



**PUBLIC SUMMARY
STAGE 2 ASSESSMENT**

**HAP SENG PLANTATIONS HOLDINGS BERHAD
TOMANGGONG CERTIFICATION UNIT**

Lahad Datu, Sabah, Malaysia

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SUMMARY

This public certification summary provides the general information on the Tomanggong Certification Unit (Tomanggong CU) of the Hap Seng Plantations Holdings Berhad, the assessment process, the findings of the audit, Non-Conformity Reports (NCRs), verification of corrective actions on the NCRs raised during the previous surveillance as well as the decision on the continued certification of the CU against the requirements of the RSPO Principles & Criteria for Sustainable Palm Oil Production, Malaysian National Interpretation Working Group (MY-NI):2008.

Hap Seng Plantation Holdings Berhad (HSPHB) is a member of RSPO since 2nd September 2005. HSPHB is one of the main divisions within Hap Seng Consolidated Berhad (HSCB) which consist of 6 business division ranging from plantation to automotive business. HSPHB was incorporated in Malaysia as a private limited company on 18th April 2007 as Hap Seng Plantations Holdings Sdn Bhd. It was subsequently converted into a public limited company on 3rd May 2007 and is now known as Hap Seng Plantations Holdings Berhad.

The certification unit (CU) of Tomanggong is one of the subsidiaries under HSPHB, located at Ladang Tomanggong KM 21, Jalan Lahad Datu-Sandakan, Kinabatangan, Sabah, Malaysia. At companywide, it is known as Tomanggong Group of Estates. Tomanggong CU consists of Tomanggong Palm Oil Mill (POM) and five fresh fruit bunches (FFB) supplying estates, i.e. Tomanggong, Litang, Tabin, Tagas and Northbank. The CU was first established in 1983. However, there were new planting in the two estates i.e Tabin and Northbank which have not complied with the New Planting Procedure (NPP). To address the situation, Tomanggong CU has engaged one of the RSPO endorsed HCV auditors to conduct the HCV audit (as planned) which included the Land Use Change (LUC) analysis.

Tomanggong CU has presented the LUC analysis to the Biodiversity and High Conservation Value Working Group (BHCV WG) and Compensation Task Force (CTF) on 15th April 2014 at Jakarta, Indonesia. Based on the outcome of the meeting, the BHCV WG and CTF have accepted the presentation and the WG they have agreed that Tomanggong CU can proceed with the certification for the non-affected estates, i.e. Tomanggong, Tagas and Litang with the condition they continue with the compensation process. This has also been confirmed by the RSPO Secretariat and a Compensation Panel had been assigned to Hap Seng and the company will be reporting to the Panel.

The two estates i.e Tabin and Northbank are excluded from this certification and will be included in the supply base of Tomanggong CU after the above matter has been resolved. Henceforth, with the exclusion of the two estates, their FFB contribution will be classified as non-certified.

The milling capacity of Tomanggong POM is 60 MT/hr. Although Tomanggong POM received and processed third party FFB, this audit did not include the third party FFB suppliers

1.0 Scope of Assessment

1.1 National Interpretation Used

The operations of the Tomanggong Palm Oil Mill (TPOM) and its supply bases of oil palm fresh fruit bunches (FFBs) were assessed against the requirements of the RSPO MYNI: 2010. For RSPO supply chain certification, the assessment on TPOM was conducted against the requirements of the Mass Balance (MB) module of the RSPO Supply Chain Standard, November 2011.

1.2 Certification Scope

The scope of certification is the sustainable production of crude palm oil and palm kernel using the Mass Balance (MB) model.

1.3 Location of Mill and Supply Base

The Tomanggong CU covers one palm oil mill and three oil palm estates, all located at Jeroco Road, Lahad Datu, Sabah, Malaysia. The locations and area details of the mill and estates are shown in Table 1.

Table 1: Location Coordinates and Area of Tomanggong CU (Mill and Estates)

Mill/Estate	Year of establishment	Area (Ha)		GPS Location (Office)	
		Certified	Planted	Latitude	Longitude
Tomanggong POM	1969	NA	NA	5°23.987 N	118°39.798 E
Tomanggong	1988	2,655	2,407	5°19.526 N	118°34.472 E
Litang	1990	2,649	2,475	5°22.787 N	118°42.704 E
Tabin	2002	2,579	2,438	5°21.436 N	118°37.867 E
Tagas	1994	2,212	2,019	5°26.111 N	118°39.278 E
Northbank	1998	2,235	2,028	5°23.987 N	118°39.798 E
Total		12,330	11,367		

The location map of the CU is shown as in Attachment 1.

1.4 Description of Supply Base (Fruit Sources)

All the five estates had been supplying FFB to Tomanggong POM. Apart from these estates, there were also FFB regularly supplied by third parties suppliers which consist of surrounding smallholders. The average annual FFB contribution from the estates and third parties to Tomanggong POM and the crude palm oil (CPO) & palm kernel (PK) for the last three years is summarised in Table 2

Table 2: Average Annual (January to December) FFB Contribution by the estates and third parties to Tomanggong POM and production of CPO & PK for the past three years

Year	FFB received		Total FFB (mt)	CPO Produced (mt)	PK Produced (mt)
	Own estates	3rd parties			
2010	197,352.75	29,047.97	226,400.72	49,126.32	10,280.93

2011	187,913.59	31,831.53	219,745.12	46,414.37	9,370.75
2012	183,357.76	34,137.52	217,495.28	47,853.99	9,670.41
Average	189,541.37	31,672.34	221,213.71	47,798.23	9,774.03
Percentage (%)	86	14	100		

1.5 Date of Planting and Cycle (Planted Area)

The dates of planting and age profiles for each supply bases under Tomanggong CU are detailed in the following table.

Table 3 to 7 shows the details of the year of establishment of the Tomanggong CU's supplying estates and their planting profiles

Table 3: Tomanggong Estate

Year of Planting	Planting cycle (1st/2nd Generation, etc.)	Mature /Immature	Area (Ha)
1988	1st	Mature	260.00
1989	1st	Mature	133.20
1990	1st	Mature	143.00
1991	1st	Mature	352.00
1992	1st	Mature	343.30
1994	1st	Mature	324.50
1996	1st	Mature	348.50
1997	1st	Mature	101.00
1998	1st	Mature	401.50
Total			2,407.00

Table 4: Litang Estate

Year of Planting	Planting cycle (1st/2nd Generation, etc.)	Mature /Immature	Area (Ha)
1990	1st	Mature	146.30
1992	1st	Mature	39.00
1993	1st	Mature	614.50
1994	1st	Mature	397.90
1997	1st	Mature	321.50
2011	2nd	Immature	236.00
2012	2nd	Immature	719.50
Total			2,474.70

Table 5: Tabin Estate

Year of Planting	Planting cycle (1st/2nd Generation, etc.)	Mature /Immature	Area (Ha)
2002	2nd	Mature	294.07
2003	2nd	Mature	235.32
2004	2nd	Mature	267.00
2008	2nd	Mature	244.50
2009	2nd	Mature	251.00
2009 (NP)	1st	Mature	182.10
2010	2nd	Mature	465.00
2011	2nd	Immature	375.00
2011 (NP)	1st	Immature	124.14
Total			2,438.13

Table 6: Tagas Estate

Year of Planting	Planting cycle (1st/2nd Generation, etc.)	Mature /Immature	Area (Ha)
1994	1st	Mature	189.00
1997	1st	Mature	185.00
2000	2nd	Mature	668.00
2001	2nd	Mature	414.00
2004	2nd	Mature	234.50
2006	2nd	Mature	328.50
Total			2,019.00

Table 7: Northbank Estate

Year of Planting	Planting cycle (1st/2nd Generation)	Mature /Immature	Area (Ha)
1998	1st	Mature	350.00
1999	1st	Mature	205.00
2000	2nd	Mature	255.00
2007(NP)	1st	Mature	99.00
2008(NP)	1st	Mature	185.00
2009	2nd	Mature	357.00
2011(NP)	1st	Immature	324.00
2012(NP)	1st	Immature	253.00
Total			2,028.00

1.6 Other Certification Held

Tomanggong POM and its entire supply base do not hold any form of third-party certification for any of the internationally recognized management systems.

1.7 Organisational Information/Contact Person(s)

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1.8 Time Bound Plan for other Management Units

There are three CUs under HSPHB i.e. Bukit Mas, Jeroco and Tomanggong. All of the CUs are located in Sabah, Malaysia. As a member of RSPO, HSPHB is committed to full compliance with the RSPO's Principles and Criteria (P&C) in all its operations in Malaysia. Bukit Mas CU has been certified by TUV Rheinland in 2012. Jeroco CU and Tomanggong CU were planned to be certified in 2012. Jerocco CU has been certified to RSPO P&C on 3 October 2013.

1.9 Tonnes Certified

The approximate volume of CPO and PK produced per year, as well as the volume claimed for certification, are as shown in Table 8.

Table 8: Estimated CPO and PK to be claimed for certification by Tomanggong

Supply Chain Model	Tonnage to be claimed for certification per year (mt)	
	CPO	PK
SG certified (mt)	Nil	Nil
MB certified (mt)	31,139.34	6,172.55
Total certified (mt)	31,139.34	6,172.55

2.0 Assessment Process

2.1 Certification Body

SIRIM QAS International Sdn. Bhd. is the oldest and leading certification, inspection and testing body in Malaysia. SIRIM QAS International provides a comprehensive range of certification, inspection and testing services which are carried out in accordance with internationally recognised standards. Attestation of this fact is the accreditation of the various certification and testing services by leading national and international accreditation and recognition bodies such as the Department of Standards Malaysia (STANDARDS MALAYSIA), the United Kingdom Accreditation Services (UKAS), the International

Automotive Task Force (IATF), and the Secretariat of the United Nations Framework Convention for Climate Change (UNFCCC). SIRIM QAS International is a partner of IQNet, a network currently comprising of 36 leading certification bodies in Europe, North and South America, East Asia and Australia.

SIRIM QAS International has vast experience in conducting assessments related to RSPO certification. It has certified more than a hundred palm oil mills and several estates to ISO 14001 & OHSAS 18001. SIRIM QAS International has also conducted many assessments for sustainable production of palm oil products against the requirements of the RSPO P&C. SIRIM QAS International was approved as a RSPO certification body on 21st March 2008.

2.2 Qualification of Lead Assessor and Assessment Team

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

Member of the Audit Team	Role/area of RSPO requirements	Qualifications
Valence Shem	Audit Team Leader/ Good Agricultural Practices (GAP), Supply Chain and environmental issues	<ul style="list-style-type: none"> • Collected more than 350 Auditor days in auditing various scheme i.e. ISO 14001, RSPO P&C and RSPO Supply Chain • Nine years' experience in Oil Palm Plantation management • Successfully completed IEMA accredited Lead Auditor training for ISO 14001: 2004 • B.Tech. (Hons) Industrial Technology • Successfully completed and passed the RSPO Lead Auditor Course in 2011.
Khairul Najwan Ahmad Jahari	Auditor / HCV habitats & ecology	<ul style="list-style-type: none"> • 7 years' experience in Forest related areas as a researcher with FRIM since 2003 • 32 man-days in auditing MC&I(2002) as forest auditor • Attended Auditor Training Course on Malaysian Criteria and Indicators for Forest Management Certification [MC&I(2002)] organized by MTCC, April 2009. • Attended Auditor Training Course on Malaysian Criteria and Indicators for Forest Plantation Certification [MC&I(2002)] organized by MTCC 2010. • Attended a training on RSPO P & C and certification requirements in January 2011 • Successfully passed EMS 14001: 2004 Lead Auditor Course, March 2009. • Successfully passed OHSAS 18001:

		<ul style="list-style-type: none"> 2007 Lead Auditor Course, Feb 2009. • Successfully passed QMS 9001: 2008 Lead Auditor Course, Feb 2009. • B.Sc. of Forestry (Forest Management) • M Sc Environmental (GIS Remote Sensing, still pursuing) • Successfully completed and passed the RSPO Lead Auditor Course in 2011.
Mohamad Hidhir Zainal Abidin	Auditor / Occupational health & safety and environmental issues at mill and estates	<ul style="list-style-type: none"> • 4 years' experience in palm oil milling • Collected more than 50 auditing days for RSPO, ISO14001, OHSAS 18001 and ISO 9001 • Successfully completed IRCA/RABQSA accredited Lead Auditor training for ISO 9001, ISO14001 & OHSAS 18001 in 2012 • B.Sc. (Hons) Chemical Engineering, UKM
Dr. Rusli Mohd.	Auditor / workers' & community issues and related legal issues	<ul style="list-style-type: none"> • Collected more than 30 auditor days in auditing RSPO P&C and 16 days of Forest Management Certification (FMC). • Reviewed about 5 or 6 FSC Forest Management certification reports • Prepared Consultancy Reports on SIA for WWF, KPKKT and PESAMA • Taught Industrial Relations and International Forestry. • Research on forest certification • Ph.D. (Major: Forest Policy); Minor: Public Administration, North Carolina State Univ. • M. Phil. (Forest Policy) Univ. of Edinburgh • B.S.(For) UPM

2.3 Assessment Methodology and Programme

The audit for certification was carried out in conformity with the procedures as laid down in SIRIM QAS Procedure Manual. During the audit qualified SIRIM QAS auditors used the RSPO:MYNI 2008 standard and recorded their findings.

It was done in two stages, namely Stage 1 and Stage 2. The Stage 1 audit was conducted to determine the adequacy of the established documentation in addressing the requirements of the certification standard, the RSPO MYNI 2008, while Stage 2 audit is a compliance or initial certification audit. The Stage 1 audit was conducted on 11th – 13th September 2012, simultaneously with another HSPHB CU i.e. Jeroco. There were twenty-two (22) issues of concerns raised and HSPHB had taken the necessary actions to rectify most of the issues. The auditor team had verified all the issues during the Stage 2 audit.

The Stage 2 audit was conducted from the 17th – 23rd November 2012, also simultaneously with Jeroco CU. The main objective of the Stage 2 audit was to verify the CU's conformance

to the requirements of certification standard, the RSPO MYNI 2008 and RSPO Supply Chain Standard (November 2011). Based on random samples, out of five supplying estates under Tomanggong CU, Tagas Estate was not included to be assessed in this visit.

The audit was conducted by visiting the oil palm fields, palm oil mill, HCV habitats, local villages, clinics, workers quarters, shops, chemical and waste storage areas, landfill and other workplaces. Interviews were held with the CU's and the management of its FFB produce, employees, contractors and other relevant stakeholders. In addition, related records and other documentation were inspected.

Details of the actual audit programme are given in **Appendix 2**.

2.4 Stakeholder Consultation and List of Stakeholders Contacted

SIRIM QAS International Sdn Bhd (SIRIM QAS International) initiated the stakeholder consultation by announcing the invitation in the RSPO and SIRIM QAS International's websites on 2nd October 2012. The announcement was also available in the RSPO website. In addition, SIRIM QAS International had also sent invitations through letters to all the relevant stakeholders, including government agencies and Non-Governmental Organizations (NGOs) on 2nd October 2012.

Meetings and interview with the relevant stakeholders were also arranged during the on-site audit. Please see Principle 6.

The method of consultation with the workers, contractors and Tomanggong CU staff were through random sampling from each group in each of the FFB supplying unit and oil mill (e.g. mill operators, harvesters, general workers and sprayers) visited. The consultations which were conducted at the CU's office had included solicitation of comments on issues relevant to principles 4, 5 and 6 of the RPSO MYNI.

Outcome from the stakeholders being consulted is as in Attachment 3.

2.5 Date of Next Surveillance Visit

The next surveillance assessment should be conducted within twelve months but not sooner than nine months from the approval date.

3.0 Assessment Findings

3.1 Summary of Findings

The findings of the audit were highlighted and discussed during the on-site audit. There were eight nonconformity reports (NCR) raised for Tomanggong CU against the requirements of the RSPO MYNI. Six of them were classified as major. Evidences of the actions taken by the CU had been submitted to the audit team. In addition, the audit team had raised nine opportunities for improvement (OFI), which the CU should improve upon in complying with the requirements of the RSPO MYNI

The detailed findings of the audit on the CU's compliance with the requirements of the RSPO 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.

Indicator 1.1.1

Records of requests and responses must be maintained.
Major compliance

HSPHB is committed to transparency by allowing all information pertaining to environmental, social and legal issues to be publicly available upon request. There was procedure available on communication as evidenced in Tomanggong CU, Document No.: HSPSB P1 1120 entitled "*Procedur Memohon Maklumat*" (Request for Information Procedure). It was last updated in November 2012. The procedure had involved internal and external consultation. The procedure provided a form to be filled up by any stakeholder who has the interest to request any information pertaining to Principle 1. Nonetheless, the method of requesting information was not limited by filling up the form alone. It was also described in the procedure that other means of request such as verbal or in writing, would also be entertained. At the point of this audit, there has been no request for such information by the public.

Additionally, HSPHB has a website, <http://www.hapsengplantations.com.my/index.php> which contained brief information about the company's structure, corporate profile, vision & mission, the business they were involved in, financial and estates profiles information to name a few.

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 audits relating to environmental and social impacts (C 5.1, 6.1, 7.1, 7.3)
- 1.2.4 Pollution prevention plans (C 5.6)
- 1.2.5 Details of complaints and grievances (C 6.3)
- 1.2.6 Negotiation procedures (C 6.4)
- 1.2.7 Continuous improvement plan (C 8.1)

Guidance:

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

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

There was no restriction by HSPHB for the public to assess any of the documents as listed in Criterion 1.2. It is confirmed through inspection that all of the documents listed in Criterion 1.2 were available on site, although original copy of land titles were kept at HSPHB headquarter in Kuala Lumpur. The operating unit only kept the duplicate copies of the land titles for safety reason. Tomanggong CU had announced through stakeholders' consultations on 19 October 2012 that all of these documents can be assessed upon request by stakeholders.

Further to this, the auditors had also sighted some management documents that have been displayed for public viewing at the estate and mill offices such as permits and licenses issued by authorities, company policies and organization charts.

Principle 2: Compliance with Applicable Laws and Regulations

Criterion 2.1

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

Indicator 2.1.1

Evidence of compliance with legal requirement
Major compliance

Indicator 2.1.2

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

Indicator 2.1.3

A mechanism for ensuring that they are implemented.
Minor compliance

Indicator 2.1.4

A system for tracking any changes in the law.
Minor compliance

HSPHB has established documented system for identifying and tracking the updates of the applicable legal requirements. The document also stated the need to monitor the status of legal compliance. The Plantation Advisor (PA) is the person in-charge to conduct the evaluation of compliance at a frequency of once a year.

HSPHB has prepared a list of the applicable regulations it subscribed to. Among the identified legal requirements are Environmental Quality Act and Regulations, 1974, Factories and Machinery Act and Regulations, 1967, Occupational Safety and Health Act and Regulations, 1994, Worker' Minimum Standards of Housing and Amenities Act, 1990, Sabah Labour Ordinance, Merchant Shipping Ordinance 1952, to name a few. Nonetheless, the auditor found that some of the regulations were missed out such as MPOB Act 1998, MPOB Reg (Licensing) 2005, Akta Timbang dan Sukat, 1972, Kementerian Perdagangan Dalam Negeri – Peraturan Kawalan Bekalan 1974, Electric Supply Act 1990, Regulation 1990 and some of the regulations under Pesticide (Highly Toxic Pesticide) Regulation 1996. Thus, an OFI has been raised.

For the legal requirement related to Person In-charge (PIC) Regulations 1970, under Factory and Machinery Act 1967, Tomanggong POM has 1 unit of boiler which has the heating surface of more than 10,000 ft² but not greater than 25,000 ft². According to the regulation,

first grade steam engineer shall be in charge of such boiler. The mill manager in charge has obtained the 1st grade steam engineer and for the operation supported with 1st grade engine driver. Person in charge for steam boiler was found compliance with the PIC Regulations 1970.

Another issue was related to person in charge for internal combustion engine for Tomanggong POM and its supply base. There were no competent person in charge as required by Regulation 6 (4) (Requirement for > 500hp ICE) & Regulation 6(3) (Requirement for >100hp ICE) for manning the operation of these generator sets (650 kVA, 400kVA and 225kVA) at Tomanggong POM and (350 kVA and 125 kVA) at Tomanggong Estate, which required 1st grade ICE driver and 1st grade ICE visiting engineer. It was found that only 2nd grade ICE driver in charge for Tomanggong POM and there was no 1st grade ICE visiting engineer for such generator sets. Therefore, major NCR (# VS01) was raised for the non-compliance issue.

Person in-charge for electrical installation at Tomanggong POM has been granted competent license by Energy Commission for A1 (PJ-T-2-B-0533-2011) electrical charge-man and licence for individual installation under Regulation 9, Electric Supply Act 1990. This license has been renewed on annual basis. Furthermore, electrical installation has been inspected regularly. Monthly visit by competent visiting electrical engineer was sighted during the audit. Recently the calibration and testing of protection relays has been conducted on 23 September 2012 verified the calibration certificate valid for 2 years.

On the environment related legislation under provision of Environment Quality Act 1974, licence and approval conditions under Environment Quality Regulations (Crude Palm Oil) (Prescribe Premise) 1977 and Clean Air Regulations 1978 was made available on site. Licence number 001223 with period validity until 30 June 2013 has been renewed on annual basis. Provision of waste water management related to BOD limit discharge, Effluent Treatment Plant layout and pond arrangement also the final point of effluent discharge to waterway and land irrigation was sighted. As the mill was commissioned in 1969, written approval which related to earlier construction of fuel burning equipment mainly incinerator and boiler cannot be determined where the law was only gazetted in 1974.

Requirements on air emission monitoring under Clean Air Regulations 1978, for the erection of fuel burning equipment has yet to be fulfilled. Written approval dated 18 September 1999 for the erection of 1 unit steam boiler has been made available. However for the internal combustion engine, the 3 units of generator set particularly with the capacity of 650 kVA, 400 kVA and 225 kVA has yet to obtain written approval from DOE. The same case for the 2 units of generator set with capacity of 350 kVA and 125 kVA at Tomanggong Estate. Therefore, major NCR (# VS01) was issued.

During audit, it was found that all certificate of fitness (CF) of steam boilers, unfired pressure vessel (UPV), hoisting machine (crane) were in place and still valid. Annual inspection has been conducted before maximum of period validity of 15 months. Annual inspection for Tomanggong POM was last conducted on 25 April 2012 for steam boiler, crane and UPVs. Comments highlighted by DOSH inspector during inspection has been handled and rectified accordingly. DOSH also commented on the competent person for confined space at Tomanggong POM for the authorized gas tester. Competent person for Authorized Entrant and Standby person (AESP) were available at Tomanggong POM. However, it was found that Tomanggong POM has yet to train and nominate competent person for Authorized Gas Tester to the certified training provider. In normal practice, HSPHB had appointed consultant for gas testing by outsource Authorized Gas Tester before commencing work in confined space. OFI was raised on these issues.

Criterion 2.2

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

Indicator 2.2.1

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

Indicator 2.2.2

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

Indicator 2.2.3

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

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

Indicator 2.2.4

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

The right to use the land at Tomanggong CU can be demonstrated and not disputed by any party. Auditor sighted that there were clear land ownership documents. Land titles were available in documents. The original copies of the documents however, were kept in HSPHB headquarter in Kuala Lumpur. Copies of land titles for all estates were sighted. All the estates were under the jurisdiction of Kinabatangan District. Based on document review, it was confirmed the terms of the land title for all the estates have been complied.

During the site review it at Northbank Estate, Litang Estate and Tabin Estate, some of the boundary stones were found to be well maintained. The locations of the boundary stones were found to be tally with the land titles. To some of the boundary stones that were unable to be located, Northbank Estate had engaged a surveyor to relocate the boundary stones especially to those bordering with other plantation and forest reserves. The search for the boundary stones activity was conducted on 15th July 2010.

Criterion 2.3

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

Indicator 2.3.1

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

Indicator 2.3.2

Map of appropriate scale showing extent of claims under dispute.
Major compliance

Indicator 2.3.3

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

This requirement is not applicable for Tomanggong CU since there has been no land is encumbered by customary rights or dispute from any stakeholder.

Principle 3: Commitment to Long-Term Economic and Financial Viability

Criterion 3.1

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

Indicator 3.1.1

Annual budget with a minimum 2 years of projection
Major compliance

Specific Guidance:

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

Indicator 3.1.2

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

The Capital Expenditure (CAPEX) budget for 2012 to 2016 for Tomanggong POM was made available during the audit. The budget consists of mill continual improvement program on modification and machine upgrades as well as safety and environment. It was noted that financial support has been allocated for greenhouse gases (GHG) emission reduction initiative on Clean Development Mechanism for Tomanggong POM. It is expected to commence in 2013. Proposed plan has been sighted on Clean Development Mechanism (CDM) project for the bioreactors gas capturing facilities, biogas treatment and power plant, biogas engine generator and other earth, civil and structural works for mills under HSPHB. Other initiative seen was on improving the quality of effluent discharge by planning to install POME Polishing Plant at Tomaggong POM. Annual de-silting programme on hydraulic retention time (HRT) improvement have also been sighted. Other allocations were mostly on the maintenance activities for mill equipment and machinery.

The budget for estates was available with a projection from 2012 to 2014 and it is annually reviewed. This includes the financial support for field maintenance & upkeep, harvesting and evacuation, maintenance of infrastructure and facilities such as store and buildings. Projection of yield was available from 2012 to 2015 which ranging from 21 to 24 mt/Ha/year. Other information that was available in the budget is production cost per metric tonne for FFB & CPO and CPO yield/Ha. Accommodation and facilities upgrades for staff & workers quarters and executive houses were also gazetted in the budget. In order to ensure the cost and quality are maintained, monthly management meeting is conducted to discuss about production cost and other issues related to the operations with the aim of continual improvement. The agenda includes oil mill grading daily report on crop and CPO quality. The information is disseminated to all management personnel. Other input of the management meeting was the daily report monitoring from all operating units. This is to monitor there is no wastage on chemical and material and ensure workers efficiency through monitoring by the estate management personnel and eventually ensuring the costs do not overrun.

The replanting programme was available from 2011 until 2020. This programme has been incorporated in the terms of reference of the Environmental Impact Audit which has been submitted for approval to the state authority i.e. the Environmental Protection Department (EPD) dated August 2012.

Principle 4: Use of Appropriate Best Practices by Growers and Millers

Criterion 4.1

Operating procedures are appropriately documented and consistently implemented and monitored.

Indicator 4.1.1

Documented Standard Operating Procedures (SOP) for estates and mills

Major compliance

Indicator 4.1.2

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

Minor compliance

HSPHB had a generic agriculture manual which called Oil Palm Agricultural Policy (OPAP) dated July 2009. The procedure covered all the plantation activities from land preparation to FFB evacuation. This includes good agriculture practice, field maintenance & upkeep and control of pest and disease. The documented procedure was available at all the estates under Tomanggong CU. Apart from that, the Safe Operating Procedure, SOP dated 2011 was also available on site which covered the safe working practices of all the field operation such as harvesting, fertilizer application, herbicides & pesticides application to name a few.

Through random interviews held with the staff and workers, the outcome revealed that they generally understood the requirements stated in these documents and their level of understanding on the contents of the SOP was found acceptable. One of the many examples was in field interviews in which ripeness standard, fertilizer application and chemicals usage had been properly understood by the field workers. Unfortunately, it was found that rat baiting operation contravenes with the OPAP rat baiting procedure. According to the OPAP, *brodifacoum* shall only be applied after 4 to 5 rounds of first generation bait i.e. *warfarin* has been applied. Based on records inspection at Northbank Estate, the auditor found that the estate had applied the *brodifacoum* at all of its infected fields without any application of *warfarin* before. Therefore, a minor NCR(# VS02) was raised.

For the mill operation, HSPHB has established Safe&Standard Operating Procedure (SSOP) as a reference for all operations in the mills. Mill operations which were covered by the SSOP were mainly related to oil palm processing such as fruit reception(weighbridge and FFB grading), sterilization, threshing, pressing, oil clarification, kernel plant, products analysis method (laboratory), palm product despatch, engine room and power generation, workshop activity and vehicle maintenance, boiler operation and POME treatment plant. In the latest revision dated 5 September 2012, Tomanggong POM has included the procedure of working in confined space and emergency response plan for fire breakout, flood and land slide. Other than the SSOP, safe working procedures which focus more on mill safety operations including permit to work system has been established and implemented. The permit to work procedure covers activities related to confined space, electrical system (energy isolation), hot works, working at height and other high risk activities in the mill.

Monthly performance reports on monitoring of all activities were made available during the audit. Records for mill operation were verified and retained for internal and external check and balance. Among the records sighted were sterilization charts, smoke emission chart, Effluent Treatment Plant (ETP) operation, water usage monitoring and Schedule Waste records. On top of the internal reports, Tomanggong POM has continuously reporting to MPOB through the MPOB (EL) MF4 and MPOB PX4-MF on the monthly basis as the formal performance reports. The auditor found that these monitoring reports were kept and maintained in the office for at least a year. Records which are more than a year were kept in a designated store.

Criterion 4.2

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

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

Indicator 4.2.1

Monitoring of fertilizer inputs through annual fertilizer recommendations.

Minor compliance

Indicator 4.2.2

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

Indicator 4.2.3

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

Annual recommendation of fertilizer application was done by HSPHB's Agronomy Department. The recommendation was based on leaf and soil analysis which was conducted annually by an external laboratory. The objective of the analysis was to monitor changes in nutrient status, therefore correct amount of fertilizers are applied. The results of the analysis were incorporated in the Agronomy Advisory Report (2011) and Fertilizer Recommendation (2012). Sample of this report was seen at Northbank Estate. Generally, the fertilizers recommended were of straight, mixture and compound fertilizer, which basically content Nitrogen, Phosphorus, Potassium and Magnesium. The method of application was broadcasting on the palm circle as stated in the OPAP. Through inspection of manuring operation in the field, it was noted that workers were using standard bowls to broadcast the fertilizer for the purpose of getting the right dosage for each palm.

The fertilizer application programme for each estate was developed based on the recommendation. Through this programme, work progress was then monitored and recorded. Through random sample of field record, including dispatch of fertilizer from store, the auditor confirmed that the fertilizer application at Northbank Estate found to be in accordance with the agronomist recommendation. Generally, the progress of manuring was according to the schedule.

Empty Fruit Bunches (EFB) was incinerated and bunch ash was produced from this operation. The bunch ash would then be applied in the field by broadcasting on the palm circle at a rate of 1 kg/palm. Since most of the EFB was incinerated, EFB mulching was done on occasional basis. The method normally was by applying the EFB on the inter-row for mature palms and on palm circle for immature.

HSPHB has a policy not to allow open burning. Through site visit at the new planting area at Northbank Estate, there has been no evidence of open burning.

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

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

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

Specific Guidance: Appropriate conservation practices should be adopted.

Indicator 4.3.3: Presence of road maintenance programme.
Minor compliance

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

Specific Guidance:

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

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

Tomanggong CU is committed to minimize soil erosion. The method of controlling soil erosion was outlined in the OPAP especially on how to construct terrace at hilly terrain. Tomanggong CU has a topography map to guide them in identifying the slope which has more than 25°. Apart from that, there was also a Slope Classification map. Based on this map, some 0.7% of the areas were classified as more than 25°. These areas would then be excluded from being replanted. Generally, the estates under Tomanggong CU were flat and undulating. Generation of non-competitive ground covers especially *Nephrolepis bisserata* and soft grasses have significantly minimized the occurrence of bare ground, soil erosion and surface runoff. Planting of cover crop especially with *Mucuna bracteata*, consistently being practice at the slope of immature areas. Other cover crop species used were *Pueraria javanica* and *Calopogonium mucunoides*.

During the field visit, it was observed that the estate has satisfactory road condition and accessibility were made possible by regular maintenance guided by its road maintenance programmes which consist of road resurfacing, grading & compacting, potholes patching and construction of roadside drains. The latest road maintenance programme was for 2012 and progress report was adequately updated. The financial support for this operation could be seen in the annual budget.

Tomanggong CU has its map of soil type. Based on this map, it was noted that some 40% of the area was of Dagal Series which consists of tuffaceous rocks, mudstone and sandstone. Other soil types were from Kinabatangan Series (alluvium), Gumpal Series (mudstone, sandstone and misc. rocks) and Brantian Series (alluvium). Based on the map, there was no peat and fragile soil at Tomanggong CU.

Criterion 4.4

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

Indicator 4.4.1

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

Major compliance

Specific Guidance:

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

Indicator 4.4.2

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

Major compliance

Indicator 4.4.3

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

Major compliance

Indicator 4.4.4

Monitoring rainfall data for proper water management

Minor compliance

Indicator 4.4.5

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

Minor compliance

Specific Guidance:

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

Indicator 4.4.6

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

Minor compliance

Indicator 4.4.7

Evidence of water management plans.
Minor compliance

Procedures for maintaining riparian buffer zones was available through memo from MPOB dated 28th September 2009, ref # (3)04/C/PD/87/2.

Tomanggong CU had continued to protect the water courses, including maintaining and restoring appropriate riparian buffer zones at or before replanting along all natural waterways within the estate.

During the site review at Northbank, Litang and Tabin Estate, it was seen the 20m buffer zone boundary with Sungai Segama were identified with signboards being erected along the river for the purpose of creating awareness. The oil palms in the buffer zone were painted red paint at the trunk to differentiate them with the other non-riparian zone oil palm trees. The boundary marker for buffer was sufficient and maintained. This practice was in accordance with the Riparian Zone Management guidelines in the MPOB Memo. Further to that, interview with the herbicides spraying operators revealed that they were aware on the buffer zone identity and the restriction on chemical application of it.

The estates under Tomanggong CU sourced their water for domestic use by tapping from the surrounding streams. In some cases, weir needs to be constructed. During the site visit at Litang Estate, it was found that weir was constructed across Sg. Tagas Tagas Besar. It was told that the weir was constructed before awareness of RSPO introduced among the staff. Nonetheless, since this was found to be breaching the requirement, a major NCR (# NAJ-1) has been assigned.

Rainfall records have been maintained by all the estates. The data is obtained from the rain gauges set up at strategic places and records were updated daily. The rainfall data is also used in recommendation of fertiliser application.

Tomanggong CU monitored the amount of water consumed by mill and its line-sites. It was found that the records of the mill and line-sites water consumption (m³ of water per ton of FFB) were being kept. Water usage from 2010 to 2012 (until October 2012) was monitored and presented during the audit.

Criterion 4.5

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

Indicator 4.5.1

Documented IPM system.
Minor compliance

Indicator 4.5.2

Monitoring extent of IPM implementation for major pests.
Minor compliance

Specific Guidance:

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

Indicator 4.5.3

Recording areas where pesticides have been used.
Minor compliance

Indicator 4.5.4

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

Tomanggong CU has a procedure of controlling pests and diseases in oil palm. The procedure was outlined in the OPAP, which includes the control method of common pests in that area such as bagworms, nettle caterpillars, rats and rhinoceros beetles. Controlling method of oil palm diseases such as *ganoderma* was also included. The control method was generally consists of census and application of pesticides whenever the population of pests exceeded the threshold level. To-date, there has been no major outbreak reported for Tomanggong CU.

A documented IPM technique was also shown in the OPAP. Beneficial plants from the three major species namely *Tunera subulata*, *Cassia cobanensis* and *Antigonon leptopus* were continued to be planted in the estates to host the natural predators of leaf eating caterpillars, hence reduces the need to use chemical treatment. Other beneficial plant such as *Ageratum conyzoides* was also left to grow naturally in the estate. Census records confirmed that there has been no major outbreak of leaf eating pest.

Usage of agrochemicals was justified and monitored. Information on the quantity of agrochemicals used and areas applied can be found in the Store Issue Chit. The data was then compiled to monitor the relation between amount of agrochemical consumed and the land area [active ingredient (ai) per Hectare].

Criterion 4.6

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

Indicator 4.6.1

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

Indicator 4.6.2

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

Specific Guidance:

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

Indicator 4.6.3

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

Specific guidance:

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

Indicator 4.6.4

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

Indicator 4.6.5

Annual medical surveillance as per CHRA for plantation pesticide operators.
Major compliance

Indicator 4.6.6

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

Indicator 4.6.7

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

Indicator 4.6.8

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

Major compliance

Indicator 4.6.9

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

Minor compliance

Indicator 4.6.10

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

Minor compliance

Agrochemicals at Tomanggong CU were used in a way that did not endanger the health of employees or the environment. There was no prophylactic use of the agrochemicals. All estates had provided written justifications for all agrochemicals they were using as found in the OPAP (Chapter 9). Safety and health precautions as recommended in the respective chemical Material Safety Data Sheet (MSDS) had been referred to. Warning signage would be displayed at the agrochemicals treated area for safety purpose. The agrochemicals store and the pre-mix area are bunded with concrete and during the mixing of agrochemicals, secondary containment was used to contain any potential spillage.

Pesticides selected for use and storage were in accordance with Pesticides Act 1974 (Act 149) and the relevant provision (Section 53A), Classification, Packaging and Labelling of Hazardous Chemical Regulation 1997 and USECHH Regulations 2000, of the Occupational Safety & Health Act 1994. Chemical register was available in accordance to OSHA format. Empty chemical containers are triple rinsed, pierced and stored for disposal in accordance to the legal requirements.

During the visit at Northbank Estate agrochemical store, it was observed that the store building was in good condition, well ventilated and with locked door. Only authorized personnel (e.g. storekeeper) was allowed to enter the chemical store and issue out the chemicals. Respective chemical MSDS was made available and kept in the store. Based on interview, the storekeeper had shown a good understanding of the hazards involved and the required control measures.

The use of agrochemicals had also made references to Chemical Health Risk Audit (CHRA) USECHH Regulations (2000) of the OSHA 1994 Act, which was conducted in 2009 for the estate and the mill. Personnel who handled and were exposed to these agrochemicals had been risk assessed. The estates had a schedule for medical surveillance of its pesticide operators (sprayers). Based on the latest medical surveillance report, all workers found to be fit. Methods used to identify occupational diseases were lung function test and blood test. The medical surveillance included cholinesterase test and no case of low blood cholinesterase levels.

Pregnant and breast-feeding women are strictly not allowed to work with pesticides. The management verified this through monthly medical surveillance conducted by the estate's clinic and feedback from the workers from time to time. Interview with the sprayers has also revealed that they understood such restriction.

Aerial spraying is not a practice in HSPHB.

As to date, there was no request from buyer to conduct chemical residue testing for CPO. It was found that parameter for testing follows Palm Oil Refiners Association of Malaysia (PORAM) and Malayan Edible Oil Manufacturers Association (MEOMA) standard.

Records of pesticide use (including active ingredients used, area treated, amount applied per ha and number of applications) were monitored and maintained.

Criterion 4.7

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

Indicator 4.7.1

Evidence of documented Occupational Safety Health (OSH) plan which is in compliance with OSH Act 1994 and Factory and Machinery Act 1967(Act139).

Major compliance

The safety and health (OSH) plan shall cover the following:

- a. A safety and health policy, which is communicated and implemented.
- b. All operations have been risk assessed and documented.
- c. An awareness and training programme which includes the following specifics for pesticides:
 - i. To ensure all workers involved have been adequately trained in a safe working practices (See also C4.8)
 - ii. All precautions attached to products should be properly observed and applied to the workers.
- d. The appropriate personal protective equipment (PPE) are used for each risk assessed operation.
 - i. Companies to provide the appropriate PPE at the place of work to cover all potentially hazardous operations such as pesticide application, land preparation, harvesting and if used, burning.
- e. The responsible person (s) should be identified.
- f. There are records of regular meetings between the responsible person(s) and workers where concerns of workers about health and safety are discussed.
- g. Accident and emergency procedures should exist and instructions should be clearly understood by all workers.
- h. Workers trained in First Aid should be present in both field and mill operations.
- i. First Aid equipment should be available at worksites.

Indicator 4.7.2

Records should be kept of all accidents and periodically reviewed at quarterly intervals.

Major compliance

Specific Guidance:

Record of safety performance is monitored through Lost Time Accident (LTA) rate.

Indicator 4.7.3

Workers should be covered by accident insurance.

Major compliance

HSPHB has established Occupational Health Safety policy dated 31 December 2004, signed by Chief Executive for Group Plantation of HSPHB. The written policy has been displayed in mill and estate offices and at strategic location in the workstation of the mill. To meet HSPHB's commitment of the policy, an OSH plan and programs for the mill and individual estate had been established. The written HSPHB on Occupational Safety and Health (OSH) policy remain valid. This OSH policy had been communicated to all employees through toolbox and standing meeting and were seen displayed on the mill and estates notice boards. Generally, from the interview with the workers and staff revealed that awareness of OSH policy were satisfactory.

Hazard identification, risk audit and risk control (HIRARC) register covered activities in the estates and mill were verified during the audit. Among the registered activities sighted were chemical spraying, harvesting and FFB collection in the estates, and boiler operation, FFB sterilization, kernel extraction and oil extraction and clarification in the mill. HIRARC records dated 9 April 2012 has been newly revised and updated to incorporate changes and control measure implemented at the workplace. Revised version however has yet to be improved further by updating on the hierarchy of control on the occurrence of accident. For the estate,

field operation that exposed to animal hazards, chemical poisoning on trunk injection activities has yet to be updated in the HIRARC (see OFI).

Appropriate risk control measures had been determined and implemented for the other station in the mill. Most of moving part and rotating machinery were installed with machine guarding and properly covered. Appropriate administrative control was sighted with safety signages and SOPs were displayed in the mill processing area.

The organization structure responsible for OHS at Tomanggong POM and estates were made available. Assistant manager or administrative executive has given the responsibilities and duty of care for OHS as the secretary member. Appointment letter as an OSH committee member for both workers and employers representative has been reviewed and renewed on annual basis. As has been the practiced, the mill and estates regularly hold meetings to discuss OHS matters. Interviews with members of the Safety Committee and review of records confirmed that the scheduled 3-monthly OHS Committee meeting had been carried out reasonably on schedule. The minutes of meeting were sighted (kept at site at least for a year) and distributed to Responsible Party to carry out actions as a result of these meetings and corrective actions completed within the given timeline. Tool-box meeting had also being held to disseminate current or topical OHS information or to reinforce safety like the use of PPE and the correct work methods as per SOP.

On the USECHH Regulation 2000, the generic CHRA report was presented during audit and still valid until 2015 for Tomanggong group of estates. For Tomanggong Estate, CHRA was made available and it was last conducted in 2011. The CHRA was conducted by a DOSH registered Auditor. The audit covered all significant work units that exposed to the chemical hazards mainly herbicides and pesticides worker for the estate.

For Tomanggong POM, CHRA report was presented during the audit and still valid until 2015. The last audit was done from March – September 2011 and covered work units that exposed to chemical hazards mainly laboratory, boiler station and water treatment plant. However, one of the activities in the laboratory for oil extraction process was not covered. The lab activities involves the use of hazardous solvent (Hexane) and has not been risk assessed. HSPHB has yet to seek for information with NIOSH regarding this matter. Chemical exposure monitoring has yet to be conducted as recommended in the CHRA for exposure of dust for boiler operator and IPA (Isopropyl alcohol) for laboratory operator. Other recommendation given by auditor is to install fume hood complete with LEV (local exhaust ventilation) as engineering control equipment as well as the used of appropriate PPE in the laboratory. Monitoring programme has yet to be initiated for the LEV monitoring from in-house technician and 3rd party technician (Hygiene Technician II) on periodic basis after the installation of fume hood. Therefore, OFI was raised on these issues.

Medical surveillance programme has been conducted as recommended by the auditor for the exposed employees for estate and mill. Records of health surveillance for chemical mixing operators and sprayers for Tomanggong Estate, laboratory and boiler operator for Tomanggong POM were made available during the audit. Annual health surveillance has been carried out in February and March 2012. Results of monitoring shows all workers were fit to work.

Chemical register dated 12 November 2012 was made available during the audit. However, Tomanggong POM has yet to incorporate any changes or new chemical used in the chemical register, for example (Ekocast) as a sealing material for construction of boiler furnace brickwork. Therefore OFI was issued.

On the Noise Exposure Regulation 1989, Tomanggong POM had carried out Initial Noise Exposure Monitoring on October 2011 by NIOSH. Noise zoning has been mapped and categorized based on noise decibel for each station in the mill.

Based on the report, positive noise exposure monitoring has to be conducted within 6 month of the monitoring. It was found that Tomanggong POM has yet to conduct the positive noise exposure monitoring as recommended in the initial noise exposure monitoring. OFI was raised on the issue. Apart from that, baseline audiometric testing has been conducted on December 2011 for all worker and staff at Tomanggong POM. There were 3 cases of hearing impairment detected and yet to be re-rested for the 2012 audiogram which has been planned on 16 December 2012. The hearing conservation programme has yet to be conducted in the interval of every 2 year. So far there was no such programme planned for Tomanggong POM. OFI were raised on these issues.

Evidence of implementation of appropriate risk control measures was observed during the field and mill audit. Employees had been provided with PPE and were seen to be using the PPE appropriately. PPE that commonly used were safety boots, helmets, goggles, ear plugs, rubber and cotton gloves, aprons and breathing mask as recommended in the CHRA report as the minimum standard PPE to be used by the workers. Workers interviewed showed that they understood the reason and the importance of wearing PPE provided by the company. Those who worked with chemicals had been trained on the use of PPE, chemical safety data sheet (CSDS) with emphasis on precautions attached to product and safe work practices based on chemical handling procedures. Workers trained in First Aid were found to be present in both field and mill operations. Those interviewed understood how to give first aid assistance. First Aid kits were also made available at worksites. The First Aid kits were scheduled to be inspected on the monthly basis by Hospital Assistant (HA) in the estate and the head of first aid team in the mill. However, the content has yet to be standardized in accordance with the guidelines for first aid kit in the 4th schedule of Safety, Health and Welfare Regulation 1970. OFI was raised on the issue.

Records of PPE issuance were maintained and were presented to auditor during the audit. As part of Administrative Control, safety reminder signages had also been erected and displayed at mill processing area as well as at the hazardous areas. Although appropriate control has been implemented, it was noted that the flashback arrestor was not fitted to the acetylene and oxygen gas at the cages repairing bay. OFI raised on the issue

The issuance of permit to work (PTW) for hazardous areas such as confined space, working at height and other contractor's job in the premises, were sighted during the site visit. However, on the operational control on the issuance of confined space, PTW has yet to be updated for gas testing column and based on daily basis (see OFI).

Emergency procedures and instructions were understood by those workers interviewed. Emergency response plan has been developed for Tomanggong POM but has yet to carry out emergency evacuation drill and its post mortem report. The post mortem report of the drill will be verified in the surveillance next audit. Response plan for other facilities in HSPHB particularly barge and bulking installation operation has yet to be established. Therefore, OFI was raised on these issues.

For the firefighting preparation, Tomanggong POM has provided fire extinguishers and fire hydrant points at various locations in the mill. Fire extinguishers were serviced and inspected regularly. Nonetheless, Tomanggong POM has yet to obtain fire certificate in accordance to Section 28, Requirement for Fire Certification, Fire Services Act, 1988. Thus a major NCR (# VS01) was raised against Indicator 2.1.1.

OSH performance was continuously monitored and accident cases were managed in accordance with NADOPOD Regulation 2004. Accident records were kept and reviewed. An

accident scoreboard (statistic) was made available at mill and estates and updated regularly to show the current OSH performance status. In 2012, total of 35 days for Lost Time Incident (LTI) case was recorded at Tomanggong Estate compared to 49 days of LTI case in 2011. However there were 2 fatality cases at other HSPHB estate i.e. Ladang Kawa Estate located in Tawau, Sabah on the 29th & 30th September 2012. Ladang Kawa Estate is not under Tomanggong CU. Accident investigation has been conducted by the OSH committee notification to DOSH via JKPP 7 was done in timely manner. Based on accident investigation, negligence of safety by worker was the root cause of the poisoning. Training for trunk injection activities and its PPE has been conducted on 8 October 2012 at Ladang Kawa Estate. Referring to the incident, Tomanggong Estate's HIRARC has to be revised (see OFI). At the point of this audit, Tomanggong CU was in the process of establishing the compensation for the deceased. The status of this process shall be verified in the next audit (see OFI).

The auditor had noted that HSPHB had their foreign workers covered by accident insurance under Foreign Workers Compensation Scheme Policy under LONPAC Insurance Berhad and local workers covered by SOCSO. Policy statement which refers to the Foreign Workers Compensation Scheme Policy involving 88 Tomanggong POM workers, with validity period from 1st August 2012 until 31st July 2013 was made available during this audit.

Criteria 4.8

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

Indicator 4.8.1

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

Major compliance

Training schedule 2012 was established at the beginning of the year for implementation. Refresher trainings for field activities for the sprayer, manuring and harvester gang and also first aid had been done and the records were made available. Training for sprayer gang and contractors had also been given on safety, RSPO, OSH requirements and First Aid upon commencement of work. Among the contents of the training were usage of nozzle, how to protect self from spray drift, spraying technique, etc. Evaluation of the training was then done to measure its effectiveness. During the field interviews with the workers in the estates at JPOM, it was observed that they were found to be knowledgeable on their daily work routine according to the SOP on the safety usage of PPE and First Aid procedures. The training for HCV has been planned to be conducted on June 2013. It was not conducted yet due the HCV audit just recently completed. Nonetheless, the awareness on prohibition on hunting, open burning, encroachment to forest reserve was occasionally communicated to the workers during morning muster.

Principle 5: Environmental Responsibility and Conservation of Natural Resources and Biodiversity

Criterion 5.1

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

Indicator 5.1.1

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

Major compliance

Indicator 5.1.2

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

Minor compliance

HSPHB has established the environmental aspects and impacts risk audit for all activities related to estate and mill operation. Documented environment impact audit, management action plan and continuous improvement plan dated October 2012 was presented during audit.

Environmental aspect and impact report and their mitigation measures relating to the normal/routine activities of the mill, workshop, barge and bulking installation, effluent treatment plant, waste generation and consumption of natural resources were presented. The report will be reviewed again by Tomanggong CU in October 2013.

Apart from self-initiated audit of environmental aspect and impact, HSPHB had also hired a consultant to conduct an environmental impact audit for a proposed replanting of 14,524.20 Ha of oil palms at Hap Seng Group of Estates. The audit was conducted in 2012 and Tomanggong CU was included in this audit. The audit report contained the identified adverse environmental impacts caused by the activities of estates. Among the identified environmental impacts are soil erosion, water pollution, biomass disposal, ecological impact, pest infestation, traffic & transportation, noise pollution, air pollution and waste generation. Having the impact identified, the consultant has recommended the appropriate mitigation measures to minimise the various environmental impacts. Tomanggong CU established its management plan from the proposal of mitigation. This included planting of cover crop, provision of riparian zone, zero burning practice, providing buffer zone between forest reserves, proper management of agro-chemicals, to name a few. Based on the site observations, it was evident that all of the mitigation measures were implemented.

Criterion 5.2

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

Indicator 5.2.1

Identification and audit of HCV habitats and protected areas within landholdings; and attempt audits of HCV habitats and protected areas surrounding landholdings.

Major compliance

Indicator 5.2.2

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

Major compliance

Indicator 5.2.3

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

Minor compliance

The report of "Potential High Conservation Value Area Audit Report of Tomanggong CU, Hap Seng Sdn Bhd, Sabah" prepared by Chief Agronomist, HSPHB. The report which was completed in October 2012 had covered all the High Conservation Value (HCV) within and adjacent to their estates. The HCV audit was conducted based on the guideline from the High Conservation Value Forest (HCVF) Toolkit for Malaysia, a national guide for identifying, managing and monitoring High Conservation Value Forests by WWF – Malaysia. In establishing the HCV report, Tomanggong CU has consulted the relevant stakeholder such as Forestry Department, Wildlife Department, villagers in Kg Litang and Kg Tidong. The HCV audit had identified on the rare, threatened and endangered species (ERTs) for estate named Northbank, Litang, Tagas and Tabin Estate, including the management and action plan.

The management plan and action plan was developed based on the audit finding and consultation with related stakeholders. The action plan contained of information represented in tabular format with general descriptions of HCV, action steps and monitoring activities.

In general, Tomanggong CU had identified 6 potential HCV in the whole estate.

The Northbank, Litang and Tabin Estate had identified the significant HVC, e.g. HCV4 which is to control and maintained the river buffer zone, and protection on erosion control near Sg. Segama, Sg Tagas Tagas Besar and Sg Tagas Tagas Kecil. In addition, Tabin Estate also conserved the natural water pond as HCV4, for drinking water and domestic use.

During the site review along Sg Segama river bank, it has been conserved with no any activities permitted in the buffer zone. The signboard also has been erected in accordance with the HCV4 Management Plan. Site review was conforming that HCV4 at natural waterways areas had been identified, maintained and monitored. It was evident that Litang Estate has started the monitoring and recorded in a log book on weekly basis.

Tomanggong CU also concern about the surrounding local communities e.g. Kg Tidung, Kg Dagat and Kg Litang which is using the Sg Segama as their basic needed. The local and workers travel occasionally using boats to Sandakan or Lahad Datu town. This area has been identified as HCV5 by Tomanggong CU.

There was also external HCV, which is considered as wildlife corridor and border with Forest Reserve. E.g. Tabin Wildlife Forest Reserve is bordering with Tabin and Litang Estate, and Kulamba Wildlife Reserve and Kretam Virgin Jungle Forest Reserve bordering with Northbank Estate. Site visit shows the boundary was maintained including the boundary stone. Elephant trenching and electric fencing have been made to prevent elephant encroachment. At Northbank Estate, the HCV monitoring was carried out regularly and recorded in the monitoring book.

Another HCV identified in Tomanggong CU was HCV6, i.e. the old cemetery, in Litang Estate as to provide the local communities traditional cultural religious significance.

The Proboscis monkey (*Nasalis larvatus*) which is listed in Second Scheduled, as Totally Protected in Wildlife Conservation Act 2010 and listed as endangered species under IUCN Red List, has been identified in the HCV audit results of Tomanggong CU.

In General, the Tomanggong CU has identified the ERTs and High Conservation areas within and adjacent to their estates. The management and action plan has adequately developed to conserve the HCV areas. However some improvement needed as below.

1. Potential High Conservation Value Area Audit Report has been conducted for Tomanggong CU. Sg Segama was identified as significant HCVs areas and the action plans was prepared. During the site review it was found Tabin and Litang Estate was also bordering with Sg Segama. However these bordering estates were not highlighted in the table of HCV identification in audit report.
2. An audit of HCV habitats and protected areas surrounding landholdings with Tabin Wildlife Reserve also has been conducted. However Litang Estate which the longest stretch of border with Tabin Wildlife Reserve was not highlighted in the audit report.

Based on finding above, an OFI has been raised.

During site visit, it was observed that Tomanggong CU had shown commitment to discourage illegal or inappropriate hunting, fishing or collecting activities in all estate by strategically posting the signage at the entrance gate and HCVs areas.

Criterion 5.3

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

Indicator 5.3.1

Documented identification of all waste products and sources of pollution.

Major compliance

Indicator 5.3.2

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

Minor compliance

Specific Guidance:

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

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

Indicator 5.3.3

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

Minor compliance

HSPHB had established and implement the practice 3R (reduced, recycle, re-use) on waste management. The waste management activities was derived from environment impact audit report from Agronomy Department on the identification of wastes and plans to reduce and dispose them in an environmentally and socially responsible manner. There was a program to encourage recycling of solid wastes and prohibition of open burning of waste with recycle bins provided in the mill compound and the estate office and segregating degradable and non-degradable waste before disposing to the secured landfill in the estate.

Among the wastes which had been identified were non-degradable and degradable wastes such as general/domestic waste, scheduled waste, scrap iron, and mill processes waste /biomass/organic waste like fiber, shell, EFB and POME as well as non-organic wastes from the mill. Decanter cake generated from oil recovery process were collected and sent to estate for mulching.

The general domestic wastes were collected from the line-sites and disposed by burying them at the designated dumping site. All estates have its own designated dump site that is managed as a secured landfill. Specific guidelines had been established for the construction of land fill sites. The domestic waste landfill constructed at Tomanggong Estate was visited by the auditor. It was found to be located away from any river, streams and forest reserves and residential areas. Monitoring of the landfill areas were done from time to time by the staff in-charge to ensure the implementation is according to its guideline.

Other than general wastes, plastic containers/bags from manuring and spraying activities were also collected, washed and reused mostly to contain pre-mixed herbicides. Chemical containers that could no longer be reused were pierced and properly stored at designated area. Wastes from the palm oil milling process had been disposed as follows; EFB were sent for mulching in the field, while crop residue/biomass i.e. fibre and shell were used as fuel in the boiler.

Palm oil mill effluent (POME) sourced from Tomanggong POM were treated in the effluent treatment plant and finally discharged into the estate for use in irrigation system and to the

waterway with reference to written approval 001223 period validity 1 July 2012 to 30 June 2013 granted from DOE. Effluent Treatment Plant (ETP) was designed to cater the processing capacity of 60 ton FFB per hour with stipulated BOD final discharge limit of 100 mg/l. The ETP process starts from mix raw effluent flows to a series of anaerobic digestion pond before going to another series of open aerated pond for aerobic process. Final discharge of treated POME were then pump to the satellite pond in the nearby estate before going to the flat bed built on the palm terraces for land irrigation. Pictures below show some of the ponding system until final land irrigation to the estate.

As to date, there was no occurrence of non-compliance result of final discharge BOD based on weekly and monthly analysis results of final discharge. On the performance monitoring, monthly and quarterly report for final discharge were submitted in timely manner as stipulated in the written approval. Water quality monitoring for Sungai Segama was also done on the monthly basis. Sample taken at upstream and downstream of Segama for water quality monitoring and final discharge point was sent for analysis to accredited laboratory (Lahad Datu Edible Oil Sdn Bhd). Other than that, Tomanggong Estate also conducted water quality analysis on treated water as the treated water was supplied to the line-sites. Parameter for water quality standard has yet to be determined as stipulated under Interim National Water Quality Standard (INWQS). Result of analysis was kept for reference and reporting purposes internally and externally to the regulatory body.

On the monitoring of smoke emission from boiler, online monitoring system or Continuous Emission Monitoring System (CEMS) is used to record and monitor smoke emission and shows real-time event to DOE office. Certificate for CEMS has been granted from DOE on 9 July 2012 as an evidence of receiving online data from Tomanggong POM. For the stack particulate monitoring, 3rd party consultant was appointed to conduct the sampling twice a year.

Other waste being generated from the maintenance activities of equipment and machinery in the estates or mill were scrap metal and scheduled wastes such as spent lubricant oil, spent oil filter and empty chemical containers. All estates had been operating their own Scheduled Waste store at individual operating unit site. The audit team had visited the scheduled waste storage area and the housekeeping and labelling of the wastes can be improved.

On the management of Schedule Waste as per Schedule Waste Regulation 2005, for example the 2nd Schedule which referred to notification of waste generated, 5th Schedule on the inventory of waste and 7th Schedule for waste information was not made available during the audit. 6th Schedule of the regulation was not well implemented where there was not evident to show that consignment note has been submitted to DOE and the copy from occupier was not obtained. On the labelling of schedule waste, it was noted implementation was not in accordance to the 3rd schedule of the regulation. Observed during site visit used lead acid battery at the store and yet to be identified as one of the schedule waste generated in the mill. The storage and handling of the waste shall be in accordance with Schedule Waste Regulations 2005. OFI was raised on that issue.

All estates and mill continued to face the problem of disposal of scheduled waste due to limited schedule waste contractor in Sabah. This had caused the mill and estate to store the scheduled waste for a period of more than 180 days and/or more than 20 tonnes capacity for especially the uncommon schedule waste or less in quantity generated. Awareness on the schedule waste management has yet to be improved to related personnel as mention on the training non-conformity issue. Therefore major NCR (#VS01) was raised.

Criterion 5.4

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

Indicator 5.4.1

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

Indicator 5.4.2

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

HSPHB had established the initiative to maximize the use of renewable energy as well as minimizing the use of fossil fuel in the mill. Fibre and shell were still being used as boiler fuel to generate steam for the process, as well as electricity for the mill complex and labour lines. The usage of fibre and nut shell had been monitored and records maintained.

The usage of renewable energy (fiber and nut shell) showed a down trend over the preceding year per tons of CPO produced and relatively correlated with the FFB processed trend. However, the fossil fuel usage showed ascending trend where the crop production was low in 2012 and generation of electricity and still very much dependant on the use of generator set.

Criterion 5.5

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

Indicator 5.5.1

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

Indicator 5.5.2

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

Specific Guidance:

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

Indicator 5.5.3

No evidence of burning waste (including domestic waste).
Minor compliance

It was verified during the audit through site visits, interviews and records that no open burning had been carried out in line with the procedure on zero burning specified in the OPAP. The OPAP also described that the previous crop had been chipped windrowed and mulched in the replanting operation. During the audit at Northbank Estate, there has been no replanting activity. Nonetheless, there was a new area which land clearing and drainage system construction in progress. No open burning was observed and wood debris was properly stacked and windrowed.

Solid wastes generated from the employees quarters, office and other facilities were dumped at designated landfill located in the estates which were far from residential area and waterways. Interview with the employees revealed that they understood on the restriction of waste burning.

Criterion 5.6

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

Indicator 5.6.1

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

Indicator 5.6.2

Plans are reviewed annually.
Minor compliance

Specific Guidance:

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

The mill and estates had identified the sources of pollution and emissions. Various and regular measurements of the emissions and pollutants had been taken and the data had been used to develop mitigating plans and strategies for improvement. The auditor had verified the plans and among the action plans were the construction of oil traps, bunded diesel storage tank, reduced chemical consumption and POME being treated in a series of ponds and the final discharge regularly monitored for, amongst other things, BOD, COD levels. The action plans had also been reviewed during regular operations meetings. The action plans had been discussed at regular operations meeting and reviewed annually by the Mill Manager and Estate Manager.

According to the soil map from the EIA Report, there is no peat soil area in Tomanggong CU. Therefore, Indicator 5.6.3 is not applicable.

Principle 6: Responsible Consideration of Employees and Of Individuals and Communities by Growers and Millers

Criterion 6.1

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

Indicator 6.1.1

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

Specific Guidance:

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

Indicator 6.1.2

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

Specific Guidance:

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

Indicator 6.1.3

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

The social impact audit report for Tomanggong group of estates and mill was prepared by the estates' staffs in October 2012 covering the five estates, namely, Tomanggong, Northbank, Tabin, Tagas and Litang, and Tomanggong Mill. The report presented the estates' and mill's background information, labour policies, grievance procedures (internal, external land owner issues), sexual harassment policies, facilities and amenities offered by the estates, and the social impact audit procedures and results.

Appendix 3 of the report presents in detail the comments made by the various stakeholders on social impacts as well as the proposed mitigation plans by the estates/mill. Each of the issues raised by the participant was addressed in the action plan.

A file is kept containing the invitation letters to the social impact audit meeting and social impacts forms filled by the participants during the meeting. 67 stakeholders were invited out of which only 20 participated in the meeting.

Issues raised include the use of estates' road, use of clinics, repairs of teachers' quarters, safety during transportation of diesel, CPO and fertilizers through Segama River, repairs of roads leading to schools, safety of workers.

The SIA exercise/report could be improved by:

- i. Employing other techniques of information gathering, for example, focus groups discussion.
- ii. Incorporating more descriptions on the neighbouring stakeholders, namely, the estates and local communities. The names of these estates and the local communities should be included in the list of stakeholders
- iii. Separating the issues identified for each of the CUs and discussed them in their respective report.

The SIA report was prepared with the inputs from various stakeholder groups. The stakeholders who came to the meeting were requested to fill social impacts forms distributed during the meeting. Almost all of the external stakeholders (government agencies, suppliers, contractors, neighboring estates, NGOs, consultants) filled up the forms.

Appendix 3 of the SIA report presented all the issues raised by the stakeholders as well as the responses by the estates/mill on these issues. For each of the issue, the estates/mill decides on a mitigation measure and its implementation plan. The estates and mill have decided that the Social Impact Audit Report will be reviewed annually.

Since the SIA has just been implemented, no progress report was available for verification of implementation.

The SIA action plans could be improved by:

- i. Identifying specific person in charge (PIC) responsible for taking actions on each of the mitigation measures updating the plans at certain specific intervals

<p>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.</p> <p>Indicator 6.2.1 Documented consultation and communication procedures. Major compliance</p> <p>Indicator 6.2.2 A nominated plantation management official at the operating unit responsible for these issues. Minor compliance</p> <p>Indicator 6.2.3 Maintenance of a list of stakeholders, records of all communication and records of actions taken in response to input from stakeholders. Minor compliance</p>
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During the audit, no documented consultation and communication procedures have been made available for audit. Only grievance procedures for internal and external parties were available in the RSPO file. Due to this non-conformance a Major NCR (#RM01) was raised.

As stated on page 17 of the SIA report, the Estate/Mill Manager is the nominated person to handle social issues. However, the estate manager can delegate to the assistant manager to be responsible over certain issues. For example, the assistant mill manager at Tomanggong mill was appointed by the manager to be the responsible officer. A letter to that effect was shown to the auditor.

The lists of stakeholders were prepared both by the estates/mill and the company headquarters. The lists included government agencies, suppliers, contractors, schools, bus operators, traders. For example, the stakeholders list for Tomanggong mill comprises 82 suppliers, 19 contractors, 3 NGOs and 15 government agencies. The list prepared by the Headquarters is made up of 25 government agencies, 10 neighbouring estates, 3 NGOs, 60 suppliers, 15 contractors, 2 villages and 4 consultants. However, it was observed that not all neighbouring estates were included in the lists. Due to this shortcoming an OFI was raised on this indicator.

The estates and mill do maintain files on records of communication and consultation with external and internal parties, for examples, with government agencies, suppliers and their own workers. Normally, the files are labeled as “communication” files or labeled according to the communicating agency. Government agencies like the Immigration Department, Labour Office and Health and Safety Department often communicate with the estates and mill on various matters. Usually, the files contain records of communication which date more than 3 years.

<p>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.</p> <p>Indicator 6.3.1 Documentation of the process by which a dispute was resolved and the outcome. Major compliance</p> <p>Specific Guidance: Records are to be kept for 3 years.</p> <p>Indicator 6.3.2 The system resolves disputes in an effective, timely and appropriate manner. Minor compliance</p> <p>Indicator 6.3.3 The system is open to any affected parties. Minor compliance</p>

The estates and mill have developed the following procedures to handle grievances and disputes:

1. Procedures for reporting complaints and grievances (aduan and permasalahan) for staffs and workers
2. Procedures for reporting complaints and grievances (aduan and permasalahan) for stakeholders

The procedures cover issues pertaining to safety, health, cleanliness, environment, conflicts, thefts and other work matters. The procedures require the complainant to fill up a complaint

form (shown below) and forward it to the relevant officers of authority. Complaints from workers will first have to go to the *mandore* and, subsequently, to the assistant manager, manager and the higher authority for decisions, if necessary. Complaints from external parties, on the other hand, will first go to the chief clerk or assistant manager and, subsequently to the higher authority for decision.

Complaints on housing and other services are usually entered into record books. The records include the name of the person who complained, his address, date, and type of service required. Visits to the line sites confirm that actions were taken on the complaints made by the workers. These complaints usually pertain to housing conditions, roads and lighting, among others. The workers interviewed at the office and during visits to the line sites gave positive remarks on the manner their grievances have been handled the estate staffs.

Criterion 6.4

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

Indicators 6.4.1

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

Major compliance

Indicator 6.4.2

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

Minor compliance

Indicator 6.4.3

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

Minor compliance

Hap Seng Plantations Holdings Berhad has developed procedures to deal with land disputes, squatter disputes, and loss of legal and customary rights. In the case of boundary disputes, the procedure requires the estate management and the disputing party to negotiate, first, failing which the case will have to be referred to the Headquarters for further negotiation. If negotiation fails, the case will be brought to court for arbitration.

Squatter disputes will be handled either by the Employee Relations Department or the Compliance Department depending on whether it involves on-land disputes or former workers staying in estate quarters. Actions will normally be in the form of negotiation or legal proceedings or both.

So far, there has been no dispute on customary rights, boundaries and squatters. As such, the use of the procedures has yet to be verified.

In terms of compensation, the procedures prescribe the determination of lawful owners, distribution of the compensation, time frame for compensation and calculation for various compensations. So far, there has been no compensation made to any disputing parties.

In addition to the above procedures, the Sabah Land Ordinance (SLO) 1930 provides for ways which natives can have titles and rights to lands and who should be compensated if losses are incurred. Land titles can be awarded to natives under sections 9, 15, 76 and 78 of the SLO. Compensation can be paid under section 16 of the Ordinance. Therefore, there exists a legal framework against which the estates have to operate when it involves customary lands rights and determination of compensations.

According to the estates'/mill's management, so far, there has been no dispute on land or squatters.

Criterion 6.5

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

Indicator 6.5.1

Documentation of pay and conditions.
Major compliance

Indicator 6.5.2

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

Indicator 6.5.3

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

Guidance:

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

Every staff or worker has to sign a contract of employment upon joining the estates/mills. As required by the Sabah Labour Ordinance, pay and work conditions are spelled out in this contract which is signed by the workers or staffs. Among others, the contracts spell out the period of employment, wage rate, work benefits, overtime, annual leave and public holidays. Details on monthly salary and deductions for every worker and staff are shown in their pay slips which are issued to the workers during pay day. Deductions include EPF and SOCSO payments. Levies are not deducted as these are entirely paid by the company. Interviews with workers suggest that they understand the information shown in the pay slips. Interviews with workers suggest that they understand the information shown in the pay slips.

The basic pay will be duly revised with the implementation of the Minimum Wage Order (MWO) whereby each worker will get a minimum pay of RM800.00 per month. By then, the economic conditions of the workers would be better off than before. The piece-rated workers are again expected to receive higher pay than their daily paid counterparts.

In spite of the stronger economic conditions, the company continues to provide benefits to offset financial shortcomings. These benefits include free housing, free water supply, free medical services, subsidized electricity and free education for foreign children.

HSPSB also ensures that the contractors' workers receive comparable wages. The agreement between the company and the contractors spell out that the contractors "pay rates of wages and observe conditions of employment not less favourable than (*sic*) the established industrial rates and conditions of employment." This shows that the company is concerned on the economic conditions of the contractors' workers.

In addition to the employment contract, an employment card is also kept for every field worker. This card provides some details on the worker, his family members, medical report and job conditions.

The appointment letter is in Bahasa Malaysia. The estates/mills do make efforts to explain the job contracts and other related matters to the workers, particularly during morning briefings. Interviews revealed that the workers quite understand the terms of their employment.

All the estates/mills provide two bedroom houses for their workers. In every estate there is a *surau*, shared clinic, kindergarten, crèche and canteen. In certain estates electricity is provided 24 hours while in some it is given on certain specific time period in the evening and early morning. Rainwater is also used by the workers for cleaning and bathing.

It was observed that the conditions of the old wooden houses at Northbank estate are quite bad. These houses need regular maintenance and upkeep. The estate management could help the occupants by doing more regular inspections and making the necessary repairs. It appears that some of the workers who live in the houses are not too concern on their housing conditions.

Criterion 6.6
The employer respects the right of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, the employer facilitates parallel means of independent and free association and bargaining for all such personnel.

Indicator 6.6.1
Documented minutes of meetings with main trade unions or workers representatives.
Major compliance

Indicator 6.6.2
A published statement in local languages recognizing freedom of association.
Minor compliance

The workers in the estates and mills are not unionized. Furthermore, there is no formal organization formed among the workers to discuss related work or social matters. Nonetheless, in every estate/mill, a Joint Consultative Committee has just been formed to serve as a platform for the discussion of such issues. This JCC comprises the estate management, field supervisors, *mandores*, drivers and security officers.

At least one meeting has been held by the JCC in 2012 in every estate. The minutes of the meeting reveal that the scope of issues discussed in the meeting is fairly wide covering work and housing matters. For example, in Northbank estate's JCC meeting dated 29 June 2012, complaints were made on street lightings, non-graveled roads and poor drain conditions.

Hap Seng Plantations Holdings Berhad has published some statements on freedom of association. As a matter of fact, the SIA report did mention that the company respects the right of workers to be unionized. However, such statements are not in local languages as required by the standards. Due to this non-conformance, a minor NCR (#RM03) has been raised.

Criterion 6.7
Children are not employed or exploited. Work by children is acceptable on family farms, under adult supervision, and when not interfering with education programmes. Children are not exposed to hazardous working conditions.

Indicator 6.7.1
Documented evidence that minimum age requirement is met.
Major compliance

HSPHB labour policy does not allow children under 18 years to work in the estates/mill. However, upon inspections of the Employee Master lists in the three estates and mill in Tomanggong group, it was found that several workers below 18 years were recruited to work in the estates/mill. When probed further, it was revealed that the staff who screened the applications did not examine the months but instead only looked at the years the applicants were born. This has resulted in the recruitment of workers who have yet to turn 18 by a few months. Since this error is unintentional, an OFI was raised to alert the relevant staff to be more careful in future recruitment exercises.

While visiting the Humana School at Tomanggong estate, the teachers commented that some children often failed to come to schools because they accompanied their parents to work. The students concerned admitted that they have accompanied their parents to collect loose fruits or do some other works in the fields.

The estates' management could help these children's education by advising the parents that children should not be working in the fields but be in the classrooms during school hours.

Criterion 6.8
Any form of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age, is prohibited.

Indicator 6.8.1
A publicly available equal opportunities policy.
Major compliance

Indicator 6.8.2
Evidence that employees and groups including migrant workers have not been discriminated against.
Minor compliance

It was found that HSPHB did have published statements to the effect that the company does not practice discrimination in the recruitment of workers or staffs or in paying or promoting them. Such statements are written in the company's Corporate Culture. However, these statements are not publicly available as they are only accessible to the workers and staffs of the company. Due to this non-conformance to the standard, a major NCR (#RM02) was raised.

There is no evidence of discrimination based on race, gender or national origin or any other factors. As shown in the employment letter, there are no differences in the terms of employment between foreign and local workers or between male and female workers. These workers live in the same housing complex and enjoy similar benefits. However, due to government policies, education opportunities differ between local and foreign children. Interviews also revealed that there is no discrimination on any bases in the estates/mill.

Criterion 6.9
A policy to prevent sexual harassment and all other forms of violence against women and to protect their reproductive rights is developed and applied.

Indicator 6.9.1
A policy on sexual harassment and violence and records of implementation.
Major compliance

Indicator 6.9.2
A specific grievance mechanism is established.
Major compliance

HSPHB has published policy guidelines on sexual harassment entitled “*Polisi Untuk Pencegahan dan Pembasmian Terhadap Gangguan Seksual Yang Tidak Di Undang Di Tempat Kerja*” which should guide the practices in the estates. The guidelines emphasize that sexual harassment is a threat to basic human rights and offenders will be punished accordingly, including termination from work.

Each of the estates in Tomanggong CU has just formed a Gender Committee which will be responsible for organizing relevant activities and programmes. The committees have met at least once since its formation and have just started to organize some activities for the members, for examples, briefings on the subject of sexual harassment. So far there has been no report on sexual harassment in the estates/mill.

The guidelines prescribe, among others, the procedures for reporting sexual harassment assigning the responsibilities for action as well as the timelines involved. Appendix 1 of the guidelines shows the flow chart on reporting sexual harassment cases.

<p>Criterion 6.10 Growers and mills deal fairly and transparently with smallholders and other local businesses.</p> <p>Indicator 6.10.1 Pricing mechanisms for FFB and inputs/services shall be documented. Major compliance</p> <p>Indicator 6.10.2 Current and past prices paid for FFB shall be publicly available. Minor compliance</p> <p>Indicator 6.10.3 Evidence shall be available that all parties understand the contractual agreements they enter into, and that contracts are fair, legal and transparent. Minor compliance</p> <p>Indicator 6.10.4 Agreed payments shall be made in a timely manner. Minor compliance</p> <p>Guidance : Transactions with smallholders should consider issues such as the role of middlemen, transport and storage of FFB, quality and grading. The need to recycle the nutrients in FFB (under 4.2) should also be considered; where it is not practicable to recycle wastes to smallholders, compensation for the value of the nutrients exported might be made via the FFB price.</p> <p>Smallholders must have access to the grievance procedure under criterion 6.3, if they consider that they are not receiving a fair price for FFB, whether or not middlemen are involved.</p> <p>The need for a fair and transparent pricing mechanism is particularly important for out growers, who are contractually obliged to sell all FFB to a particular mill.</p> <p>If mills require smallholders to change practices to meet the RSPO criteria, consideration must be given to the costs of such changes, and the possibility of advance payments for FFB could be considered.</p>

Interviews were made with 6 contractors and one FFB supplier to understand the business relationships between them and the estates/mill. The FFB supplier interviewed is a smallholder producing about 2.5 tons of fruits per month on a 10 ha land. He sells his fruits through *Koperasi Pembangunan Desa* (KPD) which has an agreement with Tomanggong mill. As with other FFB suppliers, the agreement spells out the terms of sales, including the pricing mechanism. The small holder supplier, however, has no access to this agreement. He just collects his payment from the KPD. The KPD is simply facilitating the sale of FFB as it does not support other activities, for examples, harvesting and transportation of fruits. In

return for their service, the KPD collects a certain amount of charge from the smallholder. Nonetheless, he cannot sell direct to the mill because his volume of FFB is very small.

Of the 6 contractors interviewed, 5 have been involved in short-term jobs while the other in long-term replanting works. The short-term works which include roads and drains repair, transport of gravels, and maintenance of mill parts, are covered by Minor Job Contracts (MJC). The MJC spells out the types of works to be done, their costs and certain job conditions and is signed by the estates/mill and the contractor.

The long-term contracts are handled by the main office involving relatively bigger jobs, for example, replanting. The contracts detail out the various aspects of the job, for examples, the planting schedule, size of area, planting materials and pricing mechanisms and payment. These contracts are written in the English language are signed by both parties. The suppliers/contractors mentioned that they understand the contracts because they have been servicing the estates for quite a long time. Interviews with suppliers and contractors revealed that the estates/mill treat them quite well. The contracts are amenable to changes, particularly on the timing on job completion. The contractors/suppliers usually receive their payments in the form of cheques the following month after the job was done.

Tomanggong POM displayed the current and past FFB prices at their notice boards.

The contracts are legal and signed by both parties. The contracts for the bigger jobs are quite lengthy and written in technical language, thus, may not be fully understood by non-technical or legal persons. Nonetheless, the representatives of the companies involved mentioned that they do understand the important points of the contract. The fact that these companies have been in business with the estates for a long time, proved that the contracts have been fair to them.

Payments are made through cheques which are issued the month following the delivery of goods and services. All the interviewees mentioned that, in the past, payment has been made very promptly. The records of payments seen testify that the contractors/suppliers have been paid on time.

<p>Criterion 6.11 Growers and millers contribute to local sustainable development wherever appropriate.</p> <p>Indicator 6.11.1 Demonstrable contributions to local development that are based on the results of consultation with local communities. Minor compliance</p> <p>Guidance: Contributions to local development should be based on the results of consultation with local communities. See also Criterion 6.2. Such consultation should be based on the principles of transparency, openness and participation and should encourage communities to identify their own priorities and needs, including the different needs of men and women.</p> <p>Where candidates for employment are of equal merit, preference should always be given to members of local communities in accordance to national policy. Positive discrimination should not be recognized as conflicting with Criterion 6.8.</p>

The estates serve the local communities in several ways. First, the estates provide employment to the local communities, though in limited number. The community leaders of Kg Tidung mentioned that a few of his *anak buah* work in Tabin estate. Second, the roads within the estates are used by local people for communication and transportation. Third, the estates' clinic offers medical services at minimal costs to the locals.

Interview with En. Valentine Suan of Sekolah Kebangsaan Tabin revealed that the school often use the estate's facilities, for examples, halls for sports and gatherings, and camping facilities. In addition, the school has also requested the estate to improve the drainage system as well as build a small bridge connecting the road to the teachers' houses.

In addition to the above, the primary school at Tomanggong estate sits on estate's land. The estate also provides financial support to run the school.

The contributions made by the estates are commensurate with their positions within the local communities.

Principle 7: Responsible Development of New Plantings

Criterion 7.1

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

Indicators

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

Major compliance

Specific Guidance:

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

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

Minor compliance

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

Minor compliance

Guidance:

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

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

It was learnt during the audit that there was a significant size of area at Northbank Estate and Tabin Estate had been developed and some of them were still in progress of development for new planting of oil palm, after 2005. The size and year of planting of the area is shown in Table below.

Table: Area of new planting

Estate	Year of Planting	Area (Ha)
Northbank	2007	284.00
	2008	357.00
	2011	324.00
	2012	253.00
Tabin	2011	124.14
Total		1342.14

The plantings in Northbank fall in the land title CL 095316304. This land title has a total area of 3,975 ha. The said land which includes Northbank, was purchased by HSPHB in 1991. At that time, about 70% of the land in this title was developed with the earliest oil palm planted in 1988. Northbank which constitutes about 30% of the title area, was not developed until after 2005 due to economic and unfavourable land conditions (flooding frequently occurs in Northbank). This said land in Tabin Estate has Native titles and leased to HSPHB in 1999. Due to unfavourable economic and field conditions, development here was not carried out until 2011.

Nonetheless, there has been no SEIA conducted prior to establishing new plantings or operations, or expanding existing ones, which results needs to be incorporated into planning, management and operations. With regards to the new planting established after 2010, there has been no evidence that the RSPO New Planting Procedure was undergone. Thus a major NCR (#VS03) was assigned against the requirements of Indicator 7.1.1 and also RSPO Certification Systems/4.2. Audit process/ (e), which reads *“No replacement of primary forest or any area identified as containing High Conservation Values (HCVs) or required to maintain or enhance HCVs in accordance with RSPO criterion 7.3. Any new plantings since January 1st 2010 must comply with the RSPO New Plantings Procedure.”*

Principle 8: Commitment to Continuous Improvement in Key Areas of Activity

Criterion 8.1

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

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

Indicator 8.1.1

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

Indicator 8.1.2

Environmental impacts (C5.1)
Major compliance

Indicator 8.1.3

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

Specific Guidance

To work towards zero-waste (C5.3)

Indicator 8.1.4

Pollution prevention plans (5.6)
Major compliance

Indicator 8.1.5

Social impacts (C6.1)
Major compliance

Indicator 8.1.6

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

Guidance

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

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

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

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

- Installation of Continuous Emission Monitoring System (CEMS) where the real-time smoke emission result was transmitted directly to Department of Environment (DOE) at Kota Kinabalu.
- GHG emission reduction initiative on Clean Development Mechanism for Tomanggong POM has been planned in 2013 which includes CDM project for the bioreactors gas capturing facilities, biogas treatment and power plant, biogas engine generator and other earth, civil and structural works for mills under HSPHB
- Annual de-silting programme to improve HRT for the effluent ponds.
- CAPEX for machine upgrades and accommodation upgrades for all staff.

RSPO Supply Chain Certification Standard (25 November 2011) Module D (CPO Mills: Segregation) and Module E (CPO Mills: Mass Balance)

Since this audit is just the certification audit, compliance status for the RSPO Supply Chain Standard was merely assessed on the adequacy of procedure and not the implementation.

Tomanggong POM received its crop both from its own certification unit estates and also third party. Based on the observations of the current facilities of the mill, the auditor deduced that the mill only able to adopt Mass Balance model and not Segregation.

During the audit, it was found that Tomanggong CU has established the procedure for supply chain. Based on the inspection, the auditor was at the view that there were still lapses to comply with the RSPO Supply Chain Standard. Some of the RSPO Supply Chain requirements at Tomanggong POM were not clearly described in the procedure such as:

- Calculation of certified and non-certified crude palm oil (CPO) and palm kernel (PK) including the consideration of crop diversion event in mass balance accounting system
- The indication of supply chain model to be used in relevant documents such as sales contract, invoice etc. e.g. product name\ SG or MB

Therefore, a major NCR (# VS04) was assigned for this issue.

3.1 Identified Non-conformance and Noteworthy Positive Components

Despite the lapses found, generally Tomanggong CU has shown a strong commitment towards sustainability. Among the improvement noted were the CU has considered many control measures at work place to ensure safety, good housekeeping at the workshop, store

and waste disposal in order to minimise pollution, maintaining good relationship between the surrounding communities and conducting various technical training on oil palm management to ensure cost effective in all operations.

4.0 Certified Organization's Acknowledgement of Internal Responsibility & Formal Sign-off of Surveillance Assessment Findings

Based on the evidence gathered during the on-site visits it can be concluded that **HSPHB Tomanggong Certification Unit**, with exclusion of the affected areas of new planting i.e. Tabin Estate and Northbank Estate, has conformed to the requirements of the RSPO Principles and Criteria for Sustainable Palm Oil Production, 2008 and RSPO Supply Chain Standard, November 2011.

Therefore, the audit team recommends **HSPHB Tomanggong Certification Unit** to be certified for RSPO Principles and Criteria for Sustainable Palm Oil Production, 2008 and RSPO Supply Chain Standard, November 2011.

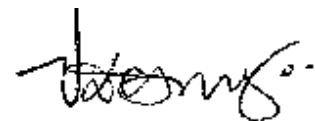
I, the undersigned, representing **Hap Seng Plantations Holdings Berhad, Tomanggong Certification Unit** acknowledge and confirm the contents of the audit report and findings of the audit.



LING CHIA YI
Agronomist

Date: 16/06/2014

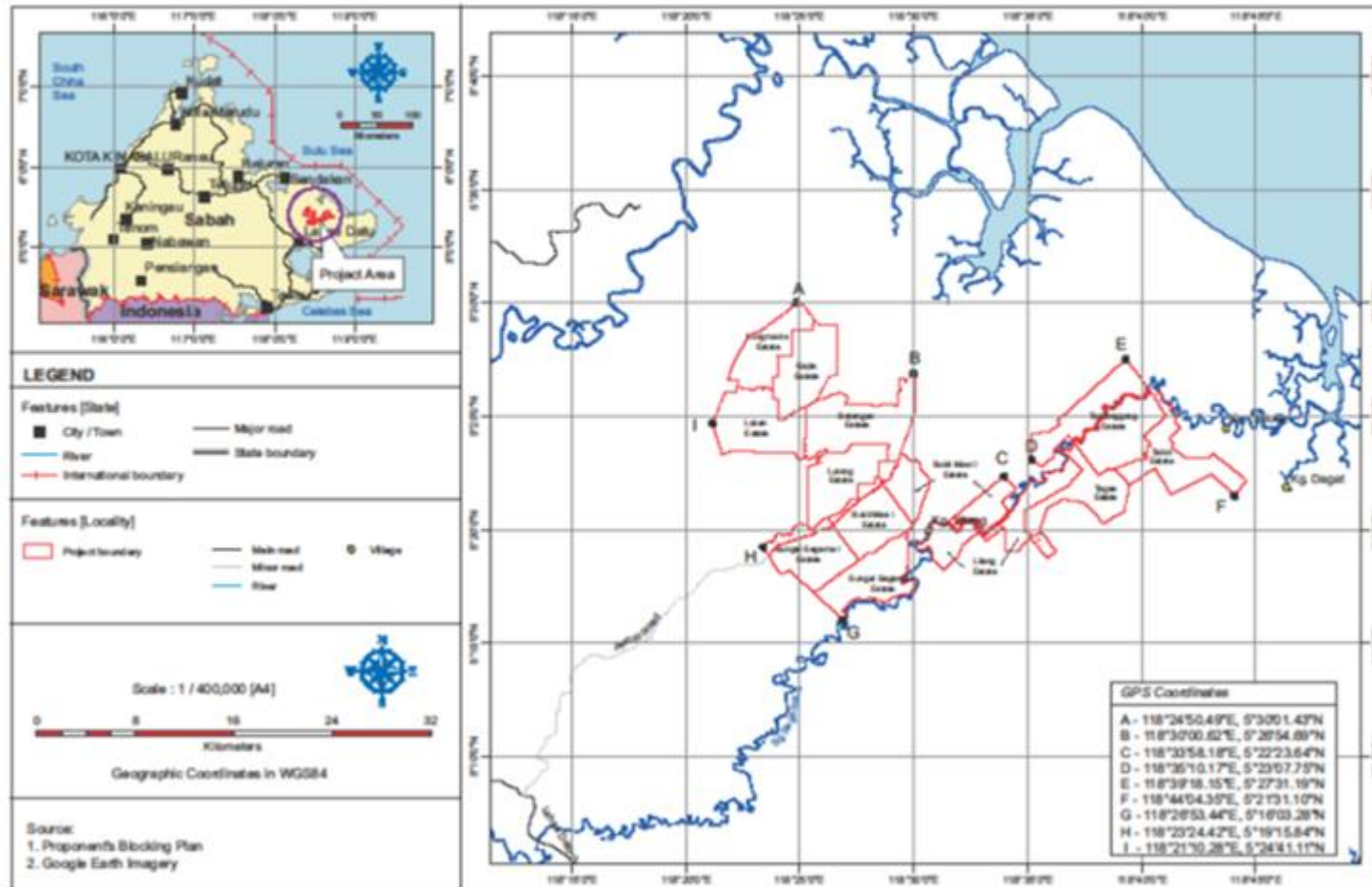
I, the undersigned on behalf of **SIRIM QAS International Sdn. Bhd.** confirm the contents of the audit report and findings of the audit.



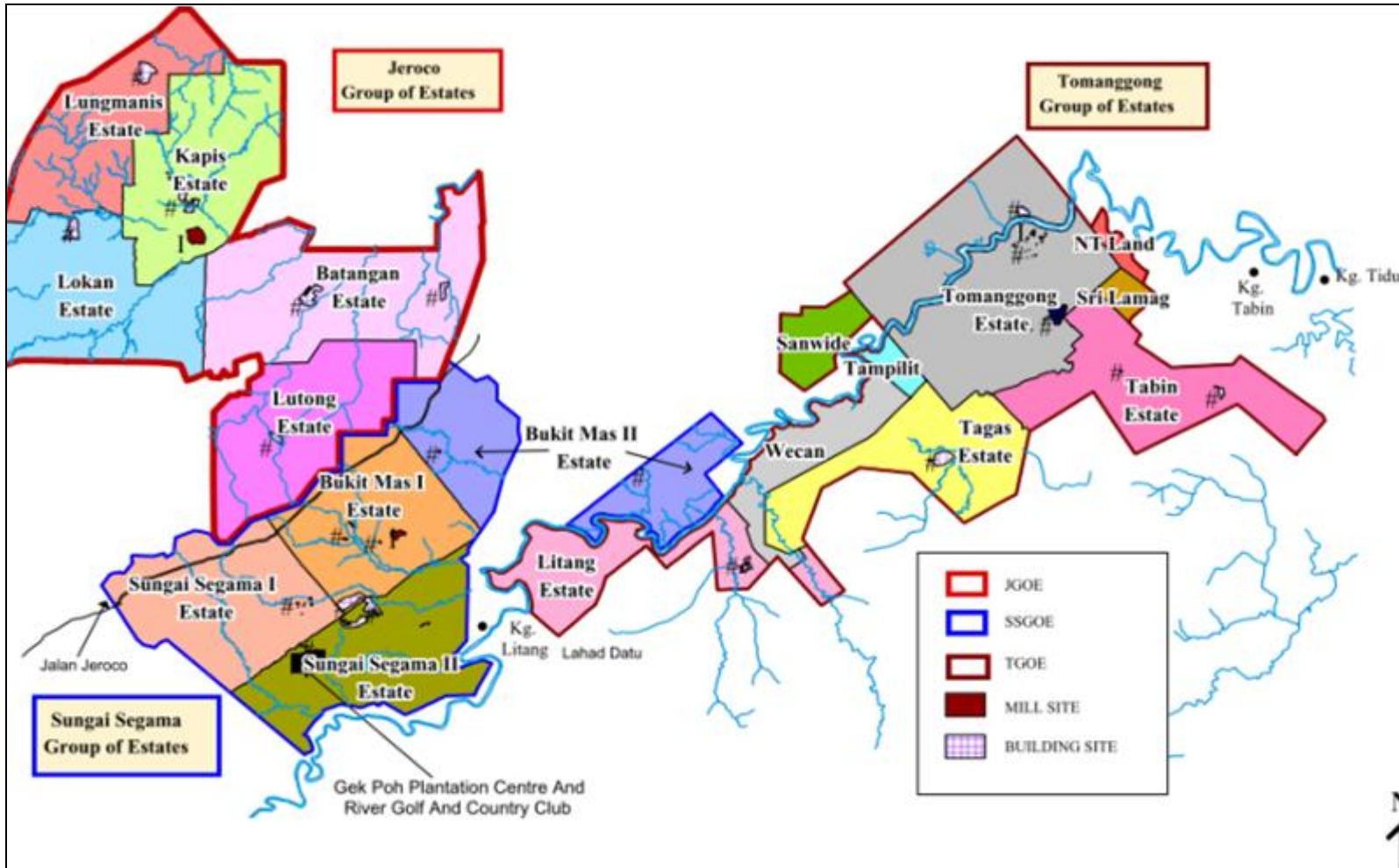
VALENCE SHEM
Lead Auditor

Date: 16/06/2014

Location map of Tomanggung Certification Unit, Lahad Datu, Sabah, Malaysia



Map of Estates under Tomanggong CU



Assessment Programme

Day One: 17th November 2012 (Saturday)

Time	Activities / areas to be visited				Auditee
	Hidhir	Valence	Najwan	Dr. Rusli	
0800 – 0830	Opening Meeting, audit team introduction and briefing on audit objectives, scope, methodology, criteria and programmes by audit team leader.				Top Management & Committee Member
0830 – 0900	Briefing on updates (if any) related to RSPO implementation e.g.: <ul style="list-style-type: none"> significant changes on organization activities, machinery, supply bases capacity, etc. issue raised from interested party or stakeholder corrective action taken to address previous pre-audit findings 				Management Representative
0900 – 1300	<p>Site visit and audit at Jeroco POM relating to Good Milling Practices, occupational safety and environmental issues</p> <ul style="list-style-type: none"> Loading Ramp Production area Utilities e.g. engine room, boiler, WTP, etc Laboratory Workshop Commitment to transparency Laws and regulations Commitment to long-term economic and financial viability Continuous Improvement Plan <p>Audit on related Indicators of P1, P2, P3, P4, P5, P8</p>	<p>Site visit and audit at Batangan Estate relating to Good Agricultural Practice and Environmental Issue</p> <ul style="list-style-type: none"> Nursery (if any) Good Agricultural Practice Witness activities & audit at site (weeding/ spraying/ harvesting/ other maintenance activities) Replanting area Riparian Zone River system including POME application Plantation on hilly/swampy area Waste management at field and line site Line site & facilities General waste disposal area (including dump site if available) Commitment to transparency Laws and regulations Commitment to long-term economic and financial 	<p>Site visit and audit at Lutong Estate relating to estates boundary, HCV and management plan</p> <ul style="list-style-type: none"> Conservation area management Verification of land titles and boundary stones Riparian Zone Water bodies River system Plantation on hilly/swampy area Interview with stakeholders and relevant government agencies, if applicable Commitment to transparency Laws and regulations Commitment to long-term economic and financial viability Continuous Improvement Plan <p>Audit on related Indicators of P1, P2, P4, P5, P8</p>	<p>Site visit and audit at Lungmanis Estate relating to local community issues such as EIA, SIA and management plans</p> <ul style="list-style-type: none"> Interviews with Administration staff Union representatives (if any) Discussion with management (CSR, community affairs), Consultation with relevant government agencies, if applicable Commitment to transparency Laws and regulations Commitment to long-term economic and financial viability Visit line site and discussion with Workers and dependents Facilities at living quarters (surau, provision shop, crèche, etc) Visit and discussion with surrounding local community Continuous Improvement Plan 	Guide for each Auditor

		viability <ul style="list-style-type: none"> • Continuous Improvement Plan Audit on related Indicators of P1, P2, P3, P4, P5, P8		Audit on related Indicators of P1, P2, P4, P5, P8	
1300 – 1400	LUNCH BREAK				
1400 – 1700	Continue audit	Continue audit	Continue audit	Continue audit	Guide for each Auditor

Day Two: 18th November 2012 (Sunday)

Time	Activities / areas to be visited				Auditee
	Hidhir	Valence	Najwan	Dr. Rusli	
0800 – 1300	Continue audit at <u>Jeroco POM</u>	Continue audit at <u>Batangan Estate</u>	Site visit and audit at <u>Lungmanis Estate</u> relating to estates boundary, HCV and management plan <ul style="list-style-type: none"> • Conservation area management • Verification of land titles and boundary stones • Riparian Zone • Water bodies • River system • Plantation on hilly/swampy area • Interview with stakeholders and relevant government agencies, if applicable • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Continuous Improvement Plan Audit on related Indicators of P1, P2, P4, P5, P8	Site visit and audit at <u>Lokan Estate</u> relating to local community issues such as EIA, SIA and management plans <ul style="list-style-type: none"> • Interviews with Administration staff Union representatives (if any) • Discussion with management (CSR, community affairs), • Consultation with relevant government agencies, if applicable • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Visit line site and discussion with Workers and dependents • Facilities at living quarters (surau, provision shop, crèche, etc) • Visit and discussion with surrounding local community • Continuous Improvement Plan 	Guide for each Auditor

				Audit on related Indicators of P1, P2, P4, P5, P8	
1300 – 1400	LUNCH BREAK				
1400 – 1700	Continue audit	Continue audit	Continue audit	Continue audit	Guide for each Auditor

Day Three: 19th November 2012 (Monday)

Time	Activities / areas to be visited				Auditee
	Hidhir	Valence	Najwan	Dr. Rusli	
0800 – 1300	<p>Site visit and audit at Lutong Estate on Environment and Occupational Safety Issues</p> <ul style="list-style-type: none"> Nursery (if any) Replanting area Witness activities & audit at site i.e. (weeding/ spraying/ harvesting/ other maintenance activities) Chemical store Fertilizer store Estate Workshop Facilities at workplace (water treatment plant, clinic, genset etc.) Interview Safety Committee and contractors Commitment to transparency Laws and regulations Commitment to long-term economic and financial viability Continuous Improvement Plan <p>Audit on related Indicators of P1, P2, P3, P4, P5, P8</p>	<p>Site visit and audit at Tomanggong POM on Supply Chain Implementation including the model used</p> <ul style="list-style-type: none"> General Chain of Custody System Requirements for the supply chain Documented procedures Purchasing and goods in Outsourcing activity Sales and goods out Processing Records keeping Registration Training Claims Mass balance accounting (if applicable) 	<p>Site visit and audit at Lokan Estate relating to estates boundary, HCV and management plan</p> <ul style="list-style-type: none"> Conservation area management Verification of land titles and boundary stones Riparian Zone Water bodies River system Plantation on hilly/swampy area Interview with stakeholders and relevant government agencies, if applicable Commitment to transparency Laws and regulations Commitment to long-term economic and financial viability Continuous Improvement Plan <p>Audit on related Indicators of P1, P2, P4, P5, P8</p>	<p>Site visit and audit at Jeroco POM on responsible social considerations</p> <ul style="list-style-type: none"> Interviews with Administration staff, Safety Committee, FFB Suppliers, contractors and Union representatives Discussion with management (CSR, community affairs), Facilities at workplace Consultation with relevant government agencies (if applicable) Pricing mechanism of FFB Continuous Improvement Plan Other areas identified during the audit <p>Audit on related indicators of P1, P2, P3, P6, P8</p>	Guide for each Auditor
1300 – 1400	LUNCH BREAK				

1400 – 1700	Continue audit	Continue audit	Continue audit	Continue audit	Guide for each Auditor
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Day Four: 20th November 2012 (Tuesday)

Time	Activities / areas to be visited				Auditee
	Hidhir	Valence	Najwan	Dr. Rusli	
0800 – 1300	<p>Site visit and audit at Tomanggong POM relating to Good Milling Practices, occupational safety and environmental issues</p> <ul style="list-style-type: none"> • Loading Ramp • Production area • Utilities e.g. engine room, boiler, WTP, etc. • Laboratory • Workshop • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Continuous Improvement Plan <p>Audit on related Indicators of P1, P2, P3, P4, P5, P8</p>	<p>Site visit and audit at Northbank Estate relating to Good Agricultural Practice and Environmental Issue</p> <ul style="list-style-type: none"> • Nursery (if any) • New Planting area • Good Agricultural Practice • Witness activities & audit at site (weeding/ spraying/ harvesting/ other maintenance activities) • EFB mulching • Riparian Zone • Plantation on hilly/swampy area • Waste management at field and line site • Line site & facilities • General waste disposal area (including dump site if available) • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Continuous Improvement Plan <p>Audit on related Indicators of P1, P2, P3, P4, P5, P7, P8</p>	<p>Site visit and audit at Northbank Estate relating to estates boundary, HCV and management plan</p> <ul style="list-style-type: none"> • New Planting area • Conservation area management • Verification of land titles and boundary stones • Riparian Zone • Water bodies • River system • Plantation on hilly/swampy area • Interview with stakeholders and relevant government agencies, if applicable • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Continuous Improvement Plan <p>Audit on related Indicators of P1, P2, P4, P5, P7, P8</p>	<p>Site visit and audit at Northbank Estate relating to local community issues such as EIA, SIA and management plans</p> <ul style="list-style-type: none"> • Social consideration on New Planting area • Interviews with Administration staff Union representatives (if any) • Discussion with management (CSR, community affairs), • Consultation with relevant government agencies, if applicable • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Visit line site and discussion with Workers and dependents • Facilities at living quarters (surau, provision shop, crèche, etc) • Visit and discussion with surrounding local community • Continuous Improvement Plan <p>Audit on related Indicators of P1, P2, P4, P5, P7, P8</p>	Guide for each Auditor
1300 – 1400	LUNCH BREAK				
1400 – 1700	Continue audit	Continue audit	Continue audit	Continue audit	Guide for each

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Day Five: 21st November 2012 (Wednesday)

Time	Activities / areas to be visited				Auditee
	Hidhir	Valence	Najwan	Dr. Rusli	
0800 – 1300	Continue audit at <u>Tomanggong POM</u>	Continue audit at <u>Northbank Estate</u>	Site visit and audit at <u>Litang Estate</u> relating to estates boundary, HCV and management plan <ul style="list-style-type: none"> • Conservation area management • Verification of land titles and boundary stones • Riparian Zone • Water bodies • River system • Plantation on hilly/swampy area • Interview with stakeholders and relevant government agencies, if applicable • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Continuous Improvement Plan Audit on related Indicators of P1, P2, P4, P5, P8	Site visit and audit at <u>Tabin Estate</u> relating to local community issues such as EIA, SIA and management plans <ul style="list-style-type: none"> • Interviews with Administration staff Union representatives (if any) • Discussion with management (CSR, community affairs), • Consultation with relevant government agencies, if applicable • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Visit line site and discussion with Workers and dependents • Facilities at living quarters (surau, provision shop, crèche, etc) • Visit and discussion with surrounding local community • Continuous Improvement Plan Audit on related Indicators of P1, P2, P4, P5, P7, P8	Guide for each Auditor
1300 – 1400	LUNCH BREAK				
1400 – 1700	Continue audit	Continue audit	Continue audit	Continue audit	Guide for each Auditor

Day Six: 22nd November 2012 (Thursday)

Time	Activities / areas to be visited				Auditee
	Hidhir	Valence	Najwan	Dr. Rusli	
0800 – 1300	<p>Site visit and audit at Tomanggong Estate on Environment and Occupational Safety Issues</p> <ul style="list-style-type: none"> Nursery (if any) Witness activities & audit at site i.e. (weeding/ spraying/ harvesting/ other maintenance activities) Chemical store Fertilizer store Estate Workshop Facilities at workplace (water treatment plant, clinic, genset etc.) Interview Safety Committee and contractors Commitment to transparency Laws and regulations Commitment to long-term economic and financial viability Continuous Improvement Plan <p>Audit on related Indicators of P1, P2, P3, P4, P5, P8</p>	<p>Site visit and audit at Jeroco POM on Supply Chain Implementation including the model used</p> <ul style="list-style-type: none"> General Chain of Custody System Requirements for the supply chain Documented procedures Purchasing and goods in Outsourcing activity Sales and goods out Processing Records keeping Registration Training Claims Mass balance accounting (if applicable) 	<p>Site visit and audit at Tabin Estate relating to estates boundary, HCV and management plan</p> <ul style="list-style-type: none"> Conservation area management Verification of land titles and boundary stones Riparian Zone Water bodies River system Plantation on hilly/swampy area Interview with stakeholders and relevant government agencies, if applicable Commitment to transparency Laws and regulations Commitment to long-term economic and financial viability Continuous Improvement Plan <p>Audit on related Indicators of P1, P2, P4, P5, P8</p>	<p>Site visit and audit at Tomanggong POM on responsible social considerations</p> <ul style="list-style-type: none"> Interviews with Administration staff , Safety Committee, FFB Suppliers, contractors and Union representatives Discussion with management (CSR, community affairs), Facilities at workplace Consultation with relevant government agencies (if applicable) Pricing mechanism of FFB Continuous Improvement Plan Other areas identified during the audit <p>Audit on related indicators of P1, P2, P3, P6, P8</p>	Guide for each Auditor
1300 – 1400	LUNCH BREAK				
1400 – 1700	Continue audit	Continue audit	Continue audit	Continue audit	Guide for each Auditor

Day Seven: 23rd November 2012 (Friday)

Time	Activities / areas to be visited				Auditee
	Hidhir	Valence	Najwan	Dr. Rusli	
0800 – 0930	Verification on any outstanding issues for Jeroco and Tomanggong Certification Unit Auditor to inform auditee on required document / record				Guide for each Auditor
0930 – 1130	Audit team discussion and preparation on audit findings				
1130 – 1430	LUNCH BREAK & FRIDAY PRAYER				
1430 – 1530	Discussion and acceptance on audit findings with representatives from both certification units				Management representatives
1530 – 1700	Closing meeting – presentation of audit findings				All
1700	End of audit				

LIST AND COMMENTS FROM STAKEHOLDERS

Government Agencies	Comment highlighted	Verification
Malaysian Palm Oil Association (MPOA), Sandakan, Sabah, Malaysia	No comment received	None
Lembaga Minyak Sawit Malaysia (MPOB), Kelana Jaya, Selangor Darul Ehsan.	Tomanggong Palm Oil Mill has complied with conditions and regulations of MPOB	None
Department Of Environment, Kota Kinabalu Sabah	No comment received	None
Department Of Environment, Sandakan, Sabah	No comment received	None
Environmental Protection Department, Kota Kinabalu, Sabah	No comment received	None
Department Of Agriculture, Kota Kinabalu, Sabah.	No comment received	None
Immigration Department, Kota Kinabalu, Sabah	No comment received	None
Ibu Pejabat Polis Kontinjen Sabah, Kota Kinabalu, Sabah	No comment received	None
Ibu Pejabat Polis Bukit Garam, Kinabatangan, Sabah	No comment received	None
Labour Department Kinabatangan, Kinabatangan, Sabah	No comment received	None
Labour Department Lahad Datu, Lahad Datu, Sabah	No comment received	None
Lembaga Hasil Dalam Negeri Malaysia (Cawangan Lahad Datu), Sandakan, Sabah	Cannot give comments related to Seksyen 138, Akta Cukai Pendapatan 1967	None
Lembaga Hasil Dalam Negeri, Malaysia (Cawangan Tawau), Tawau, Sabah	No comment received	None
Suruhanjaya Tenaga, Sandakan, Sabah	No comment received	None
Department Of Safety and Health (Kota Kinabalu), Kota Kinabalu, Sabah	No comment received	None
National Institute of Occupational Safety and Health (NIOSH), Kota Kinabalu, Sabah	No comment received	None
Jabatan Perangkaan Malaysia, Negeri Sabah, Kota Kinabalu, Sabah	No comment received	None
Jabatan Bomba dan Penyelamat Lahad Datu, Lahad Datu, Sabah	No comment received	None
Lahad Datu Wildlife Department, Lahad Datu, Sabah	No comment received	None

Lahad Datu Forestry Department, Sandakan, Sabah	No comment received	None
S.K Litang, Sandakan, Sabah	No comment received	None
S.K Tomanggong, Lahad Datu, Sabah	No comment received	None
S.K Tidung, Lahad Datu, Sabah	No comment received	None
S.K Jeroco, Lahad Datu, Sabah	No comment received	None
S.K Amalania. Lahad Datu, Sabah	No comment received	None

Non-Governmental Agencies	Comment highlighted	Verification
World Wide Fund for Nature (WWF) (Lahad Datu)	No comment received	None
Humana School	No comment received	None
Malaysian Nature Society (MNS)	No comment received	None

-END OF REPORT-

