



**PUBLIC SUMMARY
FIRST RSPO SURVEILLANCE ASSESSMENT**

**JEROCO PALM OIL MILL
Lahad Datu, Sabah, Malaysia**

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1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 Introduction

This public summary provides the general information on the Jeroco Certification Unit (Jeroco CU), the assessment process, the findings of the surveillance, non-conformity reports (NCRs) and opportunity for improvements (OFIs), verification of corrective actions on the minor NCRs and OFIs raised during the previous assessment as well as the decision on the continued certification of the CU against the requirements of the RSPO Principles and Criteria for Sustainable Palm Oil Production, Malaysian National Interpretation Working Group (RSPO MYNI: 2010)

The certification unit (CU) of Jeroco is one of the subsidiaries under the Hap Seng Consolidated Berhad (HSCB). This CU is located at Jeoco Road, Lahad Datu, Sabah, Malaysia. At companywide, it is known as Jeroco Group of Estates. Jeroco CU consists of Jeroco Palm Oil Mill (Jeroco POM) and five fresh fruit bunches (FFB) supplying estates, i.e. Batangan, Lutong, Lokan, Kapis and Lungmanis. It was first established in 1983.

Initially, the milling capacity of Jeroco POM was 60 MT/hr. It was then upgraded to 90 MT/hr by the approval of the Department of Environment (DoE) on 23rd May 1995 to cater the rising FFB supply. The 30 MT/hr addition was achieved by building up another mill within the same premise. Internally within the company, the 60 MT/hr mill is known as Jeroco POM 1 and the 30 MT/hr as Jeroco POM 2.

For the purpose of this surveillance audit, the two mills are considered as one CU, instead of two as had been mentioned in the public announcement before. The reasons are that the two POMs are sharing the same Malaysian Palm Oil Board (MPOB) License, DoE's written approval of prescribed premises and there is no registration of a new company required for the other mill. Moreover, the FFB supplying estates are the same for the two POMs. Although Jeroco POM received and processed third party FFB, this surveillance assessment did not include the third party FFB suppliers.

1.2 Location of Mill and Supply Base

The Jeroco CU covers two POMs and five oil palm estates, all located at Jeroco Road, Lahad Datu, Sabah, Malaysia. The location map of the CU is shown as in **Appendix 1** while the details on the locations of the mills and estates are shown in **Table 1**.

Table 1
Coordinates of Jeroco CU (Mill and Estates)

Mill/Estate	Year of establishment	Area (Ha)		GPS Location (Office)	
		Certified	Planted	Latitude	Longitude
Jeroco POM		N.A.	N.A.	N5°25.866	E118°25.033
Batangan	1983	3,633	3,394	N5°24.729	E118°26.996
Lutong	1983	2,448	2,194	N5°21.926	E118°26.437
Lokan	1985	3,155	2,837	N5°25.863	E118°22.963
Kapis	1985	2,681	2,342	N5°26.572	E118°24.850
Lungmanis	1995	2,200	1,955	N5°28.771	E118°24.188
	Total	14,117	12,722		

The total and composition of the workforce of JPOM1 and 2 and its supply bases is shown in **Table 2**.

Table 2
Workers Composition

Operating Unit	Number of workers		Total
	Local	Foreigner	

JPOM 1	29	70	99
JPOM 2	8	78	86
Batangan Estate	14	293	307
Lutong Estate	7	192	199
Lokan Estate	5	175	180
Kapis Estate	4	294	298
Lungmanis Estate	1	157	158
Total	68	1,259	1,327

1.3 Production Volume of All Certified Products

Table 3
Actual Certified FFB Contribution by Own Estates and Other Sources to JPOM1
for the Last Reporting Period (October 2013 to August 2014)

Operating Unit	FFB Contribution	
	MT	%
Batangan Estate	3,802.03	2.37
Lutong Estate	25,541.73	15.94
Lokan Estate	44,956.54	28.05
Kapis Estate	475.81	0.30
Lungmanis Estate	844.36	0.53
Outsiders (non-certified)	84,623.28	52.81
Total	160,243.75	100.00

Table 4
Projected FFB Contribution by Own Estates and Other Sources to JPOM1
for the Next Reporting Period (September 2014 to August 2015)

Operating Unit	FFB Contribution	
	MT	%
Batangan Estate	45,880.07	23.20
Lutong Estate	29,284.26	14.81
Lokan Estate	56,604.40	28.63
Kapis Estate	4,988.20	2.52
Lungmanis Estate	49,107.16	24.83
*Kawa Estate	10,552.00	5.34
Outsiders (non-certified)	1,325.96	0.67
Total	197,742.05	100.00

**Hap Seng is expecting Kawa Estate to be RSPO certified in June 2015.*

Table 5
Actual Certified FFB Contribution by Own Estates and Other Sources to JPOM2
for the Last Reporting Period (October 2013 to August 2014)

Operating Unit	FFB Contribution	
	MT	%
Batangan Estate	33,039.06	22.77
Lutong Estate	3,303.88	2.28
Lokan Estate	9,404.10	6.48
Kapis Estate	52,650.61	36.30
Lungmanis Estate	44,282.87	30.53
*Bukit Mas Estate	2,375.79	1.64
Outsiders(Non-certified)	0	0
Total	145,056.31	100.00

**Bukit Mas Estate was certified by TÜV Rheinland.*

Table 6
Projected FFB Contribution by Own Estates and Other Sources to JPOM2
for the Next Reporting Period (September 2014 to August 2015)

Operating Unit	FFB Contribution	
	MT	%
Batangan Estate	797.93	0.60
Lutong Estate	-	-
Lokan Estate	-	-
Kapis Estate	51,447.70	38.86
Lungmanis Estate	779.89	0.59
Outsiders (non-certified)	79,382.62	59.95
Total	132,408.14	100.00

Table 7
Actual FFB Received and CPO & PK Dispatched by JPOM 1
for the Last Reporting Period (January 2013 – July2014)

	Total (MT)
FFB Received	285,356.53
FFB Processed	285,356.53
CPO Production	60,465.43
PK Production	13,268.90
Certified CPO sold as Mass Balance	11,989.40
Certified PK sold Mass Balance	5,302.48
CPO sold as non-certified	49,292.49
PK sold as non-certified	7,977.06

Table 8
Projected FFB Received and CPO & PK Dispatched by JPOM 1 (Segregation Model)
for the Next Reporting Period (September 2014 – August 2015)

	Total (MT)
Certified FFB Received	185,864.09
Certified SG CPO Production	41,281.78
Certified SG PK Production	9,480.15

Table 9
Actual FFB Received and CPO & PK Dispatched by JPOM 2
for the Last Reporting Period (January 2013 – July 2014)

	Total (MT)
FFB Received	219,005.13
FFB Processed	219,005.13
CPO Production	46,721.76
PK Production	10,106.03
Certified CPO sold as Mass Balance	5,642.75
Certified CPO sold Segregation	10,988.79
Certified PK sold Mass Balance	789.33
Certified PK sold Segregation	4,700.10
CPO sold as non-certified	29,221.039
PK sold as non-certified	4,617.19

Table 10
Projected FFB Received and CPO & PK Dispatched by JPOM 2 (Mass Balance Model)
for the Next Reporting Period (September 2014 – August 2015)

	Total (MT)
Certified FFB Received	53,025.52
Non-certified FFB Received	79,382.62
Total CPO Production	28,296
Total PK Production	6,488
Certified MB CPO production	11,331
Non-Certified CPO production	16,965
Certified MB PK production	2,598
Non-Certified PK production	3,890

Note:

The mill shows both modules i.e. Segregation (S) and Mass Balance (MB) because Jeroco CU had switched the supply chain module on 8/9/2014.

	Before 8/9/2014	After 8/9/2014
JPOM1	MB	SG
JPOM2	SG	MB

Based on Table 8 and Table 9, the total projections of certified CPO and PK of Jeroco POM for the next reporting period are 52,612.78 MT and 12,078.15 MT respectively.

1.4 Certification Details

Parent company : Hap Seng Plantations Holdings Berhad
RSPO Membership Number : 1-0098-11-000-00
Member since : 2005
Certificate Number : RSPO 0018
Date of previous assessment : 17th – 23rd November 2012
Date of certification : 27th September 2013

1.5 Description of Fruit Supply Base

The planting profiles of all the directly managed supply bases are as shown in the following tables:

Table 11
Percentage of Planted Area in Batangan Estate by Age and Planting Cycle

Year of Planting	Planting cycle (1st/2nd Generation, etc.)	Mature /Immature	Area (Ha)	Percentage of mature/immature
1983	1 st	Mature	265.00	58% mature and 42% immature
1984	1 st	Mature	141.00	
1985	1 st	Mature	431.00	
2004	2 nd	Mature	450.00	
2006	2 nd	Mature	388.00	
2008	2 nd	Mature	151.00	
2009	2 nd	Mature	148.00	
2010	2 nd	Immature	280.00	
2011	2 nd	Immature	682.00	
2012	2 nd	Immature	458.00	
Total			3,394.00	

Table 12
Percentage of Planted Area in Lutong Estate by Age and Planting Cycle

Year of Planting	Planting cycle (1st/2nd Generation, etc.)	Mature /Immature	Area (Ha)	Percentage of mature/immature
1983	1 st	Mature	710.00	86% mature and 14% immature
1984	1 st	Mature	217.00	
1989	1 st	Mature	150.00	
1999	1 st	Mature	157.00	
2004	2 nd	Mature	42.00	

2006	2 nd	Mature	456.00	
2007	2 nd	Mature	159.00	
2011	2 nd	Immature	157.00	
2012	2 nd	Immature	146.00	
Total			2,194.00	

Table 13
Percentage of Planted Area in Lokan Estate by Age and Planting Cycle

Year of Planting	Planting cycle (1st/2nd Generation, etc.)	Mature /Immature	Area (Ha)	Percentage of mature/immature
1985	1 st	Mature	244.00	100% mature
1986	1 st	Mature	149.00	
1987	1 st	Mature	296.00	
1989	1 st	Mature	161.00	
1995	1 st	Mature	239.00	
1998	1 st	Mature	439.00	
1999	1 st	Mature	1,309.00	
Total			2,837.00	

Table 14
Percentage of Planted Area in Kapis Estate by Age and Planting Cycle

Year of Planting	Planting cycle (1st/2nd Generation, etc.)	Mature /Immature	Area (Ha)	Percentage of mature/immature
1985	1 st	Mature	392.00	100% mature
1990	1 st	Mature	50.00	
1992	1 st	Mature	210.00	
1996	1 st	Mature	796.00	
1997	1 st	Mature	373.00	
1998	1 st	Mature	521.00	
Total			2,342.00	

Table 15
Percentage of Planted Area in Lungmanis Estate by Age and Planting Cycle

Year of Planting	Planting cycle (1st/2nd Generation)	Mature /Immature	Area (Ha)	Percentage of mature/immature
1995	1 st	Mature	1,032.00	100% mature
1996	1 st	Mature	923.00	
Total			1,955.00	

1.6 Other Management System Certifications Held

Jeroco CU does not hold any third-party certification on any internationally recognised management system.

1.7 Progress against Time-Bound Plan

There are three CUs under HupSeng Plantation Holding Berhad (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. The Bukit Mas CU has been certified by TUV Rheinland in 2012 while the Jeroco CU by SIRIM QAS International Sdn Bhd (SIRIM QAS International) in September 2013. The Tomanggong CU is still under auditing process and is expected to be certified by end of 2014.

1.8 Progress of Associated Smallholders or Outgrowers towards Compliance with Relevant Standards

There were other operating units that will proceed for RSPO certification. They are Ladang Kawa and Pelikan which had started to be audited this year under RSPO P&C for group certification. The time bound plan is expected to be completed by 2018.

1.9 Organisational Information / Contact Person(s)

Name	:	Kee Keow Chong (Mr.)
Designation	:	Chief Agronomist
Address	:	1) MDLD 7073-7074, Ground Floor, Bandar Sri Perdana, Jalan Silam 91100 Lahad Datu, Sabah, Malaysia. 2) Off 40 KM, Jalan Jeroco, Lahad Datu, Sabah, Malaysia
Telephone	:	+089278183,+089278138
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2.0 ASSESSMENT PROCESS

2.1 Certification Body

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

SIRIM QAS International is a partner of IQNet, a network currently comprising of 36 leading certification bodies in Europe, North and South America, East Asia and Australia. SIRIM QAS International has vast experience in conducting assessment related to RSPO assessment. We have certified more than a hundred palm oil mills and several estates to ISO 14001 & OHSAS 18001. We have also conducted pre assessment against RSPO Principle and Criteria.

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

2.2 Qualifications of Lead Assessor and Assessment Team Members

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

Member of the Assessment Team	Role/area of RSPO requirements	Qualifications
Mohamed Hidhir Bin Zainal Abidin	Assessment Team Leader/ Mill Best Practice/OHS and environmental issues	<ul style="list-style-type: none"> • 4 years experience in palm oil milling • Collected over 200 auditor days in auditing for RSPO P&C. • Qualified Lead Auditor for ISO 9001, ISO 14001 and OHSAS 18001 in 2014. • Collected more than 300 auditor days for OHSAS 18001, ISO14001 and ISO 9001 • Successfully completed IRCA/RABQSA accredited Lead Assessor training for ISO 9001, ISO14001 & OHSAS 18001 in 2012 • Successfully completed RSPO Lead Assessor Course in 2013 • B.Sc. (Hons) Chemical Engineering, Universiti Kebangsaan Malaysia (UKM)
Valence Shem	Assessor / GAP, safety and environmental issues	<ul style="list-style-type: none"> • Collected more than 350 auditor days in auditing various management schemes i.e. ISO 14001, RSPO P&C and RSPO Supply Chain • Nine years experience in Oil Palm Plantation management • Successfully completed IEMA accredited Lead Assessor training for ISO 14001: 2004 • B.Tech. (Hons) Industrial Technology • Successfully completed and passed the RSPO Lead Assessor Course in 2011.
Khairul Najwan Ahmad Jahari	Assessor / HCV and social issues	<ul style="list-style-type: none"> • 7 years experience in forest management related areas as a researcher with FRIM since 2003 • Collected 32 auditor days in auditing MC&I(2002) for forest management certification • Attended Auditor Training Course on Malaysian Criteria and Indicators for Forest Management Certification [MC&I (Natural Forest)] organized by MTCC, April 2009. • Attended Auditor Training Course on Malaysian Criteria and Indicators for Forest Plantation Certification [MC&I (Forest Plantations)] 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: 2007 Lead Auditor Course, Feb 2009. • Successfully passed QMS 9001: 2008 Lead Auditor Course, Feb 2009. • B.Sc. of Forestry (Forest Management)

		<ul style="list-style-type: none"> • M Sc Environmental (GIS Remote Sensing, still pursuing) • Successfully completed and passed the RSPO Lead Assessor Course in 2011.
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2.3 Assessment Methodology and Programme

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

The assessment team carried out field and office assessments for conformance against the RSPOP&C MYNI (2010). The visits also covered HCV habitats, labour lines, storage areas and other workplaces.

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

It is important to note that the findings from this assessment were based on samples taken from the organization activities, procedures, records etc. Statistically, there was always a possibility that one or more problematic issues/areas would remain unidentified during the course of this audit. The absence of non-compliance in any area or activity does not necessarily imply that no lapses or non-compliance exist.

The assessment programme is as in **Appendix 2**.

2.4 Date of Next Surveillance Visit

The next surveillance audit will be conducted around September 2015.

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

The findings of this surveillance assessment were presented during the on-site closing meeting. There were 3 major and 4 minor NCRs being raised on the Jeroco CU's compliance against the requirements of the RSPO MY-NI (2010). The details of the NCRs and the corrective actions taken are as in **Appendix 3**.

The detailed findings of the assessment on the CU's compliance with the requirements of the RSPO MYNI (2010) are as follows:

Principle 1: COMMITMENT TO TRANSPARENCY

Clause	Indicators		Comply Yes/No	Findings
C 1.1 Oil palm growers and millers provide adequate information to other stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in appropriate languages and forms to allow for effective participation in decision making	1.1.1	Records of requests and responses must be maintained. <i>Major.</i>	Yes	HSPHB had continued to be transparent by allowing all information pertaining to environmental, social and legal issues to be publicly made available upon request. There was procedure available on communication as in document No.HSPSB P1 1120 entitled "Procedure Memohon Maklumat" (Request for Information Procedure). It was last updated in November 2012. The procedure involved internal and external consultations. There was 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. Other means of request for information such as verbal or in writing would also be entertained. During the conduct of this surveillance audit, there has been no request for such information by the public.
	1.2.1	Land titles / user rights (C 2.2)	Yes	The right to use the land at Jeroco CU can be demonstrated and not disputed by any party. Assessor had sighted that there were still clear land ownership documents.
C 1.2 Management documents are publicly available, except where this is prevented by commercial confidentiality or where disclosure of information would	1.2.2	Safety and health plan (C 4.7)	Yes	Safety and Health plan was still available at the CU. Cross refer to C 4.7.

<p>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:-</p>	1.2.3	Plans and impact assessments relating to environmental and social impacts (C 5.1, 6.1, 7.1, 7.3)	Yes	The SIA and environment impact assessment action plan had been updated and each of the issues identified for each of the CU's estate and discussed in the respective report.
	1.2.4	Pollution prevention plans (C 5.6)	Yes	Action plan to mitigate pollution was still made available for the public. Cross refer to C5.6.
	1.2.5	Details of complaints and grievances (C 6.3)	Yes	The system was open to all aggrieved parties and there was evidence that estates' as well as the neighboring communities had used the Grievances Book. The complaints and their outcomes were recorded and filed.
	1.2.6	Negotiation procedures (C 6.4)	Yes	HSPHB has continued to use the same procedures to deal with land and 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.
	1.2.7	Continuous improvement plan (C 8.1)	Yes	HSPHB has continued to be committed to utilize the 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 on environmental, safety, health and welfare as well as social contribution to workers and community.

Principle 2: COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

Clause	Indicators		Comply Yes/No	Findings
C 2.1 There is compliance with all applicable local, national and ratified international laws and regulations	2.1.1	Evidence of compliance with legal requirements. <i>Major</i>	No	<p>Generally, Jeroco CU continued to comply with most of the applicable local, national and ratified international laws and regulations. As per the requirement in the land titles all land was utilised for Agricultural purposes. Relevant licences and permits were verified at Lutong Estate:</p> <p>JPOM 1 and 2 for instance, still continued to comply with most of the applicable laws and regulations with regards to :</p> <ul style="list-style-type: none"> • Factory and Machinery Act 1967 • <i>EQ (Prescribed Premise) Crude Palm Oil Regulations 1977</i> • Scheduled Waste Regulations 2005 <p>Some issues were sighted and still needs improvements with regards to :</p> <p>i) Regulation 3 (<i>Notification of scheduled waste generated</i>) During site review it was found that there was more than 2 types of SW being generated but only SW 410 and SW 305 were notified to DOE for JPOM 1 and 2.</p> <p>ii) Regulation 7 (<i>Application of special management of scheduled waste</i>) SW404 (clinical waste) generated and temporary stored at own estate before disposal. Sg Segama estate clinic was selected for centralized storage of clinical waste for all the estates before sent for disposal. However, there was no special management of scheduled waste obtained from DOE for such activities.</p> <p>iii) Regulation 9 (<i>Storage of scheduled waste < 180 days</i>). It was found that scheduled waste generated at JPOM 1 and 2 were stored for more than 180 days without period extension permit.</p> <p>iv) Regulation 11 (<i>Inventory of scheduled waste</i>) Inventory (5th Schedule) was not up-to-date and not tallied with the physical stock at the storage area. (JPOM 1 & 2) 5th Schedule</p>

				<p>was only updated quarterly and not reported using E-consignment note (ECN) system. (Refer DOE notice during visit on 22/4/14)</p> <p>A major NCR MH1 was issued for the lapse on the scheduled waste management.</p> <ul style="list-style-type: none"> • Highly Toxic Pesticides Regulations 1996 – Regulation 3 (Prohibition), Regulation 4 (Maintenance of record) <p>Batangan Estate had a P&D out break in early 2013 the oil palms were infected with bagworms. Class 1B chemical named (Methamidophos) was used during that period. As per the said regulations, the used of class 1B chemical has to be observed and monitored for the medical condition of the workers, quantity of pesticides used and exposure hours using form I, II and III. There was no evidence of forms I, II and III were used effectively and thus this was raised as part of a major NCR MH1.</p> <ul style="list-style-type: none"> • OSHA 1994, Use and Standards Of Exposure of Chemicals Hazardous to Health Regulations 2000 <p>i) <i>Regulation 27 (health surveillance programme)</i> Health surveillance programme was not carried out in timely manner for chemical listed in (Schedule 2), N-hexane. Last medical surveillance was done on 23/3/12 for JPOM1 and 2. Therefore, it was raised as part of major NCR MH1.</p>
	2.1.2	A documented system, which includes written information on legal requirements. <i>Minor</i>	Yes	A document named Legal Register was available and last updated on 28/4/2014 by its Sustainability Executive (Mr. Frankie) at all operating unit.
	2.1.3	A mechanism for ensuring that they are implemented. <i>Minor</i>	Yes	Generally, Jeroco CU had continued to implement the mechanism for ensuring all the applicable legal requirements were being complied with. The mechanism was by the implementation of internal checking by its Sustainability Executive through evaluation of compliance exercise against the legal register.

	2.1.4	A system for tracking any changes in the law. <i>Minor</i>	No	<p>HSPHB has established a documented system for identifying and tracking the updates of the applicable legal requirements through various media such as internet, newsletter, etc. However based on the listed regulations documented at all units, it was found that some of other pertinent laws and regulations had not been identified and updated with regard to:</p> <ul style="list-style-type: none"> i) Highly Toxic Pesticides Regulations 1996 ii) Electric Supply Act 1990, Electrical Regulations 1994 iii) FMA 1967, Noise Exposure Regulations 1989 iv) Requirements under “Jadual Pematuhan” for Jeroco Palm Oil Mill (001242) validity period 1/7/14-30/6/15. <p>Thus, a minor NCR MH3 was raised.</p>
<p>C 2.2 The right to use the land can be demonstrated, and is not legitimately contested by local communities with demonstrable rights.</p>	2.2.1	Evidence of legal ownership of the land including history of land tenure. <i>Major</i>	Yes	The right to use the land at Jeroco CU can be demonstrated and not disputed by any party. Assessor had sighted that there were clear land ownership documents. Land titles were available in documents. The original copies of the documents however, were kept in Plantation Central Office, Sg. Segama. Copies of land titles for all estates were sighted.
	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] <i>Major</i>	Yes	Based on the review of the relevant documents, it was confirmed that the terms of the land title for all the estates were still for the cultivation of an agricultural crop of economic value.
	2.2.3.1	Evidence that boundary stones along the perimeter adjacent to state land and other reserves are being located and visibly maintained. <i>Minor</i>	Yes	The perimeter boundary of the estates had continued to be visibly maintained by erecting pegs along the boundary, especially the ones adjacent to stateland and forest reserves. During the site review, most of the boundary stones had been located and visibly maintained.
	2.2.3.2	Where there are, or have been, disputes, proof of resolution or progress towards resolution by conflict	Yes	There was no land is encumbered by customary rights or dispute from any stakeholder at Jeroco CU.

		resolution processes acceptable to all parties are implemented. Cross ref. to 2.3.3, 6.4.1 and 6.4.2. <i>Minor</i>		
C 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.	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. <i>Major</i>	Yes	This requirement is not applicable for Jeroco CU since there has been no land encumbered by customary rights or dispute from any stakeholder.
	2.3.2	Map of appropriate scale showing extent of claims under dispute. <i>Major</i>	Yes	This requirement is not applicable for Jeroco CU since there has been no land is encumbered by customary rights or dispute from any stakeholder.
	2.3.3	Copies of negotiated agreements detailing process of consent (C2.2, 7.5 and 7.6). <i>Minor</i>	Yes	This requirement is not applicable for Jeroco CU since there has been no land encumbered by customary rights or dispute from any stakeholder.

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

Clause	Indicators		Comply Yes/No	Findings
C 3.1 There is an implemented management plan that aims to achieve long-term economic and financial viability.	3.1.1	Annual budget with a minimum 2 years of projection <i>Major</i>	Yes	HSPHB has documented the annual budget (OPEX and CAPEX) and projected budget for 2 years and reviewed annually. Budget allocation for routine mill maintenance, fixed and variable cost for operation was also being sighted. The budget for estates was available with a 2 years projection i.e. until 2016 and it was also annually being reviewed. This includes the financial support for field maintenance and upkeep, harvesting and evacuation, maintenance of infrastructure and facilities such as store and buildings. Projection of yield was available for 2015 (21.55 MT/ha) and 2016 (20.58 MT/ha). The projected production cost for 2015 is

				RM184/MT FFB and 2016 is RM192.07/MT FFB (Hap Seng's Finance Department).																								
	3.1.2	Annual replanting programme projected for a minimum of 5 years with yearly review. <i>Minor</i>	Yes	<p>Replanting programme for Lutong Estate as incorporated in Hap Seng Group of Estate's EIA prepared by Kiwiheng Wood and Environmental Consultants Sdn. Bhd was made available as shown in the table below:</p> <table><tr><th>Year</th><th>Ha</th><th>Progress</th></tr><tr><td>2014</td><td>318</td><td>100%</td></tr><tr><td>2015</td><td>303</td><td>NA</td></tr><tr><td>2016</td><td>0</td><td>NA</td></tr><tr><td>2017</td><td>150</td><td>NA</td></tr><tr><td>2018</td><td>0</td><td>NA</td></tr><tr><td>2019</td><td>0</td><td>NA</td></tr><tr><td>2020</td><td>0</td><td>NA</td></tr></table>	Year	Ha	Progress	2014	318	100%	2015	303	NA	2016	0	NA	2017	150	NA	2018	0	NA	2019	0	NA	2020	0	NA
Year	Ha	Progress																										
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2019	0	NA																										
2020	0	NA																										

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

Clause	Indicators		Comply Yes/No	Findings
C 4.1 Operating procedures are appropriately documented and consistently implemented and monitored.	4.1.1	Documented Standard Operating Procedures (SOP) for estates and mills. <i>Major</i>	No	<p>HSPHB had a generic agriculture manual which is called Oil Palm Agriculture Procedure (OPAP), established on 1/4/1994 and last revised in July 2009 and latest amendment was on 7/12/2012 for pest & disease chapter. 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 Jeroco CU.</p> <p>In addition, 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. Sample of procedure relating to trunk injection activities had been reviewed. However, pertinent element of Highly Toxic Pesticides 1996 was not captured in the procedures as well as the element on environmental consideration. Therefore, a major NCR MH2 was raised on this lapse.</p>

				<p>Mill operations had continued to implement SOP that covered aspects related to oil palm processing, boiler operation, effluent treatment plant, laboratory, workshop activity and chemical and waste handling procedures. For the laboratory activities, the established procedure has not clearly described on the USECHH 2000 requirement and environmental consideration. This was raised as part of major NCR MH2.</p> <p>Permit to work procedure has been established to monitor in-house and contractors working in the premise. Permit to work in confined space had been established. However, the component under the Industrial Code Of Practice for Confined Space 2010 has yet to be complied with. The competency of person who was involved in confined space entry programme and health declaration of the personnel need to be included in the procedure. Therefore, this was also raised as part of major NCR MH2.</p>
	4.1.2	Records of monitoring and the actions taken are maintained and kept for a minimum of 12 months. <i>Minor</i>	Yes	<p>Records of monitoring and the actions taken by the estates had continued to be maintained and kept for a minimum of 12 months. Monthly Progress, Monthly Costing and Annual Reports on monitoring of all activities were made available.</p> <p>For the mill, monthly records of monitoring effluent, black smoke, scheduled waste related records and quarterly reports were still being submitted to DOE.</p>
C 4.2 Practices maintain soil fertility at, or where possible improve soil fertility to, a level that ensures optimal and sustained yield.	4.2.1	Monitoring of fertilizer inputs through annual fertilizer recommendations. <i>Minor</i>	Yes	The estates had continued to apply fertilisers as per Hap Seng's Agronomy Department recommendations signed by Chief Agronomist. For 2014, recommendation was disseminated to the estates in May 2013. Fertiliser recommendations were made based on annual leaf sampling analysis and FFB yield history. Fertiliser application program was monitored using "Programme of Work – 2014 Manuring" form.
	4.2.2	Evidence of periodic tissue and soil sampling to monitor changes in nutrient status. <i>Minor</i>	Yes	The estates had continued to carry out periodic foliar and soil sampling to monitor changes in nutrient status. Annual foliar sampling for the nutrients N, P, K, Mg, Ca & B had been carried out at Lutong Estate and the results formed the basis for the fertiliser application recommendations. The last foliar sampling was carried out in May

				2014 of which the analysis results would be used as the basis for the formulation of the fertiliser recommendation for 2015.
	4.2.3	Monitor the area on which EFB, POME and zero-burn replanting is applied. <i>Minor</i>	Yes	EFB was applied at Lutong Estate mainly at immature area with application rate at 25 MT/ha/year (OPAP, No.12, clause 3.2). Based on transport records and EFB mulching progress report, the rate/ha found to be in line with the procedure.
C 4.3 Practices minimise and control erosion and degradation of soils.	4.3.1	Documented evidence of practices minimizing soil erosion and degradation (including maps). <i>Minor</i>	Yes	Mitigation measures to minimise soil erosion at Lutong Estate includes construction of terrace at hilly area, planting of leguminous crops,
	4.3.2	Avoid or minimize bare or exposed soil within estates. <i>Minor</i>	Yes	In order to avoid/minimise bare or exposed soil the Lutong Estate had continued to practise-slashing of weeds. Chemical spraying was only limited to palm circles and harvester paths. No blanket spraying was advocated. There was no bare ground observed during the field visit.
	4.3.3	Presence of road maintenance programme. <i>Minor</i>	Yes	During the field visit, it was noted that road conditions were still satisfactory. Accessibility was made possible by regular maintenance guided by the road maintenance programmes which consist of road resurfacing, grading & compacting and culvert maintenance.
	4.3.4	Subsidence of peat soils should be minimised through an effective and documented water management programme. <i>Minor</i>	Yes	There was no peat soil in Lutong Estate based on soil map sourced from Agriculture Department. Majority of the area (~99%) consist of Kretam Series.
	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). <i>Minor</i>	Yes	There were no fragile soils and problem soils at Lutong Estate.
C 4.4 Practices maintain the quality and availability of surface and ground water.	4.4.1	Protection of water courses and wetlands, including maintaining and restoring appropriate riparian buffer	Yes	Procedures for maintaining riparian buffer zones through memo from MPOB dated 28th September 2009, ref # (3)04/C/PD/87/2 were still being followed.

		zones at or before replanting along all natural waterways within the estate. <i>Major</i>		<p>Jeroco 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.</p> <p>During the site review at Lutong Estate it was seen the 20 m buffer zone boundary with natural waterways were identified with signboard being erected along the river. The oil palm trees 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 by following the MPOB Memo.</p>
	4.4.2	No construction of bunds/weirs/dams across the main rivers or waterways passing through an estate. <i>Major</i>	Yes	There was no construction of bunds/weirs/dams across the main rivers or waterways in the Lutong Estate as there was no main river acrossing the estate. There were only tributary waterways to main river.
	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 C 5.1 and 8.1). <i>Major</i>	Yes	Outgoing water into main natural waterways has continued to be monitored at a frequency that reflects the estates and mills current activities which may have negative impacts. The monitoring on the quality of natural waterways was carried out together with the Environmental Compliance Report done by an independent consultant authorised by the Sabah Environmental Protection Department.
	4.4.4	Monitoring rainfall data for proper water management. <i>Minor</i>	Yes	Lutong Estate had continued to monitor the rainfall data as well as their water consumption. Daily records of rainfall data for Lutong Estate were made available for inspection. A monthly summary of the rainfall as well as the number of rain-day is available for the past 16 years. Mitigation for water crisis was done by upgrading the water catchment capacity to enable to supply water for about 5 months without rain.
	4.4.5	Monitoring of water usage in mills (tonnage water use/tonne FFB processed). <i>Minor</i>	Yes	JPOM 1 and 2 had continued to monitor their water usage per tonne of FFB processed and recorded in the Summary of Process and Boiler Water Consumption.

	4.4.6	Water drainage into protected areas is avoided wherever possible. Appropriate mitigating measures will be implemented following consultation with relevant stakeholders. <i>Minor</i>	Yes	There was no evidence to indicate that there was water drainage into protected areas. In addition, the flow of water into natural waterway had continued to be monitored as mentioned in the findings on indicator 4.4.3.
	4.4.7	Evidence of water management plans. <i>Minor</i>	No	A document named 'Water Management Plan' was sighted. The document covers the elements on water abstraction and treatment of water for process and domestic use. However, the plan has yet to include condition where dry season and climate change affecting the source of surface water. Water quality standard for surface and domestic water has yet to be identified and standardized. As to-date, there was no baseline monitoring to ensure the quality of water and frequency of testing to be carried out. Therefore, minor NCR MH5 was issued.
C 4.5 Pests, diseases, weeds and invasive introduced species are effectively managed using appropriate Integrated Pest Management (IPM) techniques.	4.5.1	Documented IPM system. <i>Minor</i>	Yes	Jeroco CU had continued to use the same procedure on controlling of pests and diseases in oil palm. The control method was still by census and application of pesticides whenever the population of pests exceeded the threshold level. To-date, there has been no major outbreak reported on Lutong Estate. 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 had continued to be planted in the estates to host the natural predators of leaf eating caterpillars. Census records confirmed that there has been no major outbreak of leaf eating pest.
	4.5.2	Monitoring extent of IPM implementation for major pests. <i>Minor</i>	Yes	Lutong Estate continued to carry out monthly detection and observation of leaf eating pests, mammalian pests and diseases like Ganoderma. These monthly detection and observations were carried by staff. The detection records are then summarise and submitted to the General Manager. Records showed no outbreak had been taken place.

	4.5.3	Recording areas where pesticides have been used. <i>Minor</i>	Yes	Lutong Estate had continued to record areas where pesticides had been used. Pesticides were used only when justified and areas used were recorded in bin cards and in program sheets.
	4.5.4	Monitoring of pesticide usage units per hectare or per ton crop e.g. total quantity of active ingredient (a.i.) used/tonne of oil. <i>Minor</i>	Yes	Lutong Estate has applied pesticides in the field such as brodifacoum, cypermethrin, carbofuran, Records of pesticides used were being closely monitored and plotted in charts. The records since 2009 to 2013 were made available to the assessor. Generally the usage of chemiclas has trended downward except for brodifacoum. This was due to the fact that in Sabah, the barn owl rearing had not been a very successful campaign which left the estates with very limited option in controlling the population of rat through IPM.
C 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.	4.6.1	Written justification in Standard Operating Procedures (SOP) of all agrochemicals use. <i>Major</i>	Yes	SOP for safe agrochemicals usage had been established in OPAP No.9, Clause 3.0 for mature and OPAP No. 8, Clause 2.0. The safety aspects and the precaution that needs to be practiced had been incorporated in the respective SOPs entitled <i>Penyemburan Racun Rumpai</i> .
	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). <i>Major</i>	Yes	Pesticides selected for use were those officially registered under the Pesticides Act 1974 (Act 149) and in accordance with USECHH Regulations.
	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. <i>Major</i>	Yes	All pesticides were still being stored in accordance with the legal requirement as well as recommendation by manufacturer inside the MSDS.
	4.6.4	All information regarding the chemicals and its usage, hazards, trade and generic names must be available in	Yes	All information regarding the chemicals and its usage, hazards, trade and generic names were still available in both English & Bahasa Malaysia and understood by workers. The MSDS for all pesticides

		language understood by workers or explained carefully to them by a plantation management official at operating unit level. <i>Major</i>		used including methamidophos were available in both English and Bahasa Malaysia.
	4.6.5	Annual medical surveillance as per CHRA for plantation pesticide operators. <i>Major</i>	Yes	Last medical surveillance was carried out in August until October by Dr. Sin Leong Sing OHD 0280-K JKKP No. HQ/11/DOC/00/23) – Chong Clinic, Tawau for 25 spraying operators. 24 of them were rated fit and 1 (Bunga bt. Bacho – AR 384224) was suggested for anaemia treatment.
	4.6.6	No work with pesticides for confirmed pregnant and breast-feeding women. <i>Major</i>	Yes	Pregnant and breast-feeding women were still not allowed to work with pesticides and hazardous chemicals. The Medical Assistant (MA) checked and determined whether female workers were pregnant. The checking was carried out on a monthly basis. Based on the latest monthly health check-up done by Hap Seng's HA, there was no spraying operator found to be pregnant.
	4.6.7	Documentary evidence that use of chemicals categorised as World Health Organisation 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. <i>Minor</i>	Yes	During the assessment, it was noted that the estates had not used chemicals categorized as World Health Organization (WHO) type 1A or 1B or listed by the Stockholm or Rotterdam Conventions. Paraquat had not been used; in place the estate had used the systemic herbicide, glufosinate ammonium.
	4.6.8	Documented justification of any aerial application of agrochemicals. No aerial spraying unless approved by relevant authorities. <i>Major</i>	Yes	Examination of records had shown that there was no aerial spraying being conducted in the estate.

	4.6.9	Evidence of chemical residues in CPO testing, as requested and conducted by the buyers. <i>Minor</i>	Yes	There had been no request from buyer for chemical residue testing in CPO.
	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. <i>Minor</i>	Yes	Pesticides usage from 2009 had continued to be monitored in the chemical register. It recorded all chemicals used as herbicides and insecticides. Record sheets documenting the amount and types of chemicals used for each field, its area in ha and % a.i. for each month of the year was presented. A summary of chemicals used in the estate for each month was also provided to the audit team.
C 4.7 An occupational health and safety plan is documented, effectively communicated and implemented. I	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). <i>Major</i> <u>The safety and health (OSH) plan shall cover the following</u>		
	a)	A safety and health policy, which is communicated and implemented	Yes	HSPHB had continued to use the established Occupational Health Safety policy dated 31 December 2004, signed by Chief Executive for Group Plantation of HSPHB. This OSH policy had been communicated to all employees through toolbox and standing meeting and was seen being displayed on the mill and estates notice boards. Generally, based on interviews held with the workers and staff, it was found that their awareness on the OSH policy was satisfactory.
	b)	All operations have been risk assessed and documented.	Yes	Hazard identification, risk assessment and risk control (HIRARC) register covered activities in the estates and mill were verified during the assessment. HIRARC records dated 1/6/14 has been revised and updated to incorporate changes and control measure after an accident had occurred at the workplace.

				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.
	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 C 4.8) ii. all precautions attached to products should be properly observed and applied to the workers.	Yes	Chemical hazards communication had been given through awareness and training programme to all workers involved in handling chemicals. The objective was to ensure all workers involved have been adequately trained in understanding MSDS, safe working practices and the correct use of PPE. Based on field inspection and observation of spraying tasks, it was found that chemicals had been applied in accordance with the product safety precautions. MSDS were still being made available at point of use.
	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.	Yes	Suitable PPE had continued to be provided to the workers based on the information in the MSDS and CHRA assessor's recommendation. It was observed that signage (to remind workers to wear appropriate PPE) was still being posted at the appropriate places. Workers whom were interviewed had understood the reasons and importance why they were required to wear the PPE.
	e)	The responsible person (s) should be identified.	Yes	<u>JPOM 1 & 2</u> Mr. Aaron Dahing and Mr. Sugeharto Ali, both Mill Engineers were appointed as Secretary of the Safety and Health Committee for JPOM 1 and JPOM 2 respectively. <u>Batangan Estate</u>

				Mr. Erwan Sabran– Assistant Estate Manager was appointed as Secretary of the Safety and Health Committee.								
	f)	There are records of regular meetings between the responsible person(s) and workers where concerns of workers about health and safety are discussed.	Yes	There were quarterly meeting of the Safety & Health Committee held at the respective unit in the CU chaired by manager (mill or estate) to discuss on the Medical Assistant Report (monthly accident statistics), workplace inspection report and to followup on previous issues and matters arising.								
	g)	Accident and emergency procedures should exist and instructions should be clearly understood by all workers.	Yes	Emergency Response Plan (ERP) which had been established was still being followed. Information on response to potential emergencies had been disseminated. Instructions to respond to accident and emergency situation were tested and it was found to be clearly understood by all workers interviewed both at the mill and field.								
	h)	Workers trained in First Aid should be present in both field and mill operations.	Yes	Trained first aiders were still available at all work area both in the estate and mill. Based on training records,it was found that most of the estate mandore and department head had been adequately trained on first aid.								
	i)	First Aid equipment should be available at worksites	Yes	First Aid Kit was still made available and maintained in the estate and mill. Trained first aider would take charge on monitoring the usage of first aid equipment which would then be replenished on monthly basis by the MA.								
	4.7.2	Records should be kept of all accidents and periodically reviewed at quarterly intervals. <i>Major</i>	Yes	Accident statistics were still being maintained and periodically reviewed during the Safety and Health Committee Meeting. DOSH would be notified if there was an accident with more than 4 days of medical leave using Form JKPP 6 and annual accident statistic using JKPP Form 8. Accident statistic during the previous years for Jeroco was as follows: <table><tr><td></td><td>JPOM1</td><td>JPOM2</td><td>Batangan Estate</td></tr><tr><td>2013</td><td>Nil</td><td>11 cases (8 LTA)</td><td>51 cases(40 LTA)</td></tr></table>		JPOM1	JPOM2	Batangan Estate	2013	Nil	11 cases (8 LTA)	51 cases(40 LTA)
	JPOM1	JPOM2	Batangan Estate									
2013	Nil	11 cases (8 LTA)	51 cases(40 LTA)									

				<table><tr><td>2014 (to-date Aug 14)</td><td>Nil</td><td>2 cases (2 LTA)</td><td>10 cases (7 LTA)</td></tr></table> <p>*LTA : lost time accident</p>	2014 (to-date Aug 14)	Nil	2 cases (2 LTA)	10 cases (7 LTA)
2014 (to-date Aug 14)	Nil	2 cases (2 LTA)	10 cases (7 LTA)					
	4.7.3	Workers should be covered by accident insurance. <i>Major</i>	Yes	Jeroco CU had continued to ensure all workers in the premise (both mill and estate) were covered by insurance. All local workers were being covered by SOCSO as required under Employee's Social Security Act 1969 while all foreign workers were covered by insurance as per the Workmen Compensation Act 1952.				
C 4.8 All staff, workers, smallholders and contractors are appropriately trained.	4.8.1	A training programme (appropriate to the scale of the organization) that includes regular assessment of training needs and documentation, including records of training for employees are kept. <i>Major</i>	Yes	Training plan for 2014 has been established with target dates for the training identified. The training program includes: <ul style="list-style-type: none">• Chemical & Spraying Safety Training• Fire and evacuation drill• First Aid Training• Chemical Handling Training• SOP refresher training• Lab SOP training Records on training conducted were being kept.				

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

Clause	Indicators		Comply Yes/No	Findings
C 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.	5.1.1	Documented aspects and impacts risk assessment that is periodically reviewed and updated. <i>Major</i>	Yes	<p>Identification of environmental aspect and impact was done by a consultancy firm (Kiwiheng Wood and Environmental Consultants Sdn. Bhd.) in 2012. The EIA report has been approved by the Sabah's EPD on [ref.: JPAS/PP/11/600-1/11/1/149 Klt.2].</p> <p>The same consultancy firm was appointed to conduct an evaluation of compliance against the conditions stipulated in the approval of the EIA once in four months. The last evaluation was conducted in June 2014.</p> <p>For JPOM 1 and 2, identification of environmental aspect and impact was done by the Agronomy & Sustainability department.</p>
	5.1.2	Environmental improvement plan to mitigate the negative impacts and promote the positive ones, is developed, implemented and monitored. <i>Minor</i>	Yes	<p><u>JPOM 1 and 2</u> A report entitled Environmental Impact Assessment, Management Action Plan and Continuous Action Plan was made available which outlines all mitigation measures.</p> <p>Jeroco CU had prepared, implemented and monitored the mitigation plan which includes planting of cover crop, provision of riparian zone, zero burning practice, providing buffer zone between forest reserves, proper management of agro-chemicals.</p>
C 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.	5.2.1	Identification and assessment of HCV habitats and protected areas within landholdings; and attempt assessments of HCV habitats and protected areas surrounding landholdings. <i>Major</i>	Yes	A report entitled "Potential High Conservation Value Area Assessment Report of Jeroco CU, Hap Seng Sdn Bhd, Sabah" was made available. The report had listed all the High Conservation Value (HCV) within and adjacent to the CU and identified the rare, threatened and endangered species (RTEs) in the Lutong, Lungmanis, Batangan, Kapis and Lokan Estates, including their management and action plan.
	5.2.2	Management plan for HCV habitats (including ERTs) and their conservation. <i>Major</i>	Yes	A management plan for HCV has been developed based on the assessment finding and consultations with related stakeholders.

	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. <i>Minor</i>	Yes	Jeroco CU had continued to be committed in discouraging any illegal or inappropriate hunting fishing or collecting activities. This was evident with signage to prohibit hunting being erected at guard and forest border. In addition, there were CCTVs being installed for 24 hours monitoring on illegal activities at strategic area surrounding the estate.
C 5.3 Waste is reduced, recycled, re-used and disposed off in an environmentally and socially responsible manner.	5.3.1	Documented identification of all waste products and sources of pollution. <i>Major</i>	Yes	<u>Lutong Estate:</u> The estate had identified recyclable wastes such as glass, plastic (from household, inner-layer of fertilizer bags), paper (from office & household) and metal (from workshop & household) sent to recycle centre. For mill operations, sources of pollution were wastes generated from mill processes and related activities.
	5.3.2	Having identified wastes and pollutants, an operational plan should be developed and implemented, to avoid or reduce pollution. <i>Minor</i>	Yes	<u>Lutong Estate</u> Recyclable wastes collection centres were set up at Lutong Estate. Wastes segregation was done for domestic wastes to collect the recyclable ones. The recyclable wastes were then sent to appropriate vendors. JPOM 1 and 2 had continued to implement the established operational plan to avoid and reduce pollution based on the significant impact to the environment as outlined in the Environmental Impact Assessment, Management Action Plan and Continuous Action Plan.
	5.3.3	Evidence that crop residues / biomass are recycled (Cross ref. C 4.2). <i>Minor</i>	Yes	<u>Lutong Estate:</u> Pruned fronds were still being stacked in the field and let to decompose. Felled palms were shredded, windrowed and left to decompose in the field. In addition, EFB mulching was also being practiced.
C 5.4 Efficiency of energy use and use of renewable energy is maximized.	5.4.1	Monitoring of renewable energy use per tonne of CPO or palm product in the mill. <i>Minor</i>	Yes	It was recorded by JPOM 1 and 2 that in 2013, the total fibre and shell used was 53,537 MT while the total CPO produced was 42,045 MT. Therefore, the renewable energy /MT of CPO produced was 1.27.

				For 2014, total fibre and shell used was 29,657 MT. The total CPO produced was 23,224 MT. Therefore, the renewable energy (MT) / (MT) CPO was 1.28.
	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). <i>Minor</i>	Yes	<p>Consumption of diesel per MT of FFB Produced by Lutong Estate-was as follows: 2012 = 5.68 lt/MT FFB 2013 = 5.23 lt/MT FFB 2014 as at August = 3.14 lt/MT FFB</p> <p>The consumption of diesel per tonne of CPO produced had shown a positive trend due to lower maintenance of generator sets, purchase of 2 new units of tractors and the increased FFB productivity.</p> <p>Consumption of diesel per MT of CPO Produced by JPOM 1 and 2: 2013 = 159,000 litres, CPO produced = 42,045 MT Diesel used for every MT of CPO produced was 3.78 litres.</p> <p>2014 = 165,149 litres, CPO produced = 23,224 MT Diesel used for every MT of CPO produced was 7.11 litres.</p>
C 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.	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. <i>Major</i>	Yes	There was no evidence to show that there was an open burning at the Lutong Estate.
	5.5.2	Previous crop should be felled/mowed down, chipped/shredded, windrowed or pulverized/ploughed and mulched. <i>Minor</i>	Yes	Based on the site visit at the replanting area, it was observed that Lutong Estate had continued to adhere to the policy as per the OPAP which advocates zero burning and that all previous crops had been felled, chipped/shredded, windrowed and left to decompose.
	5.5.3	No evidence of burning waste (including domestic waste). <i>Minor</i>	Yes	Domestic waste landfill at Lutong Estate was visited and there was no evidence of wastes being burnt.

C 5.6 Plans to reduce pollution and emissions, including greenhouse gases, are developed, implemented and monitored.	5.6.1	Documented plans to mitigate all polluting activities (Cross ref to C 5.1). <i>Major</i>	Yes	Refer to findings on criteria 5.1.
	5.6.2	Plans are reviewed annually. <i>Minor</i>	No	The annual review had not covered the following environmental aspects and therefore a minor NCR MH4 was raised: <u>JPOM1 &2 Mills</u> <ul style="list-style-type: none"> Boiler operating condition (normal/uncontrolled burning/start-up & loading) had not been identified and reviewed; Plan for the Clean Air Regulations 2014 compliance in 5 years time; and Emergency response plan for major CPO spillage for barge and bulking operation.
	5.6.3	Monitor and reduce peat subsidence rate through water table management. (Within ranges specified in C 4.3). <i>Minor</i>	Yes	There was no peat soil in Lutong Estate based on soil map sourced from Agriculture Department. The majority of the soil in the estate (~99%) was of the Kretam Series.

Principle 6: RESPONSIBLE CONSIDERATION OF EMPLOYEES AND OF INDIVIDUALS AND COMMUNITIES BY GROWERS AND MILLERS

Clause	Indicators		Comply Yes/No	Findings
C 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.	6.1.1	A documented social impact assessment including records of meetings. <i>Major</i>	Yes	There was a social impact assessment (SIA) report on the Jeroco CU's (estates and mill) prepared by the estates' staffs in October 2012. The SIA report provides 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 SIA procedures and results.
	6.1.2	Evidence that the assessment has been done with the participation of affected parties. <i>Major</i>	Yes	Appendix 3 of the SIA 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.

	6.1.3	A timetable with responsibilities for mitigation and monitoring is reviewed and updated as necessary. <i>Minor</i>	Yes	A timetable with responsibilities for mitigation and monitoring had been reviewed and updated as necessary. The specific person in charge (PIC) responsible for taking actions had been identified on each of the mitigation measures with specific time intervals. The monitoring records were verified at Kapis and Batangan Estates. Therefore the OFI which was raised during the previous audit on this indicator has been closed out.
C 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.	6.2.1	Documented consultation and communication procedures. <i>Major</i>	Yes	<p>During the previous audit, it was found that the CU did not have a documented consultation and communication procedures. A documented Consultation and Communication Procedures (Prosedur Memohon maklumat, Ref# HSPSB P1 1120 (c)) and grievance procedures for internal and external parties (Ref#: HSPSB P1 1120) were made available. Therefore major NCR (# RM01) raised during the previous audit was closed out.</p> <p>The estates and mill had continued to maintain files on records of communication and consultation with external and internal parties. Normally, the files were labeled as “communication” files or labeled according to the agency the CU had been communicating with. Usually, the files contain records of communication for more than 3 years. Visitor book and <i>Rekod Permohonan Maklumat</i> were verified at the Kapis Estate.</p>
	6.2.2	A nominated plantation management official at the operating unit responsible for these issues. <i>Minor</i>	Yes	As stated in the SIA report, the Estate/Mill Manager was the nominated person to handle matters related to communication. Appointment letter dated 16 June 2014 was verified during the audit.
	6.2.3	Maintenance of a list of stakeholders, records of all communication and records of actions taken in response to input from stakeholders. <i>Minor</i>	Yes	The lists of stakeholders were prepared by both the estates/mill and the company headquarters. The lists had included government agencies, suppliers, contractors, schools, bus operators and traders. List of stakeholders was updated on July 2014 at the Kapis and Batangan Estates. All neighbouring estates had also been included in the lists.

<p>C 6.3</p> <p>There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all parties.</p>	6.3.1	<p>Documentation of the process by which a dispute was resolved and the outcome.</p> <p><i>Major</i></p>	Yes	<p>The estates and mill had developed the following procedures to handle grievances and disputes:</p> <ol style="list-style-type: none"> 1) Procedures for reporting complaints and grievances (<i>aduan and permasalahan</i>) for staffs and workers Ref#: HSPSB P1 1120 dated 29.11.2010; and 2) Procedures for reporting complaints and grievances (<i>aduan and permasalahan</i>) for stakeholders Ref#: HSPSB P1 1120 (b) dated 4.7.2011) <p>The procedures cover issues pertaining to safety, health, cleanliness, environment, conflicts, thefts and other work-related matters. The procedures require the complainant to fill up a complaint form and forward it to the relevant officers of authority.</p> <p>Complaints from workers would first be reported to the <i>mandore</i> and, subsequently, to the Assistant Manager, Manager and if necessary the higher authority for decisions. Complaints from external parties, on the other hand, would first go to the Chief Clerk or Assistant Manager and subsequently to the higher authority for decision.</p>
	6.3.2	<p>The system resolves disputes in an effective, timely and appropriate manner.</p> <p><i>Minor</i></p>	Yes	<p>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 at Kapis and Batangan Estate confirm that actions were taken on the complaints made by the workers.</p> <p>These complaints usually pertain to housing conditions, roads and lighting, among others. The workers (harvester and sprayer) interviewed at the office and during visits to the line sites gave positive remarks on the manner their grievances have been handled the estate staff. The grievances book (external stakeholder) was verified during the audit</p> <p>Comments: This indicator is on ‘dispute’ not ‘complaint’.</p>
	6.3.3	<p>The system is open to any affected parties.</p> <p><i>Minor</i></p>	Yes	<p>The system was open to all aggrieved parties and there is evidence that estate community as well neighboring community's use of the Grievances Book. The complaints and their outcomes were recorded</p>

				<p>and filed. The review of grievances book has to be with permission of Manager.</p> <p>Omments: This indicator is also on 'dispute' not 'complaint'.</p>
<p>C 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.</p>	6.4.1	<p>Establishment of a procedure for identifying legal and customary rights and a procedure for identifying people entitled to compensation. <i>Major</i></p>	Yes	<p>HSPHB has developed procedures to deal with land and 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 first negotiate, failing which the case would have to be referred to the CU's Headquarters for further negotiation. If negotiation fails, the case would then be brought to court for arbitration.</p> <p>Squatter disputes would 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 would normally be in the form of negotiation or legal proceedings or both.</p> <p>In terms of compensation, the procedures prescribe the determination of lawful owners, distribution of compensation, time frame for compensation and calculation for various compensations. So far, there has been no compensation made to any disputing parties.</p>
	6.4.2	<p>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. <i>Minor</i></p>	Yes	<p>As mentioned in the findings on indicator 6.4.1, apart from identifying the people entitled to compensation, the procedures prescribe the 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.</p> <p>In addition, the Sabah Land Ordinance (SLO) 1930 also provides for ways which natives can have titles and rights to lands and who should be compensated if losses are incurred. 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.</p>

	6.4.3	The process and outcome of any compensation claims is documented and made publicly available. <i>Minor</i>	Yes	According to the estates'/mill's management and record, there has been no dispute on land or squatters and there was no such compensation claim been made. Therefore, there were no documents on compensation claims being made publicly available.
C 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.	6.5.1	Documentation of pay and conditions. <i>Major</i>	Yes	Interviews held with workers at the Kapis and Batangan Estates had indicated shown that they understood the information shown in the pay slips. Employment contract was verified during the audit. The worker basic pay was revised with the implementation of the Minimum Wage Order (MWO) whereby each worker would get a minimum pay of RM800.00 per month.
	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. <i>Minor</i>	Yes	Every staff or worker still has to sign a contract of employment upon joining the estates/mills. As required by the Sabah Labour Ordinance, pay and work conditions were spelt out in this contract which was signed by the workers or staffs. Among others, the contracts spelt 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 were shown in their pay slips which were issued to the workers during pay day. Deductions included EPF and SOCSO payments. Based on interviews held with the workers, it was revealed that they had understood the terms of their employment.
	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	No	Jeroco CU had continued to provide free housing, water, medical services, subsidized electricity and free education for the children of foreign workers. The condition of the estates' houses at Jeroco CU was good. The compounds had been well kept. Nonetheless, there had been regular requests for repair works as shown by the <i>Borang Aduan</i> for repairs.

		1990 (Act 446) or above, where no such public facilities are available or accessible (not applicable to smallholders). <i>Minor</i>		It was observed that there were unauthorized extensions or alterations being made to the water piping at block A03, A04, A05 and A06 at the Kapis Estate workers' line-sites. Treated water (from WTP) was connected to rain water harvesting tank and the water was used for domestic consumption. There was no evidence to show that the tank water was fit for human consumption. In addition, the supply of potable piped water which had been filtered and treated was mixed with untreated rain-harvested water. Therefore a minor NCR KN-1 was raised.
C 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.	6.6.1	Documented minutes of meetings with main trade unions or workers representatives. <i>Major</i>	Yes	The workers in the estates and mills had remained non-unionized. Furthermore, there was no formal organization formed among the workers to discuss work or social-related matters. Nonetheless, in every estate/mill, there was still a Joint Consultative Committee to serve as a platform for the discussion of such issues. The JCC had held a meeting in 2014 in Kapis and Batangan Estates. There were minutes of the meeting on the issues being discussed covering on work safety and housing matters.
	6.6.2	A published statement in local languages recognizing freedom of association. <i>Minor</i>	Yes	During the previous audit, it was found that Jeroco CU had no published statements in local languages on freedom of association. During this audit, it was observed that the CU had included in the SIA report statements respecting the right of workers to unionize. Therefore, the minor NCR RM03 issued during the previous audit was closed out.
C 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.	6.7.1	Documented evidence that minimum age requirement is met. <i>Major</i>	Yes	During the previous audit, it was observed that the certainty of the CU recruiting workers of the right age could be improved if the management had carefully checked the birth date of the applicants. It was also found that teachers of the Humana school had commented that some children had followed their parents to field work. An OFI was therefore raised. HSPHB's labour policy has continued to disallow children below 18 years old to work in the estates/mill. Based on site visits to Kapis and Batangan Estate during this surveillance audit, it was found there were no workers below the age of 18 being employed to work in the estates.

				In addition, based on inspections on the Employee Master list in Kapis and Batangan Estates, it was found that no workers below 18 years had been recruited to work in the estates/mill. Therefore, this OFI was closed out.
C 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.	6.8.1	A publicly available equal opportunities policy. <i>Major</i>	Yes	During the previous audit, it was found that HSPHB had no publicly available equal opportunity policy. Therefore a major NCR # RM02 was raised. The CU had since then published statements to the effect that it shall not practice discrimination in the recruitment of workers or staffs or in paying or promoting them. Such statements had been written in the company's corporate culture and publicly made available. Therefore, major NCR # RM02 was closed out.
	6.8.2	Evidence that employees and groups including migrant workers have not been discriminated against. <i>Minor</i>	Yes	There was no evidence there was discrimination based on race, gender or national origin or any other factors. As shown in the employment letter, there were no differences in the terms of employment between foreign and local workers or between male and female workers. It was observed that these workers had lived in the same housing complex and enjoyed the same benefits. From interviews held with the workers, it was also revealed that there was no incidence of discrimination made against them. However, due to government policies, education opportunities had continued to differ between local and foreign children.
C 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.	6.9.1	A policy on sexual harassment and violence and records of implementation. <i>Major</i>	Yes	HSPHB had continued to use the same policy guidelines on sexual harassment entitled " <i>Polisi Untuk Pencegahan dan Pembasmian Terhadap Gangguan Seksual Yang Tidak Diundang Di Tempat Kerja</i> ".
	6.9.2	A specific grievance mechanism is established. <i>Major</i>	Yes	The policy guidelines prescribe, among others, the procedures for reporting sexual harassment assigning the responsibilities for action as well as the timelines involved.
C 6.10 Growers and mills deal fairly and transparently with smallholders and other local businesses.	6.10.1	Pricing mechanisms for FFB and inputs/services shall be documented. <i>Major</i>	Yes	The purchase of FFB was till being covered by a written contract signed by both parties, namely the estate and the supplier. One of the clauses in the agreement is on the purchase price of FFB which is determined by a formula. This formula was applicable to any party

				selling FFB to the mills. Based on interviews held with the contractors and FFB suppliers, it was found that they had been quite happy with the price paid for their fruits.
	6.10.2	Current and past prices paid for FFB shall be publicly available. <i>Minor</i>	Yes	It was evident that the mill had continued to display current and past FFB prices at their notice boards.
	6.10.3	Evidence that all parties understand the contractual agreements they enter into, and that contracts are fair, legal and transparent. <i>Minor</i>	Yes	All of the contractors interviewed have been involved in short-term works such as repair on roads and drains, transport of gravels, and maintenance of mill parts, which were covered by Minor Job Contracts (MJC). The MJC spelt out the types of works, -costs and job conditions which was signed by the estates/mill and the contractor. Based on interviews held with suppliers and contractors, it was revealed that the estates/mill had treated them quite well. They usually received their payments in the form of cheques the following month after the job was done.
	6.10.4	Agreed payments shall be made in a timely manner. <i>Minor</i>	Yes	Payments were made by cheques issued the month following the completion of the works. All the interviewees had mentioned that, in the past, payment had been made very promptly. The records of payments seen had testified that the contractors/suppliers had been paid on time.
C 6.11 Growers and millers contribute to local sustainable development wherever appropriate.	6.11.1	Demonstrable contributions to local development that are based on the results of consultation with local communities. <i>Minor</i>	Yes	The estates had continued their contributions to the local communities in several ways such as local employment and the roads within the estates were still being used by local people for communication and transportation while the clinic offered medical services at minimal costs to the locals.

Principle 7: RESPONSIBLE DEVELOPMENT OF NEW PLANTINGS

Jeroco CUhas no plan for new planting and it was observed that there was indeed no new planting. Thus Principle 7 is not applicable.

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

Clause	Indicators		Comply Yes/No	Findings
<p>C 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.</p> <p>MY NIWG commits to demonstrate progressive improvement to the following but not limited to:</p>	8.1.1	Minimise use of certain pesticides (C4.6). <i>Major</i>	Yes	<p>All 3 estates had continued to be committed to minimise the use of pesticides by continuously planting beneficial plants and reduce spraying in the inter rows by slashing woody growths and by encouraging the growth of soft weeds and <i>Neprolepis biserrata</i>.</p> <p>There was no prophylactic use of the agrochemicals. Jeroco CU had stopped using paraquat in June 2012. Since then, paraquat had been substituted by glyphosate and glufosinate.</p>
	8.1.2	Environmental impacts (C5.1). <i>Major</i>	Yes	The mitigations measures which were derived from the identification of environmental aspects had continued to be adequately implemented and monitored by a 3 rd party consultancy firm and also by HSPHB internal team of agronomists.
	8.1.3	Maximizing recycling and minimizing waste or by-products generation. <i>Major</i>	Yes	<p>The CU had continued to be active in maximizing recycling as evident through sales of recyclable materials.</p> <p>Process wastes such as POME, EFB, fibre and shell were still being fully utilized and recycled back into the system.</p>
	8.1.4	Pollution prevention plans (C5.6). <i>Major</i>	Yes	The installation of a bio-gas plant for JPOM 1 and 2 was still in progress. The plan on GHG emission reduction was signed and it would be implemented progressively in phases.
	8.1.5	Social impacts (C6.1). <i>Major</i>	Yes	The CU had continued to commit itself to utilize the established system to regularly monitor and review the social impacts of their key activities at the mill and estates, and initiated where relevant action plans for continuous improvement.
	8.1.6	A mechanism to capture the performance and expenditure in social and environmental aspects. <i>Minor</i>	Yes	A mechanism to capture the performance and expenditure in social and environmental aspects in CAPEX had continued to be implemented. The activities as listed in the plans and the monitoring of the actions taken demonstrated the continuous improvement achieved on matters related to the social aspects

RSPO Supply Chain at JPOM2 – Module D (SG)

Item No	Requirement	Findings
D.1 D.1.1	Documented procedures The facility shall have written procedures and/or work instructions to ensure the implementation of all the elements specified in these requirements. This shall include at minimum the following:	
	a) Complete and up to date procedures covering the implementation of all the elements in these requirements	<p>When Jeroco CU was first certified for RSPO supply chain, JPOM 1 was assigned for producing Mass Balance (MB) products while JPOM 2 producing segregation (SG) products. Effective from 8/9/2014, the management had decided to switch the assigned model between the two mills i.e. JPOM 1 for SG and JPOM 2 for MB.</p> <p>The following documented procedures were made is-available:</p> <ol style="list-style-type: none"> 1) JPOM 1 - Standard Operating Procedure for Traceability (Doc. No. RSCS/JPOM/004, Issue No. 1, dated 14/8/2012); and 2) JPOM 2 - Standard Operating Procedure for Traceability (Doc. No. RSCS/JPOM/004, Issue No. 1, dated 14/8/2012). <p>These procedures covered both the processing and handling of RSPO certified products under the SG and MB models.</p>
	b) The name of the person having overall responsibility for and authority over the implementation of these requirements and compliance with all applicable requirements. This person shall be able to demonstrate awareness of the facilities procedures for the implementation of this standard.	<p>The following persons had been appointed as having overall responsibility for and authority on the implementation of the supply chain requirements.</p> <p>JPOM 1 – Muhammad Jusri Hj. Lahatta JPOM 2 – Jumansha Abd. Rahman</p>
D.1.2	The facility shall have documented procedures for receiving and processing certified and noncertified FFBs.	The procedures on the receiving and processing of certified and noncertified FFBs had been described in the two documents as mentioned in the findings on indicator D.1.1.
D.2 D.2.1	Purchasing and goods in The facility shall verify and document the volumes of certified and non-certified FFBs received.	JPOM 2 had never accepted the non-RSPO certified FFB since the date of certification until August 2014. Its main supply bases were those own of its estates under the Jeroco CU i.e. Batangan Estate, Lutong Estate, Lokan Estate, Kapis Estate and Lungmanis.

		For the period from October 2013 to August 2014, JPOM2 had received 145,056.31 MT of RSPO certified FFBs.
D.2.2	The facility shall inform the CB immediately if there is a projected overproduction.	There was no overproduction of certified CPO or PK.
D.3 D.3.1	Record keeping The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements.	JPOM2 had maintained the following up-to-date and accessible records on: <ul style="list-style-type: none"> • Training • Incoming FFB • Outgoing of CPO and PK • Production
D.3.2	Retention times for all records and reports shall be at least five (5) years.	As stated in the procedure RSCS/JPOM/001, chapter CSFFB, CSPO & CSPK Traceability System, Item 5.0) all record pertaining to the RSPO system would be kept for at least 5 years.
D.3.3	The facility shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, PKO and palm kernel meal on a three-monthly basis.	Records of FFB received and CPO & PK dispatched were recorded daily and available on three monthly basis.
D.3.4	The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. *product name*/SG or Segregated. The supply chain model used should be clearly indicated.	Product names and model used were clearly stated on the relevant documents such as sales contract, delivery order and weighbridge ticket – i.e. CSPO SG or MB and CSPK SG or MB.
D.4 D.4.1	Sales and good out The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information: <ol style="list-style-type: none"> a) The name and address of the buyer; b) The date on which the invoice was issued; c) A description of the product, including the applicable supply chain model (Segregated) d) The quantity of the products delivered; e) Reference to related transport documentation. 	Accompanying documents for sending CSPO were as follows: <ol style="list-style-type: none"> 1) Delivery note; 2) Time Sheet; 3) Borang MPOB L3; 4) Independent surveyor report; 5) Notice of Vessel Readiness; 6) Sounding Report; 7) Dry Certificate; 8) Pre-inspection advice; and 9) Combined Pressured and Cleanliness Certificate of Tankers <p>All RSPO certified products (CPO and PK) were sent either to the Sandakan Edible Oil Sdn Bhd SEO), Lahat Datu Edible Oil (LDEO), KKK Refinery, Mewah Refinery and IOI Refinery.</p>

		<p>Based on verification of invoices, it was confirmed that the following information was available:</p> <ul style="list-style-type: none"> • Name of buyer; • Address; • Description of products; • Quantity; and • Reference related to transport documents
D.5 D.5.1	<p>Processing</p> <p>The facility shall assure and verify through clear procedures and record keeping that the RSPO certified palm oil is kept segregated from non-certified material including during transport and storage and be able to demonstrate that it has taken all reasonable measures to ensure that contamination is avoided. The objective is for 100 % segregated material to be reached. The systems should guarantee the minimum standard of 95 % segregated physical material; up to 5 % contamination is allowed.</p>	<p>There was adequate record keeping on the segregation of RSPO certified palm oil. Since JPOM2 had not accepted any non-certified RSPO FFBs, its processing activity can guarantee the minimum standard of 95% segregation physical material was being achieved.</p>
D.5.2	<p>The facility shall provide documented proof that the RSPO certified palm oil can be traced back to only certified segregated material.</p>	<p>JPOM 2 was able to prove that the CPO and PK produced were only sourced from RSPO certified estates through daily recordings of FFB reception.</p>
D.5.3	<p>In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that:</p> <ul style="list-style-type: none"> • The crush operator conforms to these requirements for segregation • The crush is covered through a signed and enforceable agreement 	<p>Not applicable since JPOM2 had not outsourced any of its FFB processing activity.</p>
D.6 D.6.1	<p>Training</p> <p>The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems.</p>	<p>JPOM has conducted RSPO supply chain training to all its relevant personnel from various functions such as the management, administration, laboratory, weighbridge, FFB grading and security for both mills 1 and 2.</p>
D.7 D.7.1	<p>Claims</p>	<p>RSPO Trademark had not been used for the RSPO certified products.</p>

	The facility shall only make claims regarding the use of or support of RSPO certified palm oil that are in compliance with the RSPO Rules for Communication and Claims.	
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RSPO Supply Chain at JPOM 1 – Module E (MB)

Item No	Requirement	Findings
E.1	Documented procedures	<u>E.1.1.a</u> When Jeroco CU was first certified for RSPO supply chain, JPOM 1 was assigned for producing MB products while JPOM 2 was producing SG products. Effective from 8/9/2014, the management had decided to switch the assigned model between the two mills i.e. JPOM 1 for SG and JPOM 2 for MB. The following documented procedures were made available: 1) JPOM 1 - Standard Operating Procedure for Traceability (Doc. No. RSCS/JPOM/004, Issue No. 1, dated 14/8/2012). 2) JPOM 2 - Standard Operating Procedure for Traceability (Doc. No. RSCS/JPOM/004, Issue No. 1, dated 14/8/2012).
E.1.1	The facility shall have written procedures and/or work instructions to ensure the implementation of all the elements specified in these requirements. This shall include at minimum the following: 1) Complete and up to date procedures covering the implementation of all the elements in these requirements 2) The name of the person having overall responsibility for and authority over the implementation of these requirements and compliance with all applicable requirements. This person shall be able to demonstrate awareness of the facilities procedures for the implementation of this standard.	
E.1.2	The facility shall have documented procedures for receiving and processing certified and non-certified FFBs.	These procedures covered both the processing and handling of RSPO certified products under the SG and MB models. <u>E.1.1.b</u> The following persons had been appointed as having overall responsibility for and authority on the implementation of the supply chain requirements: JPOM 1 – Muhammad Jusri Hj. Lahatta JPOM 2 – Jumansha Abd. Rahman <u>E.1.2</u> The procedures on the receiving and processing of certified and noncertified FFBs had been is—described in the two documents as mentioned in the findings on indicator E.1.1.
E.2	Purchasing and goods in	<u>E.2.1</u>
E.2.1	The facility shall verify and document the volumes of certified and non-certified FFBs received.	JPOM 1 main FFB supply base were those of its own estates under the Jeroco CU i.e. Batangan Estate, Lutong Estate, Lokan Estate, Kapis Estate and Lungmanis. As JPOM1 was using the MB model, the mill had also accepted non-

E.2.2	The facility shall inform the CB immediately if there is a projected overproduction.	<p>certified RSPO FFBs from smallholders which constituted less than 5% of the total FFBs received by the mill. JPOM1 had recorded and was able to verify the volumes of RSPO-certified and non-RSPO certified FFBs it received. Nonetheless, the calculation of certified CPO and PK based on the FFB contribution rate between the certified supply base and smallholders needs to be further improved. It was found that there were errors in the the calculation of mass balance accounting which has led to false claims (see major NCR under requirement E.3.3).</p> <p><u>E.2.2</u> There was no overproduction of RSPO-certified CPO or PK.</p>
E.3	Record keeping	<u>E.3.1</u>
E.3.1	The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements.	JPOM1 had maintained the following up-to-date and accessible records on:
E.3.2	Retention times for all records and reports shall be at least five (5) years.	<ul style="list-style-type: none"> • Training • Incoming FFB • Outgoing of CPO and PK • Production of CPO
E.3.3	<p>a) The facility shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, PKO and palm kernel meal on a three-monthly basis.</p> <p>b) All volumes of palm oil and palm kernel oil that are delivered are deducted from the material accounting system according to conversion ratios stated by RSPO.</p> <p>c) The facility can only deliver Mass Balance sales from a positive stock. However, a facility is allowed to sell short.</p>	<u>E.3.2</u>
E.3.4	The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. *product name*/MB or Mass Balance. The supply chain model used should be clearly indicated.	As stated in the procedure RSCS/JPOM/001, chapter CSFFB, CSPO & CSPK Traceability System, Item 5.0) all record pertaining to the RSPO system would be kept for at least 5 years.
E.3.5	In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that the crush is covered through a signed and enforceable agreement.	<u>E.3.3</u>
		Based on JPOM 1's MB accounting sheet, during the period from September 2013 to August 2014, JPOM 1 had dispatched some 2,300 MT of RSPO MB certified palm kernel more than that it had produced. An NCR VS01 was therefore raised.
		<u>E.3.4</u>
		Product names and model used were clearly stated on the relevant documentssuch as sales contract, delivery order and weighbridge ticket – i.e. CSPO MB and CSPK MB.
		<u>E.3.5</u>
		Not applicableas there was no outsource activity.
E.4	Sales and good out	Accompanying documents for sending CSPO were as follows:

E.4.1	<p>The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information:</p> <p>a) The name and address of the buyer;</p> <p>b) The date on which the invoice was issued;</p> <p>c) A description of the product, including the applicable supply chain model (Segregated or Mass Balance)</p> <p>d) The quantity of the products delivered;</p> <p>e) Reference to related transport documentation.</p>	<ol style="list-style-type: none"> 1) Delivery note (002540) – MPOB L3 No. 6734887 2) Time Sheet (Vessel: Jeroco No. 3) 3) Borang MPOB L3 (6734887) 4) Independent surveyor report, SGS (Vessel: Jeroco No. 3, inv. no.) 5) Notice of Vessel Readiness (Vessel: Jeroco No. 3) 6) Sounding Report (Vessel: Jeroco No. 3) 7) Dry Certificate 8) Pre-inspection advice (Vessel: Jeroco No. 3) 9) Combined Pressured & Cleanliness Certificate of Tankers (has MPOB L3 no.) <p>All RSPO-certified products (CPO and PK) were sent to either the SEO, LDEO, KLK Refinery, Mewah Refinery and IOI Refinery.</p> <p>Invoice (Sampled: # 2803481) issued has the following information:</p> <ul style="list-style-type: none"> • Name of buyer – Sandakan Edible Oil Sdn Bhd • Address – Mile 5, Jln Batu Sapi, Karamunting, 90729 Sandakan • Description of products – CSPOMB is stamped in DN & MPOB L3 • Quantity – 1,253.102 mt (which 751.859 mt is from JPOM 1) • Contract no. – yes, e.g. J4014CP (which dated 25/4/2014)
E.5 E.5.1	<p>Training</p> <p>The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems.</p>	<p>JPOM has conducted RSPO Supply Chain training to all its relevant personnel from various functions such as the management, administration, laboratory, weighbridge, FFB grading and security for both mills 1 and 2.</p>
E.6 E.6.1	<p>Claims</p> <p>The facility shall only make claims regarding the use of or support of RSPO certified oil palm products that are in compliance with the RSPO Rules for Communications and Claims.</p>	<p>RSPO Trademark had not been used for the RSPO-certified products.</p>

3.2 Identified Non-Conformities

Details of the non-conformities, corrective actions taken by Jeroco CU and assessors' verification of the corrective actions taken are as in **Appendix 3**. All major non-conformities have been closed out.

3.3 Status of Non-Conformities Previously Identified

All corrective actions taken to address the previous non-conformities were verified for their effectiveness. All nonconformities have been closed out. The details on the verified non-conformities are as in **Appendix 4**.

3.4 Issues Raised by Stakeholders

There were various stakeholders interviewed during this assessment comprising of workers, surrounding villagers and contractors. Generally, all of the stakeholders had given positive feedback towards Jeroco CU.

3.5 Noteworthy Positive and Negative Observations

The level of awareness among the workers on the RSPO implementation was found to be improving. They are able to explain not only the operating procedures related to their work but also the impact of its deviation, the consequence for not following them and the importance in achieving conformity to the RSPO requirements. The new clinic at Batangan Estate was just completed and equipped with all new bedding and basic medical equipments for the patients. The other amenities such as crèche and worship places had also been upgraded in phases reflected the management's commitment towards social contribution to the workers.

4.0 ASSESSMENT RECOMMENDATION AND DATE OF CLOSING NON-CONFORMITIES

☐

No NCR recorded. Recommended to continue certification.

☒

Minor NCR(s) recorded. Recommended to continue certification conditional upon acceptance of corrective action plans within 1 month of the date of this audit.

Note: Minor NCRs raised in the audit which are not addressed in the subsequent assessment shall be upgraded to major NCRs

☒

Major NCR(s) recorded. Proposed corrective action and evidence of implementation within 2 months of the date of this audit to be submitted to SIRIM QAS International Verification on major NCRs is required :

☐

On-site audit of the following areas is recommended within 2 months (if applicable)

☒

On-site audit not required. Records of implementation of corrective action to be submitted for verification

Note: The major NCRs raised during surveillance audit shall be addressed within 60 days or certificate shall be suspended. Major NCRs which are not addressed within a further 60 days shall result in the certificate being withdrawn.

IT IS CONFIRMED THAT ALL CORRECTIVE ACTIONS TAKEN ON MAJOR NON CONFORMITIES HAVE BEEN SATISFACTORILY REVIEWED, ACCEPTED AND VERIFIED AND ALL CORRECTIVE ACTIONS PLANS PROVIDED ON MINOR NON CONFORMITIES HAVE BEEN SATISFACTORILY REVIEWED AND ACCEPTED. RECOMMENDED FOR CONTINUATION OF RSPO P & C CERTIFICATION.

Audit Team
Leader:

MOHAMED HIDHIR

(Name)



(Signature)

19/11/2014

(Date)

5.0 ORGANIZATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

5.1 Date of Next Surveillance Visit

The next surveillance visit will be conducted within 12 months but not sooner than 9 months after the approval of this report by RSPO.

5.2 Formal Sign-off of Surveillance Assessment Findings

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



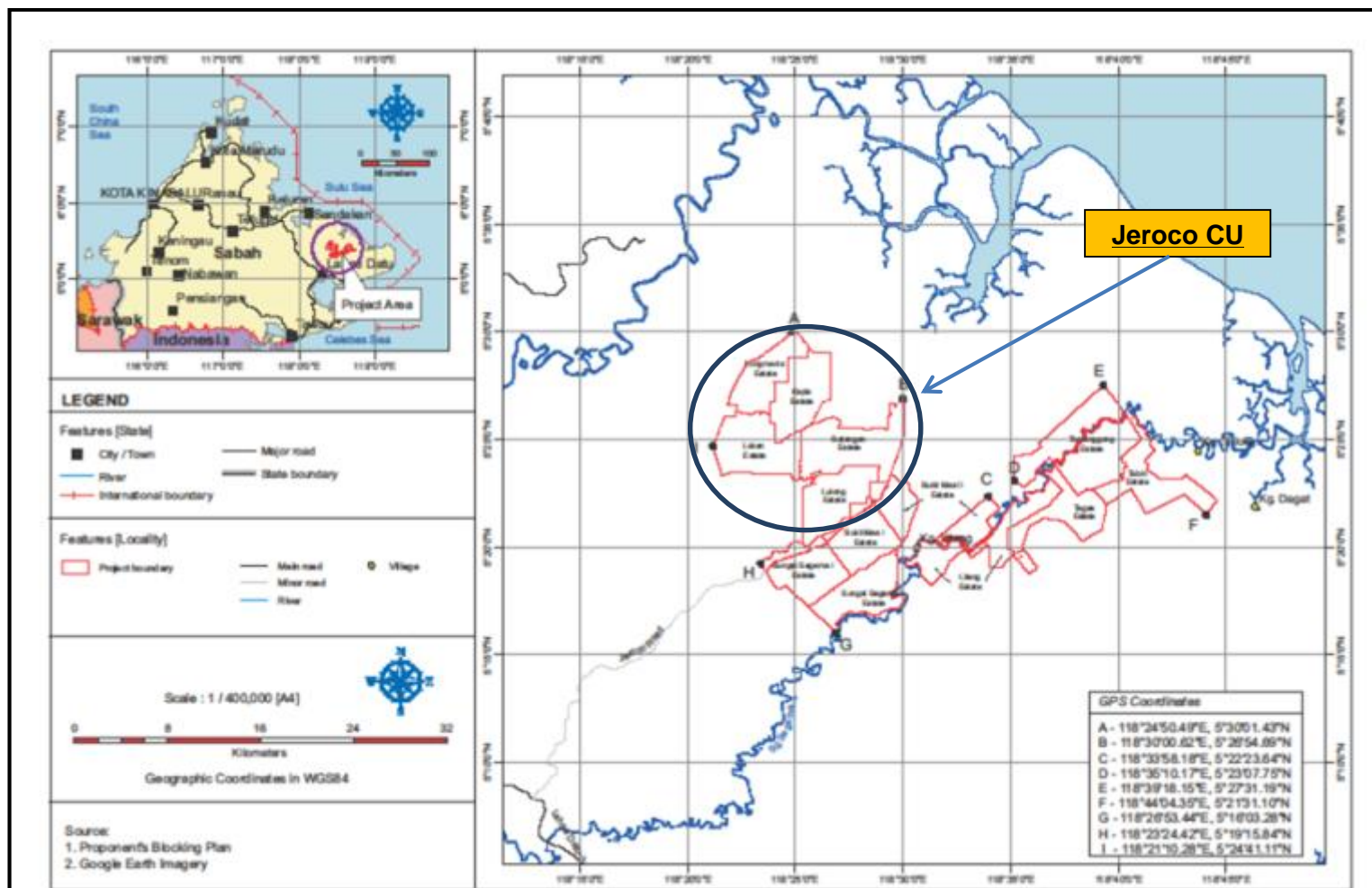
MOHAMED HIDHIR BIN ZAINAL ABIDIN
Lead Assessor

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

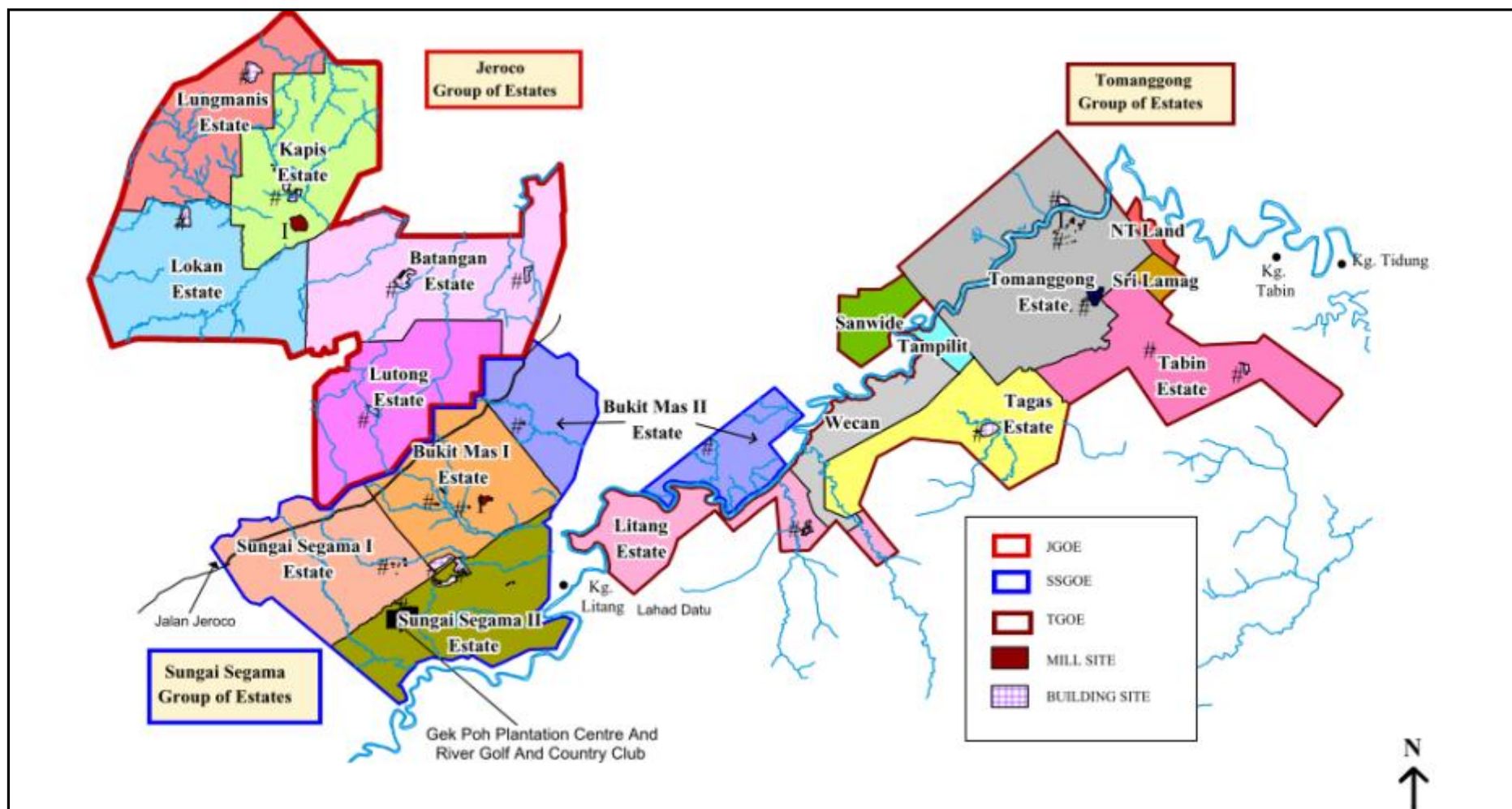


Name : Kee Keow Chow

Date : 02/02/2015

Location Map of Jeroco CU

Map of Jeroco CU



Assessment Programme

Day One: 17th September 2014

Activities /areas to be visited	Valence	Hidhir	Najwan	Auditee
8.00 – 8.15 am	Opening meeting, audit team introduction and briefing on audit objective, scope, methodology, criteria and programmes by audit team leader			Top mgmt & Committee Member
8:15 – 9:00 am	Briefing on the organization background and implementation of RSPO (including progress of time bound plan and progress of the smallholder on RSPO standard of compliance and verifying previous assessment finding – non conformity(ies) Major or Minor (if any))			Management representative
9:00 – 12:00 pm	<p>Site visit and assessment at Lutong Estate relating to Good Agricultural Practice including IPM, environmental aspect and management plan</p> <ul style="list-style-type: none"> Replanting area Nursery (if any) Good Agricultural Practice Witness activities & assessment at site (weeding/ spraying/ harvesting/ other maintenance activities) Emergency preparedness & response on site IPM programme EFB mulching Soil erosion management Commitment to transparency Laws and regulations Commitment to long-term economic and financial viability Continuous Improvement Plan Verification of previous audit finding <p>Assessment on related Indicators of P1, P2,P3, P4, P5, P8</p>	<p>Verification on general requirements with Sustainability team or relevant units</p> <ul style="list-style-type: none"> Progress of time-bound plan Planting profile of certified supply bases Actual and projected yield for each supply base and Jeroco 1 & 2 POM Verification of details in the new RSPO's Report summary Template Availability of certified estate / NPP area map in appropriate format (KML, KMZ, Shape file) which have the following minimum general technical requirements: <ul style="list-style-type: none"> TITLE SCALE INDICATOR - Minimum scale 1:50,000 ORIENTATION CLEAR BORDER(s) – readable quality LEGEND - Informative and readable legend MAP LOCALITY (map is contextualized in a wider area with a Guide/PIC smaller map) PROJECTION is necessary to combine and overlay maps with minimum distortion. GEO-REFERENCE (using map coordinates, such as latitude and longitude or Universal Transverse Mercator) is crucial because shows how any map relates to real world 	<p>Site visit and assessment at Kapis Estate relating to, local community, indigenous peoples and workers issues. Verification of SIA and management plans</p> <ul style="list-style-type: none"> Interviews with Administration staff, Gender Committee, Union representatives (if any) and FFB transporters Discussion with management (CSR, community affairs) Consultation with relevant government agencies, if applicable Facilities at workplace (rest area etc) Visit line site and discussion with Workers and dependents Facilities at living quarters (surau, provision shop, crèche, etc) Continuous Improvement Plan Verification of previous audit finding 	Guide/PIC

		coordinates and allows for combining data from different sources. ➤ SOURCE(s) of the map	Assessment on related Indicators of P1, P2, P3, P6 & P8	
12.00 – 1.00 pm	Lunch Break			
1.00 – 5.00 pm	Continue on unfinished element	<p>Site visit and assessment at Jeroco 1 POM relating to Good Milling Practices, environmental aspects and management plan and implementation of occupational safety and health</p> <ul style="list-style-type: none"> • Loading Ramp • Production area • Utilities e.g. engine room, boiler, WTP and ETP etc. • Laboratory • Workshop • Management of contractors • Interview with safety and health committee • Safety and health plan • Waste management (hazardous, domestic and biomass waste) • Pollution prevention plan • Energy and water consumption • Water management plan • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Continuous Improvement Plan • Verification of previous audit finding <p>Assessment on related Indicators of P1, P2, P3, P4, P5, P8</p>	Continue on unfinished element	Guide/PIC
5.00 – 5.30 pm	Audit team discussion			

Day Two: 18th September 2014

Activities /areas to be visited	Valence	Hidhir	Najwan	Auditee
8.00 – 11.00 am	Continue assessment at Lutong Estate	<p>Site visit and assessment at Jeroco 2 POM relating to Good Milling Practices, environmental aspects and management plan and implementation of occupational safety and health</p> <ul style="list-style-type: none"> • Loading Ramp • Production area • Utilities e.g. engine room, boiler, WTP and ETP etc. • Laboratory • Workshop • Management of contractors • Interview with safety and health committee • Safety and health plan • Waste mangement (hazardous, domestic and biomass waste) • Pollution prevention plan • Energy and water consumption • Water management plan • Commitment to transparency • Laws and regulations • Commitment to long-term economic and financial viability • Continuous Improvement Plan • Verification of previous audit finding <p>Assessment on related Indicators of P1, P2, P3, P4, P5, P8</p>	<p>Site visit and assessment at Batangan Estate relating to estates boundary, HCV, and management plans</p> <ul style="list-style-type: none"> • Conservation area management • Riparian Buffer Zone • Water bodies and river system • Plantation on hilly and swampy area • Consultation with relevant government agencies, if applicable • Commitment to transparency • Verification of land title and boundary stone • Laws and regulations • Commitment to long-term economic and financial viability • Continuous Improvement Plan • Verification of previous audit finding <p>Assessment on related Indicators of P1, P2,P3, P4, P5, P8</p>	Guide/PIC
12.00 – 1.00 pm	Lunch Break			
1.00 – 5.00 pm	Continue with unfinished element	Continue with unfinished element	Continue with unfinished element	Guide/PIC
5.00 – 5.30 pm	Audit team discussion			

Day Three: 19th September 2014

Activities /areas to be visited	Valence	Hidhir	Najwan	Auditee
8.00 – 11.00 am	<p>Site visit and assessment at Jeroco 1 POM relating to 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 	<p>Site visit and assessment at Batangan Estate relating to occupational safety and health</p> <ul style="list-style-type: none"> • Nursery (if any) • Witness activities & assessment 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 • Assessment on related Indicators of P1, P2, P3, P4, P5, P8 	<p>Site visit and assessment at Jeroco 1 & 2 POM on responsible social considerations</p> <ul style="list-style-type: none"> • Interviews with Administration staff , Gender Committee, FFB Suppliers, contractors and Union representatives • Discussion with management (CSR, community affairs) • SIA and management plan • Facilities at workplace • Consultation with relevant government agencies (if applicable) • Pricing mechanism of FFB • Continuous Improvement Plan • Other areas identified during the assessment <p>Assessment on related indicators of P1, P2, P3, P6, P8</p>	Guide/PIC
12.00 – 1.00 pm	Lunch Break			
1.00 – 5.00 pm	<p>Site visit and assessment at Jeroco 2 POM relating to 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 	Continue with unfinished element	Continue with unfinished element	Guide/PIC

	<ul style="list-style-type: none"> • Registration • Training • Claims • Mass balance accounting 			
5.00 – 5.30 pm	Audit team discussion			

Day Four: 20th September 2014

Activities /areas to be visited	Valence	Hidhir	Najwan	Auditee
8.00 – 12.00 pm	Verification on all outstanding issues P1, P2, P3, P4, P5 , P6 Documentation review			Guide/PIC
12.00 – 1.00 pm	Lunch Break			
1.00 – 2.00 pm	Audit team discussion and preparation on audit findings			
2.00 – 3.00 pm	Acceptance of finding with top management			
3.00– 5.00 pm	Closin g meeting & presentation of finding			Top Management & committee member

DETAIL OF NON-CONFORMITIES AND CORRECTIVE ACTIONS TAKEN (2014)

P & C Indicator	Specification Major/Minor	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
Indicator 2.1.1 : #MH1	Major	<p>Indicator 2.1.1 : Evidence of compliance with legal requirements <i>i) Environment Quality (Prescribed Premise) (Crude Palm Oil) Regulations 1977 (amendment 2013), "Jadual Pematuhan " 00142 - Clause 13 (smoke density indicator & alarm maintenance and reporting), Clause 15 (CEMS –DIS online system), Environment Quality Act 1974, Section 49A & Clause 18 (competent operator for air pollution control equipment and schedule waste manager)</i> Objective evidence: i) - Faulty of the smoke density indicator alarm for boiler no.1, 2 & 3 was found during site review at JPOM 1. Last calibration was carried out on 24/12/13. - CEMS-DIS was found malfunction at JPOM1 & 2. No such notification sent to DOE since the system malfunction. - There was no appointed air pollution control equipment competent person and schedule waste manager for Jeroco CU.</p> <p><i>ii) Scheduled Waste Regulations 2005 – Regulation 3 (Notification of generation), Regulation 7 (Application for special management of schedule waste), Regulation 9 (Storage of scheduled waste < 180 days), Regulation 11 (Inventory of scheduled waste)</i> Objective evidence : Only SW305 and SW410 were notified to DOE based on the Schedule 2 dated 30/6/14. Not all scheduled generated were notified to DOE for JPOM1 and 2. - No special management obtained for transporting the scheduled waste to the centralized storage at Batangan Estate. Furthermore, SW 404 (clinical) waste was also transported without special management approval to SgSegama Clinic. - Scheduled waste generated was not disposed and stored more than 180 days at JPOM 1 & 2. Last disposal was made 23/10/13. No application for storage period extension made to DOE for such issues. - Inventory (5th Schedule) was not up to date and not tally with the physical stock at the storage area. (JPOM 1 & 2) - 5th Schedule was only updated quarterly and not reported using E-consignment note (ECN) system. (Refer DOE notice during visit on 22/4/14) <i>iii) Highly Toxic Pesticides Regulations 1996 – Regulation 3 (Prohibition), Regulation 4 (Maintenance of record)</i></p>	<p>Corrective actions taken by HSPHB: i) The faulty smoke density indicator alarm job order repair will be sent to the relevant contractor for repair. The smoke density alarm will be inspected in a monthly basis by the mill supervisor and mill assistants. Notification letter to DOE will be submitted by the mill management.</p> <p>Competent person for air pollution control equipment candidate will be forwarded to the management for approval. Once approved, the selected candidate will attend the training.</p> <p>ii) Scheduled was SW 306, SW 409 and SW 103 will be notified to DOE for both JPOM 1 and 2 - A meeting with DOE Director/ Officer will be arranged by the management. The purpose of the meeting is to explain them our current situation and seek their comments before we submit any Special Management Plan. Once discussed, the company will proceed with the development of the Special Management Plan and submit to DOE for approval</p> <p>The company will appoint LagendaBumimas to conduct the disposal of all the schedule waste generated by HSPHB. Currently the company is in the midst of seeking top management approval to appoint LagendaBumimas as the company permanent contractor and a program for disposal will be devised from there.</p>	<p>Records to be verified by auditor : i) Job order @ PO to the appointed contractor. If has been repaired, please provide the service job sheet or calibration report. ii) Notification letter to DOE for JPOM1 & 2 with DOE acceptance. <u>Status:</u> Closedout</p> <p>Verified nominated candidates for the competent person training. Refer to letter dated 3/10/14 from HSPHB Processing Controller. <u>Status:</u> Closed out.</p> <p>Verified e-Notification to DOE for the SW306, SW409 and SW 102 dated 29/9/14. Verified letter to DOE pertaining to special management of schedule waste. Decision by DOE will be verified in the next audit. <u>Status:</u> Closed out</p> <p>Sighted the quotation to the contractor disposal arrangement documents to the license contractor. Evidence of updated inventory and consignment using e-CN system have been provided by JPOM 1&2. <u>Status:</u> Closed out</p>

		<p>Objective evidence : No evidence of (form I, II & III) been used for the handling of highly toxic pesticides (methamidophos) on 4-10/2/13 at Batangan Estate.</p> <p>iv) <i>OSHA 1994, Use and Standards Of Exposure of Chemicals Hazardous to Health Regulations 2000 – Regulation 27 (health surveillance programme)</i> Objective evidence : Health surveillance programme was not carried out in timely manner for chemical listed in (Schedule 2), N-hexane. Last medical surveillance was done on 23/3/12 for JPOM1 and 2.</p>	<p>iii) The form will be filled in accordingly and will be submitted to the DOA.</p> <p>Awareness training will be conducted in December 2014.</p> <p>iv) The workers has been sent to medical surveillance on 19th September 2014 at SgSegama Central Clinic. The annual medical surveillance has been fixed to be conducted every September on yearly basis and any new lab operator will be sent for the check-up within 1month of joining the company. One Medical surveillance report (Cik Suriani Baharuddin) is attached.</p>	<p>Verified the training programme on December 2014 for the estate personnel. Evidence of training conducted will be verified in the next audit. <u>Status:</u> Closed out.</p> <p>Verified the medical surveillance programme carried out by OHD. <u>Status:</u> Closedout.</p>
Indicator 4.1.1 : #MH2	Major	<p>Indicator 4.1.1: Documented Standard Operating Procedures (SOP) for estates and mill. Finding : The mechanism for identifying the relevant requirement in the SOP was not effective. Objective evidence : Established SOP for estate and mill operation related to : i) Lab activities(S012, Chapter 7 “Makmal”) was only addressed on the testing methodology not clear described on the USECHH 2000 requirements and environmental consideration. ii) Permit To Work procedure, not clearly mentioned on the competency and health declaration for the person who work in confined space. iii) SOP for trunk injection - not clear description on Highly Toxic Pesticides Regulations 1996 requirements and environmental consideration.</p>	<p>Corrective action taken by HSPHB :</p> <p>i) The SOP for lab activities will be amended accordingly to include the USECHH 2000 requirements and environmental consideration. Implementation will be done immediately.</p> <p>ii) The permit To Work procedure will be amended according to the Industrial Code of Practice (ICOP) 2010. The competency and health declaration for the person working in the confined space will be included. Current workers involved in working at confined space will be sent for the OHD Medical Checkup as per required inside the ICOP. Monitoring for the implementation is done by the mill manager and mill assistant.</p> <p>iii) The current SOP for the trunk injection will be amended to include the Highly Toxic Pesticides Regulations 1996 requirements and environmental consideration.</p>	<p>Evidence of amended SOP on USECHH 2000 requirement and environmental consideration have been updated. <u>Status:</u> Closed out.</p> <p>Revised Confined Space Entry Procedure dated 20/9/14 was verified. All pertinent element has been included as per ICOP 2010. Implementation of the procedure will be verified in the next audit. <u>Status:</u> Closed out.</p> <p>SOP for trunk injection has been revised. Refer SOP dated 11/10/14. Requirement of Highly Toxic Pesticides Regulations 1996 and environmental consideration has been included accordingly. <u>Status:</u> Closed out.</p>

Indicator 2.1.4 : #MH3	Minor	<p>Indicator 2.1.4 – A system for tracking any changes in the law</p> <p>Finding: No changes and updates incorporated in the legal register at all operating units.</p> <p>Objective evidence : Legal register was not updated with regards to</p> <ul style="list-style-type: none"> i) Highly Toxic Pesticides Regulations 1996 ii) Electric Supply Act 1990, Electrical Regulations 1994 iii) FMA 1967, Noise Exposure Regulations 1989 iv) Requirements under “Jadual Pematuhan” for Jeroco Palm Oil Mill (001242) validity period 1/7/14- 30/6/15 	<p>Corrective action taken by HSPHB :</p> <p>All the information will be included inside the legal register. The completion date of the updating of the Legal Register is expected in June 2015.</p>	Corrective action taken will be verified in the next audit.
Indicator 5.6.2 : #MH4	Minor	<p>Criterion 5.6: Plans to reduce pollution and emission, including greenhouse gases, are developed, implemented and monitored.</p> <p>Indicator 5.6.2: Plans are reviewed annually</p> <p>Finding: The annual reviewed plan was not comprehensively assessed and monitored.</p> <p>Objective evidence : Environmental impact assessment management action plans and continuous improvement plan dated January 2014 did not include: <u>JPOM1 & 2 Mill</u></p> <ul style="list-style-type: none"> - Boiler operating condition (normal/uncontrolled burning/start-up & loading) was not identified and reviewed - Plan for the Clean Air Regulations 2014 compliance in 5 years' time. - Emergency response plan for major CPO spillage for barge and bulking operation 	<p>Corrective action taken by HSPHB :</p> <p>All the information required will be included inside the final report.</p> <p>Emergency response plan for major CPO spillage for barge and bulking operation will be updated by the mill management. Implementation and monitoring will be done by the Emergency Response Team for spillage of JPOM 1</p>	Corrective action taken will be verified in the next audit.
Indicator 4.4.7 : #MH5	Minor	<p>Indicator 4.4.7 – Evidence of water management plan</p> <p>Finding : Water management plan was not comprehensively described on the quality and availability of surface and ground water for the respective operating units</p> <p>Objective evidence : Water management plan dated January 2014 did not include :</p> <ul style="list-style-type: none"> - Surface water (untreated) and treated water quality standard used. - Baseline data for the water quality and frequency of testing - Contingency plan during dry season based on the rainfall data and climate change 	<p>Corrective action taken by HSPHB:</p> <p>The water quality standard used is the National Water Standard and Frequency of drinking water testing will be done in six month frequency.</p> <p>Contingency plan during dry season will be to store rain water for domestic use only. For drinking water, the mill will supply treated water using one tanker and five water bowser. All the information required will be included inside the final report.</p>	Corrective action taken will be verified in the next audit.

Indicator 6.5.3 : #KN1	Minor	<p>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.</p> <p>Finding : The above requirement was not adhered</p> <p>Objective evidence : Unauthorized extensions or alterations are made to the buildings water piping at block A03,A04,A05 and A06 at Kapis Estate workers line-site.Treated water (from WTP) is connected to rain water harvesting tank and was used for consumption. No evidence to show that the tank water is fit for human consumption. Supply of potable piped water which filtered and treated was mixed with untreated rain-harvesting water.</p>	<p>Corrective action taken by HSPHB :</p> <p>All the housings unauthorized extensions will be fixed and repaired. Mixing of rain water with the treated water is not permitted. Inspection and repair job expected to be completed in 15th October 2014. The building inspection checklist will be updated to include the checking of the water tanks piping system.</p>	<p>Refer memo dated 1.10.2014 and photograph. Corrective action taken satisfactory and effectiveness will be verified in the next audit.</p>
Clause E.3.3 #VS01	Major	<p>RSPO Supply Chain Certification Standard, Clause E.3.3 c) The facility can only deliver Mass Balance sales from a positive stock.</p> <p>Finding: Jeroco Palm Oil Mill 1 (JPOM 1) has sold RSPO mass balance certified palm kernel from negative stock.</p> <p>Objective evidence: Based on JPOM 1's mass balance accounting sheet, in a period from September 2013 to August 2014, JPOM 1 dispatched some 2,300 mt of palm kernel as RSPO mass balance certified more than it had produced.</p>	<p>Corrective action taken by HSPHB:</p> <p>Jeroco CU notified the buyer that there was 2,275.28mt PK sold and delivered within the period of February to August 2014 was not certified. The buyer acknowledged receipt the notification regarding the issue. Additional internal training regarding Mass Balance Supply Chain will be conducted to the related personnel. This will be done on annual basis. Daily monitoring mechanism on production and sales of certified CPO and PK has been implemented immediately by mill.</p>	<p>Comments by auditor:</p> <p>The notification to the buyer about the CSPK deliveries from negative stocks is acceptable. Effectiveness of implementation and additional training shall be verified in the next surveillance assessment.</p> <p><u>Status:</u> Closed out</p>

Status of Non-Conformities Previously (2013) Identified

P & C Indicator	Specification Major/Minor	Detail Non-conformances	Corrective Action Taken by the CU and Verification by Assessors
Indicator 2.1.1 NCR# VS01	Major	<p>Some evidence of compliance with legal requirements was not found.</p> <p><u>Evidence:</u> The following legal requirements have yet to be fulfilled:</p> <ol style="list-style-type: none"> 1) Training on scheduled waste handling – Regulation 15, Environmental Quality(Scheduled Wastes) Regulations, 2005 2) Fire certificate for Palm Oil Mill – Section 28, Requirement for Fire Certification, Fire Services Act, 1988 3) Competent persons in-charge for the greater horsepower generator sets at Jeroco Mill 2 and Lutong Estate and Steam Engineer in-charge – e.g. 1st Grade ICE driver (JPOM2, Lutong Estate), 1st Grade visiting engineer (JPOM 2), 1st and 2nd Grade Steam Engineer in-charge (JPOM 1), 1st Grade Steam Engineer in-charge (JPOM 2) - Factory & Machinery (Person In Charge) Regulation 1970 - Regulation 5(6)(ii) (25000>HS>10000), Regulation 6 (4), (Requirement for > 500hp ICE) & Regulation 6(3) (Requirement for >100hp ICE) 4) Written approvals for generator sets – Regulation 36, Environmental Quality(Clean Air)Regulations, 1978 	<ol style="list-style-type: none"> 1) Jeroco CU has conducted scheduled waste training for the identified person who involved in scheduled waste management. The latest training was carried out 2/7/14 at JPOM2. 2) Jeroco POM 1 &2 has included in their budget (2014 CAPEX) for the fire fighting system upgrading and to be completed in 2015. 3) Jeroco CU is still in progress to recruit competent person and upgarding the competency of personnel in JPOM and 2. Some of the personnel have sit for examamination but failed. This shall be veified in the next surveillance. 4) All new genst installed comes with DOE written approvals. Refer to Batangan Estate genset written approval obtained from DOE in 2013 for 250kVA, 156kVA, 313KVA gensets. <p><u>Status:</u> Closed out.</p>
Indicator 4.1.2 NCR# VS02	Minor	<p>Agriculture practices for pest & disease were not in accordance with Hap Seng's Oil Palm Agriculture Procedure (OPAP).</p> <p><u>Evidence:</u> The applications of rat baits (<i>brodifacoum</i>) at Batangan Estate were found not in accordance with OPAP.</p>	<p>Hap Seng's agronomy unit had conducted a study to compare the effectiveness between warfarin and brodifacoum within the period of November 2011 to January 2012. In that study, the agronomy unit found that the brodifacoum was more effective than warfarin (which is recommended in the OPAP). Therefore, the unit has recommended to stop using warfarin through a memo dated 8/2/2012. However, the memo was never presented to the assessor during the certification assessment in 2012, hence the NCR raised.</p> <p><u>Status:</u> Closed out.</p>
Module D – CPO Mills: Segregation and Module E – CPO Mills: Mass Balance	Major	<p>The current procedure for supply chain was inadequate.</p> <p><u>Evidence:</u> Some of the RSPO Supply Chain requirements at Jeroco POM (Mill 1 & 2) were not able to cater the Segregation and Mass Balance requirements such as:</p> <ol style="list-style-type: none"> 1) Maximum contamination value of 5% for Segregation model 2) 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 	<p>The established procedure was being effectively adhered to for the implementation of supply chain.</p> <p><u>Status:</u> Closed out.</p>

NCR# VS03		3) 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	
Indicator 4.4.1 NCR# NAJ-1	Major	<p>Protection of water courses and wetlands, including maintaining and restoring appropriate riparian buffer zones along all natural waterways within the estate was not maintained.</p> <p><u>Evidence:</u> During the site review at Lutong Estate at block 29/35, it was found that there were herbicides spraying trace along the identified riparian reserved.</p>	<p>A training materials and attendance list on bufferzone training has been verified at Kapis and Batangan Estates. Interviews with spraying group had confirmed the understanding on prohibition activities at buffer zone for the manuring and spraying along the riverside.</p> <p><u>Status:</u> Closed out.</p>
Indicator 6.2.1 NCR# RM01	Major	<p>The estates and mill under Jeroco certification unit have no documented consultation and procedures.</p> <p><u>Evidence:</u> No documented consultation and communication procedures have been made available during the audit. Only grievance procedures for internal and external parties were available in the RSPO file.</p>	<p>A documented Consultation and Communication Procedures (Prosedur Memohon maklumat, Ref# HSPSB P1 1120 (c)) and grievance procedures for internal and external parties (Ref#: HSPSB P1 1120) have been made available. Therefore major NCR (# RM01) was closed.</p> <p><u>Status:</u> Closed out.</p>
Indicator 6.8.1 NCR# RM02	Major	<p>The estates and mill under Jeroco certification unit have no publicly available equal opportunity policy.</p> <p><u>Evidence:</u> No evidence on publicly available equal opportunity policy was made available during the audit. Nonetheless, statements underlying the CU's commitment to equal opportunity were mentioned in Social Impact Assessment report (p.15). However, this report is not a public document and, therefore, not accessible to the public.</p>	<p>HSPHB had 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 were written in the company's Corporate Culture and publicly available. Therefore major NCR (# RM02) was closed</p> <p><u>Status:</u> Closed out.</p>
Indicator 6.6.2 NCR# RM03	Minor	<p>Estates and mill in Jeroco CU has no published statement in local languages recognizing freedom of association.</p> <p><u>Evidence:</u> No evidence on published statement in local languages recognizing freedom of association was made available during the audit. Statements underlying the CU's commitment to the freedom of association were found in the Social Impact Assessment Report. However, this report is not in the local languages.</p>	<p>Jeroco CU has published statements on freedom of association. Such statements are available in local languages as required by the standards. Therefore Major NCR (#RM03) was closed.</p> <p><u>Status:</u> Closed out.</p>

Detail of Opportunity for Improvement

Indicators	Issues raised	Status
I 2.1.1	Some of the applicable legal requirements such as (but not limited to) from <ul style="list-style-type: none"> • MPOB Act 1998, MPOB Reg (Licensing) 2005 • Akta Timbang dan Sukat, 1972 • KPDN – Peraturan Kawalan Bekalan 1974 • Electric Supply Act 1990, Regulation 1990 • Some of the regulations under Pesticide (Highly Toxic Pesticide) Regulation 1996 have yet to be registered in the List of Legal Requirements. • 	Upgraded to Minor NCR MH3. Some of the regulations were not registered.
I 4.4.7	The water management plan can be further improved by considering the rainfall data and climate trend.	Upgraded to Minor NCR MH5. Still yet to include in the plan.
C 4.7	<ul style="list-style-type: none"> • Flash back arrestor has yet to be installed for oxygen and acetylene at cages repairing bay (JPOM 1) • JPOM 1 & 2 has yet to conduct and expedite positive noise exposure monitoring as recommended in the initial noise exposure monitoring • Baseline audiometric has yet to be conducted for all employees in the mill including office staff at JPOM 2 • Hearing conservation programme has yet to be conducted for a period of every 2 years. (JPOM 1 & 2) • PTW for confined space can be further improved by updating the column for gas testing and PTW issuance and gas testing on the daily basis. • Currently mill has the competent person for AESP and yet to train AGT as recommended by DOSH • First aid box content has yet to be followed as recommended by first aid kit guideline in the 4th schedule of Safety, Health & Welfare Regulation 1970. • Emergency response plan for CPO spillage for barge and bulking operation has yet to be established. • Fire evacuation drill has yet to be conducted and documented. • HSPSB has yet consider other accident which occurred in other estate and mill to be revised and updated in the HIRARC such as: <ul style="list-style-type: none"> - Methamidophos poisoning during trunk injection. - Animal hazard such as snakes and crocodile. - Permanent disability accident for sterilization operation - Possibility of electric shock in any electrical installation 	Improvement was noted during this assessment for all OHS plan implementation.
I 5.3.2	<ul style="list-style-type: none"> • Some of the requirement in <i>Jadual Pematuhan</i> yet to be followed which related to : <ul style="list-style-type: none"> - Sampling frequency for iso kinetic stack sampling (JPOM 1 & 2) - More laudable alarm system to trigger (high opacity) blacksmoke has yet to be installed (JPOM 2) - JPOM 1 & 2 has yet to expedite online reporting via CEMS-DIS with DOE • Observed the decanter cake sump to be properly bunded where the place is near to monsoon drain. (JPOM 1 & 2) • 	Upgraded under Major NCR MH1. Decanter cake has been properly bund up to avoid overflowing to the nearby drain.

I 5.2.1	Potential High Conservation Value Area Assessment Report has been conducted for Jeroco CU. During the site review and interview with the workers, it was noted the Orang Utans and Hornbill were commonly sighted at the borders of Sg Simpang Kiri Forest Reserved. However it was not highlighted in the assessment report. Therefore the HCV Assessment report for Jeroco CU needs to be improved.	During this surveillance audit it was noted that Orang Utans and Hornbill which is commonly sighted at the borders of Sg Simpang Forest Reserve was highlighted in the assessment report. Therefore OFI was closed out.
I 5.2.3	During the site review in Lungmanis Estate it was found the signages to prohibit illegal hunting of wildlife were not clearly displayed within the estate.	Evidence was seen during the site review that signage to prohibit hunting were erected at guard post and forest border. Further more CCTV 24 monitoring was placed at strategic area surrounding the estate to control everything including controlling the illegal activities. OFI was closed out.
I 6.1.1	The SIA exercise/report could be improved by: a) Employing other techniques of information gathering, for example, focus groups discussion. b) 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 c) Separating the issues identified for each of the CUs and discussed them in their respective report.	List of stakeholders was updated on July 2014 at Kapis and Batangan Estate. All neighbouring estates were included in the lists. All the SIA information was updated and each of issues was identified for each of the CUs and discussed them in their respective report. Therefore OFI was closed out.
I 6.1.3	The SIA action plans could be improved by: a) Identifying specific person in charge (PIC) responsible for taking actions on each of the mitigation measures b) Updating the plans at certain specific intervals	A timetable with responsibilities for mitigation and monitoring is reviewed and updated as necessary. Identifying specific person in charge (PIC) responsible for taking actions on each of the mitigation measures with specific time intervals. The monitoring records was verified at Kapis and Batangan Estate. Therefore OFI was closed out.
I 6.7.1	1) The certainty of recruiting workers having the right age could be enhanced if the estates' management would carefully check the birth dates of the applicants. It was found that several workers who were below 18 years old (by months) have been recruited by some estates. 2) The estates' management could help the children education by advising the workers that children should not be accompanying them in the fields during school hours. The Humana teachers commented that some children accompanied their parents to work and it was admitted by the children concerned.	HSPHB Labour Policy does not allow children below 18 years old to work in the estates/mill. Site visit to Kapis and Batangan Estate found no workers below age was found. Inspections of the Employee Master list in Kapis and Batangan estate, it was found no workers below 18 years were recruited to work in the estates/mill. Therefore OFI was closed out.