



PUBLIC SUMMARY REPORT

INITIAL RSPO CERTIFICATION ASSESSMENT

SIME DARBY PLANTATION Sdn Bhd

Management Unit SOU26

Sandakan, Sabah, Malaysia

Report Author

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1.0	SCOPE OF CERTIFICATION ASSESSMENT.....	1-4
1.1	National Interpretation Used	1
1.2	Certification Scope	1
1.3	Location and Maps.....	1
1.4	Description of Supply Base.....	1
1.5	Date of Plantings and Cycle.....	1
1.6	Other Certifications Held	1
1.7	Organisational Information/Contact Person	1
1.8	Time Bound Plan for Other Management Units	4
1.9	Area of Plantation	4
1.10	Approximate Tonnages Certified.....	4
1.11	Date Certificate Issued and Scope of Certificate.....	4
2.0	ASSESSMENT PROCESS	4-6
2.1	Certification Body	4
2.2	Qualifications of Lead Assessor and Assessment Team	4
2.3	Assessment Methodology, Programme, Site Visits.....	5
2.4	Stakeholder Consultation and List of Stakeholders Contacted	5
2.5	Date of Next Surveillance Visit	6
3.0	ASSESSMENT FINDINGS.....	6- 16
3.1	Summary of Findings.....	6
3.2	Detailed Identified Nonconformities, Corrective Action and Auditor Conclusions	13
3.3	Noteworthy Positive Components	14
3.4	Issues Raised by Stakeholders and Findings with Respect to Each Issue	15
3.5	Acknowledgement of Internal Responsibility and Formal Sign-off of Assessment Findings	16

LIST of TABLES

1	Mills GPS Locations	1
2	Estates FFB Production	1
3	Age Profile of Planted Palms	1
4	Estates and Areas Planted.....	4

LIST of FIGURES

1	SOU 26 Location Map.....	2
2	Layout of Estates.....	3

LIST of PLATES

1	Bird Sanctuary at Sentosa Estate.....	14
2	Kindergarten for Worker Children.....	15

List of Appendices

A	Time Bound Plan for other Management Units
B	SOU 26 RSPO Certificate Details
C	Certification Assessment Plan

SUMMARY

BSi Management Systems Singapore Pte Ltd (BSi) has conducted an assessment of Sime Darby Plantation Sdn Bhd Management Unit SOU26 operations comprising a mill, oil palm estates, support services and infrastructure. BSi concludes that SOU26 operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY-NI Indicators and Guidance 2008.

BSi recommends that SOU26 be approved as a producer of RSPO Certified Sustainable Palm Oil.

ABBREVIATIONS USED

CPO	Crude Palm Oil
EHS	Environmental Health & Safety
EFB	Empty Fruit Bunch
FFB	Fresh Fruit Bunch
HCVs	High Conservation Values
IPM	Integrated Pest Management
JCC	Joint Consultative Committee
LTAs	Lost Time Accidents
MSDSs	Material Safety Data Sheets
OHS	Occupational Health and Safety
PK	Palm Kernel
PPE	Personal Protective Equipment
SOPs	Standard Operating Procedures
TQEM	Total Quality Environmental Management

1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 National Interpretation

The operations of the mill and its supply base of FFB were assessed against the Malaysian National Interpretation (MY-NI : 2008) of the RSPO Principles and Criteria : 2007.

1.2 Certification Scope

The scope of certification for SOU26 includes the production from one (1) Palm Oil Mill that is sourced from four (4) company owned oil palm estates.

1.3 Location and Maps

The SOU26 Estates and Mill are located in Daerah Suanlamba District of Sandakan, Sabah, East Malaysia (Figures 1 and 2). The estates and mill are situated immediately south-east of Sandakan Bay. The GPS location of the mill is shown in Table 1.

Table 1: Mill GPS Location

MILL	EASTING	NORTHING
Sandakan Bay	118° 10' 20"	5° 45' 20"

1.4 Description of Supply Base

Oil palm fruit is sourced from company owned estates and several Outgrowers. The FFB production from company owned estates is listed in Table 2.

Table 2: Estate FFB Production

Estate	FFB (tonnes)
Sentosa	73468
Tun Tan	64789
Tigowis	50831
Tunku	69738
TOTAL	258826

The Outgrowers supplied 10605 t (approximately 4%) of the total tonnage of oil palm fruit processed by the Mill during 2007.

SOU26 has held initial discussions with the Outgrowers on RSPO implementation. BSi interviewed three Outgrowers and found that they were aware of RSPO but had not yet implemented the P&C. The audit team concluded that the Outgrowers production should be excluded from the scope of the Certificate. SOU26 has stated its commitment to work with the Outgrowers on the implementation of the RSPO P&C with the aim of achieving certification for their production.

1.5 Date of Plantings and Cycle

The company owned estates were developed in the mid 1990s and are in the first cycle. The age profile of the planted palms is shown in Table 3.

Table 3: Age Profile of Planted Palms

AGE (years)	% of Planted Area
14	34.9
15	42.4
16	19.8
17	2.9

1.6 Other Certifications Held

SOU26 does not hold any other Certifications.

1.7 Organisational Information / Contact Person

Sime Darby Plantation Sdn Bhd
 Management Unit SOU26
 Locked Bag 39
 Sandakan Sabah 90009 MALAYSIA
 Contact Person: Mr Mohd Saidi B. Abd. Majid
 SOU26 Chairman
 Phone: +6089 230226
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 Email: saidi.majid@simedarby.com



Figure 1: Location Map

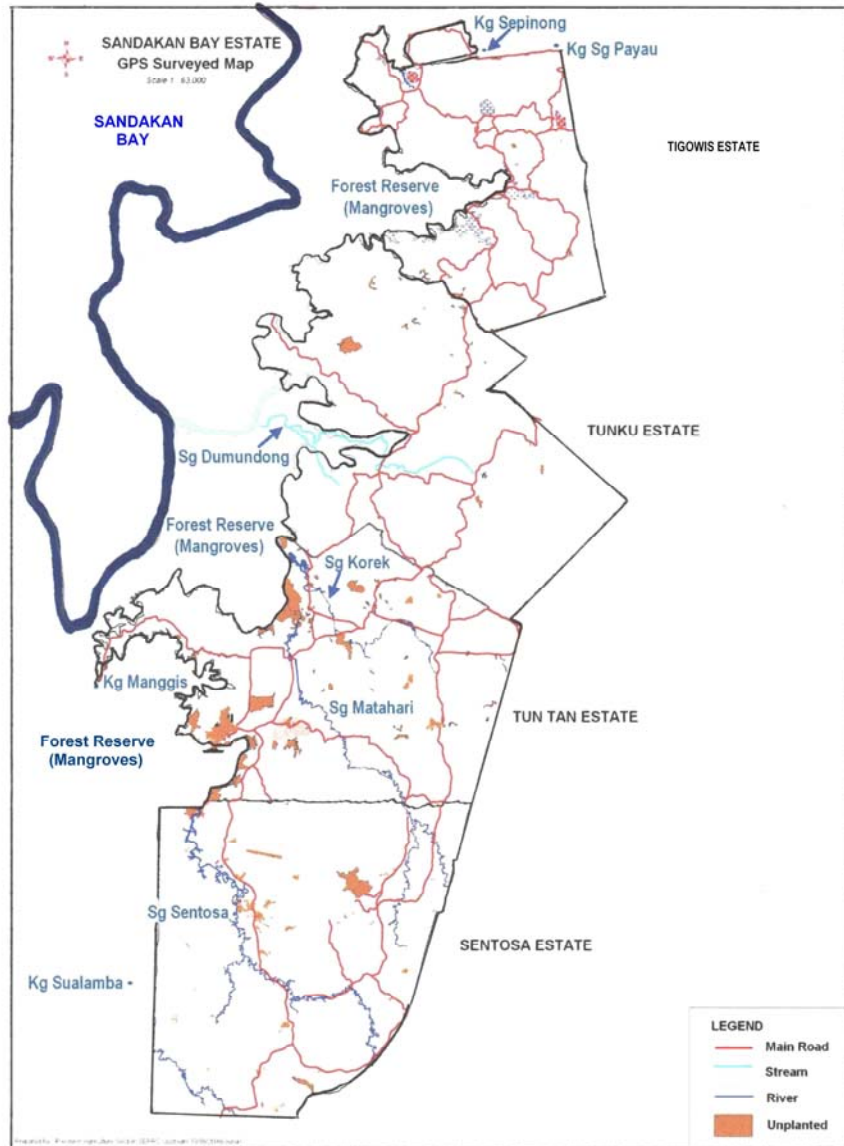


Figure 2: Layout of Estates

1.8 Time Bound Plan for Other Management Units

Sime Darby owns and operates 65 palm oil mills for processing the crop from its 208 oil palm estates located in Malaysia and Indonesia, as well as the fruit that it purchases from Outgrowers. Sime Darby has developed a Time Bound Plan to achieve RSPO Certification for all of its production by 30 June 2011. A copy of the Time Bound Plan is included as Appendix A.

BSi has reviewed Sime Darby's Time Bound Plan and considers the programme to be very challenging to implement as it will require a uniform, high standard of performance across the wide geographic spread of its operations. BSi will monitor and report on Sime Darby's progress with implementation of the Time Bound Plan.

BSi considers Sime Darby's Time Bound Plan to conform to the RSPO requirements for Partial Certification.

Sime Darby has advised the RSPO Secretariat of the existence of land disputes at oil palm estates in West Kalimantan and at Sarawak. Sime Darby has engaged independent consultants to investigate the land disputes and has initiated dispute resolution that is consistent with the consultant's recommendations. BSi will monitor Sime Darby's progress on resolving the disputes.

Sime Darby has advised that there are no labour disputes at any of its oil palm operations and that there are no known legal noncompliances at its operations.

1.9 Area of Plantation

The areas of planted palms at company owned Estates are listed in Table 4.

Table 4: Estates and Area Planted

<i>Estate</i>	<i>Mature (ha)</i>	<i>Immature (ha)</i>
Sentosa	3546	0
Tun Tan	3143	0
Tigowis	2074	0
Tunku	3203	0
TOTAL	11966	0

1.10 Approximate Tonnages Certified

The approximate tonnages certified on the basis of 2007 production are:

CPO: 53,453
PK: 14,560

NB: The production from Outgrowers is excluded from the Certificate

1.11 Date Certificate Issued and Scope of Certificate

The scope of the Certificate is for the production from Sandakan Bay Palm Oil Mill and its supply base from company owned Estates. Certificate details are included as Appendix B.

The Certificate issue date will be the date of the RSPO approval of the Assessment Report.

2.0 ASSESSMENT PROCESS

2.1 Certification Body

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BSi is a leading global provider of management systems assessment and certification, with more than 60,000 certified locations and clients in over 100 countries. BSi Standards is the UK's National Standards Body. BSi Management Systems provides independent, third-party certification of management systems. BSi has a Regional Office in Singapore and a Branch Office in Kuala Lumpur.

2.2 Qualifications of the Lead Assessor and Assessment Team

BSi Management Systems Singapore holds copies of educational qualifications, certificates and audit logs for each of the audit team members. BSi has evaluated the qualifications and experience of each audit team member and has registered the following designations for conducting RSPO Assessments.

Charlie Ross – Lead Assessor
B.App.Sc. M.Sc (Env.Studies)
Lead Auditor EMS RABQSA Cert N^o 012364
Iman Nawireja – Social Assessor
B.Ag.Sc. M.Sc. (Comm)
Robyn Ross – Social Assessor

Charlie Ross is an independent environmental auditor who has extensive fieldwork experience in conducting environmental and social assessments of oil palm projects over the past 16 years in Indonesia, Malaysia, Nigeria and Papua New Guinea. He has experience in the assessment and monitoring of freshwater ecosystems from conducting environmental studies over the past 25 years. He has a good working knowledge of oil palm impacts on ecosystems, gained from participation in fieldwork assessments of terrestrial and aquatic ecosystems. He has completed lead auditor training in ISO 9001 Quality Management Systems, lead auditor training in OSHAS 18001 Occupational Health

and Safety Assurance Systems, auditor training in SA8000 Social Accountability and auditor training in RSPO P&C. He has been involved in the RSPO process since RT1 and has conducted audits of oil palm plantation companies (total of 122 audit days) against the RSPO P&C in Indonesia, Malaysia and PNG.

Iman Nawireja has a background in the socio-economic aspects of agriculture, and has assisted with field studies on the effect of resource development projects on farmer and community incomes, health status and household division of labour. He has completed training as an ISO 14001 Lead Auditor. He has assisted in conducting environmental and social assessments of 8 oil palm projects (total of 95 consulting days) during the past 5 years. He has assisted with conducting audits of oil palm plantation companies (total of 46 audit days) against the RSPO P&C in Indonesia and Malaysia.

Robyn Ross has a background in company administration and supporting women with mental health and physical disabilities by assisting them to develop skills for living independently in the community. She has assisted with fieldwork in conducting environmental and social assessments of oil palm projects over the past 5 years in Indonesia and Nigeria. She has completed auditor training in SA8000 Social Accountability. She has assisted with conducting audits of oil palm plantation companies (total of 102 audit days) against the RSPO P&C in Indonesia, Malaysia and Papua New Guinea.

James Francisco & Noryati Hambali are two local teachers employed by Borneo Child Aid Society who are fluent in English and were used as interpreters to assist in the interview of workers and families.

2.3 Assessment Methodology, Programme, Site Visits

The assessment was conducted in 2 stages. Stage I was conducted between 29 and 31 October 2007 against the RSPO MY-NI Indicators : Version 2. The Stage I audit assessed the company's readiness for certification. It focused on review of internal procedures, management systems and field inspections to identify any significant environmental or social issues. External stakeholders were not consulted in the Stage I assessment.

Stage II was conducted between 29 May and 02 June 2008. The Stage II audit assessed in detail the company's conformance with the RSPO P&C and included consultation of external stakeholders. The Assessment Plan is included as Appendix C.

The approach was to audit the Mill together with two Estates chosen from its supply base, such that a range of environmental and social factors was covered. These factors included consideration of topography, proximity to areas with HCVs and local communities.

The two estates selected were Sentosa and Tigowis. Sentosa Estate was chosen as it has the widest variation of topography, including steep areas, and is the administrative centre for SOU26. Tigowis was chosen as it is located furthest from the main administrative centre

and is bordered by mangrove forest and has two nearby communities.

The methodology for collection of objective evidence included physical site inspections, observation of tasks and processes, interview of staff, workers and their families and external stakeholders, review of documentation and monitoring data. The mill and each estate were assessed against each of the criteria. Checklists and questionnaires were used to guide the collection of information.

The assessment was based on random samples and therefore nonconformities may exist which have not been identified.

Mr Allan Thomas, BSi Lead Auditor EMS, QMS and OHSAS has reviewed this report for conformance with RSPO Certification System requirements and RSPO Principles & Criteria technical content.

Mr Soon Leong Chia, BSi Product Manager RSPO, has reviewed this report for conformance with BSi Procedures and the RSPO Certification System requirements.

2.4 Stakeholder Consultation and a List of Stakeholders Contacted

SOU26 has prepared a list of stakeholders on the basis of a social assessment conducted by Wild Asia in May 2007. Discussions with Wild Asia concluded that stakeholder consultation should focus on the Indonesian Workforce and local communities. More than 90% of the workforce consists of Indonesians recruited and employed on a contract basis. This group is potentially the most vulnerable in relation to exploitation. The stakeholder consultation programme was tailored for this purpose.

Stakeholder consultation involved external and internal stakeholders. External stakeholders were notified by placing an invitation to comment on the RSPO, BSi and Sime Darby websites. Letters were written to individual stakeholders and telephone calls were made to arrange meetings. BSi did not receive a response in writing from any stakeholder in relation any aspect of SOU26.

Structured worker interviews were held in private at the workplace in the mill and the estates. In addition, workers and families were interviewed informally at their housing in the late afternoon. Separate visits were made to each of the local communities to meet with the village head and residents. Company officials were not present at any of the interviews.

Stakeholder consultation took place in the form of meetings and interviews. The interviewer explained the purpose of the audit at the outset followed by an evaluation of the relationship between the stakeholder and the company before discussions proceeded. The interviewer recorded comments made by stakeholders and these have been incorporated into the assessment findings.

List of Stakeholders Contacted**Contractors**

Construction
Transport

Outgrowers

Outgrower 1
Outgrower 2
Outgrower 3

Local Communities

Kg Sipinong
Kg Manggis
Kg Sungai Payau

Government Departments

Department of Environment
Department Occupational Safety & Health
Land and Development Planning Department
Labour Department

NGOs

Borneo Child Aid Society
Tenaganita
WWF Malaysia
PACOS Trust Sabah

2.5 Date of Next Surveillance Visit

The next surveillance visit is planned for July 2009.

3.0 ASSESSMENT FINDINGS**3.1 Summary of Findings**

As outlined in Section 2.3, objective evidence was obtained separately for each of the RSPO Indicators for the Mill and each of the Estates. The results for each indicator from each of these operational areas have been aggregated to provide an assessment of overall conformance of the Company's operations with each Criterion. A statement is provided for each of the Major Compliance Indicators to support the finding of the assessment team.

Two (2) Nonconformities were assigned against Minor Compliance Indicators. Ten (10) Observations/ Opportunities for Improvement were identified. Details of the Nonconformities and Observations are given in Section 3.2 (Page 13). SOU26 has prepared a Corrective Action Plan for addressing the identified nonconformities that was reviewed and accepted by BSi.

BSi's assessment of SOU26 operations, comprising one palm oil mill, estates, infrastructure and support services, concludes that SOU26 operations comply with the requirements of RSPO Principles & Criteria : 2007 and MY-NI Indicators and Guidance : 2008.

BSi recommends that SOU26 be approved as a producer of RSPO Certified Sustainable Palm Oil.

Criterion 1.1: Oil palm growers and millers provide adequate information to other stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in appropriate languages & forms to allow for effective participation in decision making.

SOU26 has implemented a system whereby requests are directed to the local Mill or Estate Manager who then prepares a response. Records held at the mill and at Sentosa Estate indicated prompt response to requests. At the remote location of Sandakan Bay, SOU26 has received very few requests for information, the most recent being August 2007 at Sentosa Estate. All correspondence was in Bahasa (1.1.1).

Criterion 1.2: Management documents are publicly available, except where this is prevented by commercial confidentiality or where disclosure of information would result in negative environmental or social outcomes.

Inspection of records confirmed that SOU26 holds copies of each of the 7 types of documents that are required to be publicly available. The Senior Managers confirmed that the documents would be made available upon request, in accordance with the Sime Darby Group Policy (1.2.1 – 1.2.7).

Criterion 2.1 – There is compliance with all applicable local, national and ratified international laws and regulations.

SOU26 has an ESH Legal Register (2007) that lists the applicable laws and contains written information on legal requirements. Sime Darby TQEM Department monitors legislative changes and disseminates legal updates to all Management Units of Sime Darby.

Assessment of legal compliance with for example, Environmental Licences is done at the local level and reported monthly to senior management at Head Office. In addition, TQEM Department conducts 6 monthly internal audits for compliance with environmental, safety and health requirements. Review of audit reports, monitoring records and Department of Environment Reports showed that SOU26 has maintained compliance with environmental licences for at least the past 2 years (2.1.1).

The Government DOSH inspection reports (most recent 10 March 2008) confirmed compliance with health and safety requirements. Sime Darby has confirmed there are no significant litigations against SOU26.

Criterion 2.2 – The right to use the land can be demonstrated and is not legitimately contested by local communities with demonstrable rights.

SOU26 operations are on State leased land and the original titles are held by Land Management Department at Sime Darby's Head Office. A Register of Land Titles and copies of Land Titles are held on site. A history of the land tenure is available since the original issue of the

Leases. Consolidated Plantations (Sime Darby) acquired the Leases from Bank Bumi Putera Malaysia Sdn Bhd in 1992 (2.2.1).

The original agricultural leases were for the cultivation of coconuts and cocoa. The Lease conditions were amended to “cultivation of oil palm” on 30 October 1991”. Telephone interview of Land Development and Planning Department Officers confirmed SOU26 oil palm operations are consistent with the terms of the agricultural leases (2.2.2).

Sime Darby has carried out a GPS Survey to define the lease boundaries and there is a programme in place to survey and reinstate boundary markers throughout SOU26. This process will determine whether there has been any “overplanting” and encroachment into community areas during the initial land development. Field inspection at SOU26 confirmed that boundary markers are being reinstated progressively.

There are no known disputes in relation to the ownership of the SOU26 agricultural leases. Discussions with village leaders and residents at the three local communities adjacent to SOU26 confirmed that there are no land disputes with the company.

Criterion 2.3 – Use of the land for oil palm does not diminish the legal rights of other users without their free, prior and informed consent.

SOU26 Operations are on State Agricultural Leases. Sime Darby Plantation Sdn Bhd did not acquire the land directly from customary landowners, but purchased it in 1992 from the previous owner Bank Bumi Putera Malaysia Sdn Bhd. Sime Darby has paid compensation to six landowners from Kg Sungai Payau for their food crops that they had planted on the land prior to development of oil palm. At the time of the audit there were no records held at SOU26 relating to the original land acquisition by the Government or for the (1992) compensation processes. Discussion with residents at each of the three Kampongs confirmed that there are no outstanding compensation issues.

Available information to date shows there has been no claim made against SOU26 in relation to customary rights nor is there any dispute over the land covered by State Agricultural Leases (2.3.1, 2.3.2).

Meetings with each of the three local communities confirmed that their main subsistence activity is fishing. The kampongs are located on or beside the water and local people indicated that they have limited use of the land for farming. One of the kampongs, Kg Manggis is a relatively new settlement that was established in approximately 1989, well after the government issued the agricultural leases in 1961.

Although SOU26 operations are on State Leases, the boundaries between the three adjacent Kampongs are poorly defined. Participatory mapping has not been carried out to define kampong boundaries.

Criterion 3.1: There is an implemented management plan that aims to achieve long-term economic and financial viability.

SOU26 has a long-term business plan that is based on an annual budget projected for 5 years for the mill and 3 years for the estates in relation to operating and capital expenses. The business plan includes performance targets for production and efficiency (3.1.1).

Replanting is not scheduled for more than five years and a replanting programme has not been prepared at this time.

Criterion 4.1: Operating procedures are appropriately documented and consistently implemented and monitored.

Sime Darby has developed SOPs that incorporate best practices for all areas of the company’s operations. Following the recent establishment of Sime Darby Plantation Sdn Bhd, the best practices were selected from each of the former three plantation companies and amalgamated into a new Agricultural Reference Manual dated 01 April 2008. In addition, Sime Darby compiled a Mill Quality Management System Manual that integrates ISO 9001 : 2000, ISO 14001 : 2004 and OHSAS 18001 : 2007, issue date 1 April 2008 (4.1.1).

Work Instructions in Bahasa have been derived from SOPs and are posted at work stations at the mill and at certain locations at the estates, such as the Muster Notice Boards and at the Pesticide Store.

SOU26 has a system of regular inspections of the mill and estates to ensure consistent implementation of SOPs, together with monthly reporting to head office. At the estates, Supervisors and Assistant Managers carry out daily checks on work practices and the Manager undertakes random inspections. At the mill, operating parameters are monitored hourly at each of the work stations and recorded on log sheets. Shift Supervisors review operating logs and prepare daily reports on milling performance.

In addition a Mill Advisor and a Plantation Advisor from Sime Darby Head Office inspect and report on the operations every two months. The local managers develop Action Plans from the Advisory Reports for improvement of the operations. Review of Advisory Reports, Action Plans and site inspections confirmed consistent records of implementation of SOPs. For example, a check during the audit of log sheets at mill work stations showed that operating parameters were consistently recorded by the operators.

Criterion 4.2: Practices maintain soil fertility at, or where possible improve soil fertility, to a level that ensures optimal and sustained yield.

Sime Darby’s Research & Development Department makes annual fertiliser recommendations that are based on visual inspection of the palms and leaf tissue analyses for nutrients. Leaf tissue sampling is carried out annually at a scale of 1 sample per 20 ha and the fertiliser recommendations aim to achieve balanced nutrient

levels for the palms. The estates maintain records of fertiliser application, including reconciliation against the R&D Department recommendations.

A nonconformity was assigned against Minor Compliance Indicator 4.2.2 as there are no records of soil sampling since the initial plantings in 1993 for monitoring changes in the nutrient status of soils.

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

The SOP “Soil and Water Conservation” details specific soil conservation techniques that are to be applied at the estates. Field inspection confirmed implementation of frond stacking, stop bunds on terraces and other techniques for controlling rainfall runoff and minimising soil erosion. Sime Darby has issued a specific Policy for minimising soil erosion from steep land “Policy on Slope Protection and River Buffer Zone” dated April 2008. The policy requires delineation of any areas of steep land (>25° slope) that have been incorrectly planted to oil palm. Such incorrectly planted areas have been mapped and will not be replanted with oil palm at future replant but will be set aside as conservation areas.

The mapping of soils at the estates has confirmed there are no fragile soils such as peat, high sand content or acid sulphate soils.

Since the Stage I Assessment, greater control has been exercised over spraying with herbicides, which is now limited to palm circles in order to allow the regrowth of groundcover. Field inspection confirmed that groundcover vegetation has improved where over-spraying of herbicides previously had occurred. In addition, EFB has been applied selectively on bare soils for moisture retention and promotion of regrowth of soft grasses and ferns.

Criterion 4.4: Practices maintain the quality and availability of surface and groundwater

Several small rivers whose lower reaches are subject to tidal influences drain the SOU26 estates and discharge into Sandakan Bay. During the initial planting of the estates in the mid 1990s, palms were incorrectly planted to the edge of part of the rivers and tributaries. Such areas along streams that were incorrectly planted with palms have been demarcated for future re-establishment of riparian buffers at replant. As an interim measure within these riparian reserves, chemical sprays and fertiliser are no longer applied. Palms are harvested and weeding of circles is carried out manually. Field inspection confirmed that since the cessation of chemical spraying immediately prior to the Stage I Assessment in October 2007, significant regrowth of vegetation has occurred within the riparian reserves (4.4.1).

Inspections confirmed there has been no construction of bunds, weirs or dams across the main rivers flowing through the Estates (4.4.2).

SOU26 has recently prepared a site specific Water Management Plan for controlling water usage and for

the management of runoff and drainage. The Plan was based on the environmental assessment carried by the consultants Wild Asia and includes a sampling programme for monitoring the water quality of streams flowing through the Estates. Samples have been collected from S Matahari monthly since July 2006. Review of the data indicates no significant difference in water quality at sampling sites upstream and downstream of the oil palm estate and mill operations (4.4.3).

Water usage is metered at the mill and data show average monthly consumption during the past year of 1.1 t/t FFB compared with a target of 1.0 t/t FFB. Water usage at the mill has increased sharply to 1.5 t/t FFB since February 2008 due to the continuous operation of the boiler for generation of electricity using the steam turbine. The continuous operation of the mill boiler for electricity generation has resulted in significant reduction in the use of diesel fuel. This is a recent change to operating practices and the water usage for power generation has not been metered separately from that used for processing.

Treated mill effluent is applied to the estate in a system of flat beds and furrows in order to avoid discharge offsite (4.4.6). The mill monsoon drain has treatment for sediment and oil removal. Inspection showed the discharge from the drain at the mill boundary had significant turbidity. This drain discharges to a tidal wetland. The mill has not tested water quality immediately downstream of the monsoon drain oil and grease trap.

A nonconformity was assigned against minor compliance indicator 4.4.6 because the effectiveness of treatment for sediment removal has not been confirmed by water sampling.

Criterion 4.5: Pests, diseases, weeds and invasive introduced species are effectively managed using appropriate integrated Pest Management (IPM) techniques.

A Research General Circular issued by Sime Darby R&D Department on 31 October 2007 entitled “Integrated Pest Management in Oil Palm” details the techniques for integrated pest management and natural control of palm pests. Additional detailed information is contained in Section 16 of the “Agricultural Reference Manual”.

The main pests at the estates are rats that eat the palm fruit. The IPM techniques applied at the estates include monitoring of pest numbers and the use of triggers for initiation of control measures. Barn owls *Tyto alba* have recently been introduced for biological control of rats. Although there have been no outbreaks of leaf eating palm pests, beneficial plants are being established along roadsides to attract natural predators.

The quantities of herbicides used for weeding and rodenticide used for control of rats are recorded on a per block basis through the cost control system. This information is aggregated monthly, on an individual field basis and reconciled against the budget programme.

Criterion 4.6: Agrochemicals are used in a way that does not endanger health or the environment. There is no prophylactic use of pesticides, except in specific situations identified in national Best Practice guidelines. Where agrochemicals are used that are categorised as World Health Organisation Type 1A or 1B, or are listed by the Stockholm or Rotterdam Conventions, growers are actively seeing to identify alternatives and this is documented.

The Sime Darby R&D Department makes recommendations on which chemicals are allowed for use at the estates, with the most recent advisory issued 10 August 2007. This advisory information was consistent with the Work Instruction displayed at the Pesticide Store (4.6.1). A check of the stocks held at the pesticides store confirmed that the chemicals used are officially registered under the Pesticides Act (1974) and USECHH Regulations (2000) (4.6.2), as advised in MPOA Circular of 29 October 2007.

SOU26 has upgraded the existing pesticide stores to comply with OSH and the Pesticides Act requirements. Inspection confirmed the adequacy of spill containment, ventilation, separation of chemicals, labelling, provision of protective equipment and emergency preparedness (4.6.3).

An MSDS was displayed in Bahasa at the Pesticides Store (4.6.4) for each chemical stored as well as a Work Instruction on safe handling.

Pesticide Operators are screened monthly by the clinic and undergo an annual health check by a DOSH registered Occupational Health Doctor (4.4.5). Interview of female workers confirmed knowledge of the policy of transfer to alternative duties if they wished to continue working when pregnancy was confirmed. Records held at the Clinic showed that none of the female sprayers had worked with pesticides after pregnancy was confirmed (4.6.6).

SOU26 maintains records of the quantity of pesticides used, location of application, active ingredient and these are reconciled monthly against the stocks held at the store. Records held at Sentosa Estate confirmed that SOU26 ceased using Type 1A and 1B chemicals in 2000 and there has been no purchase of paraquat or paraquat-based herbicides since 2004. Inspection of the stores and a check of "bin cards" confirmed there was no stock held of paraquat or paraquat-based herbicides.

Records and interview of staff confirmed there has been no aerial application of pesticides (4.6.8).

Criterion 4.7: An occupational health and safety plan is documented, effectively communicated and implemented.

Sime Darby Top Management approved a Safety and Health Policy in April 2008, following the amalgamation of the three companies. The Policy is displayed prominently in Bahasa and English on notice boards and at Muster areas. The Policy is implemented through an ESH Management Plan (May 2008).

A Hazard Identification Risk Assessment Control (HIRAC) was carried out by an accredited DOSH consultant in 2007 for all tasks at the mill and estate operations. The company has a safety awareness training programme for staff and workers at the mill and estates. Safety information is posted on notice boards at Muster areas and briefings are given regularly at Muster.

Field inspections, observation of tasks and interview of sprayers, estate and mill workers and staff confirmed awareness of safety precautions associated with their tasks. Records confirmed workers also had received training in emergency procedures and interview showed that they understood the instructions. SOU26 has a list of PPE supplied to workers and staff for the various work tasks. Workplace inspections and review of stores issues confirmed supply of PPE and first aid kits to workers and that PPE was being worn correctly.

Training records confirmed that Estate Mandors (September 2007) and Mill Supervisors (February 2008) had been trained in first-aid. Checks showed that appropriately stocked first-aid kits were taken into the field and also were available at the mill and other Work Stations.

SOU26 has appointed the Mill Engineer and an Assistant Manager at each of the estates as OSH Coordinators. OSH Committees meet quarterly and records are held of meeting minutes, the issues raised and action items.

Safety training is conducted regularly during morning muster and at the start of mill shifts to reinforce safe work practices. SOU26 maintains records of accidents and LTAs. The last reported LTAs were on 6 August 2007 for the mill and April 2007 for the estates (4.7.2).

Malaysian workers are covered by the SOCSO accident insurance scheme. SOU26 holds accident insurance policies for foreign workers with the private company Mayban Assurance and policies are current to 30 June 2008.

Criterion 4.8: All staff, workers, smallholders and contractors are appropriately trained.

Human Resources Training Department prepares a Training Programme for staff and executive development. The SOU26 Mill and Estates assess training needs annually and prepare a programme for training of local staff and workers. The majority of training is informal "on the job" instruction. Detailed records are maintained of formal training of individuals. The mill maintains records of informal training for individual workers while the estates maintain a diary of "on the job" instruction (4.8.1).

Criterion 5.1: Aspects of plantation and mill management, including replanting, that have environmental impacts are identified and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored to demonstrate continuous improvement.

SOU26 has prepared an Environmental Impact Management Plan (March 2008) that is based on the

identification of significant impacts and risk assessment information from a workshop facilitated by Wild Asia (5.1.1). The EIA process focussed on fieldwork inspections for identification of impacts within and beyond the property boundary. Stakeholder consultation also was taken into account for the identification of environmental aspects and impacts. For example, one of the local communities identified excessive speed of the company passenger transport boat as an important issue. This issue was included in the register and a mitigation measure developed by imposing a speed limit on passenger boats.

The Environmental Impact Management Plan details the impact mitigation measures and actions required to improve environmental performance. SOU26 is in the process of implementing the impact mitigation measures and progress is reported quarterly. The management of the significant impacts and progress with implementation of the improvements were checked during the audit. Examples include the reinstatement of riparian buffer zones, construction of a water treatment plant for reducing BOD of mill effluent and commencement of civil works for the biocompost site.

The identification of environmental impacts and preparation of the Environmental Impact Management Plan were made on the basis of Wild Asia's fieldwork within and adjacent to the estates and consultation with the immediate communities that potentially may be affected. The assessment used a pragmatic approach and was based upon actual field conditions and Wild Asia's experience in environmental impact assessment and management. The audit team has concluded that SOU26 actions for impact assessment and management are in conformance with the elements spelt out for Criterion 5.1 and has noted as an Observation that the Forestry Department should have been consulted.

Criterion 5.2: The status of rare, threatened or endangered species and 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 their conservation taken into account in management plans and operations.

SOU26 engaged Wild Asia in 2007 to undertake an HCV assessment and prepare a Biodiversity Conservation Plan. The assessment which was carried out in January 2007 confirmed the presence of HCVs at areas within and adjacent to the estates, such as the mangrove ecosystem (5.2.1, 5.2.2). SOU26 is bordered by oil palm to the east and the south and by mangrove forests along the remainder of the boundary. The Wild Asia biodiversity survey included assessment of the mangroves along the SOU26 boundary and the adjacent mangrove forest.

The mangroves were the most biodiversity rich habitat and the survey recorded a total of 71 species of birds, with 9 species of global conservation concern. The survey also recorded 14 species of mammals, mostly associated with the mangroves. Significant populations of five primates were found throughout the mangrove fringe. Inspections during the audit confirmed the

continued presence of primates and in particular, Orang utan as indicated by recently constructed "nests".

Wild Asia prepared a Biodiversity Management Plan that focuses on the protection of wildlife and existing habitats as well as enhancement by establishment of riparian corridors for movement of wildlife. SOU26 has set aside small reserve areas that were established during the initial development of the land to oil palm. These are being supplemented by approximately 60 ha of steep land that will be removed from palm production and set-aside for conservation. In addition, 33 ha of land planted with palms adjacent to streams have been demarcated for setting aside as Riparian Reserves at replant. Four small streams that flow through the estates are between 5 m and 10 m wide. Buffer zones of width 20 m have been demarcated on both sides of the streams, in accordance with the Sabah requirement. The riparian reserves provide linkages between the previously "isolated" reserve areas within the estates.

The set aside areas have been identified in the field with signboards. Awareness training has been conducted for workers on the need to protect the conservation areas and to explain the reasons for prohibiting spraying and fertiliser application within the future set aside areas. Maps and Posters on conservation are displayed at Muster points and workers are prohibited from hunting or fishing and have been cautioned accordingly.

The SOU26 RSPO Coordinator has responsibility for the monitoring of HCVs. This involves regular inspections of all conservation areas within and bordering the estates. The main focus of the monitoring program is the protection of wildlife and habitats from human disturbance.

Criterion 5.3: Waste is reduced recycled, re-used and disposed of in an environmentally and socially responsible manner.

The hazard identification and risk assessment control (HIRAC) process was used to identify all sources of waste and pollutants at the mill and estates. An Operational Plan for waste management was prepared in March 2008 that includes waste identification, storage, handling and disposal (5.3.1). Wastes are recycled, re-used or disposed by placement in a landfill. Major pollutants have been identified in a Pollution Prevention Plan (April 2008).

Inspections of the mill and estate support infrastructure confirmed that point source pollutants are well managed through the use of pollution control devices such as oil traps, silt traps and interceptors. Waste segregation has been implemented at source, including domestic refuse and was well controlled.

Recyclables, such as scrap metal are stored for sale to a recycler. Hazardous wastes are stored in purpose-built stores for later removal by a licensed contractor. A small landfill has been built at each estate and the mill for disposal of non-recyclable solid waste. EFB, decanter cake and mill boiler ash are presently recycled to the field as mulch, with the majority of the material applied to the estate closest to the mill due to transport costs.

Mill effluent is treated in ponds prior to land application in the adjacent palms using a “flatbed” irrigation system.

A biocompost plant is under construction (due for completion December 2008) for composting shredded EFB, decanter cake, boiler ash, excess fibre and nutshell, together with approximately 30% of mill effluent.

Criterion 5.4: Efficiency of energy use and use of renewable energy is maximised.

The consumption of energy generated from fossil fuel and from renewable sources is monitored and reported monthly per tonne of CPO produced. Trend information is available for the previous twelve months. In February 2008 SOU26 commenced the continuous operation of the mill boiler for generation of electricity by steam turbine. This has reduced substantially the consumption of fossil fuel and has maximised the use of renewable energy within the mill and at adjacent offices, workshops and housing.

Criterion 5.5: Use of fire for waste disposal and for preparing land for replanting is avoided except in specific situation, as identified in the ASEAN guidelines or other regional best practice.

The company has a documented Zero Burn Policy. There has been no recent land development and replanting is not scheduled for at least five (5) years.

Inspection confirmed no evidence of fire used for disposal of packaging waste at either the mill or the estates (5.5.1). SOU26 also has successfully eliminated the use of fire at housing for disposal of domestic refuse.

Criterion 5.6: Plans to reduce pollution and emissions, including greenhouse gases are developed, implemented and monitored.

The “Pollution Prevention Plan Sandakan Bay Palm Oil Mill” prepared in April 2008 addresses the significant emissions from the mill and includes an improvement program that details the action to be taken, responsibility and time frame for implementation. Important components of the Plan are EFB Composting, Effluent Treatment by filtration and recycling of rainwater and steam condensate.

Information from the Environmental Impact Assessment Workshop (refer Criterion 5.1) was used in the preparation of the Pollution Prevention Plans for the mill and estates. Initial focus was on the control of point source emissions. At the estates greater attention also has been given to controlling soil erosion and emission of suspended sediment in rainfall runoff.

Criterion 6.1: Aspects of plantation and mill management, including replanting, that have social impacts are identified in a participatory way and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.

SOU26 has identified the social impacts associated with its operations from the Baseline Assessment carried out

by Wild Asia in May 2007. The report included details of meetings with internal and external stakeholders (6.1.1).

SOU26 has prepared an Action Plan for mitigation of negative social impacts “RSPO Strategic Plan 2007/2008”. This Plan includes a description of each issue, proposed mitigation measure, responsibility and timeframe for implementation.

Criterion 6.2: There are open and transparent methods for communication and consultation between growers and/or millers, local communities and other affected or interested parties.

Sime Darby has recently (1 April 2008) issued a new group communication procedure for standardisation throughout the company. SOU26 has socialised the procedure to management staff and has prepared a list of stakeholders who were identified following the Social Assessment carried out by Wild Asia in May 2007. The mill and estate managers are responsible for communication with local communities and other stakeholders. Since implementation of the new procedure, communications are being consistently recorded. Interview of local community representatives confirmed that they are able to take issues to the managers for discussion and action.

Criterion 6.3: There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all parties.

Sime Darby has recently (1 April 2008) issued a procedure on dispute resolution. The external dispute resolution procedure has only recently been implemented and to date there have not been any grievances raised.

SOU26 management has established a Joint Consultative Committee (JCC) for resolving employment issues at local level. The JCC has been operating for five years and meets quarterly and consists of managers and representatives of staff and workers, including women (6.3.1). Workers elect their own representatives – one from each housing “block”.

Although there have been no documented external disputes, the “procedure for dispute resolution” and the JCC were stated to be open for use by any affected party. It was also stated during worker interviews that local villagers had attended a recent JCC meeting. Workers confirmed that they had used the JCC to make management aware of issues related to housing conditions and to achieve satisfactory resolution.

Criterion 6.4: Any negotiations concerning compensation for loss of legal or customary rights are dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.

SOU26 has implemented a procedure on land compensation that includes identification of Legal and

Customary Rights and assessment of entitlement to compensation (6.4.1).

Available records showed there have been no claims for land compensation in recent years. Interviews with local communities (Kg Manggis & Kg Sg Payau) confirmed that compensation had been paid in 1992 when the land was acquired by Consolidated Plantations (Sime Darby). At the time of the audit there were no outstanding claims for land compensation payments.

Criterion 6.5: Pay and conditions for employees and for employees of contractors always meet at least legal or industry minimum standards and are sufficient to provide decent living wages.

The majority of workers have been recruited from Indonesia on 5 year contracts. Pay and conditions are documented in the contract of agreement with individual workers, in Bahasa. Staff also are employed on individual contracts that include details of pay and conditions. Pay Slips are in English although a sample pay slip has been translated into Bahasa and displayed on the Muster Notice Boards. Interview of workers confirmed their understanding of pay and conditions and information contained on pay slips (6.5.1). A check of pay slips confirmed payments have been made in accordance with contracts, including working hours, overtime and days off.

Harvesters are employed on a piece rate and information on bunch harvesting rates are updated daily and posted on the Muster Notice Board in Bahasa. Interview of men and women workers confirmed their understanding of pay and conditions and information contained on pay slips. Piece rate workers confirmed they are paid double the normal rate for working extra days and on public holidays. Interviewees also stated that they keep a tally of work completed and if a discrepancy occurred they would report it to the Mandore for investigation. Women workers interviewed confirmed maternity leave was paid.

Workers purchase their food supplies at a weekly fruit and vegetable market and a monthly market where vendors visit the estates with their produce, household goods, clothing and other consumables. Workers are paid well above the minimum legal wage and confirmed they are able to make regular savings for sending back home to support their families.

The standard of housing provided for workers and their families meets government regulations. Electricity is subsidised and water is supplied at no charge. Free medical treatment is provided for workers and their dependents. Kindergarten and crèche are provided free for workers' children. Free transport is provided for children to attend a local school. There are a number of long term foreign workers who reside at the estate with their families. These contract workers return to Indonesia every 5 years to renew their contract.

SOU26 is commencing construction of a Primary School at Tun Tan Estate in July 2008 in partnership with Borneo Child Aid Society. This will provide access to education for non-Malaysian children.

Criterion 6.6: The employer respects the right of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, the employer facilitates parallel means of independent and free association and bargaining for all such personnel.

SOU26 has a Policy on Freedom of Association (FOA) and workers are advised on their right to join a Union during induction training. The Statement on FOA is included as Clause 9.6 of individual Worker Contracts.

There is no Union on site, although workers, including women, are represented on the JCC that meets quarterly (most recent meeting 29 May 2008). JCC worker representatives are elected by residents in each of the housing compounds. Interview of workers who are members of the JCC confirmed that they understand that they have the right to join a union, but did not wish to do so. The representatives also stated they were satisfied with the JCC process for discussion and negotiations of pay and conditions with management. Minutes are recorded of JCC meetings and are held on file (6.6.1).

Criterion 6.7: Children are not employed or exploited. Work by children is acceptable on family farms, under adult supervision and when not interfering with education programmes. Children are not exposed to hazardous working conditions.

The minimum working age is 16 under the National Labour Law. Company policy is to only hire persons over the age of 18. Malaysian workers have to provide ID card - foreign workers provide passports. Inspection of employment records confirmed checks are made of staff and worker age before hiring (6.7.1). No children were observed at any of the estate work areas.

Criterion 6.8: Any form of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation or age is prohibited.

SOU26 has an anti-discrimination policy approved by Top Management April 2008, documented in Bahasa and communicated to the workforce (6.8.1). Examination of communication records showed that no complaints regarding discrimination have been received. Interview of workers and inspection of 2007 JCC meeting minutes indicated no cases of discrimination at the mill or estates. Records of salary and wages were examined at the mill and at both estates to check for correct payment of overtime, deductions as well as for differentials between ethnic groups on the same job classification.

Criterion 6.9: A Policy to prevent sexual harassment and all other forms of violence against women and to protect their reproductive rights is developed and applied.

SOU26 has a gender policy approved by Top Management April 2008 and communicated to workers (6.9.1). Sime Darby has commissioned the NGO Tenaganita to assist with the development of a Gender

Policy for the company. Tenaganita and Wild Asia facilitated a workshop on 3-4 May 2008 at Sandakan for Sime Darby's Sabah region women staff and worker representatives to develop gender based social policies on sexual harassment and domestic violence. Tenaganita also is assisting with the development of a Gender Grievance Procedure. As an interim measure, the Group Grievance Procedure is utilised (6.9.2).

Criterion 6.10: Growers and mills deal fairly and transparently with smallholders and other local businesses.

Purchase of oil palm fruit is arranged by Commodities Trading Malaysia (CTM) and payment is based on Malaysian Palm Oil Board (MPOB) published prices. SOU26 maintains records of FFB prices, including the input costs (6.10.1)

Contracts are explained to Contractors before signing. In addition, they undergo an induction process explaining contractual and ESH requirements. Interview of Contractors (EFB transporter) confirmed understanding of Terms and Conditions, including ESH requirements. The EFB contractor has been working for the company for 8 years and confirmed fairness of dealings with SOU26 and timelines of payment.

Criterion 6.11: Growers and millers contribute to local sustainable development wherever appropriate.

SOU26 provides assistance to local communities in response to requests. Kg Sg Payau and Kg Manggis have received assistance from the company for development of shallow wells for water supplies. During extended dry periods the company supplies potable water to Kg Sg Payau by road tanker. The company clinics provide free medical treatment to local communities in cases of need. SOU26 has responded to community requests for employment by conducting a "roadshow" at each of the local villages on employment opportunities.

Principle 7: Responsible Development of New Plantings

SOU26 has not carried out any new oil palm developments since the mid 1990s and there are no plans for expansion of plantings. Principle 7 is not applicable to this Assessment.

Criterion 8.1: Growers and millers regularly monitor and review their activities and develop and implement action plans that allow demonstrable continuous improvement in key operations.

SOU26 ceased using WHO Type 1A and 1B chemicals in 2000. Examination of stock records and inspection of the pesticides stores confirmed that no stocks are held of these chemicals or of gramoxone (8.1.1).

The significant environmental impacts of the operations were identified in a workshop facilitated by Wild Asia at SOU26 in May 2007. An Environmental Impact Management Plan prepared in March 2008 details the impact mitigation measures and actions required to improve environmental performance for the identified significant impacts. An example at the estates is placing

greater emphasis on controlling point source pollution from workshops, diesel gensets and chemical stores (8.1.2).

SOU26 has identified waste generation as one of its significant impacts. A program has been implemented for segregation of all wastes at source and recycling of materials where practical. An example is the separation and composting of garden waste at housing areas, which has reduced substantially the quantity that requires disposal by landfill (8.1.3).

The mill has developed an Action Plan for implementing EFB bio-composting that will reduce the quantity of mill effluent, fibre and decanter cake requiring disposal by land application. The mill is implementing systems for recycling of rainwater and steam condensate for water supply.

Pollution Preventive Plans have been prepared (April 2008) for the mill and estates. For example, the mill is installing a treatment plant for filtration of treated mill effluent. The EFB bio-composting plant will reduce by 30% the quantity of treated effluent requiring disposal by land application (8.1.4).

SOU26 engaged Wild Asia in May 2007 to identify the social impacts associated with its operations. SOU26 has prepared an Action Plan for mitigation of negative social impacts "RSPO Strategic Plan 2007/2008". This Action Plan is aimed at addressing the identified significant social impacts. An example is the building of a school for education of foreign workers' children who are not able to attend the government school system (8.1.5).

Sime Darby has an informal system where local innovations and initiatives can be taken up by the SOU Operations Manager for discussion at the Group Operations Managers' Meeting. The performance on environmental and social improvements is reported as progress on implementing the "RSPO Strategic Plan 2007/2008)

3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions

Two (2) Nonconformities were assigned against Minor Compliance Indicators.

SOU 26 has prepared a Corrective Action Plan for addressing the identified Minor Nonconformities. These will be addressed during the 12 months following Initial Certification and will be checked at the Surveillance Assessment scheduled for July 2009.

BSi has reviewed and accepted the SOU26 Corrective Action Plan.

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

A nonconformity was assigned against this Minor Compliance Indicator as there are no records of soil sampling since the initial plantings in 1993 for monitoring changes in the nutrient status of soils.

Corrective Action

SOU26 has prepared a Corrective Action Plan that involves review of available data on tissue nutrient levels and any soil sampling records. Sime Darby Research and Development Department advice will be sought on soil sampling requirements. Progress will be checked at the Surveillance Assessment scheduled for July 2009.

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

A nonconformity was assigned against this minor compliance indicator because the effectiveness of treatment for sediment removal has not been confirmed by water sampling.

Corrective Action

SOU26 has prepared a Corrective Action Plan that involves ensuring that regular inspection and maintenance of the sediment trap is carried out and its performance evaluated by monitoring water quality immediately downstream. The effectiveness of the corrective action will be checked at the Surveillance Assessment scheduled for July 2009.

Observations/Opportunities for Improvement

The assessment identified Ten (10) Observations/Opportunities for Improvement. The progress with the Observations/Opportunities for Improvement will be checked at the Surveillance Assessment visit scheduled for July 2009.

1. **(2.3.1)** Although SOU26 operations are on State Leases, the boundaries between the three adjacent Kampongs are poorly defined. Participatory mapping would provide strategic information on Customary Rights for future reference.
2. **(4.3.2)** Inspection confirmed regrowth of soft grasses and ferns is occurring on previously exposed soils. Careful control of spraying needs to be maintained in order to achieve consistent groundcover required for prevention of soil erosion.
3. **(4.4.5)** In February 2008, SOU26 commenced continuous operation of the boiler for generation of electricity using the steam turbine to supply housing, workshops and offices. The additional water usage associated with electricity generation has not been assessed separately from processing usage.
4. **(4.6.4)** MSDSs for two chemicals were available in English only. Contact with TQEM Dept. was made after the Closing Meeting and suppliers will be requested to provide MSDSs in Bahasa.
5. **(4.8.1)** There are no records of the training needs assessment for informal “on-the-job” training of estate workers.
6. **(5.1.1)** The EIA focussed on field surveys to identify actual and potential environmental impacts on

company land as well as outside the boundary. The EIA process of stakeholder consultation did not include the Forestry Department in relation to the forest reserves bordering the estates. The SOU26 RSPO Coordinator will consult the Department of Forestry and any issues raised by them will be included in the Environmental Impact Management Plan.

7. **(5.2.2)** WWF Comment – The small population of Orang utan that remain in the area have limited habitat and are isolated from other Orang utan populations. Sime Darby has agreed to initiate a specialist study for development of a Management Plan for the Orang utan.
8. **(6.4.2)** The existing “Procedure on Handling Land Disputes” does not specifically reference gender differences in the power to claim rights, ownership and access to land.
9. **(6.5.2) Mill:** A check of pay slips confirmed that a number of workers had worked well in excess of the maximum 104 overtime hours per month during the 2007 peak crop.
10. **(6.6.1)** At the time of the audit there was no woman representative on the Mill JCC to represent the interests of the thirty (30) women staff and workers. During the Audit the Mill Engineer requested residents to select 2 women representatives for the JCC and these were appointed.

3.3 Noteworthy Positive Components

OHS Implementation

SOU26 has placed high priority on the training and awareness of its workers in health and safety aspects of their jobs. The programme of conducting safety awareness and training regularly and consistently at Muster briefings and at safety toolbox meetings has reduced the frequency of workplace accidents. This is reflected in the low LTA rate, with no lost time accidents occurring since August 2007.

Protected Areas

Land that is unsuitable for planting to oil palm has been set aside and is now protected from disturbance, such as the bird sanctuary within Sentosa Estate (Plate 1).



Plate 1: Bird Sanctuary at Sentosa Estate

Previously there were limited controls to protect the unused land. SOU26 has conducted awareness to staff and workers on the importance of protecting the set aside areas from disturbance.

Joint Consultative Committees

SOU26 has established Joint Consultative Committees at the mill and at each of the four estates for liaison and consultation between management, staff and workers. Workers elect their representatives and there is at least one woman on each of the committees. Workers confirmed that the JCC Meetings, which have been held quarterly since establishment five years ago, work well for solving internal disputes and making improvements. They confirmed they are able to raise issues with management such as pay and conditions, housing and health and safety.

Gender-based Social Policies

Sime Darby has made a strong commitment to the inclusion of women in the process of developing social policies for the recently formed company. Sime Darby has engaged the NGO Tenaganita to facilitate awareness training and capacity building of staff and worker representatives and to assist with policy development. Tenaganita led a workshop for Sime Darby female staff and worker representatives from the Sabah region in Sandakan on 3 and 4 May 2008 for policy development and capacity building. Women interviewed during the audit stated their enthusiasm and support for this initiative.

New School for Worker Children

A number of foreign workers have married and their children have been born on the estates. SOU26 provides crèches and kindergartens for the infants and young children at the estates (Plate 2). These children have no legal status and are not able to attend the government school system. SOU26 is working in partnership with the NGO Borneo Child Aid Society to build and staff a school for the workers' children. SOU26 has committed funds to build a school and teacher accommodation at Tun Tan Estate and construction is scheduled to start in July 2008.



Plate 2: Kindergarten for Worker Children

3.4 Issues Raised by Stakeholders and Findings with Respect to Each Issue

BSi did not receive any written comment from stakeholders on the environmental or social performance of SOU26 operations. In order to obtain comment from stakeholders, the assessment team arranged meetings where practical as well as contact by telephone. The majority of stakeholders had not heard about RSPO but they agreed that it was a good initiative and were supportive of the company's efforts. Stakeholders generally had positive comments to make about SOU26

For the situations where stakeholders raised issues, the company's response is stated in *"italics"*.

Mill, Estate Workers and Staff

Staff and workers expressed positive feedback towards the company and its management. In particular, they appreciated the JCC process as a means of communicating concerns and issues to senior management and having these addressed in a positive manner. An issue of concern raised was the fact that migrant workers were unable to travel outside the estate freely as their passports are held by the company. When needed, permission to travel off the estate is granted by the Estate Manager but a concern was the possible arrest by Police if correct identification was not carried.

SOU26 stated that passports are held for security and prevention of loss or theft. Permission to travel is granted upon request.

The audit team did not find any cases where permission to travel was refused or delayed. Some interviewees stated that they were happy for the company to hold their passports for fear of loss or theft.

Contractors

Contractors said they had a good relationship with the company and they did not raise any significant issues during interview. One contractor had worked with the company for 8 years transporting fruit to the mill and EFB to the estates on a contract basis and confirmed he was treated fairly.

Outgrowers

Independent Outgrowers had similar comments to the contractors. They stated they received a comparable price to that paid by other mills in the area and payment was made monthly.

Local Communities

People of Kg Sg Payau and Kg Manggis indicated they do not work in the estates because they can earn more money from fishing. SOU26 has provided assistance to the communities to develop shallow wells for drinking water. They also appreciated the company supplying water by tanker during the dry season. The residents of

local communities stated they would like the company to build a school so that children did not have to travel all the way to Suanlamba.

SOU26 stated that the new school being constructed at Tun Tan Estate will be accessible to children from local communities although estate children will have first priority.

The audit team noted the construction of a school on the estate as a very positive development.

Government Departments

The DOE and DOSH confirmed SOU26 compliance with regulatory requirements and stated there were no outstanding issues. SOU26 had responded well to DOSH corrective action requests, although additional safety training of workers was recommended. SOU26 had quite a good LTA rate and it was recommended to go for OSH MS 1722 Certification.

The Labour Department confirmed the majority of the workforce was recruited from Indonesia and there were no significant issues with contractual arrangements. The Land and Development Planning Department officers stated the estates were located on land with a planning designation for agricultural activities and they were not aware of any unresolved land issues.

NGOs

NGOs were familiar with the area where the estates are located. Borneo Child Aid Society was very positive about the SOU26 commitment to build a primary school at Tun Tan Estate and working towards a solution to educate workers' children.

Tenaganita commented on Sime Darby's providing leadership for the industry by partnering with them to facilitate development of gender policies, awareness training and capacity building for women employees. Sime Darby has responded positively and constructively to addressing other issues that Tenaganita has brought to their attention.

The NGOs contacted were not aware of any land disputes at the SOU26 estates. WWF Malaysia was aware that only a relatively small area of the original forest remained near Sentosa Estate and that Orang utan were present there prior to development to oil palm. Concern was raised about whether the area of remnant forest had adequate carrying capacity to support the Orang utans. The Wild Asia HCV assessment (January 2007) found Orang utan "nests" as well as other primates throughout the mangrove fringe at Sentosa Estate. WWF recommended that monitoring of the Orang utan population should be carried out.

Sime Darby TQEM Department has stated it will initiate a specialist study for development of a Management Plan for the Orang utan at SOU26.

The audit team noted this as an appropriate response and would include an ecology specialist in the surveillance audit team to assess this issue.

3.5 Acknowledgement of Internal Responsibility and Formal Sign-off of Assessment Findings

Please sign below to acknowledge receipt of the assessment visit described in this report and confirm the acceptance of the assessment report contents including assessment findings.

Signed for on behalf of
SIME DARBY PLANTATIONS Sdn Bhd
SIME DARBY PLANTATION SDN. BHD.
MANAGEMENT SYSTEMS
(Company No. 647766-V)
SANDAKAN RAY - SOU 26


.....
Mr KR Ganapathy
Chairman
Date: 16/07/08

Signed for on behalf of
BSi Management Systems Singapore Pte Ltd



.....
Mr Charlie Ross
Lead Auditor
Date: 16/07/2008

Appendix “A”

Time Bound Plan for other Sime Darby Management Units

SIME DARBY PLANTATION RSPO CERTIFICATION TIME BOUND PROGRAM Year	Name of SOU	Certification Body	Remarks
2008 (January – June)	1. SOU 28 Binuang 2. SOU 29 Giram 3. SOU 30 Merotai 4. SOU 30b Mostyn 5. SOU 26 Sandakan Bay	SIRIM SIRIM SIRIM SIRIM BSi	5 SOUs (SOU 26, 28, 29, 30& 30b)have undergone the RSPO Certification Audit in May 2008
2008 (July - December)	8 SOUs in Malaysia and 4 SOUs in Indonesia	Will be Identified	-
2009 (January – June)	8 SOUs in Malaysia and 4 SOUs in Indonesia	Will be Identified	-
2009 (July – December)	8 SOUs in Malaysia and 3 SOUs in Indonesia	Will be Identified	-
2010 (January – June)	7 SOUs in Malaysia and 3 SOUs in Indonesia	Will be Identified	-
2010 (July – December)	6 SOUs in Malaysia and 4 SOUs in Indonesia	Will be Identified	-
2011 (Jan – June)	5 SOUs in Indonesia	Will be Identified	-

Appendix “B”

RSPO Certificate Details

Sime Darby Plantation Sdn Bhd
 Management Unit SOU 26
 Locked Bag 39
 Sandakan Sabah 90009
 MALAYSIA

Certificate Number : SPO 537872
 Certificate Issue Date: (RSPO Approval Date)

Contact Person: Mr Mohd Saidi B. Abd. Majid
 SOU26 Chairman
 Phone: +6089 230226
 Fax: +6089 230226
 Email: saidi.majid@sime-darby.com

Website: <http://plantation.sime-darby.com/>

Standards: RSPO Principles & Criteria : 2007; Malaysia National Interpretation : 2008

Sandakan Bay Palm Oil Mill and Supply Base	
Location	Sandakan Bay, Sabah, Malaysia
Address	Locked Bag 39, 90009 Sandakan, Sabah, Malaysia
GPS	E 118° 10' 20" N 5° 45' 20"
CPO Tonnage Total Production	56698 t
PK Tonnage Total Production	15444 t
Company Estates FFB Tonnage	Sentosa 73,468 t Tun Tan 64,789 t Tigowis 50,831 t Tunku 69,738 t
Outgrowers FFB Tonnage	10605 t
CPO Tonnage Claimed*	53453 t
PK Tonnage Claimed*	14560 t

* The tonnage claimed is the proportion of the total production from Company Estates

Appendix “C”

Certification Assessment Plan

AUDIT TEAM – CR: Charlie Ross RR: Robyn Ross IN: Iman Nawireja (Noryati Hambali and James Francisco assisted as Interpreters during the interview process)					
DATE	TIME	ACTIVITY	CR	RR	IN
Wednesday May 28		Arrive Sandakan Air Asia flight AK5160	√	√	√
		Joined by 2 local Interpreters	√	√	√
		Travel Sandakan Airport to SOU26 Team Prepare for Audit	√	√	√
Thursday May 29	AM	Pick-up from Guesthouse Opening Meeting	√	√	√
	AM	Physical inspection Sentosa Estate & Work Tasks (ie Harvesting, Spraying, Upkeep, Fertiliser Application, Buffer Zones, Terracing, Stores, Workshop, etc) Interview Sprayers, Loose Fruit Collectors, Fertiliser Applicators Review Documentation (ie Worker Contracts, Pay & Conditions, External Stakeholders Communications)	√	√	√
	PM	Documentation, Chain of Custody Inspect Housing, Interview of Residents, Clinic Staff, Office Staff Interview External Stakeholders, Local Community	√	√	√
Friday May 30	AM	Pick-up from Guest House Physical Inspection Tigowis Estate & Work Tasks (ie Harvesting, Spraying, Upkeep, Fertiliser Application, Buffer Zones, Terracing, Stores, Workshop, etc) Interview Sprayers, Loose Fruit Collectors, Fertiliser Applicators Interview External Stakeholders - Local Communities	√	√	√
	PM	Documentation, Chain of Custody Inspect Housing, Interview of Residents, Clinic Staff, Office Staff Interview Workers, Staff	√	√	√
Saturday May 31	AM	Pick-up from Guest House Physical Inspection Sandakan Bay Palm Oil Mill Inspect Housing, Interview of Residents, Clinic Staff Interview Mill Workers, Contractors	√	√	√
	PM	Documentation Review, Chain of Custody, Monitoring Data Interview Female Office Staff Interview Outgrowers	√	√	√
Sunday		Guest House – Review of Audit Data Collected			
Monday June 2	AM	Pick-up from Guest House Follow-up and Clarification of Issues Prepare for Closing Meeting	√	√	√
	PM	Prepare for Closing Meeting Closing Meeting	√	√	√
Tuesday June 3	AM	Travel SOU26 – Sandakan Airport	√	√	√