



**PUBLIC SUMMARY
1ST RSPO SURVEILLANCE ASSESSMENT**

AUDIT DATE : 12 – 15 MARCH 2012

**SIME DARBY PLANTATION SDN. BHD.
CERTIFICATION UNIT - SELABA SOU 5**

TELUK INTAN, PERAK, MALAYSIA

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SUMMARY REPORT

1.0 Scope of the Certification Assessment

1.1 Introduction

The certification unit (CU) being assessed was strategic operating unit (SOU) namely SOU 5 Selaba of Sime Darby Plantation Sdn. Bhd. (SDPSB). It was assessed for continuing certification against the RSPO P&C MY-NI and this assessment is the Surveillance Assessment number 1.

The SOU 5 consists of one mill and its supply bases. The supply base is made up of estates owned by SDPSB and small holders' plantations located near the oil mill. Nevertheless, the assessment of supply bases was confined to estate owned by SDPSB.

Details of the SOU 5 are described in Table 1:

Table 1: Certification units covered in the assessment

No.	Certification Unit	Palm Oil Mill	FFB Supplying Estates owned by SDPSB
1.	SOU 5	Selaba Oil Mill	Bikam Estate, Cluny Estate, Sogomana Estate (Cashwood & Sg. Beruas Division) and Seri Intan Estate (Selaba Division)

1.2 Location of Mills and Estates

SOU 5 is situated in Perak, Peninsular Malaysia. The locations of the SOU are shown in Attachment 1 and Table 2.

Table 2: Location and addresses of mills and estates

Certification Unit	Estate/Mill	GPS Location		Location Address
		Latitude	Longitude	
SOU 5 Selaba	Selaba Oil Mill	3° 59' N	101° 04' E	36000 Teluk Intan, Perak
	Bikam Estate	3° 45' N	101° 15' E	35600 Sungkai, Perak
	Cluny Estate	3° 32' N	101° 09' E	35800 Slim River, Perak
	Sogomana Estate (Cashwood & Sg. Beruas Division)	4° 24' N	100° 42' E	32500 Changkat, Kruing, Perak
	Seri Intan Estate (Selaba Division)	4° 02' N	101° 01' E	36009 Teluk Intan, Perak

1.3 Production Volume for All Certified Products

Table 3: Actual CPO and PK tonnage since date of last reporting period (March 2011 - February 2012)

Certification unit	FFB Processed (mt)	CPO Production (mt)	PK Production (mt)	Certified CPO (mt)	Certified PK (mt)
SOU 5	116,082.46	24,574.22	6,105.70	24,574.22	6,105.70

Table 4: Approximate CPO and PK tonnage (March 2012 – February 2013) claim for certification

Certification unit	FFB Processed (tonne)	CPO Production (tonne)	PK Production (tonne)	CPO Tonnage claimed for certification (tonne)	PK Tonnage claimed for certification (tonne)
SOU 5	174,533.45	36,663.50	9,339.36	21,036.00	5,463.00

1.4 Certification Details

During the certification assessment on 5th January 2009, SOU 5 has been assessed by Control Union (Malaysia) Sdn. Bhd.. SOU 5 has obtained RSPO approval on 3rd March 2011 and the certificate reference number is CU-RSPO-811218.

Sime Darby Plantation Sdn. Bhd., SOU 5 has decided to transfer Certification Body and appointed SIRIM QAS International Sdn. Bhd. to conduct surveillance assessment. The 1st Surveillance assessment was conducted by SIRIM QAS International Sdn. Bhd. assessment team on 12th to 15th March 2012.

1.5 Description of The Supply Base

The FFB is sourced from company owned estates that are certified and a small percentage from smallholders' crop. The FFB contribution from each estate is summarized in the following tables:

Table 5: SOU 5 Selaba - Actual FFB production from each estate since date of last reporting period (March 2011 - February 2012)

Estates	FFB Production	
	Tonnes	Percentage (%)
Bikam	29,835.99	25.70
Cluny	35,232.66	30.35
Sogomana (Cashwood & Sg. Beruas Division)	27,879.84	24.02
Seri Intan (Selaba Division)	23,133.97	19.93

Total	116,082.46	100.00
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1.6 Date of Planting and Replanting Cycle

The date of planting and age profiles for each SOU is detailed in the following tables.

Table 6: Percentage of planted area in Bikam Estate by age and planting cycle

Year of planting	Planting cycle (1st, 2nd, 3rd, etc. Generation)	Mature / Immature	Planted area (ha)	Percentage of planted area (%)
1999B	2	Mature	74.16	3.72
1990B	2	Mature	32.31	1.62
2005B	2	Mature	18.73	0.94
2002B	2	Mature	50.65	2.54
2001B	2	Mature	122.84	6.17
2000B	2	Mature	98.83	4.96
2008B	2	Mature	101.43	5.09
2004B	2	Mature	0.69	0.03
1993B	2	Mature	120.37	6.04
2009B	3	Immature	51.78	2.60
2010B	3	Immature	91.03	4.57
2010C	3	Immature	35.84	1.80
2011A	3	Immature	57.26	2.87
1999K	2	Mature	65.97	3.31
1997K	2	Mature	58.65	2.94
1993K	2	Mature	70.87	3.56
1992K	2	Mature	20.97	1.05
2005K	2	Mature	31.84	1.60
2003K	2	Mature	104.87	5.27
2001K1	2	Mature	20.08	1.01
2001K	2	Mature	67.63	3.40
1999S	2	Mature	41.17	2.07
1997S	2	Mature	56.10	2.82
1995S	2	Mature	17.85	0.90
1992S	2	Mature	41.00	2.06
2007S	2	Mature	136.58	6.86
2003S	2	Mature	82.30	4.13
2001S	2	Mature	22.62	1.14
2009A	3	Immature	53.57	2.69
2010A	3	Immature	35.96	1.81
2011B	3	Immature	68.93	3.46
2011C	3	Immature	138.94	6.97
Total			1991.82	100.00

Table 7: Percentage of planted area in Cluny Estate by age and planting cycle

Year of planting	Planting cycle (1st, 2nd, 3rd, etc. Generation)	Mature / Immature	Planted area (ha)	Percentage of planted area (%)
85A	1 st	Mature	32.64	2.20
85B	1 st	Mature	23.42	1.58
11A	2 nd	Immature	11.71	0.79
86A	1 st	Mature	25.64	1.72
11B	2 nd	Immature	20.04	1.35
89	1 st	Mature	62.18	4.18
91	1 st	Mature	48.02	3.23
95	1 st	Mature	40.02	2.69
97	1 st	Mature	40.73	2.74
98	1 st	Mature	86.27	5.80
99	1 st	Mature	129.45	8.71
00	1 st	Mature	114.45	7.70
08	2 nd	Mature	88.05	5.92
98H	1 st	Mature	27.96	1.88
99H	1 st	Mature	38.40	2.58
99H1	1 st	Mature	35.32	2.38
00H	1 st	Mature	59.53	4.00
01H	1 st	Mature	69.53	4.68
08H	2 nd	Mature	15.97	1.07
99B	1 st	Mature	44.91	3.02
00B	1 st	Mature	103.62	6.97
11C	2 nd	Immature	38.76	2.61
95D	1 st	Mature	65.54	4.41
98D	1 st	Mature	52.64	3.54
99D	1 st	Mature	29.71	2.00
00D	1 st	Mature	144.31	9.71
05D	2 nd	Mature	37.89	2.55
Total			1486.71	100.00

Table 8: Percentage of planted area in Sogomana Estate (Cashwood & Sg Beruas Division) by age and planting cycle

Cashwood Division:

Year of planting	Planting cycle (1st, 2nd, 3rd, etc. Generation)	Mature / Immature	Planted area (ha)	Percentage of planted area (%)
P98A	1st	Mature	65.15	9
P98B	1st	Mature	52.93	7
P98C	1st	Mature	71.78	10
P98D	1st	Mature	95.15	13
P99	1st	Mature	108.65	14
P99A	1st	Mature	99.12	13

P99B	1st	Mature	120.79	16
P99C	1st	Mature	133.03	18
Total			746.60	100.00

Sg. Bruas Division: -

Year of planting	Planting cycle (1st, 2nd, 3rd, etc. Generation)	Mature / Immature	Planted area (ha)	Percentage of planted area (%)
90	1st	Mature	75.63	28
88	1st	Mature	62.34	23
86	1st	Mature	79.77	30
85	1st	Mature	50.20	19
Total			267.94	100.00

Table 9: Percentage of planted area in Seri Intan (Selaba Division) Estate by age and planting cycle

Selaba Division:

Year of planting	Planting cycle (1st, 2nd, 3rd, etc. Generation)	Mature / Immature	Planted area (ha)	Percentage of planted area (%)
89	2nd	Mature	32.30	2.91
90	2nd	Mature	67.03	6.04
91	2nd	Mature	79.62	7.18
96	2nd	Mature	116.98	10.54
00	2nd	Mature	102.41	9.23
01	2nd	Mature	75.81	6.83
05	2nd	Mature	62.80	5.66
07	2nd	Mature	65.84	5.93
07A	2nd	Mature	82.76	7.46
07B	2nd	Mature	62.54	5.64
07C	2nd	Mature	71.29	6.43
08	2nd	Mature	81.59	7.35
09A	2nd	Immature	54.91	4.95
09B	2nd	Immature	65.35	5.89
09C	2nd	Immature	88.24	7.95
Total			1109.47	100.00

1.7 Time Bound Plan for Other Management Units

Initially, there were a total of 65 certification units under Sime Darby Plantation Sdn. Bhd. located in Peninsular Malaysia, Sabah & Sarawak in Malaysia and in Kalimantan, Sumatera & Sulawesi in Indonesia. 42 units in Malaysia and 23 units in Indonesia. At the point of this surveillance assessment, there were 58 palm oil mills (58 SOUs) and a total of 230 oil palm estates. The variance was due to in Malaysia, 3 palm oil mills (Jeleta Bumi, Sg. Sama and Sg. Tawing) had been closed down and another 3 mills (Mostyn, Sepang and Bukit Talang) were assigned to receive crop solely from third parties. One mill (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 with the target for completion by December 2011. To date 39 of their SOUs in Malaysia and 16 SOUs in Indonesia are certified and the remaining 3 SOUs in Indonesia have undergone assessment and pending for certification approval.

1.8 Progress of Associated Smallholders/Smallgrowers Towards Compliance with Relevant Standard

SDPSB has no explicit contract agreement with smallholders / smallgrowers on trading solely to them. Hence, there is no established plan for the supply base other than SDPSB owned estates to be in conformance with RSPO requirements. Subsequently, the CPO that produced from the smallholders crop needs to be excluded though Mass Balance calculation.

1.9 Organizational Information / Contact Person

SOU 5 is championed by a General Manager, Perak South Zone who is also the contact person. The details of the contact persons for SOU 5 are shown below:

Name : Tan Jin Swee

Designation : General Manager, Perak South Zone.

Address : Perak South Zone Office, c/o Ladang Sungai Wangi, 32000 Sitiawan, Perak Darul Ridzuan.

Telephone : +605-6221477

Fax : +605- 6222434

E-mail address : tan.jin.swee@simedarby.com

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. We have certified more than a hundred palm oil mills and several estates to ISO 14001 & OHSAS 18001. We have also conducted pre assessment against RSPO Principle and Criteria.

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

2.2 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 RSPO Requirement	Qualification and Experience
Ruzita Abd Gani	Lead Assessor / Milling Operation, Occupational Health and Safety, Environment and related legal issues	<ul style="list-style-type: none"> • Over 760 days of auditing experience, having audited ISO 14001, OHSAS 18001 & RSPO. • Five and half years experience in palm oil milling • Successfully Completed RSPO Lead Assessor Course - 2008 • Successfully completed ISO 14001 EMS EARA approved Lead Assessor - 2002 • Successfully completed IRCA accredited Lead Assessor training for ISO 9001:2004 • Successfully completed OHSAS 18001 OHSMS IRCA accredited Lead Assessor Course – 2005 • Registered Environmental Auditor with Department of Environment (DOE) - 2010 • B.Sc. (Hons) Chemical Engineering
Valence Shem	Assessor / Good Agricultural Practices (GAP) and environmental issues	<ul style="list-style-type: none"> • Collected more than 150 Auditor days in auditing ISO 14001 and RSPO • Nine years experience in Oil Palm Plantation management • Successfully completed IEMA accredited Lead Assessor training for ISO 14001: 2004 • B.Tech. (Hons) Industrial Technology • Successfully completed and passed the RSPO Lead Assessor Course – 2011.
Khairul Najwan Ahmad Jahari	Assessor / HCV habitats & ecology	<ul style="list-style-type: none"> • 7 years experience in Forest related areas as a researcher with FRIM since 2003 • Over 50 days of auditing experience, having audited on ISO 14001 EMS and RSPO. • Over 50 man-days in auditing MC&I (2002) as forest auditor • Successfully Completed RSPO Lead Assessor Course – 2011 • Training on RSPO P & C and certification requirements - January 2011 • Attended Auditor Training Course on Malaysian Criteria and Indicators for Forest Management Certification [MC&I(2002)] organized by MTCC, April 2009.

		<ul style="list-style-type: none"> • Attended Auditor Training Course on Malaysian Criteria and Indicators for Forest Plantation Certification [MC&I(2002)] organized by MTCC 2010. • Successfully passed EMS 14001: 2004 Lead Auditor Course, March 2009. • Successfully passed OHSAS 18001: 2007 Lead Auditor Course, Feb 2009. • Successfully passed QMS 9001: 2008 Lead Auditor Course, Feb 2009. • B.Sc. of Forestry (Forest Management) • M Sc Environmental (GIS Remote Sensing, still pursuing)
Dr. Rusli Mohd	Assessor / workers & community issue and related legal	<ul style="list-style-type: none"> • Collected 30 auditor days auditing to FSC Forest Management requirements & RSPO. • Peer reviewer for FSC Forest Management certification reports • PhD Forestry-Policy • M. Phil. Forestry-Policy • B.Sc. Forestry

2.3 Assessment Methodology

The surveillance assessment was guided by the sampling formula of $0.8 \sqrt{y}$. hence, 2 estates were planned to be assessed namely Bikam and Cluny Estates.

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

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

The assessment programme is in Attachment 2.

2.4 Date of Next Surveillance Visit

The next surveillance audit will be scheduled 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 SOU 5 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 four non-conformity reports (i.e. three major and one minor) against RSPO MYNI: 2008 requirements were raised as shown in Attachment 3. Corrective actions have been taken by SOU 5 and submitted to the assessment team for verification.

Previous year non-conformities raised have been satisfactorily closed following verification of the implemented corrective actions. The assessment team examined all the action plans and found them to be adequate. SDPSB showed their commitment to address the non-conformities by establishing action plans as detailed in Attachment 4.

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

SOU 5 continued to use the existing procedure for responding to request for information on issues relevant to the RSPO criteria. Adequate information had been provided to interested stakeholders on matters related to environment, social and legal issues.

The records for all communication were identified and maintained in different files depending on the stakeholder. Each record stated the date of communication received, response and remarks whether requests have been addressed. Among the records inspected were correspondences with the authorities, communities and employees.

During site review at Cluny Estate, it was found the stakeholder list was made available. The last meeting with stakeholder was conducted on 19 July 2011. The meeting discussed pertaining Sime Darby policies, RSPO and other related issues. Based on interview, it also noted some issues raised by local nearby were settled down by manager himself.

At Bikam Estate, the stakeholder list was also made available. The significant stakeholder such as Wildlife Department and Perak Forestry Department also has been communicated and the records also well-kept in the Bikam Main Division Office.

The latest communication with the surrounding communities was on January 2012 regarding usage of road to smallholders at Sg Klah Division, and signed by eight owner of the smallholders. The records show meeting with the stakeholders and contractors, including the nearest Village, Kg Bikam regarding the SOP for Complaints and Handling Social Issues on 1st September 2010

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

SOU 5 has continued to hold copies of all the documents listed under Criterion 1.2 and ensured that these management documents are publicly made available. For example, SDPSB continued to use the internet for disseminating public information at <http://plantation.simedarby.com>.

There are no changes since last year to the documents made available for viewing. They are:

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

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:

- Slope Protection & River,
- Environment & Biodiversity
- Social
- Occupational Safety & Health
- Gender
- Quality

In addition to the website, the policies were also displayed at strategic locations such as notice boards, offices and muster ground for employees and visitors to view.

Till the assessment date, there were no records of request and complaints by stakeholders pertaining Criterion 1.2.

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

SOU 5 has maintained a documented system for identifying and tracking of legal requirements. The document also stated the need to monitor the status of legal compliance. At the estates and mill assessed it was evident that SOU 5 has a documented system for identifying and updating the changes of legal requirements and to monitor the status of legal compliance.

There is evidence of compliance to legal requirements, which has been evaluated on an annual basis. The evidence of evaluation was documented in the register of applicable legal requirements (document no. SM/5.2/LR).

As to date no change to SOU 5 activities and no new legal requirements associated to their operation. Among the identified legal requirements are Environmental Quality Act and Regulations, 1974, Factories and Machinery Act and Regulations, 1967, Occupational Safety and Health Act and Regulations, 1994 & Worker' Minimum Standards of Housing and Amenities Act, 1990.

Relevant licenses and permits such as MPOB license, Energy Commission and Domestic Trade Ministry for diesel and fertilizer storage were valid and displayed at the estate and mill offices. Monitoring activities were being conducted in accordance with the relevant procedures and requirements. These included the employee audiometric test and hearing conservation programme, workplace inspection and monitoring of smoke & dust particulates emission from the boiler and discharges from the effluent treatment plant. The monitoring of boiler emissions and effluent discharges has also included measurements conducted by external accredited laboratories

The noncompliance against the section 23(2) of Workers' Minimum Standards Of Housing and Amenities Act 1990, which requires estates located outside the Local Council area to carry out weekly housing inspections on estate line sites. However, the assessment team found that no reports were available on weekly inspection of estate houses. Interview with the Assistant Estate Manager at Bikam Estate, no weekly inspection is carried out on the houses. At Cluny Estate, inspection reports were made available, however, the inspections were not done on weekly basis. SOU 5, has taken corrective action by having weekly inspection. Estate houses an inspection record was verified by the assessment team and found it accordance to the legal requirements. The status of this non-conformity is Closed.

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

The legal ownership of land title for all estates has been verified for SOU 5. There were total 14 grants for Selaba Division, 28 grants at Cluny Estate and 32 grants for Bikam Estate by photocopy grant document. All the original ownership documents are kept at Land Management Department, Wisma Guthrie, Bukit Damansara Kuala Lumpur (SDPSB's headquarters).

There is no change of ownership noted. Copies of land titles for all estates were sighted. Generally, the terms of land title was for permitted for commercial rubber and orchard. However, the auditor was informed that Sime Darby was in the midst of resolving the issues. The auditor had sighted the correspondence between Land Management Department of Sime Darby. Based on the content of the correspondence, the auditor found the issue needed more time to resolve especially when involving the merger exercise from different owners companies from Golden Hope and Sime Darby. It was in light of the related rules and regulations stipulated in the Land Enactment of Peninsular. Below is the recent follow-up regarding the land changes status with Land Office Department for each estates;

- e-mail dated 22 February 2012 at Selaba Division
- letter dated 25 July 2011 at Cluny Division
- e-mail dated 9 January 2012 at Bikam Estate

The SOU 5 had taken proactive action and evident of the email from Land Department regarding the Project ROME (Pursuant to the Internal Restructuring Exercise). This is to finalise the transfer of land to registered owner Sime Darby. Thus, there is a need to keep track on the status of this issue from time to time during every surveillance audit.

In general, every estate in SOU 5 had taken continual improvement and follow-up for their land status.

SOU 5 also concern to their boundary area. During the site review, all the boundary stone had visibly maintained for each estate and division. It was found the boundary stones along the perimeter adjacent to state land and other reserves are being located and visibly maintained.

The map was sighted, which indicates the boundary stone available for SOU 5. The SOU 5 had taken initiatives by engaging Juru Ukur Permata Malaysia based on letter dated 6 March 2012 regarding the demarcation survey of Lot 1438, 12900, 12903, 12906, 12776, 12777 and 15632 at Mukim Bidor, Distric of Batang Padang.

There is no any land dispute recorded for year 2011 for Selaba Div as well as Cluny Estate. It was also noted in the minute of meeting with stakeholders, there are no issues raised for Cluny Estate.

However there was a land dispute at Bikam Estate. The land owner, Mr Abdul Samat had been claim for his land at HS(M) 1388 Lot 3882 Mukim Bidor, Daerah Batang Padang on 7 October 2009. The management of SOU 5 agreed to pay the compensation to him on 24th November 2011. The receipt and the document were sighted. Therefore the resolution or progress towards resolution by conflict resolution process was acceptable and implemented.

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 in the area.

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

Criterion 3.1

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

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

The budget documents for their Financial Years 2010/2011 and 2011/2012 are available. Financial year is from current year July to following year June. Besides the normal type of operating budgets allocated for the oil palm mills and plantations (that is, FFB yield/ha, OER, CPO yield/ha and unit cost of production), the budget continues to include allocation for welfare and social services.

The replanting programme for the next ten years had been prepared as sighted in the 'Replanting programme 2011 to 2021. This programme is reviewed once a year and is incorporated in their annual financial budget. The programme was being implemented as 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

SOU 5 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 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 workstation 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. Among the records were work programmes for major activities at the estates such as manuring, herbicide spraying and replanting. Other records sighted were the issuance of Personal Protective Equipment, agrochemicals and fertilizer through the stock books, store requisition and issue sheets.

At the mills, among the records verified were sterilizer performance, boiler chemical usage, boiler smoke emission, effluent treatment plant discharge, steam turbine running hours and its maintenance schedule.

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

Selaba SOU continued to monitor their fertilizer inputs as recommended by Sime Darby's upstream research and development unit, which is located at Carey Island, Selangor. The recommendation was made on annual basis as sighted in the Agronomic & Fertilizers Recommendation Reports – Oil Palm 2011/2012.

Leaf (tissue) sampling was carried out and its result formed part of the basis for the fertilizers input recommendation. The quantity of fertilizer applied corresponded to the recommended input stated in Agronomic & Fertilizer Recommendation Report – Oil Palm. All the relevant information was recorded in the Manuring Cost Book/Pesticides of the respective estate.

EFB mulching was recommended by the R&D unit at an application rate of 35 mt/Ha in selected fields and to be applied at the palm inter-rows. During the field visit, the assessor has noted that the estates have applied the EFB mulching as recommended and progress was adequately recorded. There also has been no evidence of open burning in SOU 5.

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

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

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

SOU 5 is committed to minimize soil erosion. In general, the soil and water conservation practices include constructing and maintaining terraces (terrace planting) on hilly to steep terrains, L-shaped frond stacking and contour stacking of the pruned fronds were clearly advocated in line with the SOP and other biomass retention in the field were consistently implemented.

SOU 5 continued to practice only circle and path spraying for field maintenance in the mature areas as stipulated in their SOP. Other efforts noted was the planting of Vertiver grass at the areas that are prone to erosion. For replanting areas, the company continued to plant and maintain cover crops. Generation of non-competitive ground covers especially *Nephrolepis bisserata* and soft grasses have significantly minimized the occurrence of bare ground, soil erosion and surface runoff.

During the field visit, SOU 5 had satisfactory road condition and accessibility were made possible by regular maintenance guided by its road maintenance programmes which consist of road resurfacing, grading & compacting and culvert maintenance. The financial support for this operation could be

seen in the annual budget. Records of this activity are adequately maintained.

Silt pits at estates visited were seen strategically located along the road to collect diverted road runoff to further minimize road rutting. No peat soils were found during the field visit.

Generally, SOU 5 have complied with the requirement of conserving areas with more than 25° slope gradients to minimise soil erosion and degradation. Consultation with managers indicated that they were fully aware of the requirements to conserve such areas. Inspection indicated that the sites are not adversely disturbed.

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

SOU 5 continued to use the established procedures to maintain the quality and availability of surface and ground water, protection of water courses and wetlands including maintenance and management of riparian reserves areas.

During the assessment, it was observed that each of the estates inspected had demarcated riparian buffers along the major water ways. The buffer zone at Cluny and Bikam was identified and available in the HCV map. It was observed that oil palm trunks marking the boundary of the buffers had been painted to alert the workers not to blanket spray along the buffer zones of streams.

However there is no river seen neither on the map nor in the field across the Selaba Div, therefore no buffer zone declared

Although awareness training on buffer zone and the prohibition of spraying and fertilizer application in it had been given, it was found that there were traces of circle spraying and killed (sprayed) grasses in the buffer zone at Cluny estate, near Sg. Slim. Interview with the sprayer gang revealed that they did not understand the prohibition and therefore a major non-compliance against Indicator 4.4.1 was raised.

During the site review at Bikam Estate, it was found the estate had established the buffer zone along the riverside of Sg Bikam and Sg Klah. During the site review, it was noted the estate had taken proactive prevention on buffer by building a trenching about 10 m as buffer of the river.

There has been no construction of bunds, weirs or dams across any water ways and rivers in any of the SOU 5. The natural rivers flowing through each estate are being monitored and measurements are taken at every quarterly month interval.

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

SOU 5 had developed water management plans and among items in the plans are:

- Educate worker on saving water
- Used of recycle clean water at oil extraction plant
- Immediate action on the water pipe leaking
- Scheduled preventive maintenance to replace rusted water piping.
- Contingency plan for water shortage.
- Harvesting rain water

For the field, the plans include construction of new moisture control pits, collection drains and subsidiary drains as well as desilting of existing collection drains and subsidiary drains.

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

SOU 5 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.

Beneficial plants from the four major species namely *Tunera subulata*, *Cassia cobanensis*, *Antigonon leptopus* and *Euphorbiaceae spp.* were continued to be planted in SOU 5 to maintain low population of leaf eating caterpillars, hence reduces the need to use chemical treatment.

Ganoderma census was continuously done in SOU 5 and infected palms have been identified. The disease was mitigated by excavating the infected soil during replanting and exposing it to sunlight. This is in accordance with their Agricultural Reference Manual.

Records showing the agrochemicals active ingredient (ai) used per hectare and per metric tonne basis were seen in SOU 5. Likewise, records of location where pesticides have been used were also available.

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.
Minor compliance

Audit findings

SOU 5 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 SOU 5. Paraquat was totally replaced by another contact herbicide, glufosinate ammonium.

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. At the chemical stores, the safety and communication documentation include a chemical register which indicates the purpose of chemical usage (intended target), MSDS, hazards signage, 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 5. In order to avoid human exposure to concentrates chemicals, pre-mixing was practiced. MSDS were adequate for each agrochemical at the estate stores.

Based on the recommendation of the CHRA, medical surveillance has been conducted for employees, such as estate sprayers and mill laboratory operators, whose jobs require them to be exposed to chemicals. Pregnant and breast-feeding women are strictly not allowed to work with pesticides.

Aerial application of agrochemicals is not practiced.

As to date no request from CPO buyer to test chemical residue.

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

SOU 5 had adopted SDPSB's Occupational Safety and Health Policy, plan and programme. The SDPSB Safety and Health Policy were seen displayed prominently in Bahasa Malaysia and English on notice boards at mill and estate office and Muster Ground. Random interviewed with employees showed that they generally understood the basic requirements of the policy, i.e. to work safely, comply with legal requirements, follow established procedures and instructions from boss.

The plan had been documented, communicated and implemented to all levels of the organization. Based on the risk assessment, SOU 5 had identified and reviewed significant hazards and risks and determined appropriate risk control measures. The hazard identification, risk assessment and risk control (HIRARC) records, as well as Chemical Health Risk Assessment (CHRA) records were verified during the assessment. At the estates, the HIRARC carried out covered activities like chemical mixing and spraying, harvesting and FFB collection. As for the mill, the identified activities were FFB sterilization, kernel and oil extraction, boiler operation and maintenance activities.

Evidence of implementation of appropriate risk control measures was observed during the field and mill assessment where employees had been provided with and were seen to be using the appropriate personal protective equipment (PPE). For example chemical sprayer were provided with respirator, goggle, hand glove, rubber boot and apron while mill operator who exposed to high noise were provided with ear protection. In addition, annual audiometric test and hearing conservation program are compulsory.

Safety committee member was appointed at each estate and mill. The safety meeting and work place inspection were carried out accordingly. Minutes of meeting were sighted and detailed the discussions that include accident cases, workplace inspections, relevant training required for workers, health monitoring results and areas for improvement.

At the mill, First Aid kit, emergency eye wash and shower station were provided at strategic location. While at the estate, first aid kit were available in the estate office and each of field mandore were provided with the first aid box. Estate hospital assistant will replenish the first aid kit item periodically.

OSH performance was continuously monitored and accident cases were managed in accordance with OSH Regulations. Accident records were kept and reviewed. An accident scoreboard was made available at mill and estates and updated regularly to show the current OSH performance status.

SOU 5 have also ensured that all workers are covered by accident insurance where 'RHB Insurance' underwrites to cover all workers in the mill and the estates.

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

SOU 5 had established their training needs and programmes for the year 2011/12. Generally the training programme covers the major training identified such as RSPO awareness, Safety & Health awareness, First Aid, Fire Fighting, 5S Housekeeping and the implementation of SOPs. Training attendance list was available and well maintained. Training records for the SOU 5 estates were inspected and had been sighted. Among of the training program conducted were Leaf Pest Management Training date (20 Feb 2012), Grasscutting Buffer Zone (9 May 2011) and Awareness on prohibition spraying activities in the buffer zone (16 May 2011).

Despite that, interview with relevant staff who responsible on the scheduled waste management were revealed inconsistent understanding and no specific training provided on scheduled waste management hence non-conformance was raised.

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.

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

SOU 5 had developed and maintained its environmental aspects/impacts register associated with their activities. Assessment team has confirmed no changes to SOU 5 operation, therefore environment aspects and impact register still found valid and appropriate. Environmental improvement plan or known as Environmental Management Programmes (EMP) were then established. It is based on the identified significant environmental aspects that can be improved within the SOUs capabilities.

Among the EMP at estates level are reduction of diesel consumption and the planting of beneficial plant while EMP at oil mill include ensuring their effluent discharge and boiler smoke emission are within the legal requirements. Monitoring records showed their effluent discharge and smoke emission were within the legal permissible limits.

Interview with the estate and mill person in charge for reviewing and updating the environmental aspect and impact assessment revealed that the understanding on their own procedure requirements need further enhancement.

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, Sime Darby Plantation for SOU 5 was prepared by PS-RSPO Unit, TQEM Department dated on December 2008. The assessment had covered all the HCV for Selaba Div Estate and Cluny Estate, including the management and action plan. The assessment has covered the rare, threatened and endangered species (ERTs) including the high conservation value areas.

Based on the management plan produced from the assessment, the SOU 5 had produced the action plan and conducted the monitoring on yearly basis. Generally the action plan is on conservation, educational and awareness. The signage for HCV sites has been erected and maintained. The action plan and management prescription for each HCV areas was updated on 1st November 2011.

During the site review, the Selaba Div had identified and maintained the significant HCV4 which is to control and maintained the buffer zone, and protection on erosion control. Noted the buffer zoned was identified in the assessment report, however there is no buffer zoned declared at the site due to

the river was not in the plantation area. However the Selaba Div has planning to update the report next two month. The Selaba Div Estate also conserved a worship area (Hindu Temple) identified as HCV6.

The Bikam Estate had compiled information about the status of High Conservation Value (HCV) within and adjacent to their estates. The HCV Assessment Report "An Assessment of the Biodiversity of Sime Plantations Lower Perak Estate (BU2), Conservation Values & Recommendations", prepared by Wild Asia completed in 1st May 2007. The HCV assessment had identified protected, rare, threatened or endangered species.

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

During the site review, the Bikam Main Div Estate had identified and maintained the significant HVC, e.g. HCV4 which is to control and maintained the river buffer zone, and protection on erosion control and HCV6 for worship area.

There was also external HCV which is bordering with Wildlife Protection area adjacent to Bikam Main Div. The stakeholders' communications (Forestry Department and Wildlife Department) at Bikam Estate however was in place. The latest communication with Wildlife Department was evident on letter dated 1st March 2012, regarding the presence of Leopard (*Harimau Kumbang*) at the border of wildlife reserved. The Wildlife Department also had a communication with Bikam Estate to monitor the wildlife activities along the border, evident in letter dated 25th October 2011.

The other communication was with logging contractor regarding the logging operation by Perspektif Makmur Sdn Bhd, dated 27th June 2011 to request to using the estate road for logging operation (*Acacia Mangium*) at Block C & D. This letter also approved by Forest Department Perak Selatan, Tapah letter dated 25 July 2011 and 8 July 2011 to confirm the licences & logging activities at these areas. Therefore the communication with the significant stakeholder was in place.

There were evidences that SOU 5 are committed to the conservation of the habitat. Signages to prohibit illegal hunting of wildlife were clearly displayed within the plantations.

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

The SOU 5 has identified the wastes generated from their operations. Among the wastes identified were biomass and general wastes from line site. General wastes from Selaba mill however, were disposed through the Town Council since the mill is near Tapah and Teluk Intan town. While scheduled waste such as used lubricant oil, contaminated glove and chemical container were properly stored and disposed to Department of Environment (DOE) licenced contractor.

Waste management plan and SOP for the disposal of the identified wastes was sighted in the SOU 5. For example, EFB was sent to the field for mulching while fibre is used as fuel for boiler.

Sources of pollution noted identified, such as effluent from oil clarification plant and production floor washing activities, smoke from boiler operation, contaminated gloves from maintenance activities and general domestic waste from line sites. An operational control procedure was established and monitoring activities was carried as per schedule to ensure all wastes and pollutants do not give rise to significant impact to the environment.

Recycling of palm biomass generated from the milling activities was fully exploited by the SOU 5. It was observed biomass such as excess fibre, shell and EFB were recycle where excess fibre and shell were use as fuel in the boiler and EFB were sent to estate for mulching. Apart from that, the estates continued to practice chipping of oil palm trunks and returned to the soils via decomposition during replanting activities.

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

At the mill, renewable energy is maximized where fibre and shell are used to power the boiler and generate steam for the process as well as electricity for the mill complex.

Records of monitoring for both renewable energy and fossil fuel are available as per the requirement of the indicator. Besides that, diesel reduction programme has been initiated and monitored as part of their environmental management program.

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 5 were developed without the practice of burning. The replanting practice was verified on site at Cluny & Bikam 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

SOU 5 has established and maintains their plans to reduce pollution. These plans are translated into SOP in their Estate/Mill Quality management System and Sime Darby Plantation - Sustainable Plantation Management System or environmental management program.

Among the plans were to reduce black smoke emission, enhance the scheduled waste management, reduce diesel consumption and ensure effluent discharge is within the legal requirements.

Monitoring of the pollution and emissions plans were carried out as per schedule and result of monitoring showed there were improvements towards positive trend.

PRINCIPLE 6: RESPONSIBLE CONSIDERATION OF EMPLOYEES AND OF INDIVIDUALS AND COMMUNITIES AFFECTED BY GROWERS AND MILLS

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

There were two reports on Baseline Social Impacts Assessment prepared for SOU 5; one report prepared in December 2008 for the three estates (Selaba Division of Seri Intan Estate, Bikam Estate and Cluny Estate) while the other report was prepared in July 2011 for Selaba Mill and Selaba Division of Seri Intan Estate. Both of the reports were prepared with the participation of various stakeholders, namely, estate workers, representatives of local communities, vendors and suppliers. The SIA attendance list at Selaba Mill shows that there were 12 workers, 8 staffs, 2 representatives

from Kg. Selaba and Kg. Glouster and a few suppliers participated in the SIA exercise. The attendance list for Cluny estate was signed by 27 workers, 7 local community representatives and 2 suppliers. Likewise, the attendance list for Bikam estate shows that 9 suppliers and one representative from local community participated in the SIA exercise.

An action plan was presented at the end of each of the two reports. Subsequently, each of the estates and the mill was required to prepare its own action plan to manage its own specific issues within a stipulated time frame. In addition, the Estates and Mill are required to revise the action plans annually. According to the estates/mill procedure for handling social issues, they have to review the implementation plan at half-yearly interval.

The following issues were raised by the stakeholders and the actions taken by the estates/mill:

At Selaba Mill;

1. Quality of water going to Sg. Bidor which was claimed to affect fish population.
2. Emergency vehicle for workers use.

The mill had presented a water analysis report done by independent laboratory dated 1 February 2012 and the result show all parameter are within the standard specification. The mill management also has appointed on duty of Auxiliary Police as a standard-by person as well as a stand-by vehicle in times of emergency.

At Selaba Division;

1. Widening of road at mile 6 and clearing of shrubs along estate road.

The estate requested the community leaders to write to Sime Darby Office to solve the problems. The letter was endorsed by the estate management dated 1 August 2011. The road at Kg Glouster was under water during the audit and the mill management has allocated budget for road repair (i.e. refer the financial management plan for 2012/13).

The assessment team has also verified the comment raised during previous assessment related on damaged school roofs and contribution from parent. Interview with the affected parties no further complaint related the same matters.

At Bikam Estate;

1. Road closure on weekends.
2. Late delivery of FFB by contractors, thus not enough rest for the drivers.
3. Street lights in the line sites.

The estate has taken appropriate actions to address the issues except street lighting. Road closure policy is maintained based on earlier agreement. In addition, verification on the delivery note dated 17 March 2009 and agreement dated 12 March 2001 a new system was put in place to speed up collection of FFB.

At Cluny Estate;

1. Upgrading of facilities.
2. Low water pressure.
3. Expensive grocery store.

Although the said matter has yet to be solve but series of meeting (i.e. 19 July 2010, 25 October 2011 and 16 March 2011) to discuss the said matters. Minutes of meeting was established and maintained.

It was noted that the SIA report for SOU 5 was not reviewed half yearly as required by procedures for handling social issues. The estates should have reviewed and updated it at four times by getting feedbacks and inputs from relevant stakeholders. There was no evidence that Bikam and Cluny Estates reviewed their SIA reports. Interview with the Assistant Manager, Bikam Estate mentioned that they did not carry out the annual review. At Cluny Estate, no reports on annual review were available. Therefore noncompliance against indicator 6.1.3 was raised for Bikam and Cluny Estate.

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

SOU 5 has maintained external and internal communication procedures as well as standard operating manuals for customer communications. Evidence on compliance of these procedures is abundance by way of the actions taken by the estates and mill upon receiving requests from government agencies, such as Pejabat Tanah, Majlis Perbandaran, Bomba dan Penyelamat and schools.

The estates and mill communicate with their workers through various means, such as briefings and meetings. The morning briefings appear to be most popular channel through which the management communicates whatever policies to the worker.

As stated in the external communication procedure, the Estate Manager is the nominated person to handle communication and consultation issues in the estates. He is appointed by the general manager through a letter for a specific period of time. For the mill, the Assistant Manager is appointed by the manager to handle communication issues.

The estates maintain files on records of communication and consultation with external and internal parties, for examples, with government agencies, unions, suppliers and their own workers. The practice on naming the files can differ between different estates. Generally, files are naming in

reference to client or agency in question.

A list of stakeholders comprising vendors, contractors, local communities and government agencies is kept in every estate and mill. The latest lists of stakeholders were made available during the audit. The number of stakeholders at the Mill, Bikam and Cluny 42, 25 and 140, respectively.

Interviews with the workers and unions revealed that communication between the management of estates and mill and workers need to be enhanced in the future. A few incidents reported during the audit give the impression that the workers are not very willing to share or voice their problems with the estate management, for examples,

- i. Workers' grievances towards the management in Selaba Mill.
- ii. The one-day work boycott in Cluny Estate.
- iii. Issues on the RM 200 incentive.

The estate management could help the workers by continuously convincing them they are open to discussions and dialogue on any issues.

The estate should also regularly communicate with the local communities. The impacts of river water overflow at Kg. Gandah near Selaba Division could have been mitigated, if the estate has communicated with the kampong folks before pumping the water from the pond to the nearby drains.

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

SOU 5 has maintained documented procedures for dealing with disputes arising from social and boundary issues (refer the Estate/Mill Quality Management Manual). In addition, the company has formulated procedures for dealing with complaints from its customers. These procedures were circulated to the relevant agencies and companies (refer to letter from Bikam Estate to various stakeholders dated 1/9/2010.)

Interviews with the estate management, union officials and workers revealed that there has been no

dispute with outside parties or workers during the past years and, therefore, no records are available to judge whether or not the system resolved disputes in an effective, timely and appropriate manner.

The procedures also handle complaints or grievances from workers. Complaints are usually made to their *mandores* or assistant managers, first. If the complains are not resolved, then, these will brought to the attention of the manager for his decision.

Complaints on housing repairs are usually entered into a complain book or form to be acted upon by the estate administration.

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

No evidence was found on the taking of lands with customary rights. Nonetheless, the SOU 5 has documented procedures for handling boundary disputes. Should any claim for compensation aroused, the procedures in Sime Darby Estate Quality Management System and Mill Quality Management System would be referred.

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 system for estate and mill workers is based on the Collective Agreement (CA) between the Malaysian Agriculture Producers Association (MAPA) and National Union of Plantation Workers (NUPW). Currently, the agreements for harvesters are spelled out in the Collective Agreement of 2010 while those for the general worker are in the 2011 agreement. In addition to the CA, the letters offering employment do spell out other conditions of work. The appointment letters for all workers are kept in the estates' and mill's offices.

In all the estates, the CA in the English language and has not been translated into Bahasa Malaysia or any other languages as required by Indicator 6.5.2. However, interviews with the union representatives and workers revealed that the estate management makes efforts to explain the terms of employment, or for that matter, any issues, to the workers during the morning briefing sessions. Furthermore, union leaders also help to disseminate relevant information, which they received from the state union offices.

The appointment letters are both in Bahasa Malaysia and in English. Interviews with the workers revealed that the workers quite understand their pay and conditions of work.

All the estates provide housing (3 or 2 bedrooms), medical, educational and basic amenities for the workers. Water is provided either free or subsidized by the estates or mill. On the other hand, electricity bills are paid by the workers with a little subsidy from the estates.

It was observed that the conditions of houses, roads and compounds are fairly similar across all the line sites and staff sites visited. Also, it was noted that the estates have made commendable efforts to continuously upgrade the conditions of these facilities and amenities. However, the following aspects or areas could be further improved:-

- i. Cleanliness of the compounds.
- ii. Drainage system surrounding the houses, wherever applicable.
- iii. Landscapes of the areas around the houses.
- iv. Road conditions.

Criterion 6.6

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

Indicator 6.6.1

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

Indicator 6.6.2

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

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

Part of the published social policy in all Sime Darby estates says that “...the Company shall respect the rights of all personnel to form and join trade unions and to bargain collectively”. As such, every estate/mill has two local unions, one for the workers and the other for the administration staffs, which are affiliated to the NUPW and AMESU, respectively.

Meetings between the estates’ management and the union leaders are held through the Joint Consultative Committee. Union leaders can raise issues pertaining to their work in any of these meetings. The minutes of these meetings are kept in the appropriate files.

It was noted that meetings between the estate management and union representatives are held very infrequently, once a year at the most, in all the estates/ mill. As a result, many of the problems or issues discussed have been overtaken by events long before the next meeting is convened. Therefore, the minutes do not reflect the effectiveness of the estates in handling workers’ issues.

It is recommended that the meetings be held on a more regular basis. Interviews with the union representatives in the Selaba Mill revealed that they have outstanding issues to discuss with the estate management, particularly with respect to the supervisory styles of one of the Mill Assistants. At Cluny Estate, on the other hand, the Indonesian workers representative interviewed mentioned that some of his friends are not sure how to apply for annual leave. At Bikam Estate, the workers complained that house repairs are not acted upon within appropriate time period.

Criterion 6.7

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

Indicator 6.7.1

Documented evidence that minimum age requirement is met.
Major compliance

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

The SOU’s employee register shows that the minimum age of the worker is 19 years old. A clear policy on not employing children both in the estate and mill has also been established. Interview with workers revealed that they were aware of this requirement.

There was an explicit policy on non-employment of under-aged children and it was displayed on the estate/mill notice board. Assessment on the recruitment records at mill, Bikam estate and Cluny estate were found the youngest worker 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

There is no evidence of discrimination based on race, gender or national origin or any other factors. Interviews with the union representatives and workers revealed that their pay and terms of work are based on the MAPA and NUPW agreement and not decided conveniently by the estates/mill.

Interview with Assistant Manager and worker representative at Bikam Estate, the variation in monthly pay between the daily-paid workers, for instance, is determined by the workers' performance over the month.

A policy on non-discrimination is incorporated in the statement of Social Policy of Sime Darby and posted on notice boards in all estates/mill.

Criterion 6.9

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

Indicator 6.9.1

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

Indicator 6.9.2

A specific grievance mechanism is established.
Major compliance

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 Plantation has explicit policy statements on sexual harassment which guide the practices in the SOU 5. In addition, a Manual on the implementation of Gender Policy has also been documented which incorporates, among others, the grievance procedures. Each of the estates in the SOU 5 has a Gender Committee which plans appropriate programs and activities for their members. Interviews with the unions and workers reveal that there has been very rare incidence of sexual harassment in the estates. Minutes of meetings of Gender Committee are kept in all estates.

Interviews with the respective gender committee leaders revealed that there have been little activities directed at gender related issues, such as women's rights, awareness on gender issues, and so forth. The main explanation given by them was that the committees are still very new and yet to be exposed to gender issues. However, it is about time that the gender committees take one step forward by organizing more relevant activities by moving away from the normal social activities, like gatherings and social trips.

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

Selaba Oil Mill does buy FFB from outside suppliers. Pricing mechanisms for FFB and other services to the estates and mill, for examples, FFB transportation, supply of hardware or engineering works are spelled out in the contract of services, either long-term or otherwise. Interviews with suppliers and contractors reveal that they were quite satisfied with the estates. Most of the suppliers have been in business with the estates and mill for very long time (≥ 10 years).

Business and service transactions between the SOU and suppliers, particularly the more expensive ones, are bound by detail written contracts duly signed by both parties. Regardless of the size and issuing party, the contracts clearly spelled out the terms of the services and the payment system.

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

Local communities around the SOU 5 benefit from the facilities and services of the SOU 5. The schools in all the estates are attended by children from neighbouring villages while their roads are used by the local communities for communication and transportation of various produce, such as FFB and rubber as in Bikam and Cluny Estates. Each of the estates has some programmes on social responsibility either for the workers or the surrounding communities.

At Cluny, the estate paid for the transportation of workers for Friday prayers, banks and hospital. In addition, there are subsidies for school bus for estate children, water and electric supply to the houses.

At Bikam, donation is often given to youth club, temple, Police station, Estate School, breakfast for surau at Sg Klah.

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

Generally, the SOU 5 has established continuous improvement plans for all the indicators. Most of the plans had been implemented through the requirement of their internal integrated management system. Among the improvement plans are practices to minimize chemical usage by substituting

through the planting of cover crops in the immature fields rather than using herbicides for field upkeep; on the welfare of workers front, new housing and facilities are being constructed in phases as part of the company's commitment to provide better living conditions and on the environmental impact.

3.2 Identified Non-conformities

Details of the non-conformities, corrective actions taken by all assessed SOUs, and assessors' verification of the corrective actions taken are in Attachment 3. The major nonconformities have been closed out and minor nonconformity will be verify in the next assessment.

3.3 Status of Non-conformities Previously Identified

All previous nonconformities were verified for the corrective actions effectiveness. Corrective action has been taken and verified by the assessor. Details of the verified nonconformities are in Attachment 4.

3.4. Noteworthy Positive Observations

The certification unit assessed had improvement made to their RSPO implementation. This can be seen from physical improvement of housing and related amenities condition, use of cover crops instead of herbicides, as well as chemical and wastes storage area including the changing room for the sprayers and initiatives taken to improve clean water supply to line site.

The workers housing are kept clean and beautiful as part of the 'Beautiful House Contest' and good housekeeping is still a practice at all workplace.

The level of awareness among the workers on the RSPO implementation has also improved. They are able to explain not only the operating procedure related to their work but also the impact of its deviation, the consequence for not following them and the importance in achieving conformity to the RSPO requirements.

3.5 Issues Raised by Stakeholders and Findings with Respect to the Issues

Among the stakeholder consulted during the surveillance assessment were:

- Workers from different group of tasks.
- Management staff.
- Union representative.
- FFB supplier.
- Local community.
- Female worker representative.
- Civil work contractor.

Generally all stakeholder consulted give positive remarks that they have no issue on dealing/working with SOU 5. The improvements were seen since the implementation of the RSPO Certification Scheme.

4.0 Certified organization's Acknowledgement of Internal Responsibility and Formal sign-off of assessment findings

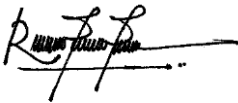
I, the undersigned, representing SOU 5 acknowledge and confirm the contents of the assessment report and findings of the assessment.

Tan Jin Swee

Date : 23/01/2013

Name : Tan Jin Swee

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



Date : 23/01/2013

Name : RUZITA ABD GANI
(Lead Assessor)

Recommendation

Based on the evidence gathered it can be concluded that **Sime Darby Plantation Sdn. Bhd. Selaba-SOU 5** continue to conform to the requirements of the RSPO MY-NI. All nonconformities including major nonconformities have been closed out through verification of corrective action records.

Therefore, the assessment team recommends **Sime Darby Plantation Sdn. Bhd. Selaba-SOU 5** to continue to be certified against RSPO MY-NI.

LOCATION MAP OF SELABA SOU 5 , TELUK INTAN, MALAYSIA



Note: Not to scale

AUDIT PROGRAMME

1. Objectives

The objectives of the assessment are as follows:

- (i) To determine Sime Darby Plantation Sdn. Bhd. , Selaba SOU 5 conformance against the RSPO Principles & Criteria Malaysian National Interpretation (MYNI).
- (ii) To verify previous assessment findings
- (iii) To make appropriate recommendations based on the assessment findings.

2. **Date of assessment** : 12th – 15th March 2012

3. **Site of assessment** : Sime Darby Plantation Sdn. Bhd. , Selaba SOU 5
 Selaba Palm Oil Mill, Lot No.7376, Km 7, Jalan Changkat Jong, 36000 Teluk Intan, Perak
 Bikam Estate, 35600 Sungkai, Perak
 Cluny Estate, 35800 Slim River, Perak
 Sogomana Estate (i.e. Cashwood Division & Sungai Beruas Division), 32500 Changkat, Kruing, Perak
 Seri Intan Estate (i.e Selaba Division), 36009 Teluk Intan, Perak

4. Reference Standard

- a. RSPO P&C MYNI:2008
- b. RSPO Supply Chain Certification System, November 2011
- c. Company's audit criteria including Company's Manual/Procedures

5. Assessment Team

- a. Lead Assessor : Ruzita Abd Gani
- b. Assessor : Dr. Rusli Mohd
 Khairul Najwan Ahmad Jahari
 Valence Shem
- c. Trainee : Mohamad Hidhir Zainal Abidin

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

6. Audit Method

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

7. Confidentiality Requirements

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

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

8. **Working Language** : English and Bahasa Malaysia

9. Reporting

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

10. Facilities Required

- a. Room for discussion
- b. Relevant document and record
- c. Personnel protective equipment if required

- d. Photocopy facilities
- e. **A guide & transportation for each assessor during site assessment**

11. **Assessment Programme Details** : As below

Day one: 12th March 2012 (Monday)

Activities /areas to be visited	Ruzita & M.Hidhir	Dr. Rusli	Khairul Najwan	Valence	Auditee
10.00 am	Opening Meeting, audit team introduction and briefing on audit objectives, scope, methodology, criteria and programmes by audit team leader				All Head of Operating Unit
10.15 am	Briefing on the implementation of RSPO for SOU Selaba (i.e. Selaba Oil Mill, Bikam Estate, Cluny Estate, Cashwood & Sg. Beruas Div of Sogomana Estate and Selaba Div of Seri Intan Estate) by organization representative				
10.45 am	Assessment at Selaba Oil Mill <ul style="list-style-type: none"> Production area Effluent treatment plant, boiler, Water treatment plant & etc Mill waste management OSH implementation Verify previous audit findings (if any) 	Assessment at Selaba Oil Mill & Selaba Division <ul style="list-style-type: none"> Session with employee representative, gender representative Workers issues Workers line site & supporting facilities such as surau, shop, balairaya & canteen & etc Verify previous audit findings (such as issues at Salaba school, Kampung Gloster) 	Assessment at Selaba Division <ul style="list-style-type: none"> Conservation area management, HCV Riparian Zone River system including POME discharge (if any) Boundary stone Water catchment area Verify previous audit findings (if any) 	Assessment at Selaba Division <ul style="list-style-type: none"> Good Agricultural Practice, IPM Workers Issues Line site EFB mulching Estate waste management Chemical stores Verify previous audit findings (if any) 	Guide/PIC To provide transportation to the visit site
1.00 pm	Lunch Break & Solat Zuhur				
2.00 pm	Assessment on P1, P2, P3, P4 (4.7), P5, P8	Assessment on P1, P2, P6, P8	Assessment on P1, P2, P4(C4.4, C4.8) P5(5.2) P8	Assessment on P1, P2, P3, P4, P5, P7, P8	Guide/PIC
5.30pm	End of Day 1 Assessment				

Day two: 13th March 2012 (Tuesday)

Activities /areas to be visited	Ruzita	Dr. Rusli	Khairul Najwan	Valence & M.Hidhir	Auditee
09.00 am	Assessment at Bikam Estate <ul style="list-style-type: none"> Chemical management OSH implementation at estate operation such as spraying, harvesting & etc Session with Chemical suppliers and contractors 	Assessment at Bikam Estate <ul style="list-style-type: none"> Session with employee representative, gender representative, Hospital assistant Workers issues Line site and supporting facilities such as clinic, surau, shop, balairaya & etc Surrounding communities 	Assessment at Cluny Estate <ul style="list-style-type: none"> Conservation area management, HCV Riparian Zone Boundary stone Water catchment area 	Assessment at Cluny Estate <ul style="list-style-type: none"> Good Agricultural Practice, IPM EFB mulching Waste management Nursery (if any) 	Guide/PIC To provide transportation to the visit site
1.00 pm	Lunch Break & Solat Zuhur				

02.00 pm	Assessment on P1, P2 , P3, P4 (4.7), P8 Verify previous audit findings	Assessment on P1, P2, P6 , P8 Verify previous audit findings (if any)	Assessment on P1, P2,P4 (C4.8), P5, P8 Verify previous audit findings	Assessment on P1, P2, P3, P4, P5, P6 (6.10), P7, P8 Verify previous audit findings	Guide/PIC
05.30 pm	End of Day 2 Assessment				

Day three: 14th March 2012 (Wednesday)

Activities /areas to be visited	Ruzita	Dr. Rusli	Khairul Najwan	Valence & M.Hidhir	Auditee
09.00 am	Assessment at Cluny Estate <ul style="list-style-type: none"> Chemical management OSH implementation at estate operation such as spraying, harvesting & etc Session with Chemical suppliers and contractors 	Assessment at Cluny Estate <ul style="list-style-type: none"> Session with employee representative, gender representative Workers issues Line site and supporting facilities such as surau, shop, balairaya & etc Surrounding communities 	Assessment at Bikam Estate <ul style="list-style-type: none"> Conservation area management , HCV Riparian Zone Boundary stone Water catchment area 	Assessment at Bikam Estate <ul style="list-style-type: none"> Good Agricultural Practice, IPM EFB mulching Waste management Nursery (if any) 	Guide/PIC To provide transportation to the visit site
1.00 pm	Lunch Break & Solat Zuhor				
02.00 pm	Assessment on P1, P2 , P3, P4 (4.7), P8 Verify previous audit findings	Assessment on P1, P2, P6 , P8 Verify previous audit findings (if any)	Assessment on P1, P2,P5, P8 Verify previous audit findings	Assessment on P1, P2, P3, P4, P5, P6 (6.10), P7, P8 Verify previous audit findings	Guide/PIC
05.30 pm	End of Day 3 Assessment				

Day four: 15th March 2012 (Thursday)

Activities /areas to be visited	Ruzita	Dr. Rusli	Khairul Najwan	Valence & M.Hidhir	Auditee
09.00 am	Assessment at Selaba Division <ul style="list-style-type: none"> Chemical management OSH implementation at estate 	Assessment at Selaba Division <ul style="list-style-type: none"> surrounding communities Follow up on any outstanding 	Assessment at Selaba Oil Mill <ul style="list-style-type: none"> Energy use at mill (C5.4) Water management (C4.4) 	Assessment at Selaba Oil Mill <ul style="list-style-type: none"> Supply chain certification system requirements 	Guide/PIC To provide

	operation such as spraying, harvesting & etc	issues <ul style="list-style-type: none"> • Verify previous assessment finding 	<ul style="list-style-type: none"> • Session with Chemical suppliers and contractors (C6.10) • Follow up on any outstanding issues • Verify previous assessment finding 	<ul style="list-style-type: none"> • Session with FFB suppliers (C6.10) • Follow up on any outstanding issues 	transportation to the visit site
12.00 am	Audit team discussion				
1.00 pm	Lunch Break & Solat Zuhor				
2.00 pm	Audit team to prepare assessment findings				
4.00 pm	Closing meeting - Presentation on the assessment findings				
5.00 pm	End of Assessment & Travel to Kuala Lumpur				

DETAIL OF NON-CONFORMITY AND CORRECTIVE ACTIONS TAKEN

P & C Indicator	Specification Major/Minor	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
Indicator 2.1.1	Major	No reports were available on weekly inspection of estate houses. According to the Asst Estate Manager at Bikam Estate, no weekly inspection is carried out on the houses. Nonetheless, inspection reports were available at Cluny Estate. However, the inspections were not done on weekly basis. Brief reports made at irregular basis were shown during audits at line sites/staff sites Selaba Division.	Inspection was carried out as per legal requirements.	Verify the inspection record and found satisfactory. Status : closed
Indicator 4.4.1	Major	Protection of water courses and wetlands, including maintaining and restoring appropriate riparian buffer zones along all natural waterways within the estate was not maintained During the site review at Cluny Main Division it was found the buffer zone along Sg Slim was not maintained; <ol style="list-style-type: none"> 1. spraying activities/ trace has been identified along the buffer zone 2. boundary mark for buffer zone was not clearly demarcated along the riverside 	Communication with worker on biodiversity issue. Carried out Biodiversity monitoring. Demarcated boundary mark.	Verify the photo and Action taken satisfactory. Status : Close
Indicator 4.8.1	Major	There was no evidence of scheduled waste management training provided to workers and staff at Cluny and Bikam Estate. No training records for scheduled waste management as per requirement under Environment Quality (Scheduled Waste) 2005 Regulation 15, every waste generator shall ensure that all his employees involved in the identification, handling, labelling, transportation, storage and spillage or discharge response of scheduled wastes attend training programmes.	Training conducted to scheduled waste handler.	Training was carried on 5 April 2012. Scheduled waste labeling was in accordance with regulation. Status : close
Indicator 6.1.3	Minor	The SIA report for SOU 05 was prepared more than three years ago and each estate was required to review and update it annually by getting feedbacks and inputs from relevant stakeholders. The report for Selaba mill for prepared in July 2011. Bikam and Cluny Estates did prepare updated SIA report for 2011/12 but not for 2009/10 and 2010/11. The issues highlighted in the 2011/12 report were similar to those in the original report. There was no report on the review of the SIA, if it is done. Bikam Estate - the Asst Manager mentioned that they did not carry out the annual review. Cluny Estate - no reports on annual review were available.	Selaba SOU will review the SIA report and continue communication with stakeholder.	Correction action accepted. Status : Will be verified in the next surveillance assessment.

Verification on Previous Assessment Findings

P & C Indicator	Previous Assessment Findings	Verification by Assessor	Status
Indicator 5.6.2 Minor	On a number of estates, diesel tank bunds were noted to be in-adequate. Bunds too small. Cracked. No valves on drain pipes. Valves left on – no locks to ensure they remain off until drainage.	All skid tanks for storage of diesel have adequate secondary containment. All valves were found to be off during the site visit.	Closed
Indicator 6.3.2 Minor	A request from local school for repairs, made in June 2008, has still not been attended.	No more complaint raised by any local schools during the period under review.	Closed
Indicator 6.5.3 Minor	Security at the linesites is not as effective as it shall be with reports of isolated incidents of violence.	No violence incident reported during the period under review. Contact numbers of security in-charge were clearly displayed on main notice boards.	Closed