



PUBLIC SUMMARY REPORT

INITIAL RSPO CERTIFICATION ASSESSMENT

SIME DARBY PLANTATION Sdn Bhd **Management Unit SOU 9** **Carey Island, Selangor, Malaysia**

Report Author

Charlie Ross – February 2009

EMandM@bigpond.net.au

Tel: +61 417609026

BSi Management Systems Singapore Pte Ltd (Co. Reg. 1995 02096-N)
460 Alexandra Road
#08-01/02 PSA Building
SINGAPORE 119963
Tel +65 6270 0777
Fax +65 6270 2777
www.bsi-asia.com
Soon Leong Chia: SoonLeong.Chia@bsigroup.com

BSi Management Systems Malaysia Sdn Bhd (Co.Reg. 9942MX)
Suite 19.05 Level 19 Wisma Goldhill
1005 Block B Level 10, Phileo Damansara 1
65, Jalan Raja Chulan
50200 Kuala Lumpur MALAYSIA
Tel +03 2032 2252 (Hunting Line)
Fax +03 2032 2253
Teo Chin Siong: ChinSiong.Teo@bsigroup.com

TABLE of CONTENTS**Page N^o**

SUMMARY	1
ABBREVIATIONS USED	1
1.0 SCOPE OF CERTIFICATION ASSESSMENT.....	1–6
1.1 National Interpretation Used	1
1.2 Certification Scope	1
1.3 Location and Maps	1
1.4 Description of Supply Base	1
1.5 Date of Plantings and Cycle.....	1
1.6 Other Certifications Held.....	5
1.7 Organisational Information/Contact Person.....	5
1.8 Time Bound Plan for Other Management Units.....	5
1.9 Area of Plantation	5
1.10 Approximate Tonnages Certified	5
1.11 Date Certificate Issued and Scope of Certificate	6
2.0 ASSESSMENT PROCESS.....	6–7
2.1 Certification Body.....	6
2.2 Assessment Methodology, Programme, Site Visits.....	6
2.3 Qualifications of Lead Assessor and Assessment Team	6
2.4 Stakeholder Consultation and List of Stakeholders Contacted	7
2.5 Date of Next Surveillance Visit	7
3.0 ASSESSMENT FINDINGS	7–19
3.1 Summary of Findings	7
3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions	15
3.3 Noteworthy Positive Components	16
3.4 Issues Raised by Stakeholder and Findings with Respect to Each Issue	17
3.5 Acknowledgement of Internal Responsibility	19
3.6 Formal Sign-off of Assessment Findings.....	19

LIST of TABLES

1 Mill GPS Locations	1
2 Estates FFB Production.....	1
3 Age Profile of Planted Palms	1
4 Estates and Areas Planted	5
5 Approximate Tonnages Certified.....	5

LIST of FIGURES

1 SOU 9 Location Map	2
2 West Estate Location Map.....	3
3 West Estate Layout.....	4

LIST of PLATES

1 Mill Effluent Treatment Plant and Biogas Project	16
2 Purple Heron <i>Ardea purpurea</i> at West Estate	17

List of Appendices

A Time Bound Plan for other Management Units
B SOU 9 RSPO Certificate Details
C Certification Assessment Plan
D Stakeholder Letter from Both ENDS
E Sime Darby Response to Letter from Both ENDS

SUMMARY

BSi Management Systems Singapore Pte Ltd (BSi) has conducted an assessment of Sime Darby Plantation Sdn Bhd Management Unit SOU 9 (SOU 9) operations comprising One (1) mill, supply base, support services and infrastructure. BSi concludes that SOU 9 operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY-NI Indicators and Guidance : 2008.

BSi recommends that SOU 9 be approved as a producer of RSPO certified sustainable palm oil.

ABBREVIATIONS

CHRA	Chemical Hazard Risk Assessment
CPO	Crude Palm Oil
DOE	Department of Environment
DOSH	Department of Occupational Safety & Health
EFB	Empty Fruit Bunch
EIA	Environmental Impact Assessment
EMS	Environmental Management System
ERP	Emergency Response Plan
FFB	Fresh Fruit Bunch
HA	Hospital Assistant
HCVs	High Conservation Values
HIRAC	Hazard Identification and Risk Assessment
IPM	Integrated Pest Management
ISO	International Standards Organisation
LCC	Legume Cover Crop
LTA	Lost Time Accident
MAPA/ AMESU	Malayan Agricultural Producers Association/ All Malayan Estates Staff Union
MSDS	Material Safety Data Sheet
MY-NI	Malaysian National Interpretation
NUPW	National Union of Plantation Workers/
OHSAS	Occupational Health & Safety Assurance System
OSH	Occupational Safety & Health
PCD	Pollution Control Device
PK	Palm Kernel
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
PQMS	Plantation Quality Management System
QMS	Quality Management System
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	Strategic Operating Unit
TQEM	Total Quality Environmental Management
TSS	Total Suspended Solids
VMO	Visiting Medical Officer
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 palm oil mill that is sourced from two (2) company owned oil palm estates.

1.3 Location and Maps

The SOU 9 mill and estates are located at Carey Island, Selangor, Malaysia (Figure 1). Additional maps are included (Figures 2 and 3) showing the estates boundary and infrastructure. The GPS location of the mill is shown in Table 1.

Table 1: Mill GPS Location

MILL	LONGITUDE	LATITUDE
West Mill	101° 20' 60"	2° 55' 0"

1.4 Description of Supply Base

The supply base consists of FFB from Company owned Estates that supply 100% of the FFB processed at the mill. West Estate supplies 50.4% of the FFB processed at West Mill. East Estate that supplies 48% of the FFB is managed by the neighbouring SOU 8, which was audited in January 2009 for RSPO Certification. The balance (1.6% of the FFB) was supplied from the nearby SOU 7 because it was surplus to the SOU 7 mill processing capacity. The FFB production from Company owned Estates for the 01 July 2007 – 30 June 2008 reporting period is listed in Table 2.

Table 2: Mill Supply Base

Estate	FFB Production (t)
West	100,343
East	95,607
Other Non-certified Sime Darby Estates (SOU7)	3,201*
Total	199,151

* The FFB production from the Non-certified Sime Darby Estates at SOU 7 is excluded from the RSPO Certificate.

1.5 Date of Plantings and Cycle

The Company owned Estates were developed in the 1940s and planted to rubber and cocoa. Oil palms were first planted in the 1950s and are in the 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
0 – 10	54
10 – 20	26
20 – 30	20
30+	–

LOCATION MAP FOR SOU 9



Figure 1: SOU 9 Location Map

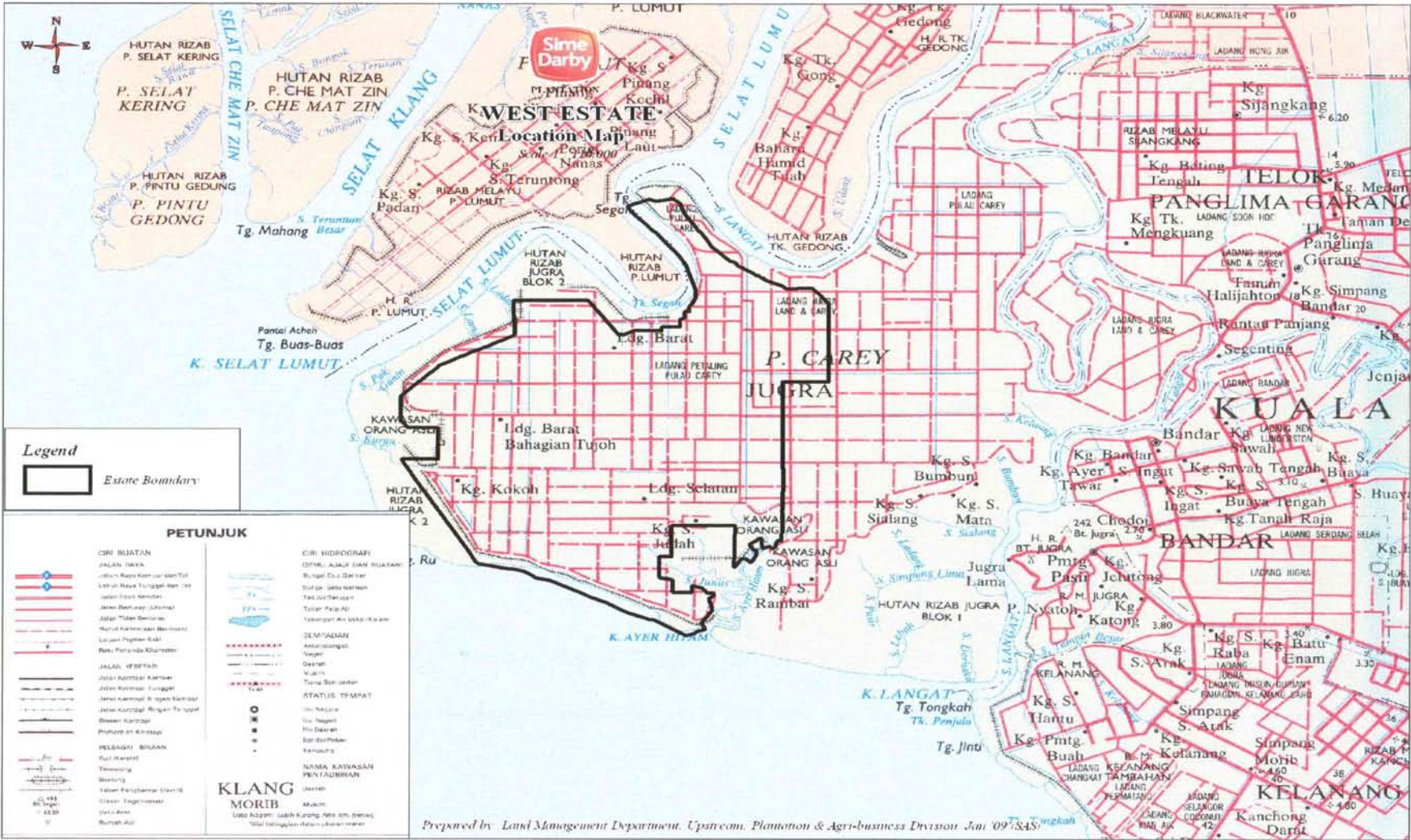


Figure 2: West Estate Location Map

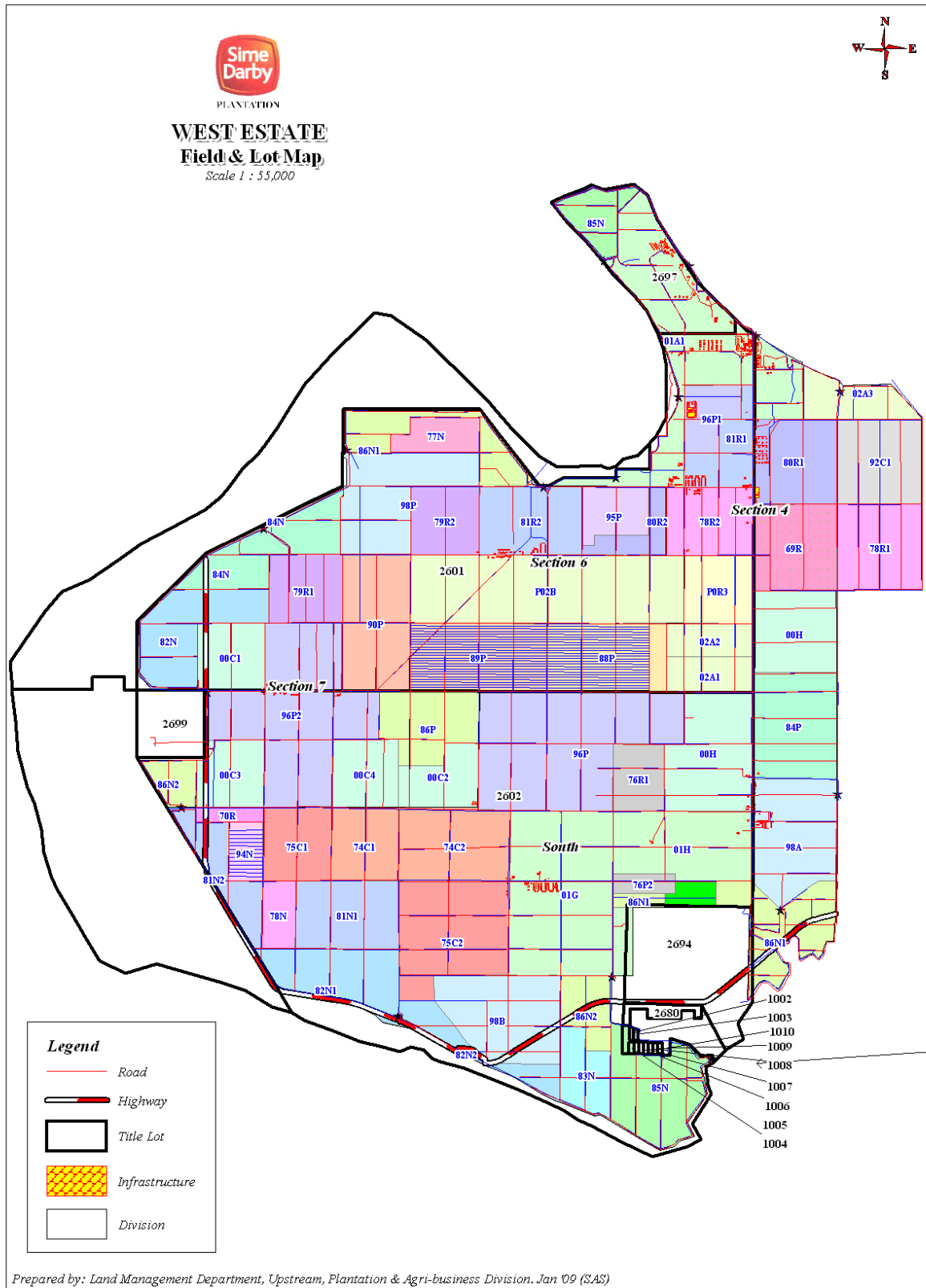


Figure 3: West Estate Layout

1.6 Other Certifications Held

SOU 9 holds the following Certifications:

ISO 9001: 2000

West Palm Oil Mill Certificate No AR0867

Date of Initial Certificate: 10/08/1996

Certificate Expiry Date: 09/08/2009

ISO 14001: 2004

West Palm Oil Mill Certificate No: G0130001

Date of Initial Certificate: 10/11/2000

Certificate Expiry Date: 09/11/2009

1.7 Organisational Information / Contact Person

Sime Darby Plantation Sdn Bhd

Management Unit SOU 9

Carey Island Selangor Malaysia

Ladang West

42960 Carey Island

Selangor Malaysia

Contact Person: Mr Mohammad Taib Bin Lebai Abu
Manager West Estate

Phone: 03-3122 0528

Fax: 03-3122 0526

Email: west.estate@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 area of planted palms at the Company owned West Estate that is managed under SOU 9, is listed in Table 4.

Table 4: Estate and Area Planted

<i>Estate</i>	<i>Mature (ha)</i>	<i>Immature (ha)</i>
West	4501	702

1.10 Approximate Tonnages Certified

Approximate tonnages certified on the basis of 01 July 2007 – 30 June 2008 production from SOU 9 West Estate and neighbouring SOU 8 East Estate is detailed in Table 5.

Table 5: Approximate Tonnages Certified

<i>MILL</i>	<i>CPO</i>	<i>PK</i>
West	41,626	11,108

1.11 Date Certificate Issued and Scope of Certificate

Scope of the Certificate is for the production from the West Palm Oil Mill and the supply base from company owned estates. Certificate details are included as Appendix B.

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

2.0 ASSESSMENT PROCESS

2.1 Certification Body

BSi Management Systems Singapore Pte Ltd
460 Alexandra Road
#08-01/02 PSA Building
Singapore 119963

Product Manager: Mr Soon Leong Chia
Phone: +65 6270 0777 Ext 115
Fax: +65 6270 2777
Email: soonleong.chia@bsigroup.com

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

Stage I Certification Assessment was conducted between 28 – 30 October 2008 against the RSPO MY-NI : 2008. The scope of the Stage I Assessment included the estate, mill and support infrastructure and focussed on physical inspections and review of management systems and documentation.

Stage II Certification Assessment was conducted between 28 and 30 January 2009. The audit programme is included as Appendix C.

The approach was to audit the mill together with the Estate, so 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.

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 of blocks within the estate, buffer zones, and selection of workers for interview, 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 OSHAS 18001 Occupational Health and Safety Assurance Systems, auditor training in Environmental Management, SA8000 Social Accountability and RSPO P&C. He has been involved in the RSPO process since RT1 and has conducted audits of oil palm plantation companies against the RSPO P&C in Indonesia, Malaysia and PNG and is a BSi approved RSPO Lead Auditor.

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 an audit of an oil palm plantation company against the RSPO P&C in Indonesia.

Robyn Ross has a background in company administration and supporting women with mental health and physical disabilities by assisting them to develop skills for living independently in the community. She has assisted with fieldwork in conducting environmental and social assessments of oil palm projects over the past 5 years in Indonesia and Nigeria. She has completed auditor training in SA8000 Social Accountability. She has

assisted with conducting audits of oil palm plantation companies against the RSPO P&C in Indonesia, Malaysia and Papua New Guinea.

Junecel Maloloy is a Teacher with Borneo Child Aid Society and is fluent in Bahasa Malaysia, Sabahan, Pilipino 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 SOU 9 environmental and social performance. There are 5 indigenous communities on Carey Island and the two that are associated with West Estate were consulted. The other 3 communities were consulted on the 23 and 24 January during the RSPO audit of the neighbouring SOU 8.

BSi did not receive any responses in writing from stakeholders in relation to SOU 9. 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 and contractors, as well as organisations that may have an interest in SOU 9 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 estates. Fieldworkers were interviewed informally in small groups in the field. Separate visits were made to each of the local communities to meet with the village head and residents. In addition, the wives of workers and staff were interviewed in informal group meetings at their housing. Company officials were not present at any of the interviews.

List of Stakeholders Contacted

Contractors & Consultants

Transport Contractor
Labour Contractor
Mill Boiler Contractor

Local Communities

Kampung Sungai Kurau Residents
Kampung Sungai Judah Residents
Tamil School Teacher

Government Departments

Labour Department
Department of Environment
Department of Health and Safety

NGOs and others

WWF Malaysia (KL Office)
NUPW
Tenaganita
Institute of Biological Sciences, University of Malaya

2.5 Date of Next Surveillance Visit

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

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

As outlined in Section 2.3, objective evidence was obtained separately for each of the RSPO Indicators for the mill and the estate and an assessment made of conformance of the Company's operations with each Criterion. A statement is provided for each of the Indicators to support the findings of the assessment team.

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

SOU 9 has prepared a Corrective Action Plan. The Audit Team reviewed the Corrective Action Plan and concluded that it met the RSPO requirements for Indicator 5.3.2. Progress on implementation of corrective action will be checked during the Surveillance Audit scheduled to be carried out within twelve months of receiving initial RSPO Certification.

BSi has conducted an assessment of the SOU 9 operations comprising 1 mill, 1 company owned estate, support services and infrastructure. BSi concludes that SOU 9 operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY-NI Indicators and Guidance : 2008.

BSi recommends that SOU 9 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 RSP0 Criteria, in appropriate languages & forms to allow for effective participation in decision making.

The estate and the mill maintain separate files for receiving requests for information as well as copies of the responses. The majority of the requests are from Government Departments seeking operational statistical information. The most recent request was 14 August 2008 and replied 9 September 2008. (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.

SOU 9 holds copies of each of the management documents that are required to be publicly available. The company operations are on Freehold land. The Estate holds copies of the Land Titles, which were sighted during the Audit. (1.2.1)

The estate has documented a Safety and Health Plan, including a schedule of training for all staff and workers. The mill has all of the elements of a Safety and Health Plan as required by Criterion 4.7 and documented as Occupational Safety and Health Management Programme 2008/09. (1.2.2)

The Estate has prepared an Environmental Impact Assessment Register (November 2008) and an SIA Report also prepared November 2008. The Mill has ISO 14001 EMS Aspects and Impacts Register that is available and was revised 10 September 2008. (1.2.3)

A Pollution Prevention Plan was prepared 5 December 2008 following the EIA and identification of potential impacts. The mill has a documented Environmental Management Programme for controlling the significant impacts. (1.2.4)

The estate maintains a file on complaints, such as repairs required to housing. The mill maintains a "Customer Complaints" file with the most recent complaint received 7 December 2005 and recorded in the QMS. The mill has not received any complaints since that date. (1.2.5)

Negotiation Procedures are documented in Article 5 of the MAPA Agreement for workers, AMESU Agreement for Staff and Sime Darby Procedures for Handling Social Issues – in Sustainable Plantation Management System. (1.2.6)

The Estate has prepared a Continuous Improvement Plan using the results from the EIA process as well as corrective action from Stage I Assessment (December 2008). The mill Improvement Plan is documented in the EMS. (1.2.7)

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

At the time of the Audit it was stated that there were no known litigations against SOU 9. The most recent DOSH visit was 21 January 2009 and there are no outstanding actions required. The mill boiler had exceeded particulate concentration limits in gaseous emissions when operating at full capacity in March 2008. The mill has reduced the loading on the boiler to achieve compliance. The boiler smoke density meter was calibrated 30 September 2008 and inspection confirmed it was operating. Continuous monitoring records confirmed compliance with smoke density regulations. Review of Mill ISO 14001 internal audit (18-19 August 2008) and external third party audit 14 November 2008 confirmed legal compliance.

Housing meets the government standard. Drinking water is supplied to housing from the government reticulation system and the quality is suitable for domestic use. Electricity is supplied to housing from the Government system. The Estate requires drivers to be trained in a "defensive driving course" conducted by an external trainer. The most recent course and assessment of drivers was carried out in November 2008.

Inspection of Mill pay records showed that overtime hours worked by 17 workers during October and November 2008 were in excess of the maximum permitted by the Labour Law. Although Sime Darby 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 SOU 9 that a Nonconformity would be issued against this Major Compliance Indicator, as there was a breach of the Labour Law (2.1.1)

Prior to the closeout meeting a letter (dated 29 January 2009) from the Labour Department granting approval of increase of overtime hours to 150 per month was received by the Company and viewed by the Audit Team. The Nonconformity was downgraded to an Observation.

Observation 01 – refer Section 3.2 Page 16 for details

The estate holds copies of relevant legislations, eg Pesticides Act, Labour Laws, Industrial Relations Act. The mill has documented legal requirements in the ISO 14001 EMS, most recent update 10 November 2008. (2.1.2)

The Plantation Advisor's Audit checks for legal compliance – most recent 21-23 July 2008. The Standards and Compliance Unit of Sime Darby TQEM Department conducts an annual audit of legal compliance. The mill carries out internal audits, which check legal compliance – most recent 19 September 2008. An external third party ISO 14001 surveillance audit carried out 14 November 2008 confirmed compliance with legal requirements. (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 company operations are on Freehold land. The Estate holds copies of the Land Titles, which were sighted during the Audit. The history of land tenure is noted on the back of the Title document. For example Lot 2601 area 5,012 acres, Mukim Klang Original Survey Plan 14 May 1913. (2.2.1)

SOU 9 operations are consistent with the terms of the Land Title for agriculture. (2.2.2)

The majority of the estate boundaries adjoin the inter-tidal mangrove area and at these locations there is no neighbouring land. Boundary stones are located at the boundary of the estate and Orang Asli land – Bangkong Division. Field inspection confirmed boundary stones are maintained as a concrete marker painted red. The mill is situated within the Estate boundaries. (2.2.3)

It was confirmed during interview with local communities that there have been no disputes with Orang Asli over SOU 9 land boundaries. (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.

The SOU 9 operations are all on Freehold land. (2.3.1)

There is currently no disputed land. (2.3.2)

The SOU 9 operations are all on Freehold land. There have been no negotiated agreements in relation to customary rights. (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 for the current 2008-09 year with projections for three years. The budget includes production targets and cost projections. The mill has an annual operating and capex budget with projection for four years and was revised December 2008. (3.1.1)

The Estate has a replanting programme with ten year projection. The programme is reviewed annually, during the budget preparation process, with the last review in November 2008. (3.1.2)

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

The Estate has SOPs documented in the Sime Darby Agricultural Reference Manual – Edition 1, 1 December 2007. The SOPs cover all activities from nursery, replanting and land preparation through to upkeep and harvesting. The SOPs are based on the Best Practices drawn from each of the three companies at the merger in November 2007. Mill SOPs cover all work stations and are documented as “Standing Instructions” and are controlled documents under the ISO 9001 QMS – most recent review April 2008. (4.1.1)

The Manager and Assistant Managers inspect the estate daily for compliance of operations. In addition, the Plantation Advisor carries out six monthly inspections together with recommended corrective action. Most recent visit 21–23 July 2008 – report held on file together with Estate Managers response for implementing improvements. The Mill Manager and Assistant Engineers carry out daily checks on Work Instruction implementation. The Mill Advisor carries out inspections four monthly with the most recent 12–13 December 2008. In addition, internal and external ISO 9001 audits and TQEM Department internal audit are carried out annually. Records are held of the audit reports and corrective actions. (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.

R & D Department makes annual recommendations of fertiliser application rates on the basis of the results of leaf sampling. (4.2.1)

Sime Darby R & D Department carries out visual inspection of palms and tissue sampling annually. The results of visual inspection and leaf tissue analysis are used for assessment of palm nutrition and fertiliser recommendation. Soil sampling has been carried out at replant, in accordance with company policy. (4.2.2)

R & D Department monitors the nutrition of palms at areas where EFB and POME are applied, for assessment of fertiliser requirement. The Estate keeps records of locations, areas and tonnages of EFB and POME application. (4.2.3)

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

Field inspection confirmed implementation of the following practices: pruned frond stacking (inter-row); spraying of palm circles only; use of rotary slasher for path maintenance; planting *Mucuna bracteata* along drainsides. A vegetative cover is maintained on the surface of water management bunds that surround the estate. Areas where either tidal flow or wave action has caused erosion are protected using gabion baskets (seaside) and rock armouring (Sg Lumut). In addition, there is a programme for replanting of mangroves as a protective barrier. Maps are available showing the affected areas. (4.3.1)

Field inspection confirmed LCC is well established at recently replanted areas and a good cover of vegetation is maintained in mature palms. (4.3.2)

The estate prepares a monthly road maintenance programme based upon local conditions and the need for repairs. Inspection confirmed main roads were well maintained with a durable surface of gravel. (4.3.3)

There are no peat soils at SOU 9. (4.3.4)

Acid sulphate soils (Sulfaquepts and Sulfic Endoaquepts group) occur at 68% of the estate. A Water Management Plan is implemented for maintaining water levels above the pyrite layer using a system of tide gates,

screw gates, sluice gates and weirs. Inspection confirmed the weirs and gates are well maintained. The water management system was installed following the initial planting of oil palm in the 1960s and has progressively been improved and upgraded to the current system with automatic tide gates. (4.3.5)

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

All of the land is flat and drainage consists of manmade channels. There are no natural streams that flow through the estate. Mangroves are maintained along the water management bunds bordering Sungai Lumut and the seaside. At locations where erosion has occurred by tidal or wave action, rock armouring has been placed and mangroves are being replanted. The R & D Department is collaborating with the Mangrove Research Centre on research associated with mangrove stabilisation of foreshores to prevent erosion. (4.4.1)

There are no natural waterways passing through the estate. (4.4.2)

Water quality of outflows from the main drains is sampled monthly and tested for pH and conductivity, which are the important parameters for assessment of acidic drainage from acid sulphate soils. Review of the previous twelve months data for pH and conductivity showed no significant difference between drainage water sampled from acid sulphate soil management areas and drainage sampled from non-acid sulphate soils. (4.4.3)

Observation 02 – refer Section 3.2 Page 16 for details

The Estate measures rainfall daily with records dating back to the 1960s. Rainfall data are used for water management, planning the replanting programme, timing of manuring and crop forecasting. (4.4.4)

Fresh water is obtained from the Government reticulated water supply and minimising usage is an important cost consideration. Water usage is monitored daily and reported monthly against target 0.9 t/t FFB. Average consumption 2007/08 was 0.92 t/t FFB. The YTD average is 1.21 t/t FFB, which is significantly above target due to boiler inspections and the Biogas Project. Hydrostatic tests during boiler inspections require discharge and make-up of boiler water that is additional to normal operating requirements, in order to check and repair any leaks. Prior to operation of the Biogas Digester, supernatant from the aerobic process (<100 mg/L TSS) was recycled to the mill. The biogas digester effluent is unsuitable for recycling to the mill due to elevated TSS (3000 mg/L). (4.4.5)

The estate Water Management Plan involves storage of water in drains during dry periods and release following rainfall and dilution in order to minimise potential effects of acidic drainage. Rainfall runoff from the mill steriliser and boiler areas is collected and stored in a pond for recycling and use for mill floor cleaning. (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. Inspection indicated consistent implementation of water management to maintain the target water level. The estate has a detailed map showing the locations of all drains, weirs, screw gates and tide gates for water management. The mill has a documented Water Management Plan as a component of the Environmental Management Programme and was last revised 1 January 2009. The Plan focuses on the reduction of water consumption and recycling of rainwater. (4.4.7)

Observation 03 – refer Section 3.2 Page 16 for details

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

A 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 Pheromone traps for control of *Oryctes* in immature palms. The estate has extensive plantings of *Turnera subulata*, *Cassia cobanensis* and *Antigonon leptopus* along roadsides. (4.5.1)

Bagworm is the major pest and census is carried out monthly, but more frequently if there is any outbreak. Census for rat damage is carried out three monthly. Census information is used in relation to triggers to decide whether chemical treatment is necessary. (4.5.2)

Areas where chemical treatment has been used is recorded in a daily cost book on block and field basis. The daily data are transferred to computer. (4.5.3)

Pesticide usage and active ingredient per hectare have been calculated since November 2007. The trend over the January-December 2008 period showed a peak in active ingredient per hectare in March 2008 when it was necessary to apply pesticide for control of an outbreak of bagworm, followed by lower rates through to December. (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. Mill chemicals usage is limited to boiler water conditioning and the laboratory for process quality control. (4.6.1)

Purchase of pesticides is controlled by Sime Darby Head Office Central Purchasing Unit. Inspection of the Store

confirmed only approved chemicals were held in stock. The Estate obtains approval from the Pesticide Board for the purchase and use of Methamidophos – most recent letter of approval 18 December 2008 (Reference Number SG/METHA(GL)/O8/123. (4.6.2)

Inspection of the main chemical store and Air Hitam Division confirmed that pesticides are stored safely and in accordance with Government regulations. (4.6.3)

All chemicals are labelled in Bahasa Malaysia. Work Instructions and safety signage use pictorial symbols to illustrate precautions and safe work practices. Interview of spray operators and observation of spraying confirmed workers understood and were implementing product precautions and safe handling practices. (4.6.4)

Observation 04 – refer Section 3.2 Page 16 for details

Monthly checks for pesticide operators are carried out by a visiting VMO at each division – most recent 21 January 2009. The HA stated that any abnormalities detected at the estate clinic will be referred to the VMO, who is DOSH registered. A CHRA medical surveillance was carried out for pesticide operators on 17 December 2008 – records are held on file. (4.6.5)

There are no female pesticide operators. (4.6.6)

The Estate ceased the use of Paraquat in 1990. Inspection of the store confirmed nil stock of Paraquat. Usage of other Class 1 chemicals, such as Methamidophos, is strictly on the basis of pest census information. (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 quantity and area where chemical has been applied are recorded in the daily cost book. Records are held for more than ten years. (4.6.10)

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

- (a) OSH Policy approved by Top Management April 2008 is displayed prominently at Offices and Muster areas
- (b) A HIRAC risk assessment has been carried out for all tasks and updated 12 December 2008 and records held on computer.
Mill HIRAC has been carried out for all work stations and tasks and was last revised on 19 May 2007. The mill has a Permit to Work System that includes a risk assessment and safety requirements, including wearing of PPE prior to commencement of any tasks.
- (c) i The Estate has prepared an OSHA Training Plan 2008-09. Training for Pesticide Sprayers was carried out 14 January 2009 for calibration of spray equipment. The mill has a documented Training and Awareness Plan 2008/09 to individual worker level – refer 4.8.1. The mill provides a safety and

environmental briefing to contractors prior to work commencement.

- ii Interview of spray operators and observation of tasks confirmed implementation of safe work practices and adherence to product precautions.
- (d) i. Appropriate PPE for each task, eg, Harvester = helmet, sickle cover, gloves, rubber boots; Sprayers = cap, goggles, N95 respirator, nitrile gloves, apron, long sleeved shirt, rubber boots. Appropriate PPE is provided to mill employees – helmets, safety shoes and ear plugs are compulsory for all workers. In addition, vests are provided to workers at locations where mobile plant and equipment are used and for those who travel to work by motor cycle or bicycle. Eye protection is provided where necessary. Contractors are required to supply and wear appropriate PPE for the tasks being carried out. The mill makes checks on wearing of PPE and issues stop work order if noncompliance.
- (e) Two Assistant Managers have been appointed responsible for OSH at the Estate. The mill Trainee Assistant Engineer is the designated Safety Coordinator.
- (f) Estate holds OSH Meetings quarterly – most recent 11 November 2008 – topics included safety briefing, action items from previous meeting, accident investigation and training. The attendees include 7 representatives of workers. Mill holds OSH Meetings quarterly – most recent 30 December 2008. A new safety committee has been elected and appointment letters issued and a special OSH meeting held 20 January 2009. In addition, the mill has a safety sub-committee that meets monthly to address issues and invites workers from various stations to provide input.
- (g) The Estate Accident and Emergency Procedures include a detailed plan for each Division Office and Housing area for the main emergencies that potentially could occur. Interview of workers and females at housing confirmed they had been trained in emergency procedures, such as fire outbreak.
The mill has a documented ERP that covers the major emergencies that may occur and was updated April 2008. The Plan includes a description of action to be taken, call out list (March 2008) and a site plan. An emergency drill was carried out on 31 December 2008 for assessment of response to a potential CPO spillage.
- (h) First Aid Training carried out 7 July 2008 by the HA for 20 Estate staff and workers. Records held on file “OSHA Training Record”. Training carried out for Mill emergency response personnel 17 September 2008 for 5 attendees.
- (i) First Aid Kits have been supplied to estate supervisors. Inspection confirmed stocked First Aid Kit available. There are 7 First Aid Kits located in the mill and sample inspection confirmed appropriately stocked. (4.7.1)

Estate maintains records of all accidents, including investigation and follow-up preventive action. Records held on file. Most recent accident was 18 December 2008. Accidents are reviewed quarterly. LTA rate has decreased from 55 in 2004-05 to 10 in 2007-08. Mill maintains records of all accidents, including investigation and follow-up preventive action. Most recent accident documented 12 January 2009. There were 10 LTAs at the mill during 2007/08. (4.7.2)

Malaysian staff and workers are covered by SOCSO. All foreign workers are covered by RHB Insurance under Policy Number FW006792 – expiry 30 June 2009. Mill – FW006824 – expiry 30 June 2009. (4.7.3)

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

The Estate has developed an Annual Training Programme (2008-09) for staff and workers using information from a training needs assessment. The mill has a documented Training Programme for 2008/09 that is based on assessment of the training needs of individual staff and workers in relation to environment, process, safety and quality. Records held on file. (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 Estate carried out an EIA using a risk assessment method that was facilitated by TQEM Department on 22 November 2008. EIA included evaluation of negative as well as positive impacts that are compiled as a register. The Mill has ISO 14001 EMS Aspects and Impacts Register that was based on a risk assessment process and was updated 10 September 2008. (5.1.1)

The Estate has prepared an Environmental Improvement Plan (5 December 2008) based on results of an EIA and nonconformities identified by Stage I Assessment. The mill Improvement Plan is documented in the EMS and includes reduction in water consumption and mill effluent production. (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. University of Malaya conducted an Avifauna and Phytoplankton Survey during 2006. The Survey identified 65 bird species and 195 species of Phytoplankton.

Sime Darby TQEM Ecologist has carried out an assessment of HCVs using the methodology of the HCV Toolkit. The survey identified HCV 4 present at fringing mangroves and HCV 6 at Orang Asli grave sites. Sime Darby 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 prevent erosion. The BSi Audit Team Ecologist recorded 44 species of birds at the estate and mill areas during the audit site visit. (5.2.1)

Sime Darby TQEM has prepared an HCV Management Plan that includes enhancement of habitats and a monitoring programme. The main focus of the Management Plan is the protection of mangroves along the length of the water management bund. The Estate is working in consultation with the Mangrove Research Centre on the enrichment planting and establishment of mangroves along the water management bunds and foreshores. Another component of the Plan involves the Sime Darby R & D Department trial planting of trees for improving the species diversity at open space areas near housing, offices and the mill. The monitoring program is aimed at protecting the mangrove habitat from disturbance and involves daily checks by the water management bund operators. (5.2.2)

Observation 05 – refer Section 3.2 Page 16 for details

Signboards prohibiting the disturbance of vegetation, hunting 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. 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 Action Plan 2008-09”, which identifies sources of wastes and method of recycling, reuse or disposal. The mill wastes and pollutants are identified in the Environmental Aspects and Impacts Register. (5.3.1)

The Estate has implemented separation of wastes at source, which appeared well implemented at offices, workshop and stores, but was inconsistent at housing. A small landfill has been developed at an appropriate location and operation is consistent with regulatory requirements.

Observation 06 – refer Section 3.2 Page 16 for details

Scheduled waste from the estate workshop and pesticide store is removed by a contractor (Malik Family Resources Technology Sdn Bhd) DOE Licence Number 001296 issued 07/06/2006. The mill has a documented Action Plan for management of significant environmental impacts in the Environmental Management Programme.

The Mill has implemented a system for collection of rainfall runoff from the steriliser areas and mill boiler section, which is transferred to a recycle pond. Water from this pond is used for mill floor washing. The Mill has engaged a contractor (Kualiti Alam Sdn Bhd) DOE Licence Number 000211-000218 issued 28 April 2004 to

remove scheduled waste. Medical waste is well controlled with clearly labelled “sharps container” and “medical waste storage bags” that are removed to a licenced medical waste contractor Pantai Medivest Sdn Bhd (DOE-G/005/COR.08/02). (5.3.2)

A nonconformity was assigned this Minor Compliance Indicator – refer Section 3.2 Page 15 for details – plus Observation 07 – refer Section 3.2 Page 16 for details

EFB is recycled to the field to immature and mature palms. Treated POME is applied to mature palms in furrows called Closed End Conservation Trenches. Inspection confirmed that land application is well managed. Fibre and nut shell are used as fuel for the mill boiler. (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 has been the cost of feedwater that is obtained from the government supply. This has had to be balanced against purchasing stand-by electricity from the government supply. The average renewable energy use for 2007-08 was 13.6 kWh/t FFB. (5.4.1)

The use of a standby diesel genset ceased in October 2008. The average fossil fuel use for the period July 2007 – June 2008 was 0.008 kWh/t FFB. The mill will shortly be commissioning a plant to generate electricity from biogas captured from anaerobic digestion of mill effluent. This will reduce the usage of electricity from the government supply. (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 company has a zero burn policy that has been implemented since 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 Nation Environment Programme (UNEP) for zero burning practice. Certificate observed during audit. Field inspection confirmed no evidence of fire used for land preparation. (5.5.1)

Felled palms are chipped and placed in a closed end conservation terrace for mulching. (5.5.2)

Company has a policy for zero burning of all wastes. Inspection of the Mill area confirmed that fire has not been used for waste disposal. (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 using information from the EIA and the Stage I RSPO Assessment. The mill has a documented Environmental Management Programme for controlling the significant

impacts and pollution prevention, eg reducing the quantity of mill effluent requiring treatment and disposal. The mill is presently commissioning a plant to generate electricity from biogas captured from anaerobic digestion of mill effluent. This will reduce the emission of methane and other greenhouse gases associated with generation of electricity from fossil fuel. (5.6.1)

The Estate Pollution Prevention Plan was prepared 5 December 2008 and is due for review December 2009. The mill Plan is reviewed annually (30 August 2008). (5.6.2)

SOU 9 does not have any peat soils. (5.6.3)

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

SIA fieldwork was completed by Sime Darby Plantations Sustainability – TQEM RSPO Unit in October 2008 and a Report prepared in November 2008. The SIA process involved meetings with local villagers, internal stakeholders and contractors. (6.1.1)

Observation 08 – refer Section 3.2 Page 16 for details

Interview of local community representatives at Kg Sg Kurau confirmed that they 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 local communities including the designated person responsible and a target completion date. 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. The Estate has taken the initiative and called a meeting (7 January 2009) with representatives of local communities to discuss and receive input on any issues or concerns they have. (6.2.1)

The Estate Manager and the Mill Manager are the responsible persons. (6.2.2)

The Estate has a list of stakeholders that includes Contractors, Suppliers, Government Departments, Local Community Heads and NGOs – last revised October 2008. The Mill has a list of stakeholders that includes contractors, suppliers, government departments, local community heads and Unions that was prepared 26 November 2008. (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.

Company has a dispute resolution process. Disputes with contractors handled internally – records held on file “Harvesting and Lorry Transport Contracts”. Interview of Contractors and Local Community Representatives confirmed that there were no disputes for more than twelve months. At the time of Audit, mill advised that there were no disputes with external parties. (6.3.1)

The system has not yet been applied as there were no disputes at the time of the Audit. (6.3.2)

In line with the Company process, the system would be open to all parties. (6.3.3)

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

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 advises on compensation. (6.4.2)

In accordance with company Policy, any claims would be documented and made publicly available. (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 NUPW/AMESU and MAPA Agreement. (6.5.1)

Interview of Estate female workers confirmed that permanent workers have signed “Letter of Agreement” and understand terms and conditions of employment. Staff retain a copy of same. Interviewees were aware of and received correct leave entitlements. (6.5.2)

A fair standard of housing is provided for workers and families. Water is supplied by Government and is free to all residents. Electricity is from government and supply is free to staff and workers pay for usage above RM10. Primary and Secondary schools are close by – three schools within the estate – four schools total on the island – all are Government. The Company has initiated the “Green Book” project which consists of a $\frac{1}{16}$ acre plot allocated to each household to cultivate food gardens but there appears to be low interest with residents preferring to purchase vegetables from the two mobile Chinese markets that visit the linesite on alternate days. Interview of the on-site shopkeeper indicated that prices are comparable with mainland prices. (6.5.3)

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

The Estate maintains minutes of meetings with Union officials and representatives – most recent meeting 16 December 2008. The Estate maintains a file on correspondence between management and the NUPW with the majority of correspondence relating to deductions for payment of union fees and requests for the union officers to meet with estate worker representatives. Mill Management meets with worker representatives when requested for discussion of issues. Estate Management meets with NUPW on behalf of the mill. (6.6.1)

A statement on Freedom of Association is included in the Social Policy, which has been translated into Bahasa Malaysia and is displayed at both the Estate and Mill 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 minimum working age is 16 under the Employment Act. At time of hire a check of age is confirmed by national ID Card (Malaysia) and by passport (foreign Workers). (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.

Included in the Social Policy, which is displayed at Offices and Muster Areas. (6.8.1)

Interview of staff and workers and a check of payroll 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.

Included in the Social Policy, which is displayed at Offices. A Gender Committee has recently been formed and the first meeting held 12 December 2008 with 14 Attendees. (6.9.1)

Observation 09 – refer Section 3.2 Page 16 for details

Interview of Estate female Staff and Workers confirmed awareness of a Sexual Harassment Grievance mechanism but advised they had not had occasion to apply it. Interview of Mill female staff and workers indicated awareness of the general grievance procedure, but not the specific gender related procedure. (6.9.2)

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

Mill processes crop from company owned estates only. (6.10.1)

Mill processes crop from company owned estates only. (6.10.2)

Terms and conditions of contracts are explained before signed by contractors. Contracts include requirements to comply with OSHA Act and Environmental Quality Act. Interview of Contractors confirmed there were no issues and that dealings with the company were fair, legal and transparent. (6.10.3)

Interview of Contractors confirmed that payments are made within 30 days. (6.10.4)

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

The local communities are well provided with government infrastructure and services, water and electricity supplies, all-weather access roads. The Estate carries out mowing at the entrances to village areas and maintains boundary drains of Orang Asli oil palms. The Estate makes donations to local communities for religious festivals and to schools such as donation of footballs and jersey's to local school. When requested, the Mill provides assistance with equipment maintenance, eg repair of a water pump at a local school. (6.11.1)

Principle 7: Responsible Development of New Plantings

SOU 9 has not carried out any new oil palm developments and there are no plans for expansion of plantings. Principle 7 is not applicable to this Assessment.

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

The Estate ceased usage of Paraquat in 1990. Usage of other Class 1 chemicals, such as Methamidophos is strictly on the basis of pest census information. The Estate is implementing IPM techniques for reducing chemical usage. (8.1.1)

The mill is implementing a plant to capture biogas from anaerobic digestion of effluent for use as fuel for generating electricity. This will reduce greenhouse gas emissions and reduce the consumption of standby electricity from the government supply. (8.1.2)

The Mill Environmental Management Programme includes actions to minimise water consumption and to maximise recycling of water from effluent treatment plant for use in general cleaning. The Estate is at the early stage of implementing separation and recycling of domestic refuse, which will reduce the quantity requiring placement in a landfill. (8.1.3)

The Estate has implemented spill containment and pollution control devices for minimising the risk of accidental discharge of potential contaminants in drainage from workshops and chemical storage and use areas. The mill has a documented Environmental Management Programme for controlling the significant impacts and pollution prevention, eg reducing the quantity of mill effluent requiring treatment and disposal. (8.1.4)

The SIA includes a Social Action Plan for mitigation of issues identified and raised by local communities including the designated person responsible and a target completion date. (8.1.5)

The 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

One (1) Nonconformity was assigned to Minor Compliance Indicator 5.3.2.

5.3.2 Having identified wastes and pollutants, an operational plan should be developed and implemented, to avoid or reduce pollution

A Nonconformity was assigned as at the time of the audit waste management was inadequate at the contractor workshop for control of minor petroleum hydrocarbon spillage during repair of vehicles.

SOU 9 has prepared a Corrective Action Plan for addressing the identified nonconformity.

The Corrective Action Plan consisted of:

- (1) Immediately conducting awareness training on the safe storage, handling and disposal of petroleum hydrocarbons;
- (2) Immediately requiring the contractor to use Drip Trays for all vehicles parked at the workshop and specifically when carrying out services and repairs;
- (3) Ensuring any accidental spillage is immediately cleaned up using the spill kit supplied;
- (4) Estate Assistant Manager to carry out monthly inspections of the workshop to check compliance with requirements, with results included in Monthly Report.

The Audit Team has reviewed and accepted SOU 9's Corrective Action Plan.

The effectiveness of the corrective action will be checked at the Surveillance Assessment that will be scheduled within twelve months of initial RSPO Certification.

Observations/Opportunities for Improvement

Nine (9) Observations/Opportunities for Improvement were identified. The progress with the Observations/Opportunities for Improvement will be checked at the Surveillance Assessment visit scheduled to be carried out within twelve months following initial RSP0 Certification.

- 01 (2.1.1)** During inspection of pay records it was found that 17 Mill workers had exceeded the legal limit of 104 hours overtime worked during October and November. The Company had applied to the Labour Department for an extension to the overtime limit, but at the time of the Mill Inspection had not received approval. A nonconformity was assigned to this Major Compliance Indicator. Prior to the Closeout meeting the Labour Department on 29 January approved an extension of overtime hours to 150 per month – letter viewed by the Audit Team. The Nonconformity was downgraded to an Observation.
- 02 (4.4.3)** Water quality results from sampling of estate drains are recorded in a hard copy notebook rather than entered to an excel spreadsheet for analysis of trend information. Monitoring of the trend is important for timely identification of changes in water quality.
- 03 (4.4.7)** Inspection of the housing revealed that tanks are used for harvesting rainwater but guttering on some houses was rusted through or missing. Staff stated that current budget has an allocation for replacement of guttering/pipes and Estate has obtained a quotation from a Contractor and is allocated in the 2009/10 budget.
- 04 (4.6.4)** Although chemical labels and safety signage are in Bahasa Malaysia, Mill and Estate MSDSs are in English. The Mill and Estate chemical store supervisors and operators do not read English and do not understand the information on the MSDSs. The Mill has requested MSDSs (translated to Bahasa Malaysia) from suppliers and one set has been received.
- 05 (5.2.2)** The mangrove monitoring aspect of the HCV Management Plan is too general and could be improved by the inclusion of practical, measurable indicators. There is an opportunity to work with the Mangrove Research Centre to develop a practical monitoring programme that is based on sound science.
- 06 (5.3.2)** Separation of wastes at housing has been initiated but further training and awareness are required to implement consistent practices.
- 07 (5.3.2)** During inspection of the effluent treatment plant, minor spillage of treated effluent had occurred adjacent to Digestor Tank No 3 during filling of tankers and leakage into the adjacent drain had occurred. Corrective action was taken immediately to seal the off-take pipe, cease its use and to clean up the minor spillage.

- 08 (6.1.1)** The SIA Report includes a summary of meetings but does not include complete details of attendances.
- 09 (6.9.1)** Interview of female Mill Staff and Workers revealed that the workers were not aware of the recent formation of the Gender Committee, which indicates the need for improved communication and awareness.

3.3 Noteworthy Positive Components

- The West Mill **Biogas Project** will reduce Greenhouse Gas Emissions and will utilise renewable energy to replace electricity generated from fossil fuel. SOU 9 is implementing a project to capture methane emitted from the mill effluent treatment plant and use it for electricity generation. The photo below shows the membrane has been installed on the effluent digester tank and methane is presently being captured and flared. At the time of the audit, the turbine for generating electricity was being commissioned and is expected to be operating in the near future.



Plate 1: Mill Effluent Treatment Plant and Biogas Project

- 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.

SOU 9 and the Sime Darby R & D Department have carried out trial planting of trees for enhancement of biodiversity within the plantation and the adjacent areas. Sime Darby is collaborating with the Mangrove Research Centre on the protection and enhancement of the mangrove ecosystem surrounding the estate and the shoreline. The fringing mangroves and trees planted within the estate are important habitat and the BSi Audit Team Ecologist recorded 44 species of birds at the estate and mill areas during the audit site visit.



Plate 2: A Purple Heron *Ardea purpurea* at West Estate

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

The majority of stakeholders had positive comments about SOU 9. For the situations where stakeholders raised issues, the company's response is stated.

Staff/Worker Issues

Staff asked when internal repairs will be carried out to termite damaged houses.

Company Response: *Funds have been allocated in the 2009-10 budget and repairs will commence at the start of the new financial year (July 2009).*

Workers raised concerns that there are delays in having maintenance carried out on blocked septic tanks.

Company Response: *Immediate action will be taken to de-sludge the septic tanks that have been identified as problematic.*

Residents stated that there is a problem with dogs scavenging from rubbish bins. It is the residents who do not own dogs who are affected and have to clean up the mess.

Company Response: *Company will develop some guidelines for the keeping of dogs to prevent uncontrolled roaming.*

Local Communities

The local communities stated that they had a good working relationship with the company and did not have any unresolved issues.

Government

Government Departments did not raise any issues in relation to SOU 9. The Department of Safety and Health Inspector confirmed that he had visited West Estate and Mill during January and that there were no outstanding issues. SOU 9 had responded positively to his suggestion and had built a shower room for workers to use after they had finished spraying chemicals.

NGOs and Others

Prior to the audit, BSi contacted WWF Malaysia 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 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 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.

An independent organisation, Serikat Petani Kelapa Sawit (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.

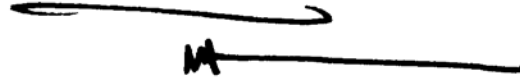
The BSi Social Assessor who made the site visit confirmed that the working relationship between the smallholders, PTMAS and local communities was cordial. There had been no disruptions to company operations or smallholder farming or access through the estates since September 2007. BSi concludes that 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

SOU 9 acknowledges and confirms acceptance of the Assessment Report contents, including assessment findings. SOU 9 accepts the responsibility for implementing the corrective actions and addressing the opportunities for improvement detailed in the Assessment Report.

3.6 Formal Sign-off of Assessment Findings

Signed for on behalf of
Sime Darby Plantation Sdn Bhd (SOU 9)



.....
Mr Mohammad Taib Bin Lebai Abu
Manager West Estate
Date: 12 February 2009

Signed for on behalf of
BSi Management Systems Singapore Pte Ltd



.....
Mr Charlie Ross
Lead Auditor
Date: 12 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”

SOU 9 RSPO Certificate Details

Management Unit SOU 9
42960 Carey Island
Selangor
MALAYSIA

Certificate Number : SPO 543594
Certificate Issue Date: (RSPO Approval Date)

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

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

West Palm Oil Mill and Supply Base (SOU 9)	
Location	West Estate, Carey Island, Selangor, Malaysia
Address	42960 Carey Island, Selangor, Malaysia
GPS Location	101° 20' 60" E 2° 55' 0" N
CPO Tonnage Total Production	42,306 t (2007/08)
PK Tonnage Total Production	11,289 t (2007/08)
Company owned Estates FFB Tonnage	West: 100,343 t ; East 95,607 t
Non-certified Sime Darby Estates*	3,201 t
CPO Tonnage Claimed**	41,626 t
PK Tonnage Claimed**	11,108 t

* Tonnage not included in Certificate

** The Tonnage Claimed is the proportion of the total production from Company Certified Estates.

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
Wednesday 28 January	AM	Opening Meeting Physical Inspection Estate/Interview Male Fieldworkers Inspect Buffer Zones Interview Female Fieldworkers Physical Inspection Stores, Land Application, Landfill Interview Contractors Inspect Housing and Interview Residents	√ √ √ √	√ √ √	√ √ √	√ √ √
	PM	Estate Documentation Interview Female Office Staff/Workers Government Offices DOSH, DOE, Labour Department, NUPW Regional Office (Union Official) Visit and Interview Local Communities, Local School	√ √	√ √	√ √ √	 √
Thursday 29 January	AM	Early morning (dawn) inspections mangroves Physical Inspection Mill/Effluent Ponds Interview Male Workers Interview Contractors Group Hospital/Housing and Interview Staff/Residents Interview Female Office Staff/Workers	√	 √ √	 √ √	√ √ √
	PM	Mill Documentation Interview Female Office Staff/Workers Interview Contractors	√	√ √	√ √	 √
Friday 30 January	AM	Collect any outstanding data/information/clarification Preparation of IAV Report Closing Meeting	√	√	√	√

Appendix “D”

Stakeholder Letter from 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)