



PUBLIC SUMMARY
4thRSPO SURVEILLANCE ASSESSMENT

AUDIT DATE: 4-6 MARCH 2014

SIME DARBY PLANTATION SDN.BHD.
CERTIFICATION UNIT (SOU 17) – KEMPAS

Prepared by:

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SUMMARY

This public certification summary provides the general information on the Kempas Certification Unit (Kempas CU) of Kempas Strategic Operating Unit (SOU 17) of Sime Darby Plantation SdnBhd (SDPSB), the assessment process, the findings of the surveillance, Non-Conformity Reports (NCRs) raised, verification of corrective actions on the minor NCRs raised during the previous surveillance as well as the decision on the continued certification of the CU against the requirements of the RSPO Principles & Criteria for Sustainable Palm Oil Production, Malaysian National Interpretation Working Group (RSPO MYNI: 2010).

This surveillance was conducted on 4-6 March 2014 by SIRIM QAS International SdnBhd (SIRIM QAS International). SIRIM QAS International, an accredited certification body (CB) by the United Kingdom Accreditation Service (UKAS) and STANDARDS MALAYSIA is also the leading testing, inspection and CB in Malaysia having provided its services to all sectors of the industries in management system certification services on quality, environment and health and safety for over 30 years.

SIRIM QAS International has wide experience in conducting assessments on palm oil mills (POMs) and oil palm estates for certification of management system against the requirements of ISO 9001, ISO 14001 and OHSAS 18001. SIRIM QAS International was approved as a CB by RSPO on 21 March 2008. Since then, it had conducted many assessments on RSPO sustainable production of palm oil and supply chain certifications in Malaysia.

All previous nonconformities were verified for the corrective actions effectiveness. Corrective action has been taken and verified by the assessor. This surveillance had resulted in the issuance of five (5) Major and three (3) Minor non- conformity reports (NCRs). The Kempas CU had taken appropriate corrective action to address the major and minor NCRs. The corrective action had been reviewed and accepted by the assessor. Verification of the corrective action would be done during the next audit.

Based on the findings of this surveillance, the Kempas CU had continued to comply with the requirements of the RSPO MYNI: 2010. The assessment team had therefore recommended the Kempas CU to maintain its certification against the RSPO MYNI: 2010 for the sustainable production of palm oil.

1.0 Scope of the Certification

1.1 National Interpretation Used

The operations of the mill and its supply bases of oil palm fresh fruit bunches (FFBs) were assessed against the requirements of the RSPO MYNIWG: 2010.

1.2 Certification Scope

Surveillance assessment covers the Kempas Palm Oil Mill (Kempas POM) and its supply base i.e. Kempas Estate, Kemuning Estate, Tangkah Estate, Merlimau Estate and Serkam Divison. Pagoh Estate is now excluded from this CU since Sime Darby has decided to put the estate under different CU namely Pagoh POM with effective from January 2013. The scope of certification is the sustainable production of crude palm oil from the mill with FFBs supplied by these four estates.

1.3 Location Mill and Estates

Kempas Palm Oil Mill, Kempas Estate, Merlimau Estate and Serkam Division are located in Jasin District, Melaka while Kemuning Estate is located in Alor Gajah District, Melaka. Tangkah Estate is in Ledang District. All of these estates are located in the southern region of Peninsular Malaysia.

The locations of the estates and oil mill which make up SOU 17 are shown in Attachment 1 while their coordinates are detailed in Table below

Table 1: Location and addresses of mill and estates.

Certification Unit	Estate/Mill	GPS Location		Location Address
		Latitude	Longitude	
SOU 17 Kempas	Kempas Oil Mill	2° 36.68"	102° 28' 52.99"	77000 Jasin, Melaka
	Kempas Estate	2° 15'	102° 26'	71000 Jasin, Melaka
	Kemuning Estate	2° 27'	102° 20'	76460 Tebong, Melaka
	Tangkah Estate	2° 22'	102° 37'	84900 Tangkak, Johor
	Serkam Division	2° 19'	102° 24'	77009 Jasin, Melaka

1.4 Description of the Supply Base

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

Table 2: Actual annual FFB production by the supplying estates sent to Kempas POM since date of last reporting period.

Estates	FFB Production (April 2013 – Feb 2014)		Certification Body (CB)
	Tonnes	Percentage (%)	
Kempas	89,130.42	34.87	SIRIM
Kemuning	47,673.84	18.65	SIRIM
Tangkah	45,618.66	17.85	SIRIM
Serkam Div.	19,418.17	7.60	SIRIM
Third party (if any)	37,278.93	14.59	-
Total	255,589.91	100%	

Table 3: Estimated annual FFB production by the certified supplying estates to be sent to KempasPOM for the next reporting period

Estates	FFB Production (March 2014 to February 2015)	
	Tonnes	Percentage (%)
Kempas	118419.50	47.06%
Kemuning	58863.26	23.40%

Tangkah	60440.26	24.02%
Serkam Div.	13888.33	5.52%
Third party	-	-
Total	251,611.35	100%

1.5 Date of Planting and Cycle (Total Plantations and Area Planted)

The plantation area and the area planted with palms are shown in **Table 4**.

Table 4: Areas of plantations.

Estate	Year of establishment	Area (ha)				Area (%)	
		Titled	Planted	Mature	Immature	Mature	Immature
Kempas Estate • Main Div • MerlimauDiv	1979	4577.81	4441.43	4083.30	358.13	92	8
Kemuning Estate • TebongDiv • Kru/Air PanasDiv • Rumbia/PegohDiv • GemenchDiv	1973	2677.79	2540.90	2151.9	389.00	85	15
Tangkah Estate • New Div • Ayer PanasDiv • BulumongDiv • LedangDiv • KudongDiv	1966	2638.26	2472.18	2234.46	237.72	90	10
Serkam Division	1970	915.63	878	639	239	73	27
Total	-	10,809.49	10,332.51	9,108.66	1,223.85	88	12

1.7 Organizational Information/Contact Person

The details of the contact persons for SOU 17 are as shown below:

Chairman of **SOU 17**:

Name: Suhaimi bin Abu Bakar

Designation: Manager, Kempas Estate

Address: LadangKempas, KB 1710, 77000 Jasin, Melaka

Phone #: 06-2631 305

Fax #: 06- 2635 260

E-mail: ldg.kempas@simedarby.com

1.8 Time Bound Plan for Other Management Units

There were a total of 59 certification units under Sime Darby Plantation Sdn. Bhd. located in Peninsular Malaysia, Sabah & Sarawak in Malaysia and in Kalimantan, Sumatera & Sulawesi in Indonesia. There are 34 units in Malaysia and 25 units in Indonesia. At the point of this surveillance

assessment, there were 58 palm oil mills (58 SOUs) in operation, and 1 mill (SOU) (Tamiang) in Indonesia has ceased its operation.

Sime Darby Plantation Sdn. Bhd. is committed to RSPO certification as announced in the earlier assessment. The certification assessments are being conducted as per their plan, which 18 SOUs was certified and 4 pending for approval.

1.9 Area of Plantation

The area of plantation is as in **Table 4**.

1.10 Actual and Estimate Tonnages Offered for Certification (CPO and PK)

The actual and approximate tonnage of CPO and PK produced and claimed for certification is shown in **Table 5** and **Table 6** respectively follows:

Table 5: Actual annual CPO and PK tonnage of Kempas POM since date of last reporting period

	September 2012- March 2013	April 2013 to February 2014
FFB Received (mt)	176,698.74	220513.320
Total CPO Production (mt)	36,906.05	55570.76
Total PK Production (mt)	8,758.15	13991.00
Certified CPO (mt) sold as Mass Balance	Nil	Nil
Certified PK (mt) sold as Mass Balance	Nil	Nil

Table 6: Estimated annual quantity of CPO and PK for Kempas POM

	(April 2013 to March 2014)	March 2014 to February 2015
FFB Received (mt)	113,721.86	260,857.34
FFB Processed (mt)	113,569.97	260,857.34
Total CPO Production (mt)	24,126.94	56,542.56
Total PK Production (mt)	6,136.03	13,946.68

2.0 Assessment Process

2.1 Certification Body

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

Convention for Climate Change (UNFCCC). SIRIM QAS International is a partner of IQNet, a network currently comprising of 36 leading certification bodies in Europe, North and South America, East Asia and Australia.

SIRIM QAS International has vast experience in conducting assessment related to RSPO assessment. It has certified more than a hundred palm oil mills and several estates to ISO 14001 & OHSAS 18001 and also conducted assessments against RSPO Principle and Criteria. SIRIM QAS International was approved as a RSPO certification body on 21 March 2008.

2.2 Qualification of Lead Assessor and Assessment Team

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

Assessment Team	Role/Area of Requirement	Qualification and Experience
KhairulNajwan bin Ahmad Jahari	Assessment Team Leader / Forester / Botanist	<ul style="list-style-type: none"> • working experience related to forest management, inventory, surveying, remote sensing, HCVF and logging operation. • Successfully completed accredited Lead Assessor training for ISO 14001: 2004, ISO 9001:2008 and OHS 18001:2000 • Successfully completed RSPO Lead Assessor Course – 2011. • B.Sc. of Forestry (Forest Management)
Valence Shem	Good Agricultural Practices (GAP) and environmental issues	<ul style="list-style-type: none"> • Working 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 – 2011.
Mohamed Hidhir Bin ZainalAbidin	Assessor / Milling Operation, Occupational Health and Safety	<ul style="list-style-type: none"> • Working experience in palm oil milling • Successfully Completed RSPO Lead Assessor Course - 2013 • Successfully completed ISO 14001 EMS RABQSA/IRCA approved Lead Assessor - 2012 • Successfully completed ISO 9001 QMS RABQSA/IRCA approved Lead Assessor – 2012 • Successfully completed OHSAS 18001 OHSMS RABQSA/IRCA accredited Lead Assessor Course – 2012 • B.Sc. (Hons) Chemical Engineering
Mohd Razman Salim	Assessor / HCV habitat & ecology and related legal issues	<ul style="list-style-type: none"> • working experience related to forest management • Successfully completed ISO 14001 EMS RABQSA/IRCA approved Lead Assessor - 2013 • Successfully completed ISO 9001 QMS RABQSA/IRCA approved Lead Assessor – 2013 • Successfully completed OHSAS 18001 OHSMS RABQSA/IRCA accredited Lead Assessor Course – 2013 • B.Sc (Hons) Forestry, UPM

2.3 Assessment Methodology (Program, Site Visits)

The audit was conducted primarily to evaluate the level of continued compliance of the CU current documentation and field practices against the RSPO (MY-NI 2010).

The planning of this surveillance audit was guided by the RSPO Certification Systems Document.

The audit was conducted by inspecting the mill, planted areas, HCV habitats, labour lines, chemical and waste storage areas and other workplaces. Random interviews were held with the management, employees, contractors and other relevant stakeholders. In addition, records as well as other related documentation were also being evaluated. The details on the surveillance audit programme are presented in **Attachment 2**.

2.4 Stakeholder Consultation and List of Stakeholders Contacted

Not applicable.

2.5 Date of Next Surveillance Audit

Next surveillance audit should be conducted within nine to twelve months from this audit.

3.0 Assessment Findings

3.1 Summary of Findings

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

A total of five (5) Major and three (3) Minor non-conformity reports against RSPO MYNI: 2008 requirements were raised as shown in Attachment 3. Kempas CU has taken necessary corrective actions in order to close the Major non-conformities raised.

Principle 1: Commitment to Transparency

Criterion 1.1

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

Indicator 1.1.1

Records of requests and responses must be maintained.
Major compliance

Guidance :

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

Audit findings:

Kempas CU was still continuing to implement the procedure for responding to any communication as outlined in their Estate/Mill Quality Management System documents. The system required response to all communication within a certain time frame. Action may then be taken to fulfil the request or for decision to be made by relevant person-in-charge. All communications were logged and registered. There are no changes during this 4th surveillance audit.

Criterion 1.2

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

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

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

Guidance:

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

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

Audit findings:

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

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

Among the documents that were made available for viewing are:

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

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

- 1) Social
- 2) Quality
- 3) Food Safety
- 4) Occupational Safety & Health

- 5) Environment & Biodiversity
- 6) Slope Protection and Buffer Zone
- 7) Lean Six Sigma
- 8) Gender

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

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

Social impact assessment (SIA) for Tangkah Estate and Kempas POM were documented by Sime Darby HQ. The reports were established on 18 January 2011 and 12 April 2011 (valid until 2015) and will be revising every 5 years. While the SIA report was based on estate, mill and plantation which established from collection data of questionnaires.

Detail of complaints and grievances for Tangkah Estate, Serkam Estate and Kempas POM were recorded in the complaints book, verbally and through stakeholders meeting with internal and external stakeholders.

Sime Darby has prepared a standard of procedure for handling any complaints and grievances by following 'Procedure for External Communication', 'Flowchart and Procedure on Handling Social Issues' and Flowchart and Procedures on Handling Land Disputes'.

Tangkah Estate, Kempas POM and Serkam Estate have established annual action plan for June 2013 - July 2014 to comply with this requirement. The action plan was available at the visited mill and estates.

Principle 2: Compliance with Applicable Laws and Regulations

Criterion 2.1

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

Indicator 2.1.1

Evidence of compliance with legal requirement
Major compliance

Indicator 2.1.2

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

Indicator 2.1.3

A mechanism for ensuring that they are implemented.
Minor compliance

Indicator 2.1.4

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

Audit findings:

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

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

The laws affecting the oil palm industry are listed and made available to Kempas CU. Kempas CU had continued to comply with legal requirements as per indicator. Guided by the established procedure, the annual evaluation of compliance has been carried out concurrently with the review of legal register on 14/1/14. The list of applicable legal and other requirement was made available during the assessment. The list covers legal requirements such as:

- a) **Factories and Machinery Act 1967** (Notification, Certificate of Fitness and Inspection Regulation 1970, Steam Boiler & Unfired Pressure Vessel Regulation 1970, Safety Health and Welfare 1970, Noise Exposure Regulation 1989, Person In Charge Regulation 1970 etc.
- b) **Occupational Safety and Health Act 1994** (NADOOPOD Regulation 2004, Safety Health Committee Regulation 1996, USECHH Regulation 2004) etc.
- c) **Environment Quality Act 1974** (Prescribed Premise (CPO) Regulations 1977, Clean Air Regulation 1978, Scheduled Waste Regulation 2005 etc.
- d) **Fire Services** (Fire Service Act 1984 & Fire Certificate Regulation 2001)
- e) **Housing and Amenities** (Worker's Minimum Standard of Housing and Amenities Act 1990)
- f) **Labour, EPF and SOCSO** (Employment Act 1955, Employee Provident Fund Act 1991, Employees Social Security Act 1969)

The compliance of Factories and Machinery Act 1967 and Occupational Safety and Health Act 1994 requirements evidenced through documents such as:

- a) Notification of Occupational accident and Occupational Poisoning/Disease Register for calendar year 2013 dated 04.01.2014 (Kempas palm oil mill) & dated 31.12.2013 (Tangkak Estate) ;
- b) Quarterly safety and health committee meeting dated 23.08.2013 & 23.10.2013 & 21.01.2014 with workplace inspection report dated 20.07.2013 & 18.10.2013 & 19.01.2014 ;
- c) Appointment letter for safety and health committee dated 01.07.2013 were evidenced for secretary, employee representative and employer representative ;
- d) Baseline & Annual Audiometric test
- e) Initial noise exposure monitoring report
- f) Chemical Health Risk Assessment report conducted by competent person dated July 2010 available ;
- g) Area chemical exposure monitoring concluded the results for n-hexane/welding fume as chromium and total particulates below permissible exposure limits (8hrs TWA) ;
- h) Occupational medical surveillance report with examination for blood/urine/lung function test/CXR/ECG covers all mill and estate division staff & workers
- i) Licenses for air compressor receiver & Steam separator with validity until 04.06.2014.

It was found that SOU17 had on most instances fulfilled the legal requirement except for the following lapses and thus one Major non-conformity report (MH2) was raised for:

- a) **Environment Quality (Prescribed Premise) (Crude Palm Oil) Regulations 1977 (amendment 2013), "Jadual Pematuhan " 00190 - Clause 10** (stack sampling frequency), **clause 11** (smoke density indicator alarm), **Clause 13** (black smoke emission concentration not more than Ringellman 2 @ 40% opacity) **Clause 22** (competent operator for air pollution control equipment and schedule waste manager)

- b) **Environment Quality Act 1974, Section 49A** – Competent Person for Effluent Treatment Plant, Air Pollution Control Equipment & Scheduled Waste Manager.

List of applicable legal and other requirements was made available during the assessment and compiled in the QSHE/04/5.2.4 folder. Documented procedure has been established and implemented; refer to **Estate/Mill Quality Management System, Level 2: Standard Operating Manual, Appendix 5.2.4: Procedure for Legal and Other Requirements** dated 10 December 2008.

A mechanism to ensure compliance to legal and other requirement has been documented in EQMS & MQMS (Estate & Mill Quality Management System) under Standard Operation Manual distributed to all operating units under SOU17. PSQM Department and respective operating units will undertake the responsibility of identifying, managing, updating and tracking the legal requirement as well as monitoring the status of legal compliance. Refer to **Estate/Mill Quality Management System, Level 2: Standard Operating Manual, Appendix 5.2.4: Procedure for Legal and Other Requirements** dated 10 December 2008.

As stated in the Standard Operation Manual, PSQM Department will undertake the responsibility of identifying, managing, updating and tracking the legal requirements. However, some of other applicable legal and other requirements has yet to be identified and updated in the legal register which related to:

- i. Environment Quality Act 1974, 49A on competence person (amendment 2012)
- ii. Code of Practice Confined Space 2010
- iii. CLASS (Classification, Labelling and Safety Data Sheet) Regulation 2013
- iv. Medical Assistant, Act 1977
- v. FMA 1967, Person In Charge Regulations, 1970 - Regulation 5(6)(i)(ii)
- vi. Workers Minimum Standard of Housing and Amenities Act 1990 - Section 19(3) VMO visit every fortnightly & section 23(2) weekly line site inspection
- vii. Requirements under “JadualPematuhan” for Kempas Palm Oil Mill (000190) validity period 1/7/13 - 30/6/14

Therefore, minor NCR MH1 was issued.

Criterion 2.2

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

Indicator 2.2.1

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

Indicator 2.2.2

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

Indicator 2.2.3

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

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

Indicator 2.2.4

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

Guidance:

1. For any conflict or dispute over the land, the extent of the disputed area should be mapped out in a participatory way.
2. Where there is a conflict to the condition of land use as per land title, growers must show evidence that necessary action has been taken to resolve the conflict with the relevant authorities.
3. Ensure a mechanism to solve the dispute (Refer to C 6.3 and C6.4)
4. Evidence must be demonstrated that the dispute has been resolved.
5. All operations shall cease on land planted beyond the legal boundary.

Audit findings:

Legal ownership of land for Kemuning Estate was verified by the auditor. The list of land grants (total 60 grants at Kemuning Estate) were seen and noted. However the transfers of ownership and land status from previous owners to Sime Darby are still ongoing. The copy of a letter (latest records dated 16 March 2013) was addressed to the Land Department, Damansara pertaining to the application for transfer of land ownership from Kumpulan TebongSdnBhd and Guthrie Rubber Plantation to Sime Darby Plantation Sdn Bhd. All original copies of ownership documents are kept at the Sime Darby Headquarters in Kuala Lumpur. Land use for oil palm planting was confirmed as per previous surveillance in the Kempas CU.

Estate boundaries are well surveyed, demarcated and mapped as recorded in previous surveillances. Estate maps were seen by the auditor including specific maps based on GPS surveys and those showing boundary stone location in Kemuning Estate. Boundaries and stones were selectively verified on the ground in the Tangkah Estate at Kundong Division. The stones were mostly well maintained. The estate management generally committed to conduct a survey by allocating a Boundary and Survey Budget (PM1001 & PM 1002). The budget allocation was sighted and verified by the auditors. At the time of audit there has been no legitimate contest by local communities with demonstrable rights.

Criterion 2.3

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

Indicator 2.3.1

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

Major compliance

Indicator 2.3.2

Map of appropriate scale showing extent of claims under dispute.

Major compliance

Indicator 2.3.3

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

Minor compliance

Guidance:

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

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

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

Communities must be permitted to seek legal counsel if they so choose. Communities must be represented through institutions or representatives of their own choosing, operating transparently and in open communication with other community members. Adequate time must be given for customary decision-making and iterative negotiations allowed for, where requested. Negotiated agreements should be binding on all parties and enforceable in the courts. Establishing certainty in land negotiations is of long-term benefit for all parties.

Audit findings:

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

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

Criterion 3.1

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

Indicator 3.1.1

Annual budget with a minimum 2 years of projection

Major compliance

Specific Guidance:

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

Indicator 3.1.2

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

Minor compliance

Audit findings:

Annual budget for 4 years cost comparison available. Annual budget for FY13/14 and FY 14/15 are available. The budget included Capital and Operating Expenditures. The operating expenditure for the estate includes expenditure for Mature and Immature Oil Palm upkeep, Administration cost, Housing and Machinery upkeep etc. Expenditures for mill are buildings, facilities/support equipment, plant and machinery and other budgets for accommodation/furniture etc. Annual budget projections until the final year 2016/2017 were shown to the auditors.

It was noted at Kemuning Estate, the budget documents for their Financial Years 2013/2014 to 2018/19 were available in the Business Planning Consolidation (BPC) system. Financial year is from current year July to following year June. The budget portrayed the Operational Cost/Ha at a budgeted crop projection, which includes harvesting, field upkeep (weeding, road maintenance, water management, P&D, soil conservation, palm census, boundary survey, etc.), fertilizer applications and transportation.

At Kemuning Estate, its replanting programme projected a plan for the next five years i.e. 2013/14 to 2018/19. A total of 256.7 Ha has been planned to be replanted in this period. It was noted that the replanting programme for 2013/14 is on scheduled.

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

Criterion 4.1

Operating procedures are appropriately documented and consistently implemented and monitored.

Indicator 4.1.1

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

Indicator 4.1.2

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

Audit findings:

Kempas CU continued to adopt a comprehensive SOP for all its estate and mill practices. Operation activities in the estates and the mills include from seedlings in nursery to planting of young palms and plantation upkeep to mill despatch of CPO, PK and PKO that are guided by the standard operating procedures (SOP). They are established as part of the Estate/Mill Quality Management System documents. For the estates, on top of the Estate Quality Management System, technical guidelines as listed in the Agricultural Reference Manual (Issue No. 1/Year 2011/ Version 3/ Issue Date 01/07/2011) are also used.

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

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

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

Monitoring of the SOP implementation was closely done by person-in-charge and their records were verified. At Kemuning Estate verification records on replanting works which had been done by contractors was sighted. Based on the procedure, trunks should be shredded into chips not more than 10 cm, stacked every second palm row and shredded material should be spread out thinly. Monitoring and evaluation of the job quality was done by Assistant Manager, checked by Manager and Verified by General Manager by using Certificate of Best Practices Towards Reduction of Ganoderma Inoculum in A Replant.

Kempas Palm Oil Mill is operating based on Mill Quality Management System (SOP and Manual) dated 1 November 2008; Issue No: 1. The SOP explains the details of processes involved in mills daily operation such as:

- a) Hazard Identification, Risk Assessment & Determining Control procedure (Appendix 5.4.1a ; sub-section 5.4 Planning)
- b) Emergency Preparedness & Response procedure (Appendix 5.5.3.3 ; sub-section 5.5 Management Responsibility)
- c) Sterilization Station No 3.0
- d) Pressing Station No 5.0
- e) Boiler Station No 9.0
- f) Water Treatment Plant No 14.0
- g) Effluent Treatment Plant No 15.0

Records of monitoring and the actions taken by the estates and mill continued to be maintained and kept for a minimum of 12 months. Some of the records sighted in the estates were Store Bin Cards and Programme sheets for Fertiliser Application, Field upkeep and Rat baiting etc.

Mill operational records for instance were properly kept for reference. Daily and monthly production reports were sighted during audit. The MPOB reports via MPOB (EL) MF4 and PX4-MF for mill efficiency and product quality reporting was verified. The other monitoring records such as effluent analysis results, production log sheets for sterilizer, press and kernel plant operation were also available during audit.

Criterion 4.2

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

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

Indicator 4.2.1

Monitoring of fertilizer inputs through annual fertilizer recommendations.

Minor compliance

Indicator 4.2.2

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

Minor compliance

Indicator 4.2.3

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

Minor compliance

Audit findings:

Kempas CU continued to monitor their fertilizer inputs as recommended by SIME Darby's R&D Centre, Technology Transfer and Advisory Services (TTAS) in Carey Island, Selangor. At Kemuning Estate, the latest recommendation is dated 11/10/2013 for July 2013 to June 2014 programme. Most of the fertilizers recommended were of the straight fertilizers for mature palms e.g. ammonium chloride, murate of potash (potassium), rock phosphate, magnesium and borate. Whereas for immature were compound fertilizers hat consists of N, P, K & Mg nutrients. Average dosage per palm is 10 kg for mature and 5 kg for immature.

Leaf (tissue) sampling was carried out and its result formed part of the basis for the fertilizers input recommendation. The analysis was also conducted by the research and development unit, Carey Island on annual basis. At Kemuning Estate, the last sampling was conducted in March 2013 for July 2013 to June 2014 fertilizer application. Manuring programme is established thereafter with total mt for each field. Actual applied found to be in line with program. All the relevant progress information was recorded in the Daily Monitoring Manuring form.

Soil sampling at Kemuning Estate is done at the frequency of once in 5 years [ref.: Sustainable Plantation Management System (SPMS)]. The objective of the soil sampling is to monitor the changes in physiochemical properties over time. The latest soil sampling was done on 9/1/2014 by the R&D centre, but report of the analysis has yet to be produced.

At Kemuning Estate, EFB is applied for replanting area at 200 kg/palm/year according to Section 8 #2.2.1 of the Agriculture Manual. Application of EFB at Tebong Division was recorded in the "EFB Book". As at to-date 908.28 mt applied for replanting field # 2013C against program which is 1,768 mt. It was behind schedule due to shortage of EFB supply by Kempas Mill.

There also has been no evidence of open burning at Kemuning Estate replanting areas.

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

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

Minor compliance

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

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

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

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

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

Minor compliance

Specific Guidance: Appropriate conservation practices should be adopted.

Indicator 4.3.3: Presence of road maintenance programme.

Minor compliance

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

Minor compliance

Specific Guidance:

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

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

Minor compliance

Guidance:

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

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

Audit findings:

At Kemuning Estate practiced rotary slashing of weeds on harvesting path. This has reduced the usage of chemicals. Palm circles were sprayed with glyphosate and woodies with Foxy/Kenlon. No blanket spray is allowed. Though site visit, no bare ground was observed, but soft grasses were dying because of dry spell. For replanting areas, the estate continued to plant and maintained cover crops such as *Mucunabtracteta*, *Pureirrajanica* and *Calopogoniummucuinodes*.

Generation of non-competitive ground covers especially *Nephrolepisbisserata* and soft grasses have significantly minimized the occurrence of bare ground, soil erosion and surface runoff.

During the field visit, Kemuning Estate had a satisfactory road condition and accessibility were made possible by regular maintenance guided by its road maintenance programmes (2013/14) which consist of roadside pruning, grading & compacting and resurfacing. The financial support for this operation could be seen in the annual budget 2013/14 financial year. Apart from that, the budget has also allocated financing for other maintenance related to roads such as bridges and culverts upkeep. Progress report of the road maintenance programme was recorded in a form.

Kemuning Estate was generally an undulating area. Based on contour map provided by Sime Darby's R&D-PSGA Precision Agriculture Unit, dated 13/2/2014, data source SRTM30 (NASA), there is no slope more than 25° at Kemuning Estate. Nonetheless, according to its Agriculture Manual, Section 4 #8.1, for terrain >6°, terrace shall be constructed.

There is no peat or fragile soil at Kemuning Estate.

Criterion 4.4

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

Indicator 4.4.1

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

Major compliance

Specific Guidance:

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

Indicator 4.4.2

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

Major compliance

Indicator 4.4.3

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

Major compliance

Indicator 4.4.4

Monitoring rainfall data for proper water management

Minor compliance

Indicator 4.4.5

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

Minor compliance

Specific Guidance:

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

Indicator 4.4.6

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

Minor compliance

Indicator 4.4.7

Evidence of water management plans.

Minor compliance

Audit findings:

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

However the auditors found the traces of circle spraying and sprayed grasses in the buffer zone at Ayer Panas Division, block OP 05A (see photo below) and field 2003, Kempas Estate. Interview with the sprayer gang, they were aware of the prohibition at the buffer zone. Even though the training on awareness or briefing on the prohibition on activities in the buffer zone has been conducted, the workers was still not understand, therefore the major non-compliance indicator 4.4.1 was re-issued

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

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

Mill records of water monitoring for DOE submission in the '*BorangPenyataSukuTahunan*'. 1st quarter report until 4th quarters of 2013 reports were available for viewing. Kempas mill DOE licence is for land application and the requirement is for the BOD 3 days, 30°C to be less than 1000 mg/l. The latest quarter report from (October 2013-December 2013) was sampled. The BOD results was way below than the stipulated limit of 1000 mg/l. BOD result of 1st week of the quarter was 358 mg/l, 5th week of the quarter 359 mg/l and the 9th week was 430 mg/l. Latest test report for January 2014 was verified and the result showed compliance with the stipulated limit

Kempas CU had monitored the amount of water consumed by mill for its operation and activities. It was observed that the records of the mill water consumption (m³ of water per ton of FFB) were being kept. Water consumption for 3 financial year are summarized below :

The data of rain fall and rain days have been well maintained over the past ten years. SOU 17 had developed water management plans. The plans consist of data on demand and supply of water for mills and line site consumption as well as for the estates/fields. Among items in the plans are:

- Action to reduce treated water usage at the mills,
- Intensification of coordination and communication activities to promote effective consumption goals,
- Details for investment on new infrastructure such as reservoir and HDPE tanks to facilitate rainwater harvesting
- Contingency plan for water shortage

Criterion 4.5

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

Indicator 4.5.1

Documented IPM system.
Minor compliance

Indicator 4.5.2

Monitoring extent of IPM implementation for major pests.
Minor compliance

Specific Guidance:

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

Indicator 4.5.3

Recording areas where pesticides have been used.
Minor compliance

Indicator 4.5.4

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

Audit findings:

Kempas CU maintained the documented IPM techniques as shown in SOP/Section B13/Pest & diseases and ARM/Section B15/Plant Protection. Usage of pesticides was justified and monitored. Information on the quantity of pesticides and areas applied were documented and used to monitor in relations to FFB produced or land area. Based on pest census, the main pests identified at Kemuning Estate were rat, rhino beetle and ganoderma.

Rat attack is controlled by barn owls and rat baits. At Kemuning Estate, the total barn owl boxes to-date is 196 for 2,540.9 Ha of the estate's area. This is equivalent to 1:13. As at October 2013, occupancy of owl was 54%. Rat baits (warfarin) application recorded in Rat Baiting Monitoring Record which includes the Field No. and no. of bait pallets. Latest update was February 2014.

In the case of ganoderma, if it is found to have >20% infection of the filed palm stands, palm mounding shall be done. Otherwise, no action is necessary. Based on census done in 3/4/2013 in Tebong Division, average is infection is around 9%.

Rhino beetle is currently controlled by cypermethrin spray. Cypermethrin application was recorded in Store Issue Note which includes the information of quantity of chemical and Field No.

Records showing the agrochemicals active ingredient (ai) used per Ha basis were seen in Kemuning Estate. The records were updated until February 2014. Type of pesticide includes *Cypermethrin* and *Wafarin*.

Criterion 4.6

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

Indicator 4.6.1

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

Indicator 4.6.2

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

Specific Guidance:

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

Indicator 4.6.3

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

Major compliance

Specific guidance:

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

Indicator 4.6.4

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

Major compliance

Indicator 4.6.5

Annual medical surveillance as per CHRA for plantation pesticide operators.

Major compliance

Indicator 4.6.6

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

Major compliance

Indicator 4.6.7

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

Minor compliance

Indicator 4.6.8

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

Major compliance

Indicator 4.6.9

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

Minor compliance

Indicator 4.6.10

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

Audit findings:

All information regarding the chemicals and its usage, hazards, trade and generic names were both English & Bahasa Malaysia and understood by workers.

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

Annual medical surveillance report was carried out for sprayers in all the estates division. In Ayer Panas division (4 sprayer/1 store clerk/1 Mandur) & Bulumong division (6 sprayer/2 Mandur) & new division (3 sprayer/1 mandur) were screened.

There was no evidence of pregnant women sprayers being used in both estates.

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

Usage and method of agro-chemicals applications (pesticides and herbicides) were justified and stipulated in the ARM and SOP as well as in Safety Pictorial procedure. No illegal agrochemicals (stated by local and international laws) in particular paraquat were used or found in Kempas CU. Paraquat was totally replaced by a systemic herbicide, glufosinate ammonium. Monocrotophos is also not allowed.

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

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

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

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

Updated records to show agrochemicals purchase, storage and consumption are available in SOU 17. In order to avoid human exposure to concentrates chemicals, pre-mixing was practiced. MSDS were adequate for each agrochemical at the estate stores.

Aerial application of agrochemicals is not practiced.

All chemical are pre-mixed at a safe designated area at the store before being applied in the field

Criterion 4.7

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

Indicator 4.7.1

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

Major compliance

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

- a. A safety and health policy, which is communicated and implemented.
- b. All operations have been risk assessed and documented.
- c. An awareness and training programme which includes the following specifics for pesticides:
 - i. To ensure all workers involved have been adequately trained in a safe working practices (See also C4.8)
 - ii. All precautions attached to products should be properly observed and applied to the workers.
- d. The appropriate personal protective equipment (PPE) are used for each risk assessed operation.

- i. Companies to provide the appropriate PPE at the place of work to cover all potentially hazardous operations such as pesticide application, land preparation, harvesting and if used, burning.
- e. The responsible person (s) should be identified.
- f. There are records of regular meetings between the responsible person(s) and workers where concerns of workers about health and safety are discussed.
- g. Accident and emergency procedures should exist and instructions should be clearly understood by all workers.
- h. Workers trained in First Aid should be present in both field and mill operations.
- i. First Aid equipment should be available at worksites.

Indicator 4.7.2

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

Major compliance

Specific Guidance:

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

Indicator 4.7.3

Workers should be covered by accident insurance.

Major compliance

Audit findings:

Sime Darby Plantation has developed an OSH Policy which has been signed by Executive Vice President on April 2008 and made available for auditors.

All operation risk were assessed and documented in the HIRARC, however in the Occupational Hazard Identification form, the workshop machines hazard and risk were not identified. Hazard and risk assessment and documentation were evidenced with job steps, hazard and effect for EFB press & Ramp section/division dated 01.01.2012; for Manuring department, section: EFB, Fertilizer sampling, Application of inorganic fertilizer dated 18.01.2012.

Safety trainings have been conducted and records of the training were available in 'Training' file.

Appropriate PPE were distributed for the specific risk assessed operations. Adequate PPE provided for randomly crop checking at Ramp (Safety helmet/Safety glove/Safety boot) and spraying activities at Ayer Panas division (Safety helmet/Safety glove/goggle/Rubber boot/Mask/Apron)

Assistant II Mill appointed as secretary for OSH committee meeting (Kempas Palm Oil Mill).

Regular safety meetings conducted between responsible person(s) and workers where concerns of workers are discussed. Minutes of safety and health committee meeting dated 23.08.2013 & 23.10.2013 & 21.01.2014 available.

Emergency response plan displayed at work sites for emergency scenarios such as fire, flood disaster, accident, effluent spillage and oil spillage.

Workers trained in First aid present in both field and mill operations. First aid training conducted on 27.09.2012 at Kempas Palm oil mill covering about 18 employees. First aid & chemical handling conducted on 11.05.2012 at Tangkah Estate covering about 21 employees.

First aid equipment found to be available at worksites and the inspection of first aid being recorded consistently.

Against the indicator 4.7.1, **Major NCR MH5** was issued based on the lapses of implementing and execution of the established ESH plan as per requirement of the indicator. Among the lapses are:

- i. Risk assessment and documentation was not available for workshop machines. E.g. Lathe machine/Drilling Machine & etc.
- ii. Significant spillage of oils traced at the poison stor, Bulumong division
- iii. No spill kit available at the poison stor, Bulumong division to contain the spillage of oils
- iv. Instruction documented in the emergency response plan in the event of oil spillage was not clearly understood by the responsible person for poison stor, Bulumong division.

Accidents records are available and data recorded in PQSM-OSH Monthly Update records and kept in OSHA Monthly Updates files. All 5 accidents records for 2013 (Tangkah Estate) are reviewed on case by case basis and the findings from the review are discussed in OSH Meeting at least once every 3 months. Latest OSH Meeting conducted on 24th February 2014. There are no accident cases for 2013 at Kempas Palm Oil Mill.

There is also evidence of Borang JKPP 8 that need to be submitted to the Department of Occupational Safety and Health (DOSH) on yearly basis. Latest submission of Borang JKPP 8 was submitted on 04th January 2014 (Kempas POM) & 31 December 2013 (Tangkah Estate)

All workers are covered with insurance policy and workers in Tangkah Estate are covered as per claim form no 10, accident report no 21, checklist of claim documents were evidenced available.

Criteria 4.8

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

Indicator 4.8.1

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

Major compliance

Audit findings:

Kempas CU had established their training needs and programmes for the year 2013/14. Generally the training programme covers the major training identified such the implementation of SOPs, RSPO training, Safety & Health related training, first aid training, working at height, safe chemical handling and also emergency preparedness and response on incident occurrence.

Records of training conducted are available and kept in Training Card files. Training that has been conducted are as follow:

- Chemical handling & Basic first aid: 11 May 2012
- Fire drill & Basic firefighting: 16 May 2012
- Hearing Conservation: 04 July 2013
- Safety Chemical: 14 February 2014

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

However the Gender committee did not specifically addressing matters such as training on women's rights, counseling for women affected by violence and & child care facilities in their meeting minutes and annual program. Based on meeting minutes of Gender Committee at the Kempas POM on 21 Feb 2014 & 8 March 2013, the meeting only discussing about fund collection, *gotong-royong* at the linesite& cooking class. At the Serkam Estate, Gender Committee Programme for FY 2013/2014 till

2015/2016 only stated programme for *Keselamatan Jalan Raya*, First Aid, Fire Drill, Hygiene, Cooking competition & Family Day. While for the schedule waste handler's was not trained on schedule waste handling. There was no record to show that schedule waste training has been conducted at the Kempas POM and Tangkah Estate. Due to this finding, a Major NCR was raised by auditor.

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

Criterion 5.1

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

Indicator 5.1.1

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

Major compliance

Indicator 5.1.2

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

Minor compliance

Audit findings:

Kempas CU had established its environmental aspects/impacts register associated with their activities. Environmental aspect and impact (EAI) which covers from upstream activities such as FFB reception until downstream processes was sighted during assessment. Identification and evaluation of environmental impact was done for all activities and processes related to the mill operation. Among the most significant environmental receptors are the boiler stack emission which associated with air emission, palm oil mill effluent (POME) discharge (water) and land contamination which related to managing the schedule waste and also general waste. For the estate operation, all activities from harvesting, pest and disease, upkeep programme until delivery to mill has been identified. As for the Kempas POM, the last review was on 4/7/13 for EFB press operation and maintenance as per last year NCR. All relevant activities related to EFB press has been included and updated in the Environment Aspect Impact register.

Significant environmental aspect and impact was derived from the environmental impact evaluation (EIE). Those activities evaluated as significant were then monitored using the mitigation measure established for each significant activities. Environmental management plan FY 2013/2014 for Tangkah Estate and Kempas POM are available for viewing.

Environment management plan are periodically reviewed to assess the implementation and effectiveness of the established programme. For example the latest reviewed was on 4/1/14 for Tangkah Estate.

Criterion 5.2

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

Indicator 5.2.1

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

Major compliance

Indicator 5.2.2

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

Indicator 5.2.3

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

Minor compliance

Audit findings:

The Biodiversity Baseline Assessment Report dated 2008 was prepared for Tangkah, Kempas and Kemuning Estate. Report recommendations were then implemented through Action Plans specific to the estates. These plans were updated annually until February 2014. Progress in implementation of the action plans were reviewed by the auditor and verified selectively on the ground. The new revision of HCV report was conducted by Biodiversity Assessment team, Social and Environment Project Unit (PSQM Department) on 10-13 February 2014.

The HCVs identified are river buffer zone, steep area >25° and bordering with Taman Negara Johor GunungLedang, GunungLedang Permanent Reserve Forest (PRF). Site visit to HCVs area at Kemuning, Tangkah, Kempas (including Merlimau) Estates found the old grave yard (HCV6), water catchment, rocky area, unplatable area (HCV4) were still intact and protected.

To raise staff and public awareness on enhancing biodiversity, information was posted in the Sime Darby webpage, signage erected and strategically located. This effort will be continuous. In addition, various tree species including *Dipterocarpus* spp, both for landscape and wildlife attraction, were planted along roads and unused spaces, and in rehabilitation planting to increase biodiversity in the Kemuning estate.

There was no evidence existence of rare, threatened or endangered species were found in these areas during the assessment No resident ERT species/IUCN Red List (HCV3) or areas of significant biodiversity values (HCV1) were reported although it was bordering with GunungLedang Permanent Forest Reserve (PRF).

The estates also maintained places of worship and burial grounds for their employees in particular the Muslims and Hindus (HCV6).

For effective implementation on conservation training is necessary. The auditor was informed that relevant senior staff of Sime Darby will undergo training in aspects of HCV during the HCV review on year 2014. Such training however has not yet included lower level staffs who are the actual ground implementers. Their understanding of the concept and impact of HCV management is crucial to success of conservation. Their training should therefore be convened at the earliest convenient time.

Currently, awareness training records on Manuring Operation and spraying activities were conducted on 10 February 2014 was conducted at Kemuning Estate. Due to spraying conducted at buffer zone Tebong Division

Criterion 5.3

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

Indicator 5.3.1

Documented identification of all waste products and sources of pollution.

Major compliance

Indicator 5.3.2

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

Minor compliance

Specific Guidance:

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

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

Indicator 5.3.3

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

Minor compliance

Audit findings:

Kempas CU has documented identification of all waste product and sources of pollution. The environmental management plan (cross reference to 5.1.1 and 5.1.2) were then established to mitigate all identified waste product and source of pollution.

The most significant environmental receptors for the estates and mill operations were:

- Air – Source from boiler stack (smoke and particulate), vehicle & generator (smoke and gases), anaerobic processes (ETP, EFB dumping etc.)
- Water – Cleaning water/run-off/process station waters (hydrocyclone/claybath/sterilizer condensate/clarification waste) & boiler quenching water and blowdown.
- Land – Scheduled waste, domestic waste and industrial/process waste.

For the identified waste and pollutants, there were SOP and guideline established as to guide the waste disposal activities and to reduce pollution on the routine operation.

Domestic waste were collected at a frequency of 2 to 3 times per week and disposed at the designated landfill. Industrial @ mill process wastes had been disposed as follows; EFB were sent for mulching in the field, while crop residue/biomass i.e. fibre and shell were used as fuel in the boiler.

On the monitoring of water and effluent discharge, monthly and quarterly report for final discharge were submitted in timely manner as stipulated in the written approval. Effluent quality monitoring was also done on the monthly basis. Sample taken at final discharge point was sent for analysis to Sime Darby owned laboratory in Pulau Carey and also 3rd party laboratory. Result of analysis was found satisfactorily and below the stipulated limit. Laboratory results EP331/2013 and EP62/2014 dated 17/12/2013 and 13/1/2014 was referred to.

On the scheduled waste management, the established SOP (section 1- Handling of Scheduled Waste) version: 1, issue: 1 dated 1/11/2008 was verified during audit. The SOP is aligned with the waste management plan for the scheduled waste. However, the following lapses were evident during the audit at Tangkah Estate:

- i. Identification of license schedule waste contractor at Tangkah estate. I.e OSLT license and JadualPematuhan was not available during assessment.
- ii. Inventory records for all scheduled waste generated was not properly maintained. Only the latest inventory can be retrieved during the assessment.
- iii. Labelling of schedule waste has yet to be consistent with 3rd Schedule of the regulations. I.e solid and liquid waste (empty grease container SW409)

Thus, minor NCR MH4 was issued.

Criterion 5.4

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

Indicator 5.4.1

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

Minor compliance

Indicator 5.4.2

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

Minor compliance

Audit findings:

Monthly monitoring of renewable energy (renewable energy/ ton CPO Processed) is available. Monthly biomass production has been recorded for fiber, shell and EFB. Fiber and shell will be used as the boiler fuel.

Kempas POM has no longer used diesel for electricity generation since October 2013 after TNB substation installation. Diesel was only used for prime movers and vehicle in the mill. Monitoring data was verified by the assessor.

Criterion 5.5

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

Indicator 5.5.1

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

Major compliance

Indicator 5.5.2

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

Minor compliance

Specific Guidance:

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

Indicator 5.5.3

No evidence of burning waste (including domestic waste).

Minor compliance

Audit findings:

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

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

Criterion 5.6

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

Indicator 5.6.1

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

Major compliance

Indicator 5.6.2

Plans are reviewed annually.

Minor compliance

Specific Guidance:

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

Audit findings:

The Environmental Improvement Plan/Pollution Prevention Plan has indicated all significant environmental issues and mitigating measures. Cross reference (C5.1)

Waste management plan was last reviewed for FY2012/2013 at Kempas POM. Thus, minor NCR MH3 was issued.

Pollution Prevention Plan with indicated environmental issues and mitigating measures with the time frame (Aug 2013) and Waste management Plan FY 2013/ 2014 has been established. The plans are reviewed annually and updated accordingly. Environmental issues such as potential black smoke emission, overflow from effluent pond, oil spillages during maintenance with mitigation proposal and actions assigned.

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

Criterion 6.1

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

Indicator 6.1.1

A documented social impact assessment including records of meetings.

Major compliance

Specific Guidance:

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

Indicator 6.1.2

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

Minor compliance

Specific Guidance:

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

Indicator 6.1.3

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

Minor compliance

Guidance:

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

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

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

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

Audit findings:

Documented SIA report including records of meeting was sighted. Assessor has sighted 'Baseline Social Impact Assessment (SIA) for Tangkah Estate and Kempas POM which were established on 18 January 2011 and 12 April 2011.

Tangkah Estate and Kempas POM had held an official meeting with their stakeholders on 18 January 2011 & 12 April 2011. The stakeholders' meeting was conducted once in 2011 where all stakeholders were invited to share their opinion to Sime Darby Kempas CU. Among the invited stakeholders was Chairman of JKKK, nearest government clinic, primary school, fire fighters, Chairman of Mosque, suppliers and contractors including mill & estate office staff and estate workers.

Tangkah Estate has prepared and takes action on their social action plan dated 29 December 2013 such as standardize the method preferably using Complaint Book for each division, briefing regarding OT calculation for workers, to create medical assistant visiting schedule, re-structure Gender Committee and conduct program and stakeholder meeting.

While for Kempas POM, they has prepared and takes action on their social action plan dated 20th December 2013 such as to overcome of stray dogs at the line-site area, to improve quality of water where the water was found murky and to enhance the supplier to more involve on safety and social issue in estate.

Serkam Estate has planned to give briefing on the differences calculation of FFB harvested by workers (based on quality of FFB & tall palm and young palm) and establish water management plan and water contingency plan for line-site area due to water shortage.

Criterion 6.2

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

Indicator 6.2.1

Documented consultation and communication procedures.

Major compliance

Indicator 6.2.2

A nominated plantation management official at the operating unit responsible for these issues.

Minor compliance

Indicator 6.2.3

Maintenance of a list of stakeholders, records of all communication and records of actions taken in response to input from stakeholders.

Minor compliance

Specific Guidance:

Decisions that the growers or mills are planning to make should be made clear, so that local communities and other interested parties understand the purpose of the communication and/or consultation.

Communication and consultation mechanisms should be designed in collaboration with local communities and other affected or interested parties. These should consider the use of existing local mechanisms and languages. Consideration should be given to the existence/ formation of a multi-stakeholder forum.

Communications should take into account differential access to information of women as compared to men, village leaders as compared to day workers, new versus established community groups, and different ethnic groups.

Consideration should be given to involving third parties, such as disinterested community groups, NGOs, or government (or a combination of these), to facilitate smallholder schemes and communities, and others as appropriate, in these communications.

Audit findings:

Tangkah Estate, Kempas POM and Serkam Estate were using standard operation manual (SOP) Sime Darby Headquarters entitled 'Sustainable Plantation Management System, Appendix 5 – Flowchart and Procedures on Handling Social Issues' that established by Sime Darby HQ for external communication as stated in their Procedure for Internal & External Communication.

Tangkah Estate, Kempas POM and Serkam Estate have recorded all grievances/ complaints/ communication with their stakeholders in their complaints book named 'Complaints Book Workers' and 'Complaints Book Stakeholders'

The Tangkah Estate, Serkam Estate and Kempas POM have communicate with their workers through various means, such as briefings and meetings, notice boards, emails, letters, and so on. The morning briefings appear to be most popular channel through which the management communicates whatever policies to the workers.

Assistant Manager from Tangkah Estate was in charge for any issues that raised by stakeholders which has been appointed by Tangkah Estate Manager since 2 July 2013 - 30 July 2014. At the Serkam Estate and Assistant Engineer at the Kempas POM was appointed as person in charge for any social issues from 7 July 2013 – 7 July 14.

Tangkah Estate has recorded all communication and action in the complaints book. The records of communication has been discussed and put in the social action plan 2013/2014 for their further action. Tangkah Estate has maintained their list of stakeholders annually. Current list of stakeholders has been updated on 2 July 2013.

Kempas POM has recorded all communication and action in the staff/stakeholders complaints book. The record of communication such as meeting minute and complaints book had been discussed and highlighted in the social action plan 2013/2014 for their further action. List of stakeholders of Kempas POM has maintained their list of stakeholders annually. Current list of stakeholders has been updated on 1 January 2014.

Criterion 6.3

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

Indicator 6.3.1

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

Major compliance

Specific Guidance:

Records are to be kept for 3 years.

Indicator 6.3.2

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

Minor compliance

Indicator 6.3.3

The system is open to any affected parties.

Minor compliance

Guidance:

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

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

Audit findings:

Sime Darby has prepared a standard of procedure for handling any complaint and grievance by following SOP 'Procedure for External Communication', 'Flowchart and Procedure on Handling Social Issues' and Flowchart and Procedures on Handling Land Disputes'. Sime Darby Plantation has documented these procedures which are followed by the SOU to handle disputes arising from social as well as land issues (refer the Estate/Mill Quality Management Manual).

The system resolved complaints/grievances in an effective, timely and appropriate manner. If the grievances cannot be solved on that day and will be extended until the cases solved.

The system was open to any affected parties. Or stakeholders could made a complaint by verbally or write any complaint in the Complaint Book in the Tangkah Estate, Serkam Estate and Kempas POM office.

Criterion 6.4

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

Indicators 6.4.1

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

Major compliance

Indicator 6.4.2

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

Minor compliance

Indicator 6.4.3

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

Minor compliance

Specific Guidance:

This criterion should be considered in conjunction with Criterion 2.3.

Audit findings:

Specific procedure was established by Sime Darby for identifying legal and customary rights and for identifying people entitled to compensation – ‘Appendix 3 Flowchart and handling of land disputes’. District Land Office and Survey Department was available and used as a guide for compensation to land use.

Since last audit, there was no claim for compensation made against Tangkah Estate, Kempas POM and Serkam Estate by the local communities. If there was any cases related to compensation, the procedure for calculating and distributing fair compensation would be carried out at the company level.

There was no issue raised related to the compensation claims.

Criterion 6.5

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

Indicator 6.5.1

Documentation of pay and conditions.

Major compliance

Indicator 6.5.2

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

Minor compliance

Indicator 6.5.3

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

Minor compliance

Guidance:

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

Audit findings:

The pay and conditions for employees at the Tangkah Estate and Kempas POM were met legal minimum standards. Sample of payslip statement of each worker (local and foreign workers) was verified by auditor. The payslip statement for all workers and staffs stated their basic pay, price bonus, normal days over, overtime, phone allowance, insurance subsidy and shift allowance.

Workers employment contract for Tangkah Estate, Serkam Estate and Kempas POM were written in Bahasa which explained their work terms such as service period, salary, working hours, medical facilities, housing, transportation and phone allowance, maternity leave, entitlement for sick leave and annual leave. Workers at the Tangkah Estate, Serkam Estate and Kempas POM understand the employment contract and payslip statement.

Tangkah Estate, Serkam Estate and Kempas POM have provided lots of facilities to their workers and staffs such as soccer court, mosque, clinic, quarters for workers and staffs. Water utility was provided without any charge. However, they need to pay electricity bill to TNB.

Criterion 6.6

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

Indicator 6.6.1

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

Indicator 6.6.2

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

Guidance:

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

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

Audit findings:

National Union of Plantation Workers (NUPW) of Kempas POM has held a meeting with Kempas POM manager on 8 March 2013. For Serkam Estate, they has held union meeting on 8 October 2013. Tangkah Estate also has conducted union committee meeting on 26 February 2014. They had discussed and recorded the meeting minute between management and workers representatives. Among the topic of discussion were money advance for Deepavali event, water shortage, overtime rate payment etc.

Tangkah Estate, Serkam Estate and Kempas POM have displayed statement freedom of association on the noticeboard which was written in Bahasa that understood by their staffs and workers. Tangkah Estate, Serkam Estate and Kempas POM were encouraged by management to become members of Union.

Criterion 6.7

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

Indicator 6.7.1

Documented evidence that minimum age requirement is met.
Major compliance

Guidance:

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

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

Audit findings:

Verification through employment card and copies of passports confirmed that there was no record of persons under age of eighteen, the minimum working age under Malaysian Labor Laws (Am. Act A238). For example, the youngest worker at the Kempas POM was 20 years old.

Criterion 6.8

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

Indicator 6.8.1

A publicly available equal opportunities policy.
Major compliance

Indicator 6.8.2

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

Guidance:

The grievance procedures detailed in 6.3 apply. Positive discrimination to provide employment and benefits to specific communities is acceptable as part of negotiated agreements

Audit findings:

Tangkah Estate, Serkam Estate and Kempas POM have displayed Social Policy at the employee notice board that situated in front of main office that mentioned on the equal opportunities policy.

During interviews with Indonesian workers at the Tangkah Estate and Kempas POM, and Sri Lanka & Alum, India from Serkam Estate, there was no evidence of discrimination. Workers also told that they were treated equally and they also satisfied with the job opportunities.

Criterion 6.9

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

Indicator 6.9.1

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

Indicator 6.9.2

A specific grievance mechanism is established.
Major compliance

Guidance:

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

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

Audit findings:

Sime Darby has established standard procedure (flowchart of Sexual Harassment Grievance Procedure) to manage any issues on sexual harassment. Sime Darby has also established standard report form named 'Complaint Form' for any employee that experience problem on the sexual

harassment issue. Women worker also could verbally report to Chairman of Gender Committee. Currently, there was no report/issue on sexual harassment among female workers at the Tangkah Estate, Kempas POM and Serkam Estate.

Tangkah Estate followed standard operating procedure on handling grievance / social issues which was established by Sime Darby entitled 'Sexual Harassment Grievance Procedure' with standard report form named 'Complaint Form'. Chairman of Gender Committee at the Tangkah Estate was responsible in managing any raised issue on social. The meetings were conducted by monthly basis and the latest meeting has been held on 20/2/14.

Criterion 6.10

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

Indicator 6.10.1

Pricing mechanisms for FFB and inputs/services shall be documented.

Major compliance

Indicator 6.10.2

Current and past prices paid for FFB shall be publicly available.

Minor compliance

Indicator 6.10.3

Evidence shall be available that all parties understand the contractual agreements they enter into, and that contracts are fair, legal and transparent.

Minor compliance

Indicator 6.10.4

Agreed payments shall be made in a timely manner.

Minor compliance

Guidance :

Transactions with smallholders should consider issues such as the role of middlemen, transport and storage of FFB, quality and grading. The need to recycle the nutrients in FFB (under 4.2) should also be considered; where it is not practicable to recycle wastes to smallholders, compensation for the value of the nutrients exported might be made via the FFB price.

Smallholders must have access to the grievance procedure under criterion 6.3, if they consider that they are not receiving a fair price for FFB, whether or not middlemen are involved.

The need for a fair and transparent pricing mechanism is particularly important for out growers, who are contractually obliged to sell all FFB to a particular mill.

If mills require smallholders to change practices to meet the RSPO criteria, consideration must be given to the costs of such changes, and the possibility of advance payments for FFB could be considered.

Audit findings:

Since there were no smallholders sending their FFB to Kempas POM, so this clause was not applicable to them. All FFB was come from Sime Darby's estate.

Based on consultation with Tangkah Estate's contractor –FFB transporter company and Kempas POM's contractor - mill maintenance such as conveyor etc., They were understood on the contract agreement and agree with all the terms.

Based on interview with contractors from Tangkah Estate and Kempas POM, they told auditor that any payments to supplier and contractor were made in a timely manner. If the payment cannot be paid as agreed, the estate and mill clerk will inform them first.

Criterion 6.11

Growers and millers contribute to local sustainable development wherever appropriate.

Indicator 6.11.1

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

Minor compliance

Guidance:

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

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

Audit findings:

Tangkah Estate has conducted social program for local communities such as;

- Permitted the Motor Cross Youth Group from Merlimau, Melaka to use Tangkah Estate road area in order to organise Motor Cross competition event at the Kundong Division,
- Donation for MaulidurRasul at the Masjid Ladang Ayer Panas on 27/2/14,
- Management has made monthly donation to Masjid JamekLadangTangkah in order to improve their facilities since 1/3/11 until now,
- Jamuanhariraya with KampungTelukRimba annually since 2012 until now and latest event was in September 2013.

Kempas POM has given an effort to contribute to local development based on their consultation with stakeholders on 8 March 2013. However, due to financial constraints, they only managed to donate RM300 to primary school - Sek Ren Agama JAIM, Seri Mendapat, Merlimau on 28/10/13. For year 2013/2014, they have planned to contribute to local communities based on feedback that their getting from stakeholders meeting on 25/2/2014.

Principle 7: Responsible Development of New Plantings**Criterion 7.1**

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

Indicators:

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

Major compliance

Specific Guidance:

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

7.1.2 The results of the SEIA to be incorporated into an appropriate management plan and operational procedures

developed, implemented, monitored and reviewed.
Minor compliance

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

Guidance:

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

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

Audit findings:

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

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

Criterion 8.1

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

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

Indicator 8.1.1

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

Indicator 8.1.2

Environmental impacts (C5.1)
Major compliance

Indicator 8.1.3

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

Specific Guidance

To work towards zero-waste (C5.3)

Indicator 8.1.4

Pollution prevention plans (5.6)
Major compliance

Indicator 8.1.5

Social impacts (C6.1)
Major compliance

Indicator 8.1.6

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

Guidance

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

Audit findings:

The mill and estates reviewed the environmental aspect and impact based on different activity yearly. Each activity will be rated according different impact such as land contamination or water pollution.

Biomass production such as fibre, shell and empty fruit bunch is available in Kempas POM. Most of the fibre and shell will be used for the renewable energy generation-steam turbine for the CPO production while the EFB will send to their own estate used for mulching and compost.

Pollution prevention plan is available and been reviewed annually for the mill and both estates. Inspection on site show that the suggested action plan for the environmental issue have been carried out, such as stack emission, waste management, noise pollution and etc. As for air monitoring, Kempas POM has maintained the CEMS reporting for stack emission monitoring. Kempas CU also in progress of obtaining the competent person for all pollution control equipment to comply with new amendment of EQA 1974.

Tangkah Estate and Kempas POM have implemented continual improvement for social impacts by revising current SIA (2011-2015). Sime Darby HQ has conducted stakeholders consultation at the Tangkah Estate & Kempas POM on 23-26 December 2013 & 16 December 2013 by PSQM Department - Social & Environment Projects Unit (SEPU).

Before their yearly budget, meetings will be held among the staff and representatives to raised issues that need to be considered in the next financial year.

Module E- CPO Mills: Mass Balance

Module E – CPO Mills: Mass Balance

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

Audit findings:

Generally SDPSB has established and documented its supply chain procedure. The document is known as Sustainable Plantation Management System, Appendix 15, Standard Operating Procedure (SOP) for RSPO Supply Chain Certification Stem and Traceability, dated March 2013. As at to-date, there has been no claim for certified CPO or PK by the CU. All products were sold as conventional

product ever since the last assessment. Since Kempas Oil Mill is accepting and processing the uncertified FFB from third parties, all the certified CPO and PK produced must be classified as Mass Balance products. All the annual estimated CPO and PK to be produced are also classified as Mass Balance products.

Based on verification of records, there was a case that 90.91 mt of FFB was transferred from Diamond Jubilee POM to Kempas POM in September 2013. However, there is no evidence that Kempas POM has verified the certification status of the received FFB as required by the RSPO Supply Chain Standard and the company's procedure. Due to this lapse, the assessor has assigned an NCR (VS 01).

4.0 Recommendation

Based on the evidences gathered during the 4th surveillance audit, the assessment team had raised five major and three minor NCR on the Kempas CU against the requirements of the RSPO MYNI:2008. The findings of the 4th surveillance audit were highlighted and discussed during the on-site closing meeting.

The details of the NCRs and the corrective actions taken are as in **Attachment 3**. However the Kempas CU had not taken the appropriate correction to address the Major NCR Indicator 2.1.1. As the Major NCR had not closed out after 120 days, the Assessment Team Leader after consultation with team members recommends that certification of Sime Darby Plantation Sdn. Bhd. Certification Unit (SOU 17) – Kempas against the RSPO MYNI:2008 to be withdrawn.

However site verification audit was conducted on 10 July 2014 to verify the correction and corrective action by Kempas POM to address one Major NCR Indicator 2.1.1. The verification audit found the Kempas POM had taken appropriate correction and corrective action and subsequently the Kempas CU has closed all the Major NCRs. Therefore the Assessment Team Leader after consultation with team members recommends that certification of Sime Darby Plantation Sdn. Bhd. Certification Unit (SOU 17) – Kempas against the RSPO MYNI:2008 be maintained.

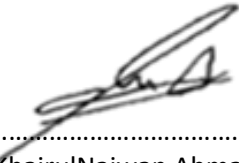
5.0 Certified organizations Acknowledgment of Internal Responsibility and Formal sign-off of Assessment findings

I, the undersigned, representing Kempas SOU17 acknowledged and confirmed of the contents of this assessment report and findings of the assessment.

Suhaimi

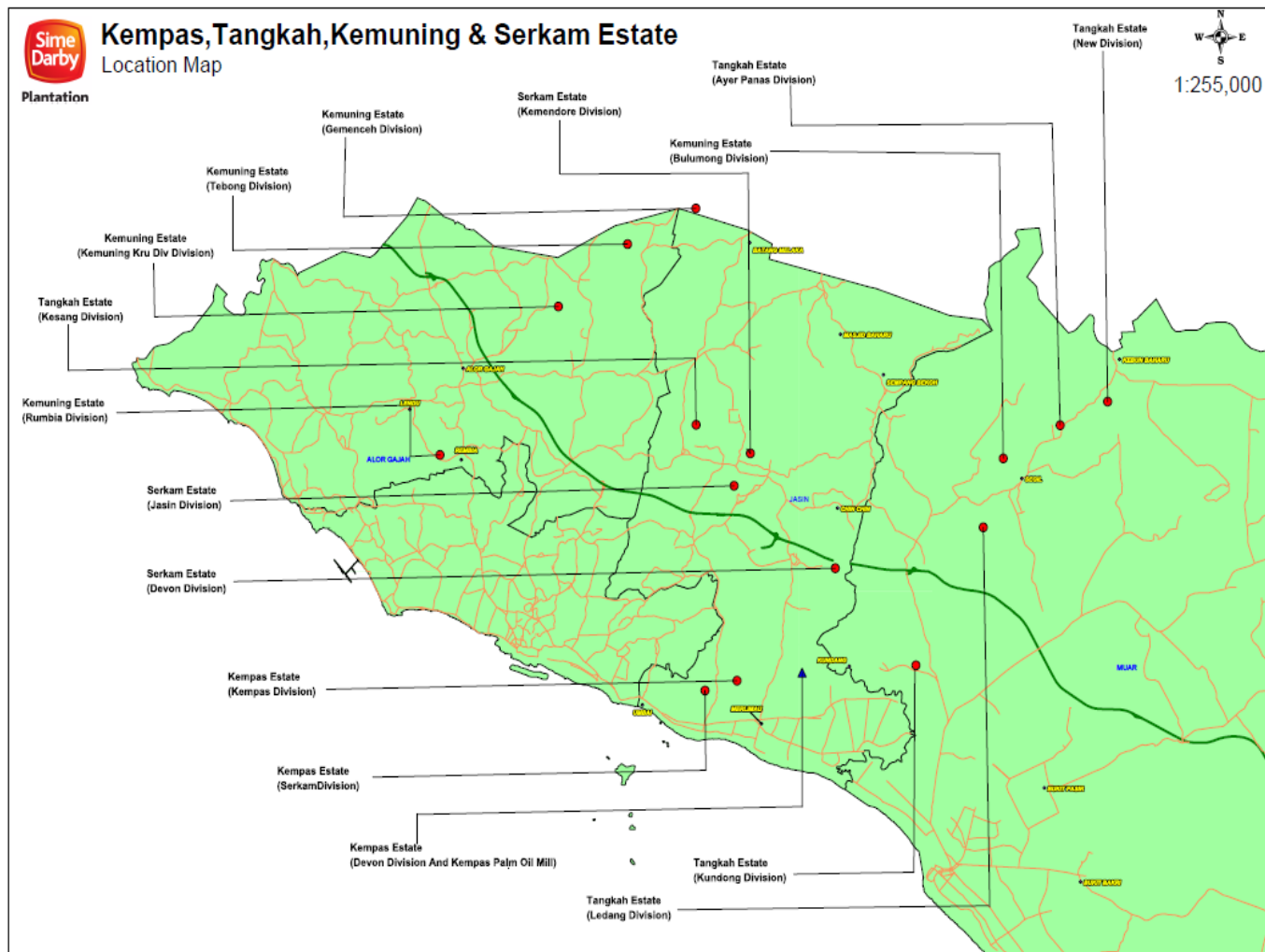
.....
Name:Suhaimi bin Abu Bakar

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



.....
Name: KhairulNajwan Ahmad Jahari
(Lead Auditor)

Map of SOU 17-Kempas



Audit Plan

Day one: 4 March 2014 (Tuesday)

Activities /areas to be visited	Hidhir&Manogaran	Razman	Najwan	Valence	Auditee
0900-0930	Opening Meeting at Kempas POM, audit team introduction and briefing on audit objectives, scope, methodology, criteria and programmes by audit team leader				Top mgmt& Committee Member
0930-1000	Briefing on the organization implementation of RSPO (including action taken to address main assessment findings)				Management Representative
1000-1300	Site visit and assessment at Kempas POM relating to Good Milling Practices, occupational safety and environmental issues Assessment on related Indicators of P1, P2, P3, P4, P5, P8	Site visit and assessment at Tangkah Estate relating to local community issues such as EIA, SIA and management plans Assessment on related Indicators of P1, P2, P4, P5, P8	Site visit and assessment at Tangkah Estate relating to estates boundary, HCV, and management plan Assessment on related Indicators of P1, P2, P4, P5, P8	Site visit and assessment at Kemuning Estate relating to Good Agricultural Practice and Environmental Issue Assessment on related Indicators of P1, P2, P3, P4, P5, P8	Guide/PIC
1300-1400	Lunch Break				
1400-1700	Continue assessment Check-In at Philea Hotel, Air Keroh	Continue assessment Check-In at Philea Hotel, Air Keroh	Continue assessment Check-In at Philea Hotel, Air Keroh	Continue assessment Check-In at Philea Hotel, Air Keroh	Relevant PIC

Day two: 5th March 2014 (Wednesday)

Activities /areas to be visited	Hidhir&Manogaran	Razman	Najwan	Valence	Auditee
0900-	Site visit and assessment at	Site visit and assessment at	Site visit and assessment at	Continue assessment at	Guide/PIC

1300	Tangkah Estate on Environment and Occupational Safety Issues; Administration department Facilities at workplace (rest area, etc) Dispensary Chemical store Workshop Assessment on related Indicators of P1, P2, P3, P4, P5, P8	Kempas POM on responsible social considerations Assessment on related indicators of P1, P2, P3, P6, P8	Kemuning Estate relating to estates boundary, HCV, management plan and Environmental issues Assessment on related Indicators of P1, P2, P4, P5, P8	Kemuning Estate relating to Good Agricultural Practice and Environmental Issue Assessment on related Indicators of P1, P2, P3, P4, P5, P8	
1300-1400	Lunch Break				
1400-1700	Continue assessment	Continue assessment	Continue assessment	Continue assessment	Guide/PIC

Day three: 6th March 2014 (Thursday)

Activities /areas to be visited	Hidhir&Manogaran	Razman	Najwan	Valence	Auditee
0830-1200	Site visit and assessment at Kempas POM relating to Good Milling Practices, occupational safety and environmental issues Assessment on related Indicators of P1, P2, P3, P4,	Site visit and assessment at Serkam Estate relating to local community issues such as EIA, SIA and management plans Assessment on related Indicators of P1, P2, P4, P5,	Site visit and assessment at Kempas Estate relating to estates boundary, HCV, management plan and Environmental issues Assessment on related Indicators of P1, P2, P4, P5,	Site visit and assessment at Kempas POM on Supply Chain Implementation including the model used	Guide/PIC

	P5, P8	P8	P8		
1200-1300	Lunch Break				
1300-1600	Audit Team Discussion, preparation on audit findings and issuance of NCR (if any)				
1600-1700	Closing Meeting				Top mgmt & Committee Member

Detail of Non conformity and Corrective Actions Taken

P & C Indicator	Specification Major/Minor	Detail Non-conformances	Result of investigation and determination of root cause	Correction (if applicable) and Corrective action plan including completion date	Verification by Assessor
Indicator 2.1.1 NCR #: MH-2	Major Area/Location : Kempas POM, Tangkah&Keming Estate	Indicator 2.1.1 : Evidence of compliance with legal requirements i) Environment Quality (Prescribed Premise) (Crude Palm Oil) Regulations 1977 (amendment 2013), "JadualPematuhan" 00190 Clause 10 (stack sampling frequency), clause 11 (smoke density indicator alarm), Clause 13 (black smoke emission concentration not more than Ringellman 2 @ 40% opacity) Clause 22 (competent operator for air pollution control equipment and schedule waste manager) ii) Environment Quality Act 1974, Section 49A – Competent Person for Effluent Treatment Plant, Air Pollution Control Equipment & Scheduled Waste	Kempas POM 1. Stack sampling for boiler no 1&2 was carried out as per scheduled: a. Boiler No2 – Carried out on August 2013 b. Boiler No2 – Carried out on March 2014 c. Boiler No1 – April 2014 (PO issued on 4 th March 2014) d. Boiler No1 – May 2014 (Planning) The maintenance is scheduled following company financial year from July 2013 – Jun 2014. 2. Smoke density alarm boiler no.1 was faulty since early of March 2014 and as procedure internal technician need to verify before external	Kempas POM 1. Retrived report from Spectrum laboratories Sdn. Bhd. and compiled the report accordingly. Asst Engineer will monitor closely for any compiling report in future and ensure there is no lap for the sampling. 2. To appoint DynamecaSdnBhd to repair on mid-March 2014 and plan to verify weekly to ensure no reoccurrences.	Verified PO for the stack monitoring. Full report will be verified in the next audit. Verified stack monitoring schedule for the next financial year. Status : Close Verified job done by Scienotech. Refer to service job sheet dated 8/4/14 Status : Closed

		<p>Manager.</p> <p>i) - Stack sampling for boiler no.1 & 2 were not carried out in timely manner. Last monitoring was carried out on 29/4/13 for boiler no.2. Stack sampling monitoring report was not made available boiler no.1 since last assessment.</p> <p>- Faulty of the smoke density indicator alarm for boiler no.1 during site review. Alarm was not triggered although opacity is above 40% opacity.</p> <p>- CEMS report dated 1-28/2/14 and 3/3/14 was above Ringellman 2 during boiler no.1 operation</p> <p>- No competent operator available at Kempas POM for air pollution control equipment and schedule waste manager</p> <p>ii) There was no scheduled waste manager for Tangkah and Kemuning Estate.</p>	<p>contractor to be appointed.</p> <p>3. Overload on the fuel consumption on the particular date.</p>	<p>3. For the immediate action, mill will reduce load and combine with genset if the reading above the Ringellmann 2 indicator. For the long term, mill will replace new boiler to cope-up the operation and has already been included in the CAPEX 2014/15 waiting for approval.</p>	<p>Progress plan Gantt Chart was verified</p> <p>i) Reduction of palm shell usage</p> <p>ii) Boiler maintenance – soot blower</p> <p>iii) Appointment of MECHMAR for trouble shooting</p> <p>iv) Boiler and turbine set condition</p> <p>v) Load sharing using TNB substation</p> <p>Based on progress plan and site verification on 10/7/14, significant reduction of black smoke emission was sighted.</p> <p>Notification to DOE was noted, letter dated 11/7/14. Action plan to reduce black</p>
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			<p>4. Kempas POM has sent En.Md Kamal to CePPOME course on July 2013 till September 2013 however the certificate still not receive yet from DOE and for competent person to handle schedule waste management, ESH-PSQM had an engagement meeting with DOE Putrajaya on 22 August 2013 and was advised for SDP to focus first on Competent Environmental Professional POME</p>	<p>4. To retrieve all evidence and compile the training accordingly. Immediately, SW Training will be conducted by SDP ESH Officer on 20March 2014 and attended by all personnel in charge of handling SW. For the long term, SDP will engage with EIMAS on the training for competent person handling SW.</p>	<p>smoke emission was submitted to DOE.</p> <p>Verified CAPEX FY2014/2015 for the new 45ton boiler. Progress of boiler construction will be verified in the next audit.</p> <p>Status :Closed</p> <p>Verified minute of meeting between SDP and DOE, Putrajaya.</p> <p>i) To focus on CePPOME first</p> <p>ii) CePSWaM (SW manager) and CePBFO (air pollution control) plan in the following year.</p> <p>CePPOME – attended by Ast Manager, Md Kamal B. Arsad.</p>
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			<p>(CePPOME), after a year then only on other CeP programs such as Scheduled Waste.</p> <p><u>Tangkah Estate</u></p> <p>1. ESH-PSQM had an engagement meeting with DOE Putrajaya on 22 August 2013 and was advised for SDP to focus first on Competent Environmental Professional POME (CePPOME), after a year, then only on other CeP programs such as Scheduled Waste.</p> <p><u>Kemuning Estate</u></p> <p>1. ESH-PSQM had an engagement meeting with DOE Putrajaya on 22 August 2013 and was advised for SDP to focus first on Competent Environmental Professional POME (CePPOME), after a year, then only on other CeP programs such as Scheduled Waste.</p>	<p><u>Tangkah Estate</u></p> <p>1. Immediately a SW Training will be conducted by SDP ESH Officer on 20 March 2014 and attended by all personnel in charge of handling SW. For the long term, SDP will engage with EIMAS on the training for competent person handling SW.</p> <p><u>Kemuning Estate</u></p> <p>1. Immediately a SW Training will be conducted by SDP ESH Officer on 20 March 2014 and attended by all personnel in charge of handling SW. For the long term, SDP will engage with EIMAS on the training for competent person handling SW.</p>	<p>Refer to :</p> <p>i) Exam results dated 2/1/14. (L042)</p> <p>ii) Certificate of attendance dated 30/9/13 – 5/10/13</p> <p>Verified training organized by PSQM-ESH on 20/3/14. Refer attendance list and training material.</p> <p>Plan for CePSWaM and CePBDFO FY 2014/2015 has been included for Kempas CU.</p> <p>Status : Closed</p>
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<p>Indicator 2.1.4</p> <p>NCR #: MH-1</p>	<p>Minor</p> <p>Area/Location :</p> <p>Kempas POM</p>	<p>Indicator 2.1.4 – A system for tracking any changes in the law</p> <p>No changes and updates incorporated in the legal register QSHE/04/5.2.4 at all operating units</p> <p>Legal register file QSHE/04/5.2.4 was not updated with regards to</p> <ul style="list-style-type: none"> i) Environment Quality Act 1974, 49A on competence person (amendment 2012) ii) Code of Practice Confined Space 2010 iii) CLASS(Classification, Labelling and Safety Data Sheet) Regulation 2013 iv) Medical Assistant Act 1977 v) FMA 1967, Person In Charge Regulations, 1970 - Regulation 5(6)(i)(ii) vi) Workers Minimum Standard of Housing and Amenities Act 1990 - Section 19(3) VMO visit every fortnightly & section 23(2) weekly line site 	<p><u>Operating Units / Group Compliance / PSQM</u></p> <p>Legal & Other Requirement Register (LORR) reviewed August 2013 did not include the additional regulations as stated.</p>	<p><u>Operating Units / Group Compliance / PSQM</u></p> <p>For the short term, PSQM will update the LORR to include the above regulations. Long term wise, Group Compliance, which have the expertise, have launched an initiative to revisit all laws & regulations require to comply by all estates and mills. Operating Units to cross check with the list whether they are in compliance.</p>	<p>Status will be verified in the next audit.</p> <p>Status : Accepted</p>
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		inspection vii) Requirements under “Jadual Pematuhan” for Kempas Palm Oil Mill (000190) validity period 1/7/13- 30/6/14			
Indicator 4.4.1 NCR #: NAJ-1	Major Area/Location : Tangkah Estate & Kempas Estate	Indicator 4.4.1 Protection of water courses and wetlands, including maintaining and restoring appropriate riparian buffer zones at or before replanting along all natural waterways within the estate. • HCV4 riparian buffer zone action plans. Slope and River Protection Policy Protection of water courses and wetlands, including maintaining and restoring appropriate riparian buffer zones along all natural waterways within the estate was not maintained. The corrective action taken (2013 audit findings) was not effectively implemented.	<u>Kempas Estate</u> 1. There is lack of monitoring and visual control sign at the buffer zone even though the training has been conducted to the sprayer. <u>Tangkah Estate</u> 1. There is lack of monitoring and visual control sign at the buffer zone even though the training has been conducted to the sprayer.	<u>Kempas Estate</u> 1. The Management has decided to conduct survey with R&D GPS team and government department (JPS) to identify the area as natural waterways or manmade drains from previous management. 2. To erect pictorial signboard (photo with no spraying activities) and mark the palms with paint which indicates the buffer zone areas. 3. To conduct regular briefings to sprayers regarding no agronomic activities at the designated areas for buffer zones. <u>Tangkah Estate</u> 1. Management has decided to erect visual signages (photo with no spraying	Records on pictorial report was verified; - Awareness training was conducted at the buffer zone. - More signage’s was erected at the buffer zone. Oil palm in the buffer zone had been ring sprayed with red paint at the trunk to differentiate with the other non-riparian zone oil palm

		During the site review, it was found the riparian buffer zone along natural waterways at Tangkah Estate, (OP 05A, Ayer Panas Division) and Kempas Estate (field 2003) was not maintained. Spraying activities / trace has been identified along the riparian buffer zone.		activities) at the areas and mandore/supervisor in-charge to monitor it accordingly. 2. To conduct regular briefings to sprayers regarding no agronomic activities at the designated areas for buffer zones.	trees Status: Closed
Indicator 4.7.1 NCR #: MH-5	Major Area/Location :	Indicators 4.7.1 – Evidence of documented Occupational Safety and Health (OSH) plan which is in compliance with OSH Act 1994 and Factory and Machinery Act 1967(Act 139) a) All operations have been risk assessed and documented. g) Accident and emergency procedures should exist and instructions should be clearly understood by all workers The above requirement were not complied with. i) Risk assessment and	<u>Tangkah Estate</u> 1. Lack of monitoring on HIRADC at workshop area due to training (HIRADC) has not given to foreman (En.Shahril) on this matters.	Tangkah Estate 1. Establish HIRADC for the equipment accordingly and for time being QMO will conduct training for HIRADC. For long term planning HIRADC training will be requested to ESH-PSQM for all workers to enhance on effectiveness of HIRADC implementation at workplace at least once a year.	HIRADC and OSH responsibilities training /briefing was carried out on 11/3/14. Verified attendant list of participant from the respective unit. Refer to course content/presentation slide. HIRADC for the workshop machine has been updated. Refer HIRADC register dated

		<p>documentation (HIRADC) not available for workshop machines. e.g. Lathe machine/Drilling Machine & etc.</p> <p>ii) Significant spillage of oils traced at the poison stor, Bulumong division</p> <p>iii) No spill kit available at the poison stor, Bulumong division to contain the spillage of oils</p> <p>iv) Instructions documented in the emergency response plan in the event of oil spillage was not clearly understood by the responsible person for poison stor, Bulumong division.</p>	<p>2. Lack of monitoring on the spillage kit at Chemical Store by supervisor and also no fully brief on ERP procedure and implementation at estate.</p>	<p>2. Spillage kit will be placed at all chemical store immediately with ERT responsibility and ERP procedures. Briefing will be given to all members during ESH meeting.</p>	<p>28/4/14.</p> <p>Status : Closed</p> <p>ERP training has been conducted on 24/3/14 at Bulumong Division, Tangkah Estate.</p> <p>Operational control on site was found acceptable. Refer to the attached picture.</p> <p>Status : Closed.</p>
<p>Indicator 4.8.1</p> <p>NCR #: MRS-1</p>	<p>Major Area/Location :</p>	<p>Indicator 4.8.1 All staffs, workers, smallholders and contractors are appropriately trained.</p> <p>i) Gender committee did not specifically addressing matters such as training on women's rights, counseling for women affected by violence and & child</p>	<p><u>Kempas POM</u></p> <p>1. Kempas POM have sent 3 staffs to schedule waste training organized DOE on 19th March 2013 however the training attendance was misplaced and unavilable during the time of audit.</p> <p>2. Program for gender committee was done in estate however activities</p>	<p><u>Kempas POM</u></p> <p>1. Filing the training certificate accordingly and to organise internal schedule waste training by ESH-PSQM every once a year. Training for SW management will be held on 20 March 2014 by SDP ESH Officer for all SW Handlers.</p> <p>2. Gender committee will</p>	<p>SW training has been carried out on 20/3/14.</p> <p>- Course content/presentati on was verified.</p> <p>- Verified attendant list of the participant.</p>

		<p>care facilities in their meeting minutes and annual program.</p> <p>ii) Schedule waste handler's was not trained on schedule waste handling</p> <p>Based on meeting minutes of Gender Committee at the Kempas POM on 21 Feb 2014 & 8 March 2013, the meeting only discussing about fund collection, gotong-royong at the linesite& cooking class.</p> <p>At the Serkam Estate, Gender Committee Programme for FY 2013/2014 till 2015/2016 only stated programme for KeselamatanJalan Raya, First Aid, Fire Drill, Hygience, Cooking competition & Family Day.</p> <p>There was no record to show that schedule waste training has been conducted at the Kempas POM and TangkahEstate.</p>	<p>related to women such as women right,child care facilities was not organise due to lack of knowledge and information.</p> <p><u>Serkam Estate</u></p> <p>1. Program for gender committee was done in estate however activities related to women such as women right,child care facilities was not organise due to lack of knowledge and information.</p> <p><u>Tangkah Estate</u></p> <p>1. Training has been conducted on 27th November 2013 by DOE of Melaka for previous person in charge (Mrs Puspa) but record was misplaced and unavailable during the time of audit. New person in charge for Tangkah Estate (MsAzizah), who joined early February 2014, for schedule waste management has yet to attend any training.</p>	<p>communicate with Social & Environmental Projects Unit (SEPU), PSQM or goverment agency regarding the social training such as women right and childcare facility at mill.</p> <p><u>Serkam Estate</u></p> <p>1. Meeting was conducted on 14th March 2014 to discuss on the activites as per required.</p> <p>2. Annual planning program will be include :</p> <p>a. Women Right</p> <p>b. Counseling</p> <p>c. Child Care Facilities</p> <p><u>Tangkah Estate</u></p> <p>1. Training record will be updated accordingly and training for schedule waste management will be held on 20 March 2014 by SDP ESH Officer for the new person in charge (Cik Azizah).</p>	<p>Status : Closed</p> <p>Verified Gender Training Plan FY 2014/2015. Status of corrective action taken will be verified in the next audit.</p> <p>Status : Closed</p>
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<p>Indicator 5.3.2</p> <p>NCR #: MH-4</p>	<p>Minor Area/Location :</p>	<p>Indicator 5.3.2: Having identified wastes and pollutants, an operational plan should be developed and implemented, to avoid and reduce pollution.</p> <p>Operational plan for scheduled waste management was not consistently implemented.</p> <p>i) Identification of license schedule waste contractor at Tangkah estate. i.e OSLT license and JadualPematuhan was not available during assessment.</p> <p>ii) Inventory records for all scheduled waste generated was not properly maintained. Only the latest inventory can be retrieved during the assessment.</p> <p>iii) Labeling of schedule waste has yet to be consistent with 3rd Schedule of the regulations. i.e solid and liquid waste (empty grease container SW409)</p>	<p><u>Tangkah Estate</u></p> <p>Record was missing during file transferred from Kundong Division to Main Division. Previously maintained by 2 permanent staffs that have since resigned and absconded.</p>	<p><u>Tangkah Estate</u></p> <p>The record will be updated and maintained accordingly and management has been decided all document related to schedule waste will be located at the main office. Management has also appointed new person fully in charge for schedule waste and will monitor these matters.</p>	<p>Status of corrective action taken will be verified in the next audit.</p> <p>Status : Accepted</p>
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<p>Indicator 5.6.2</p> <p>NCR #: MH-3</p>	<p>Minor</p> <p>Area/Location :</p>	<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>The above requirement was not fulfilled.</p> <p>Last waste management plan revision was for financial year of 2012/2013.</p>	<p><u>Kempas POM</u></p> <p>1. Staff did not update the schedule waste management as per new financial year 2013/2014.</p> <p><u>Tangkah Estate</u></p> <p>2. Record was missing during file transferred from Kundong Division to Main Division. Previously maintained by 2 permanent staffs that have since resigned and absconded.</p>	<p><u>Kempas POM</u></p> <p>1. To update the waste management accordingly and assistant engineer will monitor and ensure the documents are updated every financial year.</p> <p><u>Tangkah Estate</u></p> <p>1. The records will be updated and maintained accordingly and management has been decided all document related to schedule waste will be located at the main office. Management has also appointed new person fully in charge for schedule waste and will monitor these matters.</p>	<p>Waste management plan has been updated FY2014/2015.</p> <p>Status of corrective action taken will be verified in the next audit.</p> <p>Status : Closed</p>
<p>RSPO Supply Chain Standard Clause E.2.1</p>	<p>Major</p> <p>Area/Location :</p>	<p>RSPO Supply Chain Standard Clause E.2.1: The facility shall verify and document the volumes of certified and non-certified FFBS received.</p> <p>SDP Quality Management System, SPMS, Appendix 15,</p>	<p><u>Kempas POM</u></p> <p>The FFB was received from Diamond Jubilee which is the SOU 18 is certified as RSPO SG by BSI and as normal practice no verification between internal operating units but the verification OCP which is from</p>	<p><u>Kempas POM / PSQM</u></p> <p>1. PSQM will update the RSPO SCCS SOP to include verification of certified and non-certified material.</p> <p>2. Kempas POM will conduct verification of all incoming materials whether certified or non-certified.</p>	<p>The RSPO SCCS SOP has been updated which method of verification of crop that is transferred from other mill has been included. The effectiveness of the</p>

<p>NCR #: VS-1</p>		<p>SOP for RSPO SCCS and Traceability, Clause 5.2: SCCS Certification for CPO mills to verify the volume of certified and non-certified FFB entering the mill is necessary.</p> <p>There is no evidence that the certification status of the FFB transferred to Kempas POM from other mill has been verified.</p> <p>90.91 mt of FFB was transferred from Diamond Jubilee POM to Kempas POM in September 2013. However, there is no evidence that Kempas POM has verified the certification status of the received FFB.</p>	<p>others supply.</p>		<p>corrective action will be verified in the next audit.</p> <p>Status: Accepted</p>
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Verification on Previous Surveillance Audit Findings

P & C Indicator	Specification Major/Minor	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
<p>Indicator 2.1.1</p> <p>NCR #: VS 01</p>	<p>Major</p>	<p>Some of the regulations for schedule waste handling were not complied with.</p> <p><u>Evidence:</u> Regarding the handling of schedule wastes of Tangkah Estate (Ledang Division) and Kempas Palm Oil Mill (KPOM), it was found that some of the above regulations were not complied with, as stated below:</p> <ul style="list-style-type: none"> a) inadequate labelling for SW 425, 305, 306, 408, 410 and 110 (Tangkah) b) kept for more than 180 days without DOE's acknowledgement, e.g. SW 305 and 306 are kept since 21/11/2011 (Tangkah) c) inventory records in accordance to Fifth Schedule of the regulation was not updated (Tangkah& KPOM) d) waste information in accordance to Seventh Schedule of the regulation was not available for any schedule waste (Tangkah& KPOM) e) some of the schedule wastes were not registered in the Second Schedule (KPOM) 	<ul style="list-style-type: none"> a) Pictures of scheduled waste containers being labelled correctly were sent by Tangkah Estate. b) Overdue schedule wastes had been disposed through a licensed vendor and copies of consignment notes were sent to the assessor. c) Inventory of scheduled wastes had been updated accordingly and copies of 5th Schedule have been sent to the assessor. d) Waste information in accordance to 7th Schedule had been prepared and copies were submitted to the assessor. e) Notification to the DOE has been made online and copy of screenshot was sent to the assessor. 	<p>The corrective actions and evidence were found to be adequate.</p> <p>Status: Closed</p>
<p>Indicator 4.4.1</p> <p>NCR #: VS 02</p>	<p>Major</p>	<p>The requirement of the Indicator was not adhered to.</p> <p><u>Evidence:</u> At Tangkah Estate (Ayer Panas Division), there is a natural stream which flows from Taman Negara GunungLedang crossing the estate. The management has classified the river as riparian reserve and buffer zone shall be provided at both sides of the stream. However, it was observed that the buffer zone was not</p>	<p>Tangkah Estate will restrict any form of agronomic activities at the affected buffer zone and picture of restriction sign being erected had been sent to the assessor. The affected area will be left for vegetation to grow naturally.</p>	<p>The corrective actions were not satisfactorily implemented.</p> <p>Status: re-issue</p>

		demarcated and trace of herbicides spray was seen in which the buffer zone has been planted with oil palms in 2010.		
Indicator 2.1.1 NCR #: MH1	Major	<p>The following requirements were not adhered to</p> <ul style="list-style-type: none"> i) Factory & Machinery (Person In Charge) Regulation 1970 - Regulation 6(4) ; Requirement for >500hp ICE ii) Factory & Machinery (Noise Exposure) Regulation 1989 - Section 12 ;to conduct additional monitoring within 6 monthof suchchanges in production, process, equipment etc. Section 27 ;shall institute a training programme (hearing conservation programme) for all employees exposed to noise level at or above action level and shall repeated at least once in every 2 years <p><u>Evidence:</u></p> <ul style="list-style-type: none"> i) There was no competent person in-charge for the greatest horsepower 650kVA/520kW/883hp genset at Kempas POM – 1st grade ICE visiting engineer. ii) - No additional noise monitoring conducted after installation of new EFB press at Kempas POM. - Hearing conservation programme has not been conducted since last 2 years - Sighted comments in DOSH logbook for not conducting the hearing conservation programme 	<ul style="list-style-type: none"> i) The SOU is in the midst of installing a power sub-station by TNB to replace usage of generator set, hence competent engne driver is not necessary. The installation is expected to be completed on 30/6/2013. Copy of Bank Guarantee validity from 17/6/2013 to 16/6/2014 was sent to the assessor. Nonetheless, for a long term plan, there were two mill staffs have been nominated by Kempas POM for registration of engine driver to the DOSH. Copies of both applications dated 26/6/2013 were sent to the assessor. ii) Kempas POM had appointed a consultant to conduct the noise monitoring. Copy of an approved Purchase Order, dated 6/6/2013 was sent to the assessor. Copy of quotation from NIOSH dated 27/5/2013 to conduct medical surveillance and audiometric testing was sent to the assessor. 	<p>The approval of engine driver registration and report of noise monitoring and medical surveillance was verified during the audit</p> <p>Status: Closed</p>

Indicator 5.1.1 NCR #: MH2		<p>The documented aspects and impacts and impacts risk assessment is not adequately reviewed and updated.</p> <p><u>Evidence:</u> EAI was not adequately covered activities at Kempas POM :</p> <ul style="list-style-type: none"> i) Installation of new EFB press and generation of waste ii) Management/transportation of shredded EFB to composting plant and POME application to composting plant. 	<p>The affected activities had been included in the environmental aspects and impacts risk assessment. Copies of related documents i.e. environmental aspect and impact identification form and environmental impact evaluation form, which show the activities have been captured for risk assessment were sent to the assessor.</p>	<p>The corrective actions and evidence were found to be adequate.</p> <p>Status: Closed</p>
Indicator 5.1.2 NCR #: MH3	Minor	<p>The requirement of the Indicator was not adhered to.</p> <p><u>Evidence:</u> Environmental improvement plan has not been developed for operation of silt trap No. 2 for inlet water (leachate) from boiler ash dumping area. From EAI evaluation, the high score point of 360 was noted, however there was no environmental improvement plan/management plan developed based on procedure Standard Operating Manual (SOM), Environmental Aspect Impact Evaluation Procedure sub section 5.4 appendix 5.4.1b issue no.2 dated 1/7/09.</p>	NA – Minor Indicator	<p>The Environmental Aspect Impact Identification and evaluation has been updated according to the procedure.</p> <p>Status: Closed</p>
Indicator 6.2.1 NCR #: RM1	Minor	<p>Kempas estate did not carry out the sixth-monthly stakeholders' consultation as required by the company's own procedure (<i>TatacaraPerundinganMenanganiMasalahSosial</i>)</p> <p><u>Evidence:</u> The latest stakeholder consultation was carried out in December 2010.</p>	<p>Kempas Estate has carried out Stakeholder Meeting FY2013/2014 on 25 February 2014. The Stakeholder Meeting has been verified by the assessor.</p>	<p>The corrective actions and evidence were found to be adequate.</p> <p>Status: Closed</p>

<p>Indicator 6.2.3</p> <p>NCR #: RM2</p>	<p>Minor</p>	<p>Kemuning Estate did not maintain complete records of communications with stakeholders.</p> <p><u>Evidence:</u> The estate did not maintain complete records of its reply to requests for accident reports from the Department of Safety and Health. They were not able to provide evidence on when the reply was made as no official letter was kept in the office. The accident in question was on Atiquil Islam on 30 Sept 2012.</p>	<p>Kempas Estate has sent an official letter to DOSH dated 25 April 2013 in order to get confirmation from DOSH whether DOSH has received accident report of Atiquil Islam (dated 30 September 2012). However, there was no reply from DOSH to the Kempas Estate.</p>	<p>The corrective actions and evidence were found to be adequate.</p> <p>Status: Closed</p>
<p>Indicator 6.5.3</p> <p>NCR #: RM3</p>	<p>Minor</p>	<p>The record on requests for housing repairs was not adequately maintained in Kempas Estate.</p> <p><u>Evidence:</u> The Request and Complaint Book at Kempas Estate was not updated and the latest entry was made in 2011. The workers interviewed mentioned that they have requested for repairs after 2011 and these were not entered into the book. The mandore in-charge of updating the book, confessed that she did not do it so since 2011.</p>	<p>The Request and Complaint Book at Kempas Estate has been updated with latest entry was made on 13 February 2014</p>	<p>The corrective actions and evidence were found to be adequate.</p> <p>Status: Closed</p>
<p>Indicator 6.2.1</p> <p>NCR #: RM4</p>	<p>Major</p>	<p>Kempas Estate did not conform with the regulatory requirements of the government as well as the company's communications procedures. Sime Darby's external communication procedures state that the estate has to respond to external request within 2 weeks upon its receipt.</p> <p><u>Evidence:</u> The Department of Safety and Health requested for reports on the accident which happened on PuanMookie on 23 Oct 2012 giving the estate one month to respond. Since there was no response from the estate, another request was made on 20 Feb 2013. Since then, no official record was available to show that the estate has responded to the second</p>	<p>The SOU claimed that they had actually sent the accident report but somehow had lost prior to the second reminder. The SOU then sought advice from the DOSH regarding how to settle the issue. The assessor was informed by the SOU that the DOSH had told them to have their representative be present at the DOSH office with a copy of the report. Therefore, documented evidence of receipt by the DOSH is unlikely to be necessary.</p>	<p>Explanation is accepted.</p> <p>Status: Closed</p>

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