



PUBLIC SUMMARY REPORT

INITIAL RSPO CERTIFICATION ASSESSMENT

SIME DARBY PLANTATION Sdn Bhd
Management Unit SOU8
Carey Island, Selangor, 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 SOU8 (SOU8) operations comprising One (1) mill, supply base, support services and infrastructure. BSi concludes that SOU8 operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY-NI Indicators and Guidance : 2008.

BSi recommends that SOU8 be approved as a producer of RSPO certified sustainable palm oil.

ABBREVIATIONS

AMESU	All Malayan Estates Staff Union
BOD	Biological Oxygen Demand
BSi	British Standards Institution
CHRA	Chemical Health 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
ERP	Emergency Response Plan
ESHMS	Environment Safety Health Management System
FFB	Fresh Fruit Bunch
HCVs	High Conservation Values
HDPE	High Density Poly-ethylene
IPM	Integrated Pest Management
LCC	Leguminous Cover Crop
LTA	Lost Time Accident
MAPA	Malayan Agricultural Producers Association
MPOA	Malaysian Plantation Owners Association
MSDS	Material Safety Data Sheet
MY-NI	Malaysian National Interpretation
NUPW	National Union of Plantation Workers
OER	Oil Extraction Rate
OHSAS	Occupational Health & Safety Assessment System
OSH	Occupational Safety & Health
PCD	Pollution Control Device
PK	Palm Kernel
POME	Palm Oil Mill Effluent
QMS	Quality Management System
R&D	Research and Development
RSPO	Round Table on Sustainable Palm Oil
SEIA	Social and Environmental Impact Assessment
SIA	Social Impact Assessment
SOPs	Standard Operating Procedures
SOU	Standard Operating Unit
TQEM	Total Quality Environmental Management
TSS	Total Suspended Solids
WWF	World Wildlife Fund
YTD	Year to Date

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 East Palm Oil Mill that is sourced from East Estate and Dusun Durian Estate at SOU8.

1.3 Location and Maps

The SOU8 East Mill and East Estate are located on Carey Island, and Dusun Durian Estate is located approximately 40 km to the south-east of the mill in Selangor, Malaysia (Figure 1). Additional maps showing details of East Estate are included (Figures 2 and 3). The GPS location of the mill is shown in Table 1.

Table 1: Mill GPS Location

MILL	LONGITUDE	LATITUDE
East Mill	2° 53' 0-00" N	101° 26' 10-09" E

1.4 Description of Supply Base

The East Mill supply base consists of FFB from:

- SOU8 – East Estate and Dusun Durian Estate
- SOU9 – West Estate and SOU9a – Sepang Estate (BSi has assessed SOU9 and SOU9a and recommended approval as producers of RSPO Certified Sustainable Palm Oil).
- SOU7 (Bukit Cheraka, Sg Kapar, Bukit Rajah and Jalan Acob Estates); and SOU13 (A Tenang, Bradwall, Labu, New Labu and Kerby Estates). (SOU7 and SOU13 are scheduled for assessment for RSPO Certification in July 2009).
- Smallholders

The FFB production from Company owned Estates and Smallholders for the 01 July 2007 – 30 June 2008 reporting period is listed in Table 2.

Table 2: Mill Supply Base

Source / Estate	FFB (t)
SOU8 East	21,597
SOU8 Dusun Durian	37,133
SOU9 West	380
SOU9a Sepang	1,688
SOU7 Bukit Cheraka	1,435*
SOU7 Sg Kapar	1,739*
SOU7 Bukit Rajah	4,697*
SOU7 Jalan Acob	713*
SOU13 A. Tenang	45,467*
SOU13 Bradwall	3,023*
SOU13 Labu	4,064*
SOU13 New Labu	281*
SOU13 Linsum	1,289*
SOU13 Kerby	305*
Smallholders	1,774*
TOTAL	125,585

* The FFB production from the Non-certified Sime Darby SOU7 and SOU13 Estates and the Smallholders is excluded from the RSPO Certificate.

LOCATION MAP FOR SOU 8

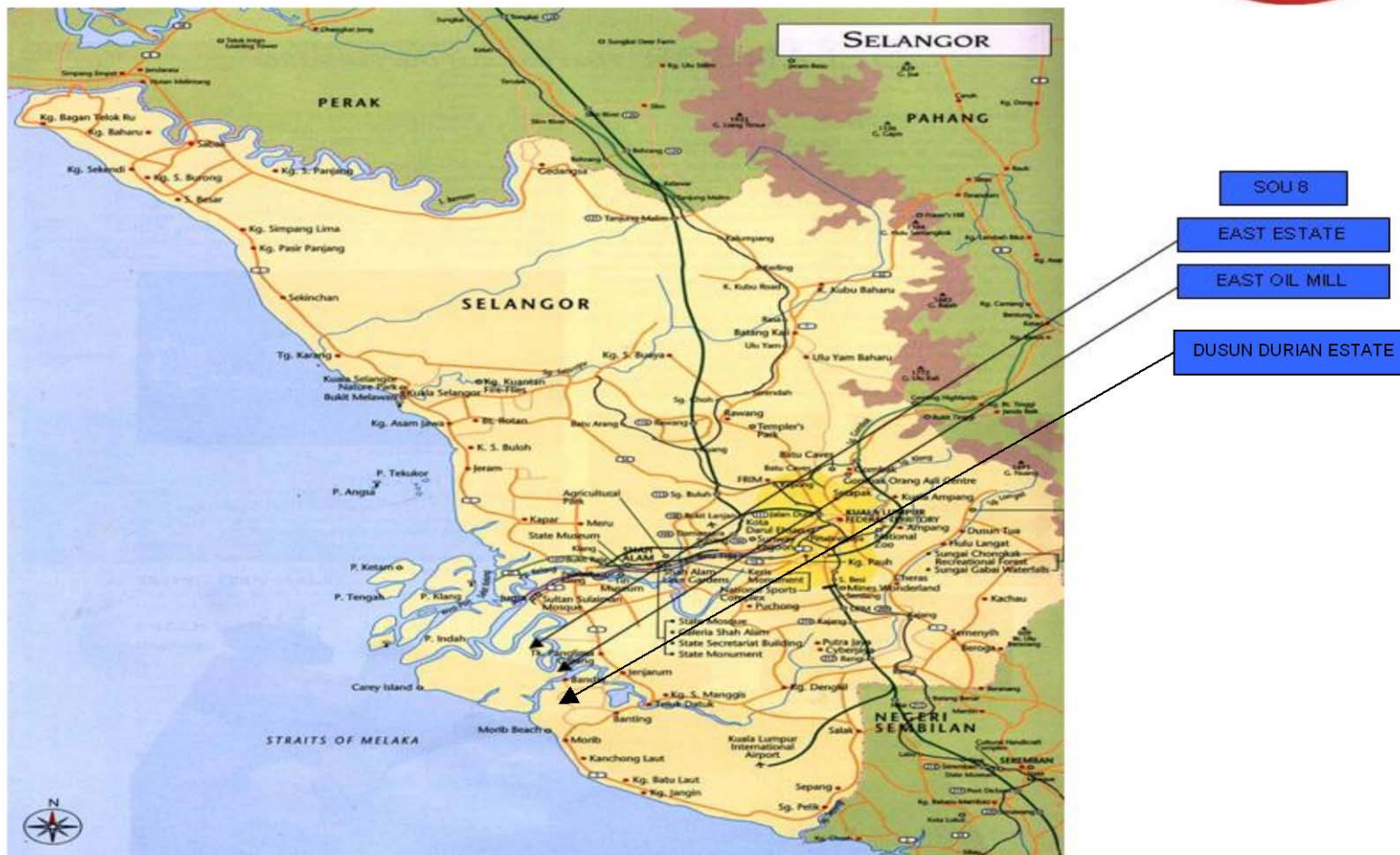


Figure 1: SOU8 Location Map



Figure 2: East Estate Boundary

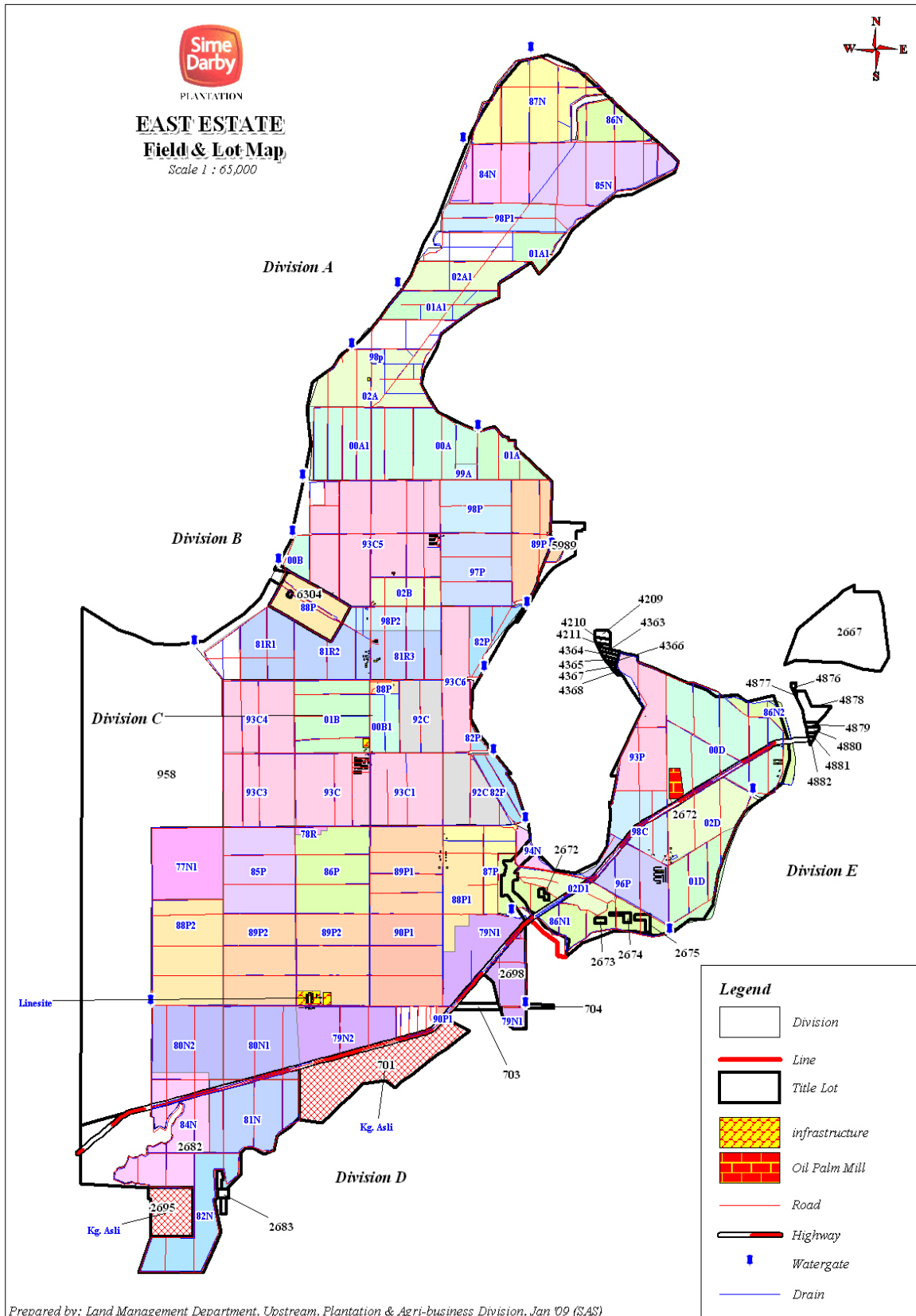


Figure 3: East Estate Layout

1.5 Date of Plantings and Cycle

The SOU8 Estates were developed in the 1920s for rubber and other crops, such as cocoa. Oil palms were first planted in the 1960s 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
21–30	29.6
11–20	29.1
4–10	33.3
0–3	8.0

1.6 Other Certifications Held

SOU8 holds the following Certifications:

ISO 9001: 2000

East Palm Oil Mill Certificate No AR0213
Certificate Originally Issued: 23/07/1993
Certificate Expiry Date 22/07/2010

ISO 14001: 2004

East Palm Oil Mill Certificate No G0130016
Certificate Originally Issued: 16/06/2000
Certificate Expiry Date: 15/06/2009

1.7 Organisational Information / Contact Person

Sime Darby Plantation Sdn Bhd
Management Unit SOU8
Carey Island Selangor Malaysia
Ladang East
42960 Carey Island
Selangor Malaysia
Contact Person: Mr Gunasekaran a/l Uthiradam
Senior Manager East Estate
Phone: 03-3122 0519
Fax: 03-3122 0524
Email: gunasekaran@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.

Sime Darby has notified BSi of the existence of land tenure issues at oil palm estates in West Kalimantan and at Sarawak. Sime Darby has engaged independent consultants to investigate the land issues and has initiated dispute resolution that is consistent with the consultant's recommendations. Sime Darby has advised BSi and BSi Assessors have visited two of the properties and confirmed that work on the smallholders' land and the company estates is continuing without disruption, which indicates a constructive relationship, whilst working towards dispute resolution.

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 of the SOUs.

Sime Darby has advised that there are no labour disputes and that there are no known legal noncompliances at its non-certified oil palm operations. BSi considers Sime Darby's Time Bound Plan to conform to the RSPO requirements for Partial Certification.

1.9 Area of Plantation

The areas of planted palms at SOU8 Estates are listed in Table 4. East Estate consists of a contiguous area of oil palm, while Dusun Durian consists of four divisions separated by other privately owned oil palm estates, smallholders and rural settlements.

Table 4: Estates and Area Planted

<i>Estate</i>	<i>Mature (ha)</i>	<i>Immature (ha)</i>
East	709	–
Dusun Durian	1496	192

1.10 Approximate Tonnages Certified

The approximate tonnages certified on the basis of 01 July 2007 – 30 June 2008 production from the two SOU8 estates and crop supplied from SOU9 and SOU9a, are detailed in Table 5.

Table 5: Approximate Tonnages Certified

<i>MILL</i>	<i>CPO</i>	<i>PK</i>
East	12,965	3,414

1.11 Date Certificate Issued and Scope of Certificate

The scope of the Certificate is for the production from the East palm oil mill and the supply base from the two SOU8 company owned estates. Certificate details are included as Appendix B.

The Certificate issue date will be the date of the RSPO approval of this 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

BSi conducted a Stage I Certification Assessment between 23 and 25 October 2008 against the RSPO MY-NI : 2008. The scope of the Stage I Assessment included both East and Dusun Durian Estates, East Mill and support infrastructure and focussed on field inspections and a review of management systems and documentation. The Stage I Assessment identified a number of nonconformities. SOU8 prepared a Corrective Action Plan and has implemented corrective actions since October 2008.

BSi conducted the Stage II Certification Assessment on the 23, 24 and 30 January 2009. The Certification Assessment Plan is included as Appendix C.

The approach was to audit the mill together with an estate chosen from its supply base, such that a range of environmental and social factors were covered. These factors included consideration of topography, soils, age of palms and proximity to local communities and areas with HCVs. East Estate was selected for the audit as it contained the mill and the system for land application of treated POME, acid sulphate soils, an extensive system of bunds, weirs and watergates for water management, fringing mangroves and two adjacent indigenous communities. The audit also checked the implementation of corrective actions since the October 2008 Stage I audit.

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° 14370

Jarwadi Hernowo – Technical Expert Ecology and Impact Assessment – B.Sc. M.Sc. (Ecology)

Robyn Ross – Social Assessor

Junecel Maloloy – 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 OHSAS 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 Certification audits of oil palm plantation companies against the RSPO P&C in Indonesia, Malaysia and PNG.

Jarwadi Hernowo graduated with a BSc in Forest Ecology from the University of Bogor in 1985 and an MSc in Wildlife Ecology from the Faculty of Forestry Science, Georg August Universitat, Geottingen, Germany in 1995. Jarwadi is a lecturer in ecology at the University of Bogor with more than 20 years experience in forest ecology and has carried out research on the habitats, distribution and population of wildlife. He has extensive fieldwork experience in the assessment of flora and fauna biodiversity and HCVs. He has assisted in conducting independent environmental assessments of 4 oil palm projects during the past 5 years. He has assisted with conducting Certification 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 Certification audits of oil palm plantation companies against the RSPO P&C in Indonesia, Malaysia and Papua New Guinea.

Junecel Maloloy is a Teacher with Borneo Child Aid Society and is fluent in Bahasa Malaysia, Sabahan, and English. Mrs Maloloy grew up on an oil palm plantation in Sabah and has a good understanding of the issues facing workers and families living in remote locations. Mrs Maloloy assisted Robyn Ross during interview of female staff and workers and 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 SOU8s environmental and social performance. There are indigenous communities on Carey Island and the two (Kampung Sungai Rambai and Kampung Sungai Bumbun) that are associated with East Estate were consulted.

During the stakeholder notification period, BSi received two responses in writing from stakeholders (WWF and Both ENDS) in relation to SOU8. These are discussed in Section 3.4 (Page 18) of this report. 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, smallholders and contractors, as well as organisations that may have an interest in SOU8s 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 the two 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 interviews.

List of Stakeholders Contacted

Contractors & Consultants

Transport Contractor
FFB Supplier
Labour Contractor

Local Communities

Kampung Sungai Rambai Residents
Kampung Sungai Bumbun Residents
Primary School Headteacher

Government Departments

Labour Department
Department of Safety and Health
Department of Environment

NGOs and others

WWF Malaysia (Kuala Lumpur Office)
National Union of Plantation Workers
Tenaganita
Mangrove Research Centre, University of Malaya

2.5 Date of Next Surveillance Visit

The next surveillance visit is planned before the first anniversary of the 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 Indicator to support the findings of the assessment team.

There were no nonconformities assigned to SOU8. However, during the Audit the Lead Assessor advised that a nonconformity would be assigned against Major Compliance Indicator 2.1.1 in relation "breach of the Labour Law". Corrective Action was taken during the Audit and the nonconformity was closed out. Eight (8) Observations/Opportunities for Improvement were identified.

BSi has conducted an assessment of the SOU8 operations comprising 1 mill, 2 oil palm estates, support services and infrastructure. BSi concludes that SOU8 operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY-NI Indicators and Guidance : 2008.

BSi recommends that SOU8 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 received via the website. The Estate and Mill holds records of requests for information and responses, such as Labour Department requests for data on labour statistics. Review of records showed the Estate and Mill reply constructively and promptly to requests. (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.

Sime Darby SOU8 Estate and Mill hold copies of each of the documents that are required to be publicly available and specific details are shown below. The Estate and Mill are located on Freehold land. A copy of the Land Title was held at the Estate. (1.2.1)

The Estate has developed an OSH Plan that is consistent with the regulatory requirements. The Mill has an OSH Plan for the year 2008-09 for quarterly meetings, monthly safety inspections and specific training topics scheduled throughout the year. (1.2.2)

The Standards and Compliance Unit of TQEM Department facilitated the preparation of an Environmental Aspects and Impacts Register for the Estate (November 2008). SIA fieldwork was completed by Plantations Sustainability – RSPO Unit and a Report was prepared in October 2008. The mill has an Environmental Aspects and Impacts Register – ISO 14001 that was last revised August 2008. (1.2.3)

The Estate has prepared a Pollution Prevention Plan (November 2008) using information from the Environmental Impact Assessment and the Stage I RSPO Assessment. The Mill Pollution Prevention Plan is documented in the ISO 14001 Operational Control Procedures. (1.2.4)

The Estate has implemented a Complaints Register at each Division for recording issues raised by staff and workers. The Register includes records of verbal and written complaints and action taken to address the issues raised. The Mill has implemented a "Complaints Register" for recording verbal and written issues raised by staff and workers. (1.2.5)

Negotiation procedures are documented in the Sime Darby Procedures for Handling Social Issues – in the Sustainable Plantation Management System Manual. (1.2.6)

The Estate has prepared an Improvement Programme (December 2008) using information derived from the EIA and SIA processes as well as corrective actions from the RSPO Stage I Assessment. The Mill Improvement Programme is detailed in the EMS as Environmental Management Programme Action Plan. (1.2.7)

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

There were no outstanding DOSH issues at the Estate, with the most recent visit 19 August 2008. There were no known legal actions against the Estate or the Mill. The Mill maintains records of corrective actions for ISO 14001 EMS environmental nonconformance – none outstanding at the time of the audit. The Mill is in compliance with DOSH inspection and there were no outstanding issues following the inspection 1 December 2008. Mill boiler emissions were in compliance with the DOE licence limit when tested 3 September 2008. The Mill has maintained continuous monitoring of smoke density and records confirmed operation within the

licence limit. Housing is of good standard and exceeds the legal minimum requirement. The water for domestic use at housing is supplied from the government reticulation system. Houses also are supplied with electricity from the Government Supply. Inspection confirmed the Mill and Estate machinery inspection certificates were current and copies were held of trade certificates and operators licences.

Inspection of Mill pay records showed that overtime hours worked by 14 workers during December 2008 were in excess of the maximum permitted by the Labour Law. Although SOU8 had written in July 2008 to the Labour Department requesting approval for extension of the overtime hours worked, this had not been followed up. The Audit Team advised SOU8 that a Nonconformity would be issued as there was a breach of the Labour Law. (2.1.1)

Nonconformity/Observation 01 – refer Section 3.2 Page 17 for details

The Estate holds hard copies of relevant legislation. The Mill maintains a Register of legal requirements for environment, safety and health, fire services, factory and machinery, housing and amenities, and labour. (2.1.2)

Estate Legal Compliance is evaluated by internal self-assessment by the Plantation Advisor, with the most recent visit August 2008. The Sime Darby Standards and Compliance Department has recently implemented Legal Compliance Audits and an audit of the Estate is scheduled during 2009. Mill Legal compliance is assessed by internal audit and external certification audits for ISO 14001 (most recent audit May 2008). (2.1.3)

MAPA provides legal updates on changes to labour laws and worker pay and conditions. TQEM Standards and Compliance Unit provide legal updates on all applicable legislation throughout Sime Darby. In addition to the above, the Mill has implemented an ISO 14001 Procedure for tracking changes to the legislation. (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 Estate is on Freehold land and a copy of the Land Title is held at West Estate. The original Freehold Titles were granted in 1913 and have been held by the company since that time. (2.2.1)

SOU8 oil palm operations are consistent with the terms of the lease for agriculture. (2.2.2)

The Estate boundary that adjoins Government land and Orang Asli land was recently surveyed (June 2008) and new boundary stones installed. A sample of boundary stones was inspected during the audit and confirmed these were marked with red and white paint and were being maintained. (2.2.3)

The June 2008 boundary survey revealed that Orang Asli from Kampong Sungai Rambai, whose land borders the estate, had planted oil palm during 2005 on Estate Land. The Estate has met with the six persons who are involved and the Village Head and has agreed to pay

compensation for the planted palms. The Estate referred the matter to MPOA (23 September 2008) for guidance on the amount of compensation that should be paid. Records of the process are held on file "Land". Members of the BSi Audit Team met with the Orang Asli on 23 January 2009 and discussed this issue. The affected Kampung Sungai Rambai smallholders have proposed an amount of compensation to the Estate in order to move towards resolution of the issue. The Estate Manager has recommended this to Sime Darby Head Office and is waiting for a decision.

The Kampung Sungai Rambai smallholders confirmed that relations with Management remain amicable and until settlement is reached, the smallholders will continue to maintain and harvest the palms. This issue is considered to be in a process of resolution that is acceptable to both parties by means of negotiating an amount of compensation to be paid by the company. (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.

A boundary survey of the estate freehold land is available at the Estate Office. The estate boundaries are marked by boundary stones and are not contested. All of the available estate land has been cleared and planted to oil palm. Although there are no natural water bodies or areas suitable for hunting within the Estate, Sime Darby does not restrict local peoples' access. There is a Government road through the Estate and access through the area is unrestricted, except in relation to trucks, in order to minimise the risk of FFB theft. (2.3.1)

The Estate holds a detailed map prepared by J&J Survey, July 2008, of the area where Kampung Sungai Rambai farmers have encroached and planted oil palm on SOU8 land. (2.3.2)

The Estate has maintained a file on details of all communications with Kampung Sungai Rambai in relation to the area where farmers have overplanted on company land. Details are available of the meetings and the process for reaching a negotiated settlement. (2.3.3)

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

The Estate has an annual budget (2008/09) with a four year projection. The Mill has an annual Operational budget and Capex budget (2008/09) that are projected for the next four years. The budgets include performance objectives and targets related to production, efficiency and quality. The estate and mill production are reported monthly against the performance objectives and targets. (3.1.1)

The Estate has a Replanting Programme that is projected to 2019 and was revised in May 2008 during the annual budget preparation process. (3.1.2)

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

The Estate holds a copy of the Sime Darby Agricultural Reference Manual Oil Palm – Edition Number 1 - 1 December 2007. The Manual has detailed SOPs that cover all work activities. In addition the Estate has prepared specific Work Instructions in Bahasa Malaysia that are displayed at locations such as the muster areas and the pesticide store.

The Mill has SOPs documented for each work station, and the most recent issue was 7 November 2006. Inspection confirmed SOPs in Bahasa Malaysia were posted at work stations throughout the mill. (4.1.1)

Senior Assistants and the Estate Manager monitor SOP implementation on a daily basis. The Plantation Advisor carries out 6 monthly inspections. TQEM Standards and Compliance Unit carry out annual audits. Records are held in relation to the action taken following the Plantation Advisors inspection in August 2008. Records are held for 5 years. Inspection of field conditions and observation of tasks during the audit indicated consistent implementation of field practices and operations.

The implementation of the Mill SOPs is subject to the Quality Management System controls. The Mill carries out daily checks of operating conditions for all work stations, which are recorded on Shift Log Sheets. The Shift Supervisor and Assistant Engineer review the Shift Log Sheets for any maintenance or repairs that may be required. The Mill Advisor inspects and checks implementation of SOPs quarterly, most recent visit 5–6 January 2009. The Mill Manager's Action Plan gives details of the response to the Mill Advisor's corrective action recommendations. Inspection of the mill confirmed that operational log sheets were filled in consistently and accurately. (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.

Sime Darby Agronomy Section of R&D Department makes annual recommendations for fertiliser applications. The Estate Executive Manager checks that fertiliser application matches the recommendation. (4.2.1)

Sime Darby Agronomy Section of R&D Department carries out annual inspection of the palms and leaf sampling to monitor nutrient status. The Estate holds a summary of the results on file. The R&D Department maintains detailed records of palm nutrition monitoring. The nutrient status of soils is monitored in relation to assessment of yield in conjunction with the palm nutrient status determined by annual visual inspection of palms and foliar sampling and analysis. Sime Darby agriculture policy requires soils sampling and analysis for nutrients at replanting to assess any long-term changes. (4.2.2)

R&D Department monitors the nutrition of palms at areas where EFB and POME are applied. The R&D results from the foliar sampling are used to advise on the annual fertiliser requirement at these areas. (4.2.3)

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

All of the Estate land is flat. Harvesting paths are maintained using a tractor-driven rotary slasher. Pruned fronds are placed in a "U" shape around the palm circle to trap any soil eroded by rainfall near the palm base. *Mucuna bracteata* is planted along sides of drains to minimise erosion. Inspection of field conditions showed adequate groundcover vegetation was maintained for minimising soil erosion. (4.3.1)

At replanting, the fallow period is minimised to prevent erosion. LCC is established prior to palm replanting. Field inspection and observation of spray application to palm circles confirmed appropriate techniques are applied to maintain ground cover vegetation and minimise bare soils. (4.3.2)

The Estate has an annual budget and programme for road maintenance. This includes grading and rolling, manual repair of potholes and selective resurfacing. Repairs also are carried out to culverts and bridges. Inspection indicated roads were adequately maintained to provide access for crop evacuation. (4.3.3)

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

There are approximately 100 ha of acid sulphate soil at the Estate. The estate operates a system of watergates for maintaining the water level at 60cm below the ground surface and minimising oxidation of the pyritic layer. The system of watergates also prevents the inflow of salt water at high tide. The watergates are monitored daily and adjustments made as necessary to maintain water levels. The Estate maintains records of daily water level monitoring. (4.3.5)

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

The Government riparian reserve has been maintained since the development of the Estate. An approximately 2 m high earth bund has been constructed along the estate boundary inside the riparian reserve. Inspection confirmed the Estate has maintained the riparian reserve, except at locations where the river has changed course and eroded through the reserve into Estate land. The Estate has rehabilitated areas of erosion by planting mangrove seedlings.

The system of Watergates described above for Indicator 4.3.5 is operated to maintain a stable level of the watertable and to protect water quality from the acid sulphate soil and saltwater intrusion. Inspection of records and interview of staff showed the water management system has been operated consistently. The water management practices are considered industry best practice as they have protected the soils and enabled high palm yields (>30 t FFB/ha) to be achieved across all areas of East Estate. (4.4.1)

There are no natural streams or rivers passing through the Estate. (4.4.2)

The Estate has carried out monthly monitoring of pH and salinity of outgoing water at each of the Watergates, for assessment of acidic drainage from acid sulphate soils and saltwater intrusion. Review of the previous twelve months data for pH showed no significant difference between drainage water quality sampled from acid sulphate soil management areas and drainage sampled from non-acid sulphate soils.

The Mill carries out monthly sampling at the three monsoon drain outlets, as well as at three Watergates before discharge off-site and the receiving river water. The quality of the water discharged at the mill drain outlets and the Watergates showed consistently low concentrations of BOD and TSS, indicating good segregation and management of mill rainfall runoff water quality. (4.4.3)

Daily rainfall has been measured for more than 30 years at the Estate and the information is used for managing water levels and scheduling of operations such as fertiliser application. (4.4.4)

The mill monitors water consumption and the YTD (July 2008 – Jan 2009) average was 118 t/t FFB compared to the target of 110 t/t FFB. Trend information indicated the mill has achieved water consumption of <1.0 t/t FFB, but this increased during 2008 due to an overhaul for replacement of boiler tubes. Hydrostatic tests during boiler tube replacement required discharge and make-up of boiler water that was additional to normal operating requirements. (4.4.5)

The Estate does not have any point sources of pollutants that discharge off site. The Estate and Mill have installed pollution control devices (oil and sediment traps) on workshop and monsoon drains. Inspection of the mill drainage and review of water quality monitoring results showed high BOD effluents were well segregated from monsoon drains and rainfall runoff contained only relatively low concentrations of TSS. (4.4.6)

The Sime Darby Agricultural Reference Manual Section 10 describes a Water Management Plan for coastal oil palm plantings, including maintaining optimal water levels and monitoring requirements. The East Estate water management plan appeared adequately resourced with dedicated staff for conducting twice daily inspections, monitoring and making adjustments to control structures. Inspection indicated consistent implementation of water management to maintain the target water level and water quality. The Water Management Plan was well implemented at the mill as indicated by consistent achievement of water quality targets and a relatively low rate of water consumption. (4.4.7)

Observation 02 – Refer Section 3.2 Page 17 for details

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

A Sime Darby Research General Circular issued 31 October 2007 on “Integrated Pest Management in Oil Palm” details 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 IPM includes monitoring of pest numbers and the use of triggers for initiation of control measures. The Estate also uses *Bacillus thuringiensis* for control of bagworm outbreaks. (4.5.1)

The Estate monitors barn owl occupancy of the nesting boxes located in each field. The Estate has a program for establishment of beneficial plants, with extensive planting of *Turnella subulata*, *Cassia cobanensis* and *Antigonon leptopus*. The R&D Department monitors the effectiveness of the IPM techniques for controlling the targeted pest. (4.5.2)

The Estate maintains records of the locations within the estate and quantities of pesticides that have been applied, eg field numbers and areas where trunk injection carried out for control of leaf eating insects. (4.5.3)

The Estate maintains records of chemicals usage on a per field basis from “Store Records”. Pesticide usage (units per hectare) has been calculated and information is available since July 2007. The short term trend shows a reduction in chemical usage following the completion of a programme to eradicate the weed *Stenochlaena palustris*. (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.

The quantity of chemical and treatment required is documented in Section 16.5 of the Agricultural Reference Manual. The relevant information from the Agricultural Reference Manual and the CHRA conducted for the Estate have been incorporated into a Work Instruction that is displayed at the Main and Divisional chemical stores. (4.6.1)

Sime Darby Head Office Central Purchasing Unit controls the purchase of chemicals. Inspection of the Chemical Stores and review of stock records confirmed only Pesticide Board approved chemicals were used. (4.6.2)

The Main Chemical Store and Division Chemical Stores are well designed and meet the regulatory requirements in relation to security, ventilation, spill containment, separation and labeling of chemicals. Facilities are provided at the pesticide mixing area for sprayers to shower and to wash their PPE upon return from the field. (4.6.3)

All chemicals were labelled in Bahasa Malaysia. In addition, signs with simple symbols and pictorials

illustrating precautions for safe handling of chemicals were displayed prominently. Interview of spray supervisors and workers and observation of tasks indicated good understanding of the hazards and safe work practices for the chemicals being used. (4.6.4)

Observation 03 – refer Section 3.2 Page 17 for details

The Hospital Assistant and a private doctor carry out monthly checks of all sprayers. A medical check in accordance with CHRA requirements was carried out for all pesticide operators and a report issued 6 January 2009. (4.6.5)

During interview of women pesticide sprayers it was stated that if confirmed pregnant and they wish to continue working, it was company policy that they would be transferred to other duties. (4.6.6)

Use of Paraquat at the Estate was ceased in 1990. Inspection of the chemical stores and stock records confirmed nil stock of Paraquat. Usage of other Class 1 chemicals, such as Methamidophos, is applied strictly on the basis of pest census information. The Estate has obtained approval from the Pesticides Board for the purchase of Methamidophos. (4.6.7)

Aerial spraying is not carried out. (4.6.8)

No buyer has yet requested CPO testing for chemical residues. (4.6.9)

The Estate maintains records of chemicals usage on a per field basis from "Store Records". Records are held for the past 7 years on the quantities of chemicals used. The amount of pesticide applied per hectare has been calculated. Records are available for active ingredient since July 2007. (4.6.10)

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

- (a) The Estate has prepared and implemented an OSH Plan that includes a schedule of work place inspections, meetings, training and LTA targets. The Mill has an OSH Plan for the year July 2008 – June 2009 for quarterly meetings, monthly safety inspections and specific training topics scheduled throughout the year.
- (b) The Estate has carried out a Risk Assessment for all tasks under the Group ESHMS Programme 2006/07. The Mill carried out Risk Assessment for all work stations 18 May 2007 and records are held on file.
- (c) A Training Programme has been documented and covers harvesting, spraying, tractor drivers, motorcycle riders, trunk injection and training for Contractors. The Mill has documented a Safety Training Programme with details of the topics and schedule for 2008-09.
 - i. Training includes informal "on-the-job" instruction, briefings at muster and specialised training courses by external trainers. Records are held of all training, including on-the-job, for individual workers with description of the training and signature of trainer and attendees. Records held on "Training Book" for each division. An example was training on 4

September 2008 at Division A – 16 trainees for Lorry and Motor Cycle safety. Interview of workers at the Estate and Mill, observation of tasks and site inspections confirmed a good level of safety awareness.

- ii. Observation of spray preparation and spraying indicated appropriate product safety requirements were understood and implemented.
- (d)
 - i. Appropriate PPE is provided to all workers, including safety boots, hard hats and for specific tasks, gloves, aprons, masks, goggles and vests. Records are held for issues to individual staff and workers, including signatures of recipient for each issue.
- (e) The Senior Assistant Manager is the designated Estate coordinator of OSH. The Mill Assistant Engineer is the designated coordinator of OSH.
- (f) Estate OSH Meetings are held quarterly with the most recent October 24 2008. Attendees included staff and mandores who represent the workers and a Contractor. Meeting records are held on file. The Mill has held quarterly safety meetings with most recent on 19 January 2009. The safety meeting minutes included a high level of detail on hazards identified, corrective action and progress. Inspection also included workers' wearing of PPE.
- (g) The Estate has prepared an ERP that was updated December 2008. Fire training and an emergency drill were carried out during August 2008. The Mill has a documented ERP and inspection confirmed relevant information was posted at work stations throughout the mill. Test drills have been carried out in July 2008 for overflow of sludge to monsoon drain and fire fighting, including evaluation of shortcomings and corrective actions for improvement. The Mill ERP was revised 14 December 2008 and includes an up-to-date list of emergency contacts and a Site Plan. Interview of staff and workers confirmed that regular drills are carried out.
- h) First Aid training was carried out by St John Ambulance Malaysia between 20-21 November 2008 for 22 Estate Supervisors and Workers. 23 Staff and workers at the Mill were trained in first-aid on 17 December 2008.
- i) First Aid Kits are held at the Estate workshop and at each Division Office. First Aid Kits are held at four locations in the Mill – inspection confirmed kits were stocked and records showed that kits were checked monthly. (4.7.1)

The Estate maintains records of all accidents, including the associated investigation. There were 20 LTAs at the Estate during 2007. The most recent LTA was 10 September 2008. The mill maintains records of accidents including investigations and corrective actions on file "Accident Report". The most recent Mill LTA was 21 August 2008. The Mill recorded 4 LTAs during 2008. (4.7.2)

Malaysian staff and workers are covered by SOCSO. Foreign workers are covered under Policy Number D08WFWC8606982KL current to 30/06/2009. (4.7.3)

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

An Estate Training Programme is documented for the period July 2008- June 2009 and includes training in SOPs and safety (OSH). Assessment of training for Executives and Staff is determined by TQEM on the basis of training needs. Training of workers in SOPs is ongoing in order to maintain and improve skill levels. Worker training mostly is informal “on the job” instruction for the task being carried out. Records are held for all types of training and include details of trainer, topic and attendees. The Mill has a training programme documented for the July 2008-June 2009 period including SOPs, EMS, QMS, ERP and safety. The Estate and Mill maintain up to date records of driving licences and trade certificates, such as steam certificate for the fireman. (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.

The Standards and Compliance Unit of TQEM Department facilitated the preparation of an Environmental Aspects and Impacts Register (November 2008). The mill has an Environmental Aspects and Impacts Register that is an element of the ISO 14001 EMS and was last revised August 2008. The Estate and Mill Registers were developed using a risk assessment method and included consideration of positive as well as negative impacts. (5.1.1)

The Estate has prepared an Improvement Plan (December 2008) using information derived from the EIA process as well as corrective actions from the RSPO Stage I Assessment. The Mill has an Environmental Management Programme with objectives and targets for improvement. The main focus of the Mill Improvement Programme is water conservation to maximise recycling and reduce consumption of fresh water. Inspections of the Estate and Mill indicated significant improvements have been made since the Stage I Assessment, particularly in relation to solid waste management. (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.

All land within the Estate boundaries was cleared during the early years of development. The University of Malaya has conducted an Avifauna and Phytoplankton Survey during 2006. The Survey identified 65 bird species and 195 species of Phytoplankton.

The Plantation Sustainability RSPO Unit of Sime Darby TQEM Department has carried out an assessment of HCVs using the methodology of the HCV Toolkit. The TQEM Ecologist assigned HCV4 to the mangroves

fringing the Estate boundary and HCV6 to Orang Asli grave sites. (5.2.1)

Sime Darby has prepared an HCV Management Plan in conjunction with the HCV assessment and includes a monitoring component. The fringing mangroves are important for protecting the inter-tidal area from erosion, for nutrient cycling and for providing important habitat for aquatic fauna. Sime Darby recognises the importance of protecting the bio-physical values of the mangrove ecosystem and has donated facilities to the University of Malaya and established the Mangrove Research Centre at West Estate. Sime Darby R&D Department is collaborating with the University of Malaya on research associated with mangrove stabilisation of foreshores to enhance the mangrove habitat and prevent erosion. The monitoring program is aimed at protecting the mangrove habitat from disturbance and involves checks by the water management bund operators during their daily patrols.

East Estate respects the cultural importance of the Orang Asli grave sites and the management plan includes measures for protecting these sites from disturbance. (5.2.2)

Observation 04 – refer Section 3.2 Page 17 for details

Signboards prohibiting the disturbance of vegetation, hunting, fishing and lighting of fires are located near entrances to the estate and at mangrove areas. In addition, posters prohibiting hunting and disturbance of protected areas are displayed prominently at muster areas and on estate notice boards. The BSI Technical Expert Ecology recorded sightings of 31 species of birds, 3 species of mammals and 1 reptile during the site visit to the Estate, Mill and fringing mangroves. Inspection of the fringing mangroves along the length of the Estate boundary indicated consistent protection from disturbance. Interview of workers confirmed awareness of this issue and that information has been communicated to them at Muster briefings. (5.2.3)

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

The Estate has prepared a Waste Management Plan that identifies the types of wastes generated, the location and the action to be taken for their management (November 2008). The Mill has identified waste products and sources of pollution in the Environmental Aspects and Impacts Register – updated 30 August 2008. (5.3.1)

The Estate has developed an Action Plan (November 2008) for the management of wastes. Inspection of facilities and housing confirmed wastes are well controlled. Domestic refuse is disposed in a small sanitary landfill that is appropriately located and operated in accordance with relevant regulatory requirements. The Estate has installed an oil and silt trap at the vehicle washdown bay and at the workshop.

The Mill has documented operational controls for emissions and significant sources of pollution and these are well implemented with records held on file. In

addition, the mill has environmental work instructions for the management of wastes and pollutants. The Mill has installed oil and sediment traps on the monsoon drains since the Stage I Assessment. Inspection confirmed the traps were being maintained.

Inspection of facilities and records confirmed that scheduled wastes are stored and disposed in accordance with DOE regulatory requirements. The Estate recycles used HDPE pesticide containers to G-Planter Sdn Bhd, who operates the DOE approved national programme on recycling of used HDPE pesticide containers. The Mill disposes scheduled waste to Kualiti Alam Sdn Bhd, DOE Licence Nos 000211- 000218. The Clinic maintains records of medical waste transported and disposed to a licensed contractor Pantai Medivest Sdn Bhd (DOE-G/005/COR.08/02). (5.3.2)

Observation 05 – refer Section 3.2 Page 17 for details

Field inspection confirmed EFB and treated mill effluent are recycled to the field. Treated mill effluent is recycled by discharge into a system of “closed-end” trenches which appeared well maintained. The Mill maintains weighbridge records of the quantities of crop residues recycled to the field. (5.3.3)

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

Renewable energy use is monitored and reported monthly to top management. This information has been used to optimise the operation of the mill boiler for electricity generation. A constraint to extending the operating hours of the boiler for electricity generation has been the cost of feedwater that is obtained from the government supply. This has had to be balanced against the cost of operating the diesel genset for standby power. The average renewable energy use for the 2007-08 year was 865 kWh/t CPO. The average monthly renewable energy usage was relatively uniform throughout the 2007-08 year (due to the constraints outlined above), except for increased usage during the peak crop processing months. (5.4.1)

The Mill reports non renewable energy use monthly to top management and the average for the 2007-08 year was 2309 kWh/t CPO. The average monthly non-renewable energy usage was relatively uniform throughout the 2007-08 year, except for decreased usage during the peak crop processing months when the steam turbine was operated for more hours each day. (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.

The Estate implemented Zero Burning at replant in 1989. Golden Hope was the first plantation company to be awarded a Certificate for Election to the Global 500 Roll of Honour 1992 by the United Nations Environment Programme (UNEP) for zero burning practice. Field inspection confirmed no evidence of open burning. (5.5.1)

Felled palms are chipped and placed in trenches in the field for decomposition as mulch. (5.5.2)

Inspection of housing, workshops and stores indicated fire has not been used for disposal of packaging wastes or other materials. (5.5.3)

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

The Estate has prepared a Pollution Prevention Plan (December 2008) for mitigation of the significant impacts identified in the EIA process. The Mill has documented Plans in Environmental Work Instructions. Sime Darby has implemented a methane capture and co-generation project at West Oil Mill to demonstrate the technology. Subject to the success of the technology, the company plans to implement this process at all mills within the group. The Estate and Mill have implemented significant improvements during 2008 by installing oil and sediment traps on all drains to prevent discharge of these contaminants. (5.6.1)

The Estate Pollution Prevention Plan was recently prepared and is due for review in December 2009. The Mill Plan was prepared 19 April 2006 and was revised 1 July 2008. (5.6.2)

There is no peat soil at SOU8. (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.

SIA fieldwork was completed by Sime Darby Plantations Sustainability – RSPO Unit and a Report prepared in October 2008. The SIA Report included a description of the SIA process that involved meetings with local villagers, internal stakeholders and contractors. The issues raised by stakeholders have been included in the SIA. (6.1.1)

Observation 06 – refer Section 3.2 Page 17 for details

Interview of local community representatives at Kampung Sungai Rambai and Kampung Sungai Bumbun, staff and workers confirmed that they were interviewed and contributed information in the SIA process conducted during October 2008. (6.1.2)

The SIA includes a Social Action Plan for mitigation of issues identified and raised by internal stakeholders and local communities. SOU8 has made demonstrable progress on implementing the Social Action Plan - for example the local villagers identified the need for a graveyard but they did not have adequate land in the village. The Estate responded by agreeing to donate an area of estate land for this purpose at a location selected by the villagers. Interview of the community representatives and inspection confirmed land had been donated, the area fenced, an access road constructed and work had commenced on beautification of the site.

The Social Action Plan is due for review in October 2009. (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.

Procedures are documented for internal and external communications in Section 5 of the Mill Quality Management System Manual – April 2008. Communication Procedures are documented in Estate Quality Management System (Standard Operating Manual) Section 5.5.3. Copies are held on site and were viewed during Audit. (6.2.1)

The Plantation Manager and the Mill Manager are the nominated persons with responsibility for communication with stakeholders. (6.2.2)

The Estate and Mill have prepared a list of stakeholders that was updated October 2008. Files are maintained of communications from stakeholders including action taken by the Company, eg request from local school for assistance received 12 November 2008 and responded within 7 days. (6.2.3)

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.

A dispute resolution procedure is documented in the Sime Darby Sustainable Plantation Management System Appendix 5 and is shown as a flow chart. The Estate holds records on file of the land issue involving Orang Asli from Kampung Sungai Rambai, which was first identified in June 2008 and is still in process. Details of this land issue are referred to earlier in this Report for Indicators 2.2.3 and 2.2.4 (Page 9). The Mill advised there were no recent or current disputes at the time of Audit. (6.3.1)

The Estate is resolving the current land issue through a process of discussion and negotiation. Interview of the affected local people at Kampung Sungai Rambai confirmed that they have participated in meetings with the company and that they were satisfied with the discussion and negotiation process to date. The available information indicates the process has been appropriate for progressing towards resolution of the issue. (6.3.2)

The Procedure for handling social issues is open to all affected parties. Interview of staff confirmed their knowledge of the Procedure for addressing grievances. (6.3.3)

Observation 07 - refer Section 3.2 Page 17 for details

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.

Sime Darby has implemented a procedure for handling land disputes, including boundary and squatter issues. TQEM has recently socialised this to SOUs 8,9 and 9A. (6.4.1)

The land dispute procedure refers the compensation assessment to the corporate land management department of Sime Darby who assess and advise on compensation. The procedure has been implemented and is currently being followed in the land issue at East Estate. (6.4.2)

The Estate is maintaining detailed records of the current land issue and the process. When settled, information will be made available on request. (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.

Pay and conditions are documented in the NUPW/AMESU and MAPA Agreement. Examination of pay records and interviews of staff and workers confirmed pay is above the minimum legal industry minimum. (6.5.1)

Interview of Estate male and female staff and workers confirmed they retain a copy of their "Letter of Agreement" and understand terms and conditions of employment. All interviewees were aware of and received correct leave entitlements. (6.5.2)

SOU8 provides a good standard of housing for workers and their families that exceed the Minimum Government requirement. Interview of residents and workers at the Stage I Assessment in October 2008 indicated the majority were satisfied with the standard of housing, although a number of houses required repairs due to termite attack and the foundations had sunk at one house. The Estate has since treated the houses for eradication of termites and has repaired the external damage, but internal repairs have yet to be carried out. The house with the sunken foundations has been repaired.

The water for domestic use is obtained from the government reticulated supply and is of high quality. The water is supplied to housing for a limited number of hours each day, although residents stated this was adequate. Rainwater tanks have been installed at housing, but these have not been maintained and repairs are required to fix leaking tanks and to replace rusted guttering and downpipes (Refer to Observation 02). Good medical facilities are provided on site and a doctor visits the clinics fortnightly. (6.5.3)

Observation 08 – refer Section 3.2 Page 17 for details

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.

Interview of workers confirmed that meetings are held with worker representatives of the NUPW when requested. Records are held on file of communications with the Unions and Worker Representatives. There has been no recent formal meeting between the Company and the Union. (6.6.1)

The policy on freedom of association is included in the Social Policy, which is displayed at Offices and at Muster areas. (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.

The Mill and Estates minimum hire age is 18. Inspection of personnel files showed at time of hire check of age is confirmed by ID Card of local workers and passport of foreign workers. During the audit inspections, no children were observed at or near any of the estate or mill workplaces. (6.7.1)

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.

The anti-discrimination policy is included in the Social Policy, which is displayed in Bahasa Malaysia and English at Offices and at Muster areas. (6.8.1)

Interviews of workers and examination of pay records confirmed that there is no discrimination between workers on the basis of ethnicity, religion or gender. (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.

The policy to prevent sexual harassment is stated in the Social Policy. A Gender Policy has been implemented and a Committee formed. Interview of female staff and workers confirmed their knowledge of the Committee but at the time of the audit a meeting had not yet been held. Management stated that a Plan is being implemented to transfer all female pesticide sprayers to other duties and replace them with male sprayers. Female sprayers stated during interview that they were happy for this to happen. (6.9.1)

A gender grievance mechanism has been established and interview of female staff and workers confirmed awareness. (6.9.2)

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

Sime Darby Marketing Department advises the mill of FFB pricing and information is available on the method of calculation. The FFB pricing is based on the MPOB pricing that is linked to movements in the CPO price and

is considered to be fair and comparable to market prices. (6.10.1)

Current FFB prices are displayed at the Mill Weighbridge. Interview of an FFB supplier confirmed knowledge of up-to-date FFB prices. (6.10.2)

The agreed rates for a contractor are documented in the Memorandum of Agreement and explained to the contractor. For contracts above a predetermined value, additional clauses are included that are explained before signing. Interview of Contractors at the Estate confirmed understanding of Contract Terms and Conditions and that the company was fair in its dealings. (6.10.3)

The contractors and FFB supplier stated at interview that payments are made in a timely manner. (6.10.4)

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

SOU8 has donated 2 ha of its freehold land for use as a graveyard by residents of Kampung Sungai Rambai and Kampung Sungai Bumbun. The local communities selected the location of the graveyard, which was agreed by SOU8. The Estate has fenced this area and constructed an access road and is working with the communities on the selection of flowers for beautification of the site.

The local communities have reasonably well developed infrastructure and access to government services, for example, sealed road access, government electricity and water supplies to housing and schools. The Estate and Mill make donations to local communities for their places of worship and local schools when requested. (6.11.1)

Principle 7: Responsible Development of New Plantings

SOU8 has not carried out any new oil palm developments and there are no plans for expansion of plantings. Principle 7 is therefore 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.

SOU8 ceased usage of paraquat in 1989. The use of Class I chemicals is restricted to situations assessed as necessary on the basis of pest census information. (8.1.1)

An Improvement Plan has been prepared (December 2008) using information derived from the EIA process as well as corrective actions from the RSPO Stage I Assessment. The Mill has an Environmental Management Programme with objectives and targets for improvement. The main focus of the Mill Improvement Programme is water conservation to maximise recycling and reduce consumption. (8.1.2)

The operation of the mill boiler has been optimised for electricity generation and supply for mill services and adjacent housing. Mill by-products (EFB and treated mill

effluent) are recycled to the field. Solid wastes at the mill and estate, such as scrap metal, are separated at source and are recycled. (8.1.3)

The Estate has prepared a Pollution Prevention Plan (December 2008) for mitigation of the significant impacts identified in the EIA process. The Mill has documented Plans in Environmental Work Instructions. Sime Darby has implemented a methane capture and co-generation project at West Oil Mill to demonstrate the technology. Subject to the success of the technology, the company plans to implement this process at all mills within the group. (8.1.4)

The SIA includes a Social Action Plan for mitigation of issues identified and raised by local communities. The SIA and Social Action Plan are due for review in October 2009. (8.1.5)

Sime Darby Management Review process shares information on best practices for performance improvement. TQEM has requested SOUs to record information on expenditure related to social and environmental aspects. (8.1.6)

3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions

NONCONFORMITY ASSIGNED AGAINST MAJOR COMPLIANCE INDICATOR

2.1.1 Evidence of compliance with legal requirements

Inspection of Mill pay records showed that overtime hours worked by 14 workers during December 2008 were in excess of the maximum permitted by the Labour Law. Although SOU8 had written in July 2008 to the Labour Department requesting approval for extension of the overtime hours worked, this had not been followed up. The Audit Team advised SOU8 that a Nonconformity would be issued as there was a breach of the Labour Law. (2.1.1)

Corrective Action: SOU8 immediately followed up with the Labour Department and received a letter of approval on 29 January 2009 for a 12 month extension of overtime hours. In addition, the Mill Manager issued an instruction to staff and supervisors to strictly control the overtime hours worked to ensure that the Labour Department limit was not exceeded.

The Nonconformity against Major Compliance Indicator 2.1.1 was closed out. The Audit Team issued an Observation for follow-up and checking of compliance during the 2010 surveillance audit.

Observations/Opportunities for Improvement

Eight (8) Observations/Opportunities for Improvement were identified. The progress with the Observations/Opportunities for Improvement will be checked at the Surveillance Assessment visit scheduled in 2010.

01 (2.1.1) The Nonconformity issued against Indicator 2.1.1 was closed out during the audit. An Observation was assigned for follow-up and checking of compliance during the 2010 surveillance audit.

02 (4.4.7) Guttering on some houses is rusted away therefore harvest of rainwater is not possible. It was also stated during interview of residents that some of the tanks leak and could not retain the water harvested. This indicates inadequate attention to this aspect of water conservation.

03 (4.6.4) Work Instructions at chemical use areas and labelling of chemicals are in Bahasa Malaysia but a number of MSDSs are in English, which would not be understood by workers.

04 (5.2.2) The monitoring aspect of the HCV Management Plan is too general and it does not specify practical, measurable indicators. There is an opportunity to work with the Carey Island Mangrove Research Centre to develop a practical monitoring programme that is based on sound science.

05 (5.3.2) At the clinic, used bandages have not been identified as scheduled waste and were disposed of in a separate landfill on the Estate. Action was taken immediately to correct the situation and to dispose all medical wastes to Pantai Medivest Sdn Bhd (DOE-G/005/COR.08/02).

06 (6.1.1) The SIA Report includes a summary of meetings but does not include full details of attendances.

07 (6.3.3) The Procedure for handling social issues is open to all affected parties. However, interview of Estate Contractors indicated they were not aware of the company's Grievance Procedure.

08 (6.5.3) Some houses that have suffered termite damage have been treated for pest eradication, the structural soundness confirmed by Sime Darby engineers and external repairs have been completed. Although internal repairs have not yet been carried out, an allocation has been approved in the next financial year budget and repairs are scheduled to commence in July 2009.

3.3 Noteworthy Positive Components

➤ The **Mangrove Research Centre** on Carey Island is the outcome of a partnership between the Institute of Biological Sciences, University of Malaya and Sime Darby Plantation Sdn Bhd. It was established in 2007 as a centre dedicated to mangrove and coastal ecosystem research. It has dry and wet laboratories, meeting and seminar rooms. The objectives of the Mangrove Research Centre are:

- To provide knowledge and create awareness of the values and services of the mangrove ecosystem;
- To train stakeholders on assessment and valuation techniques of mangrove resources and services; and

- To equip stakeholders on the available methods of mangrove rehabilitation vis-à-vis shoreline protection.

The National Workshop on Mangrove Values and Services was held 11-16 January 2009 at the Mangrove Research Centre, which was the first workshop of this kind in Malaysia. Sime Darby co-organised and funded the workshop with the University of Malaya.

SOU8 has planted mangrove seedlings at a number of foreshore areas, under the guidance of and using the techniques recommended by the Mangrove Research Centre for stabilization of the shore against erosion.



Plate 1: Mangrove Research Centre

- Formation of the Gender Committee has resulted in a positive outcome for female sprayers. Female sprayers have stated that they do not wish to work as sprayers and a Plan is in place to transfer them to other positions.
- The Estate has removed palms from an area of land 50m from the linesite (Plate 1) and has allocated $\frac{1}{16}$ acre to each household for cultivation of a vegetable garden and to raise poultry. This will be of great benefit in reducing workers' living costs.



Plate 2: Land provided by company for food gardens

- A good standard of housing is provided for workers and their families that is above the "Government Minimum Standard".



Plate 3: Worker Housing

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

The majority of stakeholders had positive comments about SOU8. For the situations where stakeholders raised issues, the company's response is stated below.

Worker Issues

The majority of the labour workforce at the estate and mill is recruited from Indonesia. These workers did not raise any issues of concern. They were satisfied with the standard of housing and stated that they were able to send savings home regularly.

During interview of Mill staff and workers it was stated that they were not included in the recent OER target incentive payment that shift workers received.

Company Response: This was a Pilot Project (3 months trial) aimed at improving OER. The Policy was decided by Management and the SOU will raise it as an issue for consideration.

During interview residents asked whether the damage by termites had been investigated to ensure buildings are structurally sound and when will internal repairs be carried out?

Company Response: Stated by management that Engineering Department has inspected all houses that have damage and confirmed they were structurally sound before external repairs were carried out. Funds have been approved in the 2009/10 budget and the internal repairs will commence at the start of the financial year (July 2009).

Local Communities

Representatives of local communities had an open relationship with SOU8 and appreciated assistance, such as widening the road and the provision of land for a cemetery.

Kampung Sungai Rambai representatives and the affected farmers stated satisfaction with the process of negotiating a settlement for compensation for the oil palms they have planted on company land. However

they are concerned with the time taken and would like negotiation and settlement to be completed quickly.

Company Response: *SOU8 has just received response from Head Office with a guideline on the amounts of payments for individual palms according to palm age. SOU will arrange another meeting with the local affected people.*

Government

The Department of Environment and the Department of Safety and Health did not raise any issues of concern.

NGOs

Prior to the audit, BSi contacted WWF Malaysia (KL Office) and asked if they were aware of any issues relating to Sime Darby operations on Carey Island. WWF queried whether Sime Darby was responsible for the new land development being carried out on Carey Island and whether it was on Orang Asli land.

Company Response: *The land development was being carried out by a private company that had no connection or association with Sime Darby or its subsidiaries.*

Land Issue at PTMAS, West Kalimantan

Both ENDS, which is headquartered in the Netherlands requested an update on the progress with resolving the dispute between the Serikat Petani Kelapa Sawit (SPKS) organisation that represents smallholders and the Sime Darby subsidiary PT Mitra Austral Sejahtera (PTMAS) at Sanggau District in West Kalimantan, Indonesia. The details of the issues raised by Both ENDS are included as Appendix D.

Sime Darby has replied to the stakeholder letter from Both ENDS and is included as Appendix E.

A BSi Social Assessor made a site visit to Sanggau District in late January 2009 and held separate meetings with the SPKS Leader, SPKS members, Smallholders, Smallholder Koperasi Unit Desa (KUD) representatives and PTMAS Staff. A summary of the progress with dispute resolution is outlined below, together with BSi comment on the issue and process.

Background to the dispute and Chronology

The dispute arose over land issues associated with development of oil palm, lack of transparency and understanding on credit for financing of smallholder oil palm and uncertainty about long term tenure of land that is presently used by PTMAS for oil palm estates.

The independent organisation SPKS was formed to represent smallholders and to bring issues of concern to PTMAS for discussion and resolution. In 2007 SPKS, was unsuccessful in getting the company to recognise it as representative of the smallholders or to respond to a list of 14 claims. SPKS members organised a “demonstration” on 3 September 2007 at the PTMAS II plantation office in an attempt to get PTMAS to consider

and respond to its list of claims. Some of the estimated 250+ demonstrators became frustrated by the lack of response from the company and occupied the office area, blockaded roads, damaged company property and locked PTMAS staff in the office without food or water for 17 hours.

The demonstration ended the next day (4 September 2007), when PTMAS Estate staff agreed to forward the 14 claims to its regional office in Pontianak and to respond to the claims within 14 days. The PTMAS staff were released from the office but the road blockade remained in place.

On 5 September, PTMAS met with sub-district government officers and three local village heads to discuss the illegal road blockade. The meeting agreed to dismantle the blockade, initiate legal proceedings against those persons causing damage to company property and to initiate customary law proceedings against those who had breached Dayak custom.

Late the same morning police assisted by supportive local community representatives began dismantling the road blockades. Fighting broke out and police arrested four SPKS members. These persons were subsequently charged with damaging PTMAS property and assaulting a local village head and were sentenced to imprisonment.

Both ENDS met with Sime Darby Management at RT5 in November 2007 to initiate dialogue and a process for resolution of the PTMAS land issues. Sime Darby engaged Wild Asia, a Malaysian consultancy, to carry out an independent investigation of the PTMAS land issues and to report on an approach for addressing the issues. The investigation was carried out in May 2008 and a report prepared in July 2008 on a mechanism and tools for consultation with stakeholders.

Both ENDS brokered a meeting between SPKS representatives and Sime Darby Management at RT6 on 19 November 2008. Sime Darby and SPKS agreed to hold three-monthly meetings in Sanggau District to discuss the SPKS list of claims and attempt to resolve the issues.

BSi Update on Issues raised in Both ENDS letter of 19 January 2009.

The persons who were arrested, charged and imprisoned following the demonstration in September 2007 have been released, except for one who is serving a sentence on an unrelated illegal drugs charge.

Instances of intimidation of SPKS members and representatives by local authorities were stated to have occurred in 2007 following the demonstration and there is no information available to prove otherwise. BSi interview of SPKS members indicated there has been no intimidation since September 2007.

In relation the process to resolve the conflicts:

- (1) Regular three-monthly meetings have been agreed and the first meeting was held on 13 January 2009 between PTMAS, SPKS representatives and smallholder co-operative (KUD) representatives.

- (2) Benchmarks have not been determined against which to judge progress or lack thereof.
- (3) The 13 January meeting was held at a neutral venue at a hotel in Sanggau. Interview of SPKS and KUD representatives confirmed they felt comfortable in the meeting. SPKS have proposed future meetings be held at a church in Bodok to reduce travel costs.
- (4) At the 13 January meeting, both parties discussed their responsibilities and reviewed each of the original 14 issues raised by SPKS as well as additional items. The SPKS Leader Cion Alexander confirmed that a number of the issues were resolved but others need further action and will be addressed at the next meeting.
- (5) The parties have not developed a time-line for addressing each of the outstanding issues.
- (6) The parties indicated that on the basis of the first meeting, they did not consider it a priority to involve a third party mediator. However this may change if they reach a deadlock on the issues.

BSi Comment on the Issue

The initial January 13 meeting marked a very positive and promising start to developing a better relationship and understanding between the parties. The SPKS list of claims has been discussed, clarified and some resolved. At this relatively early stage of building the relationship, it would be wise to involve a neutral third party in the meetings, ideally as mediator for the process, or at a minimum as an independent observer.

The three-monthly meetings should be conducted on a more formal basis, with records made of meeting minutes, which are then circulated and agreed by attendees. At the 13 January meeting, verbal agreement was reached on a number of the claims, and PTMAS prepared a record of the meeting but this had not been circulated to other attendees.

A number of the issues, such as the proposed transfer of the nucleus estate land back to local people at the end of the HGU lease, are unlikely to be resolved in the short term and are the responsibility of the National Land Agency and the Bupati. Benchmarking (refer point 2 above) would be important for reaching agreement on whether an issue can be resolved by the three-monthly meetings or referred to the appropriate authority.

The number of items on the list for discussion at the meeting has expanded from the original 14 to 17. As the issues become progressively resolved, additional ones are likely to arise and it is appropriate for these to be discussed in the three-monthly meetings. In future as trust builds between the parties, the scope of this forum should not be restricted to dispute resolution and problem solving, but there is opportunity to use it more as a stakeholder consultation forum for information sharing. Indeed, Cion Alexander the SPKS Leader has proposed that Adat Leaders should be involved in future meetings. This would help improve the communication with local communities.

The BSi Social Assessor who made the site visit confirmed that the working relationship between the smallholders, PTMAS and local communities was cordial. There had been no disruptions to company operations or smallholder farming or access through the estates since September 2007. BSi concludes that the process of initiating three-monthly stakeholder meetings should be upheld as a fine example of using dialogue to build relationships and resolve issues.

3.5 Acknowledgement of Internal Responsibility

SOU8 acknowledges and confirms acceptance of the Assessment Report contents, including assessment findings. SOU8 accepts the responsibility for 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 (SOU8)

Mr Gunasekaran a/l Uthiradam
Senior Manager East Estate (SOU8)
Date: 11 February 2009

Signed for on behalf of
BSi Management Systems Singapore Pte Ltd

Mr Charlie Ross
Lead Auditor
Date: 11 February 2009

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”

SOU8 RSPO Certificate Details

Management Unit SOU8
42960 Carey Island
Selangor
MALAYSIA

Certificate Number : SPO 543543
Certificate Issue Date: (RSPO Approval Date)

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

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

East Palm Oil Mill and Supply Base (SOU8)	
Location	East Estate, Carey Island, Selangor
Address	42960 Carey Island, Selangor
GPS Location	2° 53' 00-00" N 101° 26' 10-09" E
CPO Tonnage Total Production	26,781
PK Tonnage Total Production	7,052
SOU8 Estates FFB Tonnage	East: 21,597; Dusun Durian: 37,133
SOU9 Estate FFB Tonnage	West: 380
SOU9A Estate FFB Tonnage	Sepang: 1,688
SOU7 Estates FFB Tonnage*	Bukit Cheraka: 1,435; Sg Kapar: 1,739; Bukit Rajah: 4,697; Jalan Acob: 713
SOU13 Estates FFB Tonnage*	A. Tenang: 45,467; Bradwall: 3,023; Labu: 4,064; New Labu: 281; Linsum: 1,289; Kerby: 305
Smallholders FFB Tonnage*	1,774
CPO Tonnage Claimed**	12,965
PK Tonnage Claimed**	3,414

* Tonnage not included in Certificate

** The Tonnage Claimed is the proportion of the total production from SOU8, SOU9 and SOU9a Estates and is based upon the Reporting Period 01 July 2007 – 30 June 2008

Appendix “C”

Certification Assessment Plan

AUDIT TEAM – CR: Charlie Ross RR: Robyn Ross JM: Junecel Maloloy JH: Jarwadi Hernowo						
DATE	TIME	ACTIVITY	CR	RR	JM	JH
Friday 23 January	AM	Opening Meeting Physical Inspection Estate/Interview Male Fieldworkers Interview Female Fieldworkers Physical Inspection Stores, Land Application, Landfill Interview Contractors Inspect Buffer Zones Visit Clinic/Interview Staff	√ √ √ 	√ √ √	√ √ √	√ √ √ √
	PM	Estate Documentation Interview Female Office Staff/Workers Inspect Housing and Interview Residents Government Officers DOSH, DOE, Labour Department, NUPW Regional Office (Union Official) Meet with Orang Asli at local communities	√ √ √	√ √ √ √	√ √ √ √	 √ √
Saturday 24 January	AM	Early morning (dawn) inspections mangroves Physical Inspection Mill/Effluent Ponds Interview Male Workers Clinic/Housing and Interview Staff/Residents Interview Female Office Staff/Workers	√ 	 √ √	 √ √	√ √
	PM	Mill Documentation Interview Contractors	√ 	√ 	√ 	 √
25 – 27 January	Public Holidays					
Friday 30 January		Collect any outstanding data/information/clarification Preparation of IAV Report and Closing Closing Meeting	√ 	√ 	√ 	√

Appendix “D”

Letter from NGO Both ENDS

Mr Chia Soon Leong
BSI Management Systems Singapore Pte. Ltd.
460 Alexandra Rd
#08-01/02 PSA Bldg.
Singapore 119963
Email: soonleong.chia@bsigroup.com

Mr Norazam Abdul Hameed
Sime Darby Plantations Sdn Bhd
Email: norazam.abdul.hameed@simedarby.com

Date:	14 January 2009
Place:	Amsterdam
Concerns:	RSPO Certification Assessment of Sime Darby Plantations Sdn Bhd, Management Units SOU 8, SOU 9 and SOU 9A. Comments submitted by Paul Wolvekamp, Both ENDS (Ordinary Member RSPO).

Dear Messrs Chia Soon Leong and Norazam Abdul Hameed:

In view of the current assessment of above mentioned management units and the invitation for comments, as posted on RSPO's website, I assume Sime Darby Plantations Sdn. Bhd. (henceforth Sime Darby) will have informed the auditors about the as yet still unresolved disputes in Sanggau district, West Kalimantan, Indonesia. In view of the pioneering role of Sime Darby Plantations, it is important to consider how resolving the Sanggau disputes relate to the assessment. Moreover, an expedient resolving of this case will offer a very positive precedent for the RSPO community.

In view of RSPO P&C 2.2., 6.3., 6.4. and clause 4.2.4 (verification) it is now of the essence to understand if and how active follow up is given and can be strengthened to resolve land related disputes faced by Sime Darby Plantations Sdn Bhd in Sanggau district. Sime Darby acquired Golden Hope Plantations Bhd. and thereby inherited a number of disputes involving plasma small holder growers in Sanggau district. Sime Darby management deserves praise for taking a fresh look at the Sanggau situation. In case you may not have received feedback from local stakeholders you may consider the following resume.

Conflicts in Sanggau have arisen over land, compensation and allied aspects such as credit – involving plantations PT MAS I, PT MAS II and the planned PT MAS III. Following a demonstration in 2007 in front of the then Golden Hope offices in Sanggau, 4 members of the small holders association SPKS and one employee from Golden Hope were imprisoned with sentences ranging from 1 to 2 years of detainment; these persons, I was informed, are still in jail. In relation to these disputes, there is mentioning of instances of intimidation of SPKS functionaries and small holders by local authorities and other parties. A list of grievances compiled by SPKS was presented to and discussed with Sime Darby management in 2007 and subsequently in 2008. Sime Darby has commissioned an independent assessment by the Malaysian organisation Wild Asia mid 2008. The said conflicts still have to be resolved.

It is, in my view, commendable that Sime Darby has taken the step to commission Wild Asia to conduct an independent assessment. With respect to the current assessment of above stated management units, it would be relevant and helpful to understand how follow up is given (e.g. plan of action; planning) to the outcomes and recommendations of the assessment and the meeting held

between SPKS and Sime Darby management on November 19th 2008 at the occasion of RSPO RT6 in Bali and previous occasions. It seems that important ingredients of a process to resolve the conflicts – as also discussed during the said meeting on 18th November 2008 - are a.o.: (i) a regular (three-monthly) dialogue to discuss and monitor progress/obstacles; (ii) benchmark's against which to judge progress or lack thereof; (iii) that the meeting place and conditions for having the suggested 3-monthly dialogue are felt as a safe environment conducive to fruitful discussions and problem solving; (iv) that it is important that the parties establish as shared feeling about what are commonly perceived as 'facts' on which to build further resolving of the disputes - thereby revisiting the earlier mentioned list of 15 grievances; (v) to reach agreement on a clear time-line; (vi) lastly, it is strongly suggested to involve a third party mediator who facilitates the dialogue and monitor progress to solve this lingering dispute.

Should you wish more information, I can refer you to relevant local stakeholders.

Yours sincerely,

Paul Wolvekamp
Deputy Director Both ENDS

Appendix “E”

***Sime Darby Response to Letter from
Both ENDS***

From: Syed Mahdhar Syed Hussain/GHO/SIME DARBY GROUP
To: Paul Wolvekamp - BothENDS
Date: 01/19/2009 02:38 PM
Re: Meeting with SPKS in Nov. Bali RSPO RT6

Dear Paul,

Thank you very much for bringing out issues in Sangau, Kalimantan.

First and foremost, I would like to clarify what has been done.

As agreed during the Bali meeting, we did have a meeting on the 13th of January 2009 consisting of management of PT Mitra Austral Sejahtera, members of SPKS (leaders and members), Managers of KUD (KUD Kapita, KUD Mayting Hija). Meeting was held at Hotel Grand Narita Sangau. The purpose of the meeting is to evaluate and confirm the 15 points raised by SPKS.

The outcome of the meeting was that all 15 points were clarified and evaluated. Out of which 10 has been fully clarified and 5 has been carried out. The case is closed. Besides the clarification of the 15 points, other issues were also deliberated.

The salient points are:

1. The need for closer working relationship and structured communication channel between both parties and to understand each other's accountability and responsibility. This was carried out in a very cordial and organised manner by both parties during the meeting. The main issue about road system and credit payment was explained and accepted between KUD, SPKS and Sime Darby management.
2. SPKS also provided other requests to the management of PT MAS which includes:
 - a) To respect SPKS as a body that represent about 1,200 members.
Noted and agreed.
 - b) To ensure that the community does not lose their land title after the termination of the leasing contract.
Will liaise back with the respective BUPATI law as Sime darby does not own the land. This issue will be at the discretion of the BUPATI of the district.
 - c) Hope that PT MAS management provide technical assistance to small holders for long term agricultural objectives that will benefit the community.
This practice has been carried out continuously and we assured SPKS that the policy does not change.
 - d) All procedures and mechanism of determining the price of crop is done in a fair and transparent manner.
Noted and agreed between PT MAS management, KUD and SPKS.
 - e) That SPKS support this gathering to achieve collaborative direction between PT MAS, KUD and SPKS.
Noted.
 - f) SPKS hope that PT MAS management will be able to standardise their credit component with that of PT SIA.
This particular issue will be discussed at Sime Darby's management level as it involves local agreement and regulations.
 - g) SPKS propose that the management could assist them in establishing a model block so that it could be duplicated to enhance the economic value of the PLASMA land.
Sime Darby management will review the proposal.

h) Lastly, SPKS hope that the management could explain to the community the basic principles of RSPO in stages.

Noted and agreed.

In summary:

It is hoped that all parties should not blame one another instead understand and balance the difference between their **RIGHTS** and their **RESPONSIBILITIES**. Sime Darby management and KUD accept with all sincerity comments or grievances made by SPKS regarding semi-management scheme and credit payment. This structured and documented meeting will be held once every 3 months to create a harmonious communication between all parties. The permanent members would be Sime Darby management, KUD and SPKS. Other members will be called on by invitation as and when required.

Paul if you require the minutes of the meeting, it is also available. However, it is in Indonesian language. Please feel free to contact me should you need it. In future, I would appreciate if you could pass any queries to us regarding Sime Darby Plantation grievances instead of providing your comments to other certification body as it could give rise to a lot of confusion.

Best Regards,

Syed Mahdhar
SVPII, TQEM(Group/Plantation)