| | | |
|---|---|---|
| SIRIM QAS INTERNATIONAL | **SIRIM QAS INTERNATIONAL SDN. BHD.**<br>Building 4, SIRIM Complex, No. 1 ,Persiaran Dato' Menteri,<br>Section 2, 40700 Shah Alam, Selangor, Malaysia.<br><br>**RSPO PUBLIC SUMMARY REPORT** | **File Ref. : EH04760002** |

**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' 52.0" | E 118° 25' 02.0" | Off 50 KM, Jalan Jeroco, 91109 Lahad Datu, Sabah, Malaysia |
| | Kapis Estate | N 5° 26' 34.3" | E 118° 24' 51.0" | Off 50 KM, Jalan Jeroco, 91109 Lahad Datu, Sabah, Malaysia |

**MAP :** See Attachment 1

**AUDIT DATE : 1 – 3 August 2017** **DURATION : 8 auditor days**

**TYPE OF AUDIT :** [X] **Annual Surveillance Audit No. 04** [ ] **Recertification Audit**

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

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

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

**The following attachments form part of this report:**
Non-conformity Report(s) [X] List of additional site(s) [ ]

| **Report by Audit Team Leader** | | **Acknowledgement by Client's Representative** | |
|---|---|---|---|
| Name | : MOHD ZULFAKAR KAMARUZAMAN | Name | : KEE KEOW CHONG |
| Signature | : | Signature | : |
| Date | : 13 November 2017 | Date | : 15.11.17 |

## 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 : | | | | | |

| 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 | Suppliers |
| | X | | x | X |
| | Contract workers | NGOs | Govt. agency | Independent growers |
| | x | | | 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 : | 1-3 August 2017 | | No. of auditor days : | 8 days |
| Audit team : | Mohd Zulfakar Kamaruzaman, Ruzita Abd Gani and Mohd Norddin Abd Jalil | | | |
| No. of major NCR : | 1 | Indicator: 2.1.1 | | Closing date : 2/10/2017 |
| No. of minor NCR : | 1 | Indicator : 4.1.2 | | |
| Indicate by ticking the stakeholders interviewed during the on-site audit : | Employees | Settlers | Villagers | Suppliers |
| | X | | | X |
| | Contract workers | NGOs | Govt. agency | Independent growers |
| | | | X | X |
| | Indigenous people | Contractors | Others (Please specify) | |
| | | X | | |
| Supply base sampled : | Kapis Estate | | | |
| Changes since the last audit : | No changes | | | |
| Report approved by : | Aminah Ang | | Approval date : 13/11/2017 | |

## SUMMARY OF INFORMATION

### TABLE 1

| TYPE OF AUDIT | ~~STAGE 2~~ / RA | ASA 1 | ASA 2 | ASA 3 | ASA 4 |
|---|---|---|---|---|---|
| **Projection Period** | | | | July 2016 to June 2017 | July 2017 to June 2018 |
| **Certified Area (Ha)** | | | | 2,681.00 | 2,681.00 |
| **Production Area(Ha)** | | | | 2,342.00 | 2,342.00 |
| **HCV Area (Ha)** | | | | 29.20 | 29.20 |
| **Certified FFB Processed (MT)** | | | | 39,630.00 | 35,500.00 |
| **Production of Certified CPO (MT)** | | | | 8,756.00 | 22,329.00 |
| **Production of Certified PK (MT)** | | | | 1,927.00 | 5,056.00 |
| **REMARKS** | | | | - | - |

### TABLE 2

| | PO | PK |
|---|---|---|
| **Last years certified volume (MT)** | 8,756.00 | 1,927.00 |
| **Last years actual certified sold (MT)** | 0 | 47.28 |
| **Last years actual sold under other schemes (MT)** | 0 | 0 |
| **Last years sold conventional (MT)** | 13,420.32 | 2,836.78 |
| **New year certified volume (MT)** | 22,329.00 | 5,056.00 |

## Table of contents


| | | Page |
|---|---|---|
| 1.0 | AUDIT PROCESS | 6 |
| | 1.1 Certification body | 6 |
| | 1.2 Qualification of audit team | 6 |
| | 1.3 Audit methodology | 6 |
| | 1.4 Stakeholder Consultation | 6 |
| | 1.5 Audit plan | 6 |
| | 1.6 Date of next audit | 6 |
| 2.0 | SCOPE OF CERTIFICATION AUDIT | 7 |
| | 2.1 Description of the certification unit | 7 |
| | 2.2 Description of the Supply Base (including planting profile) | 7 |
| | 2.3 Organization Information / Contact Person(s) | 8 |
| 3.0 | AUDIT FINDINGS | 9 |
| | 3.1 Changes to certified products in accordance to the production of the previous year | 9 |
| | 3.2 Time bound plans including changes and reasons for the changes see below | 9 |
| | 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) | 9 |
| | 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. | 9 |
| | 3.5 Any new acquisition which has replaced primary forests or HCV areas | 9 |
| | 3.6 Other changes (e.g. organizational structure, new contact person, addresses, etc.) | 9 |
| | 3.7 Status of previous non-conformities * (refer to Attachment 6) | 9 |
| | 3.8 Complaint received from stakeholder (if any) | 9 |
| 4.0 | DETAILS OF NON-CONFORMITY REPORT | 9 |
| | 4.1 For P&C (Details checklist refer to Attachment 3) | 9 |
| | 4.2 For SC (Details checklist refer to Attachment 5) | 9 |
| 5.0 | AUDIT CONCLUSION | 10 |
| 6.0 | RECOMMENDATION | 10 |

List of Attachment

| | | | |
|---|---|---|---|
| Attachment 1 | : | Map of Jeroco 2 CU | 11 |
| Attachment 2 | : | RSPO Surveillance Audit Plan | 12 |
| Attachment 3 | | RSPO P&C Audit Checklist And Findings | 17 |
| Attachment 4 | : | Details of Non-conformities and Corrective Actions Taken | 42 |
| Attachment 5 | | RSPO Supply Chain at Jeroco Palm Oil Mill 2 – Mass Balance model – Module E | 43 |
| Attachment 6 | : | Status of Non-conformities Previously Identified | 46 |
| Attachment 7 | : | Timebound Plan | 47 |

## 1.0 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

| Member of the Audit Team | Role/area of RSPO requirements | Qualifications |
|---|---|---|
| Mohd Zulfakar Kamaruzaman | Lead Auditor / Conservation and Social related to Mill and Plantation | Holds a B. Sc. Forestry from University Putra Malaysia. He had more than 4 years of working experience in the oil palm operation. |
| Ruzita Abd Gani | Auditor / environmental and safety issues related to mill and plantation and supply chain | Holds a B.Sc. (Hons) Chemical Engineering. She had more than 15 years experience in the auditing and working in oil palm operation. |
| Mohd Norddin Abd Jalil | Auditor / Good Agricultural Practices (GAP) | Holds a B.Sc.in Agriculture from Universiti Pertanian Malaysia. He has over 35 years working experience in the oil palm plantation operation. |

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 50 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 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 Hap Seng owned estates that are certified and also from 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 2016 to June 2017)

| Estates | FFB Production | | Certification Body |
|---|---|---|---|
| | Tonnes | Percentage (%) | |
| Batangan Estate | 121.71 | 0.19 | SIRIM |
| Lutong Estate | 50.77 | 0.08 | SIRIM |
| Lokan Estate | 955.86 | 1.46 | SIRIM |
| Kapis Estate | 1,229.64 | 1.87 | SIRIM |
| Lungmanis Estate | 1,139.18 | 1.73 | SIRIM |
| Tabin Estate | 1,717.36 | 2.61 | Non-Certified |
| Northbank Estate | 1,479.61 | 2.25 | Non-Certified |
| LPC Plantations S/B | 714.80 | 1.09 | Non-Certified |
| Khoo Chin Hung S/B | 209.34 | 0.32 | Non-Certified |
| Spark Glory S/B | 47.54 | 0.07 | Non-Certified |
| Lim Engit Fun | 17.62 | 0.03 | Non-Certified |
| Koperasi Pem.Desa | 2.37 | 0.004 | Non-Certified |
| Casem Sdn Bhd | 1,295.79 | 1.97 | Non-Certified |
| Sangi Sdn Bhd | 1,025.07 | 1.56 | Non-Certified |
| First Raintree Sdn Bhd | 4,371.01 | 6.65 | Non-Certified |
| Harus Abadi Sdn Bhd | 10,648.16 | 16.21 | Non-Certified |
| Bukit Kretam Sdn Bhd | 34,065.49 | 51.86 | Non-Certified |
| Chua Soon Lee Sdn Bhd | 906.67 | 1.38 | Non-Certified |
| Lebijaya Sdn Bhd | 5,691.32 | 8.66 | Non-Certified |
| Total | **65,689.31** | **100** | |

Table 2: Projected FFB production by the supply base for the next reporting period (July 2017 to June 2018) JPOM2

| Estates | FFB Contribution | |
|---|---|---|
| | Tonnes | Percentage (%) |
| Kapis Estate | 35,500 | 100 |
| **Total** | **35,500** | **100** |
| **Other Supply Bases (third party non-certified)** | | |
| Casem Sdn Bhd | 3,150 | 4.41 |
| Sangi Sdn Bhd | 2,864 | 4.01 |
| First Raintree Sdn Bhd | 5,051 | 7.07 |
| Harus Abadi Sdn Bhd | 13,497 | 18.88 |
| Bukit Kretam Sdn Bhd | 40,400 | 56.51 |
| Chua Soon Lee Sdn Bhd | 738 | 1.03 |
| Lebijaya Sdn Bhd | 5,789 | 8.09 |
| **Total** | **71,489** | **100** |
| **Grand Total** | **106,989** | |

Table 3: Actual FFB received and CPO & PK dispatch by Jeroco 2 POM for the last reporting period (July 2016 to June 2017) JPOM2

| | Total (MT) |
|---|---|
| FFB Received | 65,689.31 |
| FFB Processed | 65,689.31 |
| CPO Production | 13,420.32 |
| PK Production | 2,883.76 |
| CPO delivered as Mass Balance | - |
| CPO delivered as non-RSPO certified | 13,420.32 |
| PK delivered as Mass Balance | 47.28 |
| PK delivered as non-RSPO certified | 2,836.78 |

Table 4: Projected FFB received and CPO & PK dispatch by Jeroco 2 POM of the next reporting period (July 2017 to June 2018)

| | Total (MT) |
|---|---|
| FFB Received | 106,989.00 |
| FFB Processed | 106,989.00 |
| CPO Production | 22,329.00 |
| PK Production | 5,056.00 |
| CPO delivered as Mass Balance | 22,329.00 |
| PK delivered as Mass Balance | 5,056.00 |

Table 5: Planted and certified area of the CU

| Estate | Planted (ha) | Certified (ha) |
|---|---|---|
| Kapis Estate | 2,342.00 | 2,681.00 |
| **Total** | **2,342.00** | **2,681.00** |

Table 6: Planting profile for Kapis Estate

| Year of planting | Planting cycle (1st, 2nd, 3rd, etc. Generation) | Mature / Immature | Planted area (ha) | Percentage of planted area (%) |
|---|---|---|---|---|
| 1996 | 1st | Mature | 796.00 | 33.90 |
| 1997 | 1st | Mature | 373.00 | 15.90 |
| 1998 | 1st | Mature | 521.00 | 22.40 |
| 2016 | 2nd | Immature | 392.00 | 16.70 |
| 2017 | 2nd | Immature | 260.00 | 11.10 |
| Total | | | **2342.00** | **100** |

## 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) Batu 2, Jalan Kastam Baru, 91119 Lahad Datu, Sabah, Malaysia.<br>2) Off 50 KM, Jalan Jeroco, 91109 Lahad Datu, Sabah, Malaysia |
| Phone no. | : | +6089 278183,+6089 278138 |
| Fax no. | : | +6089278168/186 |
| Email | : | keekc@hapseng.com.my |

## 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 | If yes, state reasons/justifications |
|---|---|---|---|
| - acquisitions/disposals | | X | |
| - emergence/re-emergence of land disputes | | X | |
| - labour conflicts | | X | |

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 [X] 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 [X] 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 | RA01 2017 |
| Total no. of major NCR(s) (details refer to Attachment 4 ) | List : 1 | MZK 01 2017 |

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.

**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.

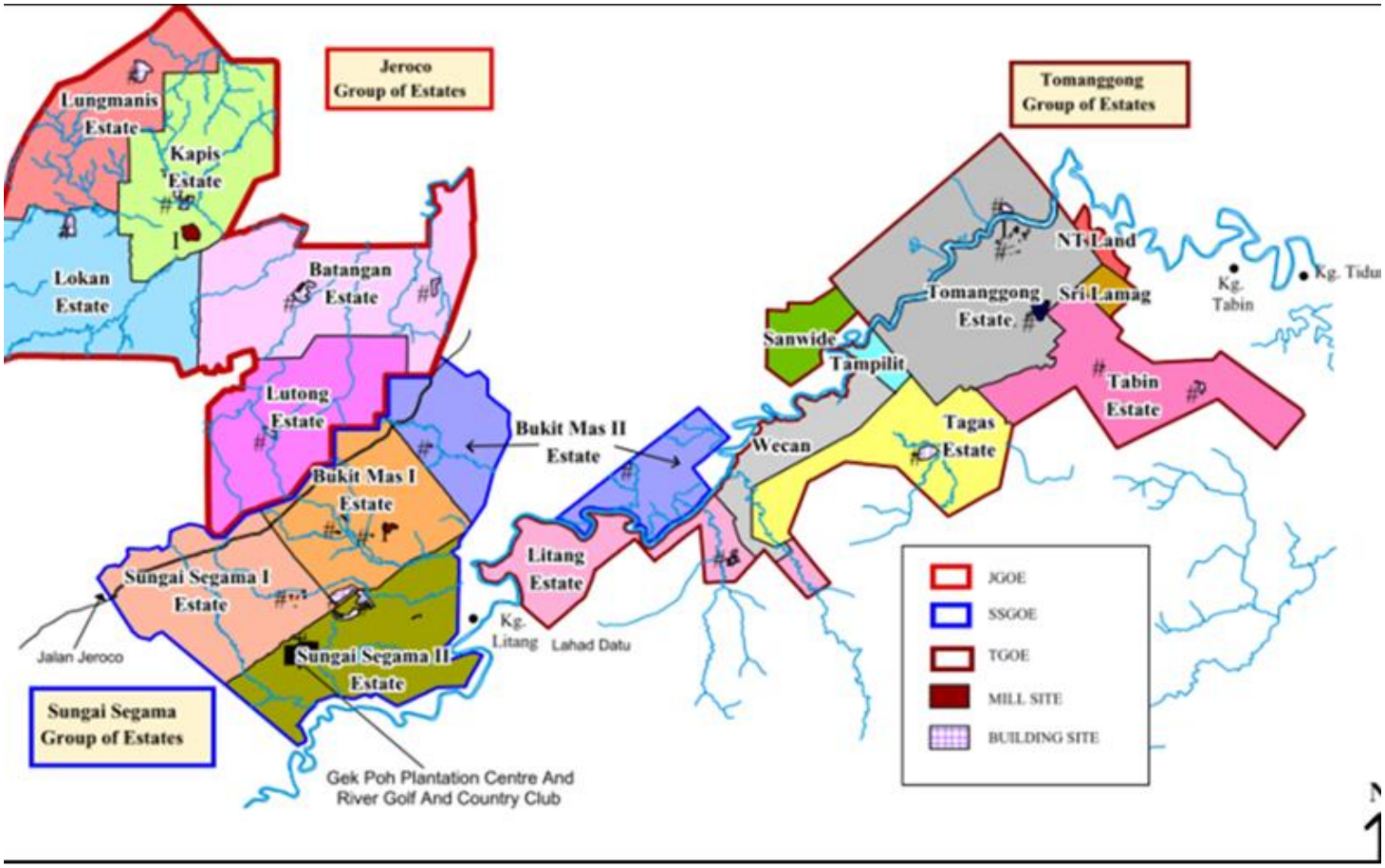
*Note: Major NCRs which are not addressed within a further 60 days shall result in the certificate being withdrawn.*

**7.0 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 |  | 2/10/2017 |
| | (Name) | (Signature) | (Date) |

**Attachment 1**

## Map of Kapis Estate – Jeroco 2 POM




**Attachment 2**

# 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** : 1-3 August 2017

**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 : Ruzita Abd Gani
Mohd Norddin Abd Jalil

**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 90 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:

**Day 1: 1 August 2017 (Tuesday)**

| Time | Activities / areas to be visited | | |
|---|---|---|---|
| 8.30 – 9.00 am | **Opening meeting at Jeroco Palm Oil Mill 2**<br>Lead Auditor to introduce audit team member, brief on audit objectives, scope, methodology, criteria and programmes<br>**Organization Representative to brief on the following:**<br>1) RSPO implementation at Jeroco 2 CU (i.e. mill & supply base) including changes<br>2) Time bound plan for Hap Seng Plantation Holding Bhd.<br>3) Significant changes on organization activities, machinery, supply bases capacity etc. | | Top mgmt & Committee Member |
| | **Zulfakar** | **Ruzita** | |
| 9:00 – 1:00 pm | **Jeroco POM 2**<br>Coverage of assessment:<br>P1, P2, P4, P5, P6, P7, P8<br>• Laws and regulations<br>• Land titles user rights<br>• Social Impact Assessment (SIA), management plan & implementation<br>• Complaints and grievances<br>• Consultation with relevant government agencies<br>• Interview workers, gender committee, local communities and stakeholders | **Kapis Estate**<br>Coverage of assessment:<br>P1, P2,P3, P4, P5, P7, P8<br>• Occupational safety & health practice – witness activities at site<br>• Risk Assessment, Plan Related to OSH, Medical Surveillance<br>• Interview with workers , safety committee and contractors<br>• Training and skill development programmed<br>• Environmental management – witness activities at site<br>• Waste & chemical management<br>• EIA, Plan related to environment and GHG<br>• Interview with workers , safety committee and contractors<br>• Facilities at workplace<br>• Continuous improvement | Guide(s) for each assessor |
| 1.00 – 2.00 pm | Break/Lunch | | |
| 2.00 – 5.00 pm | Continue assessment (Pickup Hj Norddin at Lahad Datu Airport 2.45 pm) | | Guide(s) for each assessor |

| | **Day 2: 2 August 2017 (Wednesday)** | | | |
|---|---|---|---|---|
| **Activities /areas to be visited** | **Ruzita** | **Zulfakar** | **Hj Norddin** | |
| 8.00 – 1.00 pm | **<u>Jeroco 2 POM</u>**<br>Coverage of assessment:<br>P1, P2, P4, P5, P7, P8<br>- Laws and regulations<br>- Environmental management (witness activities at site)<br>- EIA, Environmental Plan.<br>- Waste & chemical management<br>- Interview with workers , committee and contractors<br>- Safety Plan, HIRARC<br>- Occupational safety & health practice – witness activities at site<br>- Interview with workers , safety committee and contractors<br>- Facilities at workplace<br>- Continuous improvement | **<u>Kapis Estate</u>**<br>Coverage of assessment:<br>P1, P2, P4, P5, P6, P7, P8<br>• Laws and regulations<br>• Land titles user rights<br>• Social Impact Assessment (SIA), management plan & implementation<br>• Consultation with relevant government agencies<br>• Interview workers, gender committee, local communities and stakeholders<br>• HCV Assessment<br>• Complaints and grievances<br>• Consultation with relevant government agencies<br>• Inspection of protected sites with HCV attributes<br>• Forested area, plantation boundary, adjacent and neighbouring land use<br>• Riparian zone<br>• Training and skill development programmes<br>• Continuous improvement | **<u>Kapis Estate</u>**<br>Coverage of assessment:<br>P1, P2, P3, P4, P5, P7, P8<br>- Laws and regulations<br>- Commitment to long-term economic and financial viability<br>- Good Agricultural Practice- witness activities at site (weeding/ spraying, etc)<br>- EFB mulching, POME application<br>- Plantation on hilly/swampy area<br>- IPM implementation, training and safe use of agro-chemicals.<br>- New planting<br>- Facilities at workplace<br>- Waste & chemical management<br>- Interview with workers , committee and contractors<br>- Training and skill development programmes<br>- Continuous improvement | Guide(s) for each assessor |
| 1.00 – 2.00 pm | Break | | | |
| 2.00 – 5.00 pm | Continue assessment | | | Guide(s) for each assessor |

| Day 3: 3 August 2017 (Thursday) | | | | |
|---|---|---|---|---|
| **Activities /areas to be visited** | **Ruzita** | **Zulfakar** | **Hj Norddin** | |
| 8.00 – 1.00 pm | **Jeroco 2 POM**<br>Site visit and assessment on Supply Chain Implementation including the Model used<br>• General Chain of Custody System Requirements for the supply chain<br>• Documented procedures<br>• Purchasing and goods in<br>• Outsourcing activity<br>• Sales and goods out<br>• Processing<br>• Records keeping<br>• Registration<br>• Training<br>• Claims | **Kapis Estate**<br>Coverage of assessment:<br>P1, P2, P4, P5, P6, P7, P8<br>• Laws and regulations<br>• Land titles user rights<br>• Social Impact Assessment (SIA), management plan & implementation<br>• Consultation with relevant government agencies<br>• Interview workers, gender committee, local communities and stakeholders<br>• HCV Assessment<br>• Complaints and grievances<br>• Consultation with relevant government agencies<br>• Inspection of protected sites with HCV attributes<br>• Forested area, plantation boundary, adjacent and neighbouring land use<br>• Riparian zone<br>• Training and skill development programs<br>• Continuous improvement | **Kapis Estate**<br>Coverage of assessment:<br>P1, P2, P3, P4, P5, P7, P8<br>- Laws and regulations<br>- Commitment to long-term economic and financial viability<br>- Good Agricultural Practice- witness activities at site (weeding/ spraying, etc)<br>- EFB mulching, POME application<br>- Plantation on hilly/swampy area<br>- IPM implementation, training and safe use of agro-chemicals.<br>- New planting<br>- Facilities at workplace<br>- Waste & chemical management<br>- Interview with workers, committee and contractors<br>- Training and skill development programs<br>- Continuous improvement | Guide(s) for each assessor |
| 1.00–2.00 pm | Break | | | |
| 2.00 – 4.00 pm | • Continue assessment on unfinished area<br>• Verification on outstanding issues<br>• Audit Team discussion, preparation on audit findings and issuance of NCR (if any) | | | |
| 4.00 – 5.00 pm | □ Closing meeting | | | Top management & Committee member |

**Attachment 3**

## RSPO P&C AUDIT CHECKLIST AND FINDINGS

### Principle 1: COMMITMENT TO TRANSPARENCY

| Clause | Indicators | | Comply *Yes/No* | Findings |
|---|---|---|---|---|
| C 1.1<br>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.<br>Major Compliance | 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 "document no. entitled Request for Information Procedure. The procedure included the internal and external consultation.<br>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. Jeroco 2 CU had continued to maintain a comprehensive system with respect to this criterion. Request Form for their stakeholders or other interested party who had viewed / obtained document related to RSPO and Record of Visitation by government agencies such as DOE and DOSH were maintained. |
| | 1.1.2 | Records of requests for information and responses shall be maintained.<br>Major Compliance | 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<br>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 (Criterion 2.2); | 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 (Criterion 4.7); | 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 (Criteria 5.1, 6.1, 7.1 and 7.8) | YES | The Kapis Estate and Jeroco 2 POM have conducted social assessment titled 'Social Impact Assessment, Management Action Plans and Continuous Improvement Plans' dated in July 2017. The SIA action plan was updated and each of the issues was identified for each of the operating unit.<br>The environment impact assessment management action plan was updated on January 2016 by the Executive Sustainability. |
| | | HCV documentation summary (Criteria 5.2 and 7.3); | YES | HCV documentation was available at JPOM 2 CU and made publicly available the 'List of publicly available documents' at estate and mill notice board. The details can be refer at Criteria 5.2 |
| | | Pollution prevention and reduction plans (Criterion 5.6); | YES | Action plan to mitigate pollution is available for public. Cross refer to C5.6. |
| | | Details of complaints and grievances (Criterion 6.3); | 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 must be with permission of the respective Manager. |
| | | Negotiation procedures (Criterion 6.4); | YES | HSPHB has developed procedures to deal with land disputes, squatter disputes, and loss of legal and customary rights. In the case of boundary disputes, the procedure requires the estate management |

| | | | | |
|---|---|---|---|---|
| | | | | and the disputing party to negotiate, first, failing which the case will have to be referred to the Headquarters for further negotiation. If negotiation fails, the case will be brought to court of arbitration. Negotiation procedure (C6.4) is made available to the public at Kapis Estate and Jeroco 2 POM. |
| | | Continual improvement plans (Criterion 8.1); | 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: http://www.sirim-qas.com.my/sirim/core-files/uploads/2017/02/22-Hap-Seng-Plantations-Holdings-Berhad-%E2%80%93-Jeroco-Palm-Oil-Mill-2-3rd-Surveillance-2016.pdf |
| | | Human Rights Policy (Criterion 6.13). | YES | Human Rights policy is available at Kapis Estate and Jeroco 2 POM. Cross Refer 6.13 |
| C 1.3<br>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.<br>Minor Compliance | YES | The documented policy committing to a code of ethical conduct and integrity of the company maintained available. The CU continued communicated the policy to their staffs including foreign workers during the induction course. |

## Principle 2: COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

| Clause | Indicators | | Comply Yes/No | Findings |
|---|---|---|---|---|
| C 2.1<br>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.<br>Major Compliance | NO | Generally, Jeroco 2 CU continued to comply with the applicable laws and regulations. Relevant licenses and permits were verified at Kapis Estate and the mill.<br>Among the license or permit reviewed were:<br>Kapis Estate<br>• MPOB License (*Menjual dan Mengalih FFB),* MPOB License (*Nursery),* Suruhanjaya Tenaga License, Permit to store diesel and petrol, Permit Potongan dari gaji pekerja, DOSH Certificate of fitness for the air compressor, Lesen untuk menggaji pekerja bukan permastautin, DOE's written approvals for generator sets.<br>JPOM 2<br>• MPOB License (*Menjual dan Mengalih, Membeli dan Mengalih, Menyimpan, Mengilang, Mengeksport*), MPOB License for JPOM 2 (*Menyimpan CPO),* Permit Potongan dari gaji pekerja, License from Suruhanjaya Tenaga, Lesen untuk menggaji pekerja bukan |

| | | | | |
|---|---|---|---|---|
| | | | | permastautin,<br><br>• As per requirement under EQA 1974 amendmend on section 49A as well as in the clause 18, *Jadual Pematuhan*, Jeroco 2 CU has comply with the requirement on competent person as required by the law. However, it was found that no health surveillance (2 years once) conducted for personnel Entrance Confined Space as per requirement at Jeroco 2 POM. Therefore Major NCR MZK 01 2017 was raised. |
| | 2.1.2 | A documented system, which includes written information on legal requirements shall be maintained. Minor Compliance | YES | The List of Legal Register is available at both Kapis Estate and JPOM 2. The list was updated in April 2017 at Kapis estate by the Sustainability Executive while at JPOM 2 in Mar 2017 by the Sustainability Executive. |
| | 2.1.3 | A mechanism for ensuring compliance shall be implemented. Minor Compliance | YES | The CU has established mechanisms for ensuring all the applicable legal requirements are implemented. The mechanisms include internal checking by its Assistant In-Charge through evaluation of compliance exercise against the legal register. The evaluation was carried out in April 2017 at Kapis Estate and MAR 2017 at JPOM2. An internal audit on RSPO compliance was conducted IN June 2017 which included the assessment on the legal compliance |
| | 2.1.4 | A system for tracking any changes in the law shall be implemented. Minor Compliance | YES | The CU maintained to implement its documented system for identifying and tracking the updates of the applicable legal requirements through various media such as LawNet, internet, newsletter, etc. |
| C 2.2<br>The right to use the land is demonstrated, and is not legitimately contested by local people who can demonstrate that they have legal, customary or user rights | 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) and the actual legal use of the land shall be available. Major Compliance | YES | The right to use the land at the CU can be demonstrated and not disputed by any party. The original copies of the documents were kept in the Plantation Central Office at Sg. Segama. Copies of land titles for the estate were sighted at Kapis Estate office. The Kapis estate is under the jurisdiction of Kinabatangan District. |
| | 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 Compliance | YES | During the site review, the physical markers were visibly maintained at Kapis Estate by erecting pegs along the boundary, especially the ones that adjacent to private estate – IOI Group Plantation Berhad (Permodalan Estate) |
| | 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. | YES | Review of documented stakeholders meeting and interview with stakeholders observed there was no dispute on ownership or right to use of land. |

| | | | | |
|---|---|---|---|---|
| | | Minor Compliance | | |
| | 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 Compliance | YES | Review of documented stakeholders meeting and interview with stakeholders observed there was no dispute on ownership or right to use of land. |
| | 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. Minor | YES | Review of documented stakeholders meeting and interview with stakeholders observed there was no dispute on ownership or right to use of land. |
| | 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 Compliance | 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 the 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<br>Use of the land for oil palm does not diminish the legal, customary or user rights of other users without their free, prior and informed consent. | 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 affected parties. Major Compliance | NA | Not applicable as there was no land encumbered by customary rights or disputed by stakeholders. |
| | 2.3.2 | Copies of negotiated agreements detailing the process of free, prior and informed consent (FPIC) (Criteria 2.2, 7.5 and 7.6) shall be available and shall include:<br>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;<br>b) Evidence that the company has respected communities' decisions to give or withhold their consent to the operation at the time that this | NA | Since there was no case involving land disputes in the CU, this indicator is not applicable. |

| | | | | |
|---|---|---|---|---|
| | | decision was taken;<br>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 | | |
| | 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 Compliance | NA | 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 represented through institutions or representatives of their own choosing, including legal counsel. Major Compliance | NA | This indicator is not applicable as there was no land dispute in the CU. |

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

| Clause | Indicators | | Comply *Yes/No* | Findings |
|---|---|---|---|---|
| C 3.1<br>There is an implemented management plan that aims to achieve long-term economic and financial viability | 3.1.1 | A business or management plan (minimum three years) shall be documented that includes, where appropriate, a business case for scheme smallholders. Major | YES | Jeroco 2 CU continued to achieve long term economic and financial viability through documented management plan projected to year 2022. A Management Plan including operational expenditure, capital expenditure, overhead expenditure and profit and loss, covering the period of 2017 to 2022 were prepared for Kapis Estate and made available to the audit team. This plan had also included the expected FFB production cost per hectare and cost per metric tonnes for the period 2017 to 2022. |
| | 3.1.2 | An annual replanting programme projected for a minimum of five years with yearly review, shall be available. Minor Compliance | YES | It was observed that the replanting programmes for Jeroco 2 CU were still in progress. These programmes were reviewed once a year and were incorporated in their annual budget. These programmes were being implemented as scheduled until year 2026. |

## 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 | SOPs for estates and mills shall be documented. Major Compliance | YES | The CU continued to use the established manuals that is HSPHB's Oil palm Agricultural Policy Manual, Safety and Standard Operating Procedure and Accounting and Administrative Procedure manual. The Oil Palm Agriculture Policy (OPAP) manual included all estate operations such as nursery practice, land clearing, field upkeep, pest and disease, manuring, FFB harvesting, evacuation and landfill management.<br>The Safety and Standard Operating procedures covers the safe working practices of all the field operation such as harvesting, manuring, herbicides and pesticides application, workshop, generating set operation, oil trap and scheduled waste store. Relevant SOPs were displayed at various work stations for easy reference, for example, at the muster ground. |
| | 4.1.2 | A mechanism to check consistent implementation of procedures shall be in place. Minor Compliance | NO | In checking the consistent implementation of the Standard Operating Procedures such as HSPHB's Oil palm Agricultural Policy Manual, Jeroco 2 CU had established the following mechanism: Biannual Plantation Advisory visit, Annual Agronomy visit, Monthly Estate Operation Report, Qualitative (ripeness of FFB) checking records – daily conducted by checkers, Quantitative (losses) checking records – fortnightly conducted through merit point system by Agronomy Dept.<br>The CU has established Standard operating procedure to management generation, storage and record keeping of scheduled wastes. Site visit at scheduled waste storage was confirmed all the scheduled wastes were management in accordance with established procedure except lapse was observed related to scheduled waste inventory record where certain information related to waste handling was not accurately fill up in the 5th scheduled record - inventory record for the month of April 2017, May 2017 and June 2017 at mill and Kapis estate. Therefore Minor NCR RA01 2017 was raised. |
| | 4.1.3 | Records of monitoring and any actions taken shall be maintained and available, as appropriate. Minor | YES | Records of monitoring were maintained by Jeroco 2 CU through Monthly Estate Operation Report. Work schedule on fertilizer application, circle and path spraying, selective spraying, harvesting interval and EFB mulching were also available during the inspection. Field cost books, Bin cards, and rainfall data were also maintained and available. All the above records were kept for a minimum period of 12 months. |
| | 4.1.4 | The mill shall record the origins of all third-party sourced Fresh Fruit Bunches (FFB). Major Compliance | YES | The JPOM 2 received certified FFB from Kapis estate and non-certified FFB from independent FFB suppliers. All delivery documents of third party FFB were verified to ensure the certified status of the FFB. 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 | 4.2.1 | There shall be evidence that good agriculture practices, as contained in SOPs are followed to manage soil fertility to a level that ensures optimal and sustained yield, | YES | Jeroco 2 CU continued to manage and improve soil fertility to a level that ensures optimal and sustained yield by monitoring the fertilizer inputs through annual fertilizer recommendations.<br>Fertilizer application was carried out based on the recommendation made by the Agronomist. Annual fertilizer recommendations were made based on annual foliar sampling and while soil sampling was carried out yearly in fields on a 5 year cycle basis.<br>The recommendation by the Agronomist was reviewed during the audit. From the review of the |

| | | | | |
|---|---|---|---|---|
| ensures optimal and sustained yield. | | where possible.<br>Minor Compliance | | records, it was noted that the application of fertilizers was conducted as recommended and scheduled. |
| | 4.2.2 | Records of fertiliser inputs shall be maintained.<br>Minor Compliance | YES | Jeroco 2 CU continued to maintain the records of the fertilizers input. The information was also available in the Monthly Fertilizer Application Report 2017. |
| | 4.2.3 | There shall be evidence of periodic tissue and soil sampling to monitor changes in nutrient status.<br>Minor Compliance | YES | Periodic tissue and soil sampling were carried out in Jeroco 2 CU to monitor changes in nutrient status and its results formed the basis for the fertilizers input recommendation. Foliar sampling were carried out in April 2017 in Kapis Estate by the Hap Seng's Agronomy Department and the foliar analysis were carried out to facilitate the 2016 fertilizer programme.<br>The soil analysis was conducted to provide indication of soil health and monitor the changes in the organic carbon and total nitrogen. Soil sampling for soil T-N, Av-P, Ex-K. Ex-Ca and Ex-Mg was carried out yearly in fields on a 5 year cycle basis and the latest soil analysis was carried out by the Hap Seng's Agronomy Department in June 2017. |
| | 4.2.4 | A nutrient recycling strategy shall be in place, and may include use of EFB, POME and palm residues. Minor | YES | Jeroco 2 CU had a nutrient recycling strategy where palm fronds were properly stacked in the inter row to decompose and EFB were applied in layers around the palm. EFB will help to supplement the inorganic fertilizer thus improving the nutrient status. |
| C 4.3<br>Practices minimise and control erosion and degradation of soils. | 4.3.1 | Maps of any fragile/marginal soils shall be available.<br>Major Compliance | YES | There were no fragile/marginal soils in Kapis Estate. This was concluded from the review of the soil maps sourced from The Soils of Sabah. The soils series in the estate were Kinabatangan, Kretam, Lungmanis, Lokan and Rumidi. |
| | 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 Compliance | YES | Jeroco 2 CU had a management strategy for planting on slopes to minimise and control erosion and degradation of soils. The plantings on slopes was guided by its Oil Palm Agriculture Policy, established in April 1994, last revised October 2014.<br>It was observed in both mature and immature areas that slopes were terraced. The terrain in the estate was mainly flat and undulating with no slopes above 25º. It was observed that practices to minimise and control erosion and degradation of soils were in place through proper stacking of fronds, EFB application, avoidance of blanket spraying, construction terraces, road maintenance and maintenance of soft vegetation in interlines. Cover crop was planted in the replants and in some mature areas. The cover crop *Mucuna bracteata* had been planted along some slopes by management. Large areas with *Neprolepis biserrata* in the inter rows were sighted during the visit. No bare ground was sighted during the visit. |
| | 4.3.3 | A road maintenance programme shall be in place.<br>Minor Compliance | YES | During the field visit, it was observed that the main and field roads of Jeroco 2 CU were in satisfactory condition. The accessibility was made possible through regular maintenance. There was evidence of road maintenance programs which consisted of road resurfacing with grading & compaction and culvert maintenance. |
| | 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 | NA | Not applicable as there were no peat soils in Kapis Estate. |
| | 4.3.5 | Drainability assessments | NA | Not applicable as there were no peat soils in Kapis Estate. |

| | | | | |
|---|---|---|---|---|
| | | 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 | | |
| | 4.3.6 | A management strategy shall be in place for other fragile and problem soils. Minor | NA | Not applicable as there were no peat soils in 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 Compliance | YES | Jeroco 2 CU adopted the HSPHB's Water Management Plan which was reviewed in May 2017. The plan was developed in order to maintain the quality and availability of natural water resources by practicing efficient water consumption through various methods such as minimising wastage of treated water and pollution prevention on natural water sources. In the Water Management Plan, the CU has also identified actions to be taken in the event of water supply shortage such as drought.<br>Workers quarters were provided with separate tanks for rain water harvesting. This water were used for washing. Drinking water were treated prior to usage and were supplied to a separate tank and amount used were monitored. Water from triple rinsing of pesticide containers was reused for spraying. Records of rainfall data to assist in the water management plans were sighted from 2007. |
| | 4.4.2 | Protection of water courses and wetlands, including maintaining and restoring appropriate riparian and other buffer zones shall be demonstrated. Major | YES | The CU has continued to protect the water courses, including maintaining and restoring appropriate riparian buffer zones along all natural waterways within the estate. During the site review at Kapis Estate, it was noted that the assigned buffer zone along Sungai Kretam Besar was left untouched. Sighted also at replanting area, the palm was left untouched as a guidance there is a buffer zone. It was clear that Hap Seng Plantations Holding has the policy to maintain the buffer by restricting agrochemicals application and will be left undeveloped during replanting. There was 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 Effluent Treatment Plant and the treatment plant consist of anaerobic ponds, aerobic ponds, facultative ponds bio-polishing plant, final discharge pond and land irrigation. The operation is 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. The results of analysis were submitted to the DOE on quarterly basis using a prescribed format quarterly report. Online reporting to DOE was sighted and latest report in June 2017. Through verification of this reports, the auditor found that the mill are committed to ensure compliance with the statutory requirement. |
| | 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. The water consumption data for 2015 =1.39 m3/ton FFB, 2016 = 1.28 m3/ton FFB & 2017 = 1.01 m3/ton FFB (until June 2017). |
| C 4.5 Pests, diseases, weeds and invasive introduced species are effectively managed using | 4.5.1 | Implementation of IPM plans shall be monitored. Major | YES | Kapis Estate continued to implement their Integrated Pest Management. These include proper management of pests, disease, weeds and invasive introduced species using appropriate IPM techniques guided by the manual; Pests and Diseases revised in June 2016. The IPM program among others includes pest management of rats, bagworms, nettle caterpillars, rhinoceros beetles and ganoderma. For bagworm control the program includes the planting of beneficial plants such as *Cassia cobanensis, Antigonan leptopus and Turnera subulata* and for rhinoceros beetles is by using |

| | | | | |
|---|---|---|---|---|
| appropriate Integrated Pest Management techniques. | | | | pheromone traps. In order to minimize use of pesticides the estate had planted beneficial plants mainly *Tunera subulata, Cassia cobanensis and Antigonon leptopus* with maps indicating areas planted. 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. Rat baiting campaigns were immediately carried out as the damage of crop by rats was found to be above threshold level of 2%. |
| | 4.5.2 | Training of those involved in IPM implementation shall be demonstrated. Minor | YES | Training related to IPM entitled 'Rat Baiting, Census and Beneficial Plant' was conducted by the Assistant Manager in Kapis Estate in May 2017. Records of training was sighted. |
| 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 Compliance | YES | Jeroco 2 CU continued to use agrochemicals based on its procedure titled Upkeep of Mature oil palm. Written justifications were provided for various fields operations. The manual included a chemical register list which indicates the purpose of usage (intended target), hazards signage, trade and generic names as well as the specific targets and the correct dosage of agrochemicals to be used. All chemicals usage was based on the "need to do basis" to enhance field operations. It was also found that no Class I & II chemicals used in the estate. |
| | 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 | Kapis Estate had records to show the types of pesticides used with active ingredients and their LD50 and where these pesticides had been used, the total quantity, number of applications and active ingredients (ai) per Ha. Pesticides are used only when justified and areas used are recorded in bin cards, program sheets, chemical register and in progress reports. Records of pesticides used were available for verification. |
| | 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 Compliance | YES | As part of the IPM plans, management of Kapis Estate had established beneficial plants nurseries for continuous planting in order to attract natural predators and to reduce use of insecticides. There was no evidence on prophylactic use of pesticides in both estates. |
| | 4.6.4 | Pesticides that are categorised as World Health Organisation Class 1A or 1B, or that are listed by the Stockholm or Rotterdam Conventions, and paraquat, are not used, except in specific situations identified | YES | Jeroco 2 CU only used pesticides that were officially registered under the Pesticides Act 1974 (Act 149) and the relevant provision (Section 53A); and in accordance with USECHH Regulations (2000). There was no evidence of pesticides that are categorised as World Health Organisation Class 1A or 1B, or that are listed by the Stockholm or Rotterdam Conventions, and no paraquat, had been used. |

| | | | | |
|---|---|---|---|---|
| | | 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 exceptional 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 | | |
| | 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 Compliance | YES | Pesticides handlers incuding mixers and sprayers were trained on the handling of the chemicals. Appropriate safety and application equipment were provided and used. Precautions attached to the pesticides were explained to the workers. Sighted sprayers training conducted in Mar & June 2017 entitled "SOP training for chemical handlers" by Estate Assistant, "Trunk injection" by the Estate Senior Assistant and ''PPE handling'' by Estate Assistant conducted in Jan 2017. |
| | 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 acc. to the Occupational Safety and Health Act 1994 (Act 514) and Regulations and Orders, Pesticides Act 1974 (Act 149) and Reg. Major | YES | The chemical stores in both estates were observed to be in compliance with the Occupational Safety and Health Act 1994 (Act 514) as well as in the Pesticides Act 1974 (Act 149) and Regulations. Record of purchase, storage and use were maintained. All of the stores were ventilated, installed with exhaust fan and locked. Only authorized personnel is allowed to handle the chemicals. All the chemicals were stored and segregated accordingly. Except for the class 1b chemical, empty containers of all other pesticides were triple rinsed, holes punched in them and stored separately in the schedule waste store awaiting proper disposal. |
| | 4.6.7 | Application of pesticides shall be by proven methods | YES | Pesticide applications were guided by HSPHB's OPAP manual, CHRA and by MSDS supplied by the manufacturer. The Manual had included a chemical register list which indicates the purpose of usage |

| | | | | |
|---|---|---|---|---|
| | | that minimise risk and impacts. Minor | | (intended target), hazards signage, trade and generic names. The SOP procedure also had written justifications. |
| | 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 | Aerial spraying of pesticide was not practiced by Jeroco 2 CU and there was no evidence to show that any had been carried out. |
| | 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 | The training related to the handling of pesticides were regularly conducted by the management of Kapis Estate to enhance knowledge and skills of employees. The training included the safety aspects and usage of PPE. Sighted sprayers training conducted in Mar & June 2017 entitled “SOP training for chemical handlers” by Estate Assistant, “Trunk injection” by the Estate Senior Assistant and ‘’PPE handling’’ by Estate Assistant conducted in Jan 2017. |
| | 4.6.10 | Proper disposal of waste material, according to procedures that are fully understood by workers and managers shall be demonstrated. Minor | 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. Based on interview with the workers, the procedure is fully understood by them. 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 reused in chemical mixture. Noted that in Kapis Estate, no outbreaks of pest and disease occurred. Therefore, no waste material of pesticides at the Kapis Estate. For chemical drum, the management dispose as a recycle waste. |
| | 4.6.11 | Specific annual medical surveillance for pesticide operators, and documented action to treat related health conditions, shall be demonstrated. Major | YES | Medical Surveillance was carried out by registered OHD from Chong Clinic. |
| | 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 was done by the Medical Assistant on monthly basis. Through inspection of the records, it was confirmed that no pregnant or breast-feeding workers were assigned to carry out jobs involving hazardous pesticides. |
| 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 | YES | Occupational Safety and Health Policy was established and signed by the Chief Executive-Group Plantation on 1 April 2015. The occupational health and safety plan was established and monitored by the Estate Manager and Mill Manager. All the operation related to safety and environments were identified in the OHS plan. The OHS plan was updated on July 2017. The OHS management plan sighted addressed issues related to hazards and risks, legal register and its requirements for compliance, OSH awareness and training program, accident and emergency procedures, treatment of illness/injury during the job, use of PPE, OSH Committee meetings, etc. Generally, the ESH program |

| | | | | |
|---|---|---|---|---|
| The occupational health and safety plan shall cover the following: | | effectiveness monitored. Major Compliance | | noted to be satisfactory. A safety and health plan year 2017 for Kapis estate had been implemented. The plan was presented to the audit team. The plan also covered workplace inspection and aim for zero accident case. The implementation of OSH plan was monitored by internal audits conducted by OSH officers from Sustainability department. |
| | 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 shall be properly observed and applied to the workers. Major | YES | Hazard identification, risk assessment and risk control 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 while for milling operation boiler operation, FFB sterilization, kernel extraction and oil extraction and clarification as well as bio polishing and bio gas plant operation.. Kapis Estate and Jeroco 2 POM have reviewed their HIRARC records in Feb 2017. Appropriate risk control measures had been determined and implemented for the other station in the mill. Most of the moving parts and rotating machinery were installed with machine guarding and properly covered. Appropriate administrative control was sighted with safety signages and SOPs were displayed in the mill processing area. The CHRA report carried out in Dec 2015 by a registered Industrial Hygiene Technician at Kapis Estate was reviewed. At Jeroco 2 POM, CHRA report dated May 2014 was also available. 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 hazardous operations, such as pesticide application, machine operations, and land preparation, harvesting and, if it is used, burning. Major Compliance | 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. |
| | 4.7.4 | The responsible person shall be identified. There shall be records of regular meetings between the responsible person 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 Compliance | YES | Safety and Health Committee organization chart 2017 was established. The appointment letter dated in Feb 2017 were available for all the committee member. Quarterly Safety & Health Committee meeting was held Among issue were discussed are review matter arising from previous minutes, accident statistics, result of workplace Inspection, safety programme & training and other matters. Minutes of meetings conducted by Kapis Estate & JPOM 2, between June 2016 and July 2017 were verified. |
| | 4.7.5 | Accident and emergency | YES | The CU has continued to implement the emergency procedure entitle “Emergency response plan |

<table>
<tr><td></td><td></td><td>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</td><td></td><td>2017”. Include how to handle emergency situation if any chemical spillage, fire and other situation such as flood. Emergency contact no. also are made available. Accident occurrence reporting procedure were established by the safety officer / sustainability executive. First aid training was conducted in April 2017 given by the medical assistant.<br>Accident records were maintained for 2016 and detail of accident case were reported in the ‘Monthly accident key performance indicator (KPI) “. The JKKP 8 were submitted to DOSH. Between Jan – July 2017, the accidents recorded were 8 cases. Noted that there were no serious injury which result for more than 4 day MC.</td></tr>
<tr><td></td><td>4.7.6</td><td>All workers shall be provided with medical care, and covered by accident insurance. Minor Compliance</td><td>YES</td><td>The 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.<br>Sample of foreign workers at Kapis Estate confirmed that they were all covered by a valid insurance.</td></tr>
<tr><td></td><td>4.7.7</td><td>Occupational injuries shall be recorded using Lost Time Accident (LTA) metrics.<br>Minor Compliance</td><td>YES</td><td>Accident statistics are being maintained and periodically reviewed during safety and health committee meeting. The CU will notify DOSH if there is an accident with more than 4 days of MC using JKKP 6 form and annual accident statistic using JKKP 8 form (0/01/17). Accident statistic for the CU is as follows : *LTA : lost time accident
<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>
<tr><td>2016</td><td>nil</td><td>13 cases (18 LTA)</td></tr>
</table></td></tr>
<tr><td>C 4.8<br><br>All staff, workers, smallholders and contract workers are appropriately trained.</td><td>4.8.1</td><td>A formal training programme shall be in place that covers all aspects of the RSPO P&C, and that includes regular assessments of training needs and doc. of the programme. Major</td><td>YES</td><td>Formal training program for 2017 which cover all aspects of RSPO P&C was established. It was developed based on the training needs identification. Regular assessments of the effectiveness training was mainly done to routine supervision by the management. The programme included the type of training and the targeted date. Following was included: Chemical & Spraying Safety Training, Harvesting Training, Manuring Training, First Aid Training, Chemical Handling Training, SOP refresher training, Lab SOP training, PPE training, Chemical sprayer, Fire drill and fire extinguisher, MSDS training, Policy training, Sexual harassment and HCV & wildlife briefing.</td></tr>
<tr><td></td><td>4.8.2</td><td>Records of training for each employee shall be maintained. Minor</td><td>YES</td><td>The records of training were maintained and reviewed during the audit.</td></tr>
</table>

**Principle 5: <u>ENVIRONMENTAL RESPONSIBILITY AND CONSERVATION OF NATURAL RESOURCES AND BIODIVERSITY</u>**

| Clause | Indicators | | Comply Yes/No | Findings |
|---|---|---|---|---|
| C 5.1 | 5.1.1 | An environmental impact | YES | Identification of the environmental aspect and impact at Hap Seng Group of Estate was carried |

| | | | | |
|---|---|---|---|---|
| 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. | | assessment (EIA) shall be documented. Major Compliance | | out by through an Environmental Impact Assessment (EIA). The EIA was carried out by a consultant in 2012. The assessment report contained the identified adverse environmental impacts caused by the estate activities. Among the identified environmental impacts are soil erosion, water pollution, biomass disposal, ecological impact, pest infestation, traffic & transportation, noise pollution, air pollution and waste generation. The same consultant was appointed to conduct the evaluation of compliance against the conditions stipulated in the approval of the EIA, latest evaluation was conducted in June 2016. The CU has established its action plan to address the issues raised. |
| | 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 | The CU 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 2017. 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 2017. 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.<br>At JPOM 2 the "Environment Impact Assessment Management Action Plans for 2016/2017" had also been reviewed in June 2017. 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 fort each operating units. |
| C 5.2<br>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 | 5.2.1 | Information shall be collated in a High Conservation Value (HCV) assessment that includes both the planted area itself and relevant wider landscape-level considerations. Major | YES | The report titled as "Potential High Conservation Value Area Assessment Report of Kapis Estate and Jeroco POM 2" was made available to the auditor. The report was prepared by the Sustainable Unit of Hap Seng. The review of the assessment was carried out and completed in May 2017. Based on the assessment, there was no identified RTE at Kapis estate. Kapis Estate had identified a significant HVC4 which the estate has controlled and maintained the river buffer zone for Sg. Kretam Besar. The natural waterways was estimated to cover a total of 21.3 ha. |
| | 5.2.2 | Where RTE 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 | YES | Kapis estate has established HCV action plan for Sg Kretam Besar river titled 'Potential HCV areas Management Action Plans'. The estate planned to maintain the riparian reserve by:<br>• Prohibiting the cutting down of the tree at the area,<br>• Prohibiting of manuring and spraying operation at the riparian reserve area<br>• Workers are constantly informed not to encroach into the riparian reserve and disturb the area |

<table>
<tr><td rowspan="4">operations managed to best ensure that they are maintained and/or enhanced.</td><td></td><td>implemented through an action plan. Major Compliance</td><td></td><td>• Periodic visit to the riparian reserve to monitor any illegal activities</td></tr>
<tr><td>5.2.3</td><td>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 Compliance</td><td>YES</td><td>Kapis estate has conducted training on HCV and wildlife for the staffs and field workers in June 2017. The CU has also established a disciplinary measures titled ‘Disciplinary Measures Against Any Activities Involved with Rare Threatened & Endangered Species (RTE) / Tindakan Terhadap Sebarang Aktiviti Melibatkan Haiwan Terancam (RTE)’ dated in the same month.</td></tr>
<tr><td>5.2.4</td><td>Where an action plan has been created there shall be ongoing monitoring:<br>• The status of HCV and RTE species that are affected by plantation or mill operations shall be documented and reported;<br>• Outcomes of monitoring shall be fed back into the action plan. Minor</td><td>YES</td><td>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 monitor including any illegal activities. The CCTV is in operation on 24hours. Latest monitoring for HCV area, Sg. Kretam Besar has been conducted by Kapis estate June & July 2017. The monitoring activities was recorded in the Inventory Checklist HCV & RTE Monitoring.</td></tr>
<tr><td>5.2.5</td><td>Where HCV set-asides with existing rights of local communities have been identified, there shall be evidence of a negotiated agreement that optimally safeguards both the HCVs and these rights. Minor</td><td>YES</td><td>There are no local communities living nearby with Jeroco 2 CU. So, this indicator was not applicable to this CU.</td></tr>
<tr><td>C 5.3<br>Waste is reduced, recycled, re-used and disposed of in an environmentally and socially responsible manner.</td><td>5.3.1</td><td>All waste products and sources of pollution shall be identified and documented.<br>Major Compliance</td><td>YES</td><td>Kapis estate has been established a ‘List of Waste Generated For Estate’. The list was updated in June 2017. Among the identified wastes included the organic waste, domestic waste, digestive waste/faecal matter, was oil from maintenance oil of oil trap, 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 described as follows :
<table>
<tr><td>Mill processes /Activity</td><td>Waste and source of pollution</td></tr>
<tr><td>Pressing/Depericarping</td><td>shell & fibre</td></tr>
<tr><td>Threshing</td><td>EFB</td></tr>
<tr><td>Oil recovery</td><td>Decanter cake /slurry/ sludge discharge</td></tr>
</table>
</td></tr>
</table>

| | | | | |
|---|---|---|---|---|
| | | | | <table><tr><td>Hydrocyclone/Claybath</td><td>Wet shell and clay bath discharge water</td></tr><tr><td>Cleaning</td><td>Cleaning water</td></tr><tr><td>Maintenance</td><td>Used oil, oil filters and other type of scheduled wastes</td></tr><tr><td>Boiler and genset operation</td><td>Clinker stone, smoke and particulate emission</td></tr><tr><td>POME (palm oil mill effluent)</td><td>POME liquor and solid sludge</td></tr></table> |
| | 5.3.2 | All chemicals and their containers shall be disposed of responsibly. Major Compliance | YES | The CU continues to implement that, 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 | The CU have continued and 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<br>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.<br>Minor Compliance | YES | The CU have established the plan on efficient used 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 use of bio gas engine. While mill continued to use fibre and shell as boiler fuel. The management is monitoring the use of the fossil fuel and the renewable energy on monthly basis. |
| C 5.5<br>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 *'Guidelines for the Implementation of the ASEAN Policy on Zero Burning' 2003*. Major Compliance | YES | The Jeroco 2 CU adhered to the policy as per the HSPHB Oil palm Agricultural Policy Manual and Safety Procedure which advocates zero burning and all previous crop should be felled, chipped/shredded, 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 *'Guidelines for the Implementation of the ASEAN Policy on Zero Burning' 2003*.<br>Minor Compliance | YES | There was no evidence that fire had been used to prepare land for replanting in Kapis Estate. There was also no evidence of open burning in all the replants visited in Jeroco 2 CU. No fire was used for waste disposal. |
| C 5.6<br>Preamble<br>Growers and millers commit to reporting on operational GHGs. | 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 | The CU 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. It was noted that the action plan was reviewed in June 2017. |
| However, it is | 5.6.2 | Significant pollutants and | YES | The environmental aspects associated with the air pollution have been identified and action plan |

| | | | | |
|---|---|---|---|---|
| recognised that these significant emissions cannot be monitored completely or measured accurately with current knowledge and meth. It is also recognised that it is not always feasible or practical to reduce or minimise these emissions.<br>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.<br>Plans to reduce pollution and emissions, incl. GHGs are developed, implemented and monitored. | | greenhouse gas (GHG) emissions shall be identified, and plans to reduce or minimise them implemented.<br>Major Compliance | | has been established. This document was reviewed in June 2017. Among the action plan included the regular maintenance and servicing of the generator set.<br>The GHG emission has been included in the CU's Environmental Impact Assessment. The construction of bio polishing plant and biogas plant has been completed by end of 2016. Written Approval for the construction of the both plants from DOE was verified. |
| | 5.6.3 | A monitoring system shall be in place, with regular reporting on progress for these significant pollutants and emissions from estate and mill operations, using appropriate tools.<br>Minor Compliance | YES | The CU has been using the RSPO's PalmGHG calculator for calculating its GHG emission. The CU has also submitted its calculation report to RSPO Secretariat for review by the Emission Reduction Working Group. Based on the PalmGHG summary report, it was noted that for Kapis estate, the final emissions value per product for CPO was 1.61 $tCO_2e$/tCPO and for PK 1.61 $tCO_2e$/tPK, while for JPOM 2 the final emissions value per product for CPO was 1.43 $tCO_2e$/tCPO and for PK 1.43 $tCO_2e$/tPK. |

**Principle 6: <u>RESPONSIBLE CONSIDERATION OF EMPLOYEES AND OF INDIVIDUALS AND COMMUNITIES BY GROWERS AND MILLERS</u>**

| Clause | Indicators | | Comply Yes/No | Findings |
|---|---|---|---|---|
| C 6.1<br>Aspects of plantation and mill management that have social | 6.1.1 | A social impact assessment (SIA) including records of meetings shall be documented.<br>Major Compliance | YES | The social impact assessment report for Jeroco CU's estate and mill was prepared by the Sustainability Team and completed in July 2017. The SIA report presented the estates' and mill's background information, labour policies, grievance procedures, sexual harassment policies, facilities and amenities offered by the estates, and the social impact assessment procedures and |

| | | | | |
|---|---|---|---|---|
| impacts, including 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. | | | | results.<br>List of stakeholders was updated in June 2017. All neighbouring estates were included in the lists. All the SIA information was updated and each of issues was identified and discussed them in their respective report. |
| | 6.1.2 | There shall be evidence that the assessment has been done with the participation of affected parties. Major Compliance | YES | Appendix 2,3 and 4 'List of Participation during the 5th JCC Stakeholder Consultation 2017' of the SIA report dated in July 2017 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 person in charge 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 in 2yrs 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 by the CU in July 2017. The stakeholders meeting has been conducted with participation of affected parties such as government agencies, smallholders, contractors and suppliers. |
| | 6.1.5 | Particular attention shall be paid to the impacts of smallholder schemes. Minor Compliance | YES | There was no smallholder scheme at the CU. Only third party FFB supplier send their FFB to Jeroco 2 POM. |
| C 6.2<br>There are open and transparent methods for comm. & consultation between growers and /or millers, local communities & other affected or interested parties | 6.2.1 | Consultation and communication procedures shall be doc. Major | YES | Auditor has verified consultation and communication mechanisms such as 'Prosedur Memohon Maklumat Syarikat, and Grievances Procedure and 'Prosedur Melapor Aduan dan Permasalahan updated in March 2017 were made available at Jeroco 2 POM and Kapis Estate. |
| | 6.2.2 | A mgmt 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 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 input from | 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 2017 at Kapis Estate stakeholders meeting has been conducted with participation of affected parties such as government agencies, smallholders, contractors, FFB suppliers, contractors, mill's part suppliers, neighboring estate, Humana, SK Jeroco, Sabah Forestry Department, PDRM, Wildlife Department and Immigration Department. |

| | | | | |
|---|---|---|---|---|
| | | stakeholders, maintained. Minor | | |
| C 6.3<br>There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all affected parties | 6.3.1 | The system, open to all affected parties, shall resolve disputes in an effective, timely and appropriate manner, ensuring anonymity of complainants and whistle-blowers, requested. Major Compliance | YES | The estate and mill have developed procedures to handle grievances and disputes titled as 'Procedure for reporting complaints and grievances and 'Grievances Procedure' for staffs and worker. The company also developed procedure named '' Mekanisme Melindungi Pengadu Terhadap Tatacara tidak Wajar (Whistleblower)'' in Dec 2016 to protect the complainants. |
| | 6.3.2 | Documentation of both the process by which a dispute was resolved and the outcome shall be available. Major Compliance | YES | Complaints on housing and other services were usually entered into record books. The records included the name of the person who complaint, his address, date, and type of service required. The latest complaint in July 2017 on broken lamp at the worker's quarters JPOM 2 was verified. Noted that the management has repaired immediately. At Kapis Estate, latest complaints in july 2017 was regarding broken mosquito net and management has repaired it accordingly. |
| C 6.4<br>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 Compliance | YES | HSPHB has developed procedures to deal with land disputes, squatter disputes, and loss of legal and customary rights. In the case of boundary disputes, the procedure requires the estate management and the disputing party to negotiate, first, failing which the case will have to be referred to the Headquarters for further negotiation. If negotiation fails, the case will be brought to court for arbitration. Squatter disputes will be handled either by the Employee Relations Department or the Compliance Department depending on whether it involves on-land disputes or former workers staying in estate quarters. Actions will normally be in the form of negotiation or legal proceedings or both. |
| | 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.<br>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.<br>In addition to the above procedures, the Sabah Land Ordinance (SLO) 1930 provides for ways which natives can have titles and rights to lands and who should be compensated if losses are incurred. Land titles can be awarded to natives under sections 9, 15, 76 and 78 of the SLO. Compensation can be paid under section 16 of the Ordinance. Therefore, there exists a legal framework against which the estates have to operate when it involves customary lands rights and determination of compensations. |
| | 6.4.3 | The process and outcome of any negotiated agreements and compensation claims shall be documented, with evidence of the participation of affected | YES | According to the CU's management and record, there was no any dispute on land or squatters. This was verified during the audit. |

| | | | | |
|---|---|---|---|---|
| | | parties, made publicly available. | | |
| C 6.5<br>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.<br>Major Compliance | 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 (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc.) shall be available in the languages understood by the workers or explained carefully to them by a management official.<br>Major Compliance | YES | Every staff or worker has signed a contract of employment upon joining the estate or the mill. As required by the Sabah Labour Ordinance, pay and work conditions were spelled out in this contract which was signed by the workers or staffs. The contracts also included the period of employment, wage rate, work benefits, overtime, annual leave and public holidays and the paid daily salary was stated in the contract guided by Minimum Wages Order 2016 has clearly spelled in the contract and was understand and signed by workers, |
| | 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 Compliance | 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. Nonetheless, there have been regular requests for repairs as shown in the *borang aduan* for repairs.<br>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.<br>JPOM2 & Kapis estate has conducted housing inspection weekly. It can be confirmed that the practice meets the Workers' Minimum Standard of Housing and Amenities Act 1990 (Act 446) – Regulation 23. |
| | 6.5.4 | Growers and millers shall make demonstrable efforts to monitor and where able, improve workers' access to adequate, sufficient and affordable food.<br>Minor Compliance | YES | There is one grocery shop named Chain Chun Pau 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 2017. |
| C 6.6<br>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 | 6.6.1 | A published statement in local languages recognising freedom of association shall be available.<br>Major Compliance | YES | Kapis estate and Jeroco 2 POM have Policy on freedom of association dated in March 2016 and signed by CEO. As a matter of fact, the SIA report did mention that the company respects the right of workers to be unionized. Such statements are available in local languages as required by the standards. This policy has been brief to workers at JPOM 2 and Kapis Estate in May 2017.<br>Hap Seng Plantations Holdings Berhad has circulated a memo to all of its estates and mills in January 2015. The CU has allowed their employee to establish and join union. |
| | 6.6.2 | Minutes of meetings with main | YES | The workers in the estate and mills Jeroco 2 CU are not unionized. Furthermore, there is no |

| | | | | |
|---|---|---|---|---|
| freedom of assoc and collective bargaining are restricted under law, the employer facilitates parallel means of independent & free assoc and bargaining for all such personnel. | | trade unions or workers representatives shall be documented.<br>Minor Compliance | | formal organization formed among the workers to discuss related work or social matters. Nonetheless, a Joint Consultative Committee has just been formed to serve as a platform for the discussion of such issues. This JCC comprises of the estate management, field supervisors, *mandores*, drivers and clerk. JCC meeting has been held in June 2017 at Kapis Estate and at Jeroco 2 POM in April 2017. The minutes of the meeting revealed that the scope of issues discussed in the meeting is fairly wide covering work safety, social issue and housing matters. The meeting was attended by employer, local workers and foreign workers as verified through the meeting minute. Among the issues discussed were crime, security, basic amenities, sexual harassment etc. |
| C 6.7<br>Children are not employed or exploited. | 6.7.1 | There shall be documentary evidence that minimum age requirements are met.<br>Major Compliance | 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 found no workers below age was hired. Inspections of the Employee Master list at Kapis estate and Jeroco 2 POM also found no workers below 18 years were recruited to work in the estate/mill.<br>Verification through employment card and copies of passports of foreign workers as at January 2017 for the JPOM2 total of workers including local and foreign workers are 37 workers and for Kapis Estate with total of workers about 190 confirmed that there was no record of persons under age of 18, the minimum working age under Malaysian Labor Laws (Am. Act A238). |
| C 6.8<br>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 | The Equal Opportunity Policy (dated in March 2016) is publicly available in the estates and POM. The policy statements emphasize on worker information, recruitment and selection, training, employee development, based on business needs, terms of service and records of service. This policy is posted on notice boards in Bahasa Malaysia and English for the understanding of the public and workers. |
| | 6.8.2 | Evidence shall be provided that employees and groups including local communities, women, and migrant workers have not been discriminated against.<br>Major Compliance | YES | Interviews with Woman and foreign workers at the Jeroco 2 POM and Kapis Estate revealed that there is no evidence of discrimination based on race, gender or national origin or any other factors. As shown in the employment letter, there are no differences in the terms of employment between foreign and local workers or between male and female workers. Foreign workers and local workers received similar pay rate, stay in the same house, and enjoy similar medical benefits as their local counterparts. Interviews also revealed that there is no discrimination on any bases in the estates/mill. However, due to government policies, education opportunities differ between local and foreign children. |
| | 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.<br>Minor Compliance | YES | Recruitment and promotion observed were according to legal and industry standard as well as the CU criteria, including skills and medical fitness, Auditor has verified medical fitness record of new employee for position as Weighbridge Operator at JPOM 2. The recruitment and hiring process was based on education qualification and interview with manager. No issues concerning recruitment or promotion observed, which acknowledged by employees interviewed. Also auditor has verified Job Advertisement from JPOM2 that they require Weighbridge Operator. All the requirement are follow the job skills, job scope and education qualification. |
| C 6.9<br>There is no harassment or abuse in the work place, and reproductive rights | 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 titled "*Policy on The Prevention and Eradicztion of Sexual Harassment in the Workplace*" 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 |

| | | | | |
|---|---|---|---|---|
| are protected. | | | | women and men workers during morning musters. Official training has been conducted and during the interview with General Workers field workers from Indonesia and Philippines revealed that they understood the policy and the procedure.<br>Jeroco 2 POM and Kapis Estate have formed a Gender Committee which is responsible for organizing relevant activities and programmes. The committees have met at least once since its formation and have just started to organize some activities for the members, for example at Kapis Estate last meeting was held on 29 June 2017 were conducted and for Jeroco 2 POM on 10 June 2017 and all the minutes meetings were made available. The sexual policy and flowchart for handling social issues have been explained to all level of workforce during the Gender Committee meeting. |
| | 6.9.2 | A policy to protect the reproductive rights of all, especially of women, shall be implemented and communicated to all levels of the workforce.<br>Major Compliance | YES | A policy to protect women reproductive rights titled 'Policy on Reproductive Rights' dated in September 2015 was made available at Kapis estate and Jeroco 2 POM. The policy and procedure were briefed to all levels of the workforce. |
| | 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.<br>Minor Compliance | YES | The estate and mill have developed procedures to handle grievances and disputes dated in Dec December 2016 to protect the complainants The HSPSB has the procedures for reporting sexual harassment assigning the responsibilities for action as well as the timelines involved. Appendix 1 of the guidelines shows the flow chart reporting sexual harassment cases. There has been no report on sexual harassment in the estates/mill.<br>Personnel & Administration Policy – Sexual Harassment ; Guideline / Procedure – Sexual Harassment. The guideline has stated clearly that the complainants should not reveal to third party. |
| C 6.10<br>Growers and millers deal fairly and transparently with smallholders and other local businesses. | 6.10.1 | Current and past prices paid for FFB shall be publicly available.<br>Minor Compliance | YES | It was observed that the JPOM2 has displayed the current and past FFB prices from Jan 17 until to date (Aug 17) at their 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. Major Compliance | YES | During the audit, interviews were made with contractors, machineries upplier and FFB suppliers to understand the business relationships between them and the CU.<br>Auditor has verified Contractor Job Contract, tax invoice and Contractor Completion Certificate for the contractbetween Thien Engineering and Jeroco Plantations Sdn Bhd (JPOM2).<br>The purchase of FFB is covered by a written contract signed by both parties, namely the estate and the supplier.The FFB calculation has been informed to third party FFB supplier as stated in the agreement titled 'Oil Palm Fruit Purchase Agreement'. One of the item in the agreement is on the purchase price of FFB which is determined by a formula. This formula is applicable to any party selling FFB to the mills. They have been quite happy with the price paid for their fruits which the price rate followed the MPOB directive. |
| | 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. | YES | All of the contractors interviewed have been involved in short-term works, all contractors interviewed were understand content in the agreement with JPOM 2. The short-term works such as maintenance of mill parts are covered by Minor Job Contracts (MJC). The MJC spells out the types of works to be done, their costs and certain job conditions and is signed by the estates/mill and the contractor. Interviews with suppliers and contractors, machinery suppliers and FFB |

| | | | | |
|---|---|---|---|---|
| | | Minor Compliance | | suppliers revealed that the estates/mill treat them quite well. The contracts are amenable to changes, particularly on the timing on job completion. They usually received their payments in the form of cheques the following month after the job was done. |
| | 6.10.4 | Agreed payments shall be made in a timely manner. Minor Compliance | YES | Payments observed were paid in timely manner, which were within 60 days of submission of invoice. Payments were in the form online banking into account. Auditor has verified quotation, and invoice that have been issued by contractor. All the interviewed suppliers and contractors mentioned that, in the past, payment has been made very promptly. The records of payments seen testify that the contractors/suppliers have been paid on time. |
| 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 Compliance | YES | Not Applicable since 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 verification of their passport, contract agreements and work permit, interview with local and foreign workers – men and women (sprayers, harvesters and general workers) at Kapis estate and Jeroco 2 POM, confirmed that there was no forms of forced or trafficked labour used. |
| | 6.12.2 | Where applicable, it shall be demonstrated that no contract substitution has occurred. Minor Compliance | 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 Compliance | 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. Procedure for employment of foreign workers was also established and available at Kapis Estate and Jeroco 2 POM. |
| C 6.13 Growers and millers respect human rights | 6.13.1 | A policy to respect human rights shall be documented and communicated to all levels of the workforce and operations. Major Compliance | YES | Human Rights policy was made available at Kapis estate and Jeroco 2 POM. The policy has been communicated to staffs and workers during morning muster and training. |
| | 6.13.2 | As long as children of foreign workers in Sabah & Sar ineligible to attend government school, the plantation comp should engage in a process to secure these children access to | YES | Kapis estate and Jeroco 2 POM have provided Humana School for foreign workers' children for Education and also Creche Ayah to take care of their toddlers during working hours without any fee. |

| | | | | |
|---|---|---|---|---|
| | | education as a moral obligation. | | |

**Principle 7: RESPONSIBLE DEVELOPMENT OF NEW PLANTINGS**

Jeroco 2 CU has no plan for any new planting and no new development of area was observed during the visit. Auditors has verified through www.globalforestwatch.com , GOOGLE Maps Data, Estate Maps and also through site visit that the CU has no new planting and no new development of area was observed, Therefore this indicator was not applicable.

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

| Clause | Indicators | | Comply *Yes/No* | Findings |
|---|---|---|---|---|
| C 8.1<br>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.<br>As a minimum, these shall include, but are not necessarily be limited to:<br>Major Compliance | | |
| | a) | Reduction in use of pesticides(Criterion 4.6); | YES | Generally, the Jeroco 2 CU is committed to reduce the usage of pesticides by implementing appropriate IPM techniques such as increase in the planting of beneficial plant mainly *Tunera subulata, Cassia cobanensis* and *Antigonon leptopus*. Soft weeds and *Nephrolepis bisserata* were maintained and encouraged in the inter rows. This was to supress growth of noxious weeds and thus reduce use of pesticides for selective weeding.<br>Mills waste such as EFB were used as fertilizer in the field thus using less inorganic fertilizer.<br>Other improvement plans to minimize chemical usage were by practicing only circle and selective spraying and soft vegetations were maintained in the field upkeep.<br>In the replants in Kapis Estate, application of EFB in circles around the palm base in addition to the other benefits was also to reduce weeds in the palm circles. Covers crops were also planted in the inter rows. Merit Point System (MPS) completion improvised to motivate staffs for ensuring good agricultural practices are complied with. |
| | 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 (GHG) emissions (Criteria 5.6 and 7.8); | YES | Pollution and Greenhouse gas (GHG) emission are being monitored. Palm GHG system is being used to accumulate data related GHG emission. Verified the 'Palm GHG' data for 2016 has been compiled and the report has been submitted to RSPO GHG department and submission |

| | | | | |
|---|---|---|---|---|
| | | | | correspondence verified. |
| | 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 (SK Jeroco), etc. |
| | f) | Encourage optimising the yield of the supply base | YES | As Jeroco 2 CU is part of a well-established organisation, Hap Seng Plantations Holdings Berhad, the yield performance has always been the top priority in ensuring long-term economic and financial viability. In general, various efforts had been done to optimise the yield of the plantation such as maximising crop recovery through improve on accessibility to maximise crop evacuation, optimum ripeness standard (harvest ripe bunches only and 100% loose fruit collection), the soil fertility were maintained inclusive of timely and proper fertilizer application and planting only high yielding planting material such the clonal material. |

**Attachment 4**

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

| P & C Indicator | Specification *Major/Minor* | Detail Non-conformances | Corrective Action Taken by the CU and Verification by Auditors |
|---|---|---|---|
| Indicator 2.1.1 | Major | **#NCR No : MZK 01 2017**<br>**Finding** :<br>Non-compliance with Industry Code of Practice for Working in a Confined Space Area, 2010<br>**Objective evidence :**<br>No health surveillance (2 years once) was conducted personnel performing the entrance to confined space as per requirement at Jeroco 2 POM. | **Corrective Action:**<br>- JPOM2 has sent all the Authorized Competent Entrance Standby person for working in confine space to undergoes Health surveillance in order to get health declaration from Occupational Health Doctor (OHD) on 4th August 2017<br>- The Health Surveillance program for Authorize Entrance Standby Person will be included in the yearly Occupational Safety and Health Plan (OSH Plan) so that JPOM2 Management aware and not miss out the period of Authorize Entrance Standby Person for working in confine space to undergoes the Health Surveillance in order to get health declaration from Occupational Health Doctor which is valid for two years (1 times in every 2 years).<br>- During renewal of the Authorized Entrance Standby Person (AESP) working in confine space certificate, all of personnel working in confined space will attend the confined space refresher training by qualified trainer in order gain more knowledge regard on the industry code of practice for working in a confine space.<br>**Auditor Verification:**<br>Auditor has received health surveillance report dated 4 August 2017 for Authorized Competent Entrance Standby person working in confine space. The report indicated that the personnel are fit to work in the confined space. **Status: Closed.** |
| Indicator 4.1.2 | Minor | **#NCR No : RA01 2017**<br>**Finding:**<br>There are inconsistent implementation of scheduled waste management related to scheduled waste inventory i.e. fifth scheduled.<br>**Objective evidence:**<br>Kapis Estate and Jeroco mill 2 :<br>Certain information related to waste handling (i.e. quantity, method of waste handling & place) was not accurately fill up. Sighted the 5th scheduled inventory record for the month of April 2017, May 2017 and June 2017. | **Corrective Action:**<br>- Immediately to fill up the information related to waste handling (i.e. quantity, method of waste handling & place) inside 5th Schedule<br>- The Schedule Waste Competent Person and Sustainability Executive will closely monitor the eSWIS 5th Schedule Inventory every month so that Kapis Estate and JPOM 2 Management aware and will accurately fill up any information related to waste handling inside 5th Schedule.<br>**Auditor Verification:**<br>Corrective action plan accepted.<br>**Status: The effectiveness of the corrective action will be verify during next audit.** |

**Attachment 5**

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

| Item No | Requirement NOV 2014 | Findings<br><br>Standard Nov 2014 |
|---|---|---|
| **E.1**<br>E.1.1 | **Defination**<br><br>To verify :<br><br>a) the volume of certified and uncertified FFB entering the mill<br><br>b) the volume sales of RSPO certified<br><br>The claim only the volume of oil palm products produced from processing of the certified FFB as MB | **Actual (July 2016 – June 2017)**<br><br>MT<br>a) FFB Received and processed **65,689.31**<br>RSPO 3,497.16<br>Non-RSPO 62,192.15<br><br>CPO Production **13,420.32**<br>**PK Production** **2,883.76**<br><br>b) Delivery of CPO **13,420.32**<br>RSPO(MB) 0<br>Non-RSPO 13,420.32<br>Delivery of PK **2,883.76**<br>RSPO (MB) 47.28<br>Non-RSPO 2,836.78 |
| E 2<br><br>E..2.1 | **Explanation**<br><br>Estimate total tonnage of CPO and PK potentially produce in a year. | **Projection (July 2017 – June 2018)** MT<br><br>(1) FFB Received 106,989.00<br>RSPO 35,500.00<br>Non-RSPO 71,489.00<br><br>(2) FFB Processed 106,989.00<br>RSPO 35,500.00<br>Non-RSPO 71,489.00<br><br>(3) CPO Production **22,329.00**<br><br>(4) PK Production **5,056.00**<br><br>(5) Delivery of CPO **22,329.00**<br>RSPO(MB) 22,329.00<br>Non-RSPO 0.00 |

| | | |
|---|---|---|
| | | (6) Delivery of PK **5,056.00**<br>RSPO (MB) 5,056.00<br>Non-RSPO 0.00 |
| E. 2<br>E 2.2 | **Explanation**<br>The mill must also meet all registration and reporting requirements for the appropriate supply chain through the RSPO supply chain managing organiztion (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. The transaction as per verified data. |
| **E 3**<br><br>**E 3.1** | **Documented procedures**<br>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:<br>a) Complete and up to date procedures covering the implementation of all the elements in these requirements<br>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. | The mill has continued to implement the following procedure :<br>a) Procedures are available entitled ""Standard Operating Procedures for Traceability" [Doc. No. SOP/COC/001 to 005 – i.e. 5 chapters, Issue No. 02 , Revised dated 30/11/2015]<br>• 001 – CSFFB, SCPO & CSPK Traceability System – Chain of Custody<br>• 002 – Harvesting and Loading of Fresh Fruit Bunch<br>• 003 – Delivery and Reception of CSFFB, In-House and Non In-house FFB<br>• 004 – Dispatch of CSPO and CSPK from the Mill to the Refinery/Bulk Transit Installation/ Revised on 30/12/2016 - add "Mill executive / Mill Lab assistant/ Sustainability personnel and the driver will then jointly inspect the vehicle before loading of CSPO<br>• 005 – Monitoring of CSPO and CSPK sales<br>The person having overall responsibility for and authority over the implementation and compliance of the supply chain requirements is the Mill Manager [procedure SOP/COC/003 Section 3.1.8]. |
| **E 3.2** | The facility shall have documented procedures for receiving and processing certified and non-certified FFBs. | Receiving of certified & non certified FFB is described in SOP/COC/003 Section 5.4 to 5.12 while processing of certified & non certified FFB is described in SOP/COC/003 section 5.13 to 5.16 |
| **E.4**<br><br>E.4.1 | **Purchasing and goods in**<br>The site shall verify and document the volumes of certified and non-certified FFBs received. | The mill continued to receive certified FFBs from it's own estate (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 including from First Raintree Sdn Bhd , Bukit Kretam Sdn Bhd, Sangi Enterprise Sdn Bhd, Casem Sdn Bhd, Chua Soon Lee , Harus Abadi Sdn Bhd and Lebijaya Sdn Bhd.<br>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.<br>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). |
| **E 4.2** | The site shall inform the CB immediately if there is a projected overproduction. | Based on the record production record and etrace transaction was confirmed no overproduction of CSPO and CSPK. |

| | | |
|---|---|---|
| **E.5**<br>E.5.1 | **Record keeping**<br><br>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.<br><br>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.<br><br>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) Mill 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'.<br>b) For the period from July 2016 to June 2017, mill 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.<br>c) The Mass Balancing Record for Oil Mills – JPOM 2 indicated both positive balances for the certified CPO and palm kernel.<br>Randomly 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).<br>With respect to the delivery of PK, randomly 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). |
| **E 5.2** | 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. |
| **E.6**<br>E.6.1 | **Claims**<br>The facility shall only make claims regarding the use of or support of RSPO certified oil palm products that are in compliance with the RSPO Rules for Communications and Claims. | The mill has aware on the requirements of RSPO Rules for Communications and Claims. |

**Attachment 6**

## Status of Non-conformities Previously Identified

| P & C Indicator | Specification Major/Minor | Detail Non-conformances | Corrective Action | Verification by Assessor |
|---|---|---|---|---|
| Indicator 6.5.2 | Major | **#NCR No : MRS 01 2016**<br>Non-compliance against the Minimum Wages Order 2016 which shall be paid not less than RM35.38/day or RM920/month.<br>At Kapis Estate, auditor has found that wages per day for 4 sprayer workers (#10592, #01262,#71136 and #00234) as stated in the contracts of employment was RM 30.77 per day | 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.<br>2. Increased clerical manpower to manually update the employment contract is there any new minimum wages to be implemented in the future<br>**Auditor Verification:**<br>1. Auditor has received adjustment Contract for 4 sprayer workers that comply with the Minimum Wages Order 2016. | The workers employment contract immediately updated as per new minimum wages order 2016 and included the period of employment, wage rate, work benefits, overtime, annual leave and public holidays and the paid daily salary was stated in the contract guided by Minimum Wages Order 2016 has clearly spelled in the contract and was understand and signed by workers.<br>**Status: Closed** |
| Indicator 6.10.3 | Minor | **#NCR No : MZK 01 2016**<br>The FFB supplier interviewed did not understand contract agreement with JPOM 2<br>Interviewed with Representative from Lebijaya Sdn Bhd and Bukit Kretam Sdn Bhd they did not understand content in the agreement between them and Jeroco Plantation Sdn Bhd. | 1. The refresher briefing is immediately conducted by mill management to the smallholder representative on the contractual agreement.<br>2. Mill management provide sufficient briefing to the outgrower/smallholder at 6 monthly basis.<br>**Auditor Verification:**<br>Corrective action plan accepted. | All of the contractors interviewed have been involved in short-term works, all contractors interviewed were understand content in the agreement with JPOM 2 and Interviews with suppliers and contractors and FFB suppliers revealed that the estates/mill have brief them quite well regarding the contract<br>**Status: Closed** |

**Attachment 7**

## Time-bound Plan

| No. | CU | Location | Date of Certification | Valid until | CAB & Certificate No. |
|---|---|---|---|---|---|
| 1 | Hap Seng Plantations (River Estates) Sdn Bhd – Sg Segama Group Of Estate & Bukit Mas Palm Oil Mill | Lahad Datu | 24/05/2012 | 23/5/2017 | PT TUV Rheinland 824 502 14016 |
| 2 | Jeroco Plantations Sdn Bhd Jeroco Palm Oil Mill 1 | Lahad Datu | 27/09/2013 | 26/09/2018 | SIRIM QAS RSPO 0018 |
| 3 | Jeroco Plantations Sdn Bhd Jeroco Palm Oil Mill 2 | Lahad Datu | 27/09/2013 | 26/09/2018 | SIRIM QAS RSPO 0028 |
| 4 | Hap Seng Plantations (River Estates) Sdn Bhd - Tomanggong Group Of Estates | Lahad Datu | 9/01/2015 | 8/01/2020 | SIRIM QAS RSPO 0024 |
| 5 | Kawa Estate and Hap Seng Estate, Hap Seng Plantations (Ladang Kawa) Sdn Bhd | Tawau | 16/10/ 2015 | 15/10/2020 | PT TUV Rheinland 824 502 15028 |
| 6 | Pelipikan Estate | Kota Marudu | 2019 (target) | - | - |