



PUBLIC SUMMARY REPORT

INITIAL RSPO CERTIFICATION ASSESSMENT

SIME DARBY PLANTATION Sdn Bhd

**Management Unit SOU 14
Negeri Sembilan, Malaysia**

Report Author

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SUMMARY

BSi Management Systems Singapore Pte Ltd (BSi) has conducted an assessment of Sime Darby Plantation Sdn Bhd Management Unit SOU 14 (SOU 14) operations comprising One (1) mill, supply base, support services and infrastructure. BSi concludes that SOU 14 operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY-NI Indicators and Guidance : 2008.

BSi recommends that SOU 14 be approved as a producer of RSPO certified sustainable palm oil.

ABBREVIATIONS

AMESU	All Malayan Estates Staff Union
CHRA	Chemical Hazard Risk Assessment
CPO	Crude Palm Oil
DOE	Department of Environment
DOSH	Department of Occupational Safety & Health
EFB	Empty Fruit Bunch
EIA	Environmental Impact Assessment
EMS	Environmental Management System
FFB	Fresh Fruit Bunch
HCVs	High Conservation Values
HDPE	High Density Polyethylene
HIRAC	Hazard Identification and Risk Assessment
IPM	Integrated Pest Management
ISO	International Standards Organisation
MAPA	Malayan Agricultural Producers Association
MSDS	Material Safety Data Sheet
MY-NI	Malaysian National Interpretation
NUPW	National Union of Plantation Workers
OHSAS	Occupational Health & Safety Assurance System
OSH	Occupational Safety & Health
PCD	Pollution Control Device
PK	Palm Kernel
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
PQMS	Plantation Quality Management System
QMS	Quality Management System
SEIA	Social and Environmental Impact Assessment
SIA	Social Impact Assessment
SOPs	Standard Operating Procedures
SOU	Strategic Operating Unit
TQEM	Total Quality Environmental Management

1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 National Interpretation Used

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 includes the production from the palm oil mill that is sourced from three (3) company owned oil palm estates.

1.3 Location and Maps

The SOU 14 Mill, 3 Estates and 4 Divisions of the Estates are located at Port Dickson, Negeri Sembilan, Malaysia (Figure 1). An additional map is included (Figure 2) showing Tanah Merah Estate layout. The GPS location of the Mill is shown in Table 1.

Table 1: Mill GPS Location

MILL	LONGITUDE	LATITUDE
Tanah Merah	101° 47' 34.03" E	2° 39' 19.09" N

1.4 Description of Supply Base

The supply base consists of FFB from three Company owned Estates that supply 100% of the FFB processed at the mill. The FFB production from Company owned Estates for the 01 July 2007 – 30 June 2008 reporting period is listed in Table 2.

Table 2: Estates FFB Production

Estate	FFB Production (t)
Tanah Merah	93600
Sua Betong	56202
Bukit Pelandok	12198
TOTAL	162000

1.5 Date of Plantings and Cycle

The Company owned Estates were developed in 1924. Oil palms were first planted in 1963 and are in their second and third 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
30 – 35	1.72
20 – 30	23.88
10 – 20	20.61
0 – 10	53.79

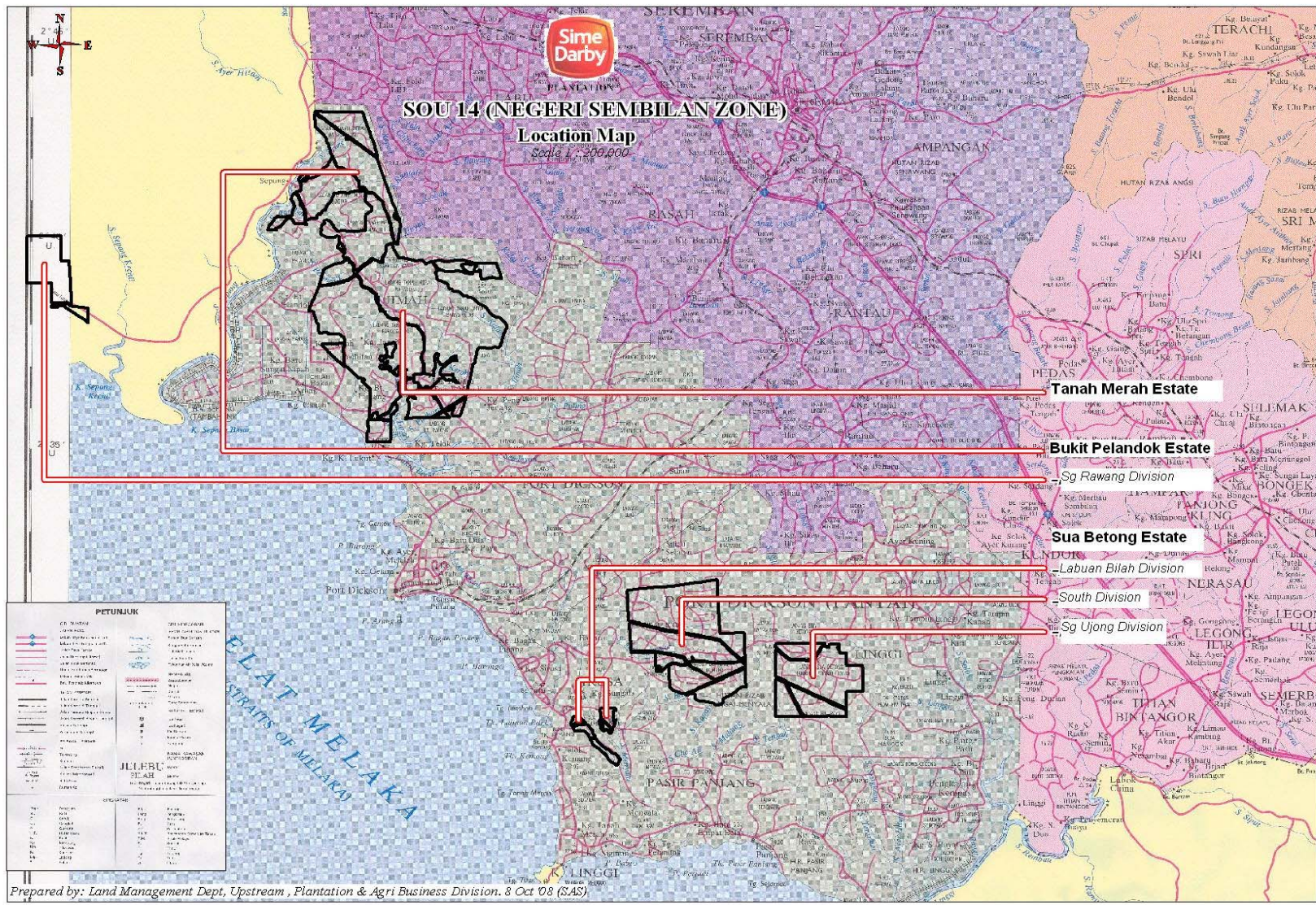


Figure 1: SOU 14 Location of Estates (3) and Divisions (4)

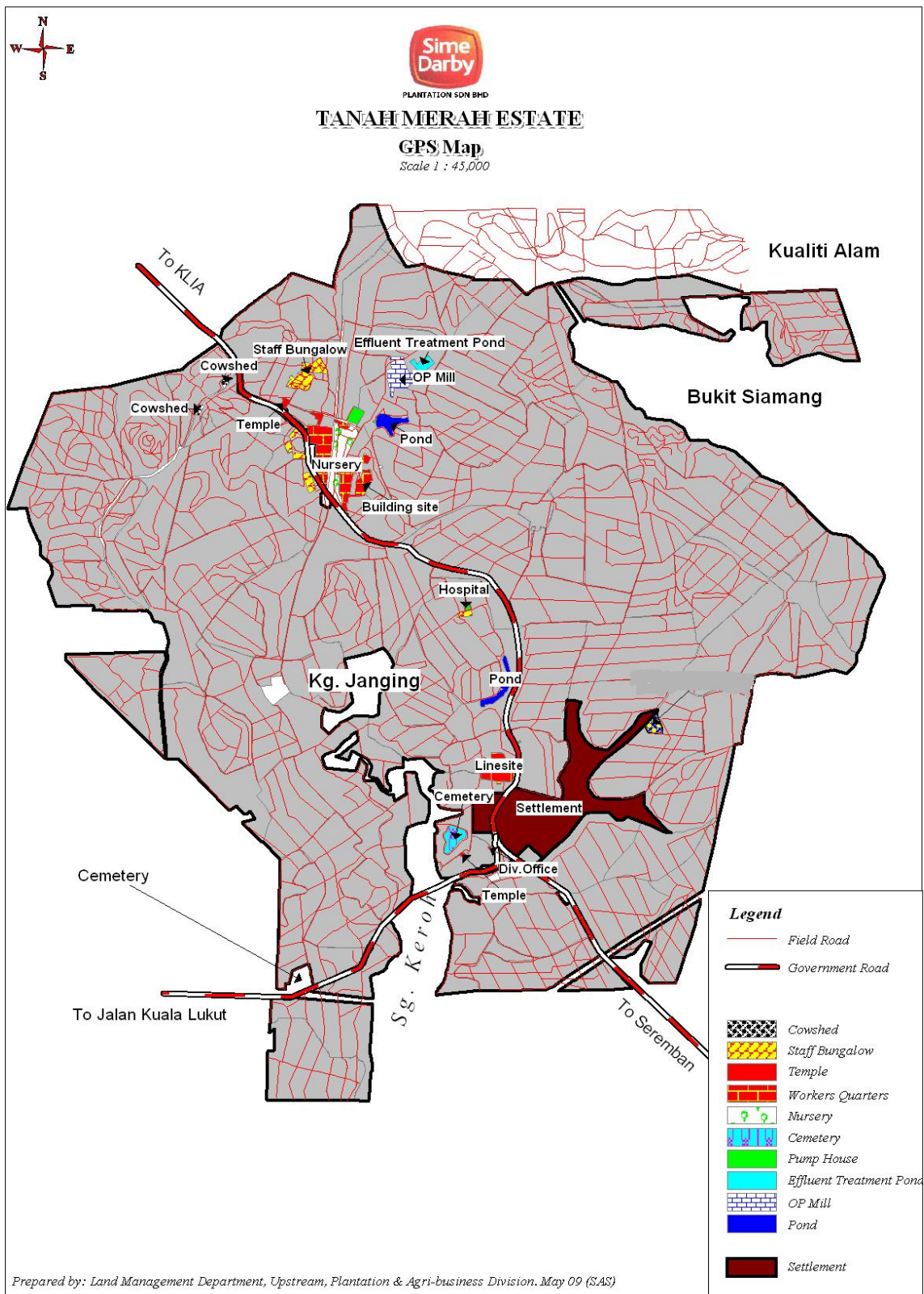


Figure 2: Tanah Merah Estate Layout

1.6 Other Certifications Held

SOU 14 holds the following Certifications:

ISO 14001: 2004

Tanah Merah Palm Oil Mill

Date of Certificate: 23/1/2007

GLOBALGAP : Tanah Merah Estate, Sua Betong Estate & Bukit Pelandok Estate

Date of Certificate: 21/3/2008

HACCP: Tanah Merah Palm Oil Mill

Date of Certificate: 02 June 2006

Tanah Merah was awarded 4th place in the National Safety Award 09 July 2008

1.7 Organisational Information / Contact Person

Sime Darby Plantation Sdn Bhd

Management Unit SOU 14

Ladang Tanah Merah

71009 Port Dickson

Negeri Sembilan Malaysia

Contact Person: Mr Francis Ng

SOU 14 Chairman

Manager Tanah Merah Estate

Phone: 06-6673211/794

Fax: 06-6674058

Email: francis.ng@simedarby.com

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 notified BSi 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.

A BSi Social Assessor has visited PT MAS in West Kalimantan where a land dispute has occurred and reported that both parties met recently and are working towards resolution of the dispute. The BSi Assessor also reported that work on the smallholders' land and the company estates is continuing without disruption, which indicates a constructive relationship, whilst working

towards dispute resolution. BSi will monitor and report on Sime Darby's progress on resolving the disputes at its non-certified holdings.

Sime Darby has provided BSi with details of all new development carried out at its landholdings since November 2005. There has not been any new development at the landholdings in Malaysia. Following the December 2007 amalgamation of three plantation companies to form Sime Darby Plantation Sdn Bhd, Sime Darby has acquired plantation companies in Indonesia where new development has been carried out since November 2005. In order to evaluate this issue, reference has been made to Criterion 7.3 of the Indonesian National Interpretation of the RSPO principles and Criteria, 2008. Of particular importance is the Guidance associated with Criterion 7.3, which distinguishes between new development carried out between November 2005 and November 2007 (the RSPO Trial Implementation Period), and new development since November 2007.

BSi has requested Sime Darby to provide information on the HCV status of the land in Indonesia prior to new development. In accordance with the RSPO Guidance, where new development has been carried out between November 2005 and November 2007 and the HCV status is uncertain, the affected Sime Darby estates have been excluded from the RSPO Certification programme until the status has been determined or an acceptable HCV compensation solution developed. Sime Darby has made a commitment to progressively assess and report on the HCV status of all new development carried out since November 2005.

Post November 2007, Sime Darby has carried out new development at one SOU in Sumatra totalling 263 ha and at 4 SOUs in Kalimantan totalling 1,270 ha. The BSi RSPO audit team has examined satellite images and information from SEIA reports on vegetation, fauna, drainage, land use and cultural heritage sites relating to each of these new development areas. The available information indicates that there has been no replacement of primary forest or any area containing HCVs since November 2007. This initial assessment will be checked when field audits are carried out at each SOU.

Sime Darby has advised that there are no labour disputes and that there are no known legal noncompliances at its oil palm 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>
Tanah Merah	3575	332
Sua Betong	2286	552
Bukit Pelandok	1770	NIL

1.10 Approximate Tonnages Certified

The approximate tonnages certified on the basis of 01 July 2007 - 30 June 2008 production from SOU 14 estates are detailed in Table 5.

Table 5: Approximate Tonnages Certified

MILL	CPO	PK
Tanah Merah	34303	8911

1.11 Date Certificate Issued and Scope of Certificate

Scope of the Certificate is for the production from the palm oil mill and the 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 70,000 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 an Office in Kuala Lumpur.

2.2 Assessment Methodology, Programme, Site Visits

An independent Baseline Assessment was conducted in September 2007 against the RSPO MY-NI Indicators : 2007. The scope of the Baseline Assessment included the three estates, the mill and support infrastructure and focussed on physical inspections and a review of management systems and documentation.

Stage II Certification Assessment was conducted between 09 and 11 September 2008. The audit programme is included as Appendix C.

The approach was to audit the mill together with one (1) estate chosen from its supply base, such that a range of environmental and social factors were covered. Tanah Merah Estate was audited as it is the largest and included a range of topography, soils, age of palms and it is close to local communities and areas with HCVs.

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. 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 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.

2.3 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^o14370

Iman Nawireja – Social Assessor

B.Ag.Sc. M.Sc. (Comm)

Robyn Ross – Social Assessor

Dini Harmita – Interviewer/Assistant

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, Papua New Guinea and Solomon Islands. 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 Environmental Management, SA8000 Social Accountability and RSPO P&C. He has been involved in the RSPO process since RT1 and has conducted audits of oil palm plantation companies against the RSPO P&C in Indonesia, Malaysia and PNG.

Iman Nawireja graduated with a Bachelor of Agricultural Science from the University of Bogor in 1997 and a Masters Degree in Communications from the University of Indonesia in 2002. He is a Lecturer in social statistics at the University of Bogor and has more than 10 years experience in conducting social impact assessments of agriculture, mining and forestry projects. He 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 Lead Auditor training in ISO 14001 Environmental Management Systems. He has assisted in conducting environmental and social assessments of oil palm projects during the past 5 years. He has assisted with conducting audits of oil palm plantation companies against the RSPO P&C in Indonesia and in 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 against the RSPO P&C in Indonesia, Malaysia and Papua New Guinea.

Dini Harmita holds a BSc in Agriculture from Bogor Agricultural University and is fluent in Bahasa Malaysia and English. Ms Harmita assisted Robyn Ross during interview of female staff, workers and their families.

2.4 Stakeholder Consultation and List of Stakeholders Contacted

Stakeholder consultation involved internal and external stakeholders. External stakeholders were notified by placing an invitation to comment on the RSPO, Sime Darby and BSi websites. Letters were written to individual stakeholders and telephone calls were made to arrange meetings and to discuss SOU 14's environmental and social performance.

BSi did not receive any responses in writing from stakeholders in relation to SOU 14. Meetings were held with stakeholders to seek their views on the performance of the company with respect to the RSPO requirements and aspects where they considered that improvements could be made. Stakeholders included those immediately linked with the operation of the company such as employees, out growers and contractors, as well as organisations that may have an interest in SOU 14's operations or adjacent areas.

Stakeholder consultation took place in the form of meetings, interviews and discussion by telephone. 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.

Structured worker interviews with male and female workers and staff were held in private at the workplace in the mill and the estate. Fieldworkers were interviewed informally in small groups in the field. Separate visits were made to each of the local communities to meet with the village head and residents. In addition, the wives of workers and staff

were interviewed in informal group meetings at their housing. Company officials were not present at any of the worker or stakeholder interviews.

List of Stakeholders Contacted

Contractors & Consultants

Transport Contractor
Labour Contractor
Wild Asia

Local Communities

Kampung Jangling Residents
Kampung Sawah Residents

Government Departments

Labour Department
Department of Health and Safety
Department of Environment

NGOs

WWF Malaysia
Tenaganita
NUPW

2.5 Date of Next Surveillance Visit

The next surveillance visit is planned to be carried out within twelve months of RSPO approval of the initial Certification.

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

As outlined in Section 2.2, objective evidence was obtained separately for each of the RSPO Indicators for the mill and the estate. 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 Compliance Indicators to support the finding of the assessment team.

One (1) Nonconformity was raised against a major compliance indicator. Three (3) Nonconformities were identified against Minor Compliance Indicators. Nine (9) Observations / Opportunities for improvement were identified. Details of the Nonconformities are given in Section 3.2 (Page 15).

SOU 14 has prepared a Corrective Action Plan that was reviewed and accepted by BSi.

SOU 14 has implemented Corrective Action for the Nonconformity against the Major Compliance Indicator and two (2) Nonconformities against Minor Compliance Indicators. The Audit Team reviewed the Corrective

Actions and concluded that the RSPO requirements for applicable Indicators were met.

The Nonconformities against the Major Compliance Indicator and two (2) of the Minor Compliance Indicators were closed out.

The effectiveness of the corrective actions will be checked during the surveillance Audit scheduled within 12 months of the Initial Certification Approval.

BSi has conducted an assessment of the SOU 14 operations comprising 1 mill, 3 oil palm estates, support services and infrastructure. BSi concludes that SOU 14 operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY-NI Indicators and Guidance : 2008.

BSi recommends that SOU 14 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.

Sime Darby website has a webpage for the public to request information. Head Office maintains records of requests for information. A file is maintained at the Estate for requests in relation to social activities. Records include date received and response. The mill maintains a file but has not received any requests from the public for information since September 2007. The mill and the estate maintain separate files for requests related to environment (DOE) and legal (DOSH) requests and site visits.

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.

Originals of land titles are held by Land Management Department, Head Office. A copy of land title documents held is on site. (1.2.1)

SOU 14 has implemented a Safety and Health Plan based on OSHA 18001. A copy of the Plan is available on site and was sighted during the audit. (1.2.2)

SIA was carried out in September 2008. Environmental impacts have been assessed at each estate and specific action plans developed for key issues. The mill has ISO 14001 Environmental Aspects and Impacts Register and Management Programmes. Register includes control of negative impacts, resources use/conservation or consideration of beneficial impacts. (1.2.3)

SOU 14 has developed Waste Management and Water Management Plans for pollution prevention. ISO 14001 Environmental Management Programmes (EMSP 3.1) are available for the mill. (1.2.4)

Details of complaints and grievances are held on file and are available. (1.2.5)

Negotiation Guidance has been documented at Group level in Sime Darby Sustainable Plantation Management System, Appendix 3 and a copy is available on site. (1.2.6)

The Estates have Improvement Plans that cover a range of issues, including Biodiversity Conservation, Waste Management and Water Management. The Mill has an Improvement Plan with objectives and targets that are detailed in the ISO 14001 EMS (1.2.7)

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

The Standards and Compliance Unit of the Sime Darby TQEM Department conducts internal legal compliance audits of plantations based on Plantation Quality Management System (PQMS). The Global GAP external audit (14-17 January 2008) report on legal compliance and audit reports confirm legal compliance. DOSH audit was carried out 7 May 2008 and there were no unresolved items. The audit of legal compliance carried out 2 August 2008 noted that the small stand-by boilers (which are not fitted with efficient smoke emission control equipment) had exceeded smoke emission limits when required to be operated, such as during emergency shut down of the main boiler. Sime Darby advised that the small boilers were used only during emergency situations and had not been operated since mid-2008. The housing provided for staff and workers meets minimum standards. Water from the government reticulation system is supplied to housing and is suitable for domestic use. (2.1.1)

Observation 01 – Refer Section 3.2 Page 16 for details

Legal Requirements are detailed in the ISO 14001 EMS. (2.1.2)

Sime Darby conducts an internal Legal Compliance Audit annually and an external Audit (Global GAP) checks legal compliance. In addition to the internal Legal Compliance Audits the external ISO 14001 Audit assesses compliance annually. (2.1.3)

TQEM Department has a subscription for legal updates and monitors and disseminates these updates to all SOUs. For example, the most recent advisory 13 May 2008 relates to Environmental Quality (Schedule Wastes Amendment) Regulations 2007. MAPA circulars advise of changes to the law in relation to Estates and Mills. The mill uses an ISO 14001 EMS Procedure for checking changes to the legal requirements. (2.1.4)

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

The Estates are on Freehold land and originals of land titles are held by Sime Darby Land Management Department, Head Office. A copy of land title documents are held on site. (2.2.1)

All of the Title Deeds have been converted for land use “perennial agriculture”. SOU 14 complies with the land title terms and conditions. (2.2.2)

Sime Darby has prepared maps showing locations of all boundary stones. The GPS position of each boundary stone has been recorded. Field inspection of a sample of boundary stones confirmed a programme has been implemented for annual maintenance. (2.2.3)

The SOU 14 land was acquired in the 1920s, is on Freehold Title and there are no Land Disputes. (2.2.4)

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

All land is freehold title and is not encumbered by Customary Rights. SOU 14 does not restrict access through the estates, except in relation trucks in order to prevent theft of crop. SOU 14 allows residents of Kg Janging to graze their cattle throughout Tanah Merah Estate. (2.3.1)

All land is freehold title and there are no land claims. (2.3.2, 2.3.3)

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

Sime Darby has an Annual Budget with four year projection through to 2012. The Budget includes crop forecasts and performance targets for the mill and estates. The mill and estates report monthly performances against targets. (3.1.1)

There is a replanting programme projected to 2017 that is reviewed annually. (3.1.2)

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

The Sime Darby Agriculture Reference Manual (December 2007) contains detailed SOPs for all aspects of plantation operations from nursery through to upkeep and harvest. The “Mill Quality Management System Manual” that was issued 1 April 2008, documents the SOPs for each work station. The mill operates an integrated management system in accordance with the ISO 9001, ISO 14001 and OSHAS 18001 Standards. (4.1.1)

Internal inspections of estates are carried out by the General Manager monthly. The Plantation Advisor inspects estates quarterly. In addition there are internal audits at least annually. The Plantation Advisor Report is followed up with action taken by the Estate Manager in relation to the expected results. (Most recent Plantation Advisor Report 22-25 July 2008.) Records are maintained for seven years then archived. The Mill operates a Quality Management System with external checks by the General Manager and Mill Advisor and information is available on actions taken in response to Audit Reports. Mill Operators record operating parameters and any variances on a shift log sheet. At the end of each shift, the shift Supervisor compiles a

report for Mill Management. Inspection of the estate and mill during the audit and review of audit reports indicated SOPs are implemented consistently. (4.1.2)

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

The Estate Manager monitors fertiliser inputs in relation to the SOP and the annual recommendations. Sime Darby Extension Services Department is informed of timeliness of the fertiliser application with respect to the programme. A check of records held on file confirmed the quantity of fertiliser applied matched recommendation for each Field. (4.2.1)

The Extension Services Department carries out leaf sampling annually and soil sampling was carried out in January 2007 at all divisions. (4.2.2)

All EFB is composted then applied to the field. Records are held on file of the areas and quantities applied. Extension Services Department monitors the nutrient status of these areas. Field inspection of recently replanted areas confirmed fire has not been used during replanting. Palms are felled and chipped. (4.2.3)

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

Field inspection indicated consistent implementation of soil conservation practices, including maintenance of ground cover vegetation, U-shaped stacking of pruned fronds, terracing at sloping land, silt pits and maintenance of a durable laterite surface on roads. (4.3.1)

Field inspection and observation of spray application confirmed appropriate techniques are applied to maintain ground cover vegetation and minimize bare soils. Sime Darby has implemented the practice of spraying only palm circles at areas where mechanical in-field collection is used, in order to minimize soil disturbance by tractors. (4.3.2)

SOU 14 has implemented an annual road maintenance program that includes grading, maintenance of roadside drains, silt pit cleaning, and repairing road surfaces with laterite and crushed rock where necessary. Inspection indicated roads and drainage for water management were adequately maintained. (4.3.3)

There are no peat soils at the estates. (4.3.4)

83 hectares of low-lying land in A1 division have been previously affected by salt water intrusion during high tides. A system of water gates and bunds has been installed to prevent ingress of salt water. Inspection confirmed an operator is dedicated to daily monitoring of water levels and operation of the water gates, which is consistent with best management practices. (4.3.5)

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

The Estate is carrying out reinstatement of riparian buffer strips along both sides of a Sungai Janging, small

stream that flows through fields 07B and 07C. Although there is no legal requirement for a riparian buffer strip, the Estate is setting aside a 5 m wide strip on both sides of the small stream prior to replanting. The program involves ceasing the application of agricultural chemicals. The old palms continue to be harvested and weeding of circles is carried out manually. The Estate has felled the old palms at several locations along the streambank and has planted indigenous species of trees in plots. Inspection confirmed the tree seedlings are growing successfully and becoming established. (4.4.1)

Observation 02 – Refer Section 3.2 Page 16 for Details

A weir was constructed across Sungai Janging approximately in the 1950s for canal transport of rubber. There are no other constructions across the small streams that flow through the estates. (4.4.2)

Wild Asia initiated a sampling programme at Tanah Merah over the past year to monitor water quality at 7 locations along Sungai Janging. The aims of the programme were to obtain information on the quality of water inflows to and outflows from the estate and to provide training for estate staff. Of particular interest was the location of the Kualiti Alam Hazardous Waste Facility upstream of the estate on Sungai Janging and the need to monitor contaminants upstream of the estate.

In addition, the mill staff sample the discharge from the mill monsoon drain monthly at a location immediately upstream of the junction with Sungai Janging. This provides information on the water quality of mill area rainfall runoff that is discharged via a pollution control device (for removal of sediment and oil) and a drain that flows through the estate before entering Sungai Janging. Review of the results of the mill monsoon drain sampling indicated low concentrations of suspended solids and BOD. (4.4.3)

Observation 03 – Refer Section 3.2 Page 16 for Details

The estate monitors rainfall daily and the information is used for planning field operations such as the timing of the application of fertiliser. (4.4.4)

The mill monitors water consumption and reports monthly usage against an annual target of 1.5 t/t FFB. The YTD consumption has averaged 1.43 t/t FFB, which is slightly below the target value. (4.4.5)

Water draining from Tanah Merah Estate and the mill flows via Sungai Janging through a mangrove wetland at a low-lying area. Although drainage into this area cannot be avoided, the estate is implementing programs to improve water quality, such as soil conservation to reduce the sediment loading. Treated mill effluent is being used for composting with EFB in a trial that aims to achieve zero discharge of effluent. The compost site is located immediately up-slope of the effluent treatment ponds and is operated as a closed system. (4.4.6)

Observation 04 – refer Section 3.2 Page 16 for Details

The estate and mill have various elements of a water management plan that have been documented and implemented. The water management plan for low-lying coastal land is documented in Section 10 of the Agriculture Reference Manual. As outlined for Indicator

4.3.5 above, the water management plan to prevent ingress of saline water is consistent with best practice. The mill similarly has documented elements of a water management plan, such as for controlling and reducing water consumption. The estate biodiversity management plan to reinstate riparian vegetation along small streams also is an important element of overall water management and protection of water quality. (4.4.7)

Observation 05 – Refer Section 3.2 Page 16 for Details

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

Section 16 of the Agriculture Reference Manual documents IPM for control of palm pests and includes census of pest numbers and identification of appropriate biological controls, such as barn owls, beneficial plants and pheromone traps. (4.5.1)

Maps are available showing locations of beneficial plants, barn owl boxes and pheromone traps. (4.5.2)

Each estate carries out a census every 15 days for monitoring Bagworm populations. Records are held of areas where chemicals have been applied for pest control. (4.5.3)

Records are available at the estate on the quantity of chemical applied for each field. The information is aggregated as usage for each chemical on a monthly basis. Pesticides usage per hectare and per tonne of FFB are calculated and reported monthly. (4.5.4)

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.

Section 16.5 of the Agriculture Reference Manual provides guidance on the types and quantities of chemicals to be used for various field conditions. The Mandor inspects field conditions prior to spraying to identify the spray treatment required. (4.6.1)

The estate maintains a register of all chemicals being used. Inspection of the main store and divisional stores and records confirmed that only chemicals approved by the Pesticides Board were being used. (4.6.2)

Inspection confirmed that the main Pesticide Store and the Divisional Stores meet best practice requirements, including security, spill containment, ventilation, labelling, separation by type of chemical, PPE, spill kits and work instruction. (4.6.3)

The Work Instruction providing information on safe use of chemicals was in the local language and displayed prominently. All product labels were in Bahasa Malaysia. A pictorial Work Instruction provides information on safe

work practices. (4.6.4). Interview of workers indicated an appropriate understanding of product hazards and safety precautions.

Observation 06 – Refer Section 3.2 Page 16 for Details

Monthly physical health checks are carried out at the company clinic for pesticide operators – most recent check 14/8/08 for 46 sprayers – recorded on file “Medical Examination for Chemical Sprayers”. The annual health check as per CHRA was carried out by a Government Agency on 27/8/08 for 16 pesticide operators and included blood analysis. Health checks for the remaining sprayers will be staged during the year. (4.6.5)

Sime Darby policy requires female pesticide sprayers, who are confirmed pregnant, be transferred to other duties if they wish to continue working. Interview of the Clinic Paramedic confirmed implementation of the Policy. (4.6.6)

Only one restricted chemical, Monocrotophos, a Class1A chemical is used for control of bagworm by means of injection into the palm trunk. IPM techniques have been implemented to aid control of palm pests and chemical treatment is used only on the basis of pest census information. Paraquat usage ceased in September 2007. Inspection of the store and a check of records confirmed there were no stocks held of Paraquat. (4.6.7)

Aerial spraying is not carried out. (4.6.8)

No buyers have requested CPO testing. SOU 14 carried out sampling of CPO and arranged for independent analysis for pesticides and hydrocarbon residues in November 2007. The tests found no trace of pesticides or hydrocarbons. (4.6.9)

Records are available on the quantity of chemical applied for each field and is aggregated as usage for each chemical for the calendar year. Usage per hectare has been calculated. (4.6.10)

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

(a) Sime Darby Top Management has approved a Safety and Health Policy dated April 2008. The Policy is displayed prominently in Bahasa Malaysia and English, eg at Muster areas and on Notice Boards. The Policy is implemented through an ESH Management Plan. The OSH Unit of TQEM Department carries out an annual audit. Inspection of field operations and work places indicated the Policy was implemented.

(b) A DOSH Certified Safety Officer carried out Hazard identification risk assessment control (HIRAC) for Estates August 2006 and Action Plans were developed to address risks. Sime Darby has reviewed and revised a HIRAC for all work stations in the Mill that was completed in August 2008. The BSi Lead Auditor reviewed an electronic copy of the HIRAC.

(c) i Sime Darby OSH Unit has developed Safety Training Programs and distributed training materials. Estate

records of training for individual staff and workers were available with most recent training 29/07/2008 for launching of new spraying trailer. The mill holds records for individual attendees of training courses.

- ii Field Inspection and observation of spraying tasks confirmed chemicals were being applied in accordance with product safety precautions. Inspection at the mill confirmed that appropriate precautions are applied to the use of boiler water treatment chemicals.
- (d) i Field inspection and observation of tasks confirmed that correct PPE was issued to all workers and staff and was appropriate for the task being carried out.
- (e) Estate Manager and OSH Coordinator at each estate and the Mill Manager are the designated persons responsible for OSH.
- (f) Estate OSH meetings are held quarterly and include worker representatives. Meeting Minutes were available on file and were examined during the audit. A Mill Safety Committee with representatives from management and a worker from each work station meets quarterly, the most recent August 2008. Information from the Mill and Estate Safety Committee Meetings is communicated to workers by the worker representatives and Managers during muster briefings.
- (g) Accident and Emergency Procedures are documented and include the steps required to be taken for a range of potential emergencies, Site Plan and Emergency Callout List of Contacts. Interview of staff and workers confirmed awareness of Procedures. Work stations at the mill, such as the boiler had emergency shut-down procedures documented in Bahasa Malaysia.
- h) The Hospital Assistant conducted training for Estate Mandores and workers in First Aid on 29 July 2008 (20 trainees). The Hospital Assistant conducted First Aid training for 9 trainees at the mill on 7 January 2008.
- i) Inspection confirmed first aid kits are taken into the field by Mandores and also located in “spraying trailers”. First Aid Kits were located at 6 work stations throughout the Mill. Kits are inspected and restocked monthly. (4.7.1)

Accidents are investigated and details reported to Head Office who review records of all accidents and near misses monthly and identify corrective and preventive actions. (4.7.2)

109 Malaysian workers are covered by SOCSO and a monthly return (most recent August) is submitted to “SOCSO” with contribution. Indonesian workers are covered by Workman Compensation Scheme. (4.7.3)

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

An annual training programme is developed at the beginning of each year, based on information on training

needs analysis assessed informally at the estate. A documented training programme covers SOPs, OSH and sustainability. Records are maintained of training for individual staff and workers – file “Training”. Most recent training carried out 9 September 2008 for use of motor cycle helmets. A Training Programme appropriate for Mill operations and Company's aims for TQEM is documented for 2008. Records of training for mill staff and workers together with assessments are held on file. The most recent training was for Press Station 1 August 2008 with 5 trainees. Observation of tasks and interview of workers and contractors at the mill and estate indicated good understanding of their tasks and that they had been appropriately trained.

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.

The estate has assessed environmental impacts using a risk assessment process. The Sustainable Plantation Unit of the Sime Darby TQEM Department facilitated the EIA process and development of specific action plans for management of key issues. The Mill has an ISO 14001 Environmental Aspects and Impacts Register and Management Programmes for control of the significant impacts. The Register includes assessment of negative impacts, resources use/conservation and consideration of beneficial impacts. The Aspects and Impacts Register was reviewed and updated 1 August 2008. (5.1.1)

The Estate has an Environmental Improvement Plan that covers three main areas - Waste Management, Water Usage and Biodiversity Conservation. Inspection confirmed significant improvements have been made in relation to waste management over the past year. The estate water usage strategy has recently been developed and implementation will be checked at the surveillance audit. The Mill Improvement Plans are documented in the ISO 14001 EMS and include a range of projects for pollution prevention and reduction in resources consumption. An in-field composting trial is being implemented to evaluate the utilization of all mill effluent in the composting with EFB. (5.1.2)

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.

Wild Asia carried out a biodiversity assessment at the estate in June 2005 that included fieldwork of two areas: mangroves along the lower reaches of Sungai Janging and Sungai Keroh, and a remnant hill forest at the north-eastern portion of the estate. The survey recorded 61 bird species at the mangroves, including two IUCN globally threatened species the Masked Finfoot (IUCN Vulnerable) and the Mangrove Pitta (IUCN Near-threatened). Although only 5 mammal species were recorded in the mangroves, the Smooth Otter (IUCN

Vulnerable) and the Silvered Langur (a mangrove specialist) are of conservation concern.

A patch of degraded hill forest known as Bukit Siamang was surveyed but only 34 bird species were recorded, with one of these the Black bellied Malkoha (IUCN Near-threatened). The patch of hill forest is surrounded by oil palm and is isolated from other areas of forest. (5.2.1)

Wild Asia has prepared a Biodiversity Management Plan that focuses on the habitat approach to conservation by consolidation and expanding existing natural areas that provide habitat for endangered, rare and threatened fauna species. The Plan has three main objectives: conservation of natural areas; enhancing the plantation landscape; and educating and raising awareness. The estate has completed a number of actions, such as mapping of all natural areas on the estate, clear marking of conservation areas on site and conducting education and awareness campaigns. (5.2.2)

SOU 14 has communicated information to staff and workers on its policy to prohibit hunting and fishing within the estate. Interview of workers confirmed they were aware of the policy as it had been socialized during morning muster. Signboards prohibiting hunting and fishing have been installed at all entrances to the estate and adjacent to conservation areas. (5.2.3)

Observation 07 – Refer Section 3.2 Page 16 for Details

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

The mill wastes and sources of pollution are identified in the ISO 14001 Environmental Aspects and Impacts Register. The Estate has identified the types of wastes generated and pollutants in the "Waste Management Action Plan 2007-2008 SOU 14. (5.3.1)

At the estate, "Point Source" pollutants generally were well controlled, with significant improvements made over the past year. PCDs have been installed on the vehicle wash-down bay, the vehicle workshop drain and at bulk fuel storage tanks and refuelling areas for preventing the discharge of oil and minor spillage of fuel.

Observation 08 – Refer Section 3.2 Page 16 for Details

The estate and mill have implemented programmes for segregation of wastes at source and separate storage of recyclables such as glass, plastic and metal. This has also been implemented at housing and progress is being made with encouraging residents to separate recyclables.

The estate and mill have purpose built Scheduled Waste Stores that have secondary spill containment. The estates have not yet become involved in the national programme on recycling of used HDPE pesticide containers. Scheduled waste is collected by a licensed contractor and transported to the nearby Quality Alam Sdn Bhd hazardous waste facility for disposal. Inspection of the scheduled waste stores at the mill and estate, review of inventories and consignment documents confirmed scheduled waste is managed and disposed in accordance with government regulations. (5.3.2)

Crop residues EFB and POME are composted and applied to the field as organic fertiliser. 100% of EFB is composted with mill effluent and used as organic fertiliser in the estates. Fibre and nut shell that are excess to mill boiler requirements for processing, are sold. Sludge oil is recovered from cooling ponds and sold to a recycler. (5.3.3)

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

The mill records daily usage of energy generated by the steam turbine and the information is included in Monthly Reports to head office. The data are expressed as usage per tonne of FFB and are reported against a target, with trend information available for more than one year. (5.4.1)

The mill also maintains records of diesel fuel usage for the stand-by generator and reports the information monthly to head office. The Year to Date average usage of diesel fuel is 0.68L/t FFB. The mill has optimised the use of the steam turbine for electricity generation in preference to using the diesel powered stand-by generator. Sime Darby has a programme of investigating the feasibility of recovering methane from mill effluent treatment ponds and anaerobic digestion tanks at its mills. To date, an initial scoping investigation has been carried out at SOU 14 mill. (5.4.2)

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.

Sime Darby has a policy of zero burning at its plantations. Inspection of mature and replanted areas did not find any evidence of open burning. (5.5.1)

At replant, the old palms are chipped, windrowed and mulched. Inspection of replanted areas confirmed the felled palms had been chipped and mulched in accordance with the SOP. (5.5.2)

Inspection of housing and workshops confirmed no evidence of use of fire for disposal of wastes. (5.5.3)

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

Pollution prevention is documented in the estate's Waste Management Plan. Examples of improvements over the past year are control of point sources of pollution by installation of PCDs, initiation of the segregation of wastes at source and control of scheduled wastes. The mill Improvement Plans are documented in the ISO 14001 EMS and include a range of projects. A major project is the replacement of the older standby boilers with a new boiler. Inspection of records confirmed boiler replacement has been approved in the 2008/09 capital budget. (5.6.1)

Sime Darby conducts annual management reviews of all operating units as part of the Plantation Quality Management System. The annual management review

includes estates and the mill. In addition, the mill conducts an annual management review of the ISO 14001 EMS that includes consideration of Improvement Plans. (5.6.2)

SOU 14 does not have any peat soils. (5.6.3)

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.

At the time of the audit an SIA had not yet been carried out, but was scheduled later during September 2008 by a team from Sime Darby TQEM Department.

A Nonconformity was raised against Major Compliance Indicator 6.1.1 – Refer Section 3.2 Page 15 for Details

A Nonconformity also was raised against Minor Compliance Indicators 6.1.2 and 6.1.3 that are associated with the SIA – refer Section 3.2 Page 15 for Details

Sime Darby carried out an SIA for SOU 14 and forwarded a copy to the Audit Team in October. The Audit team reviewed the SIA Report and concluded that it met the RSPO requirements. The Nonconformities against Major Compliance Indicator 6.1.1 and Minor Compliance Indicators 6.1.2 and 6.1.3 were closed out.

The SIA scope included internal stakeholders – staff, workers and families and external stakeholders – local communities, contractors and government agencies. The SIA team kept records of the meetings, including a list of attendees, the topics discussed and stakeholder comments. (6.1.1)

The SIA process for information collection involved informal group meetings, structured interviews of external stakeholders and a survey of workers and staff. The SIA team used the information provided by interviewees and survey respondents as the basis for identifying negative and positive social impacts. Some of the information and the issues identified by the SIA process were consistent with those raised by the completely separate and independent RSPO audit stakeholder consultation process. For example, both processes identified the security gate access as an issue for Kg Janging residents. The audit team concluded that there had been appropriate participation of the affected parties in the information gathering stage of the SIA process. (6.1.2)

The SIA team prepared a Social Action Plan for management of the impacts that were identified by stakeholders. The main focus of the Plan was the management of negative impacts using the mitigating actions proposed by the affected stakeholders. For example the local communities requested that SOU 14 management to liaise more regularly with them for discussion of issues, and proposed a joint consultative committee be formed. The Social Action Plan included the assignment of responsibilities and a timetable for implementation. (6.1.3)

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 implemented a group communication procedure – reference PQMS, Standard Operating Manual subsection 5.5 Appendix 5.5.3.2, issued 1 April 2008. The Sustainable Plantation Unit of TQEM Department has socialised the procedure to estate and mill staff at SOU 14 and staff were aware of the process. (6.2.1)

Estate Managers and the Mill Manager are the nominated persons responsible for communications. (6.2.2)

A formal list of stakeholders is available including contractors, vendors/suppliers, local community heads and other interested parties. The list was updated June 2008. Records of all communications and actions taken are held on file “Transparency”. (6.2.3)

Interview of local community representatives indicated that they wished for a closer relationship with the company in relation to the provision of information. This indicates there is not open two-way communication between the company and local communities. Local communities also raised this issue during the SIA process.

Observation 09 – Refer Section 3.2 Page 16 for Details

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 a procedure on dispute resolution at Group level that was issued in April 2008. Negotiation Guidance has been documented at Group level in Sime Darby Sustainable Plantation Management System and is presented as a flowchart. The Sustainable Plantation Unit of TQEM Department has socialised the procedure to estate and mill staff at SOU 14 and senior staff interviewed were aware of the process. (6.3.1)

There have been no complaints recorded at the Estates that have required application of the Group dispute resolution procedure. The mill handles customer complaints in relation to products under the HACCP Procedure. Inspection of files confirmed the mill has records available showing details of the complaint and how it was resolved. Records indicated the customer complaints had been handled in a timely manner. (6.3.2)

Estate and mill staff confirmed the dispute resolution system is open to all affected parties. (6.3.3)

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.

All Land within the Estates is Freehold. Enquiry with Government Land Development Agency confirmed there are no Customary Rights on Freehold Land in this area. A procedure has been implemented at Group level: “Procedure on Handling Land Disputes” and includes identification of Legal and Customary Rights and entitlement to compensation – reference Sustainable Plantation Management System – Appendix 3. (6.4.1)

There is no Customary Land within the Estates. The above procedure includes a process for negotiation of compensation. Although the Procedure on Handling Land Disputes does not differentiate between genders, Sime Darby Social Policy has provisions for preventing gender discrimination. (6.4.2)

There are no claims for land compensation. (6.4.3)

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 Company observes two Collective Labour Agreements NUPW (Workers) and AMESU (Staff). Pay and conditions are documented in the two Agreements. Copies of the collective labour agreements were available in Bahasa Malaysia and the NUPW representatives interviewed held copies. (6.5.1)

New hires of local staff and workers receive letters of appointment that set out details of terms and conditions. The majority of foreign workers are recruited from Lombok, Indonesia. The foreign workers interviewed stated they received a copy of their contract when recruited. They stated they received training at Sua Betong Estate on arrival and are provided with PPE. They work overtime and are able to send home savings each month. They are provided with free housing and medical treatment, but have to pay for electricity, water and gas for cooking.

Inspection of records and interview of workers showed that mill workers exceeded the Department of Labour overtime limit of 104 hours per month between January and April 2008. (6.5.2)

A Nonconformity was raised against Minor Compliance Indicator 6.5.2 – Refer Section 3.2 Page 15 for Details.

A good standard of housing is provided for staff and workers. SOU 14 provides land for residents to cultivate food gardens as a supplement to their incomes. Water is supplied from the Government Reticulation System and is subsidised by the company (first 100 units free). Electricity is supplied from the Government and is subsidised by the company (first 24 units free). Free medical is provided to workers and dependants. A Government Tamil School is located next to the estate housing. A transport allowance is paid for staff children to attend an alternative school, if required. Staff and workers interviewed at the mill and estate stated they are able to make small but regular savings after paying for living expenses. (6.5.3)

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.

SOU 14 maintains records of minutes of meetings with Union Worker Representatives and Union Officials. Three meetings have been held during 2008 - most recent 27 August. (6.6.1)

A statement recognising Freedom of Association is included in the Corporate Social Policy approved 1 April 2008 and is available in Bahasa. Workers and staff interviewed stated they are free to join a union if they wish. (6.6.2)

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.

Inspection of records confirmed that age checks are made before hiring: Malaysian workers - National Identity Card; Foreign workers - Passport. Children were not observed at any workplace during mill and field inspections.

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.

An Equal Opportunities Statement is included in the Corporate Social Policy approved by top management April 2008. Policy is displayed prominently at offices and muster areas. (6.8.1)

Interview of staff and workers indicated understanding of Policy and they stated there was no discrimination. Examination of Personnel files and pay records did not identify any inconsistencies that may be attributed to discrimination. (6.8.2)

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.

Sime Darby top management approved a Corporate Social Policy in April 2008, which includes a statement for the prevention of sexual harassment and violence. The policy is displayed prominently at offices and muster areas. The Social NGO Tenaganita facilitated Gender Policy Development for Sime Darby and has also conducted training and capacity building for women representatives of Gender Committees. A local Gender Committee was launched on 11 August 2008. (6.9.1)

Sime Darby has a specific Grievance Procedure for gender related issues – recorded on file “Gender Committee”. At the time of the audit, the recently developed Grievance Procedure had yet to be launched and socialised, but was scheduled during the final quarter of 2008. At the time of the audit, the Gender

Committee had invited submissions, but had not received any complaints. (6.9.2)

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

The SOU 14 mill processes only FFB from company owned estates and the Indicators relating to smallholders are not applicable. (6.10.1 and 6.10.2)

Sime Darby has standard terms and conditions, which from time to time are supplemented with additional performance requirements. Terms and Conditions are explained to the Contractor before signing. Interview of contractors confirmed that contract terms and conditions were explained to them prior to signing. (6.10.3)

Interview of Contractors confirmed that payments are processed locally and made in a timely manner. (6.10.4)

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

A Tamil School built and operated by the Education Department is located on Company land adjacent to the housing area. The Estates, in conjunction with Wild Asia, have used the biodiversity conservation programme "River of Life" for conducting environmental awareness to local school children. Estate and mill have a Welfare Budget for responding to requests from communities for assistance. The mill also has an education programme of mill visits for school children. The estate training facility is made available for University students. Mill and estate workers visit local communities in support of religious festivals and programmes. (6.11.1)

Principle 7: Responsible Development of New Plantings

SOU 14 has not carried out any new oil palm developments 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.

SOU 14 ceased using Paraquat in September 2007. Only one Class 1A chemical, Monocrotophos, is used. IPM techniques have been implemented to aid control of palm pests and chemical treatment is used only when necessary and on the basis of pest census information. (8.1.1)

Environmental Improvement Plans for the estates focus on three main areas - Waste Management, Water Usage and Biodiversity Conservation, and include mitigation and enhancement of negative and positive impacts, respectively. The mill has ISO 14001 Management Programmes in place in relation to reducing environmental impacts. (8.1.2)

Empty pesticide containers are triple-rinsed and re-used wherever practical or processed via scheduled waste

storage and disposal. The mill is implementing trial “infield” composting to fully utilise EFB and treated mill effluent. If successful, this will maximise the recycling of mill effluent and EFB. (8.1.3)

Pollution prevention plans for the estates have focussed on the improved management and control of potentially hazardous wastes, such as petroleum hydrocarbons. The estates have made significant improvement over the past year in the reinstatement of groundcover vegetation within mature palms for prevention of soil erosion. The mill pollution prevention plans are documented in the ISO14001 EMS. The main project in the current year is the construction of a new boiler to replace the small stand-by boilers. This will improve the efficiency of steam generation and reduce particulate emissions to air. (8.1.4)

SOU 14 has prepared a Social Action Plan that initially is aimed at improving relations and communication with local communities and management of issues such as villagers’ livestock that graze on the estate. (8.1.5)

Sime Darby organises internal Seminars to discuss and share information on best practices and recent innovations. In addition, information is disseminated electronically. (8.1.6)

3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions

One (1) Nonconformity was assigned to a Major Compliance Indicator. Three (3) Nonconformities were assigned to Minor Compliance Indicators.

SOU 14 has prepared a Corrective Action Plan (CAP) for addressing the identified Nonconformities. The Audit Team has reviewed and accepted SOU 14s CAP.

NONCONFORMITY ASSIGNED AGAINST MAJOR COMPLIANCE INDICATOR

6.1.1 A documented social impact assessment, including records of meetings.

A Nonconformity was assigned as at the time of the Audit a Social Impact Assessment had not yet been carried out.

Corrective Action: Sime Darby Sustainable Plantation Unit of the TQEM Department conducted fieldwork for a Social Impact Assessment of SOU 14 during September 2008. Sime Darby forwarded a copy of the SIA for SOU 14 to the Lead Auditor on 26 October.

The Audit Team reviewed the SIA Report and concluded that it met the RSPO requirements for Indicator 6.1.1.

The Nonconformity against Major Compliance Indicator 6.1.1 was closed out.

NONCONFORMITIES ASSIGNED AGAINST MINOR COMPLIANCE INDICATORS

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

A Nonconformity was assigned as at the time of the Audit a Social Impact Assessment had not yet been carried out.

Corrective Action: Sime Darby Sustainable Plantations Unit of the TQEM Department conducted fieldwork for an SIA during September 2008.

The Audit Team reviewed the SIA Report and concluded that the process for conducting the SIA met the requirements of Indicator 6.1.2.

The Nonconformity against Minor Compliance Indicator 6.1.2 was closed out.

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

A Nonconformity was assigned as at the time of the Audit a Social Impact Assessment had not yet been carried out.

Corrective Action: Sime Darby Sustainable Plantations Unit of the TQEM Department conducted fieldwork for an SIA during September. The Sustainable Plantations Unit prepared a Social Action Plan for management of the Social Impacts identified by stakeholders.

The Audit Team reviewed the Social Action Plan and concluded that it met the requirements of Indicator 6.1.3.

The Nonconformity against Minor Compliance Indicator 6.1.3 was closed out.

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

A Nonconformity was assigned as inspection of records and interview of workers showed that mill workers exceeded the Department of Labour overtime limit of 104 hours per month between January and April 2008 during peak crop processing. Sime Darby wrote to the Department of Labour advising of this situation on 24 July 2008 requesting an extension to the overtime limit. At the time of the audit, the Labour Department had not replied.

Corrective Action: SOU 14 has prepared a Corrective Action Plan that involves monitoring the amount of overtime worked to ensure that it does not exceed the Department of Labour limit.

The Audit Team reviewed the proposed Corrective Action and concluded that it was appropriate for controlling the amount of overtime worked and meeting the RSPO requirements for Indicator 6.5.2. The effectiveness of the corrective action will be checked at the Surveillance Audit.

Observations/Opportunities for Improvement

Nine (9) Observations/Opportunities for Improvement were identified. The progress with the Observations/Opportunities for Improvement will be checked at the Surveillance Assessment visit scheduled within 12 months of the Initial Certification Approval.

01. **(2.1.1)** Smoke emissions from three small boilers that have been used intermittently for emergency standby to the main boiler did not meet smoke emission limits when tested in May 2008. The boilers had not been operated since mid-2008. Sime Darby has approved construction of a new boiler, which is scheduled for commissioning end of 2009
02. **(4.4.1)** During replanting, a number of palms have been planted close to the edge of Sungai Jangling buffer zone. Over-spraying of the circles around immature palms has affected groundcover within the buffer zone.
03. **(4.4.3)** The mill samples the rainfall runoff in the monsoon drain at a location immediately upstream of the discharge into Sungai Jangling. Collection of samples from the monsoon drain at the mill boundary fence would give a more accurate assessment of the effectiveness of PCD for the removal of oil and sediment from the discharge of rainfall runoff.
04. **(4.4.6)** At the time of inspection of the monsoon drain, the PCD had not been cleaned recently as indicated by the presence of excessive solids in the sediment trap downstream of the oil trap. The Mill Engineer took corrective action during the audit and advised the Operator who is responsible for checking and cleaning the PCD of the importance of regular maintenance of the PCD for protection of downstream water quality. The frequency of inspections was increased from weekly to daily and the Operator instructed to maintain the surface free of any oil or floating solids.
05. **(4.4.7)** Elements of a Water Management Plan are documented but have not been integrated to an overall Plan.
06. **(4.6.4)** MSDSs are held for all chemicals but some MSDSs are in English and may not be understood by some workers.
07. **(5.2.3)** Interview of local community representatives indicated that SOU 14 has not communicated its fauna protection policy to them.
08. **(5.3.2)** Oil skimmed from the surface of the oil trap at the Estate workshop was inappropriately disposed beside the drain. Corrective action was taken during the audit to excavate the contaminated soil and place it in the contaminated waste store. The workshop operator was instructed in the correct procedure for maintenance of the oil trap and disposal of waste oil.

09. **(6.2.3)** Interview of local community representatives indicated that verbal complaints have been made to SOU 14 but inspection of Estate records showed that these verbal complaints have not been documented.

3.3 Noteworthy Positive Components

Inspection of the estate showed significant improvement in groundcover due to ceasing the spraying of harvesting paths and changing the weeding practice to spraying of circles only. Maintenance of adequate groundcover is important for reducing soil erosion.

Biodiversity Conservation

SOU 14 has commenced a program to reinstate riparian buffer strips beside small streams that flow through the estate. The first stage involved demarcation of the riparian strip and planting of indigenous tree species in plots (Plate 1).



Plate 1: Indigenous Trees Planted for re-instatement of Riparian Buffer Strip

Facilities

SOU 14 provides a good standard of housing (Plate 2) for its workers and education for children is readily accessible at the Tamil School adjacent to the housing with other schools located in the nearby town.



Plate 2: Worker Housing

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

The majority of stakeholders had positive comments about SOU 14. For the situations where stakeholders raised issues, the company's response is stated.

Worker Issues

Staff and Workers did not raise any issues of concern. The majority of the labour workforce at the estate and mill are Indonesian who stated they were able to send savings home regularly. A good standard of housing is provided by the Company. Indonesian workers also advised they were able to travel freely from the Estate to local towns as and when they wanted.

Contractors & Consultants

Wild Asia indicated it would be appropriate to review progress on implementation of the biodiversity conservation plan and to prepare a revised action plan.

The SOU 14 Manager responded that the TQEM Department now had responsibility for coordination and monitoring of biodiversity conservation, following the recruitment of ecologists. Progress is being made as resources permit and the issue will be followed up with TQEM Department.

The Audit Team noted the issue would be followed up with TQEM Department and would check on progress at the next Surveillance Audit.

Local Communities

Kg Jangling stated that the company had not socialised information to them on the riparian buffer zone conservation programme. They supported the company's efforts as they had seen government environment campaigns on television.

The Kampong had raised the issue of the security gate access through the estate at night but this had not been addressed. The villagers understood the company concerns about theft of FFB and were willing to work with the company to find a solution.

The SOU 14 Manager responded that these issues were identified in the SIA process and are being addressed in the SIA Action Plan.

The Audit Team have reviewed the SIA Action Plan and concluded that the proposed actions by SOU 14 to meet with local community residents to develop a solution for after-hours access through the Estate are appropriate.

Government

Government Departments did not raise any issues in relation to SOU 14. The Department of Safety and Health Inspector confirmed that the mill had a good safety record and that management had fulfilled all of the safety requirements.

NGOs

NGOs did not raise any issues of concern in relation to Tanah Merah Estate and Mill. Tenaganita confirmed that good progress was being made on empowerment of women through the gender policy development and implementation.

3.5 Acknowledgement of Internal Responsibility

SOU 14 acknowledges and confirms acceptance of the Assessment Report contents, including assessment findings. SOU 14 accepts the responsibility for implementing the corrective actions and addressing the opportunities for improvement detailed in the Assessment Report.

3.6 Formal Sign-off of Assessment Findings

Signed for on behalf of
Sime Darby Plantation Sdn Bhd (SOU 14)

.....
Mr Francis Ng
SOU 14 Chairman/
Manager Tanah Merah Estate
Date: 15 December 2008

Signed for on behalf of
BSi Management Systems Singapore Pte Ltd

.....
Mr Charlie Ross
Lead Auditor
Date: 15 December 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”

SOU 14 RSPO Certificate Details

Management Unit SOU 14
Tanah Merah
Negeri Sembilan
MALAYSIA

Certificate Number : SPO 541905
Certificate Issue Date: (RSPO Approval Date)

Website: <http://plantation.simedarby.com>

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

Tanah Merah Palm Oil Mill and Supply Base	
Location	Port Dickson, Negeri Sembilan, MALAYSIA
Address	KKS Tanah Merah, PO Box 45, 71007 Port Dickson, MALAYSIA
GPS Location	2° 39' 19.09" N 101° 47' 34.03" E
CPO Tonnage Total Production	34303 t
PK Tonnage Total Production	8911 t
Company Estates FFB Tonnage	Tanah Merah 93600 t; Sua Betong 56202 t; Bukit Pelandok 12198 t
CPO Tonnage Claimed	34303 t
PK Tonnage Claimed	8911 t

Appendix “C”

Certification Assessment Plan

AUDIT TEAM – CR: Charlie Ross RR: Robyn Ross IN: Iman Nawireja (Miss Dini Harmita to assist Robyn Ross as Interviewer)					
DATE	TIME	ACTIVITY	CR	RR/ DH	IN
Tuesday Sep 09	AM	Opening Meeting	√	√	√
		Physical Inspection Tanah Merah Mill , Interview Mill Workers, Contractors Inspect Housing, Interview Residents and Clinic Staff	√		√
Wednesday Sep 10	AM	Physical inspection Tanah Merah Estate & Work Tasks (ie Harvesting, Spraying, Upkeep, Fertiliser Application, Buffer Zones, Stores, Workshop, etc) Interview Male Field Workers Interview Female Field Workers Inspect Housing, Interview Residents and Clinic Staff Documentation Review (ie Worker Contracts, Pay & Conditions, External Stakeholders Communications)	√		√
		Documentation Review Interview Female Office Staff/Workers Interview External Stakeholders, Local Community	√	√	√
Thursday Sep 11	AM	Follow-up any outstanding information/clarification/data Prepare Closeout Meeting	√	√	√
	PM	Prepare IAV Report Closing Meeting	√	√	√