



PUBLIC SUMMARY REPORT
INITIAL RSPO CERTIFICATION ASSESSMENT

SIME DARBY PLANTATION Sdn Bhd
Management Unit SOU20
Batu Pahat, Johor, Malaysia

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SUMMARY

BSi Group Singapore Pte Ltd (BSi) has conducted an assessment of Sime Darby Plantation Sdn Bhd Management Unit SOU20 (SOU20) operations comprising One (1) mill, supply base, support services and infrastructure. BSi concludes that SOU20 operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY-NI Indicators and Guidance : 2008.

The Initial Certification Assessment was conducted 26, 27 and 29 June 2009, but the submission of this Report to RSPO was delayed until the RSPO Executive Board agreed to the resolution of issues (May 2010) at Sime Darby properties in Indonesia that affected Partial Certification compliance requirements. The Report was further delayed in order for SOU20 to ensure closeout of the Nonconformities assigned to Major Compliance Indicators.

BSi recommends that SOU20 be approved as a producer of RSPO certified sustainable palm oil.

ABBREVIATIONS

AMESU	All Malayan Estates Staff Union
BOD	Biological Oxygen Demand
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
FFB	Fresh Fruit Bunch
HCV	High Conservation Value
HIRAC	Hazard Identification Risk Assessment Control
IPM	Integrated Pest Management
LTA	Lost Time Accident
MAPA	Malayan Agricultural Producers Association
MPOA	Malaysian Plantation Owners Association
MPOB	Malaysian Palm Oil Board
MY-NI	Malaysian National Interpretation
NUPW	National Union of Plantation Workers
OHSAS	Occupational Health & Safety Assurance System
OSH	Occupational Safety & Health
PK	Palm Kernel
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
QMS	Quality Management System
R&D	Research and Development
SIA	Social Impact Assessment
SOP	Standard Operating Procedure
SOU	Strategic Operating Unit
SPKS	Serikat Petani Kelapa Sawit (Oil Palm Smallholders Association)
TQEM	Total Quality Environmental Management

1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 National Interpretation Used

The operations of the mill and its supply base of FFB were assessed against the Malaysian National

Interpretation (MY-NI : 2008) of the RSPO Principles and Criteria : 2007.

1.2 Certification Scope

The scope of certification is the production from Chaah Palm Oil Mill that is sourced from Chaah and North Labis Estates at SOU20.

1.3 Location and Maps

The SOU20 Chaah Mill and Estates are located at Batu Pahat, Johor (Figure 1). An additional map showing details of Chaah Estate is also included (Figure 2). The GPS location of the Mill is shown in Table 1.

Table 1: Mill GPS Location

MILL	LONGITUDE	LATITUDE
Chaah	102°59' 47.6772"	2°10' 40.8468"

1.4 Description of Supply Base

The Chaah Mill supply base is the FFB from the two company owned Chaah and North Labis Estates. The FFB production from the Company owned Estates for the 01 July 2007 – 30 June 2008 reporting period is listed in Table 2.

Table 2: Mill Supply Base

Source	FFB (t)
SOU20 Estates	
Chaah	63,938
North Labis	37,101
TOTAL	101,039

1.5 Date of Plantings and Cycle

The SOU20 Estates were developed in 1974 (Chaah) and 1911 (North Labis). Oil palms were first planted in the 1960s at North Labis and are in their third cycle and at Chaah palms are in their second cycle. The age profile of the palms is shown in Table 3. North Labis Estate has recently been replanted and the majority of the palms are less than 5 years old and have not yet reached peak production



Figure 1: SOU20 Location Map

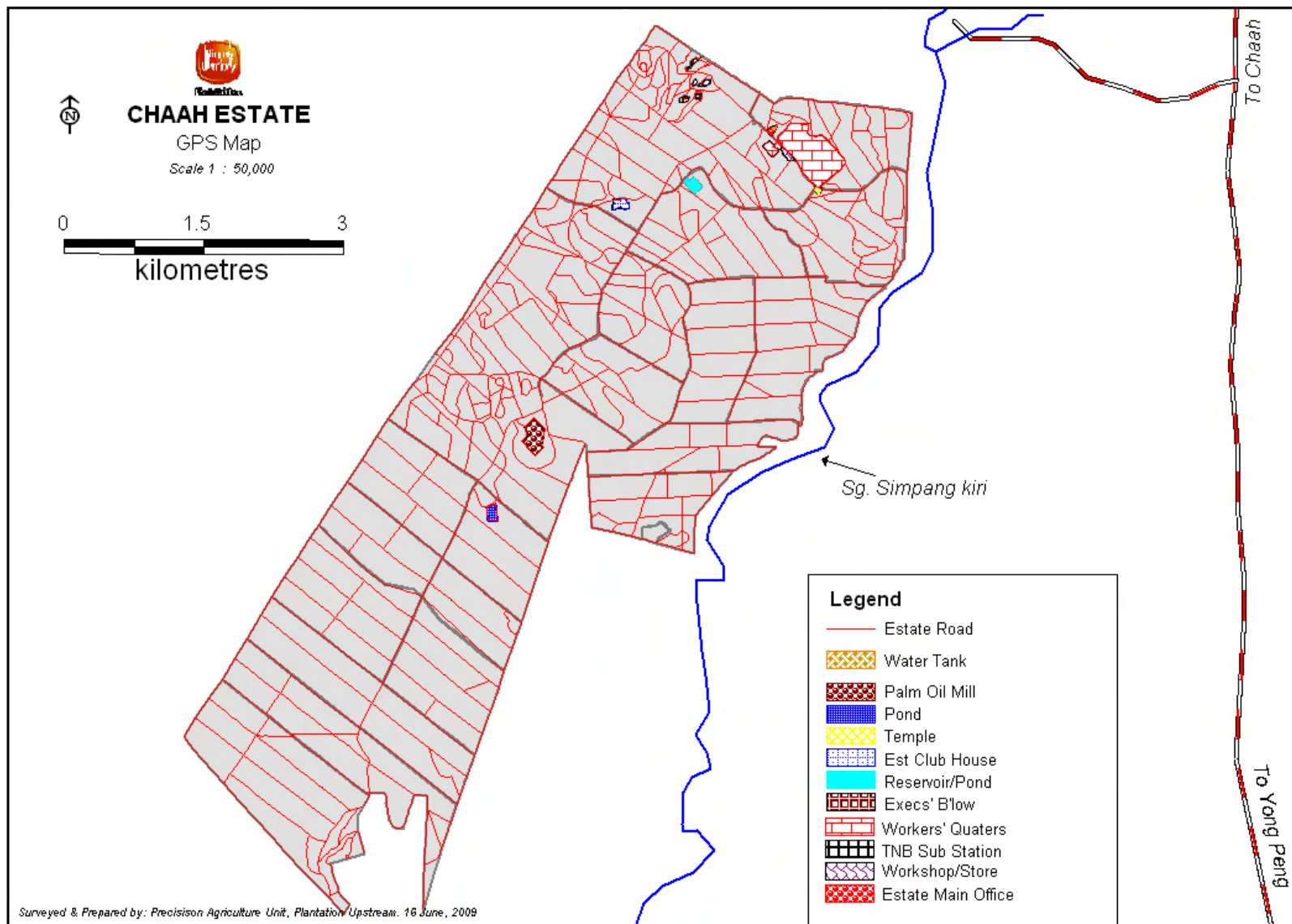


Figure 2: Chaah Estate Layout

Table 3: Age Profile of Palms

AGE (years)	% of PLANTED AREA
21 – 30	7.46
11 – 20	23.20
4 – 10	69.306
0 – 3	0.034

1.6 Other Certifications Held

SOU20 holds no other Certifications.

1.7 Organisational Information / Contact Person

Sime Darby Plantation Sdn Bhd
 Management Unit SOU20
 Batu Pahat Johor
 MALAYSIA
 Contact Person: Mr Khasim Muzam
 SOU Chairman/Chaah Estate Mgr
 Phone: +60 173322649
 Fax: +60 74502097
 Email: ldg.chaah@simedarby.com

1.8 Time Bound Plan for Other Management Units

Sime Darby Time Bound Plan (updated November 2009) is included as Appendix A. During the year, Sime Darby realigned three of the Management Units in Malaysia for strategic operating reasons. This reduced the total number of management units from 61 to 58.

In August 2009, Sime Darby and Kulim (Malaysia) Berhad reached agreement on the acquisition and disposal of one estate. Sime Darby acquired Sungai Simpang Kiri Estate from Kulim and at the same time disposed of Sungai Tawing Estate to Kulim. The Sungai Simpang Kiri Estate was certified by BSi in January 2009 when it was part of the Kulim Group.

In August 2009, Sime Darby disbanded SOU24a after the transfer of Sungai Tawing Estate to Kulim, re-alignment of Cenas Estate with SOU24 and closure of Sungai Tawing Mill. Sime Darby also disbanded SOU30a in September 2009 after re-alignment of Jeleta Bumi Estate with SOU28 and closure of Jeleta Bumi Mill.

Sime Darby has varied the previous Time Bound Plan by concentrating initially on achieving certification for all of the management units in Malaysia, followed by those in Indonesia. This enabled Sime Darby to bring forward the certifications of Management Units. By 30 June 2009, certification assessments had been completed for 67% of the Management Units, compared to the projected 45% in the 2008 Time Bound Plan.

BSi considers that the variation of the Time Bound Plan was reasonable to focus the training and implementation resources on the operations within a single jurisdiction. BSi recommends acceptance of the Time Bound Plan variation.

Sime Darby has advised BSi that no new land tenure issues have surfaced at any of its properties since the Initial Certification Assessment of SOU20. During 2009 progress was made on dialogue between Sime Darby's Management Unit PT MAS in West Kalimantan and the organisation SPKS that represents schemed smallholder interests. Sime Darby has agreed with SPKS for the local Dayak Leader (Adat Regional Head) to participate in meetings as mediator. Sime Darby met with Sawit Watch representatives at RT7 for discussions on land issues localised to one estate in West Kalimantan.

Sime Darby has advised BSi that there are no labour conflicts at any of its oil palm operations.

Sime Darby notified BSi that during 2009 it had engaged consultants who completed HCV Assessments at all of its operations in Indonesia that it acquired in November 2007 and where new development had been carried out since November 2005. The assessment indicated that land with HCV present had been cleared and developed to oil palm at Sukamandang and Pemanting SOUs in West Kalimantan. In May 2010, the RSPO notified Sime Darby that the RSPO Executive Board had reached agreement on Sime Darby's HCV offset for the affected area.

BSi considers that Sime Darby meets the RSPO requirements for Partial Certification.

1.9 Area of Plantation

The areas of palms at SOU20 Estates are listed in Table 4.

Table 4: Estates and Areas Planted

Estate	Mature (ha)	Immature (ha)
Chaah	2,757	6
North Labis	3,289	206

1.10 Approximate Tonnages Certified

The approximate tonnages certified on the basis of 01 July 2007 – 30 June 2008 production from the two SOU20 Estates are detailed in Table 5.

Table 5: Approximate Tonnages Certified

MILL	CPO	PK
Chaah	32,378	7,362

1.11 Date Certificate Issued and Scope of Certificate

The scope of the Certificate is for the production from the Chaah Palm Oil Mill and the supply base from the two SOU20 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

BSI Group Singapore Pte Ltd
3 Lim Teck Kim Road #10-02
Singapore Technologies Building
Singapore 088934

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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 Group Singapore 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 26 – 28 March 2009 against the RSPO MY-NI : 2008. The scope of the Stage I Assessment included Chaah and North Labis Estates, Chaah 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. SOU20 prepared a Corrective Action Plan and has implemented corrective actions since March 2009.

BSi conducted the Stage II Certification Assessment between the 26 and 29 June 2009. The Certification Assessment Programme is included as Appendix C.

The approach was to audit the mill together with 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. The Assessment focussed on Chaah Estate, the Mill and surrounding areas. A visit also was made to North Labis Estate during the Assessment. The Assessment also checked the implementation of corrective actions since the March 2009 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 Group 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

Iman Nawireja – (Social Assessor)

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 18 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 Papua New Guinea.

Iman Nawireja graduated with a Bachelor of Agricultural Science from the University of Bogor in 1997 and a Masters Degree in Communications from the University of Indonesia in 2002. He is a Lecturer in social statistics at the University of Bogor and has more than 10 years experience in conducting social impact assessments of agriculture, mining and forestry projects. He has assisted with field studies on the effect of resource development projects on farmer and community incomes, health status and household division of labour. He has completed Lead Auditor training in ISO 14001 Environmental Management Systems. He has assisted in conducting environmental and social assessments of oil palm projects during the past 7 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 7 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 a copy of the Stakeholder Notification letter on the RSPO, Sime Darby and BSi websites. Letters were written to individual stakeholders and meetings were arranged to discuss SOU20 environmental and social performance.

During the stakeholder notification period, BSi did not receive any responses in writing from stakeholders in relation to SOU20. 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 SOU20 operations or adjacent areas.

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

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 as well as at housing with families.

A separate visit was made to Kampung Hj Khamisan 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.

A list of stakeholders contacted is included as Appendix D.

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 Estates. The results for each indicator from each of these operational areas have been aggregated to provide an assessment of overall conformance of the Company's operations with each Criterion. A statement is provided for each Indicator to support the findings of the assessment team.

Nonconformities were raised against Three (3) Major Compliance Indicators and One (1) Minor Compliance Indicator. Nine (9) Observations / Opportunities for improvement were identified. *Where a nonconformity/observation is assigned, reference is made at the end of the text of the Indicator to which it refers.* Details of the Nonconformities are given in Section 3.2 (Pages 15 &16).

SOU20 has prepared a Corrective Active Plan that was reviewed and accepted by BSi. SOU20 has implemented corrective action for the identified Nonconformities and has submitted to BSi documents and photographic evidence of the work carried out.

The Audit Team reviewed the information on the corrective actions for the nonconformities and concluded that it was appropriate and met the RSPO requirements for the respective RSPO Indicators.

The Nonconformities against Three (3) Major compliance indicators 2.1.1, 4.4.1 and 5.2.2 were closed out – refer Section 3.2 Pages 15 and 16 and also Appendix E. Progress on implementation of corrective action for the nonconformity assigned to Minor compliance indicator 4.3.2 will be followed up during the Annual Surveillance Assessment scheduled to be carried out within twelve months of SOU20 receiving initial RSPO Certification.

BSi has conducted an assessment of SOU20 operations comprising 1 Mill, 2 oil palm Estates, support services and infrastructure. BSi concludes that SOU20 operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY-NI Indicators and Guidance : 2008.

BSi recommends that SOU20 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 Mill and Estates maintain a filing system for requests for information received from Government and other stakeholders. The majority of the requests received are from MPOB, such as the MPOB request to provide data for a “Cost of Production Survey” received 7 May 2009 and replied by Mill and Estates on 12 June 2009. (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.

The Estates hold copies of all of the documents listed under Criterion 1.2 and these are publicly available upon request. Copies of the Government Leases for the land that it uses are held at the Estates. (1.2.1)

A copy of the Health and Safety Policy signed by Top Management April 2008 is displayed prominently at public access areas at the Mill and Estates Offices and is available to the public. (1.2.2)

Copies of both the EIA and SIA carried out in April 2009 are available on site, together with Environmental and Social Improvement Plans. (1.2.3)

The Mill and Estates have prepared Pollution Prevention Plans following the identification of environmental impacts and findings of the Stage I Assessment. (1.2.4)

The Mill and Estates maintain registers for recording issues raised by staff, workers and external stakeholders. The Registers include records of complaints and action taken to address the issues raised. (1.2.5)

Sime Darby has implemented a procedure for handling land disputes, including boundary and squatter issues. Negotiation procedures are documented in the Sime Darby Procedures for Handling Social Issues, which are part of the Sustainable Plantation Management System Manual. (1.2.6)

A Continuous Improvement Plan has been prepared and is made up of Pollution Prevention Plan, Social Action Plan, HCV Management Plan and items included in the Capital Equipment Budget. (1.2.7)

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

Legal compliance was assessed by examining a sample of records, documents and reports and inspection of facilities and processes. Examples of documents are listed below.

Laboratory analyses of monthly samples of treated Mill effluent confirmed the BOD content meets licence requirements for land application for the previous twelve months – May 2008 to April 2009. Ambient air

quality was tested 20-21 March 2009 and the results were within the Malaysian Recommended Environmental Air Quality Guideline. Boiler emissions were tested 23 March 2009 and the level of dust particulate was within compliance with Regulation 25 of the Malaysian Environmental Quality (Clean Air) Regulations, 1978. At the time of the assessment, only Boiler No 1 was operating, but at full capacity. This resulted in dense black smoke being emitted continuously. A smoke density meter was not operating at the time, however, visual comparison of the smoke emissions with a Ringelmann chart indicated non-compliance with the boiler emission regulation (*refer to Nonconformity CR01, Section 3.2 page 15*).

The Mill and Estates hold copies of licences for plant and equipment, for example, Boiler Number 1 Certificate Number 121126 expiry 20 July 2009. Copies of licences for drivers, boiler attendants and engineers are held on personnel files. The Mill Engineer maintains a log book with details of boiler operating hours, inspections, testing and repairs. A noise survey of the Mill has been carried out and high noise areas such as the engine room and kernel station clearly demarcated with signs prohibiting entry except for persons wearing hearing protection. Operators at these locations were observed to be wearing hearing protection correctly.

The Mill has an approval letter from Labour Department dated 29 January 2009 for extension of overtime hours current to 31 January 2010. Inspection of a sample of Mill and Estates pay records confirmed all overtime hours were within the approved limit. Pay records also confirmed pay and conditions complied with employment terms and conditions current at the time of the Assessment visit.

The samples of drinking water collected from the housing 23 April 2009 by the Estates and Government Health Department confirmed compliance with the Malaysian Drinking Water Quality Standard. (2.1.1)

Nonconformity CR01 / Observation 01 – refer Section 3.2 Pages 15 & 16 for details

The Mill and Estates hold a legal register that lists the legislation and Permit requirements and conditions for OSHAS, Environment and Labour. In addition, the Mill and Estates hold copies of the applicable legislation. (2.1.2)

Sime Darby TQEM Mill Advisory and Plantation Advisory, Synergy and Transformation Department, Safety and Health Unit conduct annual audits of the operations, which include applicable legal requirements. In addition, the Mill conducts quarterly internal audits of compliance with DOE and DOSH requirements. (2.1.3)

MAPA, MPOA, AMESU and NUPW provide legal updates on changes to labour laws and worker pay and conditions. Sime Darby TQEM Standards and Compliance Unit provide legal updates on all applicable legislation throughout Sime Darby. For example, the Mill and Estates held a copy of MAPA Circular number 33/2008 in relation to Employee Provident Fund amendment. (2.1.4)

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

The Estates are on Government Leased land. For example, Chaah Estate Government Lease was initially issued 23 December 1978 for a period of 99 years. (e.g. State of Johor, Mukim Chaah Baru No. P.T.D. 2379 for 1,987 acres 2 roods.) (2.2.1)

The SOU20 operations are consistent with the terms of the land title, which is for oil palm. (2.2.2)

The Estates have prepared a map showing the locations of all boundary stones. Inspection of a sample of boundary stones confirmed that these have been marked clearly with a red and white post and were being maintained. (2.2.3)

Observation 02 – refer Section 3.2 Page 16 for details

Inspection of records and interview of Kampung Hj Khamisan Head indicated that there are no current or recent land disputes. (2.2.4)

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

All of the Estate operations are on Government Leased land. The Estate does not restrict access by smallholders or the public to their land that borders the north of the Estate, except for the transport of FFB. A permit system has been implemented for all trucks transporting FFB. SOU20 allows smallholders to graze their cattle within the oil palms of the Estate near their smallholdings. (2.3.1)

All of the Estates operations are on Government Leased land. There are no claims or disputed land ownership. (2.3.2)

All of the Estates operations are on Government Leased land. There are no negotiated agreements. (2.3.3)

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

The Estates and Mill have Annual Operational and Capex Budgets that are projected for the next four years – 2008/09 though to 2011/12. The budgets include performance objectives and targets related to production, efficiency and quality. The Mill currently has a major capital expenditure project in progress involving installation of a new boiler that is due for commissioning in July 2009. (3.1.1)

Replanting of two small areas of <100 ha are due in 2016 and 2019 as detailed in the Ten Year Replanting Programme prepared December 2008. (3.1.2)

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

The Mill holds a copy of SOPs covering all work stations issued 1 November 2008. In addition, the Mill has prepared Work Instructions in Bahasa Malaysia, which

are displayed at each work station. The Mill has implemented a “Lock-out-Tag-out” permit to work system for “hot work, confined spaces, working at height, electrical and mechanical work”.

The Estates holds copies of the Sime Darby SOPs issued 2008 and have translated selected SOPs, such as harvesting and field upkeep, into Bahasa Malaysia. (4.1.1)

Mill Operators monitor equipment performance hourly and record the results on shift “Log Sheets” that are checked by Supervisors. Any abnormal operation is recorded and reported to the Workshop for repair. The Mill Assistant Manager checks the shift log sheets daily and follows up on any outstanding repairs. The Mill Advisor visits quarterly with the most recent visit Report 6-7 May 2009 that included the Manager’s response to issues raised. The Estate Plantation Advisor’s most recent visit to Chaah Estate was 16-18 June 2009, but at the time of the audit a report was not available. The Plantation Advisor’s visit report of 15-23 December 2008 was held on file including the Manager’s response to issues raised. (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 Executive Manager checks that fertiliser application matches the recommendation. The current fertiliser recommendation was based on the Agronomist site visit on 30 June 2008. (4.2.1)

Sime Darby Agronomy Section of R&D Department carries out annual inspection of the palms and leaf sampling (Chaah Estate 12 March 2008) (North Labis 4 December 2008) to monitor nutrient status (last report Chaah 7 July 2008) (North Labis 19 December 2008). The Estates hold a summary of the results on file, while detailed records are maintained by Sime Darby R&D Department. Soil nutrient status is assessed by a 5 yearly sampling programme. (4.2.2)

Observation 03 – refer Section 3.2 Page 16 for details

Sime Darby R&D Department monitors areas where treated POME and EFB are applied at the Estate. Results from the foliar sampling, palm inspections and FFB yields are used to advise on the annual fertiliser requirement. (4.2.3)

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

Erosion control practices are documented in the Sime Darby Agricultural Reference Manual. At Chaah Estate, all of the land is flat except for 4% of the area, which is hilly. There are no steep slopes within the Estates. Erosion control practices include U-shaped stacking of pruned fronds, silt pits and terracing of slopes. (4.3.1)

Groundcover vegetation generally was adequate at the Estate. However, inspection of field conditions showed some locations, such as Block 99C, with areas of bare soil where harvesting foot-paths had been “over-sprayed”.

Further investigation showed that the spray technique being used for application of herbicide with Controlled Droplet Application sprayers was incorrect and had resulted in loss of groundcover vegetation. (4.3.2)

Nonconformity CR04 – refer Section 3.2 Page 16 for details

The Estates have a road maintenance programme that includes road grading, re-surfacing and repair of potholes where necessary. Inspection confirmed road grading was being carried out and all areas were readily accessible. The Estates maintain records of where grading has been completed. Inspection confirmed that greater numbers of roadside “turn-out” drains had been cut to divert rainfall runoff into the palms, compared to the situation at the Stage I Assessment. (4.3.3)

The dominant soil type is alluvial and occurs on 54% of the area. There are no peat soils at Chaah or North Labis Estates. (4.3.4)

There are no fragile or problem soils at SOU20. (4.3.5)

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

Simpang Kiri River runs parallel to the Eastern boundary of Chaah Estate, which joins the Riparian Reserve of approximately 200m width. The majority of the reserve is within the river floodplain and very few trees remain. There has been no development within the reserve. Six small streams of width <1m originate in the Ma’okil Forest Reserve and flow through the Estate to Simpang Kiri River. The Estate has ceased application of chemicals to palms within approximately 10m on either side of one of the small streams known as Sg Sayong. (4.4.1)

Nonconformity CR02 – refer Section 3.2 Page 15 for details

No bunds, weirs or dams have been constructed across waterways. Approximately 4 km of bunds have been constructed parallel to Simpang Kiri River to prevent flooding of a low-lying area of planted palms. The bunding complies with the Department of Irrigation and Drainage requirements. (4.4.2)

Simpang Kiri River forms a boundary of Chaah Estate. The Mill collects samples quarterly upstream and downstream of Chaah Estate. The most recent samples were collected 14 May 2009 and the results indicated no significant difference in water quality parameters between upstream and downstream sites. (4.4.3)

The Estates measure rainfall daily. Rainfall information is used for scheduling fertiliser application and timing of spraying and is also used for crop forecasting. (4.4.4)

The Mill monitors water usage daily and reports the information (usage/tonne FFB) monthly to Head Office. Monthly average usage ranged between a high of 1.62 t/t FFB in October 2008 and 1.33 t/t FFB in March 2009. The Year to Date average is 1.3 t/t FFB. (4.4.5)

Observation 04 – Refer Section 3.2 Page 16 for details

There are no protected areas that receive drainage from either Chaah or North Labis Estates. Floodwater from low-lying areas within Chaah Estate is returned to Simpang Kiri River using pumps. (4.4.6)

Inspection of the Mill confirmed implementation of the segregation of high BOD waste waters from other clean process water and rainfall runoff. A key area of water management at the Mill is to reduce water consumption. The Mill has recently developed a “Water Consumption Reduction Action Plan” June 2009.

Chaah Estate has a documented Plan for water management of flood prone areas operation. This includes a map and Work Instructions for each of the activities, such as bund maintenance, water gates and water pump inspections. Chaah Estate holds records of daily water gate and water level inspection reports. (4.4.7)

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

IPM is documented in the Sime Darby Agricultural Reference Manual – Section 15. IPM includes field inspections, pest census and treatment if necessary. Chaah Estate has a nursery for propagating beneficial plants and there is a programme for progressive establishment of these along roadsides and open spaces with priority given to areas where bagworm outbreak has occurred at the northern area of the Estate. At the time of the Assessment, the Estate had planted approximately 30% of the roadsides with beneficial plants. North Labis has prepared maps of the areas where IPM has been implemented, for example, *Tunera subulata* and *Cassia cobanensis* have been planted along roadsides of 50% of the Estate area. Chaah Estate has installed 93 Barn Owl boxes that have 43% occupancy. (4.5.1)

The major palm pest is Bagworm and the Estates hold maps and records of census information showing areas that have been affected by Bagworm outbreaks. (4.5.2)

The Estates maintain records for each block where chemical treatment (trunk injection) has been necessary. Pesticide was last used to control bagworm on 19 March 2009. (4.5.3)

The Estates hold records of chemical usage for each field and information on active ingredient. (4.5.4)

Observation 05 – Refer Section 3.2 Page 16 for details

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 seeking to identify alternatives and this is documented.

The quantity of chemical and treatment required is documented in Section 16.5 of the Sime Darby Agricultural Reference Manual. (4.6.1)

Observation 06 – Refer Section 3.2 Page 16 for details

Inspection of the Pesticides Stores and records confirmed only pesticides are used that are registered by

the Pesticides Board. The Estates hold a copy of Approval Number: JH/METHA(GL)/09/19 dated 02 March 2009 from the Department of Agriculture for the use of Methamidophos. (4.6.2)

Inspection of the Pesticide Stores confirmed the storage meets regulatory requirements, for example, security, ventilation, signage, lighting, spill containment, separation and labeling of chemicals. Pesticide concentrate and unused spraymix were stored securely. (4.6.3)

Labelling of all chemicals and Work Instructions is in Bahasa Malaysia. Work Instructions are displayed at the pesticide storage and use areas. (4.6.4)

Observations 07/08 – Refer Section 3.2 Page 16 for details

The Estate maintains detailed records of the persons involved in application of pesticides and the days worked. Sime Darby has developed a trailer specifically for transporting pesticides and spray equipment to the field. The trailer equipment includes a supply of clean water for the spray team to wash their hands, a first aid kit and safety signs for warning of the application of pesticide. The sprayers undergo monthly medical checks at the Estates clinic and detailed records are maintained for each worker, the checks carried out and any treatment issued. CHRA medical surveillance was carried out by a DOSH registered doctor on 18 May 2009 for 11 sprayers. (4.6.5)

Observation 09 – Refer Section 3.2 Page 16 for details

Interview of female pesticide operators confirmed they were aware that once they fell pregnant and wished to continue working they would be transferred to other duties. Upon return to work they are not permitted to commence spraying duties until they have ceased breastfeeding. (4.6.6)

Methamidophos is used for treatment of Bagworm infestations but only for situations where census data confirms that threshold levels of pest numbers have been exceeded and treatment is essential. The Estates have recently phased out the use of paraquat and the last issue was made in April 2009. (4.6.7)

Aerial spraying is not carried out at SOU20. (4.6.8)

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

Quantities of chemicals used are recorded in the Daily Issues Record Book maintained by the Stores Clerk. Copies of Stores Issues records are held at the Estates for 5 years. (4.6.10)

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

(a) The Health and Safety Policy signed by Top Management 1 April 2008 was displayed in Mill and Estates Offices.

(b) A HIRAC was carried out for the Mill 2 July 2008 for all work stations. The Estates carried out a HIRAC for all operational tasks for the field, office and workshops on 03 January 2009.

(c) All new hires as well as contractors and employees of contractors undergo workplace training that includes safety. The Mill carries out safety training on a station by station basis in conjunction with SOP training. The Safety Training Programme is documented for each work station for the current year July 2008 – June 2009. In addition, safety awareness is conducted on specific issues at morning briefings at the Mill and Estates. The Estates have a programme for scheduling of training awareness topics each month through to December 2009.

In relation to transport, all vehicles that travel on public roads and their drivers (tractors, trucks and motorcycles) are required to be licensed and to undergo training in defensive driving. Road safety rules (wearing of helmets, seatbelts and speed limits) are displayed prominently on notice boards at the entrance to the estate and at muster areas. The Estate security staff monitor and enforce adherence to road safety rules by staff, workers, contractors and their families.

i. The Mill maintains records of Safety Toolbox Meetings including the topic and a list of attendees with most recent 23 March 2009. Records of Mill training and interview of workers indicated understanding of safety. Chaah Estate holds records of training including the topic, attendees and signatures, for example, training for 13 sprayers conducted 02 May 2009 at the muster ground as well as demonstration of safe spray technique in the field.

ii. Inspection of herbicide spraying confirmed sprayers were working safely and in accordance with product precautions.

(d) The Mill standard PPE issue is safety shoes, helmet and hearing protection, with station specific issue of gloves, dust mask, eye protection and high visibility vest. Records are maintained of PPE issued to individuals including signature of recipient. The Estates issue to sprayers an apron, eye protection, respirator, gloves and rubber boots

i. Inspection of operational areas at the Mill and spraying and harvesting tasks in the field confirmed appropriate PPE was supplied and being worn correctly.

(e) The Mill Supervisor is designated OSH coordinator. The Estates Field Supervisor is OSH Coordinator.

(f) The Mill holds quarterly OSH meetings with the most recent held 22 March 2009 with 15 attendees. Topics of discussion included Safety Audit and issues related to various work stations. The Estates hold safety meetings quarterly with the most recent for Chaah Estate 25 March 2009, attended by 19 persons including staff, worker and contractor representatives; Topics of discussion included road safety issues. The next meeting is scheduled for 30 June. North Labis held a safety committee meeting on 18 May 2009 with 25 attendees. Topics of discussion were safety and issues related to housing, for example, control of traffic through the housing area. Information from Safety Committee Meetings is communicated to workers at muster briefings.

- (g) The Mill has an Emergency Response Plan prepared 1 August 2008 (revised 24 May 2009) that includes a site plan and list of Emergency Contacts. Refresher Emergency Fire Training was carried out 16 May 2009 by the local Fire Department. An emergency evacuation drill was carried out 2 March 2009, including a report on the response and improvements needed. The Estates have an Emergency Response Plan for the major emergencies, including flood, last revised 01 August 2008. North Labis Estate carried out a trial evacuation 28 August 2008 in conjunction with the local Fire Department. The Mill and Estate have installed appropriate fire fighting equipment and have implemented a program of monthly checks of emergency equipment and fire extinguishers. Inspection of a sample of fire extinguishers during the audit found these were in serviceable condition.
- (h) First Aid Training was carried out 22 June 2009 for 15 Mill Staff and Workers and 21 Chaah Estate staff and workers. North Labis Estate carried out first aid training 25 May 2009 with 13 participants.
- (i) First Aid Kits have been allocated to 8 locations in the Mill and are re-stocked monthly. The Estates have distributed First Aid Kits to Mandores and Supervisors. (4.7.1)

The Mill and Estates maintain records of all accidents, which are reported monthly to Sime Darby Head Office and to Government Departments such as DOSH, in accordance with regulatory requirements. Accident statistics are discussed at the quarterly safety committee meetings. The Mill records showed that the most recent LTA occurred on 12 December 2008. The Mill recorded a total of 5 work related LTAs and 10 lost days during 2008.

The most recent LTA at Chaah Estate occurred on 06 April 2009. The Chaah Estate records show that: during 2007 there were 13 accidents with 31 lost days; during 2008 there were 14 accidents with 38 lost days; and since 01 January 2009 there have been 5 LTAs and 9 lost days. Inspection of the accident reports showed that the majority of the LTAs for Chaah Estate were due to minor injuries such as palm spikes and muscular sprains, with lost days averaging two days per LTA. In 2009, Sime Darby started implementing a health and safety management system at all of its operations, with the aims of improving worker safety and reducing the LTA rate. Sime Darby has a team that is dedicated to improving safety through training and awareness of staff, workers and contractors. The outcome of increased safety training is expected to be reflected in reduction of LTA. (4.7.2)

Malaysian staff and workers are covered by SOCSO Insurance. Mill foreign workers are covered under RHB Insurance Berhad - Policy Number FW011840 current to 30/06/2010. Chaah Estate foreign workers are covered under RHB Policy Number FW011839 current to 30 June 2010. (4.7.3)

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

The majority of training at the Mill and Estates is carried out informally by on-the-job instruction and briefing. Staff attend external training at Sime Darby Business School. The Mill has prepared an Annual Training Plan 2008/09 that lists the schedule of training for each Work Station for safety and skills development. Records of all Mill and Estates training are maintained on file for individuals including topic and signature of attendees. An example of recent training was a Toolbox Meeting for safety, clean workplace and RSPO on 15 June 2009 with 27 attendees. (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 Mill and Estates have identified the significant environmental aspects and impacts using a risk assessment process 11 May 2009. (5.1.1)

Information from the risk assessment was used to develop Improvement Plans for the significant environmental aspects. Inspections confirmed that improvements are being implemented. For example, the Mill Environmental Improvement Plan includes upgrading of spill containment and greater care to prevent spillage of materials (boiler chemicals and boiler ash) within the mill that could enter the monsoon drain system. The Estates Environmental Improvements are documented in the Pollution Prevention Plan prepared 13 May 2009, with the main focus control of point source pollutants, such as petroleum hydrocarbons. (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.

HCVs have been identified by Sime Darby TQEM Ecologist in April 2009. HCV4 was identified at riparian areas and the adjacent Ma'okil Forest reserve. The Forest Reserve that joins the western boundary of Chaah Estate has been logged and vegetation is a mixture of secondary regrowth and pioneer species, such as *Macaranga*. Mining is being carried out within the Forest Reserve near the north-west boundary of the Estate. (5.2.1)

Sime Darby TQEM has prepared a HCV Management Plan. However, the HCV Management Plan was considered too "general" and did not address, for example, the opportunity to reinstate a riparian corridor to provide a link between Ma'okil Forest Reserve and the Simpang Kiri River. (5.2.2)

Nonconformity CR03 – refer Section 3.2 Pages 15-16 for details

Signs are posted at the entrance to the Estates warning of protection of the Forest Reserve and prohibiting hunting. Interview of workers indicated that they

understood the company rules that prohibit hunting and disturbance of the Forest Reserve. (5.2.3)

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

The Mill and Estates have prepared a list identifying all types of waste and sources of pollution, with reference to the environmental impact identification process. Examples are, mill boiler stack emissions, mill by-products and waste water. The Estates "List of Wastes" includes domestic refuse, workshop waste and empty pesticide containers. (5.3.1)

The Mill and Estates have prepared a Waste Management Action Plan 2008/09, which details the action to be taken in relation to each type of waste generated and the person responsible. Inspection of the mill indicated solid wastes were well controlled, with appropriate facilities for temporary storage of processing by-products such as EFB, fibre and boiler ash. A scheduled waste store is appropriately designed for secure storage of spent lubricating oil, lead acid batteries and used chemical containers. The Waste Management Action Plan was reviewed May 2009.

The Mill has engaged Kualiti Alam (DOE Licence Nos: 000211 – 000215) for collection and disposal of scheduled wastes. The Estates have engaged G-Planter for collection and disposal of empty pesticide containers. Medical wastes are collected and disposed by Pantai Medivest Sdn Bhd. The Mill and Estates maintain records of scheduled waste stocktakes and copies are held of the manifests for collection of scheduled wastes. Materials that are not suitable for recycling or re-use are disposed in a small, purpose-built landfill at each Estate. Inspection confirmed the landfills were appropriately located and well maintained, consistent with municipal landfill requirements, with a cover of soil placed on recently disposed waste. (5.3.2)

The Mill keeps records of the quantities of crop residues transferred to the Estates (EFB, Boiler Ash and POME) and applied to the palms. The Estates maintain a programme for EFB application and records on a map the areas receiving material. POME is recycled to the field at Chaah Estate using a system of furrows for land application. (5.3.3)

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

The Mill reports total renewable energy use monthly to Sime Darby Head Office. The year to date use of renewable energy was 106.4 kWh/t CPO. The small Mill boilers do not have sufficient capacity to meet the electricity requirement for processing and additional power is purchased from the Government supply. When the new boiler is commissioned, there will be sufficient capacity to meet the processing and office requirements. Sime Darby has implemented a pilot project at SOU8 on Carey Island for biogas capture from effluent treatment and co-generation of electricity. If the pilot project proves to be economically feasible, then the technology may be applied at other Sime Darby mills. (5.4.1)

Standby power is obtained from a diesel genset and the Government supply. The Mill reports non-renewable energy use monthly and the year to date usage is 5.81 kWh/I CPO. (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.

SOU20 has adopted the Sime Darby Policy on zero burning. Replanting is not due for another 10 years. (5.5.1)

Replanting is not due for another 10 years and company policy is to chip the felled palms as mulch. (5.5.2)

Inspections of workplaces at the Mill and Estates and housing areas did not find any evidence of fire being 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 Mill has prepared a Pollution Prevention Plan for the significant environmental impacts identified by the Impact Evaluation process. An example is to reduce black smoke emission from the existing old boiler by re-tubing. The installation of a new boiler with larger capacity will enable operation at reduced loading and lower smoke emissions. (5.6.1)

The Pollution Prevention Plan was initially prepared May 2009 and is due for review in April 2010. (5.6.2)

SOU20 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.

Sime Darby TQEM Department carried out a Social Impact Assessment for SOU20 in April 2009 that involved interviews of internal and external stakeholders. The SIA Report includes information on meetings with stakeholders and the issues raised. (6.1.1)

Interview of internal and external stakeholders during the Certification Assessment confirmed that they were involved in the SIA process. (6.1.2)

SOU20 has prepared a Social Management Plan to respond to issues raised during the SIA stakeholder consultations. An example is a request by the Head of Kampung Haji Khamisan to assist with controlling the speed of vehicles travelling through the Kampung. (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.

Communication with local communities and other stakeholders, such as contractors and local Government, is mainly carried out informally by the Mill and the Estate Managers. Interviews of local stakeholders confirmed there is open communication with the Estates and that they have no hesitation in raising issues with the Managers. In addition to the informal meetings for information sharing, the Estates and the Mill have formal communication procedures.

Estates Communication Procedures are documented in the Estate Quality Management System (Standard Operating Manual) Section 5.5.3. Mill Procedures are documented for internal and external communications in Section 5 of the Mill Quality Management System Manual – April 2008. Interview of Mill and Estate staff found they were familiar with the communication procedures and copies were available at the Offices for guidance when necessary. The Mill carried out a Customer Satisfaction Survey of product buyers in May 2009 and the results indicated a high degree of acceptance of the Mill products. (6.2.1)

The Estates and Mill Managers are the nominated persons for dealing with external communications. (6.2.2)

The Mill and Estates have an up-to-date list of stakeholders that includes Suppliers, Contractors, adjacent Estates, Schools, Kampung Head, and Government Agencies. (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. There have been no recorded land disputes therefore the process has not been applied. In addition, the Mill and Estates have implemented a system for receiving complaints from workers. This consists of a Register at each of the Estate Offices and the Mill for recording details of issues raised. Interview of staff and workers confirmed their awareness of the Register and that they are comfortable to use the Register as needed. Inspection of the Registers showed that complaints were being raised for minor repairs to housing and that these were being repaired promptly. (6.3.1)

The Dispute Resolution System has recently been implemented and no dispute has arisen requiring application of the procedure. (6.3.2)

Sime Darby Policy is to make the dispute resolution system open to all affected parties. Interview of staff and workers confirmed awareness of the process for raising any issues with their superiors. (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. (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. (6.4.2)

Although there have been no compensation claims, Sime Darby Policy is to make the information available if requested. (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 MAPA/AMESU Agreement 2006 and MAPA/NUPW Field and Other General Employees and Fringe Benefits Agreement 2007. Workers have signed a letter of appointment in Bahasa Malaysia and were provided with a copy. The signed originals of appointment letters are held at the Mill and Estates Offices. (6.5.1)

Staff and Workers are provided with a copy of their "Appointment Letter" at the time of hire. Interview of staff confirmed they understood terms and conditions of their contract of employment and received all leave entitlements. Daily rated workers stated they understand the terms and conditions of their "Appointment Letter" and were aware of their daily rate and understood details of their payslips. Workers also stated if there was ever a pay discrepancy, they would advise their supervisor and if the company was in error, their experience was that payment would be forthcoming next pay day. Inspection of records confirmed that all staff and workers receive a pay slip detailing the amount earned and deductions such as for income tax. Daily rated workers are given the "carbon" copy of their "Appointment Letter", which is in Bahasa Malaysia and signed by them for understanding. Interview of foreign workers confirmed their understanding of pay rates and pay slips. (6.5.2)

Houses constructed in 2006 meet the legal requirement of three bedrooms and the company has provided a gas cooker and basic furniture. The older duplex housing built in 1981 is of a basic standard with only two bedrooms. In order to address this issue, as an interim measure, the company has allocated families the whole duplex (two houses), which provides each family with 4 bedrooms. The Company has called for tender to renovate this older housing and each of the duplex houses with families in residence will be joined to make a house of four bedrooms (*refer Observation 01 Indicator 2.1.1 Section 3.2 Page 15*). The two bedroom houses currently occupied by the foreign workers (4 to each house) will also be renovated. The workers employed by contractors, such as FFB Transporters are provided with housing to the same standard as estate workers. Potable water is piped to each house and is available continuously.

Interview of staff and workers indicated that the Company allows residents to cultivate small “kitchen” gardens at their houses. The company provides a crèche that is free to staff and worker children and a supplement of milk and biscuits also provided. SOU20 provides recreational facilities such as a sports field and community hall that were well maintained. Children are collected from the housing and travel by private bus to local schools (primary Taman Desa Temu Jodoh approximately 7 km) and (secondary Chaah approximately 18 km). The company subsidises 50% of transport costs. Staff, Workers and their families receive free medical treatment at the company clinic. The clinic at each Estate is staffed by a qualified Hospital Assistant and trained female nurses. Inspection of the clinics confirmed the company provides adequate equipment, and medical supplies were readily available. Electricity is from Government supply and provided to all houses 24/7. Potable water is provided and treated by the company and supplied to all houses at no cost. (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 Mill and Estates hold Meetings with Union Officials on request and records are kept on file. For example, Chaah Estate held a meeting with Union Representatives 23 February 2009 and a copy of the Meeting Minutes is held on file. (6.6.1)

The company policy on freedom of association is documented in the Social Policy approved by Top Management April 2008 and displayed on Notice Boards at the Mill and Estates Offices and at Muster areas. Interviews of workers confirmed they are aware they are free to join a union of their choice and are members of the NUPW. (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 18 under the Labour Ordinance. At the time of hire the age of local recruits is confirmed by checks of ID Cards. The age of foreign workers is checked from Passports prior to hire. The Estates also carry out checks of Contractor workers’ age. Inspection of records confirmed workers meet the age requirement. Inspections and checks during the Certification Assessment did not find any under-age worker or children at workplaces in the Mill and the Estates. (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 Social Policy that was approved by Top Management in April 2008 includes a statement on anti-discrimination and is displayed at Mill and Estates Offices and on notice boards at muster areas. (6.8.1)

Interviews of Staff and Workers and inspection of pay records did not find any evidence of discrimination. For example, local and foreign workers receive the same rate of pay for equivalent duties. (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.

A Policy on the Prevention of Sexual Harassment is documented in the Social Policy approved by Top Management April 2008. Gender Committees have been formed at the Mill and the Estates and initial meetings held. A representative from each Committee has attended the workshop conducted by the Social NGO Tenaganita on gender issues and empowerment of women. (6.9.1)

A grievance procedure has been prepared at Corporate level and was discussed at the initial Gender Committee Meetings at the Mill and Estates. Interview of female staff and workers confirmed their awareness of the procedure to address gender issues. (6.9.2)

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

SOU20 does not purchase crop from smallholders therefore this Indicator is not applicable. (6.10.1)

SOU20 does not purchase crop from smallholders therefore this Indicator is not applicable. (6.10.2)

Interview of Contractors confirmed that the Mill and Estates have a process for explaining contract terms and conditions, including safety obligations, prior to commencing work. (6.10.3)

Interview of Contractors confirmed that payment is made in a timely manner and usually within 30 days of receipt of invoice. (6.10.4)

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

Infrastructure and Government services are well developed in the area, with Government power, schools and health service readily available in Chaah town. The Estate makes contributions to the local Kampung, such as maintenance of the access road. Medical treatment is also provided to Kampung residents at the company clinic at no charge. The company also makes contributions to a local community charity for the visually impaired. (6.11.1)

Principle 7: Responsible Development of New Plantings

SOU20 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 Estates have recently ceased the use of Paraquat (April 2009) and IPM techniques are being implemented to minimise the use of chemicals for control of palm pests. (8.1.1)

The Mill and Estates are implementing environmental improvements with priorities assigned using information on the significant environmental aspects. The Mill has upgraded facilities for the temporary storage of palm by-products, such as boiler ash, fibre and nut shell, to prevent materials from entering the monsoon drain system. The Estates are improving the control of rainfall runoff by constructing silt pits and additional roadside “turn-out” drains for directing water into the palms. (8.1.2)

The recycling of palm by-products (EFB, POME, boiler ash) has been implemented. The Mill and Estates have implemented collection and recycling of scheduled waste materials to DOE approved Contractors. (8.1.3)

The Mill and Estates have recently implemented improvements for control of point source pollutants and prevention of discharge to the environment. A major expenditure project at the Mill is the installation of a new boiler that is due for commissioning in July 2009, which will reduce particulate emissions to air. (8.1.4)

The SOU20 Social Management Plan is based on information from the SIA stakeholder consultations. An example at the Estates is refurbishment of the Surau. SOU20 will work with Kg Hj Khamisan to resolve the vehicle traffic issue. (8.1.5)

The Sime Darby Management Review process shares information on best practices for performance improvement. Sime Darby 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

Nonconformities were assigned against Three (3) Major Compliance Indicators One (1) Minor Compliance Indicator. SOU20 has prepared a Corrective Action Plan for addressing the identified Nonconformities. The Audit Team has reviewed and accepted the SOU20 Corrective Action Plan.

CR01: 2.1.1 Evidence of compliance with legal requirements

During the Certification Assessment site visit, only the old No. 1 boiler was being operated and this was at maximum capacity with dense black smoke emitted continuously. A smoke density meter was not

operational at the time, but observation indicated exceedence of the allowable particulate smoke density, as indicated by reference to the Ringlemann Chart.

Corrective Action:

The old boiler was shut down in July 2009 for re-tubing and in future will only be used for standby purposes. The new boiler has operated since July 2009. Boiler emission tests of the new boiler carried out by A&A Scientific Resources Sdn Bhd in March 2010 confirmed that the level of dust particulates was within Regulation 25 of the Malaysian Environmental Quality (Clean Air) Regulations, 1978 (Refer Appendix E (1)). The Mill provided a copy of smoke density readings, which confirmed consistent operation of the boilers to minimise black smoke emissions.

The Nonconformity against Major Compliance Indicator 2.1.1 was closed out

CR02: 4.4.1 Protection of water courses and wetlands, including maintaining and restoring appropriate riparian buffer zones at or before replanting along all natural waterways within the estate

Chaah Estate has not yet demarcated palms along the remaining five small streams flowing through the Estate for reinstatement of riparian buffer strips. Pesticides are applied to palms adjacent to the streambank.

Corrective Action:

Chaah Estate took immediate action by painting a red circle around the trunks of palms planted within 5m of small streams and installing the ‘BUFFER ZONE’ signage in order to create awareness to all estate workers and residents (Appendix E (2)).

All palms along the remaining five small streams in Chaah Estate have been demarcated for “buffer zone” reinstatement. Chaah Estate provided photographic evidence of demarcation of the palms (Appendix E (3)).

With immediate effect, chemical spraying along the new buffer zones is strictly prohibited. The Estate has conducted a training session focusing on buffer zone maintenance for all sprayers on 1st July 2009 and 9th December 2009 (Appendix E (4)).

The Nonconformity against Major Compliance Indicator 4.4.1 was closed out

CR03: 5.2.2 Management Plan for HCV habitats (including ERTs) and their conservation

The HCV Management Plan has not provided site specific information for the Estate, such as “reinstatement of the buffer zone along Sg Sayong to provide a corridor to connect between the Ma’okil Forest Reserve and the Sg Simpang Kiri Riparian Reserve”. Additional information is required, possibly from the Forestry Department to identify the fauna and flora of Ma’okil forest Reserve.

Corrective Action:

The bio diversity assessment was enhanced with additional inputs obtained from the Forestry

Department and Wildlife Department. The assessment report prepared in May 2009 was updated to include the additional information specific to the Forest Reserve.

A new HCV management plan was formulated based on the additional information and including specific measures for reinstatement of riparian buffer zones, such as enrichment planting with native tree species recommended by Forestry Department.

The Nonconformity against Major Compliance Indicator 5.2.2 was closed out.

CR04: 4.3.2 Avoid or minimise bare or exposed soils within estates

Inspection of Chaah Estate revealed significant areas of bare soil at locations where “Controlled Droplet Application” (CDA) spray equipment has been used and overspraying has occurred. Observation of spraying during the Stage I Assessment showed CDA spray equipment was being used incorrectly. Inspection during the Stage II Assessment showed no improvement at areas that had been recently sprayed.

Corrective Action:

With immediate effect, Chaah Estate management implemented only palm circle spraying in all fields. A training session for sprayers was conducted to ensure the correct spray technique is being used in order to avoid bare ground and soil erosion (Appendix E (5)).

The Assessment Team reviewed the corrective actions and concluded that these met the RSPO requirements for Minor Indicator 4.3.2. Follow-up will be carried out at the Surveillance Assessment to assess the recovery of groundcover vegetation.

Observations/Opportunities for Improvement

Nine (9) Observations/Opportunities for Improvement were identified. The progress with the Observations/Opportunities for Improvement will be followed up during the Surveillance Assessment that will be scheduled before the first anniversary of the RSPO approval of the Initial Certification.

01 (2.1.1) Older housing constructed in 1981 has only two bedrooms. There is a five year programme to upgrade these houses to meet the Government requirement and tenders have been called for commencement of the work.

02 (2.2.3) The company has not yet located all boundary stones and a survey has commenced to locate and reinstate missing boundary stones.

03 (4.2.2) The annual leaf sampling (Chaah Estate) by Sime Darby R&D Department was due in March 2009.

04 (4.4.5) The high water usage at the Mill was stated to be due to regular shut-down and start-up of the old boiler and the associated cleaning required. The

Mill has prepared a “Water Consumption Reduction Action Plan”, which has identified areas that are targeted for making water savings.

05 (4.5.4) Chaah Estate commenced the calculation of the pesticide usage indicator in January 2009 and plans to derive information from the previous years records for assessment of trend.

06 (4.6.1) At the time of the inspection of Chaah Estate there was no written information available at the chemical mixing area on the quantity of chemical to measure per 20 Litre container of pre-mix. *Corrective action was taken immediately and a Work Instruction prepared and placed on display at the chemical mixing area to show the quantities of chemicals to be measured for each spray application.*

07 (4.6.4) At the time of the inspection, chemical spraymix was taken into the field in unlabelled containers. Clean water for sprayers to wash their hands also was taken into the field in unlabelled containers. *Corrective action was taken immediately and the containers marked with paint to show the contents.*

08 (4.6.4) Although pictorials are used to illustrate safety, Bangladeshi workers may not understand the chemical hazards.

09 (4.6.5) At Chaah Estate 10 sprayers from Spray Team No 2 are scheduled to undergo CHRA Surveillance in July 2009.

3.3 Noteworthy Positive Components

➤ The Mill has implemented significant improvements since the Stage I assessment for the control of point source pollutants. Bunkers have been installed for containment of boiler ash, fibre and nut shell during temporary storage. This prevents materials from being washed into the monsoon drain system by rainfall runoff.

➤ Interviews of representatives of Kg Hj Khamison found that SOU20 has a close and cooperative relationship with local villagers. For example the community appreciates being provided with free medical treatment at the Estate clinic, which is much closer than the Government clinic.

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

The majority of stakeholders had positive comments about SOU20. For the situations where stakeholders raised issues, the company’s response is stated below. Follow-up of issues will be carried out during the Surveillance Assessment.

Worker Issues

Chaah and North Labis residents stated that the dust created by vehicles was a problem at housing.

Company Response: *Speed bumps have been installed to control speed. Roads are watered during the dry season. North Labis has approval in the 2009/10 budget to tarmac the residential roads.*

Chaah Estate female sprayers stated that some infield drains were very wide and it was difficult to cross them when laden with equipment and they sometimes had to walk a distance to find a spot where it was easier to step across. This was very time consuming and they asked if this issue could be dealt with.

Company Response: *The Estate has a programme to replace foot bridges, which will take care of this issue.*

Residents at housing stated that they previously grew trees for fruit and shade but once the trees reached a certain height the Company removed them.

Company Response: *Trees close to housing pose a safety hazard. Company will provide some guidelines for suitable tree species and locations for planting shade trees.*

Chaah Estate foreign workers stated that prior to the merger, and after working for the company for two years, they received a bonus RM470 but this has now ceased and workers do not know why.

Company Response: *This an ex-gratia payment made to foreign workers at the end of their contract for periods exceeding two years as an incentive to work for more than two years. This payment increases with length of service.*

Local Communities

Residents of Kampung Haji Khamisan stated that dust from heavy vehicle and speeding traffic (including mining company vehicles) was a major issue.

Company Response: *The Estate will liaise with the Kampung about installation of speed bumps to control traffic speed.*

Government

The Government Departments contacted did not raise any issues of concern.

NGOs

The NGOs contacted did not raise any issues of concern.

3.5 Acknowledgement of Internal Responsibility

SOU20 acknowledges and confirms acceptance of the Assessment Report contents, including assessment findings. SOU20 accepts the responsibility for addressing the opportunities for improvement detailed in the Assessment Report.

3.6 Formal Sign-off of Assessment Findings

SIME DARBY PLANTATION SDN. BHD.

Signed for on behalf of
Sime Darby Plantation Sdn Bhd (SOU20)

Mr. Prakash A/l Arundham
SOU20 Chairman/Manager Chaah Estate
Date: 22/09/2010

Signed for on behalf of
BSi Group Singapore Pte Ltd

Mr Charlie Ross
Lead Auditor
Date: 27/09/2010

Appendix "A"

Sime Darby Time Bound Plan

SIME DARBY TIME BOUND PLAN**Sime Darby Plantation RSPO Certification Status**

Financial year (July – June)	Status
June 2008	5 SOUs undergoing RSPO Main Assessment
2008/2009	<p>Malaysia a. RSPO certified : 5 SOUs b. Awaiting RSPO Board: 13 SOUs c. Audited: 21 SOUs (3 SOU have been realigned due to strategic/business development)</p> <p>Indonesia a. RSPO certified : 0 SOUs b. Awaiting RSPO Board: 2 SOUs c. Audited: 1 SOU</p>
2009/2010	<p>Malaysia Currently undergoing RSPO audit assessment: 1 SOU</p> <p>Indonesia Currently undergoing RSPO audit assessment: 10 SOU</p>
2010/2011	<p>Indonesia To complete RSPO Certification for Indonesia Operation for 8 SOU</p>
TOTAL SOU (Todate)	<p>MALAYSIA: 37 SOU (38 OIL MILLS) INDONESIA: 21 SOU (23 OIL MILLS) TOTAL: 58 SOU (61 OIL MILLS)</p>

Updated: 13 Nov 2009

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Appendix “B”

SOU20 RSPO Certificate Details

Management Unit SOU20
Batu Pahat Johor
MALAYSIA

Certificate Number : SPO 548299
Certificate Issue Date: (RSPO Approval Date)

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

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

SOU20 RSPO CERTIFICATE DETAILS

Chaah Palm Oil Mill and Supply Base (SOU20)	
Location	Batu Pahat, Johor, Malaysia
Address	Batu Pahat, Johor, Malaysia
GPS Location	2°10' 40.8468" N 102°59' 47.6772" E
CPO Tonnage Total Production	32,378
PK Tonnage Total Production	7,362
SOU20 Estates FFB Tonnages	Chaah Estate: 63,938; North Labis Estate 37,101
CPO Tonnage Claimed**	32,378
PK Tonnage Claimed**	7,362

** The Tonnage Claimed is the total production from SOU20 Estates and is based upon the Reporting Period 01 July 2008 – 30 June 2009

Appendix “C”

Certification Assessment Programme

SOU20 ASSESSMENT PROGRAMME

TEAM: CR: Charlie Ross; IN: Iman Nawireja; RR: Robyn Ross; JM: Junecel Maloloy					
DATE	TIME	ACTIVITY	CR	IN	RR/ JM
Friday 26 June SOU20 CHAAH MILL	0830	Opening Meeting	√	√	√
	AM	Physical Inspection Mill/Effluent Ponds/Stores/Workshop Interview Male Workers Interview Female Office Staff/Workers Review Pay Documentation Interview Contractors/External Stakeholders	√	√	√
	PM	Documentation Review Inspect Mill Housing and Interview Families Visit Mill Housing and Interview Male Foreign Worker Residents Review SIA and Social Action Plan	√	√	√
			√	√	
Saturday 27 June CHAAH ESTATE	AM	Physical Inspection Estate/Interview Male Fieldworkers Physical Inspection Stores, Land Application, Landfill Interview Contractors Documentation Review Interview Female Staff/Workers Inspect Clinic and Interview Staff Inspect Housing and Interview Residents Visit Kampung Hj Khamisan Review HCV Assessment and Monitoring Plans	√	√	√
			√	√	√
Saturday 27 June NORTH LABIS ESTATE	PM	Physical Inspection Estate/Interview Male Fieldworkers Physical Inspection Stores, Landfill Review Pay Documentation Inspect Housing and Interview Residents	√	√	√
			√	√	√
Sunday 28 June					
Monday 29 June SOU20	AM	Collect any outstanding data/information/clarification Preparation of IAV Report and Closing	√	√	√
	1400	Closing Meeting	√	√	√

Appendix “D”

List of Stakeholders Contacted

LIST OF STAKEHOLDERS CONTACTED

<p><i>Staff and Workers</i> NUPW Worker Representative 3 Male Foreign Workers (Mill) 4 Male Local Workers (Mill) 2 Male Foreign Contractor Workers Chaah Estate 5 Male Harvesters Chaah Estate 3 Male Sprayers Chaah Estate 5 Male Sprayers North Labis Estate (Foreign Contractor Workers) 2 Male Harvesters North Labis Estate (Foreign) 2 Male Harvesters North Labis Estate (Local)</p>	<p><i>Staff and Workers</i> 5 Female Mill Workers 5 Residents Chaah Mill Housing Hospital Assistant Chaah Estate Clinic 2 Female Staff Chaah Estate 8 Female Daily Rated Workers Chaah Estate 3 Residents Chaah Estate Housing 5 Residents North Labis Estate Housing</p>
<p><i>Contractors & Suppliers</i> Lee Heng Yong (Boiler Contractor Supervisor) Chong Koeng Hui (Labour Supplier)</p>	<p><i>Local Communities</i> Kampung Hj Khamisan Head and Residents</p>
<p><i>Government Departments</i> Department of Labour Department of Safety and Health Department of Environment Department of Indigenous Peoples Affairs Department of Forestry</p>	<p><i>NGOs and Others</i> Tenaganita WWF Malaysia (KL Office) AMESU, Subang Jaya NUPW, Petaling Jaya</p>

Appendix “E”

Objective Evidence for Closeout of Nonconformities

Objective Evidence for closeout of CR01 Indicator 2.1.1– Reference Appendix E (1)

Boiler emission tests of the new boiler carried out by A&A Scientific Resources Sdn Bhd in March 2010 confirmed that the level of dust particulates was within Regulation 25 of the Malaysian Environmental Quality (Clean Air) Regulations, 1978.

Customer : PROFIGREEN SDN. BHD.
 Ref. : DETERMINATION OF CONCENTRATION AND MASS FLOW OF PARTICULATE MATTER IN FLUE GAS (MARCH 2010)
 Project : CHAAH PALM OIL MILL, CHAAH, JOHOR DARUL TAKZIM

9.0 DISCUSSION OF RESULTS

Below are the results of the dust emission monitoring:

PARAMETER	RESULTS OBTAINED	STANDARD C
	Chimney No. 2	
Total Dust Concentration (g/Nm ³)	0.078	0.4
Total Dust Concentration at 12% CO ₂ (g/Nm ³ , 12% CO ₂)	0.187	0.4
Oxygen (%)	6.2	N/A
Carbon Dioxide (%)	5.0	N/A
Carbon Monoxide (ppm)	1500	N/A

10.0 CONCLUSION

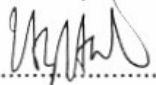
The Isokinetic Dust Monitoring for Chimney No.2 of Chaah Palm Oil Mill, Chaah, Johor had been completed in March 2010.

From the results of analysis, below are the reasonable conclusions of the finding:

The level of dust particulate at Chimney No.2 is compared against the Regulation 25 of the Malaysian Environmental Quality (Clean Air) Regulations, 1978.

It was found that the level of dust particulate emitted by Chimney No.2 during the sampling exercise was standing at 0.187 g/Nm³ respectively, below the allowable limit of 0.4 g/Nm³ at 12% CO₂.

Report Prepared By:



Azita Ayu; B.Sc., AMIC
UiTM-A&A Laboratory
A&A Scientific Resources Sdn. Bhd.

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Objective Evidence for closeout of CR02 Indicator 4.4.1– Reference Appendix E (2)

Chaah Estate took immediate action by painting a red circle around the trunks of palms planted within 5m of small streams and installing the 'BUFFER ZONE' signage in order to create awareness to all estate workers and residents.

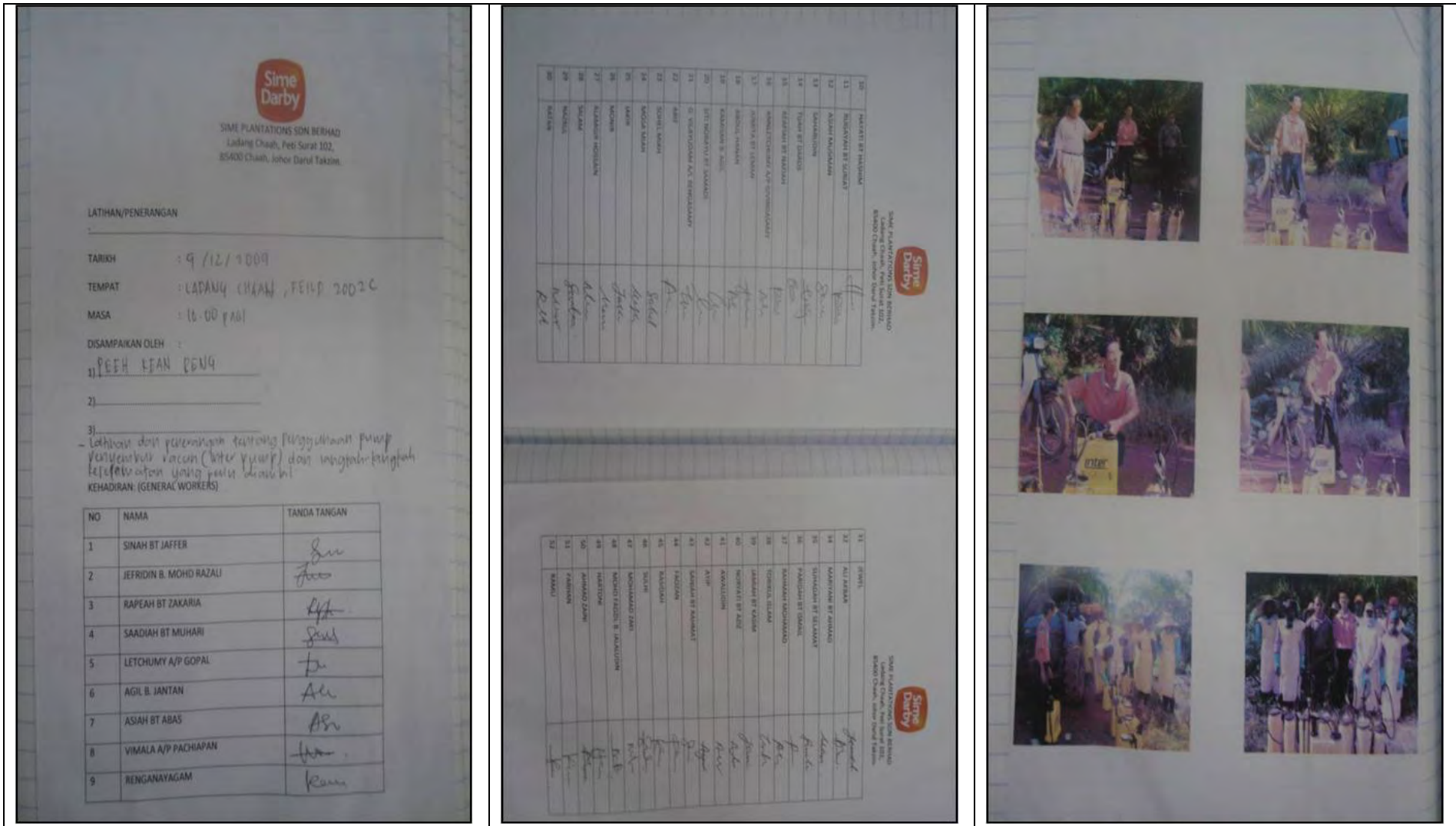


Objective Evidence for closeout of CR02 Indicator 4.4.1– Reference Appendix E (3)
Evidence of the demarcation of the palms



Objective Evidence for closeout of CR02 Indicator 4.4.1- Reference Appendix E (4)

The Estate has conducted a training session focusing on buffer zone maintenance for all sprayers on 1st July 2009 and 9th December 2009



Objective Evidence for closeout of CR04 Indicator 4.3.2– Reference Appendix E (5)

A training session for sprayers was conducted to ensure the correct spray technique is being used in order to avoid bare ground and soil erosion.

