



**PUBLIC SUMMARY
THIRD SURVEILLANCE ASSESSMENT**

AUDIT DATE : 17TH – 19TH JULY 2013

**TERUSAN CERTIFICATION UNIT
PPB OIL PALMS BERHAD**

**Sandakan, Sabah
Malaysia**

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1.0 SCOPE OF THE CERTIFICATION ASSESSMENT

1.1 Introduction

The certification unit (CU) being assessed in this surveillance was the Terusan CU which was part of Terusan Sdn. Bhd. (TSB). TSB is a wholly owned subsidiary of PPB Oil Palms Berhad (PPB Oil Palms). The CU consisted of the Terusan Palm Oil Mill (TPOM), Terusan 1 Estate, Terusan 2 Estate and Rumidi Estate.

The Stage 2 audit on the Terusan CU against the requirements of the RSPO Principles and Criteria for Sustainable Palm Oil Production (RSPO MYNI:2010) was conducted by SIRIM QAS International Sdn Bhd (SIRIM QAS International) on 1st October 2009 and the CU was certified on 7th September 2010.

The TPOM commenced operations in 1995 with a processing capacity of 60 metric tonnes (MT) of fresh fruit bunches (FFB) per hour. As the Terusan 1, 2 and Rumidi Estates had been fully developed, Principle 7 of the RSPO MYNI: 2010 would not be applicable.

1.2 Location of Mill and Estates

TPOM, Terusan 1, Terusan 2 and Rumidi Estates are located in the Sandakan District, Sabah, Malaysia. The CU can be accessed by the Sandakan – Telupid Road and about 160 km from Sandakan.

In the immediate vicinity of Terusan CU are a few villages and other oil palm plantations. Along the northern boundary there are Kg. Rumidi, Kg. Tendu Batu and Kg. Nangoh. Along the western boundary are Kg. Perenchangan, Kg. Bakong-Bakong, Kg. Sualog, Kg. Panimbanan and Kg. Lidong. Kg. Toniting lies at the south while the Andamy Plantation is on the west separated by a public road from Terusan 1 and 2 Estates. Adjacent of Rumidi Estate at the southern boundary is the Bidu-Bidu Forest Reserve.

The TPOM and the 3 estates were equipped with living quarters (known as line site) for the staff working with the CU.

The locations of the TPOM and the estates are shown in the map in **Attachment 1** while their coordinates are detailed in **Table 1**.

Table 1
Coordinates of Mill and Estates

Operating Unit	Latitude	Longitude
Terusan Palm Oil Mill	5° 49' 54.687" N	117° 20' 30.315" E
Terusan 1 Estate	5° 47' 23.104" N	117° 23'37.202" E
Terusan 2 Estate	5° 49' 57.944" N	117°20'22.743" E
Rumidi Estate	5° 55' 59.804" N	117° 18'43.466" E

(Note: The coordinates are for the offices of the POM and estates)

1.3 Production Volume for All Certified Products

The actual and estimated tonnage (MT) of crude palm oil (CPO) and palm kernel (PK) produced by the TPOM is shown in **Tables 3** and **4** respectively.

Table 3
Actual Tonnage (MT) of CPO and PK Produced by TPOM
(January 2012 to December 2012)

FFB Received	197,366.170
FFB Processed	197,382.380
Total CPO Production	39,588.444
Total PK Production	9,185.121
Certified CPO to be Claimed – Mass Balance	29,809.790
Certified PK to be Claimed – Mass Balance	-
Non-Certified CPO	9,778.650
Non-Certified PK	-

Table 4
Actual (January 2013 – June 2013) and Estimated (July 2013 – December 2013)
Tonnage (MT) of CPO and PK Produced by TPOM

	Actual	Estimate	Total
FFB Received	102,277.970	114,820.000	217,097.970
FFB Processed	102,268.100	105,029.13	207,297.230
Total CPO Production	20,968.318	21,514.942	42,483.260
Total PK Production	4,847.629	4,811.619	9,659.248
Certified CPO to be Claimed – Mass Balance	14,450.19	17,182.433	31,632.623
Certified PK to be Claimed – Mass Balance	3,340.680	3,780.739	7,121.419
Non-Certified CPO	6,518.130	4,919.854	11,437.984
Non-Certified PK	1,506.950	1,079.189	2,586.139

1.4 Certification Details

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

Parent company: PPB Oil Palms Berhad

Certificate number: RSPO 0008

The date of certification: 7th September 2010

1.5 Description of The Supply Base

All the three estates had been supplying their FFBS to the TPOM. Apart from these estates, there were independent smallholders and small growers which had been sending their harvests to TPOM. The average annual FFB contribution from each estate to the TPOM is summarised in **Table 5** below:

Table 5
FFB Contribution (MT) by Each Estate and Other Sources to
TPOM for 2012 and 2013

FFB Supply	FFB Production (Actual Jan-Dec 2012)	FFB Production (Actual Jan-June 2013)	FFB Production (Estimated (July-Dec 2013))

	MT	%	MT	%	MT	%
Terusan 1 Estate	53,142.09	35.8	26,608.73	38.4	34,020.00	37.4
Terusan 2 Estate	68,500.83	46.2	29,633.15	42.8	57,020.00	62.6
Rumidi Estate	25,595.33	17.3	12,770.39	18.5	-	
Outside suppliers	934.17	0.7	218.84	0.3	-	
Total	148,172.42	100.0	69,231.11	100.0	91,040.00	100.0

1.6 Planting Profiles

Tables 6a to 6c detail the year of establishment of the estates, area planted with oil palm and the percentage of planted area in the individual estate by age and planting cycle.

Table 6a
Planted Area in Terusan 1 Estate by Age and Planting Cycle

Year of Planting	Planting Cycle 1 st / 2 nd Generation	Planted Area (ha)	Percentage of Planted Area
1989	1 st Generation	244.6	9.6
1991	1 st Generation	709.6	27.9
1992	1 st Generation	1,007.6	39.6
1993	1 st Generation	582.3	22.9
Total		2,544.1	100.0

Table 6b
Planted Area in Terusan 2 Estate by Age and Planting Cycle

Year of Planting	Planting Cycle 1 st / 2 nd Generation	Planted Area (ha)	Percentage of Planted Area
1990	1 st Generation	607.16	18.8
1991	1 st Generation	1,277.48	39.7
1993	1 st Generation	1,030.35	31.9
1994	1 st Generation	306.56	9.6
Total		3,221.55	100.0

Table 6c
Planted Area in Rumidi Estate by Age and Planting Cycle

Year of Planting	Planting Cycle 1 st / 2 nd Generation	Planted Area (ha)	Percentage of Planted Area
1991	1 st Generation	164.19	14.8
1994	1 st Generation	652.97	58.7
2000	1 st Generation	53.5	4.8
2002	1 st Generation	29.21	2.6
2013	2 nd Generation	212.00	19.1
Total		1,111.87	100.0

1.7 Organizational Information/Contact Person

The details of the contact persons as shown below:

Addresses:

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

Terusan Estate
Locked Bag 34
90009 Sandakan
Sabah
Malaysia

Contact Persons:

(in Sandakan)

Mr. Tee Seng Heng

General Manager

Phone : +6089 671546 / +6089 670208

Fax : +6089 670260

e-mail : teesh@wilmar.com.my

(in Terusan)

Mr. Martin Junius

Senior Manager

Phone : 089253122

Fax : 089253123

e-mail : martin@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 (UNFCC). 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 assessments. We have certified more than a hundred palm oil mills and several estates to ISO 14001 & OHSAS 18001. We have also conducted pre assessments against RSPO Principle and Criteria. SIRIM QAS International was approved as a RSPO certification body on 21st March 2008.

2.2 Assessment Team

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

Assessment Team	Role/Area of RSPO Requirement	Qualifications and Experiences
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Dr. S.K. Yap	Assessment team leader/ estate environmental issues and HCV habitats	<ul style="list-style-type: none"> • Completed RSPO Lead Assessor Course - 2008 • Successfully completed EARA approved lead Assessor course for ISO 14001: 2001 • Ph. D. (Forest Biology) 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 style="text-align: center;">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 International Seed Testing Association. 1989 to 1992. • 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"> • Bc. Eng (Hons)Chemical Engineering, Universiti Kebangsaan Malaysia (2006) • AESP and AGT for Confined Space, NIOSH (2009) • Lead Assessor Course for QMS, EMS and OHSMS, IRCA/RABQSA (2012) • Attended RSPO Training • Working experience in palm oil mill
Dr. Rusli Mohd	Assessor / Social issues and related legal issues	<ul style="list-style-type: none"> • PhD Forestry-Policy. • M. Phil. Forestry-Policy. • B.Sc. Forestry. • Attended RSPO Training
Mr. Selvasingam a/l T Kandiah	Assessor / Good Agricultural Practices (GAP) and related legal issues	<ul style="list-style-type: none"> • Attended training on RSPO Principle & Criteria and RSPO certification requirements • B. Sc. (Hons) Agriculture – University of Agricultural Sciences, Hebbal, Banglore, India (1969-1973) • Assistant Estate Manager, Kumpulan Guthrie Berhad (1974-1979) • Senior Assistant Estate Manager, Guthrie Berhad (1979-1994) • Estate Manager, Guthrie Berhad (1995-2002 – retired) <p>Managing and supervise the following activities</p> <ul style="list-style-type: none"> • Nursery for rubber and cocoa

		<ul style="list-style-type: none"> • Supervise Plantings activities for : Cocoa Replant, Rubber Replant, Oil Palm Replant, Oil Palm Replant, Oil Palm New Clearing • Supervise Upkeep Immature & Areas : Cocoa Replant, Rubber Replant, Oil Palm Replant, Oil Palm Replant, Oil Palm New Clearing • Collection : Cocoa Harvesting, Tapping, FFB Harvesting, Cocoa (i.e. Splitting Cocoa Pods & Fermenting and Drying Beans), Oil Palm – In field collection (i.e. Buffalo, Jamsa, Mini Tractor, Crane Loading, Bin Loading (Jamsa)) • Vehicle Maintenance & Workshop : Mini Tractors, Jamsa, Lorries – Tippers and Flat Body, Prime Movers, Jeeps • Estates Developments : Collection of Data for Monitoring Estates' Performance, Organizing Seminars, Meetings, Forecasting Workers Housing Requirement for Company, Forecasting FFB Yield & Oil Extraction Ratio for Company, Assist in Budget Formatting and Budget Preparation, Assisting Computerization of Budget Preparation, Formulation of Best Practices
Mr Hazani Othman	Assessor / RSPO Supply Chain Certification Standard	<ul style="list-style-type: none"> • ISO14001 Environmental Management System. • Successfully completed EARA ISO 14001 Environmental Management System approved Lead Assessor course. • Successfully completed IRCA ISO 9001 approved Lead Assessor course. • Successfully completed RSPO P&C Lead Assessor course. • Attended RSPO P&C certification requirement training. • General Manager, Department of Technical, Forest Plantation Development Sdn. Bhd. 2009-2011. • Head, Department of QA/QC, Hoto Stainless Steel Industries Sdn. Bhd. 2006-2009. • Bachelor of Forestry, Universiti Pertanian Malaysia. • Diploma in Forestry, Universiti Pertanian Malaysia.
Mr. Ismail Ibrahim	Assessor/Supply Chain	<ul style="list-style-type: none"> • Diploma in Forestry (1978) MARA Institute of Technology (UiTM). • Bachelor Business Administration (Management) (1985), Eastern Michigan University. • Executive Programme in Management (1990), (Marketing Management and Physical Distribution), Netherlands International Institute for Management. • Conduct audits for chain of custody certification under the Malaysian Timber Certification Scheme. • Conduct audit for RSPO supply chain certification. • Review audit reports for certification of forest management and RSPO sustainable production of palm oil. • Successfully completed ISO 14001 EMS RABQSA/IRCA approved Lead Assessor – 2010 • Successfully completed ISO 9001 QMS RABQSA/IRCA approved Lead Assessor – 2012

		<ul style="list-style-type: none"> • Successfully completed RSPO Supply Chain Lead Assessor course (2012).
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2.3 Assessment Methodology

The main objectives of this surveillance were to:

- (i) verify the Terusan CU's continued compliance against the RSPO MYNI:2010 and the Terusan 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 Terusan CU for sustainable production of palm oil products and the Terusan POM for supply chain.

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

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

Common systems were identified and specific evidences were recorded for individual estates. Interviews, particularly those with employees, local communities and suppliers were conducted without the presence of the CU's management personnel. In addition, records as well as other related documentation were also being reviewed. The assessment programme is as in **Attachment 2**.

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 annual surveillance assessment were presented during the on-site closing meeting. There were 2 major non-conformity report (NCR) and 2 minor NCRs being raised on the Terusan CU's against the requirements of the RSPO MYNI: 2010. The details of the NCR and the corrective actions taken are as in **Attachment 3**.

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 Terusan CU had continued to provide information on the legal, environmental and social issues related to RSPO criteria in Bahasa Malaysia and these documents were listed in the letters to stakeholders. All the estates had continued to maintain records on requests for information or documents that were related to the RSPO Criteria. Letters had been written to the stakeholders on 11 July 2013 informing them that these documents were made available for inspection in the offices of the estates. The stakeholder list had also been updated in 2013.

The record books on requests for information had shown that except from the auditors, the Terusan CU had still not received any request for such information from any external stakeholders. There were requests made by staff from the CU's estates and the head office.

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:

All the estates had continued to make available the management documents relating to environmental, social and legal issues that were relevant to compliance with this RSPO criterion.

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:

During the previous surveillance an OFI TS 1/2012 was raised as it was observed that the *RSPO Register of Legal and Other Applicable Requirement (Register)* had yet to be up-dated to include the Weight and Measure Act 1972, Electric Supply Act 1990 and other approval conditions for desludging activities.

The Register was presented to the assessor and it was found that it had been updated and amendments being made in January and June 2013 by the Sustainability Manager. The new laws which had been included in the Register were the Weights and Measure Act 1972 and Electricity Supply act 1990. With these corrective actions taken, OFI TS 1/2012 had therefore been closed out.

The CU had continued to monitor its compliance with the applicable legal and other requirements. Records on the monitoring of compliance were presented.

Based on the record on monitoring of compliances, it was found that the Terusan Estate and TPOM had yet to fulfil the requirements of the relevant laws and regulations with respect to the following:

- (a) submission of the name and qualifications of competent person to the DoE as required in the *Jadual Pematuhan (No. Lesen: 001201)* section 49A of Environmental Quality (Amendment) Act 2012 for effluent treatment system, air pollution control equipment, and scheduled wastes management in the mill;
- (b) submission for approval to DoE as required under Regulation 36 of Environmental Quality (Clean Air) Regulation 1978 for the installation of generator sets at the Terusan 1 and Terusan 2 Estates;
- (c) renewal of work permits for the 12 workers which had expired in June 2013;
- (d) appoint competent persons to be in charge of the 400kVA/320kW/430hp generator set at the Terusan 1 Estate and the 150kVA/120kW/160hp generator set at the Terusan 2 Estate, first grade internal combustion engine (ICE) driver at TPOM and second grade ICE driver for the Terusan 1 and Terusan 2 Estates.

As the Terusan CU had yet to fulfill the above requirements, **a major NCR was therefore raised.**

All the relevant permits and licenses had continued to be displayed prominently in the offices of the estates and mill. They were as follows:

1. 'Ordinan Perniagaan Profesion dan Perlesen Perdagangan' (Trading Licence);
2. Authorization letter issued by the Enforcement Division, Ministry of Domestic Trade and Consumer Affairs for petrol, diesel and chemical fertilizer;
3. Permit to Deduct Wages of Workers issued by the Department of Labour Sabah for the Terusan 1 and Terusan 2 Estates; and
4. Licence No. B-000130/08 valid until 12.03.2013 and B-003786/05 valid until 23.05.2013 from the Department of Labour Sabah for the employment of foreign workers in Terusan 1 and 2 Estates.

In the mill, the following licences were also being displayed:

- i. Air compressor license
- ii. MPOB License
- iii. License for Generator Sets
- iv. License to Employ Foreign Workers

A *Register of Legal and Other Applicable Requirement* for Terusan Estate and Mill was updated in January and June of 2013.

The Sustainability Manager who was still being tasked for monitoring the CU's compliance with all the legal requirements had continued to work with the legal department, relevant agencies and mass media to track any changes in the laws.

Criterion 2.2

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

Findings:

All the estate land was still leased from the Sabah State Government and the condition of the lease was for 'Agriculture Purpose'. All the estates had continued to be in compliance with this lease condition.

As reported in the previous surveillance, part of the Rumidi Estate was purchased from Sabah Land Development Board (SLDB) in August 1993 by Sapi Plantation Sdn. Berhad (SPSB). The company was allowed by SLDB to enter the land and work on it before the issuance of the land title. SPSB had acknowledged that it had taken action to secure the title from the authority in a letter dated 11 September 2012. The audit team was informed that a draft title was issued by Land and Survey Department but still pending for registration.

It was observed that 972 ha in the Rumidi Estate had been approved for cocoa and that the estate was applying to the Department of Agriculture to change the use of this land for planting oil palm.

During the site inspection conducted in all the estates, it was observed that there were still distinct red coloured wooden boundary markers.

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:

There was no land within the estates being encumbered by customary rights. The land opposite the Rumidi Estate which was claimed by the local communities had been resolved by the exclusion of this area from the estate through mutual agreement with the affected communities in 2011.

There were no longer any cases involving land disputes in the Terusan CU. The management of Terusan CU and the communities had resolved the land claim through consultations and had mapped out the boundaries of the affected area.

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:

A Management Plan including crop forecast, infra-structure development (agricultural machinery, roads, houses etc.) covering the period of 2011 to 2014 had been prepared for all the estates and made available to the assessment team.

Annual budget on the management plan including crop forecast, infra-structure development (agricultural machinery, roads, houses etc.) had been prepared for both estates only until the year 2014. The TPOM, Terusan 1 and Terusan 2 Estates did not have a 2 years annual budget projection. **A major NCR was therefore raised.**

It was also found that the Terusan 1 and 2 Estates did not have a projected annual replanting programme for a minimum of 5 years with a yearly review. **A minor NCR was therefore raised.**

The CAPEX document for 2012/2013 was made available during the audit. Most of the budgeted expenses were for mill continual improvement programmes including modification and machine upgrades as well as for safety and environment. Accommodation and facilities upgrades for staff quarters were also being included.

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:

In palm oil mill Standard Operating Procedure (SOP) for each stage of the process was still being kept at the appropriate sites. Copies of the SOPs were presented to the audit team. The *Agriculture Manual & Standard Operation Procedure [Manual and SSOP] (2011 Edition)* was still being used.

Records of fertilizer application, pest and diseases control as well as weeding regimes had continued to be done in accordance to these SOPs

It was observed that selective weeding in the Rumidi Estate had been carried out along the inter lines of oil palm blocks. Circles and paths too had been sprayed. It was noticed that oil palm loose fruits (LF) had been well recovered.

Both Terusan 1 and Terusan 2 Estates had continued to use buffalos for harvesting FFBs and for breeding in Rumidi Estate. As in the estates, the mill had also continued to implement its own operation manual and SSOP. There was no change in the procedures since the last audit. The latest procedure dated November 2011 covered all the main activities for the mill operations. The relevant SOPs were still being displayed at the various work station for easy reference, for example, at estate office notice board and mill workstation.

Relevant records of monitoring such as monthly monitoring of effluents, emission of black smoke, records on scheduled wastes and quarterly reports submitted to DOE by mill were being reviewed. As for the estate, relevant records related to EIA approval for *Proposal Replanting of Oil Palm Estate, Beluran, Sabah – JPAS/PP/02/600-1/11/1/150, 12/4/13* and records on scheduled wastes were made available. All observed records were retained for not less than 12 months.

In addition to these internal reports, PPB Oil Palms had to submit the MPOB (EL) MF4 and MPOB PX4-MF on monthly basis as part of the formal performance reports.

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:

Soil fertility had continued to be maintained by regular application of inorganic fertilizers, application of empty fruit bunches (EFBs) mulching, proper frond stacking (biomass), POME application, and by maintaining soft weeds within interlines.

Foliar sampling was still being carried out and the results formed a basis for fertilizer recommendation. Fertilizers recommendation for the period of 2013 had been prepared based on the foliar sampling done in 2012. The latest sampling was conducted in February 2013, the results of which would form the basis for the fertilizer recommendation of 2014. Monthly records of fertilizers applied were still being kept.

Mulching was done at a rate of 40 to 80 MT/ha/year. It was observed that the application of EFBs as fertilizer had continued to follow the structured EFB Application Program for both Terusan 1 and Terusan 2 Estates. Maps of EFB application and monthly records were still being maintained.

POME had continued to be discharged for land irrigation after appropriate treatment. The monitoring of POME application was being recorded in a logbook. Among the information monitored are daily activity, flow meter reading, and information of trenches applied.

Criterion 4.3

Practices minimise and control erosion and degradation of soils.

Findings:

Slope classification maps for the 3 estates were examined. As had been reported previously, the terrains of the estates were generally gentle and undulating with only 0.03% of Terusan 1 Estate with 12° to 18° gradient while Rumidi Estate had 0.68% of its area with gradient of 12° to 18° and as a whole only 0.01% of Terusan CU had terrain of 8° to 25°. Planting of cover crops had remained along the steep slopes.

During the field inspection, it was observed that generally the estates had continued to be well protected from soil erosion with natural vegetation with the planting of *Mucuna bracteata* along the slopes. The practice of circular weeding and frond stacking had further reduced area of exposed soil.

It was observed that harvesting roads in all the estates were still of satisfactory condition and road cambers were being maintained to allow easy water runoff. Rain water had continued to be drained into the terraces and lower slopes. The CU had continued to implement the road maintenance programme as shown in the machine utilization record documented as Heavy Machinery Schedule for each of the estate.

There was no peat soil in the 3 estates, thus management practices for fragile soils had not been developed. The Bergosang Soil series covered 54% of Terusan 1 and 2 Estates and the water levels were maintained between 45 cm and 60 cm using sand bags bunds and water gates. The water level were still being monitored using 'Free Board Indicators'. There were 32 water gates each in Terusan 1 Estate and Terusan 2 Estate.

Criterion 4.4

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

Findings:

The *Riparian Zone Management Guidelines* for protection of riparian belts along the major rivers were still being used. During inspection of the estates it was observed that boundaries of these riparian belts were still being clearly demarcated with red paint around the palm stems. Natural vegetation had continued to colonize these riparian buffer belts as no weeding was being allowed.

It was observed that there was no construction of bunds/weirs/dams across the main rivers or waterways in the estates and that all stream and drainage were still without any obstruction except for the 74 water gates at Terusan 1 Estate and Terusan 2 Estate to control water level and prevent entry of brackish water into the planted areas.

Water sampling had continued to be conducted by the Ecological Monitoring Unit at specified sampling points along the main rivers in all the estates at the 5 discharge points into the rivers around the mill and estates.

With the completion of the EIA report *Proposed Replanting of Oil Palm Plantation at Terusan Estate, Beluran Sabah PPB Oil Palms Berhad August 2012* that was approved on April 2013 monitoring of surface water had been specified as part of the approval conditions. Records of water sampling conducted in the Terusan Estate in March, July and December 2012 as well as April 2013 had shown that the water BOD and COD were above the Class II B specifications.

Water quality at the final discharge point from the mill was still being monitored monthly as prescribed in *Jadual Pematuhan*. Record of monitoring was presented for review. The results of monitoring had indicated that the mill had continued to comply with the prescribed parameters and limits. The monitoring reports had continued to be submitted to DOE quarterly as prescribed by the regulatory agency.

The estates had continued to collect data on rainfall. Records on rainfall from 1992 to June 2013 were made available and these were examined by the assessment team. The CU had continued to monitor the amount of water being used by the mills and the estates. Procedures on minimizing water usage were still being implemented in all the offices, mills and estates. Rain water harvesting had continued in line sites and estate complexes.

It was observed that the records of the mill's daily water usage [litres (ℓ) of water per ton of FFB] as well as the monthly and daily water consumption in the estates were still being kept. Monthly summary records of water consumed for 2011, 2012 and up to June 2013 were examined. The *Terusan Estate Water Management Plan* was also made available during the surveillance.

There was still no water being drained into any of the identified protected areas. The water management plan for each of the estate and the mill was still being implemented with the objective to increase the efficient use of water.

Awareness program on the need to conserve water and the monitoring of its usage had continued to be implemented. The staff was made aware of the need to conserve water in all the offices, mills and estates. All the water obtained from the rivers had continued to be treated before being consumed. Every house had been equipped with its own rain water collection tanks to improve the harvesting of rain water.

Criterion 4.5

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

Findings:

Terusan CU had continued to implement the Integrated Pest Management (IPM) in the estates. One of the techniques used was the establishment of beneficial plants along road sides and vacant areas. The estates had planted *Cassia cobanensis*, *Tunera subulata* and *Antigonon leptopus* in 2013. An OFI TS 3/2012 was raised during the previous surveillance on the need to establish more beneficial plants as the last planting was done in 2009. It was observed that there was additional planting of these beneficial plants in the estates. Therefore, OFI 3/2012 was closed out.

The Terusan CU had continued to monitor the incidences of pest infestation of Bagworm, Nettle Caterpillar as well as other insect pests. As rat damage had been below the threshold level baiting was not required. The estates had also initiated a census on Ganoderma infected palms from October 2012.

The CU had also continued to monitor the extent of implementation of the IMP for the major pests. The results of Bagworm, Nettle Caterpillar attacks and rat damage census were made available during the surveillance.

All the estates had continued to record areas sprayed with pesticides in the field cost books, in programme sheets and bin cards. As the pest threshold levels had been low in 2012, no pesticides and rat baits had been used.

Pesticides usage had continued to be monitored. The CU had continued to maintain the Chemical Register to record all chemicals used as herbicides, insecticides, fertilizer, oil and lubricant and chemical for water treatment.

Record sheets documenting the monthly amount and type of chemicals used for each field, its area in ha and % a.i. was presented. A monthly summary of chemicals being used in the individual estate was also provided to the audit team.

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:

As stated in the previous surveillance audit, all chemicals usage was still based on the 'need to do basis' to enhance field operations. A written justification was still needed on the use of agrochemicals. The Agricultural Manual had a chemical register list indicating the purpose of usage (intended target), hazards signage, trade and generic names.

Pesticides selected for use were still those officially registered under the Pesticides Act 1974 (Act 149). As had been documented during the last surveillance audit, the CU had continued to implement the PPB Oil Palm's occupational safety and health policy, plan and programme.

The storage of chemical herbicides was still found to be in accordance to the related legal requirements. Concrete chemical stores in all the estates were constructed with locked doors. When interviewed the chemical storekeepers had shown understanding of the hazards involved and the required control measures.

Records on the purchase, storage and use of agrochemicals were properly documented in the Stock Statement Return. All stores were locked and specific person-in-charge had been assigned to attend to it. The appropriate PPE for handling these chemicals were also available at the point of use and were inspected during the surveillance.

Both Terusan 1 and 2 Estates had continued the practice to recycle fertilizer bags by triple-rinsing method. The recycled bags were used for collecting loose fruits. Designated facility for triple-rinsing was observed. Waste water from the triple rinsing was collected and re-used for field spray application. Empty chemical containers had to be triple rinsed and if not required for use in the field were pierced to prevent misuse. This process was also stated in the Evaluation of Environmental Aspects and Impacts of the CU. Material Safety Data Sheet (MSDS) instructions written in Malay were still clearly being displayed at the store as well as on the back of the tank used to transport pre-mixed chemicals to the field.

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. Monthly medical surveillance was conducted by the Estate Medical Assistant. Records for the check up from January to December 2012 and January to June 2013 were presented during the surveillance. There was also a monthly record of pregnant and lactating women.

In addition to the above, all the sprayers had to undergo annual medical surveillance carried out by a DOSH registered Occupational Health Doctor (Dr. Mohd Azizan Abd Aziz). Record Book and Certificate of Fitness issued to each of the 64 workers from Terusan 2 Estate and 54 workers from Terusan 1 Estate on 3 March 2013 were shown to the auditors. From these records, all the workers were found to be healthy. This test was in accordance to the Occupational Safety and Health Act 1994.

To-date, there was no request from CPO buyer to test chemical residues in CPO. However, as part of the requirement on Food Safety Management System (FSMS) @ ISO22000, Terusan POM had conducted CPO testing on pesticides, heavy metal and microbiological content on annual basis by an external accredited laboratory. There was no evidence to show that 'Paraquat' had been used in any of the estates.

Examination of records had shown that there was no aerial spraying being conducted in all the estates. For

2009, 2010, 2011, 2012 and up to June 2013 a total of 25.799 a.i. (active ingredients) per ha had been applied in the field in the three estates.

There was a gradual decrease in the quantity of chemicals used in the three estates from 2009 to 2013. A bin card system for the issuance of agrochemicals (FIFO) had continued to be practised in the chemical store.

Criterion 4.7

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

Findings:

Terusan CU had continued to adopt the PPB Oil Palm's occupational safety and health policy, plan and programme approved by top management. All the 8 policies were still being displayed in mill and estate offices and at strategic location and implemented at all levels of the organization. Interviews with employees had shown that they were aware of the OSH policy, objectives and programmes and generally understood their requirements.

The OSH plan had been improved and continued to address among others issues related to hazard identification risk assessment and risk control (HIRARC), medical surveillance programme, safety committee meeting and workplace inspection, OSH training, and third party inspection and monitoring programme as required under USECHH 2000 regulation.

PPB Oil Palms (Sabah Operation) had established OSH objectives and targets for 2013. These included a Lost Time Injury Rate (LTIR) of below 5 days for every 200,000 working hours, a reduction of total accidents by 30% for the estates and mills on three years average (2010-2012) and zero occupational fatalities.

The EMU team had continued to assist the mill and estates in terms of implementation of OSH plans and programmes. There were records of regular meetings/communications between management and workers on workers' health and safety. Briefings and discussions had continued during the regular morning roll calls and the quarterly OSH Committee meetings. The minutes of these meetings had been maintained and the Terusan CU had taken the necessary actions to rectify issues being highlighted in the meetings. However, as the OSH committee members were appointed as an employee or employer representative, the roles and responsibility had yet to be clearly spelled out in the appointment letter to promote active participation and involvement in the OSH implementation for Terusan CU.

OSH performance had continuously been monitored and accident cases managed in accordance with NADOOPOD Regulations 2004. Accident records were still being kept and reviewed. An accident scoreboard was still made available at the mill and estates and updated regularly to show the current OSH performance status. In 2012 there were 10 cases recorded with 6 days of Lost Time Incident (LTI) at the mill. Accident investigation had been conducted by the OSH committee and reports were made using a standardised format for all PPB Oil Palms' mills and estates.

Root causes of accidents had been identified and appropriate control measures implemented as well as revision of HIRARC. This included engineering control, administrative control or the used of PPE that had to be implemented and improved after the occurrence of accidents. Formal reporting to DOSH using JKKP 6 and JKKP 8 forms was sighted and it was found that the submission to DOSH was made in a timely manner. Hazard identification, risk assessment and risk control (HIRARC) register was verified during the assessment. It was found that HIRARC register for the TPOM had been revised and updated on 5 June 2013 after the occurrence of accident at the workplace. Rating and hierarchy of control had also been revised as a preventive measure and precaution to the workers at workplace. These changes were made in response to the notice of improvement (NOI) issued by DOSH.

The CHRA had also been revised with an assessment conducted on 26 September 2012 for the POM as its 5 years validity period had ended in 2012. A report was prepared by a competent Hygiene Technician 1 registered with DOSH. All work units in the mill operation had been risk assessed in terms of exposure of hazardous chemicals, fumes and other inhalable dust. The results were tabled in the Form F as a recommendation by assessor for additional control measure to be implemented by the individual work unit. As the CHRA assessment had been verified together with the implementation of CHRA recommendation thus OFI TS 4/2012 raised during the previous surveillance was therefore closed out.

Other monitoring activities as required by USECHH Regulation 2000 had been carried out in 2012. Monthly

checking on the LEV system by in-house technician had been consistently implemented and the monthly inspection records had been verified.

Medical surveillance programme as recommended by CHRA assessor was done on July 2013 on 23 workers from different work units in the mill. A registered Occupational Health Doctor (OHD), examined all the workers that had been exposed to the hazardous chemical on their routine jobs. Based on the result, all workers were fit to work without any occupational disease that required medical removal protection.

Evidence of implementation of appropriate risk control measures was observed during the field and mill assessment. Employees had continued to be provided with and were seen to be using the appropriate PPE. Record on PPE issuance was still being maintained and were presented during the assessment. Minimum standard of PPE used for the workers were based on the CHRA recommendation.

The issuance of PTW (permit to work) for all the hazard areas such as confined spaces, working at height and other jobs performed by contractors in the premises was sighted during this audit. As part of administrative control, warning signage for confined spaces, high decibel areas and SSOP was still being widely displayed at workplace.

Workers interviewed demonstrated they had understood the reasons and the importance of wearing PPE. At the time of assessment all employees at mill and estates were found to adhere to the requirements of using PPE in their workplace. Those who worked with chemicals had been trained on the use of PPE, material safety data sheet (MSDS) with emphasis on precautions attached to products to be observed at all times, and safe work practices based on chemical handling procedures.

First aid boxes were still being placed at several strategic locations at the mills and were also provided to each of the field supervisors. Trained First Aiders were present in the field and mill.

Emergency procedures and instructions for response during emergency were understood by those workers interviewed. Emergency response plan had been tested for both mill and estate. Emergency fire evacuation drill was conducted on August 2012 for TPOM.

Terusan CU had been granted a fire certificate with the readiness of fire hydrant and fire alarm system which had been tested regularly during monthly inspections. Electric and diesel standby pumps when tested during this assessment were still found to be in the good working condition. For the fire fighter preparedness, Terusan POM had been provided with adequate number of fire extinguishers and fire hydrant points at strategic locations in the mill. Fire extinguishers were serviced and inspected in March 2013 and valid for one year. Hose reel and nozzle were inspected and tested on monthly basis by mill fire fighting team as well as during quarterly workplace inspection exercise.

The Terusan POM had continued to insure their workers with accident insurance under Ace Jerneh Insurance Berhad until December 2013. Malaysian employees were still covered by SOCSO.

Criteria 4.8

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

Findings:

The *Annual Training Plan for 2013* for the mill and estates was reviewed. Among the trainings identified were related to SSOPs (spraying, manuring, mulching), environmental awareness / conservation, chemical handling, chemical / waste spillage, scheduled wastes handling and emergency response. It was observed that training programmes had been conducted as planned and being evaluated. The training records had been updated accordingly.

During the field interviews with the workers at the various work sites, they were found to be knowledgeable on the safety usage of PPE, the danger of chemicals they handle, the need to follow SSOP and the emergency action to be taken when responding to emergency situations.

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:

Terusan CU had continued to review and up-date the environmental aspects and impacts risk assessment for activities relating to the estates and mill operations. A document *TE/EAI 101, 26/5/13 Identification of Environmental Aspects and Impacts and Evaluation of Significance for Terusan Estates* was presented. Another document *TE/MIT 02/0812 Significant Environmental Aspects and Impacts Mitigation Methods for Terusan Estate 2012* was prepared and made available and presented to the assessment team. The recent update had included the use of decanter cakes, nursery, landfill and construction of new building.

An environmental improvement plan as documented in the “*Pollution Prevention Plan*” to prevent and mitigate negative and promote positive environmental impacts had continued to be implemented and monitored. Among the plans were improving the quality of effluent discharged from the mills, reduction of fuel consumption and increasing the 3Rs initiatives in domestic waste management.

Mitigation of the negative impacts of domestic wastes was initiated with a recycling plan at the line sites. Different bins for organic and inorganic wastes were provided for the inhabitants. Continuous improvement plan to reduce 15% water usage by the workers and 10% water usage in FFB processing had continued to be implemented.

During the previous surveillance audit, the positive impacts of recycling domestic wastes and the practice of segregating organic and non-organic wastes at the line sites had yet to be included in the list of impacts. OFI TS 5/2012 was raised. During this surveillance audit, it was observed that positive aspect of recycling domestic wastes and segregation of organic and non-organic wastes had been identified in the environmental aspect and evaluation register. Thus, OFI TS 5/2012 was closed out.

The positive aspects of using EFBs for mulching and POME for land irrigation were also being implemented and monitored. However, a few of the positive impacts pertaining to recycling (e.g. decanter cake, EFBs) and segregation of solid wastes (e.g. paper, plastic, aluminium containers) had yet to be updated in the register. Further, the good environmental practice for recycling / reusing domestic solid wastes including monitoring could be extended to mill as well.

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:

The *HCV Management and Monitoring Action Plan 2011-2015* had been reviewed and revised on 26 June 2013 to include a systematic monthly monitoring programme and training of the personnel involved on recognizing signs of animal activities. During the previous surveillance a minor NCR TS 2/2012 was raised as there was no budget being allocated to implement activities related to management of HCVF.

In 2013, the Terusan 2 Estate had allocated a budget on HCV component Code ECS 1700 Boundary Survey-GPS/HCV/Monitoring while for the Terusan 1 Estate, a budget was put under Code SAP 6244021 GPS/HCV/Monitoring. A training on recognising animal activities was conducted by the Senior Manager of Biodiversity of the Wilmar Group. With the corrective action being taken, minor NCR TS 2/2012 was therefore closed out.

During the previous audit, it was also observed that the HCV Management and Monitoring Plans for Terusan 1, Terusan 2 and Rumidi Estates 2013 could be improved by incorporating inputs gathered through consultations with relevant experts. This was raised as observation OFI TS 6/2012. Consultation with an NGO on the identification of ERTs and HCV sites had been conducted in March 2013 and a study had been scheduled to be conducted in October 2013. With the corrective action being taken, observation OFI TS 6/2012 was therefore closed out.

Poaching was still not being allowed within the plantation with warning signs being placed at the entrance of each estate. It was also observed that posters on protected animals were still being displayed at the guard

posts.

Criterion 5.3

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

Findings:

The Recycle Programme for domestic and office wastes had continued to be implemented actively. It was observed that recycling bins were still placed in all offices and line sites. In addition, at all the landfill sites recycling bins were also made available for the sorted domestic wastes brought in from the estates.

It was observed that non-biodegradable and biodegradable wastes were still being segregated into recyclables and non-recyclables. EFBs and decanter cakes were still being sent to the estates for soil refinement application. Shells and fibres were used as boiler fuel and the surplus portions were sold to interested buyers. Boiler ash were recycled back and used for road maintenance. General waste as well as scrap iron were still being collected from the line site and mill and disposed at centralized dumping site.

It was found that the TPOM had continued to comply with the written approval by the DoE permitting the mill final discharges to be limited to the waterways and land irrigation of the neighboring estates. Monthly samplings were still being done by an external laboratory and quarterly reports submitted to the DoE.

The disposal of scheduled wastes was still being done by the same licensed contractor, Tiang Cheong Brick Sdn. Berhad and Petrojadi Sdn. Bhd. in accordance to the Schedule Waste 2005. The licences issued to the 2 contractors to transport and store scheduled waste were still valid until 30 April 2013.

During the previous surveillance audit, it was observed that the estates had continued to face the problem of disposal of scheduled waste due to their remote locations. This had caused the mill and estates to store the scheduled waste generated for a period of more than 180 days and/or more than 20 tonnes capacity. As there was no application being made by TPOM to the DoE for extending the storage period, this had resulted in the issuance of major NCR TS 1/2012.

The TPOM had removed the scheduled wastes appropriately, and the response letter together with pictorial report as required had been submitted to the DoE. With the corrective actions being taken, major NCR TS 1/2013 was therefore closed out.

During the previous surveillance audit, it was found that all the estates had been operating their own scheduled waste store at individual operating unit site. They also maintained their own records of Scheduled Waste as per the requirements of the DoE, which included inventory, storage and disposal and monthly submission of said records to the DoE. However, it was observed that at the Terusan 2 Estate that the maintenance of inventory on the scheduled wastes had not been properly done as the amount being disposed had not been recorded. This had been raised as OFI TS 7/2012.

During this surveillance audit, the inventory on scheduled waste was checked and observed to be in good order. A mechanism to identify and appoint a competence contractor for the disposal of scheduled waste had also been established in accordance with the requirements of the DOE. Thus, the previous OFI TS 7/2012 was closed out.

The CU had continued to implement the *Wastes and Pollution-Identification, Prevention, Mitigation and Improvement Plan Terusan Estate (1&2) 3rd Revision* to avoid and reduce pollution. Scheduled wastes, effluent, and black smoke were being managed in accordance to the applicable legal requirements.

It was also observed that EFB and decanter cakes had continued to be collected and used as fertilizer for soil improvement in the estates and fibres and shells had been recycled as boiler fuel.

Criterion 5.4

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

Findings:

It was observed that the TPOM had continued to use the oil palm fiber and shells from the processing of

FFBs as boiler fuel to generate steam for the mill, as well as electricity for the mill complex and line sites. The CU had continued to maintain, monitor and record the usage of this renewable energy monthly.

The Terusan CU had also continued to monitor the monthly consumption of diesel per tones of CPO in all the estates and POM. The annual consumption of diesel in the estates from 2008 to June 2013 is available and verified by the assessment team.

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:

There was no open burning being observed during this surveillance audit as this had not been allowed under the law and not permitted under any circumstances as clearly stated in the Manual and SOP. There was no replanting carried out in 2012.

During replanting, all the old palms would be felled, chipped and shredded and mulch. In addition, the burning of domestic wastes was still not allowed as specified under the Manual and SOP. All the domestic wastes had continued to be collected and disposed off in a landfill.

Criterion 5.6

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

Findings:

Plan to reduce pollution had continued to be implemented and monitored. Discharges such as effluent, black smoke and scheduled wastes had continued to be managed to comply with the relevant legal requirements. Bio-degradable and non-degradable wastes had continued to be segregated. Mill bio-degradable wastes such as EFBs, decanter cakes were still used for soil improvement in the estates while fibres and shells were being used as fuels. Non bio-degradable wastes had continued to be managed with the 3Rs program. Bio-degradable wastes had continued to be landfilled.

Terusan CU had continued to review and up-date the environmental aspects and impacts risk assessment for activities relating to the estates and mill operations. The Pollution Prevention Plan had had continued to be implemented for wastes and pollution.

Water table management was not applicable as there was no peat soil in the estates.

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:

An SIA report on the Terusan CU which was conducted in 2009 entitled *Primary Report of SIA (Design Phase) for Terusan Oil Palm Plantations and Terusan Palm Oil Mill of PPB Oil Palms Berhad (Sabah)*, still formed the basis for managing social issues. As reported in previous surveillance audits the report was prepared with the participation of the relevant stakeholders including the estate workers, contractors/suppliers, neighbouring local communities and smallholders.

The estates and mill had continued to organize regular meetings with their workers' representatives, FFB suppliers, canteen operators, contractors/suppliers and local communities to review and update on the social issues as well as identified new ones. The new issues identified during these meetings had been incorporated into the SIA action plans. The reviewed *Social Impact Management Plan – Terusan Estate*

2012 and Community Development Plan - Terusan Estate 2012 had included a timetable with responsibilities on mitigation and monitoring were presented during this surveillance. New measures had been introduced and projects implemented in the reviewed plans in an effort to enhance continuous improvement in handling social impacts.

The Terusan Estates and mill had continued to hold regular meetings with representatives of the local communities and oil palm smallholders. Meetings with external stakeholders were being held at least once a year while those with the internal stakeholders were held more frequently.

The issues raised by the internal stakeholders were often related to housing, medical and child care facilities. The local communities, on the other hand, were more concerned with the help and support which they could obtain from the estates and mill, for examples, employment opportunities and services that could be provided for their welfare.

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 Standard Operating Procedure for Consultation and Communication [Document No. RSPO 6.2(2)] that was prepared by the RSPO Unit of PPB Oil Palms was still being used.

The CU had continued to use internal communication techniques, such as morning assemblies, notice boards and posters, suggestion boxes and complaint forms. External communication had been effected mainly through mail correspondence.

A thorough examination of the Terusan 2 Estate's correspondences with local stakeholders had revealed that it had continued to abide very much with the requirements of the external communication procedures, particularly in terms of the timing of responses which were within two weeks upon receipt of complaints.

It was found that the CU had continued to conduct meeting with stakeholders and welfare committee members as prescribed in the consultation and communication procedures. The procedures required that stakeholders meetings be held at least twice annually. However, the records had shown that only one stakeholder meeting had been held in a year during the past two years.

The Estate/Mill Manager was still the responsible officer in charge of communication matters. The list of stakeholders had been updated and was kept at the estates and mill. As in other PPB Oil Palms' CUs, the list had included the relevant government agencies (national, state and local), contractors/suppliers (including FFB suppliers for mills), neighbouring estates, schools, panel doctors and local communities.

It was observed that the list of stakeholders was quite long (about 100). Some of these stakeholders, however, may not be continuously relevant with the CU's operations. The lists would therefore need to be reviewed to make it current.

Evidences of communication with the internal and external stakeholders were many and were kept in various files in the estate/mill. Files on external communication were kept according to the agencies for examples; Department of Safety and Health, and Department of Environment and so forth.

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 CU had continued to use the *Dispute and Resolution Procedure (Document RSPO 2.2)* which was issued on 2/1/2009 for resolution of disputes. The complaints procedures were for use by the public to channel their dissatisfactions while the grievance procedures were for CU's employees.

Grievance or dissatisfaction on the part of the employees was still being conveyed through the "Borang Aduan" or complaint form (appended to Document RSPO 6.2). The complaint form had since been split into

two to differentiate between “complaints” and “request for services.” The estates and mill had continued to maintain their own files on complaints and requests for services. The records were sighted and found to be in good order.

With respect to land matters, the procedures for resolving dispute were as prescribed in the Sabah Land Ordinance.

It was reported that during the intervening period since the last audit, the CU had no outstanding disputes with any party. The land claim issue involving the people of Kg. Gana Jati and Kg. Nangoh had already been resolved.

The requests for services from the workers had been resolved satisfactorily by the estate/mill management. As a matter of fact, there had been very few requests made since the last audit in the Terusan Estates. This could be due to the fact that the workers were now living in new houses which were more comfortable and required less maintenance. Interviews with the workers had revealed that they were happy with the CU's policies pertaining to wages, jobs, housing, water, electricity, children education and clinic services.

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.

Findings:

In the event of cases involving compensation for the loss of customary land rights, the estate would continue to manage them using the procedure entitled “*Process for Identification of Legal and Customary Rights and Identifying People Entitled for Compensation*” which was adopted in November 2008 based on the formal legal procedure for identification of native rights and entitlement, namely, gazetted areas of Sabah.

Since the last surveillance assessment, there had not been any compensation claims made against the CU.

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:

Based on interviews held with both local and foreign workers, it was found that pay and conditions of employment had continued to be in accordance with the legal and industry standards and spelt out in the employment offer letter. The basic pay of any daily-waged worker was adjusted to RM 30.77/day so as to achieve the basic wage specified by law. The monthly income would usually be more than RM1000.00. Piece-rated workers, for examples, harvesters and maintenance workers were paid based on their productivity. It was not uncommon for the monthly incomes of daily-waged workers to be higher than their piece-rated counterparts. This was particularly true in times when the FFB productions were lower than usual.

The workers and staff were still being provided with company's houses and with free water and electricity. A Humana school, *surau*, clinic, crèche, and sundry shop had continued to operate. Electricity was supplied at certain period of time in the evening and early morning. Most of the houses in the CU were newly constructed under the Class H scheme. However, many of the houses for the mill workers were old and in the process of being replaced with new ones.

Housing inspections were still being conducted regularly by the estate's health assistant. His reports which focused on housing cleanliness were presented to the main Safety and Health Committee of the CU for information and actions, if necessary.

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's and mill's workers were not unionised. However, they could channel their views or problems to the management *via* the Social and Welfare Committee whose membership comprised the workers' representatives and the management of the CU. The Committee had continued to meet regularly (at least twice annually) to discuss issues of interest to the workers and the CU. The minutes of the meetings were kept in proper files for records.

A policy, entitled *Himbauan* on freedom of workers to join union was still being made available publicly in all estates/mill. The policy had among others clearly affirmed that workers were allowed to join any registered organizations or associations but foreign workers were still not allowed to hold any positions in such organizations or associations.

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 CU had continued to adhere to the child labour policy as espoused by the International Labour Convention prohibiting those under 18 years being employed to work in hazardous jobs.

From the master lists of employees being sighted in the estates/mill, it was found that no worker below the age of 18 years had been recruited in the CU since the last surveillance audit. The youngest employee recruited by TPOM in 2013 was born in 1994.

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:

The CU had continued to adhere to the equal opportunity policy which had been posted on notice boards for the information of the public and workers.

There was no evidence being found of any form of discrimination during the audit. The terms of employment, work assignments, housing policy, medical and child care facilities had not been found to be discriminatory. Interviews with workers had also revealed that the CU had not discriminated its staffs and workers. Foreign workers had received similar pay, stayed in the same housing complex and enjoyed similar medical benefits as their local counterparts.

Notwithstanding the above, children of foreign workers were still not being allowed to attend public schools under the present rules by the government. For that reason, a Humana school had been set up to provide primary education to the children of Indonesian workers. The school's curriculum was based on the Indonesian education system.

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 Terusan CU had continued to implement its policies on sexual harassment on the handling of sexual harassment cases in the estates/mill. In addition, a manual entitled "*Sexual Harassment in the Workplace*" had been kept in all the estates and mill. The manual contained the grievance procedure to handle sexual harassment in the workplace.

In addition, the Women and Children Welfare Committee) had continued to handle issues related to sexual harassment on women and children. The Committee had met regularly although it had not been active in organizing appropriate gender-related activities for their members.

Criterion 6.10

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

Findings:

Interviews were held with two FFB suppliers and three contractors/suppliers of goods and services to learn their experiences in dealing with the estate/mill. The FFB suppliers had been selling their fruits more than 20 years. The goods suppliers, on the hand, had been dealing with the mill for more than 10 years.

One of the FFB suppliers had mentioned that he often communicated with PPB Oil Palms office in Sapi to find out on FFB prices before selling. However, the actual price paid for his fruits would only be known in a month after the sale. Nonetheless, the actual price received would almost be the same as what was revealed by the office. The mill would display on the notice board the past month's FFB price.

Quotations of products and services from the general contractor/supplier were given to the mill and estates. The mill/estates then selected the successful supplier based on the price quoted for the product and service as practiced elsewhere.

It was observed that the TPOM had not displayed the past prices of FFB. Only the price of the most recent month (May, 2013) was available at the weighbridge office. **Due to this non-conformance, a minor NCR was therefore raised.**

A few business contracts which had been signed by the mill and the contractor were examined. As there were no complaints being raised by the contractors on these contracts, all the parties had understood the contractual agreements

The FFB suppliers and contractors/suppliers interviewed had praised the CU for being very prompt with its payment. According to them payments had usually been made within three to four weeks after delivery of fruits or services. Evidence was sighted on the FFB crop advice which had shown that payment was made in a month following the delivery of FFBs.

Criterion 6.11

Growers and millers contribute to local sustainable development wherever appropriate.

Findings:

The Terusan CU had continued to contribute to local development in several ways. Foremost, due to its close proximity, the mill had been the focal point for the local communities to sell their FFBs. The estates and mill had also been one of the major sources of employment for the local villagers. The economic well-being of the local communities was still being very dependent on the mill.

In addition, the estates' roads had remained as the major means of communications between the interior kampongs (for examples, Kg. Lidong and Kg. Lubuk Dungun) and the surrounding areas, particularly the urban centers. The estate's clinic had continued to extend its services to the surrounding communities. The hall and school bus were often used for various purposes by the local villagers. The CU had also assisted in the maintenance and upkeep of roads in the villages by providing machinery and road construction materials.

In the past, the CU had also made meaningful financial contributions towards various events and activities organized by the kampongs and schools, including sports and games as well as academic excellence activities.

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.

Not applicable as the Terusan CU has no plan for new planting.

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:

- 8.1.1 Minimise use of certain pesticides (C4.6)
Major compliance
- 8.1.2 Environmental impacts (C5.1)
Major compliance
- 8.1.3 Maximizing recycling and minimizing waste or by-products generation.
Major compliance

Findings:

During the previous surveillance it was noted that the management of the estates and mills had prepared a *Continuous Improvement Plan*. The activities that were directed at improving areas of key operations had been carried out and recorded in a brief table-form in the file on Principle 8. A periodical review of the progress of the implementation of the action plan was recorded and would serve as a management tool for continuous improvement.

Records of improvements that allow demonstrable continuous improvement in key operations had been made. A mechanism to capture the performance in social aspects developed through the Social Management Plan and Community Development Plan had been established. The activities listed in the two Plans and the monitoring of the actions taken demonstrated the continuous improvement achieved in matters related to the social aspects.

Terusan CU had continued its commitment towards continuous improvement of their operations. Actions as specified in the Continuous Improvement Plan and Pollution Prevention Action concerning environmental management had continued to be implemented and being monitored.

The estates had continued to maintain a programme of determining the threshold level of pest infestation before deciding on pesticides application. Records of agrochemical consumption for the 3 estates for 2013 had indicated a slight reduction on herbicide use.

Mill wastes had continued to be recycled as soil supplement and EFBs used as fertilizer in the field. During previous surveillance audit, owing to the difficulty of getting contractors to remove scheduled wastes from the mill and estates individually, a joint effort should be made to obtain the service a single contractor to collect the accumulated scheduled wastes. An OFI TS 8/2012 was therefore raised. The Terusan CU had taken action for a joint disposal of the scheduled wastes from the estates and mill to address this issue. The OFI TS 8/2012 had therefore been closed out.

Programmes on recycling and minimizing waste as well as by products generation had continued. Recycling bins and proper management of schedules wastes had continued to be implemented. Recycling bins for organic and non-organic wastes were still being provided at all the line sites as well as the land fill sites. Recyclable items had been collected and disposed off to a contractor. The *Waste and Pollution Identification Procedure, Mitigation and Improvement Plan* had continued to be implemented. A guideline on landfill for disposal of domestic wastes had been written.

Pollution Prevention Plan had continued to be implemented. Regulated sources of pollution, such as effluent, black smoke and scheduled wastes were being controlled and monitored to comply with legal requirements. Mill bio-degradable wastes had continued to be recycled. Non bio-degradable wastes continued to be disposed in landfill. Pond, sumps and oil traps were being constructed and maintained to prevent discharge of contaminated water.

A major improvement was the replacement of almost all of the old wooden quarters with the construction of a new Class H labour line. Every unit of the labour line had been equipped with electricity and treated water

supply. Larger tanks for rain water storage were also added to each unit. Proper sanitation facilities with sewage treatment had also been provided.

The Terusan CU had also continued to provide pre and primary schools for the children of its foreign workers by way of the Humana schools. For the older children there was a secondary school with an Indonesian curriculum (SMP) on the estate. Free transportation to near-by government schools for children of local workers and staff was still being provided by the estate.

Assessment on Supply Chain

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:

Since the last audit, there have been no major changes in the key personnel performing activities related to the company's supply chain system. Mr. Mustapha Habe, the Mill Manager was still the person responsible for ensuring the implementation and maintenance of the supply chain system as required under the RSPO Supply Chain Certification Standard. Ms. Umah Sarigoh, the Administration Officer was still giving the critical support in terms of system documentation and record keeping.

TPOM has continued to implement the MB model for its supply chain system since obtaining certification in April 2011. TPOM's main supply of RSPO-certified sustainable FFBs has been from its own estates: Terusan 1, Terusan 2 and Rumidi Estates which have been awarded the RSPO Certificate for Sustainable Palm Oil Production in September 2010 by SIRIM QAS International.

There have been no changes on the procedures for purchasing RSPO certified FFBs. There was still no sales contract being issued by the supplying estate neither was there a purchase order being issued by TPOM. The payment of the in-coming RSPO certified FFBs was still being handled at the corporate level. In addition to its own supply bases, TPOM has also bought non-certified RSPO FFBs from independent small-holders from the surrounding areas.

TPOM has outsourced the dispatch of the RSPO CSPO and PK to a transportation company, Lotus Truckway Sdn Bhd (Lotus Truckway). There were 2 signed contracts between TPOM and Lotus Truckway. One was a contract ref. TPOM/CPO-TA/001/2013/sb (for crude palm oil transport) which was dated 1 January 2013. The other contract was ref. TPOM/PK-TA/001/2013b (for palm kernel transport) which also dated 1 January 2013.

There is a clause in both of the contracts, which requires Lotus Truckway to comply with the relevant laws including taking reasonable steps to train, educate and inform its agents, employees, workers, staff and sub-contractors on the policies, objectives, targets and requirements of the EMS 14001, RSPO and any other applicable requirements of the applicable certification schemes.

In addition to these two contracts, there was a self-declaration letter issued by Lotus Truckway in which it has agreed to comply with the intents of the requirements of the RSPO Supply Chain Certification Standard and allow unrestricted access to its premise and operation system to a Certification Body (CB) for the purpose of conducting RSPO supply chain certification audit.

TPOM has conducted a briefing session for the key personnel whose works were related to the activities and implementation of the company's supply chain system as well as to familiarize them with the revised RSPO Supply Chain Certification Standard. The briefing was held on 15 May 2013 and facilitated by Ms. Lydia Michael, Supply Chain Executives from PPB Oil based in Sandakan, Sabah.

Record of attendance at this briefing was made available. A few of the names in the attendance list were randomly selected and then interviewed. Based on the interviews held with them, it was found that they have clearly understood their work activities related to the implementation of the supply chain system and the requirements of the revised RSPO Supply Chain Standard.

TPOM has not and would not be directly involved in the selling of the RSPO CSPO or certified PK. All sales and marketing-related activities would still be done by the marketing departments at the Head Offices in Kuala Lumpur and Singapore. During the intervening period since the last audit, TPOM has not dispatched any RSPO CSPO. The last dispatch of RSPO CSPO was made on 25 September 2011. TPOM would not be making any claims using the RSPO trademark on the RSPO CSPO or certified PK it delivers to SEO. However, it was observed that the SOP requires that any communications and the use of the RSPO trademark for RSPO certified products must comply with the document 'RSPO Rules on Market Communication and Claims'

All certified FFB came from PPB own estate and non-certified FFB come from third party FFB supplier. The quantity (in MT) of sustainable and non-sustainable FFBs received by TPOM for the period from February 2012 to June 2013 is shown in the following table.

Year/Month 2012	FFB Intake	
	Sustainable (MT)	Non Sustainable (MT)
Opening stock as at 1 st Jan 2012	8,897.130	7,004.820
Feb	10,725.550	2,079.540
March	11,887.870	2,102.750
April	11,351.020	3,042.120
May	12,732.030	2,355.150
June	10,252.070	2,675.030
July	10,504.440	2,288.900
August	10,074.330	2,229.430
Sept	14,568.130	3,276.750
Oct	14,813.700	5,175.270
Nov	16,102.440	7,788.240
Dec	16,263.710	9,175.750
Total	148,172.420	49,193.750

Year/Month 2013	FFB Intake	
	Sustainable (MT)	Non Sustainable (MT)
Opening stock as at 1 st Jan 2013	12,348.380	5,642.550

Jan		
Feb	11,328.480	4,282.340
March	13,401.120	4,556.940
April	11,838.090	9,003.100
May	12,350.620	4,748.100
June	9,082.700	3,695.550
Total	70,349.390	31,928.580

3.2 Identified Non-Conformities

Details of the non-conformities, corrective actions taken by Terusan CU and assessors' verification of the corrective actions taken are in **Attachment 3**. All major non-conformities had been closed out.

3.3 Status of Non-Conformities Previously Identified

All the corrective actions taken to address the previous nonconformities had been verified for their effectiveness by the assessors. The details and the status of these verified nonconformities are as in **Attachment 4**.

3.4 Noteworthy Positive Observations

The Terusan CU had continued to made improvement on the implementation of the activities related to the P&C of the RSPO. This was evident by the physical improvement on the condition of housing and related amenities, use of cover crops instead of herbicides, as well as chemical and wastes storage area including the changing room for the sprayers.

It was also observed that almost all of the old wooden quarters had been replaced with the construction of a new Class H labour line. Every unit of the labour line had been equipped with electricity and treated water supply. Larger tanks for rain water storage had also been added to each unit. Proper sanitation facilities with sewage treatment had also been provided.

The level of awareness among the workers on the implementation of the activities related to the RSPO P&C was also found to be adequate. They had been able to explain not only on the operating procedure related to their work but also the impact of not following them and the importance in achieving conformity to the RSPO requirements.

4.0 ASSESSMENT RECOMMENDATION

Based on the evidences gathered during the on-site visits, it was found that the Terusan CU had continued to comply with the requirements of the RSPO MYNI: 2010. The Terusan CU had satisfactorily addressed the 2 major NCRs. These major NCRs had been closed out.

The Terusan CU had submitted a corrective action plan to address the minor NCRs raised during this surveillance. The corrective action plan had been reviewed and accepted by the assessment team. However, the corrective actions taken by the CU to address these minor NCRs would be verified during the next annual surveillance assessment.

In addition, based on the findings of the supply chain audit on the TPOM, it was found that the mill had fulfilled all the requirements for the MB model of the RSPO Supply Chain Certification Standard, November 2011. The auditor also recommends that the Terusan Palm Oil Mill be allowed to maintain the RSPO Supply Chain Certificate.

5.0 CERTIFIED 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 contents of the assessment report and findings of the assessment.

Name : Dr. Yap Son Kheong

Signature :



Designation : Assessment Team Leader

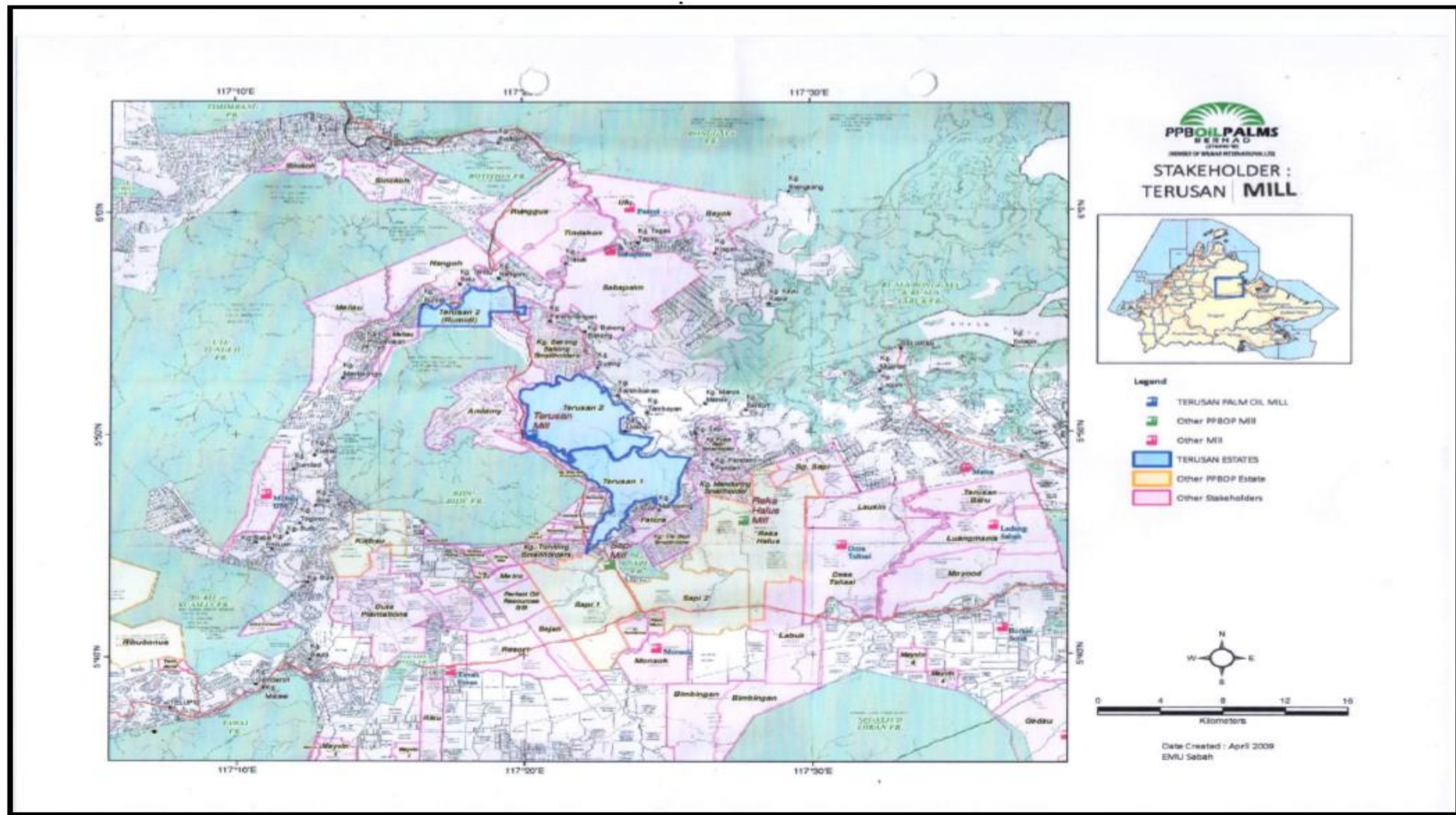
I, the undersigned, representing Terusan Certification Unit acknowledge and confirm the contents of the assessment report and findings of the assessment.

Name : Edrin Moss

Signature : 

Designation : Senior Manager-Sustainability

Location Map of Terusan Certification Unit



SURVEILLANCE ASSESSMENT PLAN

1. Objectives

The objectives of the assessment are as follows:

- (i) To determine PPB Oil Palms Berhad – Terusan and Ribubonus Certification Units conformance against the RSPO Principles & Criteria Malaysian National Interpretation (MY-NI).
- (ii) To verify the effective implementation of corrective actions arising from the findings of last assessment.
- (iii) To make appropriate recommendations based on the assessment findings.

- 2. Date of assessment** : 15 - 16 July 2013 (Ribubonus Certification Unit)
: 17 - 19 July 2013 (Terusan Certification Unit)

- 3. Site of assessment** : PPB Oil Palm Berhad
Ribubonus Certification Unit
- Ribubonus Palm Oil Mill
 - Ribubonus Estate
- Terusan Certification Unit
- Terusan Palm Oil Mill
 - Terusan 1 Estate
 - Terusan 2 Estate
 - Rumidi Estate

4. Reference Standard

- a. RSPO P&C MYNI
- 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. Rusli Mohd
Hazani Othman
Selvasingam a/l Kandiah
Ismail Ibrahim

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

- 5. Audit Witness** : Maris Zudrags (Lead assessor from ASI)
: Reza Azmi (Local expert)
: James Sandom (ASI trainee auditor)

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 follow

Date: 15 July 2013 (Monday)

Activities /Areas to be Visited	Dr. Yap Son Kheong	Selvasingam a/ T Kandiah	Hazani Othman	Mohamed Hidhir	Dr. Rusli Mohd	Ismail Ibrahim (Supply Chain at Ribubonus CU)	Auditee
10:00 a.m. – 10:15 a.m.	Ribubonus CU & Terusan CU : Opening meeting, audit team introduction and briefing on audit objective, scope, methodology, criteria and programmes by audit team leader						Top mgmt & Committee Member
10:15 a.m. – 10:30 a.m.	Briefing on the organization background and implementation of RSPO (progress of the smallholder) on RSPO standard of compliance and verifying previous assessment finding – non conformities Major or Minor (if any) Confirmation of audit plan						Management representative
10:30 a.m.– 5:00 p.m.	Ribubonus Estate Documentation verification Inspection <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 	Ribubonus Estate Site visit and assessment <ul style="list-style-type: none"> • Good Agricultural Practice • fertilizer stores • witness activities at site (weeding/spraying/harvesting) Assessment on P2 (C2.1, C2.2.-2.2.1, 2.2.2, 2.2.3), P3, P4 (C4.1, 4.2, 4.3, 4.5, 4.6), C5.5, P6 (6.5, 6.6, 6.7, 6.8, 6.9, 6.10, 6.11), P8 	Ribubonus Mill & Ribubonus Estate <ul style="list-style-type: none"> • Administration department • Facilities at workplace (rest area, etc) • Utilities (gen-set, boiler, etc.) • Production area • Chemical store • Workshop • Interviews with mill's workers 	Ribubonus Mill Site visit and assessment at Ribubonus Palm Oil Mill <ul style="list-style-type: none"> • Administration department • Facilities at workplace (rest area, etc) • Utilities (gen-set, boiler, etc.) • Production area • Chemical store • Workshop • Interviews with mill's workers 	Ribubonus Estate Discussion with relevant management (CSR, community affairs) and preliminary viewing of documentation relating to local communities issues such as EIA, SIA and management plans. Assessment on P1, P2-C2.1-2.1.1, P6 (6.1, 6.2, 6.3, 6.4) P8 Visit and assessment at: <ul style="list-style-type: none"> • Workers Issues • Line site • Ribubonus 	Ribubonus Mill Verification on documents and records on: <ul style="list-style-type: none"> • Purchasing and receiving of certified materials • Organisation structure and responsibilities • Processing of certified materials (control, conversion and tracking) • Claims • Sales and delivery • Training • Record keeping • Outsource 	Guide/PIC

					estates surrounding community <ul style="list-style-type: none"> • Humana School • Provision shop operator • Dispensary Safety records 		
5.00 p.m.						Review and writing of NCR (if any). End of audit at Ribubonus POM	
8.00 p.m.– 9.30 p.m.	Audit team discussion on findings						

Date: 16 July 2013 (Tuesday)

Activities /Areas to be Visited	Dr Yap Son Kheong	Selvasingam a/ T Kandiah	Hazani Othman	Mohamed Hidhir	Dr. Rusli Mohd	Ismail Ibrahim (Supply Chain) Terusan CU	Auditee
8.00 a.m.-12.00 p.m.	Continue auditing on unfinished elements					Verification on documents and records on: <ul style="list-style-type: none"> • Purchasing and receiving of certified materials • Organisation structure and responsibilities • Processing of certified materials • Claims • Sales and 	
1.00 p.m.– 3.00 p.m.	Audit team discussion on findings, preparation for closing meeting and writing of NCR/OFI (if any)						Guide/PIC
3.00 p.m.– 5.00 p.m.	Closing meeting and oral presentation of Ribubonus CU findings						
5.00 p.m.	End of audit on Ribubonus CU						Guide/PIC

		delivery <ul style="list-style-type: none"> • Training • Record keeping • Outsource Review and writing of NCR (if any). End of audit at Terusan POM	
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Date: 17 July 2013 (Wednesday)

Activities /Areas to be Visited	Dr Yap Son Kheong	Selvasingam a/l T Kandiah	Hazani Othman	Mohamed Hidhir	Dr. Rusli Mohd	Auditee
8:00 a.m. – 8:15 a.m.	Opening meeting, audit team introduction and briefing on audit objective, scope, methodology, criteria and programmes by audit team leader at Terusan CU					Top mgmt & Committee Member
8:15 a.m.– 8:30 a.m.	Briefing on the organization background and implementation of RSPO (progress of the smallholder) on RSPO standard of compliance and verifying previous assessment finding – non conformities Major or Minor (if any) Confirmation of audit plan					Management representative
8:30 a.m.– 5:00 p.m.	Terusan 1 & 2, Rumidi Estates Documentation verification Inspection <ul style="list-style-type: none"> • Area of more than 25° • Inspection of protected sites with HCV attributes • Riparian zone • River system including POME 	Terusan 1 & Rumidi Estates Site visit and assessment <ul style="list-style-type: none"> • Good Agricultural Practice • fertilizer stores • witness activities at site (weeding/spraying/harvesting) Assessment on P2 (C2.1, C2.2.-2.2.1, 2.2.2,	Terusan Mill & Terusan 1 & 2 Estates <ul style="list-style-type: none"> • Administration department • Facilities at workplace (rest area, etc) • Utilities (gen-set, boiler, etc.) • Production area • Chemical store 	Terusan Mill & Terusan 1 & 2 Estates <ul style="list-style-type: none"> • Administration department • Facilities at workplace (rest area, etc) • Utilities (gen-set, boiler, etc.) • Production area • Chemical store 	Terusan Mill & Rumidi Estate Discussion with relevant management (CSR, community affairs) and preliminary viewing of documentation relating to local communities issues such as EIA, SIA and management plans. Assessment on P1, P2-C2.1-2.1.1, P6 (6.1, 6.2, 6.3, 6.4) P8 Visit and assessment at: <ul style="list-style-type: none"> • Workers Issues • Line site 	Guide/PIC

	discharge • Forested area	2.2.3), P3, P4 (C4.1, 4.2, 4.3, 4.5, 4.6), C5.5, P6 (6.5, 6.6, 6.7, 6.8, 6.9, 6.10, 6.11), P8	• Workshop • Interviews with mill's workers	• Workshop • Interviews with mill's workers	• Terusan 1 estate surrounding community • Humana School • Provision shop operator • Dispensary	
5.00 p.m.-	End of day one on Terusan CU					
8.00 p.m.– 9.30 p.m.	Audit team discussion on findings					

Date: 18 July 2013 (Thursday)

Activities /Areas to be Visited	Dr Yap Son Kheong	Selvasingam a/l T Kandiah	Hazani Othman	Mohamed Hidhir	Dr. Rusli Mohd	Auditee
8.00 a.m.-5.00 p.m.	Continue auditing on unfinished elements					
5.00 p.m.	End of day two audit on Terusan CU					Guide/PIC
8.00 p.m.– 9.30 p.m.	Audit team discussion on findings					

Date: 19 July 2013 (Friday)

Activities/Areas to be Visited	Dr Yap Son Kheong	Selvasingam a/l T Kandiah	Hazani Othman	Mohamed Hidhir	Dr. Rusli Mohd	Auditee
7.30a.m. -11.00 a.m.	Continue auditing on unfinished elements (if any)					Relevant PIC
11.00 a.m.-1.00 p.m.	Audit team discussion on findings, preparation for closing meeting and writing of NCR/OFI (if any)					
1.00 p.m.– 2.00 p.m.	Closing meeting and oral presentation of findings					Top Management & committee member
02.00 p.m.	End of audit on Terusan CU					

DETAIL OF NON-CONFORMITY AND CORRECTIVE ACTIONS TAKEN

P & C Indicator	Specification Major/Minor	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
Indicator 2.1.1	Major	<p>Terusan mill and estates had yet to comply with:</p> <p>(a) Name and qualification of competent person have yet to be submitted to DOE as per requirement stated in Jadual Pematuhan.</p> <p>(b) Submission for approval to DOE as per requirement stated in the abovementioned regulation on installation of generator sets had not been done.</p> <p>(c) A random sampling from the Master Employee List revealed that there were 12 workers whose work permits had expired and not renewed as of June 2013.</p> <p>(d) There was no competent person in-charge for the greatest horsepower 400kVA/320kW/430hp generator set at Terusan Mill and 200kVA/160kW/ 214hp at Terusan 1 & 150kVA/120kW/160hp at Terusan 2 Estate</p> <ul style="list-style-type: none"> - 1st Grade ICE driver for Terusan Mill - 2nd Grade ICE driver for Terusan 1 and Terusan 2 (Rumidi Div) Estate 	<p>a) Name & qualification of competent person has submitted to Department of Environment (DOE)</p> <p>b) Contractor has appointed by Terusan CU to obtain an approval from DOE for Diesel Generator set Written.</p> <p>c) Work permit worker (including 12 workers) was renewed.</p> <p>d) Terusan CU has submitted an application to Department of Occupational Safety & Health (DOSH) for candidates to seat for ICE examination (Grade 1 & Grade 2). Advertisement in the local newspapers (i.e. Daily Express) on ICE position.</p>	<p>Relevant document related to (a), (b), (c) and (d) was verified by the assessment team.</p> <p>Status : Closed Out</p>
Indicator 3.1.1	Major	<p>Terusan Estate 1, Terusan Mill, Terusan 1 and Terusan, 2 did not have the 2 years annual budget projection. The projection of budget is only until 2014 for Terusan Mill, Terusan 1 and Terusan 2.</p>	<p>Annual budget projection for 5 years was established</p>	<p>Relevant document was verified by the assessment team.</p> <p>Status : Closed Out</p>
Indicator 3.1.2	Minor	<p>Terusan 1 and Terusan 2 did not have the annual replanting program projected for a minimum of 5 years with yearly review</p>	<p>Replanting program was established</p>	<p>Document was verified by the assessment team.</p>
Indicator 6.10.2	Minor	<p>Terusan Palm Oil Mill did not display the past prices paid for FFB</p>	<p>To display the FFB past price at office notice board</p>	<p>Photograph shown that FFB price was displayed</p> <p>Status : Closed Out</p>

VERIFICATION ON PREVIOUS AUDIT FINDINGS

P & C Indicator	Specification Major/Minor	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
Indicator 2.1.1	Major	<p>There is evidence of non-compliance against regulation</p> <p>a) An approval condition dated 25 Nov. 2011 for de-sludging of anaerobic pond no.3 were not adhered</p> <p>b) No competent Internal Combustion Engine (ICE) driver to operate 2 generator set at Terusan mill and 1 generator set at Terusan 2 Estate</p> <p>c) Scheduled waste was stored more than 180 days at Terusan mill</p>	<p>a) Desludging pond approval was obtained from Department of Environment (DOE).</p> <p>b) Terusan CU planned to send the candidates for ICE competent person. The advertisement in local newspaper to recruit ICE competent person.</p> <p>c) Scheduled waste has disposed to the DOE License Contactor</p>	<p>Corrective action was carried out for item a, b & c. Verified & found adequate.</p> <p>Status : Closed Out</p>
Indicator 5.2.2	Major	<p>HCV management & monitoring action plan 2011-2015 had been written for each of the estate. There was no indication of budget allocation to support this plan. The implementation of this plan in the short-term and long term period had not been supported with an allocation in the budget plans for Terusan 1 & Terusan 2 Estate.</p>	<p>Budget has allocated for HCV management plan for Terusan 1 & Terusan 2 Estates</p>	<p>Corrective action was carried out accordingly.</p> <p>Verified and found adequate</p> <p>Status : Closed Out</p>