



**PUBLIC SUMMARY REPORT**

**INITIAL RSPO CERTIFICATION ASSESSMENT**

**SIME DARBY PLANTATION Sdn Bhd**

**Management Unit SOU27**

**Tenom, Sabah, Malaysia**

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## SUMMARY

Sime Darby Plantation Sdn Bhd owns and operates 60 palm oil mills for processing the crop from its 208 oil palm estates located in Malaysia and Indonesia, as well as the fruit that it purchases from outside suppliers.

Management Unit SOU27 was originally owned by the Manchester Rubber Company who planted rubber on the Estates in 1905. Subsequent owners Muar River Rubber Company and Barlow Plantations continued to produce rubber. Golden Hope Plantations purchased the property in 1992 and converted it to oil palm in 2000. The property was acquired by Sime Darby Plantation Sdn Bhd in November 2007, following the amalgamation with Golden Hope Plantations Sdn Bhd and Guthries Plantations Sdn Bhd.

BSi Group Singapore Pte Ltd (BSi) has conducted an assessment of Sime Darby Plantation Sdn Bhd Management Unit SOU27 (SOU27) operations comprising One (1) mill, supply base, support services and infrastructure. BSi concludes that SOU27 operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY-NI Indicators and Guidance : 2008.

BSi recommends SOU27 be approved as a producer of RSPO certified sustainable palm oil.

## ABBREVIATIONS

BOD	Biological Oxygen Demand
CHRA	Chemical Health Risk Assessment
CPO	Crude Palm Oil
DOE	Department of Environment
DOSH	Department of Occupational Safety & Health
EFB	Empty Fruit Bunch
EMS	Environmental Management System
ERP	Emergency Response Plan
FFB	Fresh Fruit Bunch
GPS	Global Positioning System
HCV	High Conservation Value
HIRAC	Hazard Identification Risk Assessment Control
IPM	Integrated Pest Management
LTA	Lost Time Accident
MPOB	Malaysian Palm Oil Board
MSDS	Material Safety Data Sheet
MY-NI	Malaysian National Interpretation
OER	Oil Extraction Rate
OSH	Occupational Safety & Health
PK	Palm Kernel
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
R&D	Research and Development
SIA	Social Impact Assessment
SOP	Standard Operating Procedure
SOU	Strategic Operating Unit
SPIEU	Sabah Plantation Industry Employees Union
TQEM	Total Quality Environmental Management.

## 1.0 SCOPE OF CERTIFICATION ASSESSMENT

### 1.1 National Interpretation Used

The operations of the mill and its supply base of FFB were assessed against the Malaysian National Interpretation (MY-NI : 2008) of the RSPO Principles and Criteria : 2007.

### 1.2 Certification Scope

The scope of certification is the production from the Melalap Palm Oil Mill that is sourced from 2 company owned Estates at SOU27.

### 1.3 Location and Maps

The SOU27 Mill and Estates are located in Tenom, Sabah, Malaysia (Figure 1). An additional map showing details of Melalap Estate is included (Figure 2). The GPS location of the Mill is shown in Table 1.

**Table 1: Mill GPS Location**

MILL	EASTING	NORTHING
Melalap	116° 00' E	5° 15' N

### 1.4 Description of Supply Base

The Melalap Mill supply base is sourced from the two SOU27 Estates and from Smallholders.

The FFB production from the two SOU27 Estates and 93 Smallholders for the 01 July 2009 – 30 June 2010 reporting period is listed in Table 2.

**Table 2: Mill Supply Base**

Source	FFB (t)
<b>Company Estates</b>	
Melalap	28,030
Sapong	37,676
<b>Sub-total</b>	<b>65,706</b>
<b>Smallholders*</b>	
<b>Sub-total</b>	<b>9,748</b>
<b>OVERALL TOTAL</b>	<b>75,454</b>

\* The FFB production from the Smallholders is not included in the Initial RSPO Certificate for SOU27.

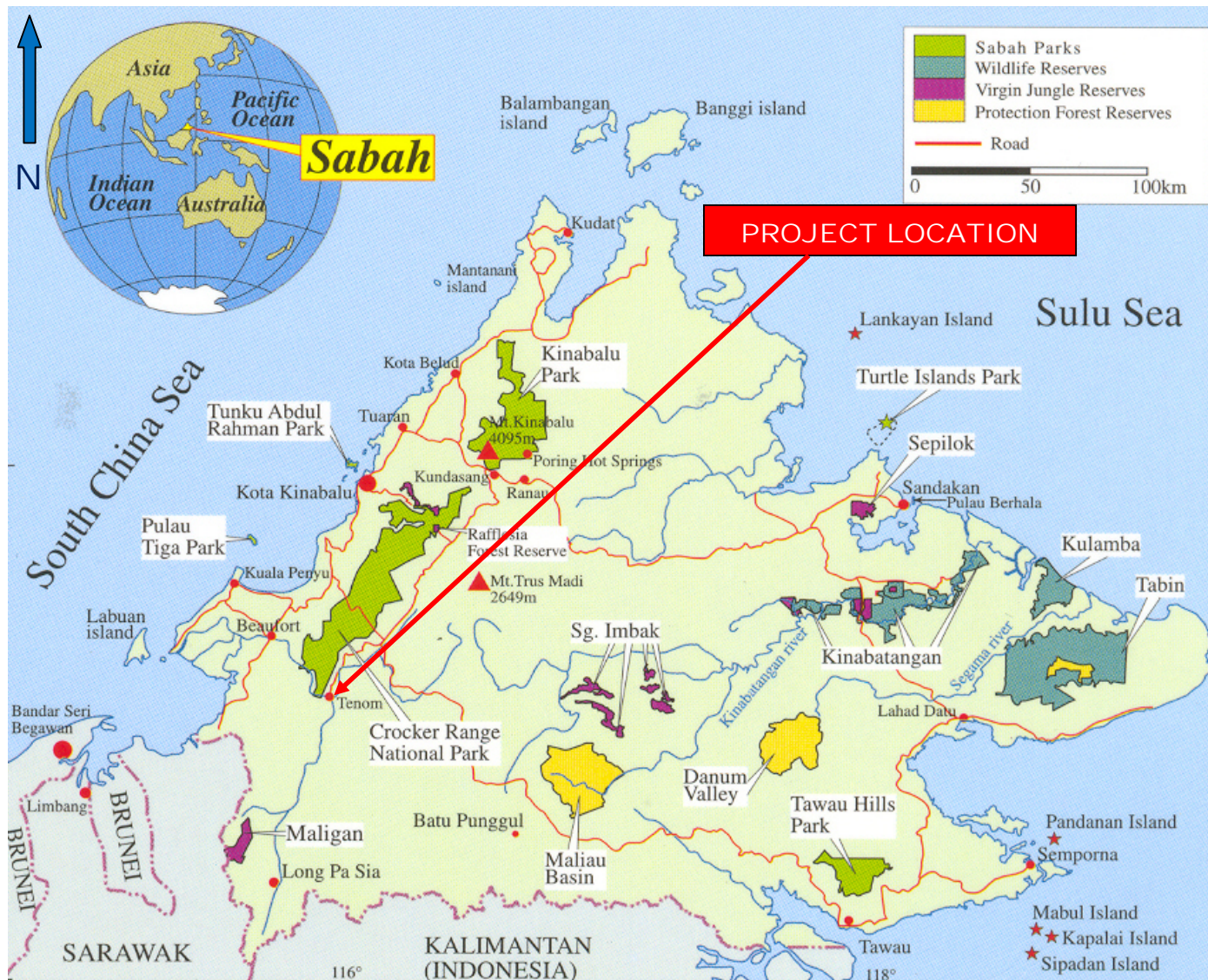
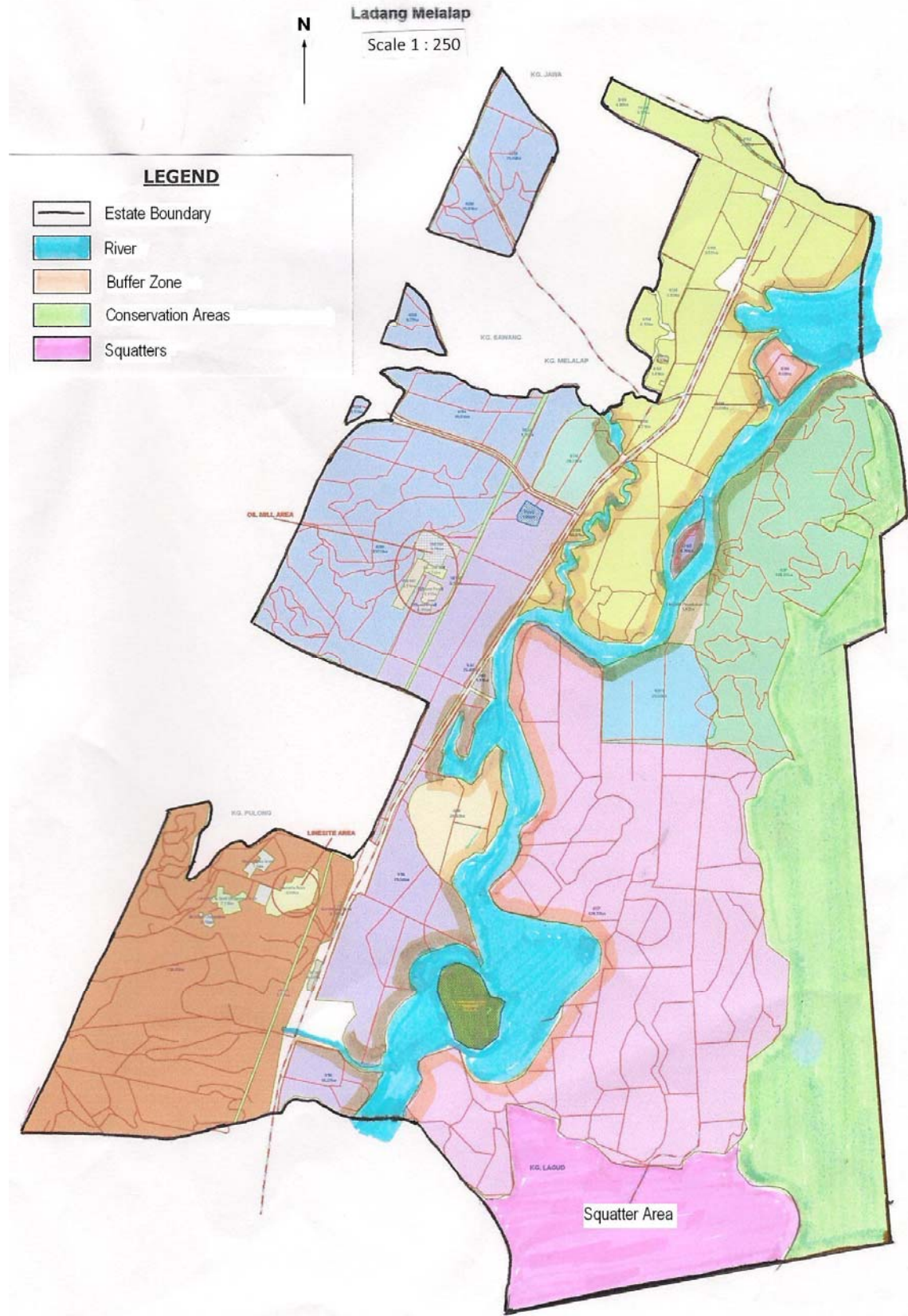


Figure 1: SOU27 Location Map



**Figure 2: Melalap Estate Layout**

### 1.5 Date of Plantings and Cycle

The company owned Estates were developed in 1905 initially to rubber. Oil palms were first planted in 2000 and are in their first cycle. The age profile of the palms is shown in Table 3.

**Table 3: Age Profile of Palms**

AGE (years)	% of PLANTED AREA
11 – 15	–
5 – 10	100
< 10	–

### 1.6 Other Certifications Held

SOU27 holds no other Certifications.

### 1.7 Organisational Information / Contact Person

Sime Darby Plantation Sdn Bhd  
Management Unit SOU27  
PO Box 205  
Tenom, Sabah, 89908  
MALAYSIA

Contact Person: Mr Sudin bin Daud  
Melalap Estate Manager  
Phone: +60 87303368  
Fax: +60 87739103  
Email: melalap.estate@simedarby.com

### 1.8 Time Bound Plan for Other Management Units

Sime Darby Time Bound Plan (updated December 2010) is included as Appendix A. During 2009, Sime Darby initiated the realignment of three of the Management Units in Malaysia for strategic operating reasons. To date, only one Management Unit has been realigned (SOU 24a), reducing the total number of Management Units from 61 to 60.

Sime Darby has completed Initial Certification Assessments for all of the Management Units in Malaysia, and 11 of the 21 in Indonesia. Sime Darby has scheduled the Initial Certification Assessments for the remaining 10 Management Units in Indonesia for mid-2011 and is on track to achieve the targets of the Time Bound Plan.

Sime Darby notified BSi that during 2009 it had engaged consultants who completed HCV Assessments at all of its operations in Indonesia that it acquired in November 2007 and where new development had been carried out since November 2005. The assessment indicated that land with HCV present had been cleared and developed to oil palm at Sukamandang and Pemanting SOUs in

West Kalimantan. In May 2010, the RSPO notified Sime Darby that the RSPO Executive Board had reached agreement on Sime Darby's HCV offset\* for the affected area.

Sime Darby provided BSi with an update on progress with resolution of issues raised in 2008 at PT MAS in Indonesia. A follow-up meeting was held between top management of Sime Darby Plantation and representatives of Serikat Petani Kepala Sawit (SPKS) (Organisation for Representing Smallholders) during the RT8 Conference in Jakarta. Mr Paul Wolvekamp of Both ENDS mediated the meeting that was also attended by representatives of Sawit Watch and House of "Adat" from Sanggau. Both parties agreed that significant progress has been made with regard to the issues raised earlier. No new issue was highlighted during the meeting.

BSi's continued involvement with 14 of the Sime Darby Management Units during the previous 12 months has not identified:

- (1) any unresolved significant land disputes;
- (2) any replacement of primary forest or loss of HCVs (Sime Darby did not carry out any new land development during 2010);
- (3) any labour disputes that are not being resolved through an agreed process;
- (4) any evidence of noncompliance with any law at any of the landholdings.

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

\* An HCV offset is an area of land with HCV values present, for example, a set-aside forested area within an Estate that is protected from disturbance. The set-aside land is used to offset an area of land where HCV values have been lost due to development of land to oil palm.

### 1.9 Area of Plantation

The areas of palms at SOU27 Estates are listed in Table 4a.

**Table 4a: Estates and Areas Planted**

Estate	Mature (ha)	Immature (ha)	Total Lease Area (ha)
Melalap	1,353	–	2,257
Sapong	2,333	–	3,440
<b>TOTAL</b>	<b>3,686</b>	<b>–</b>	<b>5,697</b>

The land use at Melalap Estate is shown in Table 4b. Oil palms are planted on 1,353 ha (60%) of the Estate.

**Table 4b: Land Use Area at Melalap Estate**

<i>Land Use</i>	<i>Area (ha)</i>
Oil Palm	1,353
Housing	15
Workers Gardens	7
Roads	63
Powerline Easement	15
Rubber Seed Garden	22
Palm Oil Mill	11
Forest	276
Squatters	282
Riparian Buffer Zone	214
<b>TOTAL</b>	<b>2,257</b>

**1.10 Approximate Tonnages Certified**

The approximate tonnages certified on the basis of 01 July 2009 – 30 June 2010 production are detailed in Table 5.

**Table 5: Approximate Tonnages Certified**

<i>MILL</i>	<i>CPO</i>	<i>PK</i>
Melalap	13,788	2,441

**1.11 Date Certificate Issued and Scope of Certificate**

The scope of the Certificate is for the production from the Melalap Palm Oil Mill and the supply base from the two SOU27 Estates. Certificate details are included as Appendix B.

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

**2.0 ASSESSMENT PROCESS****2.1 Certification Body**

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Singapore 088934

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BSi is a leading global provider of management systems assessment and certification, with more than 70,000 certified locations and clients in over 100 countries. BSi Standards is the UK's National Standards Body. BSi provides independent, third party certification of management systems. BSi has a Regional Office in Singapore and an Office in Kuala Lumpur.

**2.2 Assessment Methodology, Programme, Site Visits**

BSi conducted a Stage I Certification Assessment 26 to 28 February 2009 against the RSPO MY-NI : 2008. The

scope of the Stage I Assessment included Melalap Mill, Melalap Estate and support infrastructure and focussed on field inspections and a review of management systems and documentation. The Stage I Assessment identified a number of nonconformities. SOU27 prepared a Corrective Action Plan and has implemented corrective actions since February 2009.

BSi conducted the Stage II Certification Assessment 18 to 20 May 2010. The Certification Assessment Programme is included as Appendix C.

The approach was to audit the Mill together with one Estate chosen from its supply base, such that a range of environmental and social factors were covered. These factors included consideration of topography, soils, age of palms and proximity to local communities and areas with HCVs. Melalap Estate was selected for the assessment as it contained the Mill and the system for land application of treated POME. The audit also checked the implementation of corrective actions since the February 2009 Stage I assessment.

The methodology for collection of objective evidence included physical site inspections, observation of tasks and processes, interview of staff, workers and their families and external stakeholders, review of documentation and monitoring data. Checklists and questionnaires were used to guide the collection of information.

The assessment was based on random samples and therefore nonconformities may exist which have not been identified.

Mr Soon Leong Chia, BSi Product Manager RSPO, has reviewed this report for conformance with BSi Procedures and the RSPO Certification System requirements.

**2.3 Qualifications of the Lead Assessor and Assessment Team**

BSi Group Singapore holds copies of educational qualifications, certificates and audit logs for each of the audit team members. BSi has evaluated the qualifications and experience of each audit team member and has registered the following designations for conducting RSPO Assessments.

**Charlie Ross** – Lead Assessor  
B.App.Sc. M.Sc (Env.Studies)  
Lead Auditor EMS RABQSA Cert N<sup>o</sup> 14370

**Iman Nawireja** – Social Assessor  
B.Ag.Sc. M.Sc. (Comm)

**Robyn Ross** – Social Assessor (Women and Families)

**Junecel Maloloy** – Facilitator (Women and Families)

**Charlie Ross** is an independent environmental auditor who has extensive fieldwork experience in conducting environmental and social assessments of oil palm projects over the past 18 years in Indonesia, Malaysia, Nigeria, Papua New Guinea and Solomon Islands. He has

participated in fieldwork for HCV assessments since 2004. He has completed lead auditor training in ISO 9001 Quality Management Systems, lead auditor training in OHSAS 18001 Occupational Health and Safety Assurance Systems, auditor training in Environmental Management, SA8000 Social Accountability and RSPO P&C. He has been involved in the RSPO process since RT1 and has conducted Certification audits of oil palm plantation companies against the RSPO P&C in Indonesia, Malaysia and PNG.

**Iman Nawireja** graduated with a Bachelor of Agricultural Science from the University of Bogor in 1997 and a Masters Degree in Communications from the University of Indonesia in 2002. He is a Lecturer in social statistics at the University of Bogor and has more than 10 years experience in conducting social impact assessments of agriculture, mining and forestry projects. He has assisted with field studies on the effect of resource development projects on farmer and community incomes, health status and household division of labour. He has completed Lead Auditor training in ISO 14001 Environmental Management Systems. He has assisted in conducting environmental and social assessments of oil palm projects during the past 7 years. He has assisted with conducting Certification audits of oil palm plantation companies against the RSPO P&C in Indonesia and in Malaysia.

**Robyn Ross** has a background in company administration and supporting women with mental health and physical disabilities by assisting them to develop skills for living independently in the community. She has assisted with fieldwork in conducting environmental and social assessments of oil palm projects over the past 7 years in Indonesia and Nigeria. She has completed auditor training in SA8000 Social Accountability. She has assisted with conducting Certification audits of oil palm plantation companies against the RSPO P&C in Indonesia, Malaysia and Papua New Guinea.

**Junecel Maloloy** is a Teacher with Borneo Child Aid Society and is fluent in Bahasa Malaysia, Sabahan and English. Mrs Maloloy grew up on an oil palm plantation in Sabah and has a good understanding of the issues facing workers and families living in remote locations. She has assisted Robyn Ross during interview of female staff/workers and families at Certification audits of oil palm plantation companies in Malaysia against the RSPO P&C.

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

Stakeholder consultation involved internal and external stakeholders. External stakeholders were notified by placing a copy of the Stakeholder Notification letter on the RSPO, Sime Darby and BSi websites. Letters were written to individual stakeholders and meetings were arranged to discuss SOU27 environmental and social performance.

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

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

Structured interviews with male and female staff and workers were held in private at the workplace in the mill and the estate. Fieldworkers were interviewed informally in small groups in the field. Separate visits were made to each of the three local communities to meet with the village head, religious leader, and residents. In addition, the wives of workers and staff were interviewed in informal group meetings at their housing. Company officials were not present at any of the stakeholder consultations.

A list of Stakeholders contacted is included as Appendix D.

#### **2.5 Date of Next Surveillance Visit**

The next surveillance visit is planned before the first anniversary of the RSPO approval of the Initial Certification.

### **3.0 ASSESSMENT FINDINGS**

#### **3.1 Summary of Findings**

As outlined in Section 2.2, objective evidence was obtained separately for each of the RSPO Indicators for the Mill and Melalap Estate. The results for each indicator from each of these operational areas have been aggregated to provide an assessment of overall conformance of the Company's operations with each Criterion. A statement is provided for each Indicator to support the findings of the assessment team.

Nonconformities were raised against Major Compliance Indicator 2.1.1 and Minor Compliance Indicators 2.1.3, 4.4.6, 5.3.2 and 6.5.3. Six (6) Observations / Opportunities for improvement were identified. *Where a nonconformity/observation is assigned, reference is made at the end of the text of the Indicator to which it*



refers. Details of the Nonconformities are given in Section 3.2 (Page 16).

SOU27 has prepared a Corrective Action Plan that was reviewed and accepted by BSi.

SOU27 has implemented corrective action for the identified Nonconformities and has submitted to BSi documents and photographic evidence of the work carried out. The Audit Team reviewed the information on the corrective actions for the Major Nonconformity and concluded that it was appropriate and met the RSPO requirement for the respective RSPO Indicator 2.1.1.

**The nonconformity against Major compliance indicator 2.1.1 was closed out – refer Section 3.2 Page 16.**

Progress on implementation of corrective action for the nonconformities against Minor compliance indicators 2.1.3, 4.4.6, 5.3.2 and 6.5.3 will be followed up during the Surveillance Assessment scheduled to be carried out within twelve months of SOU27 receiving initial RSPO Certification.

BSi has conducted an assessment of the SOU27 operations comprising 1 mill, 2 oil palm estates, support services and infrastructure. BSi concludes that SOU27 operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY-NI Indicators and Guidance : 2008.

BSi recommends SOU27 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.**

SOU27 Policy is to make information on its operations available to stakeholders. The Mill and Estate maintain a filing system with records of requests for information and the response. For example MPOB survey on Potential Renewable Energy was received by the Mill on 22 February 2010 and a reply was sent on 06 April 2010. Requests received by the Estate from local communities and Government are held on file. Review of records confirmed replies generally were made to requests within fourteen days of receipt. (1.1.1)

**Criterion 1.2: Management documents are publicly available, except where this is prevented by commercial confidentiality or where disclosure of information would result in negative environmental or social outcomes.**

The Estate holds copies of all of the documents listed under Criterion 1.2 and these are publicly available upon request. Copies of Policies are displayed on notice boards at publicly accessible locations at Mill and Estate Offices. Copies of the Government Leases for the land that it uses are held at the Estate and details are described under Criterion 2.2. (1.2.1)

The Estate and Mill have documented an OSH Plan for calendar year 2010 that includes a Policy and a schedule for training and meetings. (1.2.2)

SOU27 has prepared an Environmental Aspects and Impacts Register (December 2008) that includes identification of significant impacts. The Environmental Aspects and Impacts Register was updated in November 2009. (1.2.3)

SOU27 prepared a Pollution Prevention Plan in June 2009 that is described under Criterion 5.6. (1.2.4)

The company records details of complaints and grievances that are described under Criterion 6.3. (1.2.5)

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

The SOU27 Continuous Improvement Plan includes environmental and social improvements that are described under Criterion 8.1. (1.2.7)

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

The Estate and Mill Managers are responsible for ensuring legal compliance, which includes applicable laws, such as environmental, health and safety, and labour.

Inspection of samples of records and review of reports were used to assess legal compliance. For example, the most recent DOSH visit to the Estate was 25 September 2009. The action item to enclose the compressor with a safety guard has been completed.

Mill Boiler Emissions were tested by Uniquejaya Environmental Services on 04 February 2010 and the results were well within the Malaysian Dust Emission Standard.

A noise survey of the Mill has been completed and the high noise areas (>85 dbA) have been mapped. Safety signs have been posted at high noise areas, such as the Engine Room, to warn that entry is prohibited unless hearing protection is worn.

The most recent DOSH visit to the Mill was 24 February 2010, which included inspection of all Mill operations and showed that there was one minor corrective action required for the Air Receiver Unit. The Mill Boiler was inspected 24 February 2010, and the Annual Renewal fee was paid 04 April 2010, but at the time of the assessment the Certificate had not yet been received.

The most recent DOE site visit was 28 January 2010 when the Officer collected a sample of mill effluent.

Certificates for Licenced Operators are held on personnel files at the Mill, for example, Boilerman Certificate No H/ED/01/07 issued at Kota Kinabalu 05 April 2007.

The Mill and Estate require all drivers who drive vehicles on public roads to be licensed. Inspection of a Sample of records showed that the Estate holds copies of drivers licences for employees and contractors, such as the FFB transporter. Inspection of a sample of pay records showed that staff and workers pay was in accordance with the award and other agreements. (2.1.1)

**A nonconformity (CR01) was assigned to this Major Compliance Indicator because the overtime hours limit**

**had been exceeded – refer Section 3.2 Page 16 for details**

The Mill and Estate hold copies of applicable laws and regulations. Applicable Licences and Permits are displayed in the workplace, for example, Compressor Permit.

The Mill holds a list of Permits showing expiry dates, and all were current. The Mill has copies of relevant laws and regulations, which were viewed during the assessment. (2.1.2)

The Mill and Estate carried out a self-assessment of legal compliance against the Legal Requirements Register on the 15 May 2010. The Mill Advisor assessed legal compliance during the most recent visit 11 May 2010, and did not identify any noncompliances. (2.1.3)

**A nonconformity (CR02) was assigned this Minor Compliance Indicator because the self-assessment of legal compliance did not detect that maximum overtime hours per month at the Mill are being exceeded – refer Section 3.2 Page 16 for details**

The SPIEU provides SOU27 with legal updates on changes to labour laws and worker pay and conditions. Sime Darby TQEM Standards and Compliance Unit provides legal updates on all applicable legislation throughout Sime Darby. The Mill and Estate hold a copy of the most recent issue of the Legal Requirements Register (Mill) 01 February 2010 and (Estate) November 2009. (2.1.4)

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

The Mill and Estate are on 999 year Country Leases and copies of the Leases are held at Melalap Estate Office. The original Country Leases were granted in 1908 and have been held by the company since that time. Copies of the Leases were sighted during the assessment, for example Title No 165314429 that expires 21 September 2907. The land was first planted to rubber in 1905 and was converted oil palm in 2000. (2.2.1)

SOU27 operations are consistent with the terms of the lease for agriculture. (2.2.2)

The Estate boundaries are marked by a trench excavated along approximately 85% of the boundary. Sime Darby has carried out a GPS survey to identify locations of boundary stones and has commenced a programme to reinstate missing boundary stones. Inspection of a sample of boundary stones confirmed these were clearly marked by a pole painted red. (2.2.3)

**Observation 01 – The program for the replacement of missing boundary stones has not been completed – refer Section 3.2 Page 17 for details**

Squatters have occupied land at both Melalap (280 ha) and Sapong (242 ha) Estates for many years. Details of interview of “squatter” representatives and inspection of records are as follows:

**(1)** Squatters have occupied Melalap Estate (280 ha) at Kampong Baru Kelambe for many years. They have planted the land not only with cash crops but also

perennial crops, such as oil palm, and have also built houses. The total number of people residing on the site is now around 30 persons. According to one of the squatters, his grandparent started to occupy the land at least since the 1930s. Several attempts were made to get a grant of land from the government however, there was no significant progress. The first attempt to resolve the issues was recorded on 07 March 1983. At that time the Estate Manager agreed to sell the land to the squatters, however, the process failed. A subsequent attempt was made, and the last letter sent to Melalap Estate by squatter representative was on 10 April 2009. On 29 May 2009, Melalap Estate sent a letter to Sime Darby Land Department in Kuala Lumpur regarding the issue. On 02 February 2010, a team from Sime Darby Land Department surveyed the area, but has not yet produced a report on the issue.

**(2)** In Sapong Estate, 3 locations are occupied by squatters: Kg Laman (84 ha); Kg Batu-Batu (65 ha); and Kemabong District (93 ha) a total of 242 ha. Kampong Laman has been occupied since 1968; Kemabong District in 1974; and Kg Batu-Batu also in the mid 1970s. Kg Laman is now occupied by more than 65 persons; Kemabong more than 270 persons, but there is no information on the total population of Kg Batu-Batu. In kampong Laman, the land is used for a housing compound, public facilities, and for agriculture use. The situation is summarised using information from interview with Kg Laman representatives and document review. Kampong Laman representatives stated they started to purchase land from the Estate in 1968 when they demarcated the boundary using buried bottles. However, before the transaction was formalised, change of Estate ownership occurred and the process fell through and the land remained status quo. Inspection of Estate records found the Estate has documented squatters occupying those areas. When the Sime Darby Land Department surveyed squatter areas in Melalap Estate, the team also surveyed Sapong Estate squatter areas.

Sime Darby has indicated that the investigation by Sime Darby Land Department is aimed at finding a resolution of the squatter issue. In the meantime, the status quo will be maintained. (2.2.4)

**Observation 02 – resolution of land tenure – refer Section 3.2 Page 17 for details**

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

All of the Estate operations are on Government Leased land. The SOU does not restrict access through the Estates except for trucks transporting FFB, which are required to obtain permission. (2.3.1)

All of the Estate operations are on Government Leased land. Sime Darby has allowed squatters to continue using the land that they have occupied under the permission of the previous owner and maintain “status quo”. (2.3.2)

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

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

The Mill and Estate have an Annual Operational Budget and Capex Budget for the current financial year July 2009 – June 2010 that are projected for the next four years (to 2013/14). The budgets include performance objectives and targets related to production, efficiency and quality, for example the Mill OER target is 23% and for the Estate the target FFB Yield is 24 t/ha/yr. The FFB yields during the 2009/10 year were low and averaged 20.7 t/ha/year at Melalap Estate and 16.1 t/ha/year at Sapong Estate. The low yields were explained to be due to poor crop recovery at Sapong Estate and to the low rainfall. Melalap and Sapong are in a rain-shadow and the average rainfall during the previous 5 years was 1,431 mm per year. Rainfall is variable and it is not uncommon to have several months with soil moisture deficit each year. On a positive note, SOU27 commissioned a new Mill in January 2009 and the Oil Extraction Rate averaged 23.82% during the 2009/10 year, which is very good. (3.1.1)

The oldest palms at the Estate are 10 years and Replanting is not due until 2025. (3.1.2)

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

The Estate holds copies of the Sime Darby Plantation Quality Management System – issued 1 November 2008. The Mill has a specific SOP for the continuous steriliser system and a copy of the Sime Darby Mill Quality Management System. The Mill has developed Work Instructions for each Station with Pictorials to illustrate the process, Issued 15 March 2010, with stepwise instructions in Bahasa Malaysia. (4.1.1)

The Estate Manager and Assistant Managers inspect the Estate operations on a daily basis for compliance with operating standards. When daily inspections identify variance from the SOPs, corrective action is taken immediately by instruction of the workers. The Estate Advisor visits twice yearly, with the most recent visit report 09-10 March 2010, and assessed performance in relation to SOP implementation. Reports are held on site for the last seven years.

The Mill operators monitor operating parameters hourly and record the information onto Shift Log Sheets. The Mill Manager and Mill Engineer check the Log Sheets daily and take corrective action for out of specification operation. The Mill Advisor visited 11 May 2010 and the report indicated consistent operation with the SOP requirements. (4.1.2)

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

Sime Darby Agronomy Section of R&D Department makes annual recommendations for fertiliser applications. The Executive Manager checks that fertiliser application matches the recommendation. The current fertiliser recommendation was based on the Agronomist site visit on 09 June 2009. (4.2.1)

Sime Darby Agronomy Section of R&D Department carries out annual inspection of the palms and leaf sampling to monitor nutrient status (last report 07 August 2009). The Estate holds a summary of the results on file and records are maintained by R&D Department. Soil sampling was carried out in September 2009 and the results reported in Test Report No S09/2009 for macro and micro nutrients. (4.2.2)

Monitoring is carried out by R&D Department and results from the foliar sampling and FFB yields are used to advise on the annual fertiliser requirement. (4.2.3)

**Observation 03 – no leaf sampling station located within POME land application area – refer Section 3.2 Page 17 for details**

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

The topography of Melalap Estate is mainly flat and approximately 21% (290 ha) of the planted area is hilly. Inspection of terraces and other areas of the Estate confirmed groundcover vegetation and frond stacking are used for minimising soil erosion. Spraying of herbicides is limited to circles and paths using knapsack sprayers. (4.3.1)

Inspection of field conditions showed relatively uniform groundcover for erosion prevention. (4.3.2)

The Estate has documented a monthly road maintenance program including grading, repair of potholes, surfacing with gravel, drainage works and repair of bridges and culverts. Inspections showed the roads were well maintained and the sample of areas visited were readily accessible by vehicle. (4.3.3)

There are no peat soils at SOU27. (4.3.4)

Sandy soils occur adjacent to the Pegalan River. SOU27 applies compost to these areas to improve organic matter content of the soil. (4.3.5)

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

The Estate has a map showing the location of rivers and buffer zones for reinstatement during replanting. Inspection showed that during the original development, palms were planted to the edge of rivers. The Pegalan River has changed course over the years and Estate land has been lost to erosion. Buffer zones have been surveyed and palms that are within 40m of the riverbank identified and marked clearly. The estate plans to reinstate the buffer zone at replanting and has ceased the use of herbicide and fertiliser within the demarcated area and is allowing natural regeneration of vegetation. (4.4.1)

No dams, bunds or weirs have been constructed on waterways in the Estate. (4.4.2)

Mill effluent is treated by anaerobic digestion in ponds and disposed by land application in furrows. Examination of records showed monthly BOD for the period January 2009 to March 2010 had a maximum 255 mg/L. Estate records showed outgoing water quality was Class I in relation to the Malaysian Interim Water Quality guidelines, for the most recent sampling April 2010.

The Mill has collected monthly samples from Pegalan River upstream and downstream of the Melalap Mill. Inspection of results indicated only minor difference between upstream and downstream samples for parameters, such as Total Suspended Solids. (4.4.3)

The Estate monitors daily rainfall and 10 years of records are available. The rainfall information is used for crop forecasting and scheduling of fertiliser and pesticide application. (4.4.4)

A flow meter was installed at the Mill in October 2009. Water usage has been more than halved from 1.55 t/t FFB in November 2009 to 0.73 t/t FFB in April 2010 (Figure 3) through controls such as sweeping of Mill floors rather than hosing down with water each day. (4.4.5)

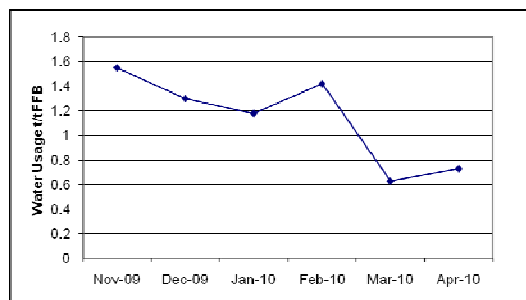


Figure 3: Mill Water Usage November 2009–April 2010

Although the majority of the palms are on flat land, it has not been necessary to install drains. SOU27 has installed water/oil separators on all drains at the Mill and Estate Workshops for control of point-source pollutants. Mill effluent that is excess to composting requirements is applied to the palms in a system of furrows. (4.4.6)

**A nonconformity (CR03) was assigned to this Minor Compliance Indicator as there is a risk of discharge of untreated effluent – refer Section 3.2 Page 16 for details**

The Estate has prepared a Water Management Plan that lists the types of wastewaters generated and methods of treatment, as well as water conservation measures. Implementation was observed for management of rainfall runoff, which includes diversion onto terraces, use of silt pits and water conservation trenches. New buildings and new houses will be fitted with guttering and tanks for collection and storage of rainwater.

The substantial reduction of mill water usage is evidence of implementation of conservation measures of the Water Management Plan.

Raw effluent is applied to shredded EFB to produce compost, with 90% of the effluent used for this process. The compost site is operated as a closed system with leachate collected and recycled to the compost process. (4.4.7)

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

IPM is documented in the Sime Darby Agricultural Reference Manual – Section 15. IPM involves inspection and monitoring of field conditions prior to any treatment using chemicals for weed and pest control. (4.5.1)

There has been no outbreak of leaf eating pests since the establishment of oil palm in 2000 and chemical treatment has not been used. The Estate has planted *Turnera subulata*, *Cassia cobanensis* and *Antigonon leptopus* along roadsides as an important component of IPM. (4.5.2)

The locations where herbicides are used are recorded on daily “stores issues”. The Estate summarises the Stores Issues monthly and the information is held for each Division. (4.5.3)

The Estate has calculated pesticide usage units per hectare since January 2009. The information for the 18 months of record shows higher usage during the drier months of the year (May to August) when conditions are more favourable for control of weeds by spraying. (4.5.4)

**Criterion 4.6: Agrochemicals are used in a way that does not endanger health or the environment. There is no prophylactic use of pesticides, except in specific situations identified in national Best Practice guidelines. Where agrochemicals are used that are categorised as World Health Organisation Type 1A or 1B, or are listed by the Stockholm or Rotterdam Conventions, growers are actively seeking to identify alternatives and this is documented.**

The quantity of chemical and treatment required are documented in Section 16.5 of the Sime Darby Agricultural Reference Manual. The Spray Supervisor makes daily checks of the field conditions at the Estate for assessment of the herbicide treatment, such as selective weeding, before spraymix preparation. Records of spraying are held on file. (4.6.1)

Purchase of pesticides is controlled by Sime Darby Head Office Central Purchasing Unit. Inspection of the Pesticide Store confirmed only chemicals registered under the Pesticides Act were held. (4.6.2)

Inspection of the Pesticide Store confirmed that pesticides were stored in accordance with regulatory requirements, including security, ventilation, lighting, spill containment, physical separation and labeling of

containers. The balance of unused pesticide is stored securely for use the following day. (4.6.3)

All Chemical Labels and MSDS were in Bahasa Malaysia and pictorial signs were displayed to warn of the safety hazard. (4.6.4)

**Observation 04 – a Work Instruction was not available at the Pesticide Store – refer Section 3.2 Page 17 for details**

CHRA medical surveillance was carried out by DOSH registered Doctor (Fatimah A Majid – Kota Kinabalu Health Department) 9-11 November 2009 for 24 Pesticide Operators. Records showed that all operators were confirmed fit for work. (4.6.5)

Interview of female pesticide operators confirmed that when a female pesticide operator is confirmed pregnant and wishes to continue working she is transferred to other duties. She will not be allowed to return to work as a pesticide operator until she has ceased breastfeeding. (4.6.6)

World Health Organisation Type 1A or Type 1B chemicals have not been used at the Estate. Paraquat usage ceased in August 2006. Inspection of the Pesticide Store confirmed nil stock of Paraquat. (4.6.7)

Aerial spraying is not carried out at SOU27. (4.6.8)

Buyers have not requested CPO testing for chemical residues. (4.6.9)

The locations where pesticides are used are recorded in stores issues books. Records are available from Sime Darby Procurement Section on chemical active ingredients since 2007. (4.6.10)

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

(a) The Company Health and Safety Policy dated April 2008 is displayed at the Mill and Estate Offices and Muster areas. The Health and Safety Policy and OSH information are communicated to workers during Muster briefings. The company is implementing an OSHAS for achieving consistent implementation of health & safety. Inspection of workplaces at the Mill and Estate and observations of tasks showed that safe work practices were being implemented. When questioned, workers understood the safety aspects of their tasks.

(b) The Estate carried out HIRAC December 2008, to identify risks associated with all field tasks and operations and it was subsequently revised 30 April 2010. The Mill completed a HIRAC 29 January 2009 and reviewed it on 03 February 2010 for each work station. The results of the HIRAC have been taken into account in SOPs, Work Instructions and OHS training.

(c) The Estate has a Safety Training Schedule for the 2009/10 financial year that lists the SOPs and training topic. The Mill has a Safety Training Schedule for the 2010 calendar year that lists the

topics. The Mill and Estate record details of the safety training topic delivered to staff and workers at muster.

- i. The Mill maintains a Training Log Book for records of training for individuals including signature of trainee and information on the topic. The Estate maintains records of specific training, for example, harvesting techniques and safety, carried out 13 December 2009, including PPE use.
- ii. Spraying of paths and circles was being carried out during the site visit. Observation of spraying tasks and interview of sprayers confirmed their understanding of safety precautions applied to handling and using spraymix and that they were working safely.

(d)

- i. The Mill and Estate hold records on file of all PPE issues, including recipients' signatures. The standard PPE issue for Mill workers is helmet, safety shoes, overalls, hearing protection and eye protection. Additional PPE is provided for specific tasks, such as the fireman, who is issued with gauntlet leather gloves, a face shield and a dust mask.

(e) The Estate Manager and Assistant Manager are the persons responsible for OSH. The Mill has assigned the Assistant Manager as OSH Coordinator, with responsibility for audit and advisory. The Mill has assigned responsibilities to Supervisors for Accident and Investigation, Audit & Advisory, Fire Fighting and Emergency Response.

(f) OSH meetings are held monthly at the Mill with the most recent 21 April 2010, with 21 attendees. The Estate holds quarterly OSH Meetings with the most recent 20 April 2010 attended by 12 persons, with topics covering accidents & incidents and reports from each work location.

(g) The Estate has documented an Emergency Procedure for responding to emergencies involving road accident, flood and fire/electricity that was updated 30 October 2009. A fire drill was carried out 19 December 2009 to check preparedness.

The Mill has prepared an ERP based on the generic Sime Darby guideline with site specific information included such as evacuation routes, site plans showing the locations of fire fighting and first aid equipment and a call-out list.

(h) The Hospital Assistant carried out first aid training at the Estate 22 April 2009 for 21 persons, including Supervisors. The Tenom Branch of the Malaysia Red Crescent Society carried out first aid training including CPR on 25 July 2009 for all OSH Committee and ERP Team members.

(i) Inspection of a sample of First-aid Kits at the Mill and Estate confirmed adequate supplies were held and records showed the Kits had been re-stocked in April 2010. (4.7.1)

All accidents are investigated and reported to Sime Darby Head Office. Accident statistics are summarised on a financial year basis and for the current period July

2009 – June 2010 there was a total of 6 LTAs, with a total of 17 Lost Days at the Mill. Melalap Estate records showed there were 3 LTAs during the corresponding 2009/10 reporting period and the total number of lost days was 5. The number of LTAs at the Estate has decreased from 6 in 2007/08 to 3 in 2009/10. (4.7.2)

Malaysian staff and workers are covered by SOCSO. Foreign workers are covered under RHB Insurance Berhad – Policy Number FW012102 current to 30/06/2010 for existing workers and Policy Number DO8WFWC8606982KL for 45 Harvesters current to 30 June 2012. (4.7.3)

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

The majority of training at the Estate and Mill is informal on the job instruction. The Mill and Estate have prepared a Training Program 2009/10 that is based on training needs for staff and workers and includes a list of topics and schedule. The Estate and Mill have maintained training records on file for individual staff and workers. The Mill holds copies of the certificates and licences held by operators on personnel files. (4.8.1)

**Criterion 5.1: Aspects of plantation and mill management, including replanting, that have environmental impacts are identified, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.**

The Standards and Compliance Unit of Sime Darby TQEM Department carried out training and assisted the Estate to prepare an Environmental Aspects and Impacts Register in December 2008 that was revised 09 April 2010. The Mill carried out assessment of environmental impacts on 27 November 2009 and revised the Register on 22 February 2010. (5.1.1)

The Mill has prepared an Environmental Improvement Plan 01 March 2010 that includes actions for pollution prevention, water usage, and waste management. An example is to reduce the BOD of the effluent that is excess to the requirement for compost and is utilised by land application. The results of effluent monitoring reported under Criterion 4.4 confirm achievement of BOD reduction.

The Estate Improvement Plan has focused on management of point source pollutants by installing sediment traps and water/oil separators on workshop drains. (5.1.2)

**Criterion 5.2: The status of rare, threatened or endangered species and high conservation value habitats if any, that exist in the plantation or that could be affected by plantation or mill management, shall be identified and their conservation taken into account in management plans and operations.**

TQEM carried out fieldwork for HCV assessment in May 2009. The Estates are bordered by land that has previously been logged and areas that have been cleared for agriculture. The fieldwork did not identify any Endangered, Rare or Threatened species of fauna. HCV 4

was assigned to secondary forest on steep land and to the riparian reserves along rivers that drain the Estates. The Estate has initiated the recording of observations of fauna within the Estate. (5.2.1)

TQEM has prepared an HCV Management Plan that focuses on habitat protection. The Plan includes demarcation and setting aside of areas for conservation reserves, enhancement of biodiversity through enrichment planting, a training program for awareness of staff and workers and monitoring. The Plan identified 214 ha of river buffer zone and 276 ha of secondary forest conservation set asides. The monitoring component involves patrols by an Assistant Estate Manager to check for disturbance of the conservation set-asides. (5.2.2)

The Estate has installed signboards at main road entrances with warnings that prohibit hunting and disturbing the forested areas. Awareness training has been given to workers during morning muster briefings. Interviews of workers confirmed they understood the company policy for protection of fauna and the forest. Melalap Estate staff has met with the local community leaders to inform them of the company's conservation policy and to seek their cooperation in protecting the areas. (5.2.3)

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

The Estate and Mill have identified all wastes and sources of pollution in the Environmental Aspects and Impacts Register. Potential sources of pollution at the Estate are spillage of petroleum hydrocarbons and disposal of wastes.

The Mill waste products include palm by-products and industrial wastes, such as packaging materials. (5.3.1)

The Mill and Estate have purpose-built scheduled waste stores that meet regulatory requirements, such as security, spill containment, ventilation, safety signage, segregation of wastes by type and an up-to-date inventory.

SOU27 has appointed Scheduled Waste Recycler Petrojadi Sdn Bhd DOE Licence No 000728 for spent laboratory solvents and Cahajasa Sdn Bhd DOE Licence No 000729 for spent lubricating oil. SOU27 holds copies of manifests for collection of scheduled wastes, for example, Petrojadi No 5352 on 18 May 2010 for 2 drums of solvent.

The Mill and the Estate have developed small landfills that are appropriately located and designed to meet municipal requirements for sanitary landfills. The Estate landfill was well maintained and a cover of soil had recently been placed over the waste. However, the Mill landfill had reached full capacity. (5.3.2)

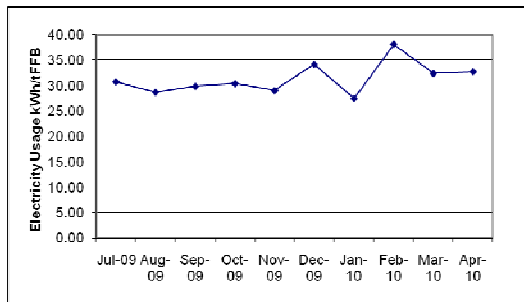
**A nonconformity (CR04) was assigned to this Minor Compliance Indicator as there was inadequate management of wastes at the Mill – refer Section 3.2 Page 16 for details**

**Observation 05 – the Estate is having difficulty finding a Scheduled Waste Contractor - refer Section 3.2 Page 17 for details**

EFB is composted with POME to produce an organic fertiliser for application to the palms. Excess fibre is recycled to the field as mulch. (5.3.3)

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

The Mill reports total renewable energy use monthly, with usage for the current year varying between 27.5 and 38.1 kWh/t FFB (Figure 4). The Mill has optimised the operation of the steam turbine for generation of power for the Mill and Offices. The main use of energy at the Estate is for transport of FFB to the Mill. The Estate plans the harvesting schedule in order to achieve efficient usage of trucks for transport. (5.4.1)



**Figure 4: Mill Electricity Usage July 2009 – April 2010**

The Mill and Estate do not use diesel generators for generating electricity. Standby power is purchased from the Government supply. (5.4.2)

**Criterion 5.5: Use of fire for waste disposal and for preparing land for replanting is avoided except in specific situation, as identified in the ASEAN guidelines or other regional best practice.**

The Estate has not cleared any land for more than 10 years and there was no evidence of use of fire at the areas inspected. (5.5.1)

The palms are in their first cycle and replanting is not due until 2025. (5.5.2)

Inspection confirmed no evidence of fire being used for waste disposal at any of the SOU operations at the Mill, Estate or housing areas. (5.5.3)

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

The Mill has prepared a Pollution Prevention Plan. A high priority issue is management of mill effluents, with 90% of POME used for compost and the remainder disposed by land application. The treatment of POME by composting generates less greenhouse gas emissions than anaerobic digestion in ponds. (5.6.1)

The Mill and Estate Pollution Prevention Plans are reviewed annually with the most recent review 1 March 2010. (5.6.2)

There is no peat soil at SOU27. (5.6.3)

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

Sime Darby TQEM Department carried out an SIA for SOU27 in March 2009. The SIA Report includes a summary of meetings, details of attendees and the topics discussed. (6.1.1)

The SIA was carried out by consultation with internal parties, such as SOU27 Mill and Estates staff and workers and their families. External stakeholders included local community representatives and smallholders. (6.1.2)

**Observation 06 – Stakeholder consultation could be improved – refer Section 3.2 Page 17 for details**

SOU27 prepared a Social Management Plan based on the issues raised by workers and other stakeholders during the March 2009 consultations. (6.1.3)

**Criterion 6.2: There are open and transparent methods for communication and consultation between growers and/or millers, local communities and other affected or interested parties.**

Communication Procedures are documented in the Estate Quality Management System (Standard Operating Manual) Section 5.5.3 and copies are available at the Estate.

Procedures are documented for internal and external communications in Section 5 of the Mill Quality Management System Manual – April 2008. Interviews of the Mill and Estate staff confirmed that they were familiar with the company's communication procedures. Enquiries found that the majority of the communication between local communities and the company was informal. When the local community had a problem, they simply approached the Mill or the Estate Manager for discussions. (6.2.1)

The Estate and Mill Managers are the nominated persons to represent the company in communications with external parties. (6.2.2)

The Estate and Mill have a list of stakeholders that includes Suppliers, Contractors, Local Community Heads, Government Departments and other interested parties. The stakeholder list was updated for the Mill in March 2010 and for the Estate in February 2010. The Mill and Estate maintain files of written communications from suppliers, Government Departments and other stakeholders. (6.2.3)

**Criterion 6.3: There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all parties.**

The Estate and Mill hold a copy of the Dispute Resolution Procedure that is documented in the Sustainable Plantation Management System Appendix 5 and is

shown as a flow chart. In addition to the formal dispute resolution procedure described above, the Mill and Estate have implemented less structured systems for handling day to day issues raised by workers. For example, any issues relating to work or payments are brought directly to the Supervisor.

The Mill and Estate have joint monthly meetings that are attended by staff and worker representatives for discussion on safety, quality and any worker issues. (6.3.1)

Interviews of workers and their Union representatives found that there were no long-term or outstanding disputes. Worker representatives stated that issues were settled by discussion and it had not been necessary to go to a formal process. The Assessors concluded that the complaints and grievances procedure worked well for settling issues. (6.3.2)

Sime Darby Policy is to make the dispute resolution system available to any affected parties. (6.3.3)

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

Sime Darby has implemented a procedure for handling land disputes, including boundary issues. The procedure has been developed for application if a boundary dispute should arise. (6.4.1)

The land dispute procedure refers the compensation assessment to the corporate Land Management Department of Sime Darby who assess and advise on compensation. As outlined in Section 2.2, squatters have occupied land in Melalap and Sapong Estates for more than 30 years. It should be noted that Sime Darby has maintained the “status quo” of the squatters occupancy of the land and is seeking resolution of the issue. (6.4.2)

All of the land at Melalap and Sapong Estates is Government Lease Land. There has been no land boundary dispute or compensation claim made against the company for the land, which was first developed more than a century ago. (6.4.3)

**Criterion 6.5: Pay and conditions for employees and for employees of contractors always meet at least legal or industry minimum standards and are sufficient to provide decent living wages.**

Pay and conditions are documented in the SPIEU Collective Agreement with Sime Darby dated 1 January 2008 current to 31 December 2010. (6.5.1)

Interview of a sample of male and female staff and workers confirmed they held a copy of their employment agreement and understood the agreement terms and conditions. Staff and workers were aware of and received correct entitlements in relation to working hours, deductions, overtime, sickness, holiday leave, maternity leave etc. Interview of Indonesian harvesters

found they have been provided with copies of their labour contracts in Bahasa Malaysia, which they understood. All staff and workers receive a pay slip that details the rate of pay, overtime and deductions, such as income tax. (6.5.2)

SOU27 provides a well established Kindergarten for the children of staff and workers, with a structured program provided by one teacher who is paid by the company. A Crèche is also available for staff and worker children at no cost to families. SOU27 provides the children attending both the Kindergarten and Crèche with a daily supplement of milk and biscuits.

The water supply for housing is drawn from a protected catchment. Water samples collected April 2010 from the housing water supply showed water quality in compliance with the Malaysian Drinking Water Standard. SOU27 is in the process of recruiting a replacement Hospital Assistant for the Clinic. As an interim measure, the Mill and Estate have implemented a “chit” system for workers and dependents to authorise treatment at the Government Clinic at company expense. (6.5.3)

**A nonconformity (CR05) was assigned to this Minor Compliance Indicator – requested repairs to houses are not being carried – refer Section 3.2 Page 16 for details**

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

Sime Darby policy is to allow staff and workers to join a Union of their choice. Interviews confirmed Mill and Estate workers are free to join a Union and are members of SPIEU. The Estate held a meeting with Worker Union Representatives on 10 May 2010 and Minutes are held of the meeting attended by 3 staff, 2 Worker Union Representatives and 14 Supervisors. (6.6.1)

The company policy on freedom of association is included in the Social Policy, which is displayed at Mill and Estate Offices and Muster areas. (6.6.2)

**Criterion 6.7: Children are not employed or exploited. Work by children is acceptable on family farms, under adult supervision, and when not interfering with education programmes. Children are not exposed to hazardous working conditions.**

The minimum working age is 18 under the Sabah Labour Ordinance. At the time of hire, age is confirmed by checks of Malaysian ID Card. The age of foreign workers is checked from their passports. Inspection of a sample of personnel records confirmed copies were held of ID Card for local hires and Passports for foreign workers. Inspection of the Mill and Estate and interviews of workers did not find any person under the age of 18 or any children at any of the workplaces visited. (6.7.1)

**Criterion 6.8: Any form of discrimination based on race, caste, national origin, religion, disability, gender, sexual**



**orientation, union membership, political affiliation or age, is prohibited.**

A statement on Equal Opportunities is included in the Sime Darby Social Policy approved by Top Management April 2008. Copies of the Policy are displayed on Notice Boards at the Offices and Muster areas at the Mill and Estate. (6.8.1)

Inspection of a sample of pay records and Interviews of staff and workers did not find any evidence of discrimination. Interview of male and female staff and workers indicated all were treated equally and there was no discrimination with regard to gender, religion or ethnicity. (6.8.2)

**Criterion 6.9: A Policy to prevent sexual harassment and all other forms of violence against women and to protect their reproductive rights is developed and applied.**

The company policy on the prevention of sexual harassment is detailed in the Social Policy. A Gender Policy has been developed and implemented and a Gender Committee formed with representatives from the Estate and Mill. Inspection of records indicated the most recent Gender Committee meeting was held 24 April 2010 with 13 attendees and included minutes with a comprehensive calendar of events. (6.9.1)

The Social NGO Tenaganita has facilitated preparation of Sime Darby's Grievance Procedure related to gender issues. The Gender Policy Manual, which includes the Grievance Procedure has been distributed to the Mill and Estates at SOU27. Interview of female staff and workers indicated they were aware of the Procedure for raising any issues of concern and were comfortable to do so. They further stated that issues raised are addressed in an appropriate and timely manner. (6.9.2)

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

Sime Darby Regional Office Tawau advises the mill of FFB pricing. (6.10.1)

The Mill started receiving FFB from smallholders in February 2009. FFB prices are displayed at the Mill weighbridge. Interview of FFB suppliers confirmed knowledge of up-to-date FFB prices. (6.10.2)

Engagement of contractors follows a procedure that includes a pre-qualification program, selection criteria and explanation of contract terms and conditions. Interview of contractors confirmed that contracts were explained to them and they understood Contract terms and conditions. (6.10.3)

Contractors are paid in line with the contract conditions. Examination of payment records found there have been no complaints of late payments received or recorded. Interview of contractors indicated they are paid in a timely manner and did not have any outstanding issues or complaints. (6.10.4)

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

Public infrastructure is quite well developed in the area, which is served by a sealed road and the Government electricity supply. Government facilities and services for health, education and recreation are available at the nearby town of Tenom. SOU27 makes appropriate contributions that include donations for festivals and events. Melalap Estate responds to requests from the local community, such as grass cutting of sports fields. (6.11.1)

**Principle 7: Responsible Development of New Plantings**

SOU27 has not carried out any new oil palm developments and there are no plans for expansion of plantings. Principle 7 is not applicable to this Assessment.

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

SOU27 has not used World Health Organisation Type 1A or 1B chemicals as there has been no outbreak of palm insect pests. SOU27 ceased using paraquat in August 2008. (8.1.1)

SOU27 Environmental Improvement Plan was prepared following the identification of environmental aspects and impacts. Examples are the expansion of plantings of beneficial plants and the reinstatement of riparian buffer zones. (8.1.2)

The recovery and recycling of palm by-products to the field is being optimised in consultation with the Agronomist. Fibre and nut shell that are excess to mill boiler fuel requirements are included in compost. (8.1.3)

The Pollution Prevention Plan has focused on the control of point sources of wastewater discharges. The installation of a new boiler has reduced particulate emissions to air. (8.1.4)

A major project that will improve worker living conditions is the construction of 54 new housing units and to upgrade 40 existing 2 bedroom houses to 3 bedrooms. (8.1.5)

The Sime Darby Annual Management Review process shares information on best practices for performance improvement at the Mills and Estates in Malaysia and Indonesia. TQEM has requested SOUs to record information on expenditure related to social and environmental aspects for reporting to Sime Darby Head Office. (8.1.6)

### **3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions**

Nonconformities were assigned to Major Compliance Indicator 2.1.1. and to Minor Compliance Indicators 2.1.3, 4.4.6, 5.3.2 and 6.5.3

SOU27 has prepared a Corrective Action Plan for addressing the identified Nonconformities. The Audit Team has reviewed and accepted SOU27 Corrective Action Plan.

SOU27 has made a commitment to implement corrective action for addressing the Nonconformities immediately. The effectiveness of corrective action for the Minor Nonconformities will be checked at the Surveillance Assessment that will be scheduled within twelve months of RSPO approval of the Initial Certification.

#### **CR01: 2.1.1 Evidence of compliance with legal requirements**

*A Nonconformity was assigned because at the time of the Certification Assessment (18 May) an affirmative reply had not yet been received to a letter from the Mill forwarded to Tenom District Labour Department 17 May 2010 to request extension of overtime hours. Inspection of "Punch Cards" for March and April 2010 indicated 4 workers exceeded the 104 hours overtime limit, and two of these by more than 50%, which is considered excessive.*

SOU27 has prepared a Corrective Action Plan for addressing the identified nonconformity that involves:

1. Follow up the application for extension of overtime hours submitted to District Labour Department on 20th May 2010.
2. Immediately change the mill effluent treatment operations from 2 shifts per day to 3 shifts per day. Workers overtime hours will be strictly monitored to ensure they do not exceed 104 hours per month.

The Tenom District Labour Department approved the SOU27 application for the extension to overtime limit on 14 July 2010. SOU27 forwarded a copy of the approval to the BSi Assessment Team.

**The Nonconformity against Major Compliance Indicator 2.1.1 was closed out.**

#### **CR02: 2.1.3 A mechanism for ensuring that these are implemented**

*A Nonconformity was assigned as the self-assessment of legal compliance did not detect the breach of the maximum overtime limit per month that is occurring at the Mill.*

SOU27 has prepared a Corrective Action Plan for addressing the identified nonconformity as follows:

The internal assessment on legal compliance will be modified and carried out to include checks of overtime.

*Progress toward resolution of the issue will be followed up by BSi Assessors at the Surveillance Assessment.*

#### **CR03: 4.4.6 Water drainage into protected areas is avoided wherever possible. Appropriate mitigating measures will be implemented following consultation with relevant stakeholders**

*A Nonconformity was assigned as there is a risk of discharge of untreated effluent because of dependence on the use of a small manually operated submersible pump for reclaim of effluent from the sump at the compost site.*

SOU27 has prepared a Corrective Action Plan for addressing the identified nonconformity as follows:

The Mill has developed a Pollution Prevention Plan for control of leachate from the composting site that includes upgrading of containment bund capacity and the reclaim system and has followed up with the Composting contractor to ensure that the implementation of Pollution Prevention Plan is carried out immediately.

*Progress toward resolution of the issue will be followed up by BSi Assessors at the Surveillance Assessment.*

#### **CR04: 5.3.2 Having identified wastes and pollutants, an operational plan should be developed and implemented, to avoid or reduce pollution**

*A Nonconformity was assigned as there was inadequate management of wastes at the Mill to prevent pollution relating to the following issue:*

*The landfill for disposal of Mill solid wastes was full and a new trench had not been excavated for control of disposed material.*

SOU27 has prepared a Corrective Action Plan for addressing the identified nonconformity as follows:

The landfill for DISPOSAL OF Mill solid waste has been reconstructed and a Supervisor made responsible to ensure adequate control is being emphasized accordingly.

*Progress toward resolution of the issue will be followed up by BSi Assessors at the Surveillance Assessment.*

#### **CR05: 6.5.3 Growers and millers provide adequate housing, water supplies, medical, educational and welfare amenities in accordance with Workers' Minimum Standard of Housing and Amenities Act 1990 (Act 446) or above, where no such public facilities are available or accessible (not applicable to smallholders)**

*A Nonconformity was assigned as a budget has been approved 2009/10 to replace all existing worker housing with 54 units to be constructed 2010/11. However, inspection of Melalap Estate housing found that requested repairs are not being carried out with some residents carrying out repairs themselves. This was also identified as an issue in the SIA.*

SOU27 has prepared a Corrective Action Plan for addressing the identified nonconformity as follows:

Inspections of houses will be carried out immediately to rectify the actual causes and repair will be carried-out thereafter.

2010/2011 budget has been approved to upgrade 40 units of workers quarters from 2 rooms to 3 rooms, including repairing and additional power sockets. For the current year immediate inspection and repair will be carried out depending on the situation.

Budget has been approved 2010/2011 to construct 54 new units of workers quarters.

The Estate will write to the General Manager to obtain approval to set-up 1 unit of “Humana” school at SOU 27.

*Progress toward resolution of the issue will be followed up by BSi Assessors at the Surveillance Assessment.*

#### **Observations/Opportunities for Improvement**

Six (6) Observations/Opportunities for Improvement were identified. The progress with the Observations/Opportunities for Improvement will be checked at the Surveillance Assessment visit scheduled in 2010.

**OBS01** (2.2.3) Sime Darby has carried out a GPS Survey to identify the location of boundary stones and has commenced reinstatement of missing stones, but the program for the replacement of missing boundary stones has not been completed.

**OBS02** (2.2.4) Settlers have occupied land at Melalap Estate (280 ha) and Sapong Estate (243 ha) since the 1930s (Melalap) and 1960s (Sapong). Since acquiring the properties in November 2007, Sime Darby has maintained the status quo and allowed the settlers to remain on this land and has initiated an investigation to identify resolution of land tenure that is acceptable to both parties. Resolution of this issue has not occurred previously due to changes in ownership of the Estates.

**OBS03** (4.2.3) There is no leaf sampling station located within the POME furrow application area for monitoring nutrient status.

**OBS04** (4.6.4) At the time of inspection, a Work Instruction was not available at the Pesticide Store showing the quantity of chemical to be measured for each spray application. Corrective action was taken immediately and a Work Instruction prepared and posted at the Pesticide Store.

**OBS05** (5.3.2) Because of the remote location, the Estate is having difficulty finding a Scheduled Waste Contractor for removal of used pesticide containers that are currently stored securely in the Scheduled Waste Store.

**OBS06** (6.1.2) Stakeholder consultation could be improved during follow-up to the SIA by allowing more time in the invitation process and also by conducting the consultation at each of the Kampung.

#### **3.3 Noteworthy Positive Components**

- Upgrading of facilities, such as Workshops, Stores for Scheduled Waste, Lubricants, Chemicals and Bulk Fuel Tanks to achieve best practice.
- Installation of Pollution Control Devices at Mill and Estate for control of point source pollutants.
- An improvement in safety over the previous 2 years of records.
- Since the installation of a flow meter in October 2009, the Mill has more than halved water usage through water conservation measures.
- There has been a major improvement in the provision of PPE and safe work practices since the Stage I Assessment.

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

The majority of stakeholders had positive comments about SOU27. For the situations where stakeholders raised issues, the company’s response is stated below.

##### **Internal Stakeholder Issues**

A female Mill worker who was transferred in October 2009 from the Laboratory to a “shift-work” position stated she feels unsafe when working the “night” shift as she is the only female. She has requested a return to her “old” position and is still waiting response from Management.

**Company Response:** *Worker to submit a written application, which will be considered by Management.*

There is currently no Hospital Assistant for SOU27 and workers and their families attend Government Clinics. Not all workers appear to be aware that the company will reimburse costs.

**Company Response:** *Estate has implemented a “chit” system for workers and dependents to authorise treatment at the Government Clinic at company expense. This will be explained to workers at muster briefings.*

##### **External Stakeholder Issues**

###### **Local Communities**

Each of the “settler” community representatives stated that the company is very slow to respond to their request for resolution of the land occupied by them.

**Company Response:** *Following the merger to form Sime Darby in November 2007, a Land Management Department was established. This matter was referred to them and a site visit was carried out in February 2010.*

Government Departments and Non Government Organisations (NGOs) contacted during the Assessment did not raise any issues of concern.

**3.5 Acknowledgement of Internal Responsibility**

SOU27 acknowledges and confirms acceptance of the Assessment Report contents, including assessment findings. SOU27 accepts the responsibility for implementing the corrective actions and addressing the opportunities for improvement detailed in the Assessment Report.

**3.6 Formal Sign-off of Assessment Findings**

Signed for on behalf of  
Sime Darby Plantation Sdn Bhd (SOU27)



.....  
**Mr Sudin Daud**  
Manager Melalap Estate

Signed for on behalf of  
BSi Group Singapore Pte Ltd



.....  
**Mr Charlie Ross**  
Lead Auditor

## ***Appendix “A”***

### ***Sime Darby Time Bound Plan***

**SIME DARBY PLANTATION  
RSPO CERTIFICATION TIME BOUND PLAN & STATUS**

Financial Year	SOU	Main Assessment	Status	Surveillance Assessment	Status
<b>PLANTATION MALAYSIA</b>					
<b>2010 / 2011</b>	SOU 26	Jun-08	Certified in Oct-08	Sep-10	Re-certification approved
	SOU 28, 29, 30 & 30b	May-08	Certified in Jan-09	Nov-10	Assessed, report pending with CB
	SOU 14 & 17	Sep-08	Certified in May-10	Mar-11	Planned
	SOU 8, 9 & 9a	Jan-08	Certified in May-10	Mar-11	Planned
	SOU 21	Feb-09	Certified in May-10	Apr-11	Planned
	SOU 25 & 30a	Apr-09	Certified in May-10	Apr-11	Planned
	SOU 1	Jul-09	Certified in Aug-10	Jun-11	Planned
	SOU 19a	Jun-09	Certified in Oct-10	Aug-11	Planned
	SOU 20	Jun-09	Certified in Nov-10	Sep-11	Planned
	SOU 24	Dec-08	Assessed, report under review		
	SOU 23	Jan-09	Assessed, report under review		
	SOU 5, 5a & 6	Jan-09	Assessed, report under review		
	SOU 2, 4, 18 & 22	Feb-09	Assessed, report pending with CB		
	SOU 19	Jun-09	Assessed, report under review		
	SOU 10, 11 & 12	Jun-09	Assessed, report pending with CB		
	SOU 13, 15 & 16	Jun-09	Assessed, report pending with CB		
	SOU 3 & 7	Jul-09	Assessed, report pending with CB		
	SOU 31, 32, 33 & 34	Jul-09	Assessed, report pending with CB		
	SOU 27	May-10	Assessed, report pending with CB		
<b>PLANTATION INDONESIA</b>					
<b>2010 / 2011</b>	SOU 13	Nov-08	Certified in Aug-10	Jun-11	Planned
	SOU 1, 14	May-09	Certified in Nov-10	Sep-11	Planned
	SOU 2, 3, 4, & 5	Oct-10	Assessed, report pending with CB		
	SOU 14, 15, 19 & 20	Nov-10	Assessed, report pending with CB		
	SOU 18	Dec-10	Audit pending		
	SOU 6, 7, 8, 9 & 10	Jun-11	Planned		
	SOU 11, 12, 20 & 21	Jun-11	Planned		

## ***Appendix “B”***

### ***SOU27 RSPO Certificate Details***

Certificate Number : SPO 547124  
 Certificate Issue Date: (RSPO Approval Date)

Sime Darby Plantation Sdn Bhd  
 Management Unit SOU27  
 PO Box 205  
 Tenom Sabah 89908  
 MALAYSIA

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

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

### **SOU27 RSPO CERTIFICATE DETAILS**

<b>SOU 27 Melalap Palm Oil Mill and Supply Base</b>	
Location	Tenom, Sabah, Malaysia
Address	PO Box 205, 89908, Tenom, Sabah, Malaysia
GPS Location	5°15'N 116°00 E
CPO Tonnage Total	15,833
PK Tonnage Total	2,803
Estate FFB Tonnage	Melalap Estate: *28,030 mt; Sapong Estate:* 37,676 mt
93 Smallholders FFB Tonnage*	9,748
CPO Tonnage Claimed**	13,788
PK Tonnage Claimed**	2,441

\* Production from the Smallholders is not included in the Initial Certificate

\*\* The Tonnage Claimed is the total production from SOU27 Estates and is based upon the Reporting Period 01 July 2009 – 30 June 2010

**NB:** FFB produced at Melalap and Sapong Estates that was diverted to an outside Mill for processing is excluded from the Certificate



## ***Appendix “C”***

### ***Certification Assessment Programme***

**CERTIFICATION ASSESSMENT PROGRAMME 18 – 20 May 2010**

TEAM: CR: Charlie Ross; RR: Robyn Ross; IN: Iman Nawireja; JM: Junecel Maloloy					
DATE	TIME	ACTIVITY	CR	IN	RR/ JM
Tuesday 18 May  <b>MELALAP MILL</b>	1330	Opening Meeting at Mill	√	√	√
		Document Review	√		√
		Interview Female Office Staff/Workers			√
		Review Pay Documentation			√
		Interview Contractors/External Stakeholders		√	
		Review SIA	√	√	√
		Review HCV Assessment and Monitoring Plans	√		
		Physical Inspection Mill/Effluent Ponds/Stores/Workshop/Landfill	√		
		Interview Male Workers			√
		Visit any Local Communities			√
Inspect Housing and Interview Residents				√	
Closing Briefing for Mill Manager					
Wednesday 19 May  <b>MELALAP ESTATE</b>	AM	Opening Briefing	√	√	√
		Physical Inspection Estate/Interview Male Fieldworkers	√	√	
		Physical Inspection Stores, Land Application, Landfill	√		
		Interview Female Fieldworkers			√
		Interview Female Office Staff/Workers			√
		Review Pay Documentation			√
	Interview Contractors/External Stakeholders		√		
	PM	Documentation Review	√		
		Inspect Housing and Interview Residents			√
		Visit Local Communities		√	
Closing Briefing for Estate Manager					
Thursday 20 May	AM	Pick up from Accommodation	√	√	√
		Document Review	√	√	√
		Follow-up on any outstanding data/information/clarification	√	√	
		Prepare IAV Report			√
		Prepare Corrective Action Plan			√
		Prepare Closing Meeting			√
	1500	Closing Meeting	√	√	√

## ***Appendix “D”***

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

**STAKEHOLDERS CONTACTED**

<p><b><i>Internal Stakeholders</i></b></p> <p>9 Male Mill Workers  9 Female Mill Office Staff/Workers  8 Female Estate Office Staff/Workers  5 Female Pesticide Sprayers  4 Harvesters  13 Residents Mill/Estate Housing</p>	
<p><b><i>Contractors &amp; Consultants</i></b></p> <p>2 General Construction Contractor  2 General Material Suppliers  FFB Transport Contractor</p>	<p><b><i>Local Communities</i></b></p> <p>Kampung Sawang Representatives  Kampung Lagud Settlers Representatives  Kampung Laman Settlers Representatives</p>
<p><b><i>Government Departments</i></b></p> <p>Labour Department  Department of Land and Survey</p>	<p><b><i>NGOs and others</i></b></p> <p>World Wildlife Fund for Nature (WWF) Malaysia (Sabah Office)  Tenaganita  Sabah Plantation Industry Employees Union (SPIEU)</p>