



**SIRIM QAS INTERNATIONAL SDN. BHD.**  
Building 4, SIRIM Complex, No. 1, Persiaran Dato' Menteri,  
Section 2, 40700 Shah Alam, Selangor, Malaysia.

File Ref. : EH04760002

**RSPO PUBLIC SUMMARY REPORT**

**CLIENT : JEROCO PLANTATIONS SDN. BHD. – JEROCO PALM OIL MILL 2**

**PARENT COMPANY : HAP SENG PLANTATIONS HOLDINGS BERHAD**

**RSPO MEMBERSHIP No.: 1-0098-11-000-00**

**LOCATION OF THE CERTIFICATION UNIT (MILL AND THE SUPPLY BASE):**  
(In the case of multisite certification, list additional sites in attachments) :

Certification Unit	Mill and Supply Base	GPS Location		Location
		Latitude	Longitude	
Jeroco Certification Unit	Jeroco Palm Oil Mill 2	N 5° 25' 52"	E 118° 25' 02"	Off 40 KM, Jalan Jeroco, 91109 Lahad Datu, Sabah, Malaysia
	Kapis Estate	N 5° 26' 34.3"	E 118° 24' 51"	Off 40 KM, Jalan Jeroco, 91109 Lahad Datu, Sabah, Malaysia

**MAP :** See Attachment 1

**AUDIT DATE :** 26 - 29 July 2016

**DURATION :** 8 auditor days

**TYPE OF AUDIT :** ☒ Annual Surveillance Audit No. 03

☐ Recertification Audit

**STANDARD :** RSPO PRINCIPLE & CRITERIA MYNI 2014, AND RSPO SUPPLY CHAIN CERTIFICATION STANDARD 2014

**SCOPE OF CERTIFICATION:** Production of Crude Palm Oil and Palm Kernel Using Mass Balance Model

**VALIDITY OF RSPO CERTIFICATE :** 27/09/2013 – 26/09/2018

**The following attachments form part of this report:**

Non-conformity Report(s) ☒

List of additional site(s) ☐

**Report by Audit Team Leader**

Name : MOHD ZULFAKAR KAMARUZAMAN

Signature : *Mohd Zulfakar*

Date : 14 OCTOBER 2016

**Acknowledgement by Client's Representative**

Name : *KEE KEOW CHONG*

Signature : *[Signature]*

Date : *17.10.16*

## RSPO PUBLIC SUMMARY REPORT

### SUMMARY OF AUDITS

Recertification audit				
On-site audit date :		No. of auditor days :		
Audit team :				
No. of major NCR :		Indicator:	Closing date :	
No. of minor NCR :		Indicator :		
Indicate the stakeholders interviewed during the on-site audit :	Employees	Settlers	Villagers	Suppliers
	Contract workers	NGOs	Govt. agency	Independent growers
	Indigenous people	Contractor	Others (Please specify)	
Supply base sampled :				

Annual Surveillance Audit 1				
On-site audit date :		No. of auditor days :		
Audit team :				
No. of major NCR :		Indicator:	Closing date :	
No. of minor NCR :		Indicator :		
Indicate by ticking the stakeholders interviewed during the on-site audit :	Employees	Settlers	Villagers	Suppliers
	Contract workers	NGOs	Govt. agency	Independent growers
	Indigenous people	Contractor	Others (Please specify)	
Supply base sampled :				
Changes since the last audit :				

Annual Surveillance Audit 2				
On-site audit date :		No. of auditor days :		
Audit team :				
No. of major NCR :		Indicator:	Closing date :	
No. of minor NCR :		Indicator :		
Indicate by ticking the stakeholders interviewed during the on-site audit :	Employees	Settlers	Villagers	Suppliers
	Contract workers	NGOs	Govt. agency	Independent growers
	Indigenous people	Contractor	Others (Please specify)	
Supply base sampled :				
Changes since the last audit :				

## RSPO PUBLIC SUMMARY REPORT

Annual Surveillance Audit 3				
On-site audit date	:	26-29 July 2016	No. of auditor days :	8 days
Audit team	:	Mohd Zulfakar Kamaruzaman and Mohd Razman Salim		
No. of major NCR	:	1	Indicator: 6.5.2	Closing date : 13 September 2016
No. of minor NCR	:	1	Indicator : 6.10.3	
Indicate by ticking the stakeholders interviewed during the on-site audit		Employees	Settlers	Villagers
		X		x
		Contract workers	NGOs	Govt. agency
		x		
		Indigenous people	Contractor	Others (Please specify)
		X		
Supply base sampled	:	Kapis Estate		
Changes since the last audit	:	No changes		

Annual Surveillance Audit 4				
On-site audit date	:		No. of auditor days :	
Audit team	:			
No. of major NCR	:		Indicator:	Closing date :
No. of minor NCR	:		Indicator :	
Indicate by ticking the stakeholders interviewed during the on-site audit		Employees	Settlers	Villagers
		Contract workers	NGOs	Govt. agency
		Indigenous people	Contractors	Others (Please specify)
Supply base sampled	:			
Changes since the last audit	:			

## RSPO PUBLIC SUMMARY REPORT

### SUMMARY OF INFORMATION

TYPE OF AUDIT	STAGE 2 / RA	ASA 1	ASA 2	ASA 3	ASA 4
Projection Period				July 2016 to June 2017	
Certified Area (Ha)				2,681.00	
Production Area(Ha)				2,342.00	
HCV Area (Ha)				29.20	
Certified FFB Processed (MT)				39,630.00	
Production of Certified CPO (MT)				8,756.00	
Production of Certified PK (MT)				1,927.00	
REMARKS					

**AUDIT PROCESS**
**1.1 Certification Body**

SIRIM QAS International Sdn. Bhd. is the 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 and nationally 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 Executive Board of the United Nations Framework Convention on Climate Change (UNFCCC). SIRIM QAS International is a partner of IQNet, a network currently comprising of leading certification bodies in Europe, North and South America, East Asia and Australia.

SIRIM QAS International has vast experience in conducting audits related to RSPO certification. It has certified more than a hundred palm oil mills and several estates to ISO 14001 & OHSAS 18001. SIRIM QAS International has also conducted many audits for sustainable production of palm oil products against the requirements of the RSPO P&C. SIRIM QAS International was approved by the RSPO as a RSPO certification body on 21 March 2008 and accredited by ASI on 27 September 2014.

**1.2 Qualification of audit team**

<b>Member of the Audit Team</b>	<b>Role/area of RSPO requirements</b>	<b>Qualifications</b>
Mohd Zulfakar Kamaruzaman	Lead Auditor / Good Agricultural Practices, Environmental, Health and Safety and Supply Chain	<ul style="list-style-type: none"> <li>• Holds a B. Sc. Forestry from University Putra Malaysia. He had more than 4 years of working experience in the oil palm operation.</li> </ul>
Mohd Razman Salim	Auditor / Occupational Health & Safety, HCV and Social	<ul style="list-style-type: none"> <li>• Possessed B.Sc.Forestry (Hons) from University Putra Malaysia with more than 6 years of working experience in the Forest Management, forest, HCVF and ecology.</li> </ul>

**1.3 Audit methodology**

The audit covered the one palm oil mill and one of its supply base, i.e. the Kapis Estate. The audit included an on-site audit to the estate and mill and to verify the implementation of the requirement of the certification. Interviews with the CU's management, employees, contractors and other relevant stakeholders were also conducted during the audit.

**1.4 Stakeholder Consultation**

SIRIM QAS International had initiated the stakeholder consultation by announcing the invitation in the the SIRIM QAS International's websites. There was no comment received for this Certification Unit.

**1.5 Audit plan : Refer to Attachment 2**
**1.6 Date of next audit : The next surveillance audit will be conducted within 12 months but not sooner than 9 months from this audit.**

## 2.0 SCOPE OF CERTIFICATION AUDIT

### 2.1 Description of the certification unit

Jeroco Palm Oil Mill 2 certification unit (hereafter refer to JPOM2 CU) is one of the business unit under the Hap Seng Plantation Holdings Berhad (HSPHB). Located at Off 40 KM, Jalan Jeroco, Lahad Datu, Sabah, Malaysia, the CU consists of one mill (JPOM 2) and one supply base (Kapis Estate).

The Jeroco Palm Oil Mill 2 commenced its operations in Mass Balance and has a processing capacity of 30 metric tonnes of fresh fruit bunches (FFB) per hour. The mill is also receiving and processing crops from smallholders and villagers nearby the estate.

### 2.2 Description of the Supply Base (including the planting profile)

The FFB is sourced from company owned estates that are certified, non-certified and third party. Noted that there were some diversion of FFB from the estate certified under Jeroco Palm Oil Mill 1. Details of the FFB contribution from each source to the Jeroco Palm Oil Mill 2 are shown in the following tables:

Table 1: Actual FFB production by the supply base for the last reporting period  
(July 2015 to June 2016)

Estates	FFB Production	
	Tonnes	Percentage (%)
Kapis Estate	28,299.04	27.66
Batangan Estate	897.00	0.88
Lutong Estate	612.18	0.60
Lokan Estate	2,254.13	2.20
Lungmanis Estate	1,732.83	1.69
Tabin Estate (Non-certified)	1,978.39	1.93
Northbank Estate (Non-certified)	1,562.84	1.53
Kawa Estate (Non-certified)	3,637.72	3.56
Outsiders (Non-certified)	61,343.32	59.95
Total	102,317.45	100.00

Table 2: Projected FFB production by the supply base for the next reporting period  
(July 2016 to June 2017)

CU own estate	FFB Contribution	
	Tonnes	Percentage (%)
Kapis Estate	39,630.00	33.61
<b>Other Supply Bases</b>		
Outsiders (Non-certified)	78,280.00	66.39
<b>Grand Total</b>	117,910.00	100.00

Table 3: Actual FFB received and CPO & PK dispatch by the Mill for the last reporting period  
(July 2015 to June 2016)

	Total (MT)
FFB Received	102,317.45
FFB Processed	102,317.46
Certified FFB	33,795.19
Non-certified FFB	68,522.27
CPO Production	21,941.01
PK Production	4,908.78
CPO delivered as Mass Balance	7,004.90
CPO delivered as non-RSPO certified	12,269.28
PK delivered as Mass Balance	1,617.47
PK delivered as non-RSPO certified	3,334.34

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**Table 4: Projected FFB received and CPO & PK dispatch by the Mill of the next reporting period  
(July 2016 to June 2017)**

	Total (MT)
FFB Received	117,910.00
FFB Processed	117,910.00
Certified FFB	39,630.00
Non-certified FFB	78,280.00
CPO Production	25,135.00
PK Production	5,541.00
CPO delivered as Mass Balance	8,756.00
CPO delivered as non-RSPO certified	16,379.00
PK delivered as Mass Balance	1,927.00
PK delivered as non-RSPO certified	3,614.00

**Table 5: Planted and certified area of the CU**

Estate	Planted (ha)	Certified (ha)
Kapis Estate	2,342.00	2,681.00
<b>Total</b>	<b>2,342.00</b>	<b>2,681.00</b>

**Table 6: Planting profile for Jeroco CU**

<u>Estate</u>	<u>Year of establishment</u>	<u>Mature (Ha)</u>	<u>Immature (Ha)</u>	<u>Planted area</u>	<u>% of planted area mature</u>	<u>% of planted area immature</u>
Kapis Estate	1985	2,342.00	-	2,342.00	100.00	-
<b>Total</b>		<b>2,342.00</b>	<b>-</b>	<b>2,342.00</b>	<b>100.00</b>	<b>-</b>

### 2.3 Organizational Information/Contact Person(s)

The details of the contact person is as shown below:

Name	:	Mr. Kee Keow Chong
Position	:	Chief Agronomist
Address	:	1) MDLD 7073-7074, Ground Floor, Bandar Sri Perdana, Jalan Silam, 91100 Lahad Datu, Sabah, Malaysia. 2) Off 40 KM, Jalan Jeroco, Lahad Datu, Sabah, Malaysia
Phone no.	:	+6089 278183,+6089 278138
Fax no.	:	+6089278168/186
Email	:	<a href="mailto:keekc@hapseng.com.my">keekc@hapseng.com.my</a>

### 3.0 AUDIT FINDINGS

#### 3.1 Changes to certified products in accordance to the production of the previous year

There was no changes to the certified products since last assessment.

#### 3.2 Time bound plans including changes and reasons for the changes see below

	Yes	No	<u>If yes, state reasons/justifications</u>
- acquisitions/disposals	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
- emergence/re-emergence of land disputes	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
- labour conflicts	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

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3.3 Overall comment in terms of acceptance or non-acceptance on the changes in the time-bound plan (including details of non-adherence or the conditions justifying a time-bound plan have changed )  
There is no changes to the time-bound plan.

3.4 All associated smallholders (including scheme smallholders) where their fruit supply is included , by the mill, are audited within 3 years from when their fruit was first included in the mill certification.

☐

Yes

☐

No

If no, please state reasons N/A as there is no associated smallholders supplying FFB to the CU.

3.5 Any new acquisition which has replaced primary forests or HCV areas

☐

Yes

☒

No

3.6 Other changes (e.g. organizational structure, new contact person, addresses, etc.)  
There is no changes since last year.

3.7 Status of previous non-conformities \*

Closed

☒

Not closed

☐

\* If not closed, minor non conformity will be upgraded to major non conformity

3.8. Complaint received from stakeholder (if any)

There were various stakeholders interviewed during the conduct of this audit. These include workers, surrounding villagers, contractors and suppliers. In general, all the interviewed stakeholders had given positive feedback on the CU.

### 4.0 DETAILS OF NON-CONFORMITY REPORT

4.1 For P&C (Details checklist refer to Attachment 3) :

Total no. of minor NCR(s)  
(details refer to Attachment 4 )

List : 1

MZK 01 2016

Total no. of major NCR(s)  
(details refer to Attachment 4 )

List : 1

MRS 01 2016

4.2 For SC (Details checklist refer to Attachment 5) :

Total no. of minor NCR(s)

List : 0

NA

Total no. of major NCR(s)

List : 0

NA

### 5.0 AUDIT CONCLUSION

The audit team concludes that the organisation has established and maintained its management system in line with the RSPO P&C requirements of the standard and demonstrated the ability of the system to systematically achieve agreed criterion & requirements.



## RSPO PUBLIC SUMMARY REPORT

### 6.0 RECOMMENDATION



No NCR recorded. Recommended to continue certification.



Minor NCR(s) recorded. Corrective action plan has been accepted. Verification of the NCR(s) to be carried out in the next audit.

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



Major NCR(s) recorded. Evidence of implementation of the corrective actions have been provided and accepted by the audit team. The NCR(s) have been satisfactorily closed out.



Recommended to continue certification.



Major NCR(s) recorded. Evidence of implementation of the corrective actions have been provided but not fully accepted by the audit team. NCR(s)..... have not been satisfactorily closed out within 60 days of the audit. Recommended for suspension of the certificate.

*Note: Major NCRs which are not addressed within a further 60 days shall result in the certificate being withdrawn.*

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

Audit Team Leader :

MOHD ZULFAKAR  
KAMARUZAMAN

(Name)

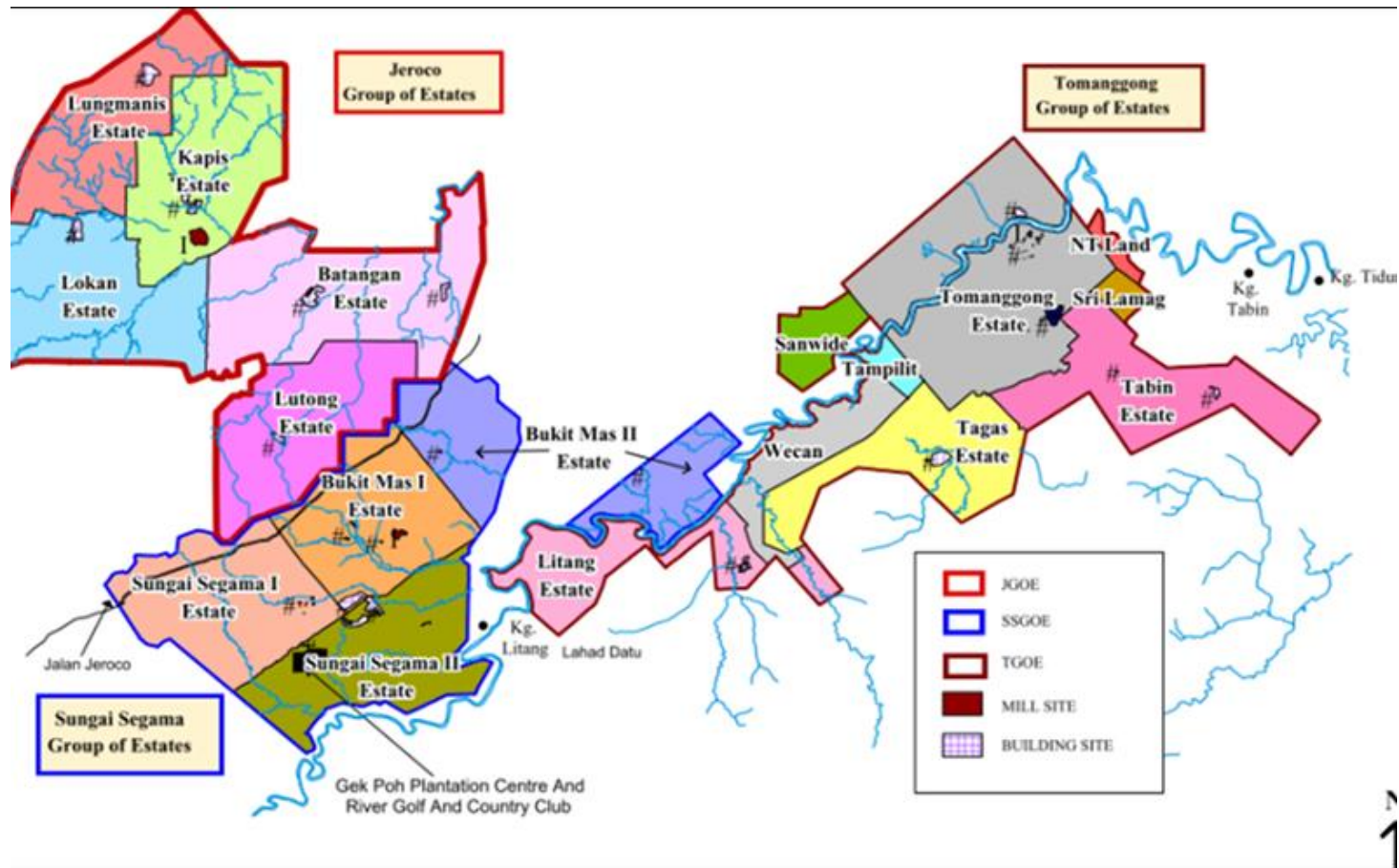
*Mohd Zulfakar*

(Signature)

14/10/2016

(Date)

Map of Kapis Estate – Jeroco 2 POM



RSPO SURVEILLANCE AUDIT PLAN

**1. Objectives**

The objectives of the audit are as follows:

- (i) To determine Certification Unit conformance against the RSPO Principles & Criteria Malaysian National Interpretation (MYNI)
- (ii) To verify the effective implementation of corrective actions arising from the findings of last audit
- (iii) To make appropriate recommendations based on the audit findings

**2. Date of audit** : 26 - 29 July 2016

**3. Site of audit** : HAP SENG PLANTATIONS HOLDING BHD, JEROCO PLANTATIONS SDN BHD  
Jeroco Palm Oil Mill 2, Off 40 KM, Jalan Jeroco, Lahad Datu, Sabah, Malaysia

**4. Reference Standard:**

- RSPO P&C MYNI: 2014
- RSPO Supply Chain Certification Standard, 2014
- Company's audit criteria including Company's Manual/Procedures

**5. Audit Team**

- a) Audit Team Leader : Mohd Zulfakar Kamaruzaman
- b) Auditor : Mohd Razman Salim

**6. Audit Method**

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

**7. Audit Findings**

Audit findings shall be classified as major and/or minor.

Major non conformities shall be addressed within 60 days or else the certificate shall be suspended. If the major non conformities are still not addressed within another 60 days, the certificate shall be terminated. Recurrence of major non-conformities on the same issues shall be recommended for immediate suspension. Minor non-conformities shall be upgraded to major non-conformities if the corrective actions taken are not satisfactorily and effective.

For minor non conformities raised in the surveillance audit, corrective action plans shall be submitted within 60 days. Verification of implementation of corrective actions will be carried out during the next audit. If corrective action plans to address the minor non-conformity(ies) are not submitted within 60 days, the RSPO certificate will be recommended for suspension. If corrective action plans are not submitted within a further 60 days, the RSPO certificate will be recommended for termination.

**8. 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.

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

**10. Reporting**

- a) Language : English
- b) Format : Verbal and written
- c) Expected date of issue : Tentative date of issue of report not more than 30 days after the closure of the major NCR.
- d) Distribution list : Client file

**11. Facilities Required**

- a) Room for discussion
- b) Relevant document and record
- c) Personnel protective equipment if required
- d) Photocopy and printing facilities
- e) A guide for each auditor

**12. Audit Programme Details:** As shown below:

## RSPO P&C AUDIT REPORT

### Day 1: 26 July 2016 (Tuesday)

Time	Activities / areas to be visited		
9.00 – 9.30 am	<b><u>Opening meeting at Jeroco Palm Oil Mill 2</u></b> Lead Auditor to introduce audit team member, brief on audit objectives, scope, methodology, criteria and programmes  <b>Organization Representative to brief on the following :</b> <ol style="list-style-type: none"> <li>1) RSPO implementation at Jeroco 2 CU (i.e. mill &amp; supply base) including changes</li> <li>2) Time bound plan for Hap Seng Plantation Holding Bhd.</li> <li>3) Significant changes on organization activities, machinery, supply bases capacity etc.</li> </ol>		Top mgmt & Committee Member
	<b>Zulfakar</b>	<b>Razman</b>	
9:30 – 1:00 pm	<b><u>Kapis Estate</u></b>  Coverage of audit: P1, P3, P4, P5, P7, P8 <ul style="list-style-type: none"> <li>• Laws and regulations</li> <li>• Commitment to long-term economic and financial viability</li> <li>• Good Agricultural Practice- witness activities at site (weeding/ spraying, etc)</li> <li>• EFB mulching, POME application</li> <li>• Interview with workers and contractors</li> <li>• Chemical store/fertilizer</li> <li>• Plantation on hilly/swampy area</li> <li>• IPM implementation, training and safe use of agro-chemicals.</li> <li>• New planting</li> <li>• Environmental management – witness activities at site</li> <li>• Waste &amp; chemical management</li> <li>• EIA, Plan related to environment and GHG</li> <li>• Interview with workers , safety committee and contractors</li> <li>• Facilities at workplace</li> <li>• Continuous improvement</li> </ul>	<b><u>Jeroco POM 2</u></b>  Coverage of audit: P1, P2, P4, P5, P6, P7, P8 <ul style="list-style-type: none"> <li>• Laws and regulations</li> <li>• Land titles user rights</li> <li>• Social Impact Assessment (SIA), management plan &amp; implementation</li> <li>• Complaints and grievances</li> <li>• Consultation with relevant government agencies</li> <li>• Interview workers, gender committee, local communities and stakeholders</li> <li>• Occupational safety &amp; health practice – witness activities at site</li> <li>• Risk Assessment, Plan Related to OSH, Medical Surveillance</li> <li>• Interview with workers , safety committee and contractors</li> <li>• Training and skill development programmed</li> <li>• Continuous improvement</li> </ul>	Guide(s) for each auditor
1.00 – 2.00 pm	Break/Lunch		
2.00 – 5.00 pm	Continue audit		Guide(s) for each auditor

## RSPO P&C AUDIT REPORT

Day 2: 27 July 2016 (Wednesday)			
Activities /areas to be visited	Zulfakar	Razman	
8.00 – 1.00 pm	<p style="text-align: center;"><b><u>Kapis Estate</u></b></p> <p>Coverage of audit: P1, P3, P4, P5, P7, P8</p> <ul style="list-style-type: none"> <li>• Laws and regulations</li> <li>• Commitment to long-term economic and financial viability</li> <li>• Good Agricultural Practice- witness activities at site (weeding/ spraying, etc)</li> <li>• EFB mulching, POME application</li> <li>• Interview with workers and contractors</li> <li>• Chemical store/fertilizer</li> <li>• Plantation on hilly/swampy area</li> <li>• IPM implementation, training and safe use of agro-chemicals.</li> <li>• New planting</li> <li>• Environmental management – witness activities at site</li> <li>• Waste &amp; chemical management</li> <li>• EIA, Plan related to environment and GHG</li> <li>• Interview with workers , safety committee and contractors</li> <li>• Facilities at workplace</li> <li>• Continuous improvement</li> </ul>	<p style="text-align: center;"><b><u>Jeroco POM 2</u></b></p> <p>Coverage of audit: P1, P2, P4, P5, P6, P7, P8</p> <ul style="list-style-type: none"> <li>• Laws and regulations</li> <li>• Land titles user rights</li> <li>• Social Impact Assessment (SIA), management plan &amp; implementation</li> <li>• Complaints and grievances</li> <li>• Consultation with relevant government agencies</li> <li>• Interview workers, gender committee, local communities and stakeholders</li> <li>• Occupational safety &amp; health practice – witness activities at site</li> <li>• Risk Assessment, Plan Related to OSH, Medical Surveillance</li> <li>• Interview with workers , safety committee and contractors</li> <li>• Training and skill development programmed</li> <li>• Continuous improvement.</li> </ul>	Guide(s) for each auditor
1.00 – 2.00 pm	Break/Lunch		
2.00 – 5.00 pm	Continue audit	Continue audit	Guide(s) for each auditor

## RSPO P&C AUDIT REPORT

Day 3 : 28 July 2016 (Thursday)			
Activities /areas to be visited	Zulfakar	Razman	
8.00 – 1.00 pm	<p style="text-align: center;"><b><u>Jeroco POM 2</u></b></p> <p>Coverage of audit: P1, P3, P4, P5, P7, P8</p> <ul style="list-style-type: none"> <li>• Laws and regulations</li> <li>• Environmental management – witness activities at site</li> <li>• Waste &amp; chemical management</li> <li>• EIA, Plan related to environment and GHG</li> <li>• Interview with FFB supplies and other supplies</li> <li>• Interviews with mill's workers</li> <li>• Facilities at workplace</li> <li>• Interview with workers , safety committee and contractors</li> <li>• Training and skill development programmed</li> <li>• Continuous improvement</li> </ul>	<p style="text-align: center;"><b><u>Kapis Estate</u></b></p> <p>Coverage of audit: P1, P2, P4, P5, P6, P7, P8</p> <ul style="list-style-type: none"> <li>• Laws and regulations</li> <li>• Land titles user rights</li> <li>• Social Impact Assessment (SIA), management plan &amp; implementation</li> <li>• Complaints and grievances</li> <li>• Consultation with relevant government agencies</li> <li>• Interview workers, gender committee, local communities and stakeholders</li> <li>• Inspection of protected sites with HCV attributes</li> <li>• Forested area, plantation boundary, adjacent and neighbouring land use</li> <li>• Riparian zone</li> <li>• Occupational safety &amp; health practice – witness activities at site</li> <li>• Risk Assessment, Plan Related to OSH, Medical Surveillance</li> <li>• Interview with workers , safety committee and contractors</li> <li>• Training and skill development programmed</li> <li>• Continuous improvement.</li> </ul>	Guide(s) for each auditor
1.00 – 2.00 pm	Break/Lunch		
2.00 – 5.00 pm	Continue audit	Continue audit	Guide(s) for each auditor

## RSPO P&C AUDIT REPORT

Day 4: 29 July 2016 (Friday)			
Activities /areas to be visited	Zulfakar	Razman	
8.00 – 1.00 pm	<u>Jeroco POM 2</u> Site visit and audit on Supply Chain Implementation including the Model used <ul style="list-style-type: none"> <li>• General Chain of Custody System Requirements for the supply chain</li> <li>• Documented procedures</li> <li>• Purchasing and goods in</li> <li>• Outsourcing activity</li> <li>• Sales and goods out</li> <li>• Processing</li> <li>• Records keeping</li> <li>• Registration</li> <li>• Training</li> <li>• Claims</li> </ul>	<u>Kapis Estate</u> Coverage of audit: P1, P2, P4, P5, P6, P7, P8 <ul style="list-style-type: none"> <li>• Laws and regulations</li> <li>• Land titles user rights</li> <li>• Social Impact Assessment (SIA), management plan &amp; implementation</li> <li>• Complaints and grievances</li> <li>• Consultation with relevant government agencies</li> <li>• Interview workers, gender committee, local communities and stakeholders</li> <li>• Inspection of protected sites with HCV attributes</li> <li>• Forested area, plantation boundary, adjacent and neighbouring land use</li> <li>• Riparian zone</li> <li>• Occupational safety &amp; health practice – witness activities at site</li> <li>• Risk Assessment, Plan Related to OSH, Medical Surveillance</li> <li>• Interview with workers, safety committee and contractors</li> <li>• Training and skill development programmed</li> <li>• Continuous improvement.</li> </ul>	Guide(s) for each auditor
12.00 – 2.00 pm	Break/Lunch/Friday Prayer		
2.00 – 4.00 pm	<ul style="list-style-type: none"> <li>• Continue unfinished area</li> <li>• Verification on outstanding issues</li> <li>• Audit Team discussion, preparation on audit findings and issuance of NCR (if any)</li> </ul>		Guide(s) for each auditor
4.00 – 5.00 pm	- Closing meeting		Top management & Committee member



## RSPO P&C AUDIT REPORT

Attachment 3

### RSPO P&C AUDIT CHECKLIST AND FINDINGS

#### **Principle 1: COMMITMENT TO TRANSPARENCY**

Clause	Indicators		Comply Yes/No	Findings
C 1.1 Growers and millers provide adequate information to relevant stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in appropriate languages and forms to allow for effective participation in decision-making.	1.1.1	There shall be evidence that growers and millers provide adequate information upon request for information on (environmental, social and/or legal) issues relevant to RSPO Criteria to relevant stakeholders for effective participation in decision making. Major	YES	HSPHB is committed to transparency by allowing all information pertaining to environmental, social and legal issues to be publicly available upon request. The CU has established a procedure on communication entitled Request for Information Procedure. The procedure included the internal and external consultation. For any request of information, the requestor is required to fill in a form. However, the method of requesting information was not limited to filling up the form. The procedure had included other means such as verbal or writing which would also be entertained.
	1.1.2	Records of requests for information and responses shall be maintained. Major	YES	The estate and mill maintain records of communication and consultation with external and internal parties. These includes communication with DOSH, Labour Department, Immigration Department, Department of Environment, suppliers and their own workers. Comments by DOSH and DOE on mill and estate operation were recorded in the respective DOSH and DOE inspection book. It was noted during this surveillance audit that there were no requests of information from the authority and stakeholders with regards to the agriculture practice, environment, and safety and health requirements.
C 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.	1.2.1	Land titles/user rights	YES	The right to use the land at Jeroco 2 CU can be demonstrated and not disputed by any party. Documents related to land ownership were sighted at the Kapis Estate office.
		Occupational health and safety plans	YES	Safety and health plan was made available at Kapis Estate and Jeroco 2 POM.
		Plans and impact assessments relating to environmental and social impacts	YES	The Kapis Estate and Jeroco 2 POM have conducted social assessment titled 'Social Impact Assessment, Management Action Plans and Continuous Improvement Plans' dated June 2015. The plan has been reviewed in June 2016. The SIA action plan was updated and each of the issues was identified for each of the operating unit. The environment impact assessment management action plan was updated on January 2016 by the Executive Sustainability.
		HCV documentation summary	YES	The JPOM 2 CU has made publicly available the 'List of publicly available documents' at estate and mill notice board. Therefore, previous Major NCR MRS01-2015 was closed.
		Pollution prevention and reduction plans	YES	Action plans to mitigate pollution are available for public. Cross refer to C5.6.
		Details of complaints and grievances	YES	The complaints and their outcomes were recorded using Complaint Form and in the Grievances Book. The system was open to all aggrieved parties. The review of grievances book has to be with permission of the respective Manager.
		Negotiation procedures	YES	HSPHB has developed procedures to deal with land disputes, squatter disputes, and

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				loss of legal and customary rights. In the case of boundary disputes, the procedure requires the estate management and the disputing party to negotiate, first, failing which the case will have to be referred to the Headquarters for further negotiation. If negotiation fails, the case will be brought to court of arbitration. Negotiation procedure (C6.4) is made available to the public by Kapis Estate and Jeroco 2 POM. Therefore, previous Major NCR MRS01-2015 was satisfactorily closed.
		Continual improvement plans	YES	HSPHB is committed to utilize the established system to regularly monitor and review their key activities at the mill and estate. The CU initiated relevant action plans for continuous improvement in its key areas of operations on environmental, safety, health and welfare as well as social contribution to workers and community. Details of the CU continual improvement plans has been reported in the indicator 8.1. The continuous improvement plans related to environment was established and update accordingly.
		Public summary of certification assessment report;	YES	The surveillance 2 audit public summary has made publicly available at website. The report can be assess through this link: <a href="http://www.sirim-qas.com.my/attachments/article/364/5)%20Final%20Public%20Summary_Jeroco%202%20POM_ASA2_2015%20021215.pdf">http://www.sirim-qas.com.my/attachments/article/364/5)%20Final%20Public%20Summary_Jeroco%202%20POM_ASA2_2015%20021215.pdf</a>
		Human Rights Policy	YES	Human Rights policy is available at Kapis Estate and Jeroco 2 POM.
C 1.3 Growers and millers commit to ethical conduct in all business operations and transactions.	1.3.1	There shall be a written policy committing to a code of ethical conduct and integrity in all operations and transactions, which shall be documented and communicated to all levels of the workforce and operations. Minor	YES	The CU has documented policy committing to a code of ethical conduct and integrity of the company. The CU had communicated the policy to their staffs including foreign workers during the induction course. Noted that new foreign workers in 2015 at the mill were briefed on the policy.

### Principle 2: COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

Clause	Indicators		Comply Yes/No	Findings
C 2.1 There is compliance with all applicable local, national and ratified international laws and regulations.	2.1.1	Evidence of compliance with relevant legal requirements shall be available. Major	YES	Generally, Jeroco 2 CU continued to comply with the applicable local, national and ratified international laws and regulations. Relevant licences and permits were verified at Kapis Estate & JPOM 2. Air monitoring for the boilers <ul style="list-style-type: none"> <li>Black smoke – a continuous emission monitoring system (CEMS) was installed but was found to be not functioning and it was evident that the issue was communicated to DOE on 21/4/2016. The mill has also hire contractor to repair the CEMS system and currently on progress, expected date to complete in Dec 2016.</li> <li>Particulate – &lt; 0.4 g/Nm<sup>3</sup>. Stack sampling based on Isokinetic method has been carried out as per required frequency. Monitoring reports for sampling carried out in Aug &amp; Dec 2015 were reviewed. It was noted that the results were below the regulated limit of 0.4 g/Nm<sup>3</sup> and the stack sampling was carried out the appointed consultant.</li> </ul>

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				<p>As per requirement of Section 49A of EQA as well as clause 18 of the “<i>Jadual Pematuhan</i>”, the CU has appointed competent persons for scheduled wastes, bag filter operation and effluent treatment system.</p> <p>It can be confirmed that these regulations were viewed and complied with:</p> <ol style="list-style-type: none"> <li>1) Scheduled Wastes Regulations 2005 has been complied with.</li> <li>2) Factory and Machinery Act 1967 <ol style="list-style-type: none"> <li>i) Person In Charge Regulation 1970 – complied.</li> <li>ii) Steam Boiler and Unfired Pressure Vessel 1970 – complied.</li> <li>iii) Notification, Certificate of Fitness and Inspection, Regulations 1970</li> <li>iv) Noise Exposure Regulations 1989</li> </ol> </li> <li>3) OSHA 1994, Use and Standards Of Exposure of Chemicals Hazardous to Health Regulations 2000</li> <li>4) Fire Service Act 1988 - Fire Services (Fire Certificate) Regulations 2001.</li> <li>5) Industry Code of Practice for Safe Working in a Confined Space 2010</li> <li>6) Certificate of competency for Authorised Entrant and Standby Person (AESP), Authorised Gas Tester and Entry Supervisor (AGT) for working in the confined space were valid. Authorised Entrant is fit as determined by OHD in the Health Fitness Certificate and Declaration of Health by Authorised Entrant.</li> </ol>
	2.1.2	A documented system, which includes written information on legal requirements shall be maintained. Minor	YES	<p>The List of Legal Register is available at both Kapis Estate and JPOM 2. The list was updated in June 2016 at the estate by the Sustainability Executive and at JPOM 2 by the mill manager. The document was available for viewing. The CU has updated latest legal amendment such as:</p> <ol style="list-style-type: none"> <li>1. Minimum Wages Order 2016</li> <li>2. Electricity Supply Amendment Act 2015</li> <li>3. Industry Code of Practice for safe working in a confined space 2010</li> <li>4. Factories and machinery (Persons-In-Charge) (Amendment) Regulations 2014</li> </ol>
	2.1.3	A mechanism for ensuring compliance shall be implemented. Minor	YES	<p>The CU has the mechanism for ensuring all the applicable legal requirements are implemented. The mechanism is by the implementation of internal checking by its Assistant In-Charge through evaluation of compliance exercise against the legal register. The evaluation was carried out in June 2016 at Kapis Estate and JPOM2. An internal audit on RSPO compliance has been conducted in July 2016 which included the assessment on the legal compliance.</p>
	2.1.4	A system for tracking any changes in the law shall be implemented. Minor	YES	<p>HSPHB has established a mechanism for identifying and tracking the updates of the legal requirements through various media such as LawNet, internet, newsletter, etc. The management had been update legal register accordingly. All the new amendment regulations were included in the legal register.</p>
C 2.2 The right to use the land is demonstrated, and is not legitimately contested by local people who can demonstrate that they	2.2.1	Documents showing legal ownership or lease, history of land tenure (confirmation from community leaders based on history of customary land tenure, recognised NCR land) and the actual legal use of the land shall	YES	<p>The right to use the land at the CU can be demonstrated and not disputed by any party. There were clear land ownership documents available for review. The original copies of the documents were kept in Plantation Central Office, Sg. Segama. Copies of land titles for all estate was also sighted at Kapis Estate office. Review of the documents confirmed the terms of the land title for all the estate cultivation of an agricultural crop of economic value have been complied.</p>

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have legal, customary or user rights		be available. Major		
	2.2.2	There is evidence that physical markers are located and visibly maintained along the legal boundaries particularly adjacent to state land, NCR land and reserves. Minor	YES	During the site review, the physical markers were visibly maintained at Kapis Estate. The perimeter boundary of the estate was visibly maintained by erecting pegs along the boundary, especially the ones that adjacent to other private estate – IOI Group Plantation Berhad.
	2.2.3	Where there are or have been disputes, additional proof of legal acquisition of title and evidence that fair compensation has been made to previous owners and occupants shall be available, and that these have been accepted with FPIC. Minor	YES	There was no land dispute recorded from any stakeholder at Jeroco 2 CU.
	2.2.4	There shall be an absence of significant land conflict, unless requirements for acceptable conflict resolution processes are implemented and accepted by the parties involved. Major	YES	During this surveillance audit, there was no land conflict occurred.
	2.2.5	For any conflict or dispute over the land, the extent of the disputed area shall be mapped out in a participatory way with involvement of affected parties (including neighbouring communities and relevant authorities where applicable). Minor	YES	During this surveillance audit, there was no land conflict occurred.
	2.2.6	To avoid escalation of conflict, there shall be no evidence that oil palm operations have instigated violence in maintaining peace and order in their current and planned operations. Major	YES	Auditor had verified through Stakeholders Meeting and interview with management and other oil palm plantation companies that there was no conflict raised due to violence action taken by Jeroco 2 CU to maintain peace and order in their current and planned operations. Jeroco 2 CU had employed watchmen in order to guard of their workers, staffs, children life, their belongings and companies property.
C 2.3 Use of the land for oil palm does not diminish the legal, customary or user	2.3.1	Maps of an appropriate scale showing the extent of recognised legal, customary or user rights shall be developed through participatory mapping involving	YES	This requirement is not applicable for Jeroco 2 CU since there has been no land is encumbered by customary rights or dispute from any stakeholder.

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rights of other users without their free, prior and informed consent.		affected parties (including neighbouring communities where applicable, and relevant authorities). Major		
	2.3.2	Copies of negotiated agreements detailing the process of FPIC shall be available and shall include: a) Evidence that a plan has been developed through consultation and discussion with all affected groups in the communities, and that information has been provided to all affected groups, including information on the steps that shall be taken to involve them in decision making; b) Evidence that the company has respected communities' decisions to give or withhold their consent to the operation at the time that this decision was taken; c) Evidence that the legal, economic, environmental and social implications for permitting operations on their land have been understood and accepted by affected communities, including the implications for the legal status of their land at the expiry of the company's title, concession or lease on the land. Minor	YES	Since there was no case involving land disputes in the CU, this indicator is not applicable.
	2.3.3	All relevant information shall be available in appropriate forms and languages, including assessments of impacts, proposed benefit sharing, and legal arrangements. Minor	YES	This indicator is not applicable as there was no land dispute in the CU.
	2.3.4	Evidence shall be available to show that communities are	YES	This indicator is not applicable as there was no land dispute in the CU.

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		represented through institutions or representatives of their own choosing, including legal counsel. Major		
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### **Principle 3: COMMITMENT TO LONG-TERM ECONOMIC AND FINANCIAL VIABILITY**

Clause	Indicators	Comply Yes/No	Findings
C 3.1 There is an implemented management plan that aims to achieve long-term economic and financial viability.	3.1.1 A business or management plan (min 3 years) shall be documented that includes, where appropriate, a business case for scheme smallholders. Major	YES	Kapis Estate continued to make commitment to long-term economic and financial viability. The annual budget for 2015/16 and up to 2019/2020 were sighted. The budget provisions covered activities for upkeep, replanting, cultivation, harvesting & evacuation, welfare, capital expenditure, RSPO compliance etc.
	3.1.2 An annual replanting programme projected for a minimum of five years (but longer where necessary to reflect the management of fragile soils, see Criterion 4.3), with yearly review, shall be available. Minor	YES	The replanting programme until 2020/21 were sighted for Kapis estate. The programme is reviewed once a year and is incorporated in their annual financial budget.

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

Clause	Indicators	Comply Yes/No	Findings
C 4.1 Operating procedures are appropriately documented, consistently implemented and monitored	4.1.1 Standard Operating Procedures (SOPs) for estates and mills shall be documented. Major	YES	The documented standard operating procedure namely the Safety and Standard Operating Procedures were available on-site. The procedures covered the safe working practices of all the field operation such as harvesting, manuring, herbicides & pesticides application, workshop, gen-set operation, oil trap maintenance and management of scheduled waste. The procedures were updated in September 2015 to include illegal hunting and in June 2016 on the management of landfill. Through random interviews held with workers (Sprayer and harvester), they generally understood the requirements of these documents and their level of understanding on the contents of the SOP was found acceptable. At the mill level, SOPs related to the processing of the CPO, operation of the boilers, effluent treatment plant, handling of chemicals at the laboratory, and management of wastes were available on-site. The permit to work procedure has been established to monitor contractors working in the premise. Permit to work in confined space was established and updated accordingly to include

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				the component under the Industrial Code Of Practice for Confined Space 2010. Competency of person who involved in the confined space entry programme and health declaration of the personnel has been included in the procedure.
	4.1.2	A mechanism to check consistent implementation of procedures shall be in place. Minor	YES	Various mechanisms of checking the implementation of procedures were conducted. Among the records verified were: Biannual Plantation Advisory visit, Annual Agronomy visit, Yield Improvement Programme and Qualitative checking records.
	4.1.3	Records of monitoring and any actions taken shall be maintained and available, as appropriate. Minor	YES	Records of monitoring and the actions taken by Kapis Estate were maintained and kept for a minimum of 12 months. Monthly Costing and Annual Reports on monitoring of all activities were made available. Among those records sighted at the estate included Work Program Sheets, Field cost books, Bin cards, Harvesting Intervals, Monthly Progress & Report Account, rainfall data.
	4.1.4	The mill shall record the origins of all third-party sourced FFB. Major	YES	The JPOM 2 received certified FFB from Kapis estate and non-certified FFB from independent FFB suppliers. Volumes of certified and non-certified FFBs received by the mill had been properly recorded and monitored.
C 4.2 Practices maintain soil fertility at, or where possible improve soil fertility to, a level that ensures optimal and sustained yield.	4.2.1	There shall be evidence that good agriculture practices, as contained in Standard Operating Procedures (SOPs), are followed to manage soil fertility to a level that ensures optimal and sustained yield, where possible. Minor	YES	Kapis Estate continued to practise the maintenance of long-term soil fertility by annual application of fertilisers based on periodic foliar and soil analysis, biomass retention and some EFB and compost application.
	4.2.2	Records of fertiliser inputs shall be maintained. Minor	YES	Fertiliser inputs were based on recommendation by the Agronomy Dept. Based on the store issuance records, it can be confirmed that the amount of fertilisers applied in the field was in accordance with the recommendation made by the agronomist.
	4.2.3	There shall be evidence of periodic tissue and soil sampling to monitor changes in nutrient status. Minor	YES	Periodic leaf sampling was done by Agronomy Dept. to determine nutrient status of soils. The results were recorded in a documented report by the Agronomy Department. Last sampling was carried out in May 2016 for 2017 fertiliser recommendation.
	4.2.4	A nutrient recycling strategy shall be in place, and may include use of EFB, POME, and palm residues. Minor	YES	Kapis estate has its EFB mulching programme. EFB application is recommended by the Agronomy Dept. Verification of weighbridge tickets from the mill showed that the quantity sent to the field was as per recommendation.
C 4.3 Practices minimise and control erosion and degradation of soils.	4.3.1	Maps of any fragile/marginal soils shall be available. Major	YES	Based on soil series map, the major soil series at the Kapis estate are Kertam, Lungmanis, Rumidi, Kinabatangan and Lokan. All of the soil in Kapis consist of clay, sandy and mudstone soil type. No soil was considered as fragile/marginal soils.
	4.3.2	A management strategy shall be in place for plantings on slopes between 9 and 25 degrees unless specified otherwise by the company's SOP. Minor	YES	Planting at steep slope is guided by its Oil Palm Agriculture Policy, established since 1994. The policy was last updated in October 2014.
	4.3.3	A road maintenance programme	YES	Road maintenance programme is available for year 2016. Activities include grading and

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		shall be in place. Minor		compacting, culvert repair, drain maintenance, road patching and resurfacing. Progress is reported in Monthly Executive Summary.
	4.3.4	Subsidence of peat soils shall be minimised and monitored. A documented water and ground cover management programme shall be in place. Major	YES	As mentioned in Indicator 4.3.1, no peat soil at Kapis estate.
	4.3.5	Drainability assessments where necessary will be conducted prior to replanting on peat to determine the long-term viability of the necessary drainage for oil palm growing. Minor	YES	As mentioned in Indicator 4.3.1, no peat soil at Kapis estate.
	4.3.6	A management strategy shall be in place for other fragile and problem soils (e.g. podzols and acid sulphate soils). Minor	YES	As mentioned in Indicator 4.3.1, no peat soil at Kapis estate.
C 4.4 Practices maintain the quality and availability of surface and ground water.	4.4.1	An implemented water management plan shall be in place. Minor	YES	Jeroco 2 CU has its Water Management Plan which was established in Aug 2015. It was developed in order to maintain the quality and availability of water resources by practicing efficient water consumption through various methods such as minimising wastage and pollution prevention on natural water sources. The plan also identified actions to be taken in the event of water supply shortage (e.g. dry season).
	4.4.2	Protection of water courses and wetlands, including maintaining and restoring appropriate riparian and other buffer zones shall be demonstrated. Major	YES	No construction of bunds/weirs/dams across the main river. This was confirmed during the site visit.
	4.4.3	Appropriate treatment of mill effluent to required levels and regular monitoring of discharge quality, shall be in compliance with national regulations. Minor	YES	JPOM2 has its ETP in place. In accordance with the DOE's license, the treated effluent is to be disposed via land irrigation. The ETP is regularly maintained through desludging process to ensure efficiency. Final discharge samples were taken on monthly basis and sent to accredited laboratory for analysis. Through verification of the monitoring reports, the auditor found that the mill consistently complied with the regulated limit.
	4.4.4	Mill water use per tonne of FFB shall be monitored. Minor	YES	JPOM 2 had continued to monitor its water usage per tonne FFB processed and recorded in the Summary of Process and Boiler Water Consumption.
C 4.5 Pests, diseases, weeds and invasive introduced species are effectively managed using appropriate IPM techniques.	4.5.1	Implementation of Integrated Pest Management (IPM) plans shall be monitored. Major	YES	The Kapis estate continued to manage pests, disease, weeds and invasive introduced species using appropriate IPM techniques guided by the company manual. Rat damage and leaf-eating pest census was regularly carried out to obtain information about threshold level and action to be taken thereafter. The records of census were available for verification. There was no experience of pest outbreak. Nonetheless, rat baiting campaigns were occasionally carried out.
	4.5.2	Training of those involved in IPM shall be demonstrated. Minor	YES	Training of those involved in IPM implementations were last conducted in Apr 2016 by the Assistant Manager. Records of training were available for verification.



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C 4.6 Pesticides are used in ways that do not endanger health or the environment	4.6.1	Justification of all pesticides used shall be demonstrated. The use of selective products that are specific to the target pest, weed or disease and which have minimal effect on non-target species shall be used where available. Major	YES	The use of all agrochemicals by the estates was guided by its company manual.
	4.6.2	Records of pesticides use (including active ingredients used and their LD50, area treated, amount of active ingredients applied per ha and number of applications) shall be provided. Major	YES	Records of pesticides used were available for verification. The latest records were as at June 2016, which includes the information about area treated, active ingredients (ai) per Ha, LD50 and number of application.
	4.6.3	Any use of pesticides shall be minimised as part of a plan, and in accordance with IPM plans. There shall be no prophylactic use of pesticides, except in specific situations identified in industry's Best Practice. Major	YES	As part of the IPM plans, management of the estate had established nectariferous beneficial plants ( <i>Cassia cobanensis</i> and <i>Tunera subulata</i> ) nurseries for continuous planting in order to attract natural predators and thus reduce the use of insecticides. During field visit, the auditor witnessed planting of <i>Antigonon leptopus</i> , <i>Casia cobanensis</i> and <i>Tunera subulata</i> at the nursery and ready to plant at the estate. Also sighted during field visit was the planting of <i>Nephrolipsis Biserrat</i> . The reason Kapis planting <i>Nephrolipsis</i> is to keep moisture content and improve soil structure. It was noted that there were no Class I & II chemicals had been used in the estate and use of paraquat had been stopped. The estate did not practise prophylactic use of insecticides, fungicides and rodenticides.
	4.6.4	Pesticides that are categorised as WHO Class 1A or 1B, or that are listed by the Stockholm or Rotterdam Conventions, and paraquat, are not used, except in specific situations identified in industry's Best Practice. The use of such pesticides shall be minimised and/or eliminated as part of a plan, and shall only be used in ex. circumstances. 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 Reg, (2000). Minor	YES	In accordance with the OSHA requirements a chemical register was established at the CU. Based on inspection of the chemical registers and observation of physical stocks at the chemical store, all pesticides were of those registered under the Pesticides Act 1974 (Act 149).

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	4.6.5	Pesticides shall only be handled, used or applied by persons who have completed the necessary training and shall always be applied in accordance with the product label. Appropriate safety and application equipment shall be provided and used. All precautions attached to the products shall be properly observed, applied, and understood by workers. Major	YES	Pesticides handlers, mixers and sprayers were adequately trained on the handling of the pesticides. Appropriate safety and application equipment were provided and used. Precautions attached to the pesticides are being explained to the workers. Sighted Sprayer Training conducted for the workers and Mandore.
	4.6.6	Storage of all pesticides shall be according to recognised best practices. All pesticide containers shall be properly disposed of and not used for other purposes. Pesticides shall be stored in accordance to the OSH Act 1994 and Regulations and Orders, Pesticides Act 1974 and Regulations. Major	YES	Pesticides were stored in accordance with the legal requirement as well as recommendation by manufacturer as per MSDS. The stores are equipped with showers, wash area and a PPE storage area. Adequate signage is available at the store. Triple rinsing activities for the empty chemical containers was continually implemented. The rinsed containers were punctured prior to disposing. All information regarding the chemicals and its usage, hazards, trade and generic names were available in both English and Bahasa Malaysia and understood by workers. Relevant information of the agrochemical used by estate workers were communicated via morning muster and the use of Safety Pictorial poster.
	4.6.7	Application of pesticides shall be by proven methods that minimise risk and impacts. Minor	YES	It was confirmed that the CU had not use chemicals categorized as type 1A or 1B by World Health Organization (WHO) or listed in the Stockholm or Rotterdam Conventions.
	4.6.8	Pesticides shall be applied aerially only where there is documented justification. Communities shall be informed of impending aerial pesticide applications with all relevant information within reasonable time prior to application. Major	YES	Examination of records had shown that there was no aerial spraying being conducted in the estate.
	4.6.9	Evidence of continual training to enhance knowledge and skills of employees and associated smallholders on pesticide handling shall be demonstrated or made available. Minor	YES	Trainings on pesticide handling were regularly conducted by the estate management to enhance knowledge and skills of employees. The training included the safety aspects and usage of PPE. Related training records sighted.
	4.6.10	Proper disposal of waste material, according to procedures that are fully	YES	The CU had established a procedure for triple rinsing of all its empty agrochemical containers as a method to be applied prior to disposal. The rinsed containers were then punctured and kept in the store, which later sent to recycling vendors. The wastewater from the rinsing activities will be

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		understood by workers and managers shall be demonstrated. Minor		reused in chemical mixture.
	4.6.11	Specific annual medical surveillance for pesticide operators, and documented action to treat related health conditions, shall be demonstrated. Major	YES	It was evident that the Medical Surveillance was carried out by competent person.
	4.6.12	No work with pesticides shall be undertaken by pregnant or breast-feeding women. Major	YES	Pregnant and breast-feeding women are not allowed to work with Pesticides & Hazardous Chemicals. Checking of pregnancy status is done by the Medical Assistant (MA) on monthly basis.
C 4.7 An occupational health and safety plan is documented, effectively communicated and implemented.	4.7.1	An occupational health and safety policy shall be in place. An occupational health and safety plan covering all activities shall be documented and implemented, and its effectiveness monitored. Major	YES	Occupational Safety and Health Policy was established and signed by the Chief Executive-Group Plantation in April 2015. The occupational health and safety plan has been established and monitored by the Estate Manager and Mill Manager. All the operation related to safety and environments has been identified in the OHS plan. The OHS plan was updated in July 2016.
The occupational health and safety plan shall cover the following:	4.7.2	All operations where health and safety is an issue shall be risk assessed, and procedures and actions shall be documented and implemented to address the identified issues. All precautions attached to products properly observed and applied to the workers. Major	YES	HIRARC register covered activities in the estate and the mill. Among the activities included were chemical spraying, P&D rat baiting, manuring, harvesting and FFB collection in the estates, and boiler operation, FFB sterilization, kernel extraction and oil extraction and clarification in the mill. Kapis Estate and Jeroco 2 POM have reviewed their HIRARC records and appropriate risk control measures had been determined and implemented for the other station in the mill. The CHRA report carried for Kapis estate was reviewed on Dec 2015 and as for Jeroco 2 POM, the report was dated in May 2014. The reports were valid for 5 years.
	4.7.3	All workers involved in the operation shall be adequately trained in safe working practices. Adequate and appropriate protective equipment shall be available to all workers at the place of work to cover all potentially haz. operations, such as pesticide application, machine operations, and land preparation, harvesting and, if it is used, burning. Major	YES	Chemical hazards communication had been given through awareness and training program to all workers involved in handling of dangerous chemicals. The objective was to ensure all workers involved have been adequately trained in understanding of the MSDS, safe working practices and the correct use of PPE. Those trained workers included sprayers, fertilizer applicator, laboratory personnel, boilerman and store clerk. Field inspection and observation of spraying tasks confirmed chemicals were applied in accordance with the product safety precautions. MSDS were made available at point of use e.g. at the water treatment plants, boiler chemical dosing area and chemical mixing area and at the chemical store.  Suitable PPE has been given to the workers appropriate for their daily routine task. The PPE includes rubber boots, safety boots, helmets, goggles, ear plugs, rubber and cotton gloves, aprons and breathing masks (dusk mask and cartridge type respirator). Records of PPE issuance were maintained and were presented to auditor during the assessment.
	4.7.4	The responsible person/persons shall be identified. There shall be	YES	Safety and Health Committee organization chart 2016 was established, for both mill and estate. Quarterly Safety & Health Committee meeting was held. Minutes were sighted.

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		records of regular meetings between the responsible person/s and workers. Concerns of all parties about health, safety and welfare shall be discussed at these meetings, and any issues raised shall be recorded. Major								
	4.7.5	Accident and emergency procedures shall exist and instructions shall be clearly understood by all workers. Accident procedures shall be available in the appropriate language of the workforce. Assigned operatives trained in First Aid should be present in both field and other operations, and first aid equipment shall be available at worksites. Records of all accidents shall be kept and periodically reviewed. Minor	YES	Trained first aiders is available at all work area both in the estate and mill. First aid boxes at various locations were also checked and found to be satisfactorily maintained. Emergency Response Plan (ERP) has been established and included in the Environmental Impact Assessment, Management Action Plan and Continuous Action Plan dated June 2016. Among the emergency situation identified include CPO spillage at bulking installation, Bund Breakage, Diesel spillage, Fire Breakout in Mill, Chemical spillage. Information to response potential emergencies had been disseminated. This included emergency contact number, site evacuation route to assembly point and location of firefighting equipment and action to be taken during emergency by staff and contractors. Instructions to respond to accident and emergency situation were tested. Most of the interviewed workers were aware of the emergency procedures. The latest fire drill was carried out in Feb 2016 for JPOM 2. The fire drill report was verified.						
	4.7.6	All workers shall be provided with medical care, and covered by accident insurance. Minor	YES	Jeroco 2 CU continued to ensure all workers working in the premise (both mill and estate) covered by insurance. All local workers were covered by SOCSO as required under Employee's Social Security Act 1969. Foreign workers were covered by insurance as per the Workmen Compensation Act 1952. Sample of foreign workers at Kapis Estate confirmed that all had been covered by a valid insurance.						
	4.7.7	Occupational injuries shall be recorded using Lost Time Accident (LTA) metrics. Minor	YES	Accident statistics are being maintained and periodically reviewed during safety and health committee meeting. Accident statistic for the CU is as follows : <table><tr><th>Year</th><th>JPOM2</th><th>Kapis Estate</th></tr><tr><td>2015</td><td>2 cases (11 LTA)</td><td>16 cases (28 LTA)</td></tr></table> Accident investigation has been carried out to all accident cases for internal reporting as well as reporting to DOSH. Records of accident investigation including minutes of the meeting, accident chronology, sketch of accident area, personal information including training records, corrective action were compiled and kept as records.	Year	JPOM2	Kapis Estate	2015	2 cases (11 LTA)	16 cases (28 LTA)
Year	JPOM2	Kapis Estate								
2015	2 cases (11 LTA)	16 cases (28 LTA)								
C 4.8  All staff, workers, smallholders and contract workers are appropriately trained.	4.8.1	A formal training programme shall be in place that covers all aspects of the RSPO Principles and Criteria, and that includes regular assessments of training needs and documentation of the programme. Major	YES	Formal training programme which cover all aspects of RSPO P&C was available for year 2016. It was established based on training needs identification. Regular assessments of the effectiveness training were mainly done to routine supervision by the management.						

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	4.8.2	Records of training for each employee shall be maintained. Minor	YES	All training records for each employees involved in the estate operations such as weeding, fertiliser application, pest & disease, harvesting and replanting were available for verification.
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### Principle 5: ENVIRONMENTAL RESPONSIBILITY AND CONSERVATION OF NATURAL RESOURCES AND BIODIVERSITY

Clause	Indicators		Comply Yes/No	Findings
C 5.1 Aspects of plantation and mill management, including replanting, that have environmental impacts are identified, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continual improvement.	5.1.1	An environmental impact assessment (EIA) shall be documented. Major	YES	Identification of the environmental aspect and impact at the CU was carried out through an Environmental Impact Assessment by a consultant. The EIA report was approved by the Sabah's EPD. The same consultant was appointed to conduct the evaluation of compliance against the conditions stipulated in the approval of the EIA once in every four months for the period of Nov 2015-Feb 2016. The evaluation exercise has identified a few non-compliance and Jeroco 2 CU has established its action plan to address the issues raised. For JPOM 2, the identification of environmental aspect and impact was done by the Agronomist & Sustainability department under the document named Environmental Impact Assessment, Management Action Plan and Continuous Action Plan dated June 2015. Mitigation measures were established thereafter.
	5.1.2	Where the identification of impacts requires changes in current practices, in order to mitigate negative effects, a timetable for change shall be developed and implemented within a comprehensive action plan. The action plan shall identify the responsible person/persons. Minor	YES	Kapis estate and JPOM2 have established the action plan namely "Environment Impact Assessment Management Action Plans and Continuous Improvement Plans for 2016/2017". The action plan was reviewed in June 2016. Relevant person-in-charge had been identified and appointed by the management. Regular reports to the management was carried out accordingly.
	5.1.3	This plan shall incorporate a monitoring protocol, adaptive to operational changes, which shall be implemented to monitor the effectiveness of the mitigation measures. The plan shall be reviewed as a minimum every two years to reflect the results of monitoring and where there are operational changes that may have positive and negative environmental impacts. Minor	YES	Kapis estate has been established the action plan titled as "Environment Impact Assessment Management Action Plans for 2016/2017". The action plan was reviewed in June 2016. The management had monitored the progress of the action plan by appointed person In charge for each action plan. Mitigation measures are translated into SSOP and Work Instruction. These among others included work instruction for handling of pruned oil palms frond, Soil erosion, workshop and the management of scheduled waste, operation of genset, etc. At JPOM 2 the "Environment Impact Assessment Management Action Plans for 2016/2017" had also been reviewed in June 2016. No changes was made to the environmental aspects and impacts or current practices which require changes in the environmental action plans. Nevertheless, the existing environmental action plans had identified timeframes and responsible person for each operating units.
C 5.2	5.2.1	Information shall be collated in a	YES	The HCV report of Kapis Estate was made available to the auditor. It was noted that the report

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The status of rare, threatened or endangered species other High Conservation Value habitats, if any, that exist in the plantation or that could be affected by plantation or mill management, shall be identified and operations managed to best ensure that they are maintained and/or enhanced.		HCV assessment that includes both the planted area itself and relevant wider landscape-level considerations. Major		was prepared by the company Sustainable Unit and the assessment was carried out in June 2016. Based on the assessment, there was no identified RTE at Kapis estate. However, they had identified a significant HVC4 which Kapis estate has controlled and maintained the river buffer zone for Sg. Kretam Besar. The natural waterway was estimated covered a total of 21.3 ha.
	5.2.2	Where RTE species, or HCVs, are present or are affected by plantation or mill operations, appropriate measures that are expected to maintain and/or enhance them shall be implemented through an action plan. Major	YES	It has been verified that Kapis estate has established HCV action plan for Sg. Kretam Besar river titled 'Environmental Impact and Continuous Improvement Plan'.
	5.2.3	There shall be a programme to regularly educate the workforce about the status of these RTE species, and appropriate disciplinary measures shall be instituted in accordance with company rules and national law if any individual working for the company is found to capture, harm, collect or kill these species. Minor	YES	Kapis estate has conducted training on HCV and wildlife for the staffs and field workers in July 2016. The CU also has established a disciplinary measures titled 'Disciplinary Measures Against Any Activities Involved with Rare Threatened & Endangered Species (RTE) in Sept 2015. Therefore, previous Minor NCR MRS-02-2015 was satisfactorily closed.
	5.2.4	Where an action plan has been created there shall be ongoing monitoring: <ul style="list-style-type: none"> <li>The status of HCV and RTE species that are affected by plantation or mill operations shall be documented and reported;</li> <li>Outcomes of monitoring shall be fed back into the action plan. Minor</li> </ul>	YES	Jeroco 2 CU continues to discourage any illegal or inappropriate hunting, fishing or collecting activities. Evidence was seen during the site review that signage to prohibit hunting, fishing and pesticide spraying not allowed within buffer area at the Sg. Kretam Besar. It was noted that CCTV was placed at strategic area surrounding the estate to control everything including any illegal activities. The CCTV is in operation 24hours. Latest monitoring for HCV area, Sg Kretam Besar river has been conducted by Kapis estate in June 2016 and the monitoring activities was recorded in the HCV patrolling record book.
	5.2.5	Where HCV set-asides with existing rights of local communities identified, there shall be evidence of a negotiated agreement that optimally safeguards both the HCVs and these rights. Minor	YES	There are no local communities living nearby with Jeroco 2 CU. So, this indicator was not applicable to this CU.
C 5.3	5.3.1	All waste products and sources	YES	Kapis estate had established a 'List of Waste Generated For Estate', updated in June 2016.

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Waste is reduced, recycled, re-used and disposed of in an environmentally and socially responsible manner.		of pollution shall be identified and documented. Major		Among the identified wastes included the organic waste, domestic waste and scheduled wastes i.e. waste oil from maintenance, oil empty chemical containers, electrical wastes, clinical wastes, waste paper and empty ink cartridges. For JPOM 2 operation, source of pollution and waste generated from mill processes and related activities in the premise were appropriately described.
	5.3.2	All chemicals and their containers shall be disposed of responsibly. Major	YES	All the empty pesticides containers were rinsed three times at the washing station prior to disposal. Disposal was carried out in compliance with relevant regulation. Inventory and consignment documents were verified for confirmation of proper management and disposal.
	5.3.3	A waste management and disposal plan to avoid or reduce pollution shall be documented and implemented. Minor	YES	Jeroco 2 CU maintained their documented SOPs and waste management plan called the 'List of Waste Generated for estate and mill' for ensuring proper waste management and reduce environmental pollution.
C 5.4 Efficiency of fossil fuel use and the use of renewable energy is optimised.	5.4.1	A plan for improving efficiency of the use of fossil fuels and to optimise renewable energy shall be in place and monitored. Minor	YES	Jeroco 2 CU has established the plan on efficient use of fossil fuels in the 'Fossil Fuel Management Plan'. In Kapis estate one of the plan to reduce usage of diesel for genset is by constructing the biogas plant at the mill. The plant is expected to be completed in 2017. For the mill, the generated fibre and shell were continued to be used in the boiler. The management is monitoring the use of the fossil fuel and the renewable energy on monthly basis.
C 5.5 Use of fire for preparing land or replanting is avoided, except in specific situations as identified in the ASEAN guidelines or other regional best practice	5.5.1	There shall be no land preparation by burning, other than in specific situations as identified in the ' <i>Guidelines for the Implementation of the ASEAN Policy on Zero Burning</i> ' 2003. Major	YES	The CU has practiced zero burning. During the audit, a visit to the replanted area at Kapis estate was visited. It was evident that all palms were felled, shredded, windrowed and left to decompose.
	5.5.2	Where fire has been used for preparing land for replanting, there shall be evidence of prior approval of the controlled burning as specified in ' <i>Guidelines for the Implementation of the ASEAN Policy on Zero Burning</i> ' 2003. Minor	YES	As stated in 5.5.1 above, no burning was carried out. Hence, this indicator is not applicable.
C 5.6 Preamble Growers and millers commit to reporting on operational greenhouse gas emissions. However, it is recognised that these significant emissions	5.6.1	An assessment of all polluting activities shall be conducted, including gaseous emissions, particulate/soot emissions and effluent (see Criterion 4.4).	YES	Kapis Estate and JPOM 2 has carried out identification of environmental impact assessment management action plans. Assessment had included all activities in the estate and the mill. Among the identified environmental aspects included the gaseous emissions from genset operation, transportation and boiler operation. The related action plan has also been established. The action plan was reviewed in June 2016.
	5.6.2	Significant pollutants and GHG emissions shall be identified, and plans to reduce or minimise them implemented. Major	YES	The environmental aspects associated with the air pollution have been identified and action plan has been established. This document was reviewed in June 2016. The GHG emission has been included in the CU's Environmental Impact Assessment.
	5.6.3	A monitoring system shall be in	YES	The CU has been using the RSPO's PalmGHG calculator for calculating its GHG emission. The

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cannot be monitored completely or measured accurately with current knowledge and methodology. It is also recognised that it is not always feasible or practical to reduce or minimise these emissions. Growers and millers commit to an implementation period until the end of Dec 2016 for promoting best practices in reporting to the RSPO, and thereafter to public reporting. Growers and millers make this commitment with the support of all other stakeholder groups of the RSPO. Plans to reduce pollution and emissions, including GHG, are developed, implemented and monitored.		place, with regular reporting on progress for these significant pollutants and emissions from estate and mill operations, using appropriate tools. Minor		CU has also submitted its calculation report to RSPO Secretariat for review by the Emission Reduction Working Group (ERWG) in Feb 2016.
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### Principle 6: RESPONSIBLE CONSIDERATION OF EMPLOYEES AND OF INDIVIDUALS AND COMMUNITIES BY GROWERS AND MILLERS

Clause	Indicators		Comply Yes/No	Findings
C 6.1 Aspects of plantation and mill management that have social impacts, including	6.1.1	A social impact assessment (SIA) including records of meetings shall be documented. Major	YES	The social impact assessment report for Jeroco CU's estates and mill was prepared by the Sustainability Team in June 2015. The report presented the estates' and mill's background information, labour policies, grievance procedures (internal, external land owner issues), sexual harassment policies, facilities and amenities offered by the estates, and the social impact assessment procedures and results.



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replanting, 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 continual improvement.	6.1.2	There shall be evidence that the assessment has been done with the participation of affected parties. Major	YES	Appendix 2 'List of Participation during the Stakeholder Consultation' of the SIA report presented in detail the comments made by the various stakeholders on social impacts as well as the proposed mitigation plans by the estate/mill. Each of the issue raised by the participant was addressed in the action plan.
	6.1.3	Plans for avoidance or mitigation of negative impacts and promotion of the positive ones, and monitoring of impacts identified, shall be developed in consultation with the affected parties, documented and timetabled, incl. responsibilities for implementation. Major	YES	A timetable with responsibilities for mitigation and monitoring was reviewed and updated as necessary. The CU had appointed specific PIC responsible for taking actions on each of the mitigation measures with specific time intervals. The monitoring records were verified at Kapis Estate and Jeroco 2 POM.
	6.1.4	The plans shall be reviewed as a minimum once every two years and updated as necessary, in those cases where the review has concluded that changes should be made to current practices. There shall be evidence that the review includes the participation of affected parties. Minor	YES	The social action plan for Kapis Estate and Jeroco 2 POM have been reviewed in July 2015. The stakeholders meeting has been conducted with participation of affected parties such as government agencies, smallholders, contractors and suppliers in July 2016.
	6.1.5	Particular attention shall be paid to the impacts of smallholder schemes (where the plantation includes such a scheme). Minor	YES	There was no smallholder scheme at the CU. Only third party FFB supplier send their FFB to Jeroco 2 POM.
C 6.2 There are open and transparent methods for communication and consultation between growers and/or millers, local communities and other affected or interested parties	6.2.1	Consultation and communication procedures be documented. Major	YES	Auditor has verified consultation and communication mechanisms and Grievances Procedure available at Jeroco 2 POM and Kapis Estate.
	6.2.2	A management official responsible for these issues shall be nominated. Minor	YES	Jeroco 2 CU has nominated Kapis estate manager and Jeroco 2 POM manager as the responsible person to handle social issues at their operating unit. Appointment letters dated in Jan 2016 and March 2015 respectively were noted.
	6.2.3	A list of stakeholders, records of all communication, including confirmation of receipt and that efforts are made to ensure understanding by affected parties, and records of actions taken in response to ip from stakeholders, maintained. Minor	YES	The lists of stakeholders were prepared by both the CU and the company headquarters. The lists included government agencies, suppliers, contractors, schools, bus operators, traders. The list of stakeholders was updated in June 2016. All neighbouring estates, suppliers and contractors were included in the lists. Stakeholders Meeting was conducted in Dec 2015 with relevant parties such as FFB suppliers, contractors, mill's part suppliers, neighbouring estate, Humana, school, Sabah Forestry Department, PDRM, Wildlife Department and Immigration Department.
C 6.3	6.3.1	The system, open to all affected	YES	The estate and mill have developed procedures to handle grievances and disputes titled as

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There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all affected parties		parties, shall resolve disputes in an effective, timely and appropriate manner, ensuring anonymity of complainants and whistle-blowers, requested. Major		'Procedure for reporting complaints and grievances.
	6.3.2	Documentation of both the process by which a dispute was resolved and the outcome shall be available. Major	YES	Complaints on housing and other services are usually entered into record books. The records include the name of the person who complained, his address, date, and type of service required. The latest complaint (dated June 2016) was verified by auditor on road maintenance at the worker's quarters. Visits to the line sites at Kapis estate and Jeroco 2 POM confirm that actions were taken on the complaints made by the workers.
C 6.4 Any negotiations concerning compensation for loss of legal, customary or user 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.	6.4.1	A procedure for identifying legal, customary or user rights, and a procedure for identifying people entitled to compensation, shall be in place. Major	YES	HSPHB has developed procedures to deal with land disputes, squatter disputes, and loss of legal and customary rights titled 'Land Dispute Management'. In the case of boundary disputes, the procedure requires the estate management and the disputing party to negotiate first, failing which the case will have to be referred to the Headquarters for further negotiation. If negotiation fails, the case will be brought to court for arbitration. Squatter disputes will be handled either by the Employee Relations Department or the Compliance Department depending on whether it involves on-land disputes or former workers staying in estate quarters. Actions will normally be in the form of negotiation or legal proceedings or both. However, there was no any dispute on customary rights, boundaries and squatters.
	6.4.2	A procedure for calculating and distributing fair compensation shall be established and implemented, monitored and evaluated in a participatory way, and corrective actions taken as a result of this evaluation. This procedure shall take into account: gender differences in the power to claim rights, ownership and access to land; differences of transmigrants and long-established communities; and differences in ethnic groups' proof of legal versus communal ownership of land. Minor	YES	In terms of compensation, the procedures prescribed the determination of lawful owners, distribution of the compensation, time frame for compensation and calculation for various compensations. So far, there has been no compensation made to any disputing parties.
	6.4.3	The process and outcome of any negotiated agreements and compensation claims shall be documented, with evidence of the participation of affected parties, and made publicly available. Major	YES	According to the CU's management and record, there was no any dispute on land or squatters.

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C 6.5 Pay and conditions for employees and for contract workers always meet at least legal or industry minimum standards and are sufficient to provide decent living wages	6.5.1	Documentation of pay and conditions shall be available. Major	YES	Auditor has verified contract of employment and payslip for foreign workers at Kapis Estate and Jeroco 2 POM. Interviews with workers at Kapis Estate and Jeroco 2 POM showed that they understood the information shown in the pay slips.
	6.5.2	Labour laws, union agreements or direct contracts of employment detailing payments and conditions of employment shall be available in the languages understood by the workers or explained carefully to them by a management official. Major	NO	Every staff or worker has signed a contract of employment upon joining the estate or the mill. Details on monthly salary and deductions for every worker and staff are shown in their pay slips which were issued to the workers during pay day. Interviews revealed that the workers quite understand the terms of their employment. However, during the audit, auditor has found that contracts of employment for sprayer workers, paid based on piece rate resulted in RM30.77 per day. The contract agreement did not meet the new revision of Minimum Wages Order 2016. Thus, a Major NCR MRS 01 2016 was raised.
	6.5.3	Growers and millers shall provide adequate housing, water supplies, medical, educational and welfare amenities to national standards or above, 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. Minor	YES	The CU continues to provide free housing, water supply, free medical services, subsidized electricity and free education for foreign children. The conditions of the houses at Kapis estate was good. The compounds were well kept. Kapis estate and Jeroco 2 POM have separated the piping of treated water and rain water tanks at workers houses as verified by auditor during site visited at foreign workers linesites. Kapis estate has conducted housing inspection weekly. Water treatment analysis (drinking water) was conducted by Jeroco 1 POM.
	6.5.4	Growers and millers shall make demonstrable efforts to monitor and where able, improve workers' access to adequate, sufficient and affordable food. Minor	YES	There is one grocery shop at Kapis estate. The estate has monitored the grocery shop in term of adequacy, sufficient and affordable of food once by monthly with latest monitoring in July 2016.
C 6.6 The employer respects the rights of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of assoc. & collective bargaining are restricted under law, the employer facilitates parallel	6.6.1	A published statement in local languages recognising freedom of association shall be available. Major	YES	Kapis estate and Jeroco 2 POM have published statements on freedom of association. As a matter of fact, the SIA report did mentioned that the company respects the right of workers to be unionized. Such statements are available in local languages as required by the standards. The CU has allowed their employee to establish and join union.
	6.6.2	Minutes of meetings with main trade unions or workers representatives shall be documented. Minor	YES	The workers in the estate and mills are not unionized. Furthermore, there is no formal organization formed among the workers to discuss related work or social matters. Nonetheless, a Joint Consultative Committee (JCC) has just been formed to serve as a platform for the discussion of such issues. This JCC comprises of the estate management, field supervisors, <i>mandores</i> , drivers and clerk.

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means of ind. and free assoc. and bargaining for all such personnel.				
C 6.7 Children are not employed/exploited.	6.7.1	There shall be documentary evidence that minimum age requirements are met. Major	YES	HSPHB Labour Policy does not allow children below 18 years old to work in the estate/mill. Site visit at Kapis estate and Jeroco 2 POM confirms that no workers below age was hired.
C 6.8 Any form of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age, is prohibited.	6.8.1	A publicly available equal opportunities policy including identification of relevant/affected groups in the local environment shall be documented. Major	YES	HSPHB has published statements to the effect that the company does not practice discrimination in the recruitment of workers or staffs or in paying or promoting them. Such statements were written in the company's Corporate Culture manual and publicly available.
	6.8.2	Evidence shall be provided that employees and groups including local communities, women, and migrant workers have not been discriminated against. Major	YES	There was no evidence of discrimination based on race, gender or national origin or any other factors, it was evident in the employment letter. These workers live in the same housing complex and enjoy similar benefits. Interviews also revealed that there was no discrimination on any bases in the estate/mill.
	6.8.3	It shall be demonstrated that recruitment selection, hiring and promotion where relevant are based on skills, capabilities, qualities, and medical fitness necessary for the jobs available. Minor	YES	Kapis estate has promoted/ upgraded their staffs. These staffs have met the minimum requirement on skills, capabilities and working experience based on memo and official letter to respective staff.
C 6.9 There is no harassment or abuse in the work place, and reproductive rights are protected.	6.9.1	A policy to prevent sexual and all other forms of harassment and violence shall be implemented and communicated to all levels of the workforce. Major	YES	Jeroco 2 POM and Kapis estate have displayed policy on sexual harassment and 'Flow Chart – Reporting Sexual Harassment (Worker)' at the office notice board. The guidelines emphasize that sexual harassment is a threat to basic human rights and offenders will be punished accordingly, including termination from work. The policy and procedure have been communicated to all the women and men workers during morning musters. Official training has been conducted in June 2016. During interview with field workers from Indonesia revealed that they understood the policy and the procedure. Jeroco 2 POM and Kapis Estate have also formed a Gender Committee.
	6.9.2	A policy to protect the reproductive rights of all, especially of women, impl. and comm. to all levels of the workforce. Major	YES	A policy to protect women reproductive rights titled 'Policy on Reproductive Rights' was made available at Kapis estate and Jeroco 2 POM. The policy and procedure were briefed to all levels of the workforce in June 2016. Hence, previous Major NCR MRS-03-2015 was satisfactorily closed.
	6.9.3	A specific grievance mechanism which respects anonymity and protects complainants where requested shall be established, implemented & communicated to all levels of the workforce. Minor	YES	The guidelines prescribe, among others, the procedures for reporting sexual harassment assigning the responsibilities for action as well as the timelines involved. There has been no report on sexual harassment in the estates/mill.

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C 6.10 Growers and millers deal fairly and transparently with smallholders and other local businesses.	6.10.1	Current and past prices paid for Fresh Fruit Bunches (FFB) shall be publicly available. Minor	YES	It was observed that the mill has displayed the current and past FFB prices at their notice boards and weighbridge station.
	6.10.2	Evidence shall be available that growers/millers have explained FFB pricing, and pricing mechanisms for FFB and inputs/services shall be documented (where these are under the control of the mill or plantation). Major	YES	During the audit, interviews were made with contractors and FFB suppliers to understand the business relationships between them and the CU. The contract agreements were also sighted.
	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	No	Interviews with contractor and third party FFB suppliers revealed that the estate and the mill treat them quite well. However, some of them did not understand some of the content in the contract, and the management has not briefed properly to them, Therefore, #NCR Minor MZK 01 2016 was raised.
	6.10.4	Agreed payments shall be made in a timely manner. Minor	YES	Payments are made through cheques and are issued the following month after the completion of the works. The records of payments seen testify that the contractors/suppliers have been paid on time.
C 6.11 Growers and millers contribute to local Sustainable development where appropriate.	6.11.1	Contributions to local development that are based on the results of consultation with local communities shall be demonstrated. Minor	YES	There was no local community lived nearby or within the CU plantation area. However, the CU has built a Humana at Kapis Estate for foreign worker's children.
	6.11.2	Where there are scheme smallholders, there shall be evidence that efforts and/or resources have been allocated to improve smallholder productivity. Minor	YES	There was no scheme smallholders at the CU.
C 6.12 No forms of forced or trafficked labour are used.	6.12.1	There shall be evidence that no forms of forced or trafficked labour are used. Major	YES	Based on interview with local and foreign workers (Indonesian) – men and women (sprayers, harvesters and general workers) at Kapis estate and Jeroco 2 POM, it can be confirmed that there was no forms of forced or trafficked labour used at the CU.
	6.12.2	Where applicable, it shall be demonstrated that no contract substitution has occurred. Minor	YES	As verified through employment contract, passport, work permit and interview with foreign workers, there was no contract substitution has occurred at the visited area.
	6.12.3	Where temporary or foreign workers are employed, a special labour policy and procedures shall be established and implemented. Major	YES	A "Labour Policy for Foreign Workers was established in both the estate and the mill. The policy included statement of the non-discriminatory practices; No contract substitution; Post-arrival orientation programme to focus especially on language, safety, labour laws, cultural practices etc.; and Decent living conditions to be provided. Hence, the previous Major NCR MRS-04-2015 was satisfactorily closed.
C 6.13	6.13.1	A policy to respect human rights	YES	Human Rights policy was made available at Kapis estate and Jeroco 2 POM. The policy has

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Growers and millers respect human rights		shall be documented and communicated to all levels of the workforce and operations. Major		been communicated to staffs and workers during morning muster. Auditor has verified through interview with workers.
	6.13.2	As long as children of foreign workers in Sab & Sar are ineligible to attend government school, the plantation companies should engage in a process to secure these children access to education as a moral obligation. Minor	YES	Kapis estate and Jeroco 2 POM have provided Humana School for foreign workers' children to take care of their children during working hours without any fee.

### Principle 7: RESPONSIBLE DEVELOPMENT OF NEW PLANTINGS

Jeroco CU has no plan for any new planting and no new development of area was observed during the visit. Thus Principle 7 is not applicable.

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

Clause	Indicators		Comply Yes/No	Findings
C 8.1 Growers and millers regularly monitor and review their activities, and develop and implement action plans that allow demonstrable continual improvement in key operations.	8.1.1	The action plan for continual improvement shall be implemented, based on a consideration of the main social and environmental impacts and opportunities of the grower/mill, and shall include a range of Indicators covered by these Principles and Criteria. As a minimum, these shall include, but are not necessarily be limited to: Major		
	a)	Reduction in use of pesticides (Criterion 4.6);	YES	Herbicides spraying at JPOM2 CU is mainly limited to palm circle and harvesting path. Occasionally, woody growth sprayings were carried out whenever necessary. Blanket spraying is not practiced as the estate maintained the growth of soft weeds and Nephrolepis biserrata. The estate is also committed to minimise the use of pesticides by continuously planting beneficial plants and implementing IPM.
	b)	Environmental impacts (Criteria 4.3, 5.1 and 5.2);	YES	Among the action taken by the mill to reduce the environmental Impacts associated with the GHG emission included the construction of the biogas plant and bio-polishing plant.
	c)	Waste reduction (Criterion 5.3);	YES	The CU continued to practice 3R (reduce, recycle, re-use) on waste management.
	d)	Pollution and greenhouse gas	YES	Pollution and GHG emission are being monitored. Palm GHG system is being used to

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		(GHG) emissions (Criteria 5.6 and 7.8);		accumulate data related GHG emission and the report has been submitted to RSPO GHG department in Feb 2016.
	e)	Social impacts (Criterion 6.1);	YES	A mechanism to capture the performance of social aspects in CAPEX has been established. The activities listed in the plans and the monitoring of the actions taken demonstrated the continuous improvement achieved in matters related to the social aspects. Among the planned developments were labour quarters roofing, maintenance of road condition, supply of treated water to Humana School and government primary school.
	f)	Encourage optimising the yield of the supply base	YES	The CU is part of a well-established organization. Yield performance has always been the top priority in ensuring long-term economic and financial viability. In general, various efforts have been done to opt. the yield of the plantation. These included minimising crop losses, ensuring the soil fertility is maintained in good level and maintaining transportation facilities in good condition. Apart from that, the company is always keep itself updated with possible technological options especially in mechanization and better planting material.

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### Attachment 4

#### Details of Non-conformities and Corrective Actions Taken for RSPO P&C MYNI 2014

P & C Indicator	Specific ation Major/Minor	Detail Non-conformances	Corrective Action Taken by the CU and Verification by Auditors
Indicator 6.5.2	Major	<b>#NCR No : MRS 01 2016</b> Non-compliance against the Minimum Wages Order 2016 which shall be paid not less than RM35.38/day or RM920/month. At Kapis Estate, auditor has found that wages per day for 4 sprayer workers as stated in the contracts of employment was RM 30.77 per day.	<b>Corrective Action:</b> 1. The workers employment contract was immediately updated as per new minimum wages order 2016 (Attachment 2). Worker's July 2016 salary is paid as per new minimum wages of RM35.38/day or RM920/month. 2. Increased clerical manpower to manually update the employment contract is there any new minimum wages to be implemented in the future. <b>Auditor Verification:</b> 1. Auditor has received adjustment Contract for the 4 sprayer workers that comply with the Minimum Wages Order 2016. 2. <b>Status: Closed</b>
Indicator 6.10.3	Minor	<b>#NCR No : MZK 01 2016</b> The FFB supplier interviewed did not understand contract agreement with JPOM 2 Interviewed with Representative from Contractor A & B confirmed that they did not understand content in the agreement between them and Jeroco Plantation Sdn Bhd.	<b>Corrective Action:</b> 1. The refresher briefing is immediately conducted by mill management to the outgrower/smallholder representative on the contractual agreement. 2. Mill management provide sufficient briefing to the outgrower/smallholder at 6 monthly basis. <b>Auditor Verification:</b> Corrective action plan accepted. <b>Status: The effectiveness of the corrective action will be verify during next audit.</b>



# RSPO P&C AUDIT REPORT

Attachment 5

## RSPO Supply Chain at the Jeroco Palm Oil Mill – Mass Balance – Module E

Item No	Requirement NOV 2014	Findings	
		Standard Nov 2014	
E.1	<b>Defination</b>	<b>Actual (July 2015 – June 2016)</b>	
E.1.1	To verify :	<u>MT</u>	
	a) the volume of certified and uncertified FFB entering the mill	a) FFB Received	<b>102,317.45</b>
		RSPO 33, 795.18	
		Non-RSPO 68, 522.27	
	b) the volume sales of RSPO certified	FFB Processed	<b>102,317.45</b>
		RSPO 33, 795.18	
		Non-RSPO 68, 522.27	
		CPO Production	<b>21,941.01</b>
		PK Production	<b>4,908.78</b>
	The claim only the volume of oil palm products produced from processing of the certified FFB as MB	b) Delivery of CPO	<b>19,274.18</b>
		RSPO(MB) 7,004.90	
		Non-RSPO 12,269.28	
		Delivery of PK	<b>4,951.81</b>
		RSPO (MB) 1,617.47	
		Non-RSPO 3,334.34	
E 2	<b>Explanation</b>	<b>Projection (July 2016 – June 2017)</b>	
E..2.1	Estimate total tonnage of CPO and PK potentially produce in a year	<u>MT</u>	
		(1) FFB Received	<b>117,910.00</b>
		RSPO 39,630.00	
		Non-RSPO 78,280.00	
		(2) FFB Processed	<b>117,910.00</b>
		RSPO 39,630.00	
		Non-RSPO 78,280.00	
		(3) CPO Production	<b>25,135.00</b>
		(4) PK Production	<b>5,541.00</b>
		(5) Delivery of CPO	<b>25,135.00</b>
		RSPO(MB) 8,756.00	
		Non-RSPO 16,379.00	

## RSPO P&C AUDIT REPORT

		(6) Delivery of PK RSPO (MB)       1,927.00 Non-RSPO       3,614.00 <b>5,541.00</b>
E. 2 E 2.2	<b>Explanation</b> The mill must also meet all registration and reporting requirements for the appropriate supply chain through the RSPO supply chain managing organization (RSPO IT platform or book and claim.	JPOM2 has registered with the RSPO e-trace system. The mill's RSPO e-trace member ID is RSPO_PO1000003100 expiring on 26 September 2016.
E 3 E 3.1	<b>Documented procedures</b> The site shall have written procedures and/or work instructions to ensure the implementation of all the elements specified in these requirements. This shall include at minimum the following: a) Complete and up to date procedures covering the implementation of all the elements in these requirements b) The name of the person having overall responsibility for and authority over the implementation of these requirements and compliance with all applicable requirements. This person shall be able to demonstrate awareness of the facilities procedures for the implementation of this standard.	a) Procedures are available entitled "Standard Operating Procedures for Traceability". b) The person having overall responsibility for and authority over the implementation and compliance of the supply chain requirements is the Mill Manager.
E 3.2	The facility shall have documented procedures for receiving and processing certified and non-certified FFBs.	Receiving of certified FFB is described in SOP/COC/003 Section 5.4 to 5.12. Processing of certified FFB is described in SOP/COC/003 Section 5.13 to 5.16
E.4 E.4.1	<b>Purchasing and goods in</b> The site shall verify and document the volumes of certified and non-certified FFBs received.	The mill continued to receive certified FFBs from Kapis estate as well as non-certified FFBs from the outsiders. It was noted that JPOM 2 had sourced non-certified FFB from various suppliers. The Weighbridge Clerk checked and verified the consignment notes issued by the supplying estates for the in-coming RSPO and non-RSPO FFBs. The mill kept copies of the FFB Consignment Notes or FFB Delivery Notes issued by the supplying estate or supplier. JPOM 2 had also continued to keep records on (1) Daily FFB Received Supply Report by Supplier and (2) Monthly Crop Report and (3) Quarterly Mass Balancing Record on RSPO and non-RSPO FFB Received, CPO and Kernel Production and Stock Balances. The Monthly Crop Report provides a detailed monthly account on the receipt of FFBs, production of CPO and PK as well as on the actual oil extraction rate (OER) and kernel extraction rate (KER). For the period between July 2015 – June 2016, JPOM 2 had received a total of 102,317.45 MT of FFBs of which 33,795.18 MT were RSPO certified while the remaining 68, 522.27 MT were non-RSPO certified FFBs. A total of 10 randomly selected FFB delivery notes/dispatch tickets for RSPO-certified FFBs issued by the supplying estates on the in-coming FFBs were verified. It was found that all delivery notes/dispatch tickets had indicated the estate's RSPO Certificate number, the name of the supplying estate and the quantity (weight in Kg) of the FFBs.
E 4.2	The site shall inform the CB immediately if there is a projected overproduction.	There was no overproduction of certified FFBs during the period under review (July 2015 – June 2016).

## RSPO P&C AUDIT REPORT

<b>E.5</b> E.5.1	<b>Record keeping</b>  a) The site shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO and PK on a three-monthly basis.  b) All volumes of palm oil and palm kernel oil that are delivered are deducted from the material accounting system according to conversion ratios stated by RSPO.  c) The site can only deliver Mass Balance sales from a positive stock can include product ordered for delivery within three months. However, a site is allowed to sell short (i.e. product can be sold before it is in stock)	a) JPOM 2 had continued to keep record and balances of all receipts of RSPO-certified FFBs and deliveries of RSPO-certified CPO and PK on a three-monthly basis in the table 'Quarterly Mass Balancing System for Jeroco 2 Palm Oil Mill'. b) For the period from July 2015 to June 2016, JPOM 2 had delivered a total of 7,004.90MT of RSPO-certified (MB) CPO and 1,617.47 of RSPO-certified (MB) PK. All the certified CPO was delivered to Louis Dreyfus Commodities Asia Pte Ltd. For PK, all was delivered to Lahad Datu Edible Oil Sdn Bhd for crushing. c) The Mass Balancing Record for Oil Mills – JPOM 2 indicated both positive balances for the certified CPO and palm kernel. Selected weighbridge tickets issued during July 2015 to June 2016 by JPOM 2 for delivery of RSPO-certified CPO were verified and found to have indicated all the required information including the status of the products (RSPO MB): With respect to the delivery of PK, random selected weighbridge tickets issued by JPOM 2 during the months of July 2015 to June 2016 were verified. All weighbridge tickets issued had indicated the status of the PK (RSPO MB).
<b>E 5.2</b>	In cases where a mill outsources activities to an independent (not owned by the same organization) palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that the crush is covered through a signed and enforceable agreement.	No outsource activity carried out by the mill.

## RSPO P&C AUDIT REPORT

### Attachment 6

### Status of Non-conformities Previously Identified

P & C Indicator	Specification Major/Minor	Detail Non-conformances	Corrective Action	Verification by Auditor
Indicator: 1.2.1	Major	<b>NCR #: MRS 01 2015</b>  1. HCV documentation summary was not made available to the public by Lungmanis Estate. 2. Negotiation procedures (C6.4) was not made available to public by Lungmanis Estate, Jeroco 1 POM and Jeroco 2 POM i) A procedure for identifying legal, customary or user rights, and a procedure for identifying people entitled to compensation, shall be in place. ii) A procedure for calculating and distributing fair compensation (monetary or otherwise) shall be established and implemented, monitored and evaluated in a participatory way, and corrective actions taken as a result of this evaluation.	Auditor has received HCV documentation summary titled 'Summary of High Conservation Value (HCV) at Jeroco Group of Estates' and negotiation procedures as listed in the 'Lampiran 2 – List of Publicly Available Documents' in the Prosedur Memohon Maklumat Syarikat; Ref# HSPSB P1 1120 (c). The procedure and request form has been made publicly at Jeroco POM1 and estate's noticeboard.	Auditor has verified that Jeroco 2 CU has made publicly available 'List of publicly available documents' which has included HCV documentation summary and negotiation procedures at the Kapis Estate and Jeroco 2 POM's notice board.  <b>Status: Closed</b>
Indicator: 5.2.3	Minor	<b>NCR #: MRS 02 2015</b>  Auditor did not found any evidence to show that Lungmanis Estate has established appropriate disciplinary measures as required by the indicator	Auditor has received official memo from Jeroco CU for disciplinary measures titled 'Disciplinary Measures Against Any Activities Involved with Rare Threatened & Endangered Species (RTE) / Tindakan Terhadap Sebarang Aktiviti Melibatkan Haiwan Terancam (RTE)' dated 7 September 2015.	Kapis Estate has conducted training on HCV and wildlife for the staffs and field workers dated 22/7/2016. The CU also has established a disciplinary measures as required by the indicator titled 'Disciplinary Measures Against Any Activities Involved with Rare Threatened & Endangered Species (RTE) / Tindakan Terhadap Sebarang Aktiviti Melibatkan Haiwan Terancam (RTE)' dated 7/9/2015.  <b>Status: Closed</b>
Indicator: 6.9.2	Major	<b>NCR #: MRS 03 2015</b>  A policy to protect women reproductive rights was not available at Lungmanis Estate, Jeroco 1 POM and Jeroco 2 POM.	Jeroco CU has established a policy to protect women reproductive rights titled 'Policy on Reproductive Rights / Polisi	A policy to protect women reproductive rights titled 'Policy on Reproductive Rights' was made

## RSPO P&C AUDIT REPORT

			<i>Hak Reproduksi</i> .	available at Kapis Estate and Jeroco 2 POM.  <b>Status: Closed</b>
Indicator: 6.12.3	Major	<b>NCR #: MRS 04 2015</b> <ol style="list-style-type: none"> <li>1. Labour policy for foreign workers was made available at Lungmanis Estate, Jeroco 1 POM and Jeroco 2 POM. However, the policy did not include statement as described by specific guidance in the indicator</li> <li>2. Procedure for employment of foreign workers was not available Lungmanis Estate, Jeroco 1 POM and Jeroco 2 POM</li> </ol>	<ol style="list-style-type: none"> <li>1. Jeroco Cu has revised their labour policy for foreign workers titled 'Labour Policy for Foreign Workers / <i>Polisi untuk Pekerja Asing</i>' by following specific guidance under this indicator.</li> <li>2. Jeroco CU has established procedure for employment of foreign workers titled 'Procedure for Hiring Foreign Workers &amp; Recruitment of Fresh Workers from Indonesia'</li> </ol>	<p>Labour policy for foreign workers was made available at Kapis Estate and Jeroco 2 POM titled 'Labour Policy for Foreign Workers'. The policy has included statement as described by specific guidance in the indicator. The labour policy has included:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Statement of the non-discriminatory practices;</li> <li><input type="checkbox"/> No contract substitution;</li> <li><input type="checkbox"/> Post-arrival orientation programme to focus especially on language, safety, labour laws, cultural practices etc.;</li> <li><input type="checkbox"/> Decent living conditions to be provided. Procedure for employment of foreign workers was made available at Kapis Estate and Jeroco 2 POM titled 'Recruitment of Fresh Foreign Worker'.</li> </ul> <p><b>Status: Closed</b></p>

## RSPO PUBLIC SUMMARY REPORT

### SUMMARY OF AUDITS

Recertification audit				
On-site audit date :		No. of auditor days :		
Audit team :				
No. of major NCR :		Indicator:	Closing date :	
No. of minor NCR :		Indicator :		
Indicate the stakeholders interviewed during the on-site audit :	Employees	Settlers	Villagers	Suppliers
	Contract workers	NGOs	Govt. agency	Independent growers
	Indigenous people	Contractor	Others (Please specify)	
Supply base sampled :				

Annual Surveillance Audit 1				
On-site audit date :		No. of auditor days :		
Audit team :				
No. of major NCR :		Indicator:	Closing date :	
No. of minor NCR :		Indicator :		
Indicate by ticking the stakeholders interviewed during the on-site audit :	Employees	Settlers	Villagers	Suppliers
	Contract workers	NGOs	Govt. agency	Independent growers
	Indigenous people	Contractor	Others (Please specify)	
Supply base sampled :				
Changes since the last audit :				

Annual Surveillance Audit 2				
On-site audit date :		No. of auditor days :		
Audit team :				
No. of major NCR :		Indicator:	Closing date :	
No. of minor NCR :		Indicator :		
Indicate by ticking the stakeholders interviewed during the on-site audit :	Employees	Settlers	Villagers	Suppliers
	Contract workers	NGOs	Govt. agency	Independent growers
	Indigenous people	Contractor	Others (Please specify)	
Supply base sampled :				
Changes since the last audit :				

## RSPO PUBLIC SUMMARY REPORT

Annual Surveillance Audit 3				
On-site audit date	:	26-29 July 2016	No. of auditor days :	8 days
Audit team	:	Mohd Zulfakar Kamaruzaman and Mohd Razman Salim		
No. of major NCR	:	1	Indicator: 6.5.2	Closing date : 13 September 2016
No. of minor NCR	:	1	Indicator : 6.10.3	
Indicate by ticking the stakeholders interviewed during the on-site audit		Employees	Settlers	Villagers
		X		x
		Contract workers	NGOs	Govt. agency
		x		
		Indigenous people	Contractor	Others (Please specify)
		X		
Supply base sampled	:	Kapis Estate		
Changes since the last audit	:	No changes		

Annual Surveillance Audit 4				
On-site audit date	:		No. of auditor days :	
Audit team	:			
No. of major NCR	:		Indicator:	Closing date :
No. of minor NCR	:		Indicator :	
Indicate by ticking the stakeholders interviewed during the on-site audit		Employees	Settlers	Villagers
		Contract workers	NGOs	Govt. agency
		Indigenous people	Contractors	Others (Please specify)
Supply base sampled	:			
Changes since the last audit	:			

## RSPO PUBLIC SUMMARY REPORT

### SUMMARY OF INFORMATION

TYPE OF AUDIT	STAGE 2 / RA	ASA 1	ASA 2	ASA 3	ASA 4
Projection Period				July 2016 to June 2017	
Certified Area (Ha)				2,681.00	
Production Area(Ha)				2,342.00	
HCV Area (Ha)				21.30	
Certified FFB Processed (MT)				39,630.00	
Production of Certified CPO (MT)				8,756.00	
Production of Certified PK (MT)				1,927.00	
REMARKS					



## **AUDIT PROCESS**

### **1.1 Certification Body**

SIRIM QAS International Sdn. Bhd. is the 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 and nationally 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 Executive Board of the United Nations Framework Convention on Climate Change (UNFCCC). SIRIM QAS International is a partner of IQNet, a network currently comprising of leading certification bodies in Europe, North and South America, East Asia and Australia.

SIRIM QAS International has vast experience in conducting audits related to RSPO certification. It has certified more than a hundred palm oil mills and several estates to ISO 14001 & OHSAS 18001. SIRIM QAS International has also conducted many audits for sustainable production of palm oil products against the requirements of the RSPO P&C. SIRIM QAS International was approved by the RSPO as a RSPO certification body on 21 March 2008 and accredited by ASI on 27 September 2014.

### **1.2 Qualification of audit team**

<b>Member of the Audit Team</b>	<b>Role/area of RSPO requirements</b>	<b>Qualifications</b>
Mohd Zulfakar Kamaruzaman	Lead Auditor / Good Agricultural Practices, Environmental, Health and Safety and Supply Chain	<ul style="list-style-type: none"> <li>• Holds a B. Sc. Forestry from University Putra Malaysia. He had more than 4 years of working experience in the oil palm operation.</li> </ul>
Mohd Razman Salim	Auditor / Occupational Health & Safety, HCV and Social	<ul style="list-style-type: none"> <li>• Possessed B.Sc.Forestry (Hons) from University Putra Malaysia with more than 6 years of working experience in the Forest Management, forest, HCVF and ecology.</li> </ul>

### **1.3 Audit methodology**

The audit covered the one palm oil mill and one of its supply base, i.e. the Kapis Estate. The audit included an on-site audit to the estate and mill and to verify the implementation of the requirement of the certification. Interviews with the CU's management, employees, contractors and other relevant stakeholders were also conducted during the audit.

### **1.4 Stakeholder Consultation**

SIRIM QAS International had initiated the stakeholder consultation by announcing the invitation in the the SIRIM QAS International's websites. There was no comment received for this Certification Unit.

### **1.5 Audit plan : Refer to Attachment 2**

### **1.6 Date of next audit : The next surveillance audit will be conducted within 12 months but not sooner than 9 months from this audit.**

## 2.0 SCOPE OF CERTIFICATION AUDIT

### 2.1 Description of the certification unit

Jeroco Palm Oil Mill 2 certification unit (hereafter refer to JPOM2 CU) is one of the business unit under the Hap Seng Plantation Holdings Berhad (HSPHB). Located at Off 40 KM, Jalan Jeroco, Lahad Datu, Sabah, Malaysia, the CU consists of one mill (JPOM 2) and one supply base (Kapis Estate).

The Jeroco Palm Oil Mill 2 commenced its operations in Mass Balance and has a processing capacity of 30 metric tonnes of fresh fruit bunches (FFB) per hour. The mill is also receiving and processing crops from smallholders and villagers nearby the estate.

### 2.2 Description of the Supply Base (including the planting profile)

The FFB is sourced from company owned estates that are certified, non-certified and third party. Noted that there were some diversion of FFB from the estate certified under Jeroco Palm Oil Mill 1. Details of the FFB contribution from each source to the Jeroco Palm Oil Mill 2 are shown in the following tables:

Table 1: Actual FFB production by the supply base for the last reporting period  
(July 2015 to June 2016)

Estates	FFB Production	
	Tonnes	Percentage (%)
Kapis Estate	28,299.04	27.66
Batangan Estate	897.00	0.88
Lutong Estate	612.18	0.60
Lokan Estate	2,254.13	2.20
Lungmanis Estate	1,732.83	1.69
Tabin Estate (Non-certified)	1,978.39	1.93
Northbank Estate (Non-certified)	1,562.84	1.53
Kawa Estate (Non-certified)	3,637.72	3.56
Outsiders (Non-certified)	61,343.32	59.95
Total	102,317.45	100.00

Table 2: Projected FFB production by the supply base for the next reporting period  
(July 2016 to June 2017)

CU own estate	FFB Contribution	
	Tonnes	Percentage (%)
Kapis Estate	39,630.00	33.61
<b>Other Supply Bases</b>		
Outsiders (Non-certified)	78,280.00	66.39
<b>Grand Total</b>	117,910.00	100.00

Table 3: Actual FFB received and CPO & PK dispatch by the Mill for the last reporting period  
(July 2015 to June 2016)

	Total (MT)
FFB Received	102,317.45
FFB Processed	102,317.46
Certified FFB	33,795.19
Non-certified FFB	68,522.27
CPO Production	21,941.01
PK Production	4,908.78
CPO delivered as Mass Balance	7,004.90
CPO delivered as non-RSPO certified	12,269.28
PK delivered as Mass Balance	1,617.47
PK delivered as non-RSPO certified	3,334.34

## RSPO PUBLIC SUMMARY REPORT

Table 4: Projected FFB received and CPO & PK dispatch by the Mill of the next reporting period  
(July 2016 to June 2017)

	Total (MT)
FFB Received	117,910.00
FFB Processed	117,910.00
Certified FFB	39,630.00
Non-certified FFB	78,280.00
CPO Production	25,135.00
PK Production	5,541.00
CPO delivered as Mass Balance	8,756.00
CPO delivered as non-RSPO certified	16,379.00
PK delivered as Mass Balance	1,927.00
PK delivered as non-RSPO certified	3,614.00

Table 5: Planted and certified area of the CU

Estate	Planted (ha)	Certified (ha)
Kapis Estate	2,342.00	2,681.00
<b>Total</b>	<b>2,342.00</b>	<b>2,681.00</b>

Table 6: Planting profile for Jeroco CU

<u>Estate</u>	<u>Year of establishment</u>	<u>Mature (Ha)</u>	<u>Immature (Ha)</u>	<u>Planted area</u>	<u>% of planted area mature</u>	<u>% of planted area immature</u>
Kapis Estate	1985	2,342.00	-	2,342.00	100.00	-
<b>Total</b>		<b>2,342.00</b>	<b>-</b>	<b>2,342.00</b>	<b>100.00</b>	<b>-</b>

### 2.3 Organizational Information/Contact Person(s)

The details of the contact person is as shown below:

Name	:	Mr. Kee Keow Chong
Position	:	Chief Agronomist
Address	:	1) MDLD 7073-7074, Ground Floor, Bandar Sri Perdana, Jalan Silam, 91100 Lahad Datu, Sabah, Malaysia. 2) Off 40 KM, Jalan Jeroco, Lahad Datu, Sabah, Malaysia
Phone no.	:	+6089 278183,+6089 278138
Fax no.	:	+6089278168/186
Email	:	<a href="mailto:keekc@hapseng.com.my">keekc@hapseng.com.my</a>

### 3.0 AUDIT FINDINGS

#### 3.1 Changes to certified products in accordance to the production of the previous year

There was no changes to the certified products since last assessment.

#### 3.2 Time bound plans including changes and reasons for the changes see below

	Yes	No	<u>If yes, state reasons/justifications</u>
- acquisitions/disposals	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
- emergence/re-emergence of land disputes	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
- labour conflicts	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

## RSPO PUBLIC SUMMARY REPORT

3.3 Overall comment in terms of acceptance or non-acceptance on the changes in the time-bound plan (including details of non-adherence or the conditions justifying a time-bound plan have changed )  
There is no changes to the time-bound plan.

3.4 All associated smallholders (including scheme smallholders) where their fruit supply is included , by the mill, are audited within 3 years from when their fruit was first included in the mill certification.

☐

Yes

☐

No

If no, please state reasons N/A as there is no associated smallholders supplying FFB to the CU.

3.5 Any new acquisition which has replaced primary forests or HCV areas

☐

Yes

☒

No

3.6 Other changes (e.g. organizational structure, new contact person, addresses, etc.)  
There is no changes since last year.

3.7 Status of previous non-conformities \*

Closed

☒

Not closed

☐

\* If not closed, minor non conformity will be upgraded to major non conformity

3.8. Complaint received from stakeholder (if any)

There were various stakeholders interviewed during the conduct of this audit. These include workers, surrounding villagers, contractors and suppliers. In general, all the interviewed stakeholders had given positive feedback on the CU.

### 4.0 DETAILS OF NON-CONFORMITY REPORT

4.1 For P&C (Details checklist refer to Attachment 3) :

Total no. of minor NCR(s)  
(details refer to Attachment 4 )

List : 1

MZK 01 2016

Total no. of major NCR(s)  
(details refer to Attachment 4 )

List : 1

MRS 01 2016

4.2 For SC (Details checklist refer to Attachment 5) :

Total no. of minor NCR(s)

List : 0

NA

Total no. of major NCR(s)

List : 0

NA

### 5.0 AUDIT CONCLUSION

The audit team concludes that the organisation has established and maintained its management system in line with the RSPO P&C requirements of the standard and demonstrated the ability of the system to systematically achieve agreed criterion & requirements.

## RSPO PUBLIC SUMMARY REPORT

### 6.0 RECOMMENDATION



No NCR recorded. Recommended to continue certification.



Minor NCR(s) recorded. Corrective action plan has been accepted. Verification of the NCR(s) to be carried out in the next audit.

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



Major NCR(s) recorded. Evidence of implementation of the corrective actions have been provided and accepted by the audit team. The NCR(s) have been satisfactorily closed out.



Recommended to continue certification.



Major NCR(s) recorded. Evidence of implementation of the corrective actions have been provided but not fully accepted by the audit team. NCR(s)..... have not been satisfactorily closed out within 60 days of the audit. Recommended for suspension of the certificate.

*Note: Major NCRs which are not addressed within a further 60 days shall result in the certificate being withdrawn.*

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

Audit Team Leader :

MOHD ZULFAKAR  
KAMARUZAMAN

(Name)

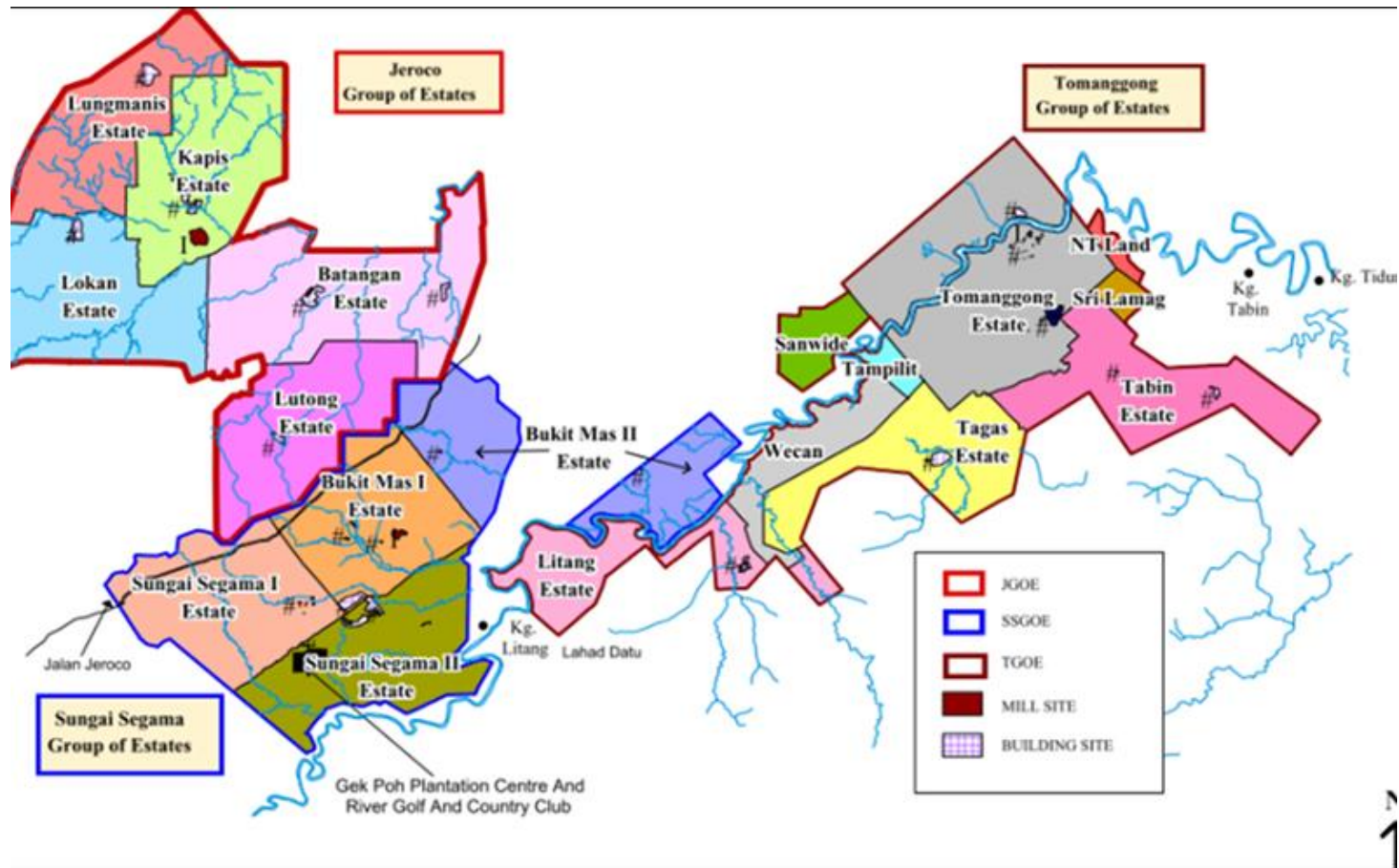
*Mohd Zulfakar*

(Signature)

14/10/2016

(Date)

Map of Kapis Estate – Jeroco 2 POM



RSPO SURVEILLANCE AUDIT PLAN

**1. Objectives**

The objectives of the audit are as follows:

- (i) To determine Certification Unit conformance against the RSPO Principles & Criteria Malaysian National Interpretation (MYNI)
- (ii) To verify the effective implementation of corrective actions arising from the findings of last audit
- (iii) To make appropriate recommendations based on the audit findings

**2. Date of audit** : 26 - 29 July 2016

**3. Site of audit** : HAP SENG PLANTATIONS HOLDING BHD, JEROCO PLANTATIONS SDN BHD  
Jeroco Palm Oil Mill 2, Off 40 KM, Jalan Jeroco, Lahad Datu, Sabah, Malaysia

**4. Reference Standard:**

- RSPO P&C MYNI: 2014
- RSPO Supply Chain Certification Standard, 2014
- Company's audit criteria including Company's Manual/Procedures

**5. Audit Team**

- a) Audit Team Leader : Mohd Zulfakar Kamaruzaman
- b) Auditor : Mohd Razman Salim

**6. Audit Method**

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

**7. Audit Findings**

Audit findings shall be classified as major and/or minor.

Major non conformities shall be addressed within 60 days or else the certificate shall be suspended. If the major non conformities are still not addressed within another 60 days, the certificate shall be terminated. Recurrence of major non-conformities on the same issues shall be recommended for immediate suspension. Minor non-conformities shall be upgraded to major non-conformities if the corrective actions taken are not satisfactorily and effective.

For minor non conformities raised in the surveillance audit, corrective action plans shall be submitted within 60 days. Verification of implementation of corrective actions will be carried out during the next audit. If corrective action plans to address the minor non-conformity(ies) are not submitted within 60 days, the RSPO certificate will be recommended for suspension. If corrective action plans are not submitted within a further 60 days, the RSPO certificate will be recommended for termination.

**8. 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.

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

**10. Reporting**

- a) Language : English
- b) Format : Verbal and written
- c) Expected date of issue : Tentative date of issue of report not more than 30 days after the closure of the major NCR.
- d) Distribution list : Client file

**11. Facilities Required**

- a) Room for discussion
- b) Relevant document and record
- c) Personnel protective equipment if required
- d) Photocopy and printing facilities
- e) A guide for each auditor

**12. Audit Programme Details:** As shown below:



## RSPO P&C AUDIT REPORT

### Day 1: 26 July 2016 (Tuesday)

Time	Activities / areas to be visited		
9.00 – 9.30 am	<b><u>Opening meeting at Jeroco Palm Oil Mill 2</u></b> Lead Auditor to introduce audit team member, brief on audit objectives, scope, methodology, criteria and programmes  <b>Organization Representative to brief on the following :</b> <ol style="list-style-type: none"> <li>1) RSPO implementation at Jeroco 2 CU (i.e. mill &amp; supply base) including changes</li> <li>2) Time bound plan for Hap Seng Plantation Holding Bhd.</li> <li>3) Significant changes on organization activities, machinery, supply bases capacity etc.</li> </ol>		Top mgmt & Committee Member
	<b>Zulfakar</b>	<b>Razman</b>	
9:30 – 1:00 pm	<b><u>Kapis Estate</u></b>  Coverage of audit: P1, P3, P4, P5, P7, P8 <ul style="list-style-type: none"> <li>• Laws and regulations</li> <li>• Commitment to long-term economic and financial viability</li> <li>• Good Agricultural Practice- witness activities at site (weeding/ spraying, etc)</li> <li>• EFB mulching, POME application</li> <li>• Interview with workers and contractors</li> <li>• Chemical store/fertilizer</li> <li>• Plantation on hilly/swampy area</li> <li>• IPM implementation, training and safe use of agro-chemicals.</li> <li>• New planting</li> <li>• Environmental management – witness activities at site</li> <li>• Waste &amp; chemical management</li> <li>• EIA, Plan related to environment and GHG</li> <li>• Interview with workers , safety committee and contractors</li> <li>• Facilities at workplace</li> <li>• Continuous improvement</li> </ul>	<b><u>Jeroco POM 2</u></b>  Coverage of audit: P1, P2, P4, P5, P6, P7, P8 <ul style="list-style-type: none"> <li>• Laws and regulations</li> <li>• Land titles user rights</li> <li>• Social Impact Assessment (SIA), management plan &amp; implementation</li> <li>• Complaints and grievances</li> <li>• Consultation with relevant government agencies</li> <li>• Interview workers, gender committee, local communities and stakeholders</li> <li>• Occupational safety &amp; health practice – witness activities at site</li> <li>• Risk Assessment, Plan Related to OSH, Medical Surveillance</li> <li>• Interview with workers , safety committee and contractors</li> <li>• Training and skill development programmed</li> <li>• Continuous improvement</li> </ul>	Guide(s) for each auditor
1.00 – 2.00 pm	Break/Lunch		
2.00 – 5.00 pm	Continue audit		Guide(s) for each auditor

## RSPO P&C AUDIT REPORT

Day 2: 27 July 2016 (Wednesday)			
Activities /areas to be visited	Zulfakar	Razman	
8.00 – 1.00 pm	<b><u>Kapis Estate</u></b> Coverage of audit: P1, P3, P4, P5, P7, P8 <ul style="list-style-type: none"> <li>• Laws and regulations</li> <li>• Commitment to long-term economic and financial viability</li> <li>• Good Agricultural Practice- witness activities at site (weeding/ spraying, etc)</li> <li>• EFB mulching, POME application</li> <li>• Interview with workers and contractors</li> <li>• Chemical store/fertilizer</li> <li>• Plantation on hilly/swampy area</li> <li>• IPM implementation, training and safe use of agro-chemicals.</li> <li>• New planting</li> <li>• Environmental management – witness activities at site</li> <li>• Waste &amp; chemical management</li> <li>• EIA, Plan related to environment and GHG</li> <li>• Interview with workers , safety committee and contractors</li> <li>• Facilities at workplace</li> <li>• Continuous improvement</li> </ul>	<b><u>Jeroco POM 2</u></b> Coverage of audit: P1, P2, P4, P5, P6, P7, P8 <ul style="list-style-type: none"> <li>• Laws and regulations</li> <li>• Land titles user rights</li> <li>• Social Impact Assessment (SIA), management plan &amp; implementation</li> <li>• Complaints and grievances</li> <li>• Consultation with relevant government agencies</li> <li>• Interview workers, gender committee, local communities and stakeholders</li> <li>• Occupational safety &amp; health practice – witness activities at site</li> <li>• Risk Assessment, Plan Related to OSH, Medical Surveillance</li> <li>• Interview with workers , safety committee and contractors</li> <li>• Training and skill development programmed</li> <li>• Continuous improvement.</li> </ul>	Guide(s) for each auditor
1.00 – 2.00 pm	Break/Lunch		
2.00 – 5.00 pm	Continue audit	Continue audit	Guide(s) for each auditor

## RSPO P&C AUDIT REPORT

Day 3 : 28 July 2016 (Thursday)			
Activities /areas to be visited	Zulfakar	Razman	
8.00 – 1.00 pm	<p style="text-align: center;"><b><u>Jeroco POM 2</u></b></p> <p>Coverage of audit: P1, P3, P4, P5, P7, P8</p> <ul style="list-style-type: none"> <li>• Laws and regulations</li> <li>• Environmental management – witness activities at site</li> <li>• Waste &amp; chemical management</li> <li>• EIA, Plan related to environment and GHG</li> <li>• Interview with FFB supplies and other supplies</li> <li>• Interviews with mill's workers</li> <li>• Facilities at workplace</li> <li>• Interview with workers , safety committee and contractors</li> <li>• Training and skill development programmed</li> <li>• Continuous improvement</li> </ul>	<p style="text-align: center;"><b><u>Kapis Estate</u></b></p> <p>Coverage of audit: P1, P2, P4, P5, P6, P7, P8</p> <ul style="list-style-type: none"> <li>• Laws and regulations</li> <li>• Land titles user rights</li> <li>• Social Impact Assessment (SIA), management plan &amp; implementation</li> <li>• Complaints and grievances</li> <li>• Consultation with relevant government agencies</li> <li>• Interview workers, gender committee, local communities and stakeholders</li> <li>• Inspection of protected sites with HCV attributes</li> <li>• Forested area, plantation boundary, adjacent and neighbouring land use</li> <li>• Riparian zone</li> <li>• Occupational safety &amp; health practice – witness activities at site</li> <li>• Risk Assessment, Plan Related to OSH, Medical Surveillance</li> <li>• Interview with workers , safety committee and contractors</li> <li>• Training and skill development programmed</li> <li>• Continuous improvement.</li> </ul>	Guide(s) for each auditor
1.00 – 2.00 pm	Break/Lunch		
2.00 – 5.00 pm	Continue audit	Continue audit	Guide(s) for each auditor

## RSPO P&C AUDIT REPORT

Day 4: 29 July 2016 (Friday)			
Activities /areas to be visited	Zulfakar	Razman	
8.00 – 1.00 pm	<u>Jeroco POM 2</u> Site visit and audit on Supply Chain Implementation including the Model used <ul style="list-style-type: none"> <li>• General Chain of Custody System Requirements for the supply chain</li> <li>• Documented procedures</li> <li>• Purchasing and goods in</li> <li>• Outsourcing activity</li> <li>• Sales and goods out</li> <li>• Processing</li> <li>• Records keeping</li> <li>• Registration</li> <li>• Training</li> <li>• Claims</li> </ul>	<u>Kapis Estate</u> Coverage of audit: P1, P2, P4, P5, P6, P7, P8 <ul style="list-style-type: none"> <li>• Laws and regulations</li> <li>• Land titles user rights</li> <li>• Social Impact Assessment (SIA), management plan &amp; implementation</li> <li>• Complaints and grievances</li> <li>• Consultation with relevant government agencies</li> <li>• Interview workers, gender committee, local communities and stakeholders</li> <li>• Inspection of protected sites with HCV attributes</li> <li>• Forested area, plantation boundary, adjacent and neighbouring land use</li> <li>• Riparian zone</li> <li>• Occupational safety &amp; health practice – witness activities at site</li> <li>• Risk Assessment, Plan Related to OSH, Medical Surveillance</li> <li>• Interview with workers, safety committee and contractors</li> <li>• Training and skill development programmed</li> <li>• Continuous improvement.</li> </ul>	Guide(s) for each auditor
12.00 – 2.00 pm	Break/Lunch/Friday Prayer		
2.00 – 4.00 pm	<ul style="list-style-type: none"> <li>• Continue unfinished area</li> <li>• Verification on outstanding issues</li> <li>• Audit Team discussion, preparation on audit findings and issuance of NCR (if any)</li> </ul>		Guide(s) for each auditor
4.00 – 5.00 pm	- Closing meeting		Top management & Committee member

## RSPO P&C AUDIT REPORT

Attachment 3

### RSPO P&C AUDIT CHECKLIST AND FINDINGS

#### Principle 1: COMMITMENT TO TRANSPARENCY

Clause	Indicators		Comply Yes/No	Findings
C 1.1 Growers and millers provide adequate information to relevant stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in appropriate languages and forms to allow for effective participation in decision-making.	1.1.1	There shall be evidence that growers and millers provide adequate information upon request for information on (environmental, social and/or legal) issues relevant to RSPO Criteria to relevant stakeholders for effective participation in decision making. Major	YES	HSPHB is committed to transparency by allowing all information pertaining to environmental, social and legal issues to be publicly available upon request. The CU has established a procedure on communication entitled Request for Information Procedure. The procedure included the internal and external consultation. For any request of information, the requestor is required to fill in a form. However, the method of requesting information was not limited to filling up the form. The procedure had included other means such as verbal or writing which would also be entertained.
	1.1.2	Records of requests for information and responses shall be maintained. Major	YES	The estate and mill maintain records of communication and consultation with external and internal parties. These includes communication with DOSH, Labour Department, Immigration Department, Department of Environment, suppliers and their own workers. Comments by DOSH and DOE on mill and estate operation were recorded in the respective DOSH and DOE inspection book. It was noted during this surveillance audit that there were no requests of information from the authority and stakeholders with regards to the agriculture practice, environment, and safety and health requirements.
C 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.	1.2.1	Land titles/user rights	YES	The right to use the land at Jeroco 2 CU can be demonstrated and not disputed by any party. Documents related to land ownership were sighted at the Kapis Estate office.
		Occupational health and safety plans	YES	Safety and health plan was made available at Kapis Estate and Jeroco 2 POM.
		Plans and impact assessments relating to environmental and social impacts	YES	The Kapis Estate and Jeroco 2 POM have conducted social assessment titled 'Social Impact Assessment, Management Action Plans and Continuous Improvement Plans' dated June 2015. The plan has been reviewed in June 2016. The SIA action plan was updated and each of the issues was identified for each of the operating unit. The environment impact assessment management action plan was updated on January 2016 by the Executive Sustainability.
		HCV documentation summary	YES	The JPOM 2 CU has made publicly available the 'List of publicly available documents' at estate and mill notice board. Therefore, previous Major NCR MRS01-2015 was closed.
		Pollution prevention and reduction plans	YES	Action plans to mitigate pollution are available for public. Cross refer to C5.6.
		Details of complaints and grievances	YES	The complaints and their outcomes were recorded using Complaint Form and in the Grievances Book. The system was open to all aggrieved parties. The review of grievances book has to be with permission of the respective Manager.
		Negotiation procedures	YES	HSPHB has developed procedures to deal with land disputes, squatter disputes, and

## RSPO P&C AUDIT REPORT

				loss of legal and customary rights. In the case of boundary disputes, the procedure requires the estate management and the disputing party to negotiate, first, failing which the case will have to be referred to the Headquarters for further negotiation. If negotiation fails, the case will be brought to court of arbitration. Negotiation procedure (C6.4) is made available to the public by Kapis Estate and Jeroco 2 POM. Therefore, previous Major NCR MRS01-2015 was satisfactorily closed.
		Continual improvement plans	YES	HSPHB is committed to utilize the established system to regularly monitor and review their key activities at the mill and estate. The CU initiated relevant action plans for continuous improvement in its key areas of operations on environmental, safety, health and welfare as well as social contribution to workers and community. Details of the CU continual improvement plans has been reported in the indicator 8.1. The continuous improvement plans related to environment was established and update accordingly.
		Public summary of certification assessment report;	YES	The surveillance 2 audit public summary has made publicly available at website. The report can be assess through this link: <a href="http://www.sirim-qas.com.my/attachments/article/364/5)%20Final%20Public%20Summary_Jeroco%202%20POM_ASA2_2015%20021215.pdf">http://www.sirim-qas.com.my/attachments/article/364/5)%20Final%20Public%20Summary_Jeroco%202%20POM_ASA2_2015%20021215.pdf</a>
		Human Rights Policy	YES	Human Rights policy is available at Kapis Estate and Jeroco 2 POM.
C 1.3 Growers and millers commit to ethical conduct in all business operations and transactions.	1.3.1	There shall be a written policy committing to a code of ethical conduct and integrity in all operations and transactions, which shall be documented and communicated to all levels of the workforce and operations. Minor	YES	The CU has documented policy committing to a code of ethical conduct and integrity of the company. The CU had communicated the policy to their staffs including foreign workers during the induction course. Noted that new foreign workers in 2015 at the mill were briefed on the policy.

### Principle 2: COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

Clause	Indicators		Comply Yes/No	Findings
C 2.1 There is compliance with all applicable local, national and ratified international laws and regulations.	2.1.1	Evidence of compliance with relevant legal requirements shall be available. Major	YES	Generally, Jeroco 2 CU continued to comply with the applicable local, national and ratified international laws and regulations. Relevant licences and permits were verified at Kapis Estate & JPOM 2. Air monitoring for the boilers <ul style="list-style-type: none"> <li>Black smoke – a continuous emission monitoring system (CEMS) was installed but was found to be not functioning and it was evident that the issue was communicated to DOE on 21/4/2016. The mill has also hire contractor to repair the CEMS system and currently on progress, expected date to complete in Dec 2016.</li> <li>Particulate – &lt; 0.4 g/Nm<sup>3</sup>. Stack sampling based on Isokinetic method has been carried out as per required frequency. Monitoring reports for sampling carried out in Aug &amp; Dec 2015 were reviewed. It was noted that the results were below the regulated limit of 0.4 g/Nm<sup>3</sup> and the stack sampling was carried out the appointed consultant.</li> </ul>

## RSPO P&C AUDIT REPORT

				<p>As per requirement of Section 49A of EQA as well as clause 18 of the “<i>Jadual Pematuhan</i>”, the CU has appointed competent persons for scheduled wastes, bag filter operation and effluent treatment system.</p> <p>It can be confirmed that these regulations were viewed and complied with:</p> <ol style="list-style-type: none"> <li>1) Scheduled Wastes Regulations 2005 has been complied with.</li> <li>2) Factory and Machinery Act 1967 <ol style="list-style-type: none"> <li>i) Person In Charge Regulation 1970 – complied.</li> <li>ii) Steam Boiler and Unfired Pressure Vessel 1970 – complied.</li> <li>iii) Notification, Certificate of Fitness and Inspection, Regulations 1970</li> <li>iv) Noise Exposure Regulations 1989</li> </ol> </li> <li>3) OSHA 1994, Use and Standards Of Exposure of Chemicals Hazardous to Health Regulations 2000</li> <li>4) Fire Service Act 1988 - Fire Services (Fire Certificate) Regulations 2001.</li> <li>5) Industry Code of Practice for Safe Working in a Confined Space 2010</li> <li>6) Certificate of competency for Authorised Entrant and Standby Person (AESP), Authorised Gas Tester and Entry Supervisor (AGT) for working in the confined space were valid. Authorised Entrant is fit as determined by OHD in the Health Fitness Certificate and Declaration of Health by Authorised Entrant.</li> </ol>
	2.1.2	A documented system, which includes written information on legal requirements shall be maintained. Minor	YES	<p>The List of Legal Register is available at both Kapis Estate and JPOM 2. The list was updated in June 2016 at the estate by the Sustainability Executive and at JPOM 2 by the mill manager. The document was available for viewing. The CU has updated latest legal amendment such as:</p> <ol style="list-style-type: none"> <li>1. Minimum Wages Order 2016</li> <li>2. Electricity Supply Amendment Act 2015</li> <li>3. Industry Code of Practice for safe working in a confined space 2010</li> <li>4. Factories and machinery (Persons-In-Charge) (Amendment) Regulations 2014</li> </ol>
	2.1.3	A mechanism for ensuring compliance shall be implemented. Minor	YES	<p>The CU has the mechanism for ensuring all the applicable legal requirements are implemented. The mechanism is by the implementation of internal checking by its Assistant In-Charge through evaluation of compliance exercise against the legal register. The evaluation was carried out in June 2016 at Kapis Estate and JPOM2. An internal audit on RSPO compliance has been conducted in July 2016 which included the assessment on the legal compliance.</p>
	2.1.4	A system for tracking any changes in the law shall be implemented. Minor	YES	<p>HSPHB has established a mechanism for identifying and tracking the updates of the legal requirements through various media such as LawNet, internet, newsletter, etc. The management had been update legal register accordingly. All the new amendment regulations were included in the legal register.</p>
C 2.2 The right to use the land is demonstrated, and is not legitimately contested by local people who can demonstrate that they	2.2.1	Documents showing legal ownership or lease, history of land tenure (confirmation from community leaders based on history of customary land tenure, recognised NCR land) and the actual legal use of the land shall	YES	<p>The right to use the land at the CU can be demonstrated and not disputed by any party. There were clear land ownership documents available for review. The original copies of the documents were kept in Plantation Central Office, Sg. Segama. Copies of land titles for all estate was also sighted at Kapis Estate office. Review of the documents confirmed the terms of the land title for all the estate cultivation of an agricultural crop of economic value have been complied.</p>

## RSPO P&C AUDIT REPORT

have legal, customary or user rights		be available. Major		
	2.2.2	There is evidence that physical markers are located and visibly maintained along the legal boundaries particularly adjacent to state land, NCR land and reserves. Minor	YES	During the site review, the physical markers were visibly maintained at Kapis Estate. The perimeter boundary of the estate was visibly maintained by erecting pegs along the boundary, especially the ones that adjacent to other private estate – IOI Group Plantation Berhad.
	2.2.3	Where there are or have been disputes, additional proof of legal acquisition of title and evidence that fair compensation has been made to previous owners and occupants shall be available, and that these have been accepted with FPIC. Minor	YES	There was no land dispute recorded from any stakeholder at Jeroco 2 CU.
	2.2.4	There shall be an absence of significant land conflict, unless requirements for acceptable conflict resolution processes are implemented and accepted by the parties involved. Major	YES	During this surveillance audit, there was no land conflict occurred.
	2.2.5	For any conflict or dispute over the land, the extent of the disputed area shall be mapped out in a participatory way with involvement of affected parties (including neighbouring communities and relevant authorities where applicable). Minor	YES	During this surveillance audit, there was no land conflict occurred.
	2.2.6	To avoid escalation of conflict, there shall be no evidence that oil palm operations have instigated violence in maintaining peace and order in their current and planned operations. Major	YES	Auditor had verified through Stakeholders Meeting and interview with management and other oil palm plantation companies that there was no conflict raised due to violence action taken by Jeroco 2 CU to maintain peace and order in their current and planned operations. Jeroco 2 CU had employed watchmen in order to guard of their workers, staffs, children life, their belongings and companies property.
C 2.3 Use of the land for oil palm does not diminish the legal, customary or user	2.3.1	Maps of an appropriate scale showing the extent of recognised legal, customary or user rights shall be developed through participatory mapping involving	YES	This requirement is not applicable for Jeroco 2 CU since there has been no land is encumbered by customary rights or dispute from any stakeholder.



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rights of other users without their free, prior and informed consent.		affected parties (including neighbouring communities where applicable, and relevant authorities). Major		
	2.3.2	Copies of negotiated agreements detailing the process of FPIC shall be available and shall include: a) Evidence that a plan has been developed through consultation and discussion with all affected groups in the communities, and that information has been provided to all affected groups, including information on the steps that shall be taken to involve them in decision making; b) Evidence that the company has respected communities' decisions to give or withhold their consent to the operation at the time that this decision was taken; c) Evidence that the legal, economic, environmental and social implications for permitting operations on their land have been understood and accepted by affected communities, including the implications for the legal status of their land at the expiry of the company's title, concession or lease on the land. Minor	YES	Since there was no case involving land disputes in the CU, this indicator is not applicable.
	2.3.3	All relevant information shall be available in appropriate forms and languages, including assessments of impacts, proposed benefit sharing, and legal arrangements. Minor	YES	This indicator is not applicable as there was no land dispute in the CU.
	2.3.4	Evidence shall be available to show that communities are	YES	This indicator is not applicable as there was no land dispute in the CU.

## RSPO P&C AUDIT REPORT

		represented through institutions or representatives of their own choosing, including legal counsel. Major		
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### **Principle 3: COMMITMENT TO LONG-TERM ECONOMIC AND FINANCIAL VIABILITY**

Clause	Indicators	Comply Yes/No	Findings
C 3.1 There is an implemented management plan that aims to achieve long-term economic and financial viability.	3.1.1 A business or management plan (min 3 years) shall be documented that includes, where appropriate, a business case for scheme smallholders. Major	YES	Kapis Estate continued to make commitment to long-term economic and financial viability. The annual budget for 2015/16 and up to 2019/2020 were sighted. The budget provisions covered activities for upkeep, replanting, cultivation, harvesting & evacuation, welfare, capital expenditure, RSPO compliance etc.
	3.1.2 An annual replanting programme projected for a minimum of five years (but longer where necessary to reflect the management of fragile soils, see Criterion 4.3), with yearly review, shall be available. Minor	YES	The replanting programme until 2020/21 were sighted for Kapis estate. The programme is reviewed once a year and is incorporated in their annual financial budget.

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

Clause	Indicators	Comply Yes/No	Findings
C 4.1 Operating procedures are appropriately documented, consistently implemented and monitored	4.1.1 Standard Operating Procedures (SOPs) for estates and mills shall be documented. Major	YES	The documented standard operating procedure namely the Safety and Standard Operating Procedures were available on-site. The procedures covered the safe working practices of all the field operation such as harvesting, manuring, herbicides & pesticides application, workshop, gen-set operation, oil trap maintenance and management of scheduled waste. The procedures were updated in September 2015 to include illegal hunting and in June 2016 on the management of landfill. Through random interviews held with workers (Sprayer and harvester), they generally understood the requirements of these documents and their level of understanding on the contents of the SOP was found acceptable. At the mill level, SOPs related to the processing of the CPO, operation of the boilers, effluent treatment plant, handling of chemicals at the laboratory, and management of wastes were available on-site. The permit to work procedure has been established to monitor contractors working in the premise. Permit to work in confined space was established and updated accordingly to include

## RSPO P&C AUDIT REPORT

				the component under the Industrial Code Of Practice for Confined Space 2010. Competency of person who involved in the confined space entry programme and health declaration of the personnel has been included in the procedure.
	4.1.2	A mechanism to check consistent implementation of procedures shall be in place. Minor	YES	Various mechanisms of checking the implementation of procedures were conducted. Among the records verified were: Biannual Plantation Advisory visit, Annual Agronomy visit, Yield Improvement Programme and Qualitative checking records.
	4.1.3	Records of monitoring and any actions taken shall be maintained and available, as appropriate. Minor	YES	Records of monitoring and the actions taken by Kapis Estate were maintained and kept for a minimum of 12 months. Monthly Costing and Annual Reports on monitoring of all activities were made available. Among those records sighted at the estate included Work Program Sheets, Field cost books, Bin cards, Harvesting Intervals, Monthly Progress & Report Account, rainfall data.
	4.1.4	The mill shall record the origins of all third-party sourced FFB. Major	YES	The JPOM 2 received certified FFB from Kapis estate and non-certified FFB from independent FFB suppliers. Volumes of certified and non-certified FFBs received by the mill had been properly recorded and monitored.
C 4.2 Practices maintain soil fertility at, or where possible improve soil fertility to, a level that ensures optimal and sustained yield.	4.2.1	There shall be evidence that good agriculture practices, as contained in Standard Operating Procedures (SOPs), are followed to manage soil fertility to a level that ensures optimal and sustained yield, where possible. Minor	YES	Kapis Estate continued to practise the maintenance of long-term soil fertility by annual application of fertilisers based on periodic foliar and soil analysis, biomass retention and some EFB and compost application.
	4.2.2	Records of fertiliser inputs shall be maintained. Minor	YES	Fertiliser inputs were based on recommendation by the Agronomy Dept. Based on the store issuance records, it can be confirmed that the amount of fertilisers applied in the field was in accordance with the recommendation made by the agronomist.
	4.2.3	There shall be evidence of periodic tissue and soil sampling to monitor changes in nutrient status. Minor	YES	Periodic leaf sampling was done by Agronomy Dept. to determine nutrient status of soils. The results were recorded in a documented report by the Agronomy Department. Last sampling was carried out in May 2016 for 2017 fertiliser recommendation.
	4.2.4	A nutrient recycling strategy shall be in place, and may include use of EFB, POME, and palm residues. Minor	YES	Kapis estate has its EFB mulching programme. EFB application is recommended by the Agronomy Dept. Verification of weighbridge tickets from the mill showed that the quantity sent to the field was as per recommendation.
C 4.3 Practices minimise and control erosion and degradation of soils.	4.3.1	Maps of any fragile/marginal soils shall be available. Major	YES	Based on soil series map, the major soil series at the Kapis estate are Kertam, Lungmanis, Rumidi, Kinabatangan and Lokan. All of the soil in Kapis consist of clay, sandy and mudstone soil type. No soil was considered as fragile/marginal soils.
	4.3.2	A management strategy shall be in place for plantings on slopes between 9 and 25 degrees unless specified otherwise by the company's SOP. Minor	YES	Planting at steep slope is guided by its Oil Palm Agriculture Policy, established since 1994. The policy was last updated in October 2014.
	4.3.3	A road maintenance programme	YES	Road maintenance programme is available for year 2016. Activities include grading and

## RSPO P&C AUDIT REPORT

		shall be in place. Minor		compacting, culvert repair, drain maintenance, road patching and resurfacing. Progress is reported in Monthly Executive Summary.
	4.3.4	Subsidence of peat soils shall be minimised and monitored. A documented water and ground cover management programme shall be in place. Major	YES	As mentioned in Indicator 4.3.1, no peat soil at Kapis estate.
	4.3.5	Drainability assessments where necessary will be conducted prior to replanting on peat to determine the long-term viability of the necessary drainage for oil palm growing. Minor	YES	As mentioned in Indicator 4.3.1, no peat soil at Kapis estate.
	4.3.6	A management strategy shall be in place for other fragile and problem soils (e.g. podzols and acid sulphate soils). Minor	YES	As mentioned in Indicator 4.3.1, no peat soil at Kapis estate.
C 4.4 Practices maintain the quality and availability of surface and ground water.	4.4.1	An implemented water management plan shall be in place. Minor	YES	Jeroco 2 CU has its Water Management Plan which was established in Aug 2015. It was developed in order to maintain the quality and availability of water resources by practicing efficient water consumption through various methods such as minimising wastage and pollution prevention on natural water sources. The plan also identified actions to be taken in the event of water supply shortage (e.g. dry season).
	4.4.2	Protection of water courses and wetlands, including maintaining and restoring appropriate riparian and other buffer zones shall be demonstrated. Major	YES	No construction of bunds/weirs/dams across the main river. This was confirmed during the site visit.
	4.4.3	Appropriate treatment of mill effluent to required levels and regular monitoring of discharge quality, shall be in compliance with national regulations. Minor	YES	JPOM2 has its ETP in place. In accordance with the DOE's license, the treated effluent is to be disposed via land irrigation. The ETP is regularly maintained through desludging process to ensure efficiency. Final discharge samples were taken on monthly basis and sent to accredited laboratory for analysis. Through verification of the monitoring reports, the auditor found that the mill consistently complied with the regulated limit.
	4.4.4	Mill water use per tonne of FFB shall be monitored. Minor	YES	JPOM 2 had continued to monitor its water usage per tonne FFB processed and recorded in the Summary of Process and Boiler Water Consumption.
C 4.5 Pests, diseases, weeds and invasive introduced species are effectively managed using appropriate IPM techniques.	4.5.1	Implementation of Integrated Pest Management (IPM) plans shall be monitored. Major	YES	The Kapis estate continued to manage pests, disease, weeds and invasive introduced species using appropriate IPM techniques guided by the company manual. Rat damage and leaf-eating pest census was regularly carried out to obtain information about threshold level and action to be taken thereafter. The records of census were available for verification. There was no experience of pest outbreak. Nonetheless, rat baiting campaigns were occasionally carried out.
	4.5.2	Training of those involved in IPM shall be demonstrated. Minor	YES	Training of those involved in IPM implementations were last conducted in Apr 2016 by the Assistant Manager. Records of training were available for verification.

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C 4.6 Pesticides are used in ways that do not endanger health or the environment	4.6.1	Justification of all pesticides used shall be demonstrated. The use of selective products that are specific to the target pest, weed or disease and which have minimal effect on non-target species shall be used where available. Major	YES	The use of all agrochemicals by the estates was guided by its company manual.
	4.6.2	Records of pesticides use (including active ingredients used and their LD50, area treated, amount of active ingredients applied per ha and number of applications) shall be provided. Major	YES	Records of pesticides used were available for verification. The latest records were as at June 2016, which includes the information about area treated, active ingredients (ai) per Ha, LD50 and number of application.
	4.6.3	Any use of pesticides shall be minimised as part of a plan, and in accordance with IPM plans. There shall be no prophylactic use of pesticides, except in specific situations identified in industry's Best Practice. Major	YES	As part of the IPM plans, management of the estate had established nectariferous beneficial plants ( <i>Cassia cobanensis</i> and <i>Tunera subulata</i> ) nurseries for continuous planting in order to attract natural predators and thus reduce the use of insecticides. During field visit, the auditor witnessed planting of <i>Antigonon leptopus</i> , <i>Cassia cobanensis</i> and <i>Tunera subulata</i> at the nursery and ready to plant at the estate. Also sighted during field visit was the planting of <i>Nephrolipis Biserrata</i> . The reason Kapis planting <i>Nephrolipis</i> is to keep moisture content and improve soil structure. It was noted that there were no Class I & II chemicals had been used in the estate and use of paraquat had been stopped. The estate did not practise prophylactic use of insecticides, fungicides and rodenticides.
	4.6.4	Pesticides that are categorised as WHO Class 1A or 1B, or that are listed by the Stockholm or Rotterdam Conventions, and paraquat, are not used, except in specific situations identified in industry's Best Practice. The use of such pesticides shall be minimised and/or eliminated as part of a plan, and shall only be used in ex. circumstances. 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 Reg, (2000). Minor	YES	In accordance with the OSHA requirements a chemical register was established at the CU. Based on inspection of the chemical registers and observation of physical stocks at the chemical store, all pesticides were of those registered under the Pesticides Act 1974 (Act 149).

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	4.6.5	Pesticides shall only be handled, used or applied by persons who have completed the necessary training and shall always be applied in accordance with the product label. Appropriate safety and application equipment shall be provided and used. All precautions attached to the products shall be properly observed, applied, and understood by workers. Major	YES	Pesticides handlers, mixers and sprayers were adequately trained on the handling of the pesticides. Appropriate safety and application equipment were provided and used. Precautions attached to the pesticides are being explained to the workers. Sighted Sprayer Training conducted for the workers and Mandore.
	4.6.6	Storage of all pesticides shall be according to recognised best practices. All pesticide containers shall be properly disposed of and not used for other purposes. Pesticides shall be stored in accordance to the OSH Act 1994 and Regulations and Orders, Pesticides Act 1974 and Regulations. Major	YES	Pesticides were stored in accordance with the legal requirement as well as recommendation by manufacturer as per MSDS. The stores are equipped with showers, wash area and a PPE storage area. Adequate signage is available at the store. Triple rinsing activities for the empty chemical containers was continually implemented. The rinsed containers were punctured prior to disposing. All information regarding the chemicals and its usage, hazards, trade and generic names were available in both English and Bahasa Malaysia and understood by workers. Relevant information of the agrochemical used by estate workers were communicated via morning muster and the use of Safety Pictorial poster.
	4.6.7	Application of pesticides shall be by proven methods that minimise risk and impacts. Minor	YES	It was confirmed that the CU had not use chemicals categorized as type 1A or 1B by World Health Organization (WHO) or listed in the Stockholm or Rotterdam Conventions.
	4.6.8	Pesticides shall be applied aerially only where there is documented justification. Communities shall be informed of impending aerial pesticide applications with all relevant information within reasonable time prior to application. Major	YES	Examination of records had shown that there was no aerial spraying being conducted in the estate.
	4.6.9	Evidence of continual training to enhance knowledge and skills of employees and associated smallholders on pesticide handling shall be demonstrated or made available. Minor	YES	Trainings on pesticide handling were regularly conducted by the estate management to enhance knowledge and skills of employees. The training included the safety aspects and usage of PPE. Related training records sighted.
	4.6.10	Proper disposal of waste material, according to procedures that are fully	YES	The CU had established a procedure for triple rinsing of all its empty agrochemical containers as a method to be applied prior to disposal. The rinsed containers were then punctured and kept in the store, which later sent to recycling vendors. The wastewater from the rinsing activities will be

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		understood by workers and managers shall be demonstrated. Minor		reused in chemical mixture.
	4.6.11	Specific annual medical surveillance for pesticide operators, and documented action to treat related health conditions, shall be demonstrated. Major	YES	It was evident that the Medical Surveillance was carried out by competent person.
	4.6.12	No work with pesticides shall be undertaken by pregnant or breast-feeding women. Major	YES	Pregnant and breast-feeding women are not allowed to work with Pesticides & Hazardous Chemicals. Checking of pregnancy status is done by the Medical Assistant (MA) on monthly basis.
C 4.7 An occupational health and safety plan is documented, effectively communicated and implemented.	4.7.1	An occupational health and safety policy shall be in place. An occupational health and safety plan covering all activities shall be documented and implemented, and its effectiveness monitored. Major	YES	Occupational Safety and Health Policy was established and signed by the Chief Executive-Group Plantation in April 2015. The occupational health and safety plan has been established and monitored by the Estate Manager and Mill Manager. All the operation related to safety and environments has been identified in the OHS plan. The OHS plan was updated in July 2016.
The occupational health and safety plan shall cover the following:	4.7.2	All operations where health and safety is an issue shall be risk assessed, and procedures and actions shall be documented and implemented to address the identified issues. All precautions attached to products properly observed and applied to the workers. Major	YES	HIRARC register covered activities in the estate and the mill. Among the activities included were chemical spraying, P&D rat baiting, manuring, harvesting and FFB collection in the estates, and boiler operation, FFB sterilization, kernel extraction and oil extraction and clarification in the mill. Kapis Estate and Jeroco 2 POM have reviewed their HIRARC records and appropriate risk control measures had been determined and implemented for the other station in the mill. The CHRA report carried for Kapis estate was reviewed on Dec 2015 and as for Jeroco 2 POM, the report was dated in May 2014. The reports were valid for 5 years.
	4.7.3	All workers involved in the operation shall be adequately trained in safe working practices. Adequate and appropriate protective equipment shall be available to all workers at the place of work to cover all potentially haz. operations, such as pesticide application, machine operations, and land preparation, harvesting and, if it is used, burning. Major	YES	Chemical hazards communication had been given through awareness and training program to all workers involved in handling of dangerous chemicals. The objective was to ensure all workers involved have been adequately trained in understanding of the MSDS, safe working practices and the correct use of PPE. Those trained workers included sprayers, fertilizer applicator, laboratory personnel, boilerman and store clerk. Field inspection and observation of spraying tasks confirmed chemicals were applied in accordance with the product safety precautions. MSDS were made available at point of use e.g. at the water treatment plants, boiler chemical dosing area and chemical mixing area and at the chemical store.  Suitable PPE has been given to the workers appropriate for their daily routine task. The PPE includes rubber boots, safety boots, helmets, goggles, ear plugs, rubber and cotton gloves, aprons and breathing masks (dusk mask and cartridge type respirator). Records of PPE issuance were maintained and were presented to auditor during the assessment.
	4.7.4	The responsible person/persons shall be identified. There shall be	YES	Safety and Health Committee organization chart 2016 was established, for both mill and estate. Quarterly Safety & Health Committee meeting was held. Minutes were sighted.

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		records of regular meetings between the responsible person/s and workers. Concerns of all parties about health, safety and welfare shall be discussed at these meetings, and any issues raised shall be recorded. Major								
	4.7.5	Accident and emergency procedures shall exist and instructions shall be clearly understood by all workers. Accident procedures shall be available in the appropriate language of the workforce. Assigned operatives trained in First Aid should be present in both field and other operations, and first aid equipment shall be available at worksites. Records of all accidents shall be kept and periodically reviewed. Minor	YES	Trained first aiders is available at all work area both in the estate and mill. First aid boxes at various locations were also checked and found to be satisfactorily maintained. Emergency Response Plan (ERP) has been established and included in the Environmental Impact Assessment, Management Action Plan and Continuous Action Plan dated June 2016. Among the emergency situation identified include CPO spillage at bulking installation, Bund Breakage, Diesel spillage, Fire Breakout in Mill, Chemical spillage. Information to response potential emergencies had been disseminated. This included emergency contact number, site evacuation route to assembly point and location of firefighting equipment and action to be taken during emergency by staff and contractors. Instructions to respond to accident and emergency situation were tested. Most of the interviewed workers were aware of the emergency procedures. The latest fire drill was carried out in Feb 2016 for JPOM 2. The fire drill report was verified.						
	4.7.6	All workers shall be provided with medical care, and covered by accident insurance. Minor	YES	Jeroco 2 CU continued to ensure all workers working in the premise (both mill and estate) covered by insurance. All local workers were covered by SOCSO as required under Employee's Social Security Act 1969. Foreign workers were covered by insurance as per the Workmen Compensation Act 1952. Sample of foreign workers at Kapis Estate confirmed that all had been covered by a valid insurance.						
	4.7.7	Occupational injuries shall be recorded using Lost Time Accident (LTA) metrics. Minor	YES	Accident statistics are being maintained and periodically reviewed during safety and health committee meeting. Accident statistic for the CU is as follows : <table><tr><td>Year</td><td>JPOM2</td><td>Kapis Estate</td></tr><tr><td>2015</td><td>2 cases (11 LTA)</td><td>16 cases (28 LTA)</td></tr></table> Accident investigation has been carried out to all accident cases for internal reporting as well as reporting to DOSH. Records of accident investigation including minutes of the meeting, accident chronology, sketch of accident area, personal information including training records, corrective action were compiled and kept as records.	Year	JPOM2	Kapis Estate	2015	2 cases (11 LTA)	16 cases (28 LTA)
Year	JPOM2	Kapis Estate								
2015	2 cases (11 LTA)	16 cases (28 LTA)								
C 4.8  All staff, workers, smallholders and contract workers are appropriately trained.	4.8.1	A formal training programme shall be in place that covers all aspects of the RSPO Principles and Criteria, and that includes regular assessments of training needs and documentation of the programme. Major	YES	Formal training programme which cover all aspects of RSPO P&C was available for year 2016. It was established based on training needs identification. Regular assessments of the effectiveness training were mainly done to routine supervision by the management.						



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	4.8.2	Records of training for each employee shall be maintained. Minor	YES	All training records for each employees involved in the estate operations such as weeding, fertiliser application, pest & disease, harvesting and replanting were available for verification.
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### Principle 5: ENVIRONMENTAL RESPONSIBILITY AND CONSERVATION OF NATURAL RESOURCES AND BIODIVERSITY

Clause	Indicators		Comply Yes/No	Findings
C 5.1 Aspects of plantation and mill management, including replanting, that have environmental impacts are identified, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continual improvement.	5.1.1	An environmental impact assessment (EIA) shall be documented. Major	YES	Identification of the environmental aspect and impact at the CU was carried out through an Environmental Impact Assessment by a consultant. The EIA report was approved by the Sabah's EPD. The same consultant was appointed to conduct the evaluation of compliance against the conditions stipulated in the approval of the EIA once in every four months for the period of Nov 2015-Feb 2016. The evaluation exercise has identified a few non-compliance and Jeroco 2 CU has established its action plan to address the issues raised. For JPOM 2, the identification of environmental aspect and impact was done by the Agronomist & Sustainability department under the document named Environmental Impact Assessment, Management Action Plan and Continuous Action Plan dated June 2015. Mitigation measures were established thereafter.
	5.1.2	Where the identification of impacts requires changes in current practices, in order to mitigate negative effects, a timetable for change shall be developed and implemented within a comprehensive action plan. The action plan shall identify the responsible person/persons. Minor	YES	Kapis estate and JPOM2 have established the action plan namely "Environment Impact Assessment Management Action Plans and Continuous Improvement Plans for 2016/2017". The action plan was reviewed in June 2016. Relevant person-in-charge had been identified and appointed by the management. Regular reports to the management was carried out accordingly.
	5.1.3	This plan shall incorporate a monitoring protocol, adaptive to operational changes, which shall be implemented to monitor the effectiveness of the mitigation measures. The plan shall be reviewed as a minimum every two years to reflect the results of monitoring and where there are operational changes that may have positive and negative environmental impacts. Minor	YES	Kapis estate has been established the action plan titled as "Environment Impact Assessment Management Action Plans for 2016/2017". The action plan was reviewed in June 2016. The management had monitored the progress of the action plan by appointed person In charge for each action plan. Mitigation measures are translated into SSOP and Work Instruction. These among others included work instruction for handling of pruned oil palms frond, Soil erosion, workshop and the management of scheduled waste, operation of genset, etc. At JPOM 2 the "Environment Impact Assessment Management Action Plans for 2016/2017" had also been reviewed in June 2016. No changes was made to the environmental aspects and impacts or current practices which require changes in the environmental action plans. Nevertheless, the existing environmental action plans had identified timeframes and responsible person for each operating units.
C 5.2	5.2.1	Information shall be collated in a	YES	The HCV report of Kapis Estate was made available to the auditor. It was noted that the report

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The status of rare, threatened or endangered species other High Conservation Value habitats, if any, that exist in the plantation or that could be affected by plantation or mill management, shall be identified and operations managed to best ensure that they are maintained and/or enhanced.		HCV assessment that includes both the planted area itself and relevant wider landscape-level considerations. Major		was prepared by the company Sustainable Unit and the assessment was carried out in June 2016. Based on the assessment, there was no identified RTE at Kapis estate. However, they had identified a significant HVC4 which Kapis estate has controlled and maintained the river buffer zone for Sg. Kretam Besar. The natural waterway was estimated covered a total of 21.3 ha.
	5.2.2	Where RTE species, or HCVs, are present or are affected by plantation or mill operations, appropriate measures that are expected to maintain and/or enhance them shall be implemented through an action plan. Major	YES	It has been verified that Kapis estate has established HCV action plan for Sg. Kretam Besar river titled 'Environmental Impact and Continuous Improvement Plan'.
	5.2.3	There shall be a programme to regularly educate the workforce about the status of these RTE species, and appropriate disciplinary measures shall be instituted in accordance with company rules and national law if any individual working for the company is found to capture, harm, collect or kill these species. Minor	YES	Kapis estate has conducted training on HCV and wildlife for the staffs and field workers in July 2016. The CU also has established a disciplinary measures titled 'Disciplinary Measures Against Any Activities Involved with Rare Threatened & Endangered Species (RTE) in Sept 2015. Therefore, previous Minor NCR MRS-02-2015 was satisfactorily closed.
	5.2.4	Where an action plan has been created there shall be ongoing monitoring: <ul style="list-style-type: none"> <li>The status of HCV and RTE species that are affected by plantation or mill operations shall be documented and reported;</li> <li>Outcomes of monitoring shall be fed back into the action plan. Minor</li> </ul>	YES	Jeroco 2 CU continues to discourage any illegal or inappropriate hunting, fishing or collecting activities. Evidence was seen during the site review that signage to prohibit hunting, fishing and pesticide spraying not allowed within buffer area at the Sg. Kretam Besar. It was noted that CCTV was placed at strategic area surrounding the estate to control everything including any illegal activities. The CCTV is in operation 24hours. Latest monitoring for HCV area, Sg Kretam Besar river has been conducted by Kapis estate in June 2016 and the monitoring activities was recorded in the HCV patrolling record book.
	5.2.5	Where HCV set-asides with existing rights of local communities identified, there shall be evidence of a negotiated agreement that optimally safeguards both the HCVs and these rights. Minor	YES	There are no local communities living nearby with Jeroco 2 CU. So, this indicator was not applicable to this CU.
C 5.3	5.3.1	All waste products and sources	YES	Kapis estate had established a 'List of Waste Generated For Estate', updated in June 2016.

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Waste is reduced, recycled, re-used and disposed of in an environmentally and socially responsible manner.		of pollution shall be identified and documented. Major		Among the identified wastes included the organic waste, domestic waste and scheduled wastes i.e. waste oil from maintenance, oil empty chemical containers, electrical wastes, clinical wastes, waste paper and empty ink cartridges. For JPOM 2 operation, source of pollution and waste generated from mill processes and related activities in the premise were appropriately described.
	5.3.2	All chemicals and their containers shall be disposed of responsibly. Major	YES	All the empty pesticides containers were rinsed three times at the washing station prior to disposal. Disposal was carried out in compliance with relevant regulation. Inventory and consignment documents were verified for confirmation of proper management and disposal.
	5.3.3	A waste management and disposal plan to avoid or reduce pollution shall be documented and implemented. Minor	YES	Jeroco 2 CU maintained their documented SOPs and waste management plan called the 'List of Waste Generated for estate and mill' for ensuring proper waste management and reduce environmental pollution.
C 5.4 Efficiency of fossil fuel use and the use of renewable energy is optimised.	5.4.1	A plan for improving efficiency of the use of fossil fuels and to optimise renewable energy shall be in place and monitored. Minor	YES	Jeroco 2 CU has established the plan on efficient use of fossil fuels in the 'Fossil Fuel Management Plan'. In Kapis estate one of the plan to reduce usage of diesel for genset is by constructing the biogas plant at the mill. The plant is expected to be completed in 2017. For the mill, the generated fibre and shell were continued to be used in the boiler. The management is monitoring the use of the fossil fuel and the renewable energy on monthly basis.
C 5.5 Use of fire for preparing land or replanting is avoided, except in specific situations as identified in the ASEAN guidelines or other regional best practice	5.5.1	There shall be no land preparation by burning, other than in specific situations as identified in the ' <i>Guidelines for the Implementation of the ASEAN Policy on Zero Burning</i> ' 2003. Major	YES	The CU has practiced zero burning. During the audit, a visit to the replanted area at Kapis estate was visited. It was evident that all palms were felled, shredded, windrowed and left to decompose.
	5.5.2	Where fire has been used for preparing land for replanting, there shall be evidence of prior approval of the controlled burning as specified in ' <i>Guidelines for the Implementation of the ASEAN Policy on Zero Burning</i> ' 2003. Minor	YES	As stated in 5.5.1 above, no burning was carried out. Hence, this indicator is not applicable.
C 5.6 Preamble Growers and millers commit to reporting on operational greenhouse gas emissions. However, it is recognised that these significant emissions	5.6.1	An assessment of all polluting activities shall be conducted, including gaseous emissions, particulate/soot emissions and effluent (see Criterion 4.4).	YES	Kapis Estate and JPOM 2 has carried out identification of environmental impact assessment management action plans. Assessment had included all activities in the estate and the mill. Among the identified environmental aspects included the gaseous emissions from genset operation, transportation and boiler operation. The related action plan has also been established. The action plan was reviewed in June 2016.
	5.6.2	Significant pollutants and GHG emissions shall be identified, and plans to reduce or minimise them implemented. Major	YES	The environmental aspects associated with the air pollution have been identified and action plan has been established. This document was reviewed in June 2016. The GHG emission has been included in the CU's Environmental Impact Assessment.
	5.6.3	A monitoring system shall be in	YES	The CU has been using the RSPO's PalmGHG calculator for calculating its GHG emission. The

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cannot be monitored completely or measured accurately with current knowledge and methodology. It is also recognised that it is not always feasible or practical to reduce or minimise these emissions. Growers and millers commit to an implementation period until the end of Dec 2016 for promoting best practices in reporting to the RSPO, and thereafter to public reporting. Growers and millers make this commitment with the support of all other stakeholder groups of the RSPO. Plans to reduce pollution and emissions, including GHG, are developed, implemented and monitored.		place, with regular reporting on progress for these significant pollutants and emissions from estate and mill operations, using appropriate tools. Minor		CU has also submitted its calculation report to RSPO Secretariat for review by the Emission Reduction Working Group (ERWG) in Feb 2016.
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### Principle 6: RESPONSIBLE CONSIDERATION OF EMPLOYEES AND OF INDIVIDUALS AND COMMUNITIES BY GROWERS AND MILLERS

Clause	Indicators		Comply Yes/No	Findings
C 6.1 Aspects of plantation and mill management that have social impacts, including	6.1.1	A social impact assessment (SIA) including records of meetings shall be documented. Major	YES	The social impact assessment report for Jeroco CU's estates and mill was prepared by the Sustainability Team in June 2015. The report presented the estates' and mill's background information, labour policies, grievance procedures (internal, external land owner issues), sexual harassment policies, facilities and amenities offered by the estates, and the social impact assessment procedures and results.

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replanting, 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 continual improvement.	6.1.2	There shall be evidence that the assessment has been done with the participation of affected parties. Major	YES	Appendix 2 'List of Participation during the Stakeholder Consultation' of the SIA report presented in detail the comments made by the various stakeholders on social impacts as well as the proposed mitigation plans by the estate/mill. Each of the issue raised by the participant was addressed in the action plan.
	6.1.3	Plans for avoidance or mitigation of negative impacts and promotion of the positive ones, and monitoring of impacts identified, shall be developed in consultation with the affected parties, documented and timetabled, incl. responsibilities for implementation. Major	YES	A timetable with responsibilities for mitigation and monitoring was reviewed and updated as necessary. The CU had appointed specific PIC responsible for taking actions on each of the mitigation measures with specific time intervals. The monitoring records were verified at Kapis Estate and Jeroco 2 POM.
	6.1.4	The plans shall be reviewed as a minimum once every two years and updated as necessary, in those cases where the review has concluded that changes should be made to current practices. There shall be evidence that the review includes the participation of affected parties. Minor	YES	The social action plan for Kapis Estate and Jeroco 2 POM have been reviewed in July 2015. The stakeholders meeting has been conducted with participation of affected parties such as government agencies, smallholders, contractors and suppliers in July 2016.
	6.1.5	Particular attention shall be paid to the impacts of smallholder schemes (where the plantation includes such a scheme). Minor	YES	There was no smallholder scheme at the CU. Only third party FFB supplier send their FFB to Jeroco 2 POM.
C 6.2 There are open and transparent methods for communication and consultation between growers and/or millers, local communities and other affected or interested parties	6.2.1	Consultation and communication procedures be documented. Major	YES	Auditor has verified consultation and communication mechanisms and Grievances Procedure available at Jeroco 2 POM and Kapis Estate.
	6.2.2	A management official responsible for these issues shall be nominated. Minor	YES	Jeroco 2 CU has nominated Kapis estate manager and Jeroco 2 POM manager as the responsible person to handle social issues at their operating unit. Appointment letters dated in Jan 2016 and March 2015 respectively were noted.
	6.2.3	A list of stakeholders, records of all communication, including confirmation of receipt and that efforts are made to ensure understanding by affected parties, and records of actions taken in response to ip from stakeholders, maintained. Minor	YES	The lists of stakeholders were prepared by both the CU and the company headquarters. The lists included government agencies, suppliers, contractors, schools, bus operators, traders. The list of stakeholders was updated in June 2016. All neighbouring estates, suppliers and contractors were included in the lists. Stakeholders Meeting was conducted in Dec 2015 with relevant parties such as FFB suppliers, contractors, mill's part suppliers, neighbouring estate, Humana, school, Sabah Forestry Department, PDRM, Wildlife Department and Immigration Department.
C 6.3	6.3.1	The system, open to all affected	YES	The estate and mill have developed procedures to handle grievances and disputes titled as

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There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all affected parties		parties, shall resolve disputes in an effective, timely and appropriate manner, ensuring anonymity of complainants and whistle-blowers, requested. Major		'Procedure for reporting complaints and grievances.
	6.3.2	Documentation of both the process by which a dispute was resolved and the outcome shall be available. Major	YES	Complaints on housing and other services are usually entered into record books. The records include the name of the person who complained, his address, date, and type of service required. The latest complaint (dated June 2016) was verified by auditor on road maintenance at the worker's quarters. Visits to the line sites at Kapis estate and Jeroco 2 POM confirm that actions were taken on the complaints made by the workers.
C 6.4 Any negotiations concerning compensation for loss of legal, customary or user 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.	6.4.1	A procedure for identifying legal, customary or user rights, and a procedure for identifying people entitled to compensation, shall be in place. Major	YES	HSPHB has developed procedures to deal with land disputes, squatter disputes, and loss of legal and customary rights titled 'Land Dispute Management'. In the case of boundary disputes, the procedure requires the estate management and the disputing party to negotiate first, failing which the case will have to be referred to the Headquarters for further negotiation. If negotiation fails, the case will be brought to court for arbitration. Squatter disputes will be handled either by the Employee Relations Department or the Compliance Department depending on whether it involves on-land disputes or former workers staying in estate quarters. Actions will normally be in the form of negotiation or legal proceedings or both. However, there was no any dispute on customary rights, boundaries and squatters.
	6.4.2	A procedure for calculating and distributing fair compensation shall be established and implemented, monitored and evaluated in a participatory way, and corrective actions taken as a result of this evaluation. This procedure shall take into account: gender differences in the power to claim rights, ownership and access to land; differences of transmigrants and long-established communities; and differences in ethnic groups' proof of legal versus communal ownership of land. Minor	YES	In terms of compensation, the procedures prescribed the determination of lawful owners, distribution of the compensation, time frame for compensation and calculation for various compensations. So far, there has been no compensation made to any disputing parties.
	6.4.3	The process and outcome of any negotiated agreements and compensation claims shall be documented, with evidence of the participation of affected parties, and made publicly available. Major	YES	According to the CU's management and record, there was no any dispute on land or squatters.

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C 6.5 Pay and conditions for employees and for contract workers always meet at least legal or industry minimum standards and are sufficient to provide decent living wages	6.5.1	Documentation of pay and conditions shall be available. Major	YES	Auditor has verified contract of employment and payslip for foreign workers at Kapis Estate and Jeroco 2 POM. Interviews with workers at Kapis Estate and Jeroco 2 POM showed that they understood the information shown in the pay slips.
	6.5.2	Labour laws, union agreements or direct contracts of employment detailing payments and conditions of employment shall be available in the languages understood by the workers or explained carefully to them by a management official. Major	NO	Every staff or worker has signed a contract of employment upon joining the estate or the mill. Details on monthly salary and deductions for every worker and staff are shown in their pay slips which were issued to the workers during pay day. Interviews revealed that the workers quite understand the terms of their employment. However, during the audit, auditor has found that contracts of employment for sprayer workers, paid based on piece rate resulted in RM30.77 per day. The contract agreement did not meet the new revision of Minimum Wages Order 2016. Thus, a Major NCR MRS 01 2016 was raised.
	6.5.3	Growers and millers shall provide adequate housing, water supplies, medical, educational and welfare amenities to national standards or above, 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. Minor	YES	The CU continues to provide free housing, water supply, free medical services, subsidized electricity and free education for foreign children. The conditions of the houses at Kapis estate was good. The compounds were well kept. Kapis estate and Jeroco 2 POM have separated the piping of treated water and rain water tanks at workers houses as verified by auditor during site visited at foreign workers linesites. Kapis estate has conducted housing inspection weekly. Water treatment analysis (drinking water) was conducted by Jeroco 1 POM.
	6.5.4	Growers and millers shall make demonstrable efforts to monitor and where able, improve workers' access to adequate, sufficient and affordable food. Minor	YES	There is one grocery shop at Kapis estate. The estate has monitored the grocery shop in term of adequacy, sufficient and affordable of food once by monthly with latest monitoring in July 2016.
C 6.6 The employer respects the rights of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of assoc. & collective bargaining are restricted under law, the employer facilitates parallel	6.6.1	A published statement in local languages recognising freedom of association shall be available. Major	YES	Kapis estate and Jeroco 2 POM have published statements on freedom of association. As a matter of fact, the SIA report did mentioned that the company respects the right of workers to be unionized. Such statements are available in local languages as required by the standards. The CU has allowed their employee to establish and join union.
	6.6.2	Minutes of meetings with main trade unions or workers representatives shall be documented. Minor	YES	The workers in the estate and mills are not unionized. Furthermore, there is no formal organization formed among the workers to discuss related work or social matters. Nonetheless, a Joint Consultative Committee (JCC) has just been formed to serve as a platform for the discussion of such issues. This JCC comprises of the estate management, field supervisors, <i>mandores</i> , drivers and clerk.

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means of ind. and free assoc. and bargaining for all such personnel.				
C 6.7 Children are not employed/exploited.	6.7.1	There shall be documentary evidence that minimum age requirements are met. Major	YES	HSPHB Labour Policy does not allow children below 18 years old to work in the estate/mill. Site visit at Kapis estate and Jeroco 2 POM confirms that no workers below age was hired.
C 6.8 Any form of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age, is prohibited.	6.8.1	A publicly available equal opportunities policy including identification of relevant/affected groups in the local environment shall be documented. Major	YES	HSPHB has published statements to the effect that the company does not practice discrimination in the recruitment of workers or staffs or in paying or promoting them. Such statements were written in the company's Corporate Culture manual and publicly available.
	6.8.2	Evidence shall be provided that employees and groups including local communities, women, and migrant workers have not been discriminated against. Major	YES	There was no evidence of discrimination based on race, gender or national origin or any other factors, it was evident in the employment letter. These workers live in the same housing complex and enjoy similar benefits. Interviews also revealed that there was no discrimination on any bases in the estate/mill.
	6.8.3	It shall be demonstrated that recruitment selection, hiring and promotion where relevant are based on skills, capabilities, qualities, and medical fitness necessary for the jobs available. Minor	YES	Kapis estate has promoted/ upgraded their staffs. These staffs have met the minimum requirement on skills, capabilities and working experience based on memo and official letter to respective staff.
C 6.9 There is no harassment or abuse in the work place, and reproductive rights are protected.	6.9.1	A policy to prevent sexual and all other forms of harassment and violence shall be implemented and communicated to all levels of the workforce. Major	YES	Jeroco 2 POM and Kapis estate have displayed policy on sexual harassment and 'Flow Chart – Reporting Sexual Harassment (Worker)' at the office notice board. The guidelines emphasize that sexual harassment is a threat to basic human rights and offenders will be punished accordingly, including termination from work. The policy and procedure have been communicated to all the women and men workers during morning musters. Official training has been conducted in June 2016. During interview with field workers from Indonesia revealed that they understood the policy and the procedure. Jeroco 2 POM and Kapis Estate have also formed a Gender Committee.
	6.9.2	A policy to protect the reproductive rights of all, especially of women, impl. and comm. to all levels of the workforce. Major	YES	A policy to protect women reproductive rights titled 'Policy on Reproductive Rights' was made available at Kapis estate and Jeroco 2 POM. The policy and procedure were briefed to all levels of the workforce in June 2016. Hence, previous Major NCR MRS-03-2015 was satisfactorily closed.
	6.9.3	A specific grievance mechanism which respects anonymity and protects complainants where requested shall be established, implemented & communicated to all levels of the workforce. Minor	YES	The guidelines prescribe, among others, the procedures for reporting sexual harassment assigning the responsibilities for action as well as the timelines involved. There has been no report on sexual harassment in the estates/mill.



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C 6.10 Growers and millers deal fairly and transparently with smallholders and other local businesses.	6.10.1	Current and past prices paid for Fresh Fruit Bunches (FFB) shall be publicly available. Minor	YES	It was observed that the mill has displayed the current and past FFB prices at their notice boards and weighbridge station.
	6.10.2	Evidence shall be available that growers/millers have explained FFB pricing, and pricing mechanisms for FFB and inputs/services shall be documented (where these are under the control of the mill or plantation). Major	YES	During the audit, interviews were made with contractors and FFB suppliers to understand the business relationships between them and the CU. The contract agreements were also sighted.
	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	No	Interviews with contractor and third party FFB suppliers revealed that the estate and the mill treat them quite well. However, some of them did not understand some of the content in the contract, and the management has not briefed properly to them, Therefore, #NCR Minor MZK 01 2016 was raised.
	6.10.4	Agreed payments shall be made in a timely manner. Minor	YES	Payments are made through cheques and are issued the following month after the completion of the works. The records of payments seen testify that the contractors/suppliers have been paid on time.
C 6.11 Growers and millers contribute to local Sustainable development where appropriate.	6.11.1	Contributions to local development that are based on the results of consultation with local communities shall be demonstrated. Minor	YES	There was no local community lived nearby or within the CU plantation area. However, the CU has built a Humana at Kapis Estate for foreign worker's children.
	6.11.2	Where there are scheme smallholders, there shall be evidence that efforts and/or resources have been allocated to improve smallholder productivity. Minor	YES	There was no scheme smallholders at the CU.
C 6.12 No forms of forced or trafficked labour are used.	6.12.1	There shall be evidence that no forms of forced or trafficked labour are used. Major	YES	Based on interview with local and foreign workers (Indonesian) – men and women (sprayers, harvesters and general workers) at Kapis estate and Jeroco 2 POM, it can be confirmed that there was no forms of forced or trafficked labour used at the CU.
	6.12.2	Where applicable, it shall be demonstrated that no contract substitution has occurred. Minor	YES	As verified through employment contract, passport, work permit and interview with foreign workers, there was no contract substitution has occurred at the visited area.
	6.12.3	Where temporary or foreign workers are employed, a special labour policy and procedures shall be established and implemented. Major	YES	A "Labour Policy for Foreign Workers was established in both the estate and the mill. The policy included statement of the non-discriminatory practices; No contract substitution; Post-arrival orientation programme to focus especially on language, safety, labour laws, cultural practices etc.; and Decent living conditions to be provided. Hence, the previous Major NCR MRS-04-2015 was satisfactorily closed.
C 6.13	6.13.1	A policy to respect human rights	YES	Human Rights policy was made available at Kapis estate and Jeroco 2 POM. The policy has

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Growers and millers respect human rights		shall be documented and communicated to all levels of the workforce and operations. Major		been communicated to staffs and workers during morning muster. Auditor has verified through interview with workers.
	6.13.2	As long as children of foreign workers in Sab & Sar are ineligible to attend government school, the plantation companies should engage in a process to secure these children access to education as a moral obligation. Minor	YES	Kapis estate and Jeroco 2 POM have provided Humana School for foreign workers' children to take care of their children during working hours without any fee.

### Principle 7: RESPONSIBLE DEVELOPMENT OF NEW PLANTINGS

Jeroco CU has no plan for any new planting and no new development of area was observed during the visit. Thus Principle 7 is not applicable.

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

Clause	Indicators		Comply Yes/No	Findings
C 8.1 Growers and millers regularly monitor and review their activities, and develop and implement action plans that allow demonstrable continual improvement in key operations.	8.1.1	The action plan for continual improvement shall be implemented, based on a consideration of the main social and environmental impacts and opportunities of the grower/mill, and shall include a range of Indicators covered by these Principles and Criteria. As a minimum, these shall include, but are not necessarily be limited to: Major		
	a)	Reduction in use of pesticides (Criterion 4.6);	YES	Herbicides spraying at JPOM2 CU is mainly limited to palm circle and harvesting path. Occasionally, woody growth sprayings were carried out whenever necessary. Blanket spraying is not practiced as the estate maintained the growth of soft weeds and Nephrolepis biserrata. The estate is also committed to minimise the use of pesticides by continuously planting beneficial plants and implementing IPM.
	b)	Environmental impacts (Criteria 4.3, 5.1 and 5.2);	YES	Among the action taken by the mill to reduce the environmental Impacts associated with the GHG emission included the construction of the biogas plant and bio-polishing plant.
	c)	Waste reduction (Criterion 5.3);	YES	The CU continued to practice 3R (reduce, recycle, re-use) on waste management.
	d)	Pollution and greenhouse gas	YES	Pollution and GHG emission are being monitored. Palm GHG system is being used to

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		(GHG) emissions (Criteria 5.6 and 7.8);		accumulate data related GHG emission and the report has been submitted to RSPO GHG department in Feb 2016.
	e)	Social impacts (Criterion 6.1);	YES	A mechanism to capture the performance of social aspects in CAPEX has been established. The activities listed in the plans and the monitoring of the actions taken demonstrated the continuous improvement achieved in matters related to the social aspects. Among the planned developments were labour quarters roofing, maintenance of road condition, supply of treated water to Humana School and government primary school.
	f)	Encourage optimising the yield of the supply base	YES	The CU is part of a well-established organization. Yield performance has always been the top priority in ensuring long-term economic and financial viability. In general, various efforts have been done to opt. the yield of the plantation. These included minimising crop losses, ensuring the soil fertility is maintained in good level and maintaining transportation facilities in good condition. Apart from that, the company is always keep itself updated with possible technological options especially in mechanization and better planting material.

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### Attachment 4

#### Details of Non-conformities and Corrective Actions Taken for RSPO P&C MYNI 2014

P & C Indicator	Specific ation Major/Minor	Detail Non-conformances	Corrective Action Taken by the CU and Verification by Auditors
Indicator 6.5.2	Major	<b>#NCR No : MRS 01 2016</b> Non-compliance against the Minimum Wages Order 2016 which shall be paid not less than RM35.38/day or RM920/month. At Kapis Estate, auditor has found that wages per day for 4 sprayer workers as stated in the contracts of employment was RM 30.77 per day.	<b>Corrective Action:</b> 1. The workers employment contract was immediately updated as per new minimum wages order 2016 (Attachment 2). Worker's July 2016 salary is paid as per new minimum wages of RM35.38/day or RM920/month. 2. Increased clerical manpower to manually update the employment contract is there any new minimum wages to be implemented in the future. <b>Auditor Verification:</b> 1. Auditor has received adjustment Contract for the 4 sprayer workers that comply with the Minimum Wages Order 2016. 2. <b>Status: Closed</b>
Indicator 6.10.3	Minor	<b>#NCR No : MZK 01 2016</b> The FFB supplier interviewed did not understand contract agreement with JPOM 2 Interviewed with Representative from Contractor A & B confirmed that they did not understand content in the agreement between them and Jeroco Plantation Sdn Bhd.	<b>Corrective Action:</b> 1. The refresher briefing is immediately conducted by mill management to the outgrower/smallholder representative on the contractual agreement. 2. Mill management provide sufficient briefing to the outgrower/smallholder at 6 monthly basis. <b>Auditor Verification:</b> Corrective action plan accepted. <b>Status: The effectiveness of the corrective action will be verify during next audit.</b>

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Attachment 5

## RSPO Supply Chain at the Jeroco Palm Oil Mill – Mass Balance – Module E

Item No	Requirement NOV 2014	Findings	
		Standard Nov 2014	
E.1	<b>Defination</b>	<b>Actual (July 2015 – June 2016)</b>	
E.1.1	To verify :	<u>MT</u>	
	a) the volume of certified and uncertified FFB entering the mill	a) FFB Received	<b>102,317.45</b>
		RSPO 33, 795.18	
		Non-RSPO 68, 522.27	
	b) the volume sales of RSPO certified	FFB Processed	<b>102,317.45</b>
		RSPO 33, 795.18	
		Non-RSPO 68, 522.27	
		CPO Production	<b>21,941.01</b>
		PK Production	<b>4,908.78</b>
	The claim only the volume of oil palm products produced from processing of the certified FFB as MB	b) Delivery of CPO	<b>19,274.18</b>
		RSPO(MB) 7,004.90	
		Non-RSPO 12,269.28	
		Delivery of PK	<b>4,951.81</b>
		RSPO (MB) 1,617.47	
		Non-RSPO 3,334.34	
E 2	<b>Explanation</b>	<b>Projection (July 2016 – June 2017)</b>	
E..2.1	Estimate total tonnage of CPO and PK potentially produce in a year	<u>MT</u>	
		(1) FFB Received	<b>117,910.00</b>
		RSPO 39,630.00	
		Non-RSPO 78,280.00	
		(2) FFB Processed	<b>117,910.00</b>
		RSPO 39,630.00	
		Non-RSPO 78,280.00	
		(3) CPO Production	<b>25,135.00</b>
		(4) PK Production	<b>5,541.00</b>
		(5) Delivery of CPO	<b>25,135.00</b>
		RSPO(MB) 8,756.00	
		Non-RSPO 16,379.00	

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		(6) Delivery of PK RSPO (MB)       1,927.00 Non-RSPO       3,614.00 <b>5,541.00</b>
E. 2 E 2.2	<b>Explanation</b> The mill must also meet all registration and reporting requirements for the appropriate supply chain through the RSPO supply chain managing organization (RSPO IT platform or book and claim.	JPOM2 has registered with the RSPO e-trace system. The mill's RSPO e-trace member ID is RSPO_PO1000003100 expiring on 26 September 2016.
E 3 E 3.1	<b>Documented procedures</b> The site shall have written procedures and/or work instructions to ensure the implementation of all the elements specified in these requirements. This shall include at minimum the following: a) Complete and up to date procedures covering the implementation of all the elements in these requirements b) The name of the person having overall responsibility for and authority over the implementation of these requirements and compliance with all applicable requirements. This person shall be able to demonstrate awareness of the facilities procedures for the implementation of this standard.	a) Procedures are available entitled "Standard Operating Procedures for Traceability". b) The person having overall responsibility for and authority over the implementation and compliance of the supply chain requirements is the Mill Manager.
E 3.2	The facility shall have documented procedures for receiving and processing certified and non-certified FFBs.	Receiving of certified FFB is described in SOP/COC/003 Section 5.4 to 5.12. Processing of certified FFB is described in SOP/COC/003 Section 5.13 to 5.16
E.4 E.4.1	<b>Purchasing and goods in</b> The site shall verify and document the volumes of certified and non-certified FFBs received.	The mill continued to receive certified FFBs from Kapis estate as well as non-certified FFBs from the outsiders. It was noted that JPOM 2 had sourced non-certified FFB from various suppliers. The Weighbridge Clerk checked and verified the consignment notes issued by the supplying estates for the in-coming RSPO and non-RSPO FFBs. The mill kept copies of the FFB Consignment Notes or FFB Delivery Notes issued by the supplying estate or supplier. JPOM 2 had also continued to keep records on (1) Daily FFB Received Supply Report by Supplier and (2) Monthly Crop Report and (3) Quarterly Mass Balancing Record on RSPO and non-RSPO FFB Received, CPO and Kernel Production and Stock Balances. The Monthly Crop Report provides a detailed monthly account on the receipt of FFBs, production of CPO and PK as well as on the actual oil extraction rate (OER) and kernel extraction rate (KER). For the period between July 2015 – June 2016, JPOM 2 had received a total of 102,317.45 MT of FFBs of which 33,795.18 MT were RSPO certified while the remaining 68, 522.27 MT were non-RSPO certified FFBs. A total of 10 randomly selected FFB delivery notes/dispatch tickets for RSPO-certified FFBs issued by the supplying estates on the in-coming FFBs were verified. It was found that all delivery notes/dispatch tickets had indicated the estate's RSPO Certificate number, the name of the supplying estate and the quantity (weight in Kg) of the FFBs.
E 4.2	The site shall inform the CB immediately if there is a projected overproduction.	There was no overproduction of certified FFBs during the period under review (July 2015 – June 2016).

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<b>E.5</b> E.5.1	<b>Record keeping</b>  a) The site shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO and PK on a three-monthly basis.  b) All volumes of palm oil and palm kernel oil that are delivered are deducted from the material accounting system according to conversion ratios stated by RSPO.  c) The site can only deliver Mass Balance sales from a positive stock can include product ordered for delivery within three months. However, a site is allowed to sell short (i.e. product can be sold before it is in stock)	a) JPOM 2 had continued to keep record and balances of all receipts of RSPO-certified FFBs and deliveries of RSPO-certified CPO and PK on a three-monthly basis in the table 'Quarterly Mass Balancing System for Jeroco 2 Palm Oil Mill'. b) For the period from July 2015 to June 2016, JPOM 2 had delivered a total of 7,004.90MT of RSPO-certified (MB) CPO and 1,617.47 of RSPO-certified (MB) PK. All the certified CPO was delivered to Louis Dreyfus Commodities Asia Pte Ltd. For PK, all was delivered to Lahad Datu Edible Oil Sdn Bhd for crushing. c) The Mass Balancing Record for Oil Mills – JPOM 2 indicated both positive balances for the certified CPO and palm kernel. Selected weighbridge tickets issued during July 2015 to June 2016 by JPOM 2 for delivery of RSPO-certified CPO were verified and found to have indicated all the required information including the status of the products (RSPO MB): With respect to the delivery of PK, random selected weighbridge tickets issued by JPOM 2 during the months of July 2015 to June 2016 were verified. All weighbridge tickets issued had indicated the status of the PK (RSPO MB).
<b>E 5.2</b>	In cases where a mill outsources activities to an independent (not owned by the same organization) palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that the crush is covered through a signed and enforceable agreement.	No outsource activity carried out by the mill.

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### Attachment 6

### Status of Non-conformities Previously Identified

P & C Indicator	Specification Major/Minor	Detail Non-conformances	Corrective Action	Verification by Auditor
Indicator: 1.2.1	Major	<b>NCR #: MRS 01 2015</b>  1. HCV documentation summary was not made available to the public by Lungmanis Estate. 2. Negotiation procedures (C6.4) was not made available to public by Lungmanis Estate, Jeroco 1 POM and Jeroco 2 POM i) A procedure for identifying legal, customary or user rights, and a procedure for identifying people entitled to compensation, shall be in place. ii) A procedure for calculating and distributing fair compensation (monetary or otherwise) shall be established and implemented, monitored and evaluated in a participatory way, and corrective actions taken as a result of this evaluation.	Auditor has received HCV documentation summary titled 'Summary of High Conservation Value (HCV) at Jeroco Group of Estates' and negotiation procedures as listed in the 'Lampiran 2 – List of Publicly Available Documents' in the Prosedur Memohon Maklumat Syarikat; Ref# HSPSB P1 1120 (c). The procedure and request form has been made publicly at Jeroco POM1 and estate's noticeboard.	Auditor has verified that Jeroco 2 CU has made publicly available 'List of publicly available documents' which has included HCV documentation summary and negotiation procedures at the Kapis Estate and Jeroco 2 POM's notice board.  <b>Status: Closed</b>
Indicator: 5.2.3	Minor	<b>NCR #: MRS 02 2015</b>  Auditor did not found any evidence to show that Lungmanis Estate has established appropriate disciplinary measures as required by the indicator	Auditor has received official memo from Jeroco CU for disciplinary measures titled 'Disciplinary Measures Against Any Activities Involved with Rare Threatened & Endangered Species (RTE) / Tindakan Terhadap Sebarang Aktiviti Melibatkan Haiwan Terancam (RTE)' dated 7 September 2015.	Kapis Estate has conducted training on HCV and wildlife for the staffs and field workers dated 22/7/2016. The CU also has established a disciplinary measures as required by the indicator titled 'Disciplinary Measures Against Any Activities Involved with Rare Threatened & Endangered Species (RTE) / Tindakan Terhadap Sebarang Aktiviti Melibatkan Haiwan Terancam (RTE)' dated 7/9/2015.  <b>Status: Closed</b>
Indicator: 6.9.2	Major	<b>NCR #: MRS 03 2015</b>  A policy to protect women reproductive rights was not available at Lungmanis Estate, Jeroco 1 POM and Jeroco 2 POM.	Jeroco CU has established a policy to protect women reproductive rights titled 'Policy on Reproductive Rights / Polisi	A policy to protect women reproductive rights titled 'Policy on Reproductive Rights' was made



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			<i>Hak Reproduksi</i> .	available at Kapis Estate and Jeroco 2 POM.  <b>Status: Closed</b>
Indicator: 6.12.3	Major	<b>NCR #: MRS 04 2015</b> <ol style="list-style-type: none"> <li>1. Labour policy for foreign workers was made available at Lungmanis Estate, Jeroco 1 POM and Jeroco 2 POM. However, the policy did not include statement as described by specific guidance in the indicator</li> <li>2. Procedure for employment of foreign workers was not available Lungmanis Estate, Jeroco 1 POM and Jeroco 2 POM</li> </ol>	<ol style="list-style-type: none"> <li>1. Jeroco Cu has revised their labour policy for foreign workers titled 'Labour Policy for Foreign Workers / <i>Polisi untuk Pekerja Asing</i>' by following specific guidance under this indicator.</li> <li>2. Jeroco CU has established procedure for employment of foreign workers titled 'Procedure for Hiring Foreign Workers &amp; Recruitment of Fresh Workers from Indonesia'</li> </ol>	<p>Labour policy for foreign workers was made available at Kapis Estate and Jeroco 2 POM titled 'Labour Policy for Foreign Workers'. The policy has included statement as described by specific guidance in the indicator. The labour policy has included:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Statement of the non-discriminatory practices;</li> <li><input type="checkbox"/> No contract substitution;</li> <li><input type="checkbox"/> Post-arrival orientation programme to focus especially on language, safety, labour laws, cultural practices etc.;</li> <li><input type="checkbox"/> Decent living conditions to be provided. Procedure for employment of foreign workers was made available at Kapis Estate and Jeroco 2 POM titled 'Recruitment of Fresh Foreign Worker'.</li> </ul> <p><b>Status: Closed</b></p>