



## **PUBLIC SUMMARY REPORT**

# **INITIAL RSPO CERTIFICATION ASSESSMENT**

## **KERESA PLANTATIONS SDN BHD**

**Via BINTULU SARAWAK MALAYSIA**

*Report Author*

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## SUMMARY

BSi has conducted a certification assessment of the Keresas operations comprising 1 mill, supply base, support services and infrastructure. BSi concludes that Keresas operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY NIWG Indicators and Guidance 2008 for the following scope:

Palm Oil Production (33,874.19 tonnes CPO).

**BSI RECOMMENDS THAT KERESA BE APPROVED AS A PRODUCER OF RSPO CERTIFIED SUSTAINABLE PALM OIL.**

## ABBREVIATIONS USED

BOD	Biological Oxygen Demand
CDC	Commonwealth Development Corporation
CHRA	Chemical and Health Risk Assessment
CIFOR	Centre For International Forestry Research
CIP	Continuous Improvement Plan
COP	Code of Practice
CPO	Crude Palm Oil
CWS	Central Vehicle Workshop
EFB	Empty Fruit Bunch
EMS	Environmental Management System
FFB	Fresh Fruit Bunch
FPIC	Free, Prior and Informed Consent
GHG	Greenhouse Gases
GM	General Manager
HCV	High Conservation Value
HCVF	High Conservation Value Forests
HQ	Head Quarters
IPM	Integrated Pest Management
IRCA	International Registration of Certified Auditors
ISO	International Standards Organisation
JCC	Joint Consultative Council
LTI	Lost Time Injuries
MSDS	Material Safety Data Sheets
NGO	Non Government Organisation
OHS	Occupational Health & Safety
OSH	Occupational Safety & Health
PCD	Pollution Control Device
PMP	Pest Management Plan
MY NIWG	Malaysia National Interpretation Working Group
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
RAB-QSA	Internal Auditor Accreditation Body
RFI	Request for Information
SEIA	Social and Environmental Impact Assessment
SG	Smallholder Grower
SIA	Social Impact Assessment
SOP	Standard Operating Procedure
SOSCO	Social Security Organization
TQM	Total Quality Management
VMO	Visiting Medical Officer

## 1.0 SCOPE OF CERTIFICATION ASSESSMENT

### 1.1 National Interpretation Used

The operations of the mill and their supply bases of FFB were assessed against the MY NIWG: May 2008 of the RSPO Principles and Criteria: 2007.

### 1.2 Certification Scope

This certification assessment includes the production from ONE (1) Palm Oil Mill and 2 company owned plantations, and smallholders.

### 1.3 Location and Maps

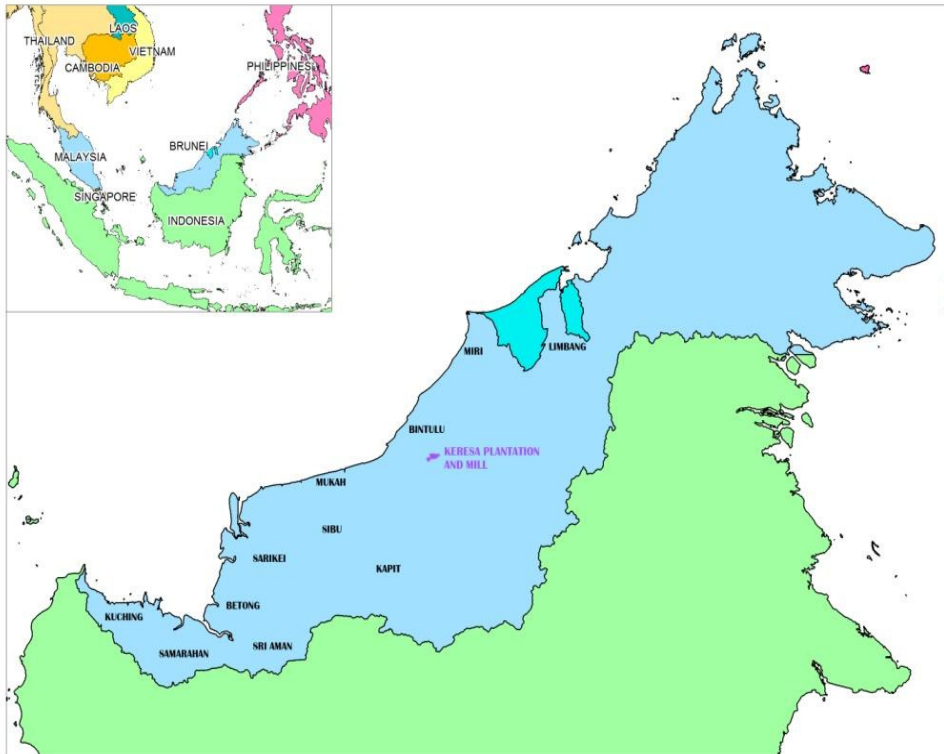
The Keresas palm oil mill and estates are located in Bintulu, Sarawak, Malaysia.

The GPS locations of the mill are shown in Table 1.

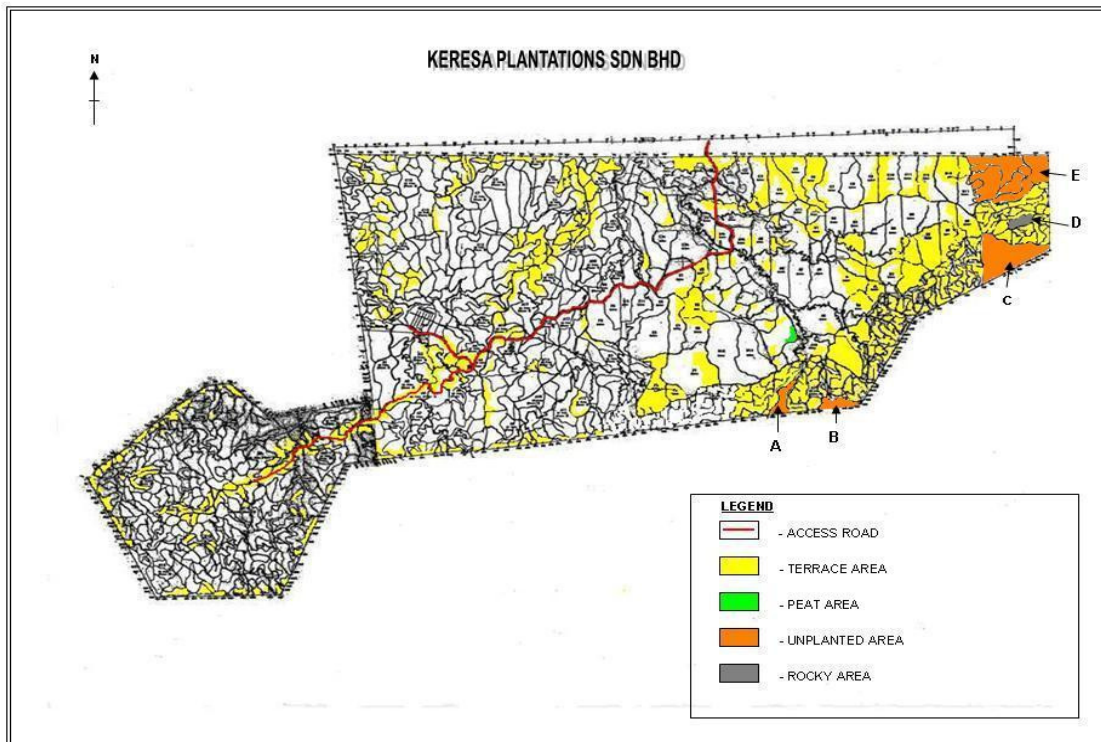
**Table 1: Keresas Estate and Mill GPS Location**

<i>Location</i>	<i>EASTINGS</i>	<i>NORTHING</i>
Keresas Mill	113°35' 59.1" E	03°09' 49" N
Sujan Office	113°36' 346" E	03°10' 520" N
Jiba Office	113°33' 794" E	03°09' 119" N

Keresa Plantation location map



Keresa Plantations Map



#### 1.4 Description of Supply Base

Oil palm fruit is sourced from company-managed plantations and from smallholders.

Operations designated as plantations are company owned and managed oil palm that has been planted on Government Leases held by Keresa. The areas and FFB production from plantations are listed in Table 2.

**Table 2: Plantation FFB Production**

\*As December 2009

Years	Keresa Plantations		Total
	Jiba	Sujan	
2001	2528.77	-	2,528.77
2002	12,929.28	3,926.45	16,855.73
2003	26,634.40	11,398.60	38,033.00
2004	33,933.87	20,714.48	54,648.29
2005	47,306.24	30,680.41	77,986.78
2006	54,689.95	38,278.83	92,968.78
2007	58,186.22	44,323.43	102,509.65
2008	63,347.08	56,843.77	120,190.85
<b>2009</b>	<b>57,299.82</b>	<b>57,711.74</b>	<b>116,056.49</b>

Smallholder growers (known henceforth as just smallholders) supply approximately 10% of oil palm fruit processed by the mill.

Keresa has held comprehensive discussions with smallholders on RSPO implementation. Keresa has stated its commitment to continue to work with the smallholders on the implementation of the RSPO P&C with the aim of achieving certification.

The smallholders comprise smallholdings of oil palm that were developed independently by the villagers on their customary land. The smallholders manage all aspects of their smallholdings of oil palm, including harvesting. FFB production is shown in Table 3.

**Table 3: Smallholders and FFB Production**

\*As of December 2009

Smallholders (Total No)	FFB (tonnes)
112	5,098.24

#### 1.5 Date of Plantings and Cycle

The company-owned plantations were developed since 2005 following acquisition from CDC. The age profile of the oil palms on the plantations is detailed in Table 4.

**Table 4: Age Profile of Keresa's Planted Oil Palm**

\*As of December 2009

Year	Age	Ha	%
1997	12	782.10	14.63
1998	11	1,866.85	34.91
1999	10	672.4	12.58
2000	9	447.6	8.37
2001	8	82.62	1.55
2002	7	31.04	0.58
2005	4	499.51	9.34
2006	3	639.07	11.95
2007	2	325.71	6.09
<b>Total</b>		<b>5,346.90</b>	<b>100.0%</b>

#### 1.6 Other Certifications Held

Keresa holds no other certification.

#### 1.7 Organisational Information / Contact Person

Keresa Plantations  
PO Box 2607,  
97008 BINTULU  
SARAWAK MALAYSIA

Contact Person: Abdul Aziz Bin Zainal Abidin  
Manager, Total Quality Management  
Phone : 086 336 725  
Fax: 086 336 724

aziz@keresa.com.my

#### 1.8 Time Bound Plan for Other Management Units

Keresa Plantations Sdn Bhd (henceforth referred to as "Keresa") comprises of a mill and approximately 6,000 ha planted to oil palm, in Sarawak, Malaysia. Keresa has advised BSi that there are no land disputes, legal non-compliances or litigations at its operations. In addition Keresa has not developed on HCVF as all the holdings are on previously existing plantations.

This is Keresa's only oil palm operation and therefore no time bound plan is required.

#### 1.9 Area of Plantation

The areas of planted oil palms at company-owned and managed plantations are listed in Table 5.

**Table 5: Estates' Hectare Statement**

\*As of December 2009

<b>Plantations</b>	<b>Mature (ha)</b>	<b>Immature (ha)</b>
Jiba	2,268.82	-
Sujan	2,752.37	325.71
<b>TOTAL</b>	<b>5,021.19</b>	<b>325.71</b>

The area of smallholders' planted oil palm is listed in Table 6.

**Table 6: Smallholders' Planted Area**

\*As of December 2009

<b>Mature (ha)</b>	<b>Immature (ha)</b>
675.94	-

### 1.10 Approximate Tonnages Certified

**Table 7: Approximate Tonnages Certified**

\*As of December 2009

<b>Year</b>	<b>CPO</b>	<b>PK</b>
<b>2007</b>	20,467.17	2,868.79
<b>2008</b>	34,698.22	6,105.57
<b>2009</b>	33,874.19	5,758.56

### 1.11 Date Certificate Issued and Scope of Certificate

#### Scope

Scope of the Certificate is for the production from the single palm oil mill and its supply base (refer Table 7 for tonnages).

Certificate details are included as Appendix A. The Certificate issue date will be the date of the RSPO approval of the Assessment Report.

#### Inclusion of Smallholders

During the audit of Keresas operations, the audit team became aware of the effort and resources that Keresas had committed to the RSPO implementation for its smallholders. In particular, Keresas had initiated RSPO awareness for the smallholders in 2009 and 2010 through the Malaysian National Interpretation Working Group (MY NIWG) process and worked with the local smallholder representatives. Keresas worked closely with the smallholder representatives in the development of a system to enhance the development of new areas of land to oil palm.

#### Smallholders

The MY NIWG had previously established the status of the smallholders as "independent" and this was

endorsed by the RSPO EB. All smallholders at Keresas fall under this classification.

Smallholders are not under any obligation or contract to supply to the mill but are associated to the company through geography and logistics. There is no government or national extension services yet present in Sarawak, therefore Keresas has included smallholders in the company-wide awareness programs, compliance surveys and other RSPO related work.

Keresas has a defined list of all their smallholders and ascertained each of their location and status. This is complied into a company database. Keresas has agreed to collect the FFB from these defined independent smallholders.

Keresas operates an Outgrower's Department that is supporting the smallholders who supply fruit to the company's mill. The smallholders' land has been mapped and Keresas has verified their rights to the land. Keresas supplies oil palm seedlings to the smallholders and assists them by coordinating pest and disease surveys and treatment of pest outbreaks.

Keresas has implemented awareness training of smallholders on the RSPO P&Cs during training sessions. Keresas has provided training of smallholders via Training on the RSPO P&C (the latest was a workshop in March 2010). Keresas has also commenced work and has completed a baseline survey of smallholders determining their compliance with the RSPO guidelines for Independent Smallholders. The survey process involved the physical inspection of all smallholder blocks and interview of each block holder to assess their understanding of sustainable practices and conformance with the relevant RSPO P&Cs.

In consideration of Keresas's close involvement with the individual smallholders, they can be regarded as being "associated" with Keresas. On the basis of this conclusion, Keresas has complied with its commitment to achieve certification of its "associated" smallholders within three years from the date of initial certification.

In consideration of the above information, the audit team concluded that it is appropriate for inclusion of the smallholders in Keresas's certification.

BSi examined in detail the smallholder survey database and concluded that the information showed the great majority of smallholders met conformance with the relevant indicators of the MY NIWG (May 2008). The validity of the smallholder survey results was tested by selecting a sample of 10 smallholders that were representative of a range of conditions and subjecting these to field audits. This figure is well in excess of the RSPO sampling guidelines and equates to 20% of smallholders. BSi also interviewed smallholder representatives who had been involved in the baseline survey and confirmed their knowledge of the relevant RSPO P&C's.

BSi concluded that the survey results for 40 smallholders plus the physical audits and the interviews of the

smallholder representatives provided substantive evidence of conformance with the RSPO P&C.

## **2.0 ASSESSMENT PROCESS**

### **2.1 Certification Body**

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Singapore Technologies Building  
Singapore 088934

Product Manager: Mr Soon Leong Chia  
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Fax: +65 6270 2777  
Email: [soonleong.chia@bsigroup.com](mailto:soonleong.chia@bsigroup.com)

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

### **2.2 Qualifications of the Lead Assessor and Assessment Team**

#### **Allan Thomas, Lead Assessor**

Allan Thomas holds a tertiary qualification in commerce and accounting from Wollongong University in 1973 and has more than 18 years experience in systems management and auditing of large organisations in construction, forestry, agriculture, manufacturing and in private and Government sectors both in Australia, South East Asia and the South Pacific. During the past 15 years, he has been the Manager of a large certification body based in Australia with responsibilities throughout SE Asia. He has performed over 100 comprehensive audits of management systems throughout the Palm Oil industry including Occupational Health and Safety, Environmental and Quality Management Systems. He has also advised companies on the implementation of OHS in the Oil Palm Industry. He has worked in Indonesia, Malaysia and SI in the Oil Palm industry. Allan has conducted over 2,000 system audits in the last 12 years and controlled over 50 auditors when Certification Manager of SGS-ICS.

He is a Lead Environmental Auditor (ISO 14001) with IRCA, A Lead OHS Auditor (OHSAS 18001 & AS 4801) with IRCA, a Lead Quality Auditor (ISO 9001:2008) with RABQSA and also an accredited Heavy Vehicle Auditor. He has also implemented strategies for implementing and maintaining SA 8000. Allan has also been appointed a Federal Safety Officer by the Australian Commonwealth Government.

He has conducted Integrated Management assessments of a large number of palm and kernel oil mills and many oil palm plantations in Indonesia, Malaysia and Papua New Guinea. He has worked closely with RSPO in

developing an audit checklist for the Principles and Criteria and developed an audit methodology. This was carried out at the instigation of Dr. Simon Lord – in 2005 prior to RT3. Dr. Lord is a former member of the Executive Board – this audit checklist was bought by RSPO in early 2006 He also performed the first baseline assessment of the applications of the P&C. He is a strong advocate of environmental, safety and social accountability.

#### **Dwi Muhtaman - Local Language Skills – RSPO Technical Specialist**

**Mr Dwi Muhtaman** holds a Masters Degree in Public Administration as well as a Sarjana Degree in Animal Husbandry, specialising in Social Economics. For the last more than 15 years he has been included as the social expert on several certification forest audits/assessments for both plantation and natural forest concessions in Kalimantan, Sumatera, Sulawesi and Java. He has involved in more than 30 forest and product certification assessments since 1996-2007 in more than 25 forest management concessions. For the last five years Dwi has been participating in variety of oil palm plantation assessment for RSPO standards and HCV identification and Social Impact Assessment (SIA), and Café Practices verification program (Indonesia and PNG). He has been working with more than 25 companies of the major oil palm companies including Lonsum Group, Wilmar Plantation International Group, Musim Mas Group, IOI Group. He has been involved in RSPO audit in Johor, Sabah, Sarawak (Malaysia) and Indonesia. He has a good network among NGO communities and forest private sectors. He is auditor for chain of custody assessment of forest product industries in more than 20 wood industries. He is also an independent consultant for WWF Indonesia PFTN/Nusa Hijau for wood industries and forest management units.

Mr Muhtaman has considerable experience in project planning & management, assessment and appraisal in Indonesia, Malaysia and PNG, having been involved in numerous studies and consultancy projects over the past 20 years. He is especially knowledgeable in the area of forest certification, ecolabelling, socio-economic analysis and social audit/social impact management. Mr. Muhtaman has been working in the forest certification started in 1996 as an auditor of Smart Wood Certification Program. In 2000-2003 Mr. Muhtaman served as Smart Wood Indonesia representative. He audited major forest concessionaires and forest plantation in Sumatra and Kalimantan (familiar to apply with FSC). He also provides technical assistance for forest managers to comply forest certification standard. In 2003 he was a social expert to develop HCVF Toolkit for Indonesia and has been conducted HCVF study in forest concessions as well as in oil palm plantation. He has good facilitation skills. For Aksenta Socio-Enviro Management Consulting Mr Muhtaman conducted a study on the socio-economic impact of the oil palm plantation commissioned by Oxfam-Novib; leading HCV assessment and social impact assessment. Currently Mr

Muhtaman as consultant of Center for International Forestry Research (CIFOR) for a project to provide technical assistance to small business enterprises of furniture industry in Indonesia. Mr Muhtaman is principle social management expert in Aksenta Socio-Enviro Management Consulting.

This report was reviewed by Mr. C Ross – an approved RSPO assessor with BSi.

### **2.3 Assessment Methodology, Programme, Site Visits**

A pre-audit assessment was conducted from 22-25 February 2010.

This certification assessment was conducted from the 14<sup>th</sup> to 18<sup>th</sup> of June 2010. The single mill and its supply base including smallholders is a single certification unit as defined by RSPO. Therefore the mill was audited together with the plantations and smallholders as they represented 100% of its supply base. The 2008 MY National Interpretation of the RSPO Principles and Criteria (as found on the RSPO website) was used throughout and all Principles were assessed. The methodology for collection of objective evidence included physical site inspections, observation of tasks and processes, interviews of staff, workers and their families, review of documentation and monitoring data. Checklists and questionnaires were used to guide the collection of information. The comments made by external stakeholders were also taken into account in the assessment.

Smallholders were also included in this audit. A total of 10 blocks were audited out of the 40 smallholder blocks. This equates to a sample size of 25%.

After the interview with each smallholder was concluded the auditor inspected each block with the block holder and in the absence of any officers from Keresas in order to gain an understanding of any issues of concern that the block holder wished to raise about the oil palm company.

### **2.4 Stakeholder Consultation and List of Stakeholders Contacted**

Stakeholder consultation involved external and internal stakeholders. External stakeholders were notified of this audit, its timing and purpose by placing an invitation to comment on the RSPO and BSI and an advertisement in each of the local Sarawak newspapers.

Letters were written to individual stakeholders and telephone calls were made to arrange meetings. Within the audit process itself, meetings were held with stakeholders to seek their views on the performance of the company with respect to the sustainability practices outlined in the RSPO and aspects where improvements could be made.

Stakeholders included those immediately linked with the operation of the company such as employees; smallholders, contractors and local longhouse residents.

A specific point was made to interview representatives of the JCC during the course of this assessment.

External stakeholders included organizations such as local government, NGOs and civil societies, who have an interest in the Keresas area and resident communities in and around Keresas.

Stakeholder consultation took place in the form of meetings and interviews. Meetings with government agencies and NGOs were held in their respective premises.

In all the interviews and meetings the purpose of the audit was clarified at the outset followed by an evaluation of the relationship between the stakeholder and the company before discussions proceeded in accordance with relevant RSPO principles, criteria and indicators. Apart from the environmental NGOs, all of the stakeholders agreed with its objectives and expressed their willingness to collaborate in the promotion of sustainable palm oil in Sarawak. In a number of interviews and meetings where company representatives were present this did not restrict discussion of both the positive and negative aspects of the operations. Although company representatives were present they were on the periphery and did not influence the process.

The company representatives only introduced the team and where requested left during meetings with stakeholders. For internal stakeholders the same procedure was followed and company representatives left once the consultations started. Senior management were not involved in consultations with auditors' consultations with Keresas workers and employees.

#### **List of Stakeholders Contacted**

*\*As of May 2010*

No	Name	Representatives
1	A.K. Kumaran	Keresas Plantations
2	Abudl Aziz Bin Zainal Abidin	Keresas Plantations
3	Handrick Lagang	Keresas Plantations
4	V.G Sekaren	Keresas Plantations
5	Nino Ravel	Keresas Plantations
6	Asra Suasa	Keresas Plantations
7	Ticho Ak Anchai	Canteen
8	Sujan Selua Enterprise	Canteen
9	Pendik Ak Ngu	Canteen
10	Haji Nazri Bin Mohammed	MPOB
11	Abu Hanifah Bin Ismail	NREB
12	Asang Anak Linggir	BOMBA Dept.



13	Ketua Polis Bintulu	Police Dept.
14	Mohd Marzaman Bin Mohd Salleh	Labour Dept.
15	Simon Lawai Alan	Immigration Dept
16	Yun Ming Wood Industries	Contractor
17	Smart Hub Sdn Bhd	Contractor
18	Jasa Bersih Sdn BHD	Contractor
19	Agri-Bintulu Fertilizer S/B	Supplier
20	L.H. Trading Company	Supplier
21	Wagro Trading S/B	Supplier
22	L.T. Ling Pharmacy	Supplier
23	Bintulu Wood-Tech Industrial Supply S/B	Supplier
24	UMW (BTU) East M'sia	Supplier
25	UMW Toyota Motor S/B	Supplier
26	Hap Seng Fertilizer S/B	Supplier
27	Agromate (M) S/B	Supplier
28	Shell Timur S/B	Supplier
29	Olympus Sports S/B	Supplier
30	Bintulu Ling Printing Equipment S/B	Supplier
31	Digitech Office Equipment S/B	Supplier
32	Johan Emas S/B	Supplier
33	RBM Marketing	Supplier
34	TSM Part S/B	Supplier
35	Rh. Ballrully	Local communities
36	Rh. Lichong	Local communities
37	Rh. Nuga	Local communities
38	Rh. Anchai	Local communities
39	Rh. Majang	Local communities
40	Rh. Sa	Local communities
41	Rh. Selan	Local communities
42	Rh. Chawong	Local communities
43	Rh. Embi	Local communities
44	Rh. Jam	Local communities
45	Rh. Mabong	Local communities
46	Sk Bukit Balai	Local School
47	Sk Labang	Local School
48	Tadika Kemas Sebutin	Local School
49	Klinik Tubau	Local Clinic
50	Klinik Keresa	Local Clinic

## 2.5 Date of Next Surveillance Visit

Within 12 months of 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 estates. The results for each indicator from each of these operational areas have been aggregated to provide an assessment of overall conformance of the company's operations with each criterion. A statement is provided for each of the Indicators to support the finding of the assessment team.

There were no major non-conformities raised.

Seven (7) non-conformities were assigned against minor compliance indicators. Keresa has prepared a Corrective Action Plan (Appendix D) for addressing the identified non-conformities that was reviewed and accepted by BSi.

Thirteen (13) observations/opportunities for improvement were identified. Details of the non-conformities and observations are given in Section 3.2.

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

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

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

Records of requests and responses are being maintained. Keresa ensures that any requests for information or assistance or grievances are recorded and makes records of informal requests and telephone enquiries. Requestors name, address and contact details and specifics of the request are recorded. There is a record kept of the action taken including timeliness or where requests are denied.

This process is described and is in the form of a request, grievance and complaints register. This includes a definition of the types and categories of requests for information and what cannot be considered genuine requests due to privacy and other issues. Records of requests and responses are maintained.

Under the procedure any stakeholder/public requests will be managed by stakeholder communication officers. As of now there is no requests submitted, except requests from community for particular contributions and all are recorded.

All requests are to be recorded in the register. Within the process there is also an escalation process if the line manager cannot answer the request if it is outside of his/her authority. Time limits for complying with requests are set at 72 hours and the extending of timelines can only be approved by the General Manager.

Where document requests were denied the audit found these to be mainly of a confidential financial nature. There is a list of 4 types of documents that will only be made available at the discretion of the Board of Directors in Kuching.

Small Holders have made available documents demonstrating their rights to the land including land titles and user rights.

***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.***

This criterion has been implemented and evidence is in place to support this. A large number of relevant documents are made available upon request. A number of documents are not available due to commercial confidentiality or at the discretion of the GM or in some cases depending on the nature of the information the Managing Director based in Kuching.

Documents will be able to be viewed free of charge however a charge may be made for copies of documents. There is a register available of all documents to be made publicly available which has been approved by top management.

The list of documents that can be made available on request includes:

1. Land titles/Leases
2. Maps of lease areas
3. Safety and Health Plans
4. Environmental and Social impact assessments
5. Pollution prevention plans
6. Details of any complaints or grievances
7. Negotiation Procedures
8. Continuous Improvement Plan
9. Annual Reports
10. Keresia Policies and Guidelines
11. Environmental Policies
12. Equal Employment Opportunity
13. Water Management Plans
14. Sexual Harassment Policy
15. Environment Plans & Environment Permits

16. Copies of Government laws, regulations, Code of Practices.
17. Government Environmental Monitoring Reports
18. Waste Management Plans
19. Production Reports
20. FFB Pricing Information
21. Financial report
22. Employee Training.

Documents pertaining to financial information can only be shared upon the discretion of the Keresia Managing Director based in Kuching.

Land titles will be made available on request if appropriate. Land titles are in the public domain and are readily available through government offices and are displayed in each estate office.

Group policies such as OHS, Environmental, Equal Employment Opportunities and Sexual Harassment Policies are all available.

The Keresia Safety & Health Plan will be made available on request. It is also made available on the company's website. During the assessment it was sighted in many areas including the mill and field offices and other areas such as workshops, stores and clinics.

The documented system for access to customary land and negotiation procedures for settling disputes is available on request.

There is a Continuous Improvement Plan (CIP), available for all operations including the mill and estates as well as all other ancillary operations. This includes: housing, medical, workers welfare, EMS, OHS, social issues, health, and communication with stakeholders, free prior and informed consent (FPIC).

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

Evidence that all applicable legal and regulatory requirements are implemented as prescribed. There is a register of legal and regulatory requirements.

All applicable local, national and ratified international laws and regulations have been identified. This includes areas such as: land rights, labour laws, chemical use, environmental regulations, storage etc.

There is evidence with regards to the compliance of laws and regulatory requirements. This is demonstrated through evidence such as permits, licences and certificates which are obtained in a number of areas to show compliance to laws. The records indicate the expiry dates of any licenses and permits. All permits relating to the mill such as boiler permits, mill operating permits are all displayed.

A six monthly inspection of the emissions from the mill stack are undertaken and indicate that smoke density is within allowable limits. Water testing indicates that

water quality is within guidelines. In fact all required legal requirements are complied with as far as possible.

There have been no breaches with regards to either safety or environmental issues.

There is no evidence of chronic non-compliance.

There is now a mechanism for ensuring that laws are being implemented in the form of a documented system in place for tracking any changes to the law. This is under the responsibility of the company lawyer's office in Kuching.

There is system in place to document relevant laws and regulations required to operate oil palm plantation and mill. The Total Quality Management (TQM) manager is responsible to ensure the legal compliance of aspect of the operations. The TQM Manager works closely with legal department of Limar Group in HQ office in Kuching, Sarawak. Some legal documents are placed at the HQ office. Copies should be made available in the plantation office as well for immediate access when needed.

The system is in place to document relevant laws and regulations required for oil palm plantation and mill operations including but not limited to land rights, labour laws, chemical use, environmental regulations, storage etc. All relevant laws and regulations are well documented and placed in a single designated area.

The TQM Manager is responsible for all legal compliance. Field supervisors/mandores are responsible to ensure the field activities in plantation and mill comply with legal requirement for all activities. Scheduled staff and workers meetings are conducted to ensure the progress toward legal compliance are met and solve issues if issues appear.

There is in place a documented system which includes the process for ensuring that legal requirements are known and documented. This information is passed on to the relevant areas of operations to ensure that all involved are aware of any changes to laws or any new laws introduced. The register of legal requirements including expiry dates is reviewed on a regular basis and updated whenever any new licenses/permits or obtained or existing ones are renewed.

**2.1.2 Observation: It is suggested that the blasting license used for operations in the quarry be copied and kept in the estate office at all times.**

Smallholders illustrated awareness of the relevant customary, local and national laws.

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

Documents indicate legal ownership or lease of land, and the external legal advisor maintains all original leases and land titles with copies available at the HQ.

There are documents in place showing legal ownership or lease and a history of land tenure and the actual legal use of the land and include records of any transfers of deeds.

There is evidence available of legal ownership of land in the form of leases from 1981 which run for 99 years. This also includes evidence of use of the land and conversion from rattan to oil palm which took place starting 1997 and was completed in 2007 on the current lease. Copies of the leases are publicly displayed in each estate office.

There is evidence that legal boundaries can be clearly identified. All boundary pegs and markers for both Jiba and Sujan Estates are easily located and well maintained. Each marker is further marked on the current maps available for each estate and these include the marker number of each peg. The markers are in place every 100 metres. The estate boundary is with a private forestry company.

There are no operations outside the legal boundaries of the estates of Keresas.

There is no significant land conflict at present - most issues of the few that occur are between disputing local landowners of which the company is aware of and follows the outcome to resolution. The company is independent of internal land disputes, but helps to arbitrate between disputing parties to determine the rightful owner.

However, there is an internal dispute resolution mechanism to solve any disputes including land disputes. The mechanism has not been tested as there are no disputes with Keresas at present. The mechanism has therefore not been consulted for mutually agreement with affected parties. In practice, Keresas management has been always ready to discuss any disputes with disputants.

Currently there have been negotiations going on with regards to *temuda* land (in Iban language, it means land close to the longhouses, including land cleared for farming and land left fallow to regenerate forests). This is not a dispute; however the company wants to buy the land if the community agree to sell. Negotiations continue and are amicable.

Dispute resolution mechanisms are in place and the question of how to deal with new plantings will be resolved according to legislation and the ongoing reconciliation process if and when they arise.

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

Maps are available in hard copy in appropriate scale, which can be retrieved and reviewed by contacting the Estate Managers. The estates are on Government leases and therefore there are no lands encumbered by customary rights.

Current maps are available showing occupied state land and include tenure information. There is no customary land within Keresas Plantations' boundaries. There are no operations on alienated land. Boundaries and maps of the estates are clearly shown and delineated. All land encumbered with customary rights are located outside the estate boundary.

All land titles are in place.

There are no lands under dispute within Keresas Plantations.

Copies of negotiated agreements are not required as all operations are on Government leased land.

Land titles of the estates are clear. Currently there are no acquisitions of customary land taking place. *Temuda* land owned by Rumah Mabong has not been disturbed although it is located at the border of Keresas' estate. At the time of audit Rumah Ajan has been undergoing negotiations with Keresas to open and manage the Ajan customary land (700 ha) on Rumah Ajan's request. Keresas and Ajan are still discussing it. All copies of the negotiation are well documented.

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

All requirements of this indicator have been met.

The management of Keresas can demonstrate commitment to long term economic and financial viability through long term planning.

There is an annual budget with two-year projections prepared by Keresas. It is available from the General Manager and Managing Director. There are business plans in place that take into account crop projection, mill extraction rates, costs of production, annual replanting programmes, forecasts and financial indicators. The auditor sighted crop projections for all estates. All mill extraction rates are documented.

The cost of production is reviewed and compared against expenditure each year with projects in place for future years. This includes costs per tonne of CPO.

The budget is reviewed and updated annually, at the minimum. The latest review and update was completed in May 2010.

There is no requirement for an annual replanting programme at this stage as the earliest plantings were in

1997 so there will no replanting programme until at least 2017.

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

There are SOPs in place for all areas. This includes the mill, from the reception of FFB to transportation of CPO. There are also SOPs available for all estate activities from planting to harvesting and all other related activities including road construction, drain construction, spraying, pesticide mixing and many others.

There are also SOPs in place for any related activities in the plantation areas. This includes all workshops, clinic, warehouses and stores. SOPs are also provided by the contractor operating the quarry on Sujan estate.

The SOPs are available in the mill at all the relevant work stations. They are displayed in Bahasa Malaysia and include pictures as well as text. Similarly in estate operations, SOPs are displayed and include pictures demonstrating correct methods of operations as well as text.

There have been many improvements in the control of the mill with regards operational matters since the pre-audit. The improvement in housekeeping has been noted. All areas are now tidy and well-managed which demonstrates that SOPs are being followed.

For the mill there is in place a mechanism for monitoring effectiveness of procedures. The shift supervisors check that all logbooks are completed for all SOPs and operations when required. This is done by completing each required inspection and signing the logbook, a copy of which is kept by mill management and also includes planned scheduled inspections. The operators at the mill had completed the required log sheets at each station on the required timetable from the areas sampled. These log sheets are collected and reviewed on a daily basis. The log sheets are used to identify breakdowns and cases of wear and tear where breakdowns may be imminent.

The SOPs are further supported by routine regular scheduled preventive maintenance. This is planned and carried out under the Mechanical and Electrical Engineering divisions to ensure ongoing production capability is maintained and that operating machinery is safe. Any deviation from standard procedures is reported and followed up to ensure documented practices are being followed.

There are records maintained of inspections and audit. The record of actions taken place is also recorded and available. Inspection logs of mill operations indicate monitoring of performances, any breakdowns, stoppages or major service and are recorded in both the logbook for each area and in the maintenance plan. The system requires that records of monitoring are kept, e.g. drain and pollution control devices (PCDs) as well as use of personal protection equipment (PPE) etc - any actions taken such as cleaning are being recorded.

With regards to the estates, a monthly inspection is undertaken by the Estate Managers. Records of all inspections are maintained with copies, and with actions being given to the respective Assistants to take action when required and within a set time frame depending on the seriousness of the breach. Areas of non-compliance are reported and then followed up by the Estate Manager. The inspections are scored to indicate areas for improvement and record if improvements have been made since the previous inspection. The inspections include the records of all blocks visited and therefore are identifiable to each area.

**4.1 Observation: A system is used in the estates to quantify the results of monthly field inspection, however when the result is not considered satisfactory the report does not always include the reasons why it is not compliant.**

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

Fertiliser use is being recorded and monitored. Fertiliser inputs are recorded for each estate - including recommendations and actual application against the recommended doses.

Records indicate type of fertiliser used and block numbers of areas where it is applied.

There is evidence of regular, periodic tissue analysis including for the last 5 years. Tissue analysis is done by an external testing body – and data reported includes location of estate – in this case CCF which is based in peninsular Malaysia. The latest tissue analysis was completed in 2009.

There is evidence of soil sampling available and this last took place in 2005 with plans to complete this exercise again in August 2010.

Keresa has soil maps in place; this includes different types of soils.

There is also a strategy for returning EFB to the field.

The nutrient efficiency of the soil takes into account the age of plantations and local soil conditions.

Maps are available of where by-products are applied. There are records where EFB is applied. Soil conditions are monitored to ensure that EFB is applied in the correct areas where nutrients are needed.

Under Sarawak law, land application of POME is not allowed and therefore POME is treated and discharged using the pond system.

There will be no replanting before 2017 and Keresa has in place a strict no burning policy under any circumstances.

Small Holders demonstrated that they understand the requirements and techniques to maintain soil fertility and this was explained to them by company representatives.

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

There are maps available showing the slope of the land in each estate – practices do normally minimise soil erosion by following the Sarawak requirements for planting on slope. There is some undulating land, however none is very steep and none appears in excess of 15°. Any areas that are considered steep are however terraced to prevent erosion. Levees are also built on terraces to prevent water run-off. On the whole, cover crop is adequate in most places.

The areas which were reported as having been over-sprayed during the pre-audit have now been addressed and cover crop is now growing back to further reduce erosion.

**4.3 Observation: In Jiba where areas of bracken were sprayed with herbicide there is evidence that there was some unnecessary spraying on the banks of a nearby small stream.**

Effective frond stacking also helps to prevent and control erosion. On steep areas fronds are consistently stacked along the contours to prevent further erosion in these areas.

There is a road maintenance programme and this has now been fully documented. This is now in place for each estate – this programme nominates roads requiring repairs and upkeep as well as those in need of drains. The roading plan includes a review of problem roads, camber and drains required to get any rain water quickly off the roads to prevent damage. The road maintenance plan is updated progressively as roads are graded. There is a SOP in place for road maintenance.

There are no known fragile or problems soils at Keresa.

There is only very shallow peat on Keresa estates – in an area less than 60 hectares – this has been surveyed and marked on soil maps.

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

Water courses and wetlands are protected. Keresa practices include maintaining and restoring appropriate riparian buffer zones along all bodies of water at replanting. The signs indicating the status of the buffer zones are now complete and in place. A number of areas planted prior to 2003 are encroaching into buffer zones,

however management at Keresas have left these areas and will not cultivate them. There will be no spraying of these areas and they will be left in place and unharvested to form part of the buffer zone.

A number of rivers running through the property do have in place natural vegetation and these areas are quite attractive and attract bird and animal life.

There have been no weirs, dams or bunds constructed on waterways running through Keresas estates.

An external organisation is monitoring waterways within Keresas estates every 3 months. Samples are taken at a number of sample points marked on the accompanying maps. These reports are indicating that from time to time, water quality is outside the limits set by the local government. This involves readings of faecal coliform and low pH. These tests are now providing readings with regards to incoming water from outside of Keresas boundaries and outgoing water. With this data Keresas management is able to accurately trace the sources of pollution and then take steps to rectify these matters. The water quality has not been reduced by Keresas activities according to these results.

Keresas estates are monitoring rainfall in three areas – at each estate office and at the central mess area. They have records in place for the last 5 years.

Keresas mill has recently had water flow meters installed and therefore have only been monitoring water use for the last few months.

There is no evidence of water draining into any protected areas.

A water management plan has been prepared. This includes but is not limited to:

- Management of discharge including BOD.
- Water usage
- Repair and maintain at water outlets
- Water management with regards to roads and drains
- Protection of all waterways
- Control of pesticides near waterways

Hazardous chemicals are prevented from entering waterways via good management practices including: pre-mixing of pesticides in dedicated areas; use of secure storage; and use of bunding – no mixing of chemicals, etc, is carried out in proximity to water courses.

Keresas have constructed scheduled waste stores for the control and disposal of all containers and other pesticide waste, they are keeping records of amounts of waste in the store.

Control also includes correct storage of bulk chemicals and fertiliser, control of hydrocarbons to prevent

contamination - provision of bunds, spill kits and drip trays.

Mill effluent is treated appropriately and appears effective. The records of monitoring of effluent are in place, however testing is now following a controlled methodology to ensure that results are consistent. This is on a regular scheduled basis and is recorded weekly.

Extensive training takes place to ensure that workers are aware of the proper disposal of any chemical wastes including pesticides, etc.

Small Holders are aware that they should protect water courses and do not plant in these areas. There are no bunds or weirs constructed on small holders land.

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

There is an IPM system in place. This includes control of pests using biological and chemical methods to reduce pests. There is an aim for a reduction in the use of chemicals where possible.

The IPM programme is documented for relevant pests that set out techniques, chemicals to be used, location and timeframe for implementation.

Techniques used include use of beneficial plants such as *Tunera* to control pests. Also included is the use of pheromones to control Rhinoceros beetles. There is also a policy of not killing snakes in Keresas and this has led to a substantial reduction in the number of rats in the plantation. This is further evidenced by the fact that rat bait has not been purchased for more than 1 year.

The IPM programme is monitored to determine success. This includes monitoring use of pheromones and moving traps once an area is shown to be clear. There are no serious outbreaks of major pests at this time. Results of census or monitoring indicated that no large scale pests outbreaks were identified. Pest & Disease detection is carried out during the monthly Field Audit Observation report. The individual Assistant Managers for each estate also record any detection in their monthly field report.

A record of training for handlers of pesticides is in place and includes techniques such as PPE used and spraying control.

There are extensive records of pesticide usage. This includes amounts used, where applied and number of applications. There are records in place for all blocks in both Jiba and Sujan estates. Keresas is also measuring the active ingredients of all chemicals being used.

Since the IPM was introduced there has been a substantial reduction in the use of all pesticides – this is

in excess of 20% from 2008 to 2009. There has been a further reduction of 30% pesticide used so far in 2010.

Small Holders do not use pesticides to control pests and this is not supplied. They rely on biological techniques such as trapping rats.

**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.**

There is now a documented justification for all agrochemical use in place. There is a register which records product use; when required; amounts to be used and frequency of use. This is documented within the field operations' SOP specific for pesticide usage, which ensures that the most effective and least harmful chemicals are always the first choice and there is avoidance of prophylactic and indiscriminate spraying.

The only chemicals used are those registered under the Pesticides Act 1974. All chemicals are centrally purchased and the store only selects approved chemicals. Keresas has therefore defined the chemicals which may be used. A review of chemicals in the various pesticide stores confirmed that only approved chemicals are being used.

The pesticides located in each estate are stored safely in accordance with Occupational Safety and Health Act 1994. They are in locked stores with limited access to keys. The stores are secure – there is a plan in place to build two new stores to ensure all controls are centralised and that mixing area, storage areas and areas for washing overalls are provided in one location to reduce double handling. There are also washing facilities in place for pesticide handlers in case of emergencies. All chemical containers which are not recycled into the field for use with pre-mix of pesticides are triple-rinsed and then pierced and stored in the scheduled waste store.

MSDS have been obtained for all chemicals being used. These are now available in Bahasa Malaysia and are on display and readily available to the chemical handlers whether in the field or in mills. There are also pictures displayed in the store areas on the precautions to be taken when handling chemicals. Furthermore, training is provided to the operators in the correct and safe ways in chemical handling. Records of this training are provided. Only trained persons are allowed to handle application of pesticides. No concentrates are taken into the field as all spray solutions are pre-mixed in a designated area.

There are monthly medical checks completed by the Hospital Assistants for all sprayers and mixers of

pesticides and other chemical handlers. Records are in place in each clinic of this monthly testing. The medical check as per the CHRA was carried out by the visiting medical officer (VMO) on 24.4.10 at Jiba Estate.

**4.6 Observation: The VMO should be asked to mark off the name of each person tested individually rather than just saying all were found to be clear – although the pesticide handlers were marked off on the clinic records by the VMO.**

It is Keresas policy not to have pregnant or breastfeeding women work with pesticides. There are many migrant workers at Keresas and under Government regulations; their contracts do not allow them to become pregnant.

Paraquat is used in the nurseries and on immature areas. It is also used for selective spraying of volunteer oil palm seedlings and if continuous rain precludes use of alternatives. Use is being slowly reduced. As with all chemicals, records are kept of any paraquat application. Evidence demonstrates that the use of paraquat has reduced steadily over the last few years since comprehensive records have been kept.

There is no aerial spraying of pesticides in Keresas estates.

There has been no request for CPO residue testing from the supply chain.

Records of pesticide usage are very good and include as a minimum areas treated, amount of pesticide used per hectare and number of applications. Usage is compared with records of previous years and this information is used to monitor and plan reduction in use. Keresas estates maintain records of the active ingredients of the chemicals being used. The records for each block in each estate are complete. Records have been kept since 2007.

Small Holders have received training in the use of chemicals however these are not supplied by Keresas. Small Holders rarely if ever use hazardous chemicals.

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

There is a formalised OHS Plan in place in all the following areas:

- Estates
- Mill
- Workshops
- Clinics
- Stores

This plan is in compliance to the requirements of OSH Act 1994 and the Factory and Machinery Act 1974. Keresas has obtained copies of both of these acts and they are available for the staff managing OHS.

a) Keresha has in place a health and safety policy which is implemented and is now displayed in all areas that are more heavily visited to ensure all workers are aware of the policy. This was sighted in all work places such as throughout the mill, in workshops, pesticide stores, clinics and throughout estate offices.

b) Most operations have now been adequately risk assessed and these risks have now been documented. This includes almost all areas including estates, mills and other work areas.

**4.7.1. (b) Minor NCR: Although hazards have been identified in all areas, the risk assessment has not been completed fully – once a hazard is identified the risk needs to be accurately assessed for example in some areas of the mill.**

- c) Awareness and training programmes have been run with regards risks with emphasis on pesticides.
  - i. These are extensive and many records are available of the training programmes run. These records are kept in each estate and include training subject, attendees and names of the trainers. Training is also provided for plant operators such as tractor drivers. There is also training in fire fighting and other emergency scenarios.
  - ii. Although generally precautions attached to products are properly observed. There has been a large improvement in the safety awareness at Keresha since the pre-audit. There was a big improvement in house-keeping throughout the estates.

However a Minor NCR was raised in this area.

**4.7.1 (c) Minor NCR: Signage indicating contractors working on roads are not in place, some bottles in Sujan store was not adequately identified, some safety warning signs required.**

Areas of improvement included:

- Gas bottles all restrained
- Contents of gas bottles identified
- Contractors wearing shoes and other PPE
- Improved signage
- Improved housekeeping
- Improved electrical safety
- Better control of contractors in quarry area

- a) The provision and use of PPE overall is very widespread in all areas. This includes pesticide sprayers and mixers who were all observed to use the correct PPE at all times. The same can be said of the mill where all workers were observed to be using PPE correctly. Keresha provides adequate PPE for all workers where there is a risk. For example sprayers have in place helmets, aprons, boots, gloves and eye

protection. Tractor drivers must also wear safety helmets.

- b) A responsible person for OSH has been appointed for Keresha – this is the TQM Manager. Each work area including estate and mills has nominated a person responsible for OSH. This person chairs the local safety meetings.
- c) There are regular meetings in all areas to discuss OSH matters – held at the minimum of 3 monthly intervals in all areas. The meetings held are very comprehensive and include representatives of all workers. The estates, mills, stores and other areas have regular. These are all recorded. Then the workers are informed of any issues at morning muster. Records of these “tool box” talks are held by the assistant in charge of each particular area.
- d) Accident and emergency procedures exist and are available in Bahasa Malaysia, and they are widely available to workers on noticeboards. These are tested from time to time. For example, fire drills are held and the records are kept of these drills. The Emergency Response plans are available in each area. Training and drills are also held with regards to other possible emergencies such as vehicle accidents or chemical spills.
- e) There are trained First Aiders in both mill and field and these are made known to all workers through noticeboards/photographs, etc. There are records of first aid training available for all workers thus trained. Copies of certificates awarded to trained First Aiders were sighted.
- f) First Aid equipment is widely available in all areas. These are well stocked and inspected regularly and re-stocked as required. First Aid kits were sighted throughout the mill, in workshops, stores and estate offices.

All workers are covered by accident insurance. Malaysian staff and workers are covered by SOCSO. Foreign workers are covered under a separate policy.

Keresha has instituted a training program for smallholders but there is a requirement for increased staffing and budget support for training.

There were no reports of serious injuries occurring on the smallholder blocks, common sense tends to prevail.

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



Keresa has produced a Training Plan for 2010, which outlines the company's training policies and objectives, the types of training that may be undertaken, and process for assessing staff performance. It is more of a policy document than a plan.

The identification of training needs is the responsibility of each manager, with training records maintained by Human Resources.

The training programme focuses on the provision of short courses.

Specialised training courses are also planned as the need arises and this includes group or in-house training. Some training is carried out on demand.

There are formal training records for all supervisory staff up to the level of senior management. This includes recording of external courses attended or skills attained – these records are maintained by the administration department.

There are training records in place at each operational site recording skills and training, and these were sighted at a number of operational areas during the audit.

Some of the records are in the form of training attendance registers recording field training as well as more formal skills courses such as plant operators, driver's licenses, boiler operators and Red Cross First Aid training.

Training records are therefore kept for all employees.

Small Holders receive training from Keresa who also retain records of attendance at any training days.

**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.**

An Environmental Aspects and Impacts register has been developed and is reviewed and updated at least bi-annually, the last update being in February 2010. The register is comprehensive and clearly identifies significant environmental aspects and also nominates any legal requirements or restriction classed within the aspects. This register covers all operations impacted upon by Keresa.

This register also needs to include occasional operations such as housing construction and any other projects which have a short term impact on operations.

All environmental impact assessments cover both onsite and offsite activities. Whenever there are changes made to operations, impacts are updated to reflect these changes. The quarry being worked by the contractor has to be included in any environmental impact assessment.

Impact assessment includes:

- Building new roads, processing mills or other infrastructure.
- Putting in drainage or irrigation systems.
- Replanting or expansion of planting area.
- Disposal of mill effluent (see criterion 4.4).

**5.1 Observation: Impacts will need to be reviewed as techniques or operations change – the period of review has not been confirmed.**

All environmental impact assessments have been carried out when and where appropriate. All departments visited did have current environmental impact assessments available.

An environmental improvement plan has been developed and has now been rolled out. The plan includes assessment of impacts including soil and water resources, air quality (see criterion 5.6), biodiversity and ecosystems, and people's amenity (see criterion 6.1 for social impacts), both on- and off-site.

**5.1 Observation: Any positive impacts should also be included in environmental improvement plans.**

There are improvement plans in place for all activities to reduce impacts of Keresa operations. During the audit it was noted that all small holders audited have changed practices from widespread use of fire and are aware impact caused by their activities.

**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.**

Identification of high conservation value (HCV) habitats and protected areas, such as rare and threatened ecosystems that could be significantly affected by the grower or miller has been undertaken in an HCV assessment. The HCV assessment was undertaken by an independent body named Wild Asia with the main assessor being Dr Reza Azmi who is approved by RSPO as an HCV assessor. There were no protected, rare or threatened species identified in the Keresa area and adjacent land which appears to be all government land under forestry projects. A number of riparian areas have been identified as HCV areas and these have been signposted (see comments earlier). The HCV report concludes that there is no HCV in the areas. Some potential HCV 1.2 (threatened and endangered species) and HCV 1.3 (endemic species) may occur and with current control the potential HCVs may continue to survive.

A comprehensive and collated document of HCV assessment has been made available. The HCV report has identified the areas for more action to ensure that

the biodiversity is well-managed and enhanced in the estate territory.

Some areas with HCV such as areas along both sides of the banks of rivers/creeks have been set aside as buffer zones. Buffer zone signs have been installed and buffer zone poles are in place. . What has been identified is an overview of HCV in the wider landscape. Management is therefore committed to the protection of buffer zones by posting signboards as above as well as no-hunting signs and introduced stronger law enforcement. The signs are all in the local language.

With regards to establishing the conservation status (e.g. IUCN status), legal protection, population status and habitat requirements of rare, threatened or endangered species that could be significantly affected by the grower or miller – there are no identified rare, threatened or endangered species in the Keresa operational area and bordering on Keresa operations.

Currently no new land clearing is taking place. Management commits to protect any habitats with HCVs. A comprehensive report of HCV areas assessment with determines which areas in the property that needs to be protected has been completed – see earlier. Any new planting or land clearing will be initiated with the HCV and SIA assessment.

Small Holders are aware of any restrictions and appear to abide by signs in place.

No hunting was observed during this audit. Communities recognize the company's policy on no hunting in the property.

Staff is aware of the requirements with regards buffer zones and all were observed found to be within the required limits depending on the width of the waterway. The buffer, riparian and conservation areas are monitored by Field Assistants to ensure they are maintained.

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

The waste management plan has been prepared and includes pesticide-contaminated waste. The waste management plan is up to date and in place at all operations. There are plans in place to recycle where possible, including batteries, aluminium, waste oil, chemical containers, half drum used for spill kits and rubbish bins.

Waste is recycled wherever possible. Examples of recycling strategies include identification of the types of wastes, prohibited wastes guidelines, re-use of waste

containing nutrients, management of effluent ponds, increasing the efficiency mill extraction.

The company's environmental aspects register formally identifies all sources of pollution and waste and states their impacts and required mitigation measures. This register is updated at least annually or when new waste sources become apparent.

Waste control at present is much improved however more improvement is required.

Keresa has in place treatment system for POME in the form of effluent ponds.

The following waste streams have been identified and are controlled through the Environmental Management system in operation at Keresa.

- Mill effluent – through effluent ponds and land application.
- EFB other by-products – recycled to the field
- Fibre by-product – fuel for furnace.
- Oils and hydrocarbons (including containers) to hydrocarbon pit or recycled
- Hydrocarbon spills treated with sawdust then burnt in boiler.
- Used oil – recycled, burnt in boiler.
- Pesticides, including containers which are triple rinsed, punctured and to pesticide pit.
- Pesticide spills – cleaned with spill kits, used kits sent to pesticide pit.
- Office waste – segregated, recycled where possible with rest to the landfill.
- Household waste – segregated, recycled where possible with the rest to the landfill.
- Human waste – Septic system and soak a-ways.

Landfill sites are in place for all areas. Although landfills are well controlled as far as litter and odour are concerned they could be improved with regards to efficiency. The landfills should be properly formed to get a longer life for them. They need to include a levee on each side to deflect rainwater run off out of the landfill thereby reducing the build-up of leachate. They could also be deeper and should be dug by the excavator.

The collection of household waste is well controlled. There are formal rubbish collections in all areas at least weekly. This is monitored regularly. The garbage collection system in each staffing compound includes separate bins for green waste and other household garbage. The green waste is recycled and utilised for agriculture. The remaining household garbage is buried in landfill sites which are adequately fenced and managed. There is no evidence of windblown waste or bad odour in these areas.

There is no evidence of burning or putting green waste in landfills. All landfill sites are well away from waterways and residential areas – over 1 kilometre in all

cases. Landfill operators now fill from one end and compact as they go with regards to general waste.

As far as bulk storage of fuel, traps have now been installed to trap any waste runoff to aid in proper disposal of waste. There is also a plan to put roofs over the bulk fuel stations.

There is an inspection of all areas, which is carried out monthly. Each linesite now has a clerk who is in charge to ensure they remain clean and tidy.

- The following areas waste control have improved since the pre-audit:
  - a) Control of waste within company compounds.
  - b) The control of waste in the mill.
  - c) The mill stormwater interceptor trap has been repaired.
  - d) A number of bunds required to control bulk hydrocarbon tanks in estate and mills have now been provided.
  - e) Drip trays are being used to prevent spills.
  - f) Improvement management of landfill site by more efficient use of space.

However a Minor NCR was raised with regards waste control.

**5.3 Minor NCR: There were areas sighted that did not have effective waste control – this included the contractor working on new housing at Jiba; contractors using housing at Sujan have left a messy area including rubbish, unmarked chemical containers and a general mess; and the old Sujan store did not have drip trays to control hydrocarbon spills.**

Keresa does however ensure that the quantity of pesticide waste is recorded when placed in the scheduled waste store. Amounts which are picked up by contractors are also recorded.

Medical waste records are available, which include disposal of sharps and contaminated medical waste, giving amounts destroyed and where transported from, with dates. All clinics collect their waste until incineration occurs. The clinics also record the return of expired ointments and drugs. Medical waste is collected from each clinic and records of its destruction are kept – this includes needles, syringes and contaminated bandages. There is in place a facility to properly destroy all medical wastes.

All crops residue and biomass and recycled.

Fibre is used as fuel in boiler. EFB is being applied on the field – as a nutrient and treated POME will be used as land application. All other residues including decanter cake, etc, are also applied in the field. Records are in place of all EFB returned to the field and the areas to which it is sent.

Fronds are stacked in the field, to recycle nutrients and to help prevent erosion.

Small holders who live on their blocks ensure domestic waste is minimal. In general there was very little evidence of burning of refuse.

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

Keresa uses fibre to power the boiler which produces steam which drives the turbine for electricity - the use of renewable energy in this case would be almost 100% under normal operating conditions. They provide records of both monitoring of kilowatt hours per tonne of palm product and kilogram of steam per tonne FFB.

A number of sheds including pesticide and fertiliser stores rely on natural light (translucent roof panels) and therefore usage of electricity for lighting is reduced.

Keresa provides records of both monitoring of kilowatt hours per tonne of palm product and kilogram of steam per tonne FFB.

Keresa monitors the use of non-renewable energy (diesel) and this is monitored in the form of data which records use of diesel per tonne of FFB. Only started keeping records when mill was brought back into production approximately 2007.

The fuel used for all operations is measured and monitored with a view to reduce use of non-renewable energy.

**5.4.2 Observation: There is a need to include all fuel used by contractors, transport and other operations with regards to use of non-renewable energy sources.**

**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.**

Fire is not being used in anyway at all by Keresa for land preparation for replanting. Neither is fire used for waste disposal by Keresa.

There has not been any sanitary burning at Keresa at this stage but Keresa will record any areas of sanitary burning for example the most effective way of destroying rotten FFB. This only happens in extreme cases.

Burning of domestic waste is against company policy and has been mostly eradicated. It is very rare to sight evidence of the burning of domestic waste by workers and families of Keresa.

The incineration of all medical wastes such as sharps, used bandages and gloves is permitted. Records are maintained of the amounts destroyed. This is carried out using a specially designed and constructed incinerator.

Small Holders do not use fire for either clearing or replanting and this has been discouraged by Keresha management.

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

Assessments have been carried out on all recognised polluting activities and include gas and smoke emissions, particulate and soot emissions, effluent control, treatment and discharge. Any significant pollutants and emissions have been identified. There is a plan in place to reduce pollution – this is included in the aspects/impacts register and in the Continual Improvement Plan.

Stack emissions are being measured by readers that show emission levels. These are supported by an online monitoring system which is available online in Bintulu.

Keresha records smoke emissions with meaningful data which accurately rates emission levels and does not give false readings which indicate pollution when this does not appear to be the case. There is also a six-monthly check undertaken by a government agency and recent records of the review undertaken in April 2010 show that emissions are within allowable limits.

Keresha are therefore keeping adequate records of mill emissions and effluent including critical data such as smoke emissions, BOD levels, Total Suspended Solids and oil & grease as required by the relevant environmental permits. This is now a much-improved practice over what was seen during the previous pre-audit. Records are now in place for over twelve months of these readings.

Significant pollutants and emissions have been identified within the Environmental Impacts register, and plans are in place to reduce impacts via the Environmental Improvement Plan.

Plans indicate allowable waste levels, and systems such as segregation and recycling have been introduced.

The treatment methodology of POME is recorded in effluent pond management plans.

All drains within the mill and other areas are monitored and interceptors are in place to prevent stormwater pollution. Records are in place to record inspection, cleaning and effectiveness of these PCDs. Recently a number of these traps have had their capacity increased and are now more effective.

There is a small portion of shallow peat (depth: 1-1.5 feet deep). It is not a continuous peat and certain parts consist of mineral soil. The 60 hectares is located in 2005NP and the planting of oil palm was completed in March 2005. Before oil palm, it was planted with rattan. Drainage was done before planting rattan and before rattan it was a secondary jungle.

**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.**

Social impact assessments are undertaken by either Keresha or independent consultants depending on the situation. Items considered which could have potential social impacts include: building of new roads, new mills, planting expansions, mill effluent disposal and clearing of natural vegetation.

The management of Keresha takes into account a number of social impacts and these include: access and use rights, economics, subsistence activities, cultural values, health and education. These are to be thoroughly documented through Social Impact Assessments.

Social impacts are identified through dialogues between company and workers, and company and communities. Workers have two mechanisms to channel aspirations, concerns, etc.: dialogues (organized when there is a need to do it) and through JCC (Joint Consultative Committee). JCC is organized every three months and is attended by workers' representatives. All meetings are documented.

For the community, there is a participatory dialogue that has been established to identify the impacts of plantation on the community and also to channel any community suggestions, grievances and concerns. The dialogues are also intended to collect information on issues that need responses by company. Meetings/dialogues were recorded. A comprehensive document to summarize the dialogues both with workers and community has not been produced. There is no system in place to ensure that the issues addressed during meetings/dialogues are followed up. The comprehensive document should cover current social condition, issues and action plan. The document can be used for social management plan for a 6-12 month period. This becomes a basis for workers and community programmes. The comprehensive document should cover current social conditions, issues and action plan.

The involvement of independent experts has been sought where this is considered necessary to ensure that all impacts (both positive and negative) are identified.

An assessment was carried out in a participatory manner in several *rumah panjang* (longhouses) with communities and in the plantation with workers. Social assessments were conducted by companies with the help of the Wild Asia team. The assessment applied a participatory dialogue approach and designed in a series of meetings/dialogues.

Assessment document has now been produced and was available.

Based on the need assessment and consultation there are lots of ideas and activities proposed by communities, workers and staff. Based on that, no plan of action has been put in place. A mitigation plan and monitoring of the social management plan is not in place.

A timetable with responsibilities for mitigation and monitoring, reviewed and updated as necessary, in those cases where the assessment has concluded that changes should be made to current practices is not yet in place. Keresha will need to ensure that a timetable for mitigation of matters raised and requiring action is maintained.

**Minor NCR 6.1.3. Based on the need assessment and consultation there are lots of ideas and activities proposed by communities, workers and staff. Based on that, no plan of action has yet been put in place. Therefore a mitigation plan and monitoring of the social management plan is not in place.**

***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.***

There is a communication policy. The estate develops the policy as an internal communication policy to all affected parties. There is a mechanism to discuss the policy with all affected parties so that they are in agreement to the policy.

Keresha implements the communication policy through the establishment of fora for dialogues both with workers and community. A list of stakeholders is developed and available, all dialogues and regular meetings are recorded.

**6.2 Observation: Action plans as a result of stakeholder dialogues have not been well developed and follow-up actions have not been recorded in some cases. Each Estate manager is responsible to ensure that stakeholder inputs are followed up properly.**

The responsibility for stakeholder communication is TQM manager. He is the official responsible for stakeholder communication.

**6.2 Observation: It would be an advantage if the TQM manager appointed a dedicated officer to help him with stakeholder communication. TQM manager has an overload of responsibilities with a wide variety of assignments.**

There is a list of stakeholders.

**6.2 Observation: The list of stakeholders could be enriched by describing with regards to the stakeholders the following: what are their roles, rights, responsibility, revenue/benefits and other useful characteristics.**

All dialogues and regular meetings are recorded. These records are extensive and include dates of meetings, topics, attendance and agreed outcomes.

***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.***

Issues covered and identified during the dialogues, particularly with communities are documented. A responsible officer for handling and communicating is the TQM manager as stakeholders' communication officer.

An internal dispute mechanism/system has been developed to solve any disputes.

**6.3 Observation: Continuous communication with community needs to be conducted to build trust and achieve mutual benefits.**

Although a needs assessment with workers/staff was conducted and covered with variety of issues and proposals, a record was made on issues related with rights of immigrant workers to have children during the term of the contract as this is not allowed under the current work contract which the migrant workers signed.

It was understood that the workers had been informed prior to acceptance to work in Keresha with regards to allowing them to have children; however, the workers still hope company will find way to issue a policy allowing them to have their children with them.

Other issues are related with the use and ownership of motorcycles. Such issues need to be discussed openly and transparently so that workers have a freedom to express and channel concerns without fear; and to get better understanding on the company's position on such policies. (See 3.4)

Although consultation and a needs assessment has been done with communities, some aspects may not be well understood by communities such the possible dispute settlement mechanism. Continuous communication and consultation needs to be developed. The system has not been discussed with the communities in particular. Some of the *rumah panjang* community, for example were not aware that there is a mechanism to resolve any future disputes.

**Minor NCR 6.3.2 The local communities such as those from the longhouses have not been made aware of mechanism to solve future disputes.**

***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.***

Legal and customary rights are respected. Some *temuda* belong to some indigenous communities are not disturbed as long as they are not in agreement between the community and with the company. There is a legal procedure to determine customary rights over the lands and company complies with that accordingly.

There is a procedure in the documentation for the identification of customary land rights and compensation procedures.

The negotiations over *temuda* areas have not yet been completed. The new request from Ajan community to open community land for oil palm is under discussion and the process is documented.

***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.***

There is documentation of pay for all employees. A detailed calculation of the payment is presented as a record. A sample of payment documents taken suggests that the payment for sprayer ranges from RM229 to RM523.50 depending on their attendance and deductions. Harvesters can earn higher, ranging from RM924.57 up to RM 1,249.71. Therefore decent living wages are being provided.

The Malaysian government does not apply a minimum legal wage. However, under the Employment Regulations, 1957, workers are informed about aspects such as wage rates (excluding other allowances); other allowances payable and rates; rates for overtime work; other benefits (including approved amenities and service); agreed normal hours of work per day; agreed period of notice for termination of employment or wages in lieu; number of days entitlement to holidays and annual leave with pay; duration of wage period; details of wages and allowances earned during each wage period: Where pay is calculated by reference to time, that is by the hour, day, week or month: (i) Rate of pay; (ii) Total No. of days of normal hours of work during each wage period; (iii) Total amount of wages for normal hours of work during each wage period; (iv) Rate of pay per hour for overtime work; etc.

The employment contract is in Bahasa Malaysia. New workers hardly understand due to the level of education and most of the new workers still need some time to adapt properly. Indonesian language would be more preferable.

**6.5 Observation: Keres a officials should ensure all workers understand the terms and conditions of their employment and have these explained by a representative if they cannot understand clearly.**

Under the procedure there is an orientation stage for new workers (migrant workers) upon their arrival. Some of the workers interviewed did not really understand what has been explained. There is a need to develop a more systemic and better planned orientation more than functions just as a formality. See observation above.

Workers are provided with housing, water supplies, medical, educational and welfare amenities. Old housing, however, are considered inadequate (limited ventilation, poor drainage system, poor toilets, etc.). Keres a plans to reconstruct new housing of which some have already been completed. The total housing complex is targeted to be complete at the end of this year (2010). There is a contract for construction and a development plan available. The new housing is very good and workers spoken to were very satisfied with the standard of the new housing. The plan to have all housing upgraded by end of 2010 is ambitious and Keres a management is to be applauded for this.

There are at least two active contactors working in the plantation: Smart Hub Sdn Bhd and Yun Ming Wood Industries. Smart Hub signed an agreement to comply with terms related with health and safety and other workers' rights regulation and compliance with relevant RSPO aspects.

**6.5.2 Minor NCR: Yun Ming Wood Industries has no such contract agreement requiring compliance to meet health and safety requirements and other workers requirements.**

**6.5.2 Minor NCR: To enforce use of PPE, Keres a and workers have agreed on a penalty mechanism, however this was put in place on the day after the agreement and workers should have been given time to become aware of the new requirements and changes in regulations.**

***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 immigrant contract workers are not allowed to join or form workers' union under the Government of Malaysia. Trade Unions Act 1959 (Act 262) & regulations (Clause 29 (2), Employees of a Trade Union): "A person shall not be employed by a registered trade union.... If he is not a citizen of the Federation resident in West Malaysia..." However, for Malaysian worker there is no union as well. The Company does not prohibit workers from establishing a union.

There is a policy recognizing freedom of association.

Workers are able to channel any issues and concerns through JCC. Minutes of JCC meeting are documented. JCC members met have low understanding of their role in the JCC. Meeting minutes for March 2010 were sighted.

**6.6 Observation: Workers are required to have better understanding of their role within the JCC and therefore training and awareness in this area is required for members of the JCC.**

**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 company checks all documents (particularly of migrant workers) including age through passport (for Indonesians); and identification card/birth certificate (for Malaysians).

The auditor did not find workers aged below 18. Under the Government of Malaysia regulations the minimum age is 18 years old. At plantations minimum age of the workers is recorded at 21 years and mill at 20 years.

Small Holders children attend school and only work if permitted during school breaks and holidays. All small holders are keen to send their children to school to obtain a good education. This is very important to all small holders interviewed.

**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.**

Keresa does not knowingly engage in any form of discrimination.

Equal Employment Policy is now publicly available and widely distributed and displayed.

There is no evidence that there has been any discrimination as no issues have been recorded – therefore no evidence of any discrimination.

Small Holders do not use migrant workers.

**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.**

There is a policy in place on sexual harassment and is documented and available to managers, assistants and all stakeholders via notice boards.

There are no cases reported so far.

There is a policy to allow for breastfeeding. Employees are allowed to breastfeed 30 minutes per day (twice). Pay is not docked. There are no breastfeeding workers at present employed at Keresa.

A sexual harassment grievance mechanism has been established.

Small Holders are aware of the grievance mechanism available to them through Keresa.

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

Prices are publicly available at the notice board at the weighing site. In addition, suppliers have access to price, usually from their own peers. Company provides price information to farmers.

There is a price mechanism available for farmers.

There is a clear contract agreement with contractors for example with those who build housing complex and estate infrastructure. The contract with suppliers of FFB based on a supplying basis. There is no long term contract.

There were no complaints received about timing of payments.

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

Keresa makes contributions to local development – records of all consultative arrangements are clear and open.

Contribution to local development takes place in the following sequence: firstly community will make request to mills or estates. Then, the request will be decided by management (at the head office) for agreement. Community representatives will be informed during meetings with external stakeholders carried out from time to time – these are recorded. Most of the contribution made is provision of building material and provision of grader for village road maintenance.

Records are held on files which are available to all stakeholders. Records of contribution to communities are held on the “Community Development File”, among other responses to requests of assistance by local communities, such as sporting activities, graders etc.

Some plantation activities such as construction of the housing complex, road maintenance and plantation maintenance are contracted to local contractors.

Records are in place for all requests and contributions.

**Criterion 7.1 A comprehensive and participatory social and environmental impact assessment is undertaken prior to establishing new plantings or operations, or expanding existing ones, and the results incorporated into planning, management and operations.**

Although outside the scope of the current audit, Keresas plans to establish new plantings in the future and will need to give attention to the conduct of any future social and environmental impact assessments (SEIA). While RSPO does not provide a clear definition of SEIA, the international literature is well-founded and very clear on what constitutes an SEIA.

**Criterion 7.2 Soil surveys and topographic information are used for site planning in the establishment of new plantings, and the results are incorporated into plans and operations.**

Detailed soil surveys and soil analysis will be carried out for all new land intended for development with the view of improving management of these soils. Soil survey reports for areas already developed are available.

**Criterion 7.3 New plantings since November 2005 have not replaced primary forest or any area containing one or more high Conservation Values.**

New plantings have not replaced primary forest or any areas of HCV. Management plans for identified HCV sites are being developed and work in some areas have started especially in rehabilitating the HCVs and natural corridors (along creeks/streams).

**Criterion 7.4 Extensive plantings on steep terrain, and/or on marginal and fragile soils, is avoided.**

Oil palm has not been planted on marginal or fragile soils or on steep terrain. Some areas contain gullies and these will be considered for planting of trees to improve biodiversity.

**Criterion 7.5 No new plantings are established on local peoples' land without their free, prior and informed consent, dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their own representative institutions.**

FPIC is defined in the RSPO Principles and Criteria.

**Criterion 7.6 Local people are compensated for any agreed land acquisitions and relinquishment of rights, subject to their free, prior and informed consent and negotiated agreements.**

Keresas will ensure that local people are fairly compensated for any land acquisitions and are fully informed – see above 7.1.

**Criterion 7.7 Use of fire in the preparation of new plantings is avoided other than in specific situations as identified in the ASEAN guidelines or other regional best practices.**

Fire is not used by the company in new developments. Fire is used by the community in existing areas outside of the plantations as part of their culture for hunting and subsistence farming. The company will need to exert influence on external stakeholders if this is to be controlled.

**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.**

Continuous improvement is a key requirement and a particular strength of the RSPO P&C. Social indicators need to be developed for Keresas to monitor improvements. As discussed under Criteria 6.1, the Social Improvement Plan could be used to monitor continuous improvement. However, the Social Improvement Plan needs indicators that are quantifiable and measurable if they are to be used to measure and demonstrate continuous improvement.

The company has therefore implemented a Continuous Improvement Plan. The initial improvement plan has been expanded, particularly in the area of social impacts, and indicators developed against which performance can be monitored and assessed. A range of indicators to monitor social impacts have been developed for employees, customary owners with customary owners with oil palm smallholdings, other local communities and local service providers.

Objectives and targets have been developed and an improvement plan prepared. The focus of continual improvement includes:

- Reduction in the use of certain pesticides (criterion 4.6).
- Environmental impacts (criterion 5.1).
- Waste reduction
- Pollution and emissions (criterion 5.6).
- Social impacts (6.1).

The Continuous Improvement Plan is attached as Appendix C.



### **3.2 Detailed Identified Non-conformities, Corrective Actions and Auditor Conclusions (Also included as Appendix D)**

#### **MAJOR NON-CONFORMITIES**

There were no major non-conformities raised as a result of this assessment.

#### **MINOR NON-CONFORMITIES**

Seven (7) non-conformities were assigned against minor compliance indicators. Details of these non-conformities are provided below:

**4.7.1.(b) Minor NCR:** Although hazards have been identified in all areas, the risk assessment has not been completed fully – once a hazard is identified the risk needs to be accurately assessed for example in some areas of the mill.

**4.7.1 (c) Minor NCR:** Signage indicating contractors working on roads are not in place, some bottles in Sujan store was not adequately identified, some safety warning signs required.

**5.3 Minor NCR:** There were areas sighted that did not have effective waste control – this included the contractor working on new housing at Jiba; contractors using housing at Sujan have left a messy area including rubbish, unmarked chemical containers and a general mess; and the old Sujan store did not have drip trays to control hydrocarbon spills.

**Minor NCR 6.1.3.** Based on the need assessment and consultation there are lots of ideas and activities proposed by communities, workers and staff. Based on that, no plan of action has yet been put in place.

**6.3.2 Minor NCR** The local communities such as those from the longhouses have not been made aware of mechanism to solve future disputes.

**6.5.2 Minor NCR:** Yun Ming Wood Industries has no such contract agreement requiring compliance to meet health and safety requirements and other workers requirements.

**6.5.2 Minor NCR:** To enforce use of PPE Keresas and workers have agreed on a penalty mechanism however this was put in place on the day after the agreement and workers should have been given time to become aware of the new requirements and changes in regulations.

*Keresas has prepared a Corrective Action Plan (Appendix D) that has been reviewed and accepted by BSI. Progress on Corrective Action will be checked during the Surveillance Audit*

#### **OBSERVATIONS / OPPORTUNITIES FOR IMPROVEMENT**

The assessment identified thirteen (13) observations/opportunities for improvement. The progress with the observations/opportunities for improvement will be checked during the next Surveillance Assessment visit scheduled for twelve months after the date of certification.

**2.1.2 Observation:** It is suggested that the blasting license used for operations in the quarry be copied and kept in the estate office at all times.

**4.1 Observation:** A system is used in the estates to quantify the results of monthly field inspection, however when the result is not considered satisfactory the report does not always include the reasons why it is not compliant

**4.3 Observation:** In Jiba where areas of bracken were sprayed with herbicide there is evidence that there was some unnecessary spraying on the banks of a nearby small stream.

**4.6 Observation:** The VMO should be asked to mark off the name of each person tested individually rather than just saying all were found to be clear – although the pesticide handlers were marked off on the clinic records by the VMO.

**5.1 Observation:** Any positive impacts should also be included in environmental improvement plans.

**5.1 Observation:** Impacts will need to be reviewed as techniques or operations change – the period of review has not been confirmed.

**5.4.2 Observation:** There is a need to include all fuel used by contractors, transport and other operations with regards to use of non-renewable energy sources.

**6.2 Observation:** Action plan as a result of stakeholder dialogues have not well developed, and follow-up actions have not been recorded in some cases. Each Estate manager is responsible to ensure that stakeholder inputs are followed up properly.

**6.2 Observation:** It would be an advantage if the TQM manager appointed a dedicated officer to help him with stakeholder communication. TQM manager has an overload of responsibilities with a wide variety of assignments.

**6.2 Observation:** The list of stakeholders could be enriched by describing with regards to the stakeholders the following: what are their roles, rights, responsibility, revenue/benefits and other useful characteristics.

**6.3 Observation:** Continuous communication with community needs to be conducted to build trust and achieve mutual benefits.

**6.5 Observation: Keresha officials should ensure all workers understand the terms and conditions of their employment and have these explained by representative if they cannot understand clearly.**

**6.6 Observation: Workers are required to have better understanding of their role within the JCC and therefore training and awareness in this area is required for members of the JCC.**

### 3.3 Noteworthy Positive Components

- Generally a good atmosphere, beginning with people expressing that they had a good “family” relationship with Keresha by workers.
- The long house people stated that Keresha helped them to be able to develop and their children were able to get a good education due to revenue earned as a result of Oil palm.
- The roads and infrastructure such as communications has improved due to the presence of Keresha.
- Keresha has helped to maintained all the roads and have helped to improve the roads to long house settlements.
- Formation of the Gender Committee has resulted in a positive outcome for female sprayers. A Plan is in place to transfer female sprayers to other positions.
- A good standard of housing is provided for workers and their families that is above the “Government Minimum Standard”.
- There are an amount of contributions provided to the local communities such as the new construction of Rumah Majang.

### 3.4 Issues Raised By Stakeholders and Findings with Respect To Each Issue

**Some workers complained with regards the price of staples such as rice and tinned fish from the local stores.**

Keresha’s response: Keresha will seek to obtain food at a lower price by either purchasing in bulk from town (Bintulu) or setting up their own store.

Auditor Comment: This is a positive move and will save money for the workers.

**Workers living near the mill complained with regards to the noise.**

Keresha’s response: Keresha will survey the noise level and will plant trees and shrubs to reduce the noise exposure to the residents.

Auditors Comments: This should remove any noise problems and will be monitored at the next assessment.

**All Stakeholders commented they have very good relationship with Keresha.**

Keresha Response: Continue to improve relationships.

Auditor Comment: Appears that Keresha standing in the community is well appreciated by stakeholders.

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

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

Signed for on behalf of  
Keresha



.....  
**Mr A K Kumaran**  
**General Manager**  
**Date:**

Signed for on behalf of  
BSi Management Systems Singapore Pte Ltd



.....  
**Mr Allan Thomas**  
**Lead Auditor**

**Date: 16.8.10**

## ***Appendix “A”***

### ***KERESA RSPO Certificate Details***

Certificate Number: SPO 559278

Keresa Plantations Sdn Bhd  
PO Box 2607,  
97008 BINTULU  
SARAWAK MALAYSIA

Website: [www.limar.com.my](http://www.limar.com.my)

Applicable Standards: RSPO Principles & Criteria: 2007; MY National Interpretation: 2008

Keresa Plantations Sdn Bhd Palm Oil Mill and Supply Base	
Location Address	Lavang District, Bintulu, Sarawak, Malaysia
GPS Location (of Mill Site)	03°09' 49" N 113°35' 59.1" E
CPO Tonnage Total (2009 actual)	33,874.19
PK Tonnage Total (2009 actual)	5,758.56
FFB Tonnage Processed Total (2009 actual)	116,056.49
Smallholders FFB Tonnage (2009 actual)	5,098.24

## ***Appendix “B”***

### ***Certification Audit Programme***

## Pre-audit Plan Monday 14 June – Friday 18 June 2010

### Monday 14 June

- Allan & Dwi arrive at Bintulu at 1:30pm – meet and pick up at airport
- Travel direct to Keresu, arrive about 2:30pm
- 2:30pm – 5:30pm - Opening meeting and discussion with senior staff (Main Office)

### Monday 14

Time	Activity	Allan	Dwi
2.30pm – 2:45pm	Opening Meeting	X	X
2:45pm – 4.30	Review RSPO documentation Principles 1 – 3 Review SIA's & EIA's	X	X
4:30pm –5:30pm	Review records of land title, leases, etc	X	X

### Tuesday 15

Time	Activity	Allan	Dwi
7.30am – 11:30noon	Inspect Estate incl. office, landfill, housing and clinic – sprayers, harvesters, pesticide stores, workshops, boundaries, wet land areas, buffers, training	X	
7:30am – 10:30noon	Inspect area to around estate incl. Line site, local kampungs & environment , grievances		X
11:00am – 12:00noon	Continue review of RSPO documentation		X
11:30am – 12:00noon	Continue review of RSPO documentation	X	
12:00noon – 1:00pm	Lunch	X	X
1:00pm – 3:00pm	Inspect Palm Oil Mill incl. office, landfill, housing and clinic	X	
1:00pm – 3:00pm	Meet with representative women's group, social groups		X
3:00pm –5:30pm	Meet with stakeholders		X
3:00pm – 5:30pm	Continue review of RSPO documentation	X	

### Wednesday 16

Time	Activity	Allan	Dwi
7:30am – 11:00am	Inspect other estate including office, landfill, housing and clinic – sprayers, harvesters, pesticide stores, workshops, boundaries, wet land areas, buffers	X	
7:30am – 10:00am	Inspect area around other estate, grievances		X
10:00am – 12:00noon	Talk to office regards pay rates etc		X
11:00am – 12:00 noon	Documentation continued		
12:00noon – 1:00pm	Lunch –	X	X
1:00pm – 3:00pm	Check IPM, Legal requirements	X	
1:00pm – 3:00pm	Complete review of RSPO documentation	X	
3:00pm –5:30pm	Documentation continued	X	X

### Thursday 17

Time	Activity	Allan	Dwi
7:30am – 10:00am	Inspect any other areas buffers	X	
7:30am – 10:00am	Inspect area around other estate, grievances		X
10:00am – 12:00noon	Stakeholders interviews		X
10:00am – 12:00 noon	Documentation continued	X	
12:00noon – 1:00pm	Lunch –	X	X
1:00pm – 3:00pm	CIP Check Legal – HCV – Policy - Interaction	X	
1:00pm – 3:00pm	Complete review of RSPO documentation	X	
3:00pm –5:30pm	Documentation continued	X	X

### Friday 18

Time	Activity	Allan	Dwi
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7.30am – 10.30am	Finalise report, check any outstanding details	X	X
10.30am – 11:30noon	Final exit meeting with senior staff	X	X
12:00pm	Depart for airport	X	X

Notes:

- Ensure drinking water is available for the Auditor at all times (i.e. in offices and cars)
- Light lunch only required

*Appendix "C"*

***CONTINUOUS IMPROVEMENT PLAN***

**KERESA PLANTATIONS SDN BHD**

2010-2011



**KERESA PLANTATIONS/KERESA MILL  
CONTINUOUS IMPROVEMENT PLAN**

Last update : June 2010  
By : TQM

Distribution: MD/GGM/GMKPSB/GMKMSB/SEM/EM/TQM/AEM/DC  
Update By : TQM

ACTIVITY	LOCATION	IN-CHARGE	TIME TARGET	STATUS
<b>Economic Values : Key performance indicators:</b>				
1. Focus on Mill technical areas (conveyors & Kernel plant)	Mill	MM	2010	In Progress
2. Improve delivery and speed of housing complex's	All	Yun Ming/GGM	2010	In Progress
3. Maintain sufficient workers & monitoring(Estate)	Estate	SEM/EM	2010	In Progress
<b>Economic Values : Better management systems</b>				
1. Maintain documentation register & updates	All	SEM/EM/MM	2009	In Progress
2. Plantation/Mill records register & updates	All	SEM/EM/MM	2009	In Progress
3. Monthly managers workplace inspections	All	SEM/EM/MM	Q1 2010	In Progress
4. Action requests system introduced	All	TQM/SEM/EM/ MM	Q1 2010	In Progress
5. Public records board for Plantation/Mill	All	SEM/EM/MM	Q1 2010	In Progress
6. Review of plantation/Mill records & documentation	All	TQM	Q4 2010	To Do
7. Training needs/assessment pilot system	All	SEM/EM/MM	Q4 2010	To Do
<b>Social Values :Health &amp; Safety @ the Workplace</b>				
1. OSH site audit & workplace assessments	All	TQM	Q4 2009	Done
2. OSH policy and plan drafted & issued	All	TQM	2010	Done
3. List of major infra works to improve OSH Compliance	All	SEM/EM/MM	Q2 2010	Done
4. OSH training for managers: records & workplace assessments	All	Consultant	Q2 2010	In Progress
5. OSH training: safe use of chemicals	All	TQM	Q3 2010	In Progress
6. OSH training: safe harvesting	Estate	TQM	Q3 2010	To Do
7. OSH improvement plans: worker-staff defined	All	SEM/EM/MM	Q3 2010	To Do
8. Annual OSH audit	All	TQM	Q3 2010	To Do
<b>ACTIVITY</b>	<b>LOCATION</b>	<b>IN-CHARGE</b>	<b>TIME TARGET</b>	<b>STATUS</b>
<b>Social Values : Core labour standards</b>				

1. Social policies drafted & circulated: grievance procedure, equal rights, OSH, environment, FOA, JCC, sexual harassment, min age	All	TQM/GGM	2009	Done
2. Establishment & monitoring of consultation mechanisms: JCC, head-villages OSH	All	TQM	Q1 2010	In Progress
3. Training on social policies: sexual harassment ,OSH, JCC (worker-management communication) & GP,	All	Consultant	2010	In Progress
4. Annual consultation with workers/staff	All	SEM/EM/MM	Q1 2010	Done
5. Annual audit of social policies, records & procedures	All	TQM	Q1 2011	To Do
<b>Community: Action Plan</b>				
1. Improving recording of benefits/investment in community: Estate/Mill	All	SEM/EM/MM	2010	In Progress
2. Road & fertilizer subsidy/support mechanism: Mill & Estate	All	TQM	2009	In Progress
3. Small-holder RSPO certification pilot initiative (POPSI)	All	Consultant	Q3 2010	In Progress
<b>Environmental Values :Control of pollution &amp; significant impacts on environment (Action 1)</b>				
1. Environmental & Biodiversity Review	All	Consultant	Q1 2010	Closed
2. Immediate waste control from mill	All	MM	Q2 2010	In Progress
3. Waste management guidelines & Implementation	All	TQM/SEM/EM/MM	Q1 2010	In Progress
4. Buffer zone & riparian demarcation guidelines & Implementation	Estate	SEM/EM	Q1 2010	In Progress
5. Road programme established with guidelines &Implementation	Estate	SEM/EM	Q2 2010	In Progress
6. Pilot projects implemented: domestic wastewater, green plan for plantations, mill pollution control	All	Consultant	Q3 2010	To Do
7. Annual environmental audit	All	Consultant	Q4 2010	To Do

ACTIVITY	LOCATION	IN-CHARGE	TIME TARGET	STATUS
<p><b>Environmental Values :Control of pollution &amp; significant impacts on environment (Action 2)</b></p> <p><b>POME discharge:</b> ✓ 100% compliance</p> <p><b>Stack:</b> ✓ 100% compliance</p> <p><b>Waste Management:</b> ✓ Catalogue waste sources and volumes ✓ Reduce waste volumes ✓ Improve recycling and reuse</p> <p><b>Water Quality:</b> ✓ Class II in all waterways ✓ Zero longhouse complaints ✓ Mark and Map RB ✓ Improve flow conditions</p> <p><b>Soil Erosion:</b> ✓ Assess and quantify soil losses ✓ Identify key locations/sources ✓ Establish plan to mitigate</p> <p><b>Biodiversity:</b> ✓ Establish baseline biodiversity of estate ✓ Undertake BioD review in surrounding and temuda lands ✓ Increase % of natural tree cover ✓ Study landscape connectivity with NREB</p>	Mill	MM	Q3 2011	Done
	Mill	MM		Done
	All	SEM/EM/MM	Q2 2010	Underway Calculating Underway
	All	SEM/EM/MM	Q4 2010	
	All	SEM/EM/MM	Q4 2010	
	All	SEM/EM/MM	Long term	In Progress
	All	SEM/EM/MM	Q3 2011	
	All	SEM/EM/MM	Q3 2010	
	All	SEM/EM/MM	Q2 2011	
	All	SEM/EM/MM	Q3 2010	In Progress
	All	SEM/EM/MM	Q4 2010	
	All	SEM/EM/MM	Q2 2011	
	Estate	SEM/EM	Q4 2010	In Progress
	Estate	SEM/EM	Q4 2010	
Estate	SEM/EM	On going	In Progress	
Estate	SEM/EM	Q2 2011		

## ***Appendix “D”***

### ***Non-conformities, Corrective Actions and Observations Summary***

0 Non-conformance against Major Compliance Indicators

7 Non-conformances against Minor Compliance Indicators

12 Observations/Opportunities for Improvement

MAJOR NON-CONFORMANCE CORRECTIVE ACTIONS

MINOR NON-CONFORMANCE CORRECTIVE ACTIONS

DESCRIPTION	NCR Ref.	Minor Non-Conformance Details	Corrective Actions	Responsibility	Date Due	Status
4.7.1.(b)	CR01	Although hazards have been identified in all areas, the risk assessment has not been completed fully – once a hazard is identified the risk needs to be accurately assessed for example in some areas of the mill.	To review all hazards in the mill and redo HIRAC.	Assistant Mill Manager/ Mill Engineer	August 15, 2010	
4.7.1 ©	CR2	Signage indicating contractors working on roads are not in place, some bottles in Sujan store are not adequately identified, some safety warning signs required.	To purchase and setup proper signage for contractor working on road. To label all used bottle accordingly in all stores. To purchase and place more informative signs at agrochemical store	Assistant Manager in-charge of respective division	August 15, 2010	
5.3	CR03	There were areas sighted that did not have effective waste control – this included the contractor working on new housing at Jiba, contractors using housing at Sujan left a messy area including rubbish, unmarked chemical containers and a general mess. The old	All contractors have been advised to clean, collect and heap properly, then estate will prepare designated landfill for the construction waste.  All empty chemical containers will be triple rinses, marked with RED band and store properly.	Act SAM.  Assistant Manager of respective	August 15, 2010  August 10,	

		<b>Sujan store did not have drip trays to control hydrocarbon spills.</b>	Place drips trays at Sujan agrochemical store.	division  Act SAM.	2010  August 05, 2010	
6.1.3	CR 04	<b>Minor NCR 6.1.3. Based on the need assessment and consultation there are lots of ideas and activities proposed by communities, workers and staff. Based on that, no plan of action has yet been put in place.</b>	Plan of action to be put in place to monitor ideas and proposals	TQM Manager	September 2010	
6.3	CR05	<b>The local communities such as those from longhouses have not been made aware of mechanism to solve future disputes.</b>	TQM Unit will conduct meeting with local from longhouses to inform them regarding the Disputes Mechanism.	TQM Manager	August 14, 2010	
6.5.2	CR06	<b>Yun Ming Wood Industries has no such contract agreement requiring compliance to meet health and safety requirements and other workers requirements.</b>	Management will prepare the Safety, Health & Environmental and Workers section and include into the contract agreement.	HQ	August 15, 2010	
6.5.2	CR07	<b>To enforce use of PPE, Keresa and workers have agreed on a penalty mechanism however this was put in place on the day after the agreement and workers should have been given time to become aware of the new requirements and changes in regulations.</b>	To organize JCC to inform workers on the penalty mechanism.	Act SAM for both Sujan and Jiba estate.  Assistant Mill Manager and Mill Engineer.	August 10, 2010  August 15, 2010	

**OBSERVATIONS / OPPORTUNITIES FOR IMPROVEMENT**

<b>No</b>	<b>Issue</b>	<b>Action</b>	<b>PIC</b>	<b>Dateline</b>
1	2.1 It is suggested that the blasting license used for operations in the quarry be copied and a kept in the estate office at all times.	To obtain immediately the photocopy of license and keep in Jiba and Sujan office	Act SAM for both Sujan and Jiba estate.	August 04, 2010
2	4.1 A system is used in the estates to quantify the results of monthly field inspection however when the result is not considered satisfactory the report does not always include the reasons it is not compliant	To insert the column for reason and comment in the report.	TQM	August 05, 2010
3	4.3 In Jiba where areas of bracken were sprayed with herbicide there is evidence that there was some unnecessary spraying on the banks of a nearby small stream.	To provide awareness training program for sprayers and staff on spraying target. Will setup signboard "Dilarang Meracun " at strategic/sensitive area like small stream	TQM  Assistant Manager of respective division.	August 15, 2010  August 20, 2010
4	4.6 The VMO should be asked to mark of the name of each person tested individually rather than just saying all were found to be clear – although the pesticide handlers were marked of on the clinics records by the VMO.	Each division will produce proper list/form of sprayers for monthly medical check-up by VMO. Record will be kept in clinic and by Assistant Manager.	Assistant Manager of respective division and MA.	July 31, 2010
5	5.1 Any positive impacts should also be included in Environmental improvement plans	Will include any positive impact in Environmental improvement plans.	TQM	August 20, 2010
6	5.1 Impact will need to be reviewed as techniques or	The Environmental	TQM	July 30, 2010

	<b>operations change – the period of review has not been confirmed</b>	improvement plans will be review once year.		
7	<b>5.4 There is a need to include all fuel used by contractors, transport and other operations with regards to use of non renewable energy source</b>	Will monitor and record fuel used by contractor transport and other operations.	Chief clerk and clerk of respective estate and mill	August 01, 2010
8	<b>6.2 Action plan as a result of the dialogues has not well developed and the follow up action not been recorded in some cases. Each Estate manager is responsible to ensure a stakeholder inputs are followed up properly</b>	All the action requests from meeting/dialogue will be recorded and documented and follow-up accordingly.	TQM	August 05, 2010
9	<b>6.2 It would be an advantage if TQM manager appointed a dedicated officer to help him do the job. TQM manager has overload of responsibilities with a wide variety of assignments</b>	Will recruit a dedicated officer to assist TQM Manager	TQM/GM/GGM	August 15, 2010
10	<b>6.2 The list of stakeholders could be enriched by describing with regards to the stakeholders the following: what are their roles, rights, responsibility, revenue/benefits and other useful characteristics</b>	Will review the current list of stakeholder and follow as per advice	TQM	August 20, 2010
11	<b>6.3 Continuous communication with community need to be conducted to build trust and achieve mutual benefits</b>	Will organize JCC and dialogue/meeting with local communities at least four times per year.	Senior Estate Manager, Estate Manager, Act SAMs	August 20, 2010
12	<b>6.5 Keresas officials should ensure all workers understand the terms and conditions of their employment and have these explained by representative if they cannot understand clearly</b>	Will ensure workers understand all terms and conditions	Senior Estate Manager, Estate Manager	August 20, 2010
13	<b>6.6 Observation: Workers are required to have better understanding of their role within the JCC and therefore training and awareness in this area is required for members of the JCC.</b>	Will ensure that JCC members are adequately trained	Senior Estate Manager	