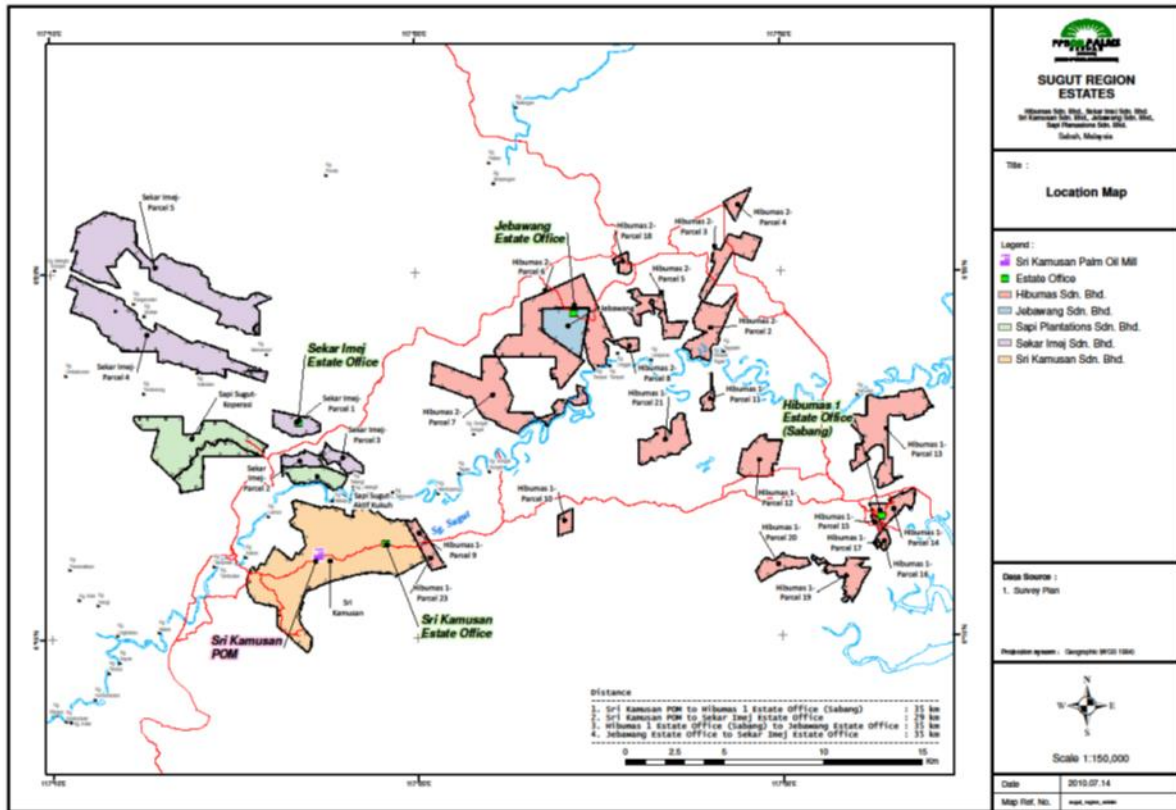
Signature:



Designation: Senior Manager - Sustainability

Date: 4th April 2014

Location Map of Sri Kamusan Certification Unit



SURVEILLANCE ASSESSMENT PLAN

1. Objectives

The objectives of the assessment are as follows:

- (i) To determine PPB Oil Palms Berhad – Sri Kamusan Certification Unit conformance against the RSPO Principles & Criteria Malaysian National Interpretation (MY-NI) and the Supply Chain Certification Standard, November 2011;
- (ii) To verify the effective implementation of corrective actions arising from the findings of last assessment; and
- (iii) To make appropriate recommendations based on the assessment findings.

2. Date of assessment : 17 to 21 June 2013

3. Site of assessment : PPB Oil Palm Berhad
Sri Kamusan Certification Unit

- Sri Kamusan Palm Oil Mill
- Sri Kamusan Estate
- Hibumas 1 Estate
- Hibumas 2 Estate
- Jebawang Estate
- Sekar Imej Estate
- Sapi Sugut Estate

4. Reference Standard

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

5. Assessment Team

- a. Lead Assessor : Dr. Yap Son Kheong
- b. Assessors : Mohamed Hidhir Zainal Abidin
Dr. Lim Hin Fui
Haji Mohd Norddin Abd. Jalil
Zulkarnain Abdullah

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

6. Audit Method

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

7. Confidentiality Requirements

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

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

8. Working Language : English and Bahasa Malaysia

9. Reporting

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

10. Facilities Required

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

11. Assessment Programme Details : As follows

Day 0 16 June 2013 (Sunday) Travel from Kuala Lumpur to Sandakan

Day One: 17 June 2013 (Monday)

Time	Activities/Areas to be Visited				Auditee
7.00 am - 10.30 am	Travel from Sandakan to Sri Kamusan Office				
10.30 am - 12.00 pm	Opening Meeting by team leader Audit team introduction and briefing on assessment objectives, scope, methodology, criteria and programmes by audit team leader at Sri Kamusan estate office Briefing on the organization background and implementation of RSPO (including actions taken to address last surveillance assessment findings) Confirmation of sites for inspection				Management Representative
1.30 pm - 5.30 pm	Dr. Yap Son Kheong	Haji Mohd Norddin Abd. Jalil	Dr. Lim Hin Fui	Mohamed Hidhir Zainal Abidin	
	Documentation review at Sri Kamusan Estate (including verification on action taken to address last surveillance assessment findings) Meeting with field staff		Documentation review at Sri Kamusan Palm Oil Mill (including verification on action taken to address last surveillance assessment findings) Meeting with office staff and field workers		Guide for each assessor
8.00 pm - 9.30 pm	Assessment team discussion and verification on any outstanding issues Note : Assessor to inform auditee on the required document / records				

Day Two: 18 June 2013 (Tuesday)

Time	Activities / areas to be visited					Auditee
	Dr. Yap Son Kheong	Haji Mohd Norddin Abd. Jalil	Dr. Lim Hin Fui	Mohamed Hidhir Zainal Abidin	Zulkarnain Abdullah	
7.00 am -12.00 pm	<p>Site visit and assessment at Sri Kamusan Estate</p> <p>On environmentally area of concern:</p> <ul style="list-style-type: none"> • Area of more than 25° • Inspection of protected sites with HCV attributes • Riparian zone • River system including POME discharge • Forested area 	<p>Site visit and assessment at Sri Kamusan Estate:</p> <ul style="list-style-type: none"> • Good Agricultural Practice- witness activities at site (weeding/ spraying/other maintenance activities/ harvesting) • EFB mulching • Plantation on hilly/swampy area • IPM <p>Other area identified during the assessment</p>	<p>Site visit at Sri Kamusan Estate and mill- Discussion with relevant management (CSR, community affairs) and preliminary viewing of documentation relating to local community and indigenous peoples issues such as EIA, SIA, assessment and management plans.</p> <ul style="list-style-type: none"> • Interview with workers & Union representatives • Facilities at workplace (rest area, etc) • Living quarters • Facilities provided at living quarters (i.e. humana, surau, community center, provision shop & etc) <p>Other area identified during the assessment</p>	<p>Site visit at Sri Kamusan Palm Oil Mill:</p> <ul style="list-style-type: none"> • Safety & Health practice – witness mill activities such as operation, boiler, water treatment & workshop • Chemical management • Interview with workers & safety committee • Interview with FFB suppliers and other contractors • Effluent treatment plant • Boiler house Waste management 	<p>Site visit at Sri Kamusan Palm Oil Mill verification on RSPO Supply chain requirements</p>	<p>Guide for each assessor</p>
12.00 pm - 1.00pm	Break					All

1.00 pm -5.30 pm	<ul style="list-style-type: none"> Plantation boundary and neighbouring land use Water bodies Source of water supply and catchment areas general waste disposal area <p>Other area identified during the assessment P2 (I2.2.3), C4.1, C4.4, C4.8, C5.1, C5.2, C5.3, P8</p>	<ul style="list-style-type: none"> Nursery (if any) chemical store/fertilizer <p>C2.1, C2.2, C3.1, C4.1, C4.2, C4.3, C4.4, C4.5, C4.7, C4.8, C5.1, C5.3, C5.5, C5.6, P8</p>	P1, P2, P6, P8			Guide for each assessor
7.30 pm -8.30 pm	Assessment team discussion and verification on any outstanding issues Note : Assessor to inform auditee on the required document / records					

Day Three: 19 June 2013 (Wednesday)

Time	Activities / areas to be visited				Auditee
	Dr. Yap Son Kheong	Haji Mohd Norddin Abd. Jalil	Dr. Lim Hin Fui	Mohamed Hidhir Zainal Abidin	
7.00 am - 12.00 pm	Site visit and assessment at Hibumas Estate and Jebawang Estate Documentation review On environmentally area of concern: <ul style="list-style-type: none"> Area of more than 25° Inspection of protected sites with HCV attributes Boundary and land use of the different estates 	Site visit and assessment at Hibumas Estate: <ul style="list-style-type: none"> Good Agricultural Practice- witness activities at site (weeding/spraying/other maintenance activities/harvesting) Nursery (if any) chemical store/fertilizer EFB mulching 	Site visit at Hibumas Estate - Discussion with relevant management (CSR, community affairs) and preliminary viewing of documentation relating to local community and indigenous peoples issues such as EIA, SIA, assessment and management plans.	Site visit and assessment at Hibumas Estate: <ul style="list-style-type: none"> Safety & health practice – witness activities at site Facilities at workplace (water treatment plant, clinic & etc) Chemical store/fertilizer Workshop during the assessment 	Guide for each assessor

	<ul style="list-style-type: none"> Riparian zone River system Swamp areas Forested area Plantation boundary Water catchment and source of water supply 	<ul style="list-style-type: none"> Plantation on hilly/swampy area 	<ul style="list-style-type: none"> Interview with workers & Union Representative Facilities at workplace (rest area, etc) Living quarters Facilities provided at living quarters (i.e. humana, surau, community center, provision shop & etc) 		
12.00 pm - 1.00 pm	Break				
1.00 pm- 5.30 pm	Other area identified during the assessment P2 (I2.2.3), C4.1, C4.4, C4.8, C5.1, C5.2, C5.3, P8	Other area identified during the assessment C2.1, C2.2, C3.1, C4.1, C4.2, C4.3, C4.4, C4.5, C4.8, C5.1, C5.3, C5.5, C5.6, P8	Other area identified during the assessment P1, P2, P6, C8.1	Other area identified during the assessment P1 (C1.1-1.2), C2.1, C4.1, C4.6, C4.7, C4.8, P8 C2.1, C3.1, C4.1, C4.4, C4.6, C4.7, C4.8, C5.1, C5.3, C5.4, C5.5, C5.6	Guide for each assessor
8.00 pm - 9.30 pm	Assessment team discussion and verification on any outstanding issues Note : Assessor to inform auditee on the required document / records				

Day Four: 20 June 2013 (Thursday)

Time	Activities/Areas to be visited				Auditee
	Dr. Yap Son Kheong	Haji Mohd Norddin Abd. Jalil	Dr. Lim Hin Fui	Mohamed Hidhir Zainal Abidin	
7.00 am - 12.00 pm	<p>Assessment at Segar Imej Estate and Sapi Sugut Estate on environmentally area of concern: Documentation review</p> <ul style="list-style-type: none"> • Area of more than 25° • Inspection of protected sites with HCV attributes • Boundary and land use of the different estates • Riparian zone • River system • Forested area • Plantation boundary <p>Other area identified during the assessment</p>	<p>Site visit and assessment at Segar Imej Estate:</p> <ul style="list-style-type: none"> • Good Agricultural Practice- witness activities at site (weeding/spraying/other maintenance activities/ harvesting) • Nursery (if any) • chemical store/fertilizer • EFB mulching • Plantation on hilly/swampy area • IPM 	<p>Site visit at Segar Imej Estate and mill - Discussion with relevant management (CSR, community affairs) and preliminary viewing of documentation relating to local community and indigenous peoples issues such as EIA, SIA, assessment and management plans.</p> <ul style="list-style-type: none"> • Interview with workers & their dependent • Facilities at workplace (rest area, etc) • Living quarters <p>Facilities provided at living quarters (i.e. humana, surau, community center, provision shop & etc)</p>	<p>Site visit and assessment at Segar Imej Estate:</p> <ul style="list-style-type: none"> • Safety & health practice – witness activities at site • Facilities at workplace (water treatment plant, clinic & etc) • Chemical store/fertilizer • Workshop • Waste management • Recycling activities • generator set (if any) • Interview with contractors and contract workers • Source of water supply • general waste disposal area 	Guide for each assessor
12.00 pm - 1.00 pm	Break				
1.00 pm- 5.30pm	P2 (I2.2.3), C4.1, C4.4, C4.8, C5.1, C5.2, C5.3, P8	C2.1, C2.2, C3.1, C4.1, C4.2, C4.3, C4.4, C4.5, C4.8, C5.1, C5.3, C5.5, C5.6, P8	P1, P2, P6, P8	P1 (C1.1-1.2), C2.1, C4.1, C4.6, C4.7, C4.8, P8 C2.1, C3.1, C4.1, C4.4, C4.6, C4.7, C4.8, C5.1, C5.3, C5.4, C5.5, C5.6	Guide for each assessor
8.00 pm– 9.30 pm	Assessment team discussion and verification on any outstanding issues Note : Assessor to inform auditee on the required document / records				

Day Five: 21 June 2013 (Friday)

Time	Activities/Areas to be Visited				Auditee
	Dr. Yap Son Kheong	Haji Mohd Norddin Abd. Jalil	Dr. Lim Hin Fui	Mohamed Hidhir Zainal Abidin	
7.30 am - 10.00 am	Verification on outstanding issues for Sri Kamusan Certification Unit Assessor to inform auditee on the required document / records				Guide for each assessor
10.00 am - 12.00pm	Audit Team Discussion and preparation on assessment findings				
12.00 pm - 1.30 pm	Break				All
1.30 pm - 3.00 pm	Discussion and acceptance on assessment findings				All
3.00 pm - 4.30 pm	Closing meeting at Segar Imej Estate Office – presentation of Sri Kamusan Certification unit assessment findings				All
4.30 pm	End of assessment & Travel to Sandakan				

22 June 2013 (Saturday) Travel back to Kuala Lumpur

VERIFICATION OF PREVIOUS AUDIT FINDINGS

P & C, Indicator	Classification Major/Minor	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
P2 C2.1	Major	<p>Indicator 2.1.1 Evidence of compliance with legal requirements</p> <p>Contravention against Factories and Machinery Act</p> <p>1. (Person-In-Charge) Regulations 1970.</p> <p>a) :</p> <p>(i) The first grade Steam Engineer was not assisted by either a first or second grade engineer and either by such first or second grade engine driver when boiler (heating surface area=11,833 ft²) was operating during each shift.</p> <p>(ii) Only one first grade engine driver was available and not one for each shift.</p> <p>b) No competent Internal Combustion Engine driver available at mill and estates (except for Sapi Sugut Estate) during each shift.</p>	<p>1. Although no suitable candidate had been found, the Human Resource Department will continue to advertise these vacancies in local newspaper, the next advertisement being scheduled on 25th and 26th May 2012.</p> <p>2. In the meantime, mill will continue to train existing employees to attain the competent licence. The trained employee, Mr. Dorinus Sinto will be sitting for the 2nd Grade Steam Engineer certificate on 19th June 2012.</p> <p>3. The estates planned to send their candidates (4 people who had attended the MPOA ICE Course) for 2nd Grade Driver examination in 3rd quarter 2012.</p> <p>4. The JKJ 105 form will be couriered to DOSH Sandakan and Kota Kinabalu on 26th May 2012.</p>	<p>1. Newspaper cuttings for vacancies of</p> <ol style="list-style-type: none"> Mill Engineer(s) Engine Driver(s) Boiler Chargeman(s) <p>advertised in Daily Express and Borneo Post on 25th and 26th May, 2012. had been submitted to SIRIM QAS and sighted acceptable.</p> <p>2. Copies of application to DOSH for staff to sit for the 2nd Grade Steam Engineer and ICE 2nd Grade Engine Driver examination had been submitted to SIRIM QAS and sighted acceptable by the Assessor.</p> <p>3. Copies of the JKJ 105 and its supporting document had been submitted to SIRIM QAS and found acceptable.</p> <p>Status: Closed</p> <p>To verify during next assessment if vacancies had been filled, candidates passed their examination and approval obtained for Permit to Install the sterilizer.</p> <p>Verification of corrective action effectiveness: JKJ 105 and correspondence with DOSH was evident. However, the person in charge (PIC)</p>

		<p>2. Notification of Fitness and Inspection Regulations 1970</p> <p>a) Permit to install the new sterilizer had not been applied to DOSH, Sabah, i.e. no record of JKJ 105 (Form A, Fourth Schedule) was used.</p>		<p>issue still has not been resolved. Candidates who were sit for the exam was unfortunately failed.</p> <p>Still lacking of PIC for manning the operation, especially for 1st grade ICE driver and 1st grade boiler charge man. Re-issue as Major NCR under indicator 2.1.1.</p>
P4 C.4.4.1	Major	<p>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.</p> <p><u>Riparian Zone Management PPOB Operation procedure</u> Buffer zone was not maintained at Sri Kamusan Estate, Division C, Block 46 and 47. The circle spraying activities or sprayed grasses had been sighted along the buffer zone</p>	<p>1. Training was conducted on 24th May 2012 to all sprayers and supervising staff Training evaluation was done right after to determine whether they understand the topic. This type of training will be conducted periodically to ensure that the sprayers and supervising staff do not repeat the same mistake.</p> <p>2. Estate will erect more warning signage “Dilarang Sembur Racun Dan Membaja Di Kawasan Ini” at appropriate spots. Fixing of signage is expected to be completed by 1st June 2012. Also to place stakes to mark riparian buffer zone boundary</p>	<p>Photographs of (1) training conducted to sprayers and supervising staff in the field and conference room as well as the (2) Signboards with writings “Dilarang Sembur Racun Dan Membaja Di Kawasan Ini” placed in areas declared as riparian zone were submitted to SIRIM QAS as evidence.</p> <p>Stakes to mark riparian buffer zone boundary had been placed and repainting of faded red markings of the oil palms along the riparian buffer zone had been done as per “Report For Corrective Actions Taken to Rectify RSPO Non-Conformity For Spraying Herbicide in Riparian Buffer Zone” submitted to SIRIM QAS.</p> <p>Status: NCR Closed</p>
P5	Minor	5.3.2: Having identified wastes and		

<p>C5.3</p>		<p>pollutants, an operational plan should be developed and implemented, to avoid or reduce pollution</p> <p>The scheduled waste volume/tonnage record was found decreasing instead of increasing when there was no waste disposal made, for examples;</p> <ul style="list-style-type: none"> • At Jebawang Estate, the Fifth Schedule record showed decreasing capacity in one of the scheduled waste category without proper/relevant disposal records in the latest two months of 2012. • The inventory (Fifth Schedule) records at Sri Kamusan Palm Oil Mill were inconsistent and did not correspond with the Notification of Scheduled Waste (Second Schedule) records - no proper / relevant disposal records. 	<p>Due to miscalculation, therefore wrong recording in the Fifth Schedule and miss out filling the correct column in the Second Schedule, a training on Schedule Waste Management for Person-In-Charge at estates and mill will be conducted on 15th July 2012.</p>	<p>(1) The corrected figures inserted to account for the miscalculation had been submitted on the revised Fifth Schedule form by Hibumas 2 estate and</p> <p>(2) the revised Second Schedule form submitted to DOE by Sri Kamusan and both copies sent to SIRIM QAS as evidence were found acceptable.</p> <p>Status: NCR Closed</p> <p>The training records had yet to be sighted.</p> <p>Verification of corrective action effectiveness: Found to be inadequate. Re-issue as minor NCR under indicator 5.3.2</p>
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NON-CONFORMITIES AND CORRECTIVE ACTIONS TAKEN

P & C Indicator	Specification Major/Minor/OFI	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
<p>Indicator 2.1.1</p> <p>NCR #: MH1</p>	<p>Major</p>	<p>Evidence of compliance with legal requirement</p> <p>i) <i>Environmental Quality (Clean Air) Regulation 1978</i> – Regulation 36 (Requirement for written approval)</p> <p>ii) <i>Factory & Machinery (Person In Charge) Regulation 1970</i> – Regulation 6(3) Requirement for 100<hp<500 ICE)</p> <p>iii) <i>Factory & Machinery (Person In Charge) Regulation 1970</i> – Regulation 6(2) (Requirement for 10,000 ft² <HS<25,000 ft²)</p> <p>The above requirement was not fully complied.</p> <p>i) There was no written approval from DOE for the fuel burning equipment (genset) listed below: -2 unit of 160 kVA/128 kW/174 hp genset at Hibumas 1 estate -1 unit of 200 kVA/160 kW/217 hp genset at Sekar Imej Estate</p> <p>ii) Person in-charge did not have full competence for the larger horsepower genset (400kVA/320kW/435hp) at Sri Kamusan POM and there was no competent person in-charge of the following: -1st Grade ICE driver at Sri Kamusan POM -2nd Grade ICE driver at Hibumas 1 and Sekar Imej Estate</p>	<p>i) <i>To apply for written approval from DOE for the Hibumas 1 & Sekar Imej genset. (Attachment Major 1A,1B, 1C & 1D)</i></p> <p>ii) <i>Sri Kamusan Mill to employ new 1st grade ICE driver & 1st grade boiler chageman by advertising it in the major newspaper. (Attachment Major 2A)</i></p>	<p>i) Verified service requisition for Hibumas and Sekar Imej under consultant Sukau Acoustic. Referred to SR No HE 3001 and SO No SJ 1146. All correspondence between DOE and consultant will be verified in the next audit.</p> <p>ii) Sighted the advertisement in Daily Express dated 30/6/13 for 1st grade ICE driver and 1st grade boiler charge man job openings.</p>

		<p>iii) There was also lack of a competent person to be in charge for manning the operation of 18,833 ft² steam boiler at Sri Kamusan POM - Only one 1st grade engine driver in charge at Sri Kamusan POM</p>	<p>iii) <i>Hibumas 1 & Sekar Imej Estate to send candidate to ICE examination and apply for ICE certificate. (Attachment Major 3A,3B,3C,3D)</i></p> <p>iv) <i>Sri Kamusan POM will send the 2nd grade boiler chargeman for 1st Grade boiler chargeman examination once he completed his 6 month grace period that required by law. (Attachment Major 4A)</i></p>	<p>iii) Verified application letter to DOSH (JKJ 115) dated 13/5/13. Sighted DOSH approval letter on 12/6/13.</p> <p>iv) Verified JKJ 115 dated 9/6/13 to DOSH for the nominated personnel. To be verified in the next audit</p>
<p>Indicator 5.3.2</p> <p>NCR #: MH2</p>	<p>Minor</p>	<p>Waste is reduces, recycled, re-used and disposed off in the environmentally and socially responsible manner</p> <p>Having identified wastes and pollutants, an operational plan should be developed and implemented, to avoid and reduce pollution.</p> <p>Operational plan for the scheduled waste was not consistently implemented.</p> <p>i) Identification and selection of competent/licensed contractor to transport and dispose scheduled waste generated from the operation (i.e. Petrojadi and Tiong Cheong)</p> <p>ii) Mechanism to ensure all scheduled waste generated were disposed in timely manner within 180 days. Disposal arrangement at Sekar Imej Estate was overdue</p>	<p>i) <i>To obtain KB & License from the contractor. (Attachment Minor 1A, 1B)</i></p> <p>ii) <i>To review the scheduled waste disposal procedure & to dispose all the overdue scheduled waste in Sekar Imej Estate (Attachment Minor 2A &2B)</i></p>	<p>To be verified in the next audit. However, Sri Kamusan CU proactively submitted the corrective action evidences.</p> <p>i) Verified written approval form SW contractor Petrojadi. Period validity 1/5/13 – 30/4/13 Licence number : 000734</p> <p>ii) Procedure (SOP/EST/mill2 (02)/0311 has been revised. SOP revision 2 dated 4/7/13 on competence SW contractor identification and standard size and labeling of SW.</p>

		<p>iii) Storage area for scheduled waste to be upgraded and properly managed. For example scheduled waste store at Hibumas 1 within the temporary workshop was not adequate.</p> <p>iv) Documents and records pertaining to the scheduled waste storage and disposal arrangement were not consistently maintained. For example; 7th schedule (waste information), signed copy of consignment (6th schedule) and scheduled waste contractor's license "Jadual Pematuhan" granted by DOE at Sri Kamusan POM</p>	<p>iii) <i>To upgrade the scheduled was storage area at the temporary workshop. (Attachment Minor 3A)</i></p> <p>iv) <i>To complete the necessary documentation pertaining to the scheduled waste disposal activities. (Attachment Minor 4A & 4B)</i></p>	<p>iii) Photograph submitted. Still in progress of upgrading. To be verified in the next audit.</p> <p>iv) Sighted signed copy of consignment (copy no.5) for SW 410 dated 1/5/13 for Sri Kamusan Mill. Sample on 7th Schedule (waste information) was sighted.</p>
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OPPORTUNITIES FOR IMPROVEMENT RAISED DURING THIS SURVEILLANCE		
Principle and Criteria	Details	Comments on Action Taken
2.1.1 & 2.1.3	<p>Evidence of compliance with legal requirements & mechanism for ensuring that they are implemented.</p> <p>The estates/mill had prepared a long list of pertinent laws and regulations. Nonetheless, the list could be improved by incorporating relevant international conventions. With respect to labour, such conventions would include those on freedom of association and the rights to collective bargaining.</p> <p>Although evaluation of compliance being carried out on a 3-monthly basis by mill and estate, the reporting was not specific because the questions / format contained in the form was general.</p> <p>Noted in the written approval for the new ETP in Sri Kamusan POM there was a need for a Competence Person in charge for the ETP. However, clarification with DOE has yet to be sought on the competency requirements needed.</p>	
2.2.3	<p>Evidence that boundary stones along the perimeter adjacent to state land and other reserves are being located and visibly maintained.</p> <p>Though at all estate boundary stones had been maintained, however, the locating of the missing boundary stone has yet to be intensified.</p>	
4.7	<p>An occupational health and safety plan is documented, effectively communicated and implemented.</p> <p>Harvesters' foot bridges in the area (Parcel 19 Hibumas 1) are of wooden plank types. There is potential of accidents and Concrete foot bridge is preferred.</p>	
4.8.1	<p>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.</p>	
MM	<p>Accident investigation training has yet to be conducted in light of many minor injuries (3 days and less) had been reported at all sites when investigations were lacking.</p>	

NAJ	The records of training on HCV and buffer zone to workers and staff need to be improved especially for conductor and sprayer gang.	
5.2.1	Identification and assessment of HCV habitats and protected areas within landholding; and attempt assessment of HCV habitats and protected areas surrounding landholdings.	
NAJ	Although the 2010 HCV report had been reviewed and site verification conducted, corrections to inconsistencies found had yet to be consolidated into a revise report, e.g. inclusion of pond at Hibumas 2.	
5.2.2	Management plan for HCV habitats (including ERTs) and their conservation	
NAJ	The HCV monitoring has been conducted on a quarterly basis. However the description/details in the form need to be improved especially for buffer zone and flood plain areas. The monitoring for the HCV areas at Hibumas 1 estate has been conducted, however it was found the pictures attached in the report was the updated accordingly, that is, same pictures were used throughout all reporting periods. The HCV monitoring under same estate management has been conducted for Sekar Imej Estate but has yet to include Sapi Sugut.	
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.	
NAJ	The forest clearing by local communities was sighted at Paitan FR adjacent to Block 17. Although regular patrols had been conducted for Hibumas 2, however communication records including this clearing has yet to be relayed (OFI re issue).	
5.3.2	Having identified wastes and pollutants, an operational plan should be developed and implemented, to avoid or reduce pollution	
HMM	1) All estates shall follow-up regularly with DOE with regards to their application made to store the scheduled waste for more than 20MT or 180days or both	
HMM	2) The mill shall apply to DOE the permission to store the scheduled waste for more than 20MT or 180days or both as of applied by the estates	

HMM	3) The mill shall reports regularly to DOE on the progress of their rectification program with regards to the holding pond bund collapse incident.	
RY	4) The new labor quarters constructed in Hibumas 1 & 2 and Sekar Imej main drains out-let discharged direct into the main water course. Installation of garbage traps will reduce pollutant from entering the main water course.	
6.1.1	A documented social impact assessment including records of meetings	
Dr. RM	<p>Social impact assessment reports have been prepared for the various estates by an appointed consultant company. These reports are very comprehensive as they discussed in detail on the background of the various stakeholders, highlighted social issues raised by these stakeholders and presented measures to mitigate the issues of problems. Nonetheless, the report could still be enhanced by incorporating two other sections, namely:</p> <ul style="list-style-type: none"> i. an executive summary at the beginning and ii. a recommendation on the timeframe for the plan review 	
6.1.3	A timetable with responsibilities for mitigation and monitoring is reviewed and updated as necessary.	
Dr. RM	<p>The estates did prepare timetables to show that the SIA Action Plans formulated in October 2010 have been reviewed and updated as necessary. It was learnt that the reviews were carried out either by the estates' management or by specially appointment committees. In one estate (Kamusan), minutes of discussions were prepared and presented with the revised action plans. The minutes, among others, clarify certain decisions made on the action plans.</p> <p>The other estates could emulate the example set by Kamusan by preparing the minutes of their discussions as this would enhance understanding of the revised plans. It was observed that some decisions in the revised plans could be better understood if supported with pertinent clarifications or explanations.</p> <p>The revised action plans could also be improved by incorporating new issues, namely, those surfaced after during the implementation of the plans.</p>	
6.5.3	Growers and millers provide adequate housing, water supplies, medical,	

<p>Dr. RM</p> <p>6.7</p> <p>Dr. RM</p>	<p>educational and welfare amenities in accordance with Workers' Minimum Standard of Housing and Amenities Act 1990 (Act 446) or above, where no such public services are available or accessible (not applicable to smallholders).</p> <p>i. The owner of the grocery store at Hibumas 1 informed us that the displayed price tags show the prices of the items bought on credit. The cash prices are less than the credit prices. It would certainly help both groups of customers if cash price tags are also displayed. Customers would then make better informed decisions before buying the various items.</p> <p>ii. The crèche teachers interviewed mentioned that they have had little exposures on the appropriate knowledge and skills related to their job. They have not attended any training programmes offered outside the estates. It is felt that they would perform their job more effectively if they possess the relevant knowledge and skills acquired from training programmes organized by various outside parties. One of the critical aspects of training would be on the safety management of children in the crèche.</p> <p>iii. The estates/mill had started to build new houses for the workers and staffs to replace the current ones, some of which are in deplorable conditions. The workers commented that the new houses are more spacious and more comfortable to live in. In addition, the new buildings add beauty to the landscapes. The attractiveness of the landscapes could be further enhanced if appropriate trees and plants are planted in appropriate locations. In other words, proper implementation of landscape designs would add "keceriaan" to the line sites. Also, the estate management and workers must continue their efforts to maintain cleanliness of the housing compounds.</p> <p>Children are not employed or exploited. Work by children is acceptable on family farms, under adult supervision, and when not interfering with educational programmes. Children are not exposed to hazardous working conditions.</p> <p>An interview with a worker at the line site revealed that children still continue to help their parents to carry out their jobs at certain times in the year. This finding is confirmed by an estate field staff who accompanied the interview. So as not to contravene the legal requirements as well as in the interest of the children themselves, the estates should continue to monitor the field operations to control the problem as well as</p>	
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<p>6.9.2</p> <p>Dr. RM</p>	<p>remind the workers on the matter.</p> <p>A policy on sexual harassment and violence and records of implementation</p> <p>The gender committees in the estates have started to implement various activities for their members. However, it was noted that few of these activities have direct relevance with the subject of sexual harassment. As these committees mature, they would certainly benefit from the help and encouragement from the management to plan and implement activities which deal directly with the subject of sexual harassment. Such activities would include talks by the authorities on women's rights, awareness on gender issues, and so forth.</p>	
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