



**PUBLIC SUMMARY REPORT**

**ANNUAL SURVEILLANCE ASSESSMENT (ASA2)**

**SIME DARBY PLANTATION Sdn Bhd**

**Management Unit SOU8**

**Carey Island, Selangor, Malaysia**

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## SUMMARY

BSi Group Singapore Pte Ltd (BSi) has conducted the second Annual Surveillance Assessment (ASA2) of Sime Darby Plantation Sdn Bhd Management Unit SOU8 (SOU8) operations comprising East Mill and supply base. During 2011/12, Sime Darby completed the re-alignment of Management Units and Sepang Estate crop was supplied to East Mill. The East Mill supply base now consists of East, Dusun Durian and Sepang Estates. BSi concludes that SOU8 operations comply with the requirements of RSPO Principles & Criteria: 2007; MY-NI Indicators and Guidance : 2010; and RSPO Supply Chain Certification Standard : November 2011.

BSi recommends the continuation of the approval of SOU8 as a producer of RSPO Certified Sustainable Palm Oil.

## ABBREVIATIONS

AMESU	All Malayan Estates Staff Union
BOD	Biological Oxygen Demand
CHRA	Chemical Health Risk Assessment
CPO	Crude Palm Oil
DOE	Department of Environment
DOSH	Department of Occupational Safety & Health
EFB	Empty Fruit Bunch
ESHMS	Environment Safety Health Management System
FFB	Fresh Fruit Bunch
HCV	High Conservation Value
LCC	Leguminous Cover Crop
LTA	Lost Time Accident
MAPA	Malayan Agricultural Producers Association
MPOB	Malaysian Palm Oil Board
MSDS	Material Safety Data Sheet
MY-NI	Malaysian National Interpretation
NUPW	National Union of Plantation Workers
OER	Oil Extraction Rate
OSH	Occupational Safety & Health
PK	Palm Kernel
POME	Palm Oil Mill Effluent
R&D	(Sime Darby) Research and Development
SIA	Social Impact Assessment
SOP	Standard Operating Procedure
SOU	Strategic Operating Unit
TSS	Total Suspended Solids

## 1.0 SCOPE OF SURVEILLANCE ASSESSMENT

### 1.1 Identity of Certification Unit

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

**Table 1: Mill GPS Location**

MILL	LONGITUDE	LATITUDE
East (30 t/hr capacity)	2° 53' 0-00" N	101° 26' 10-09" E

### 1.2 Production Volume

The production tonnages for CPO and PK for the period from the start of the Certificate (19/05/2010) through to the 29 February 2012 and projected for the next twelve months are listed in Table 2.

During the first year of the Certificate all of the Sime Darby Estates supplying FFB to the East Mill became RSPO Certified and the tonnage of Certified CPO increased from 12,965 to 21,163. It should be noted that the tonnage of CPO reported for 2010/11 (21,163 t) is **not** for a full 12 month period. Sime Darby has completed re-aligning several Management Units and all the Sepang Estate crop was processed at SOU8 Mill in 2011/12. The quantity of FFB processed at SOU8 Mill is expected to increase slightly in 2012/13 due to young palms reaching maturity.

**Table 2: Production Tonnages**

East Palm Oil Mill	CPO	PK
Estimate at Certification	12,965**	3,414**
Actual 19/05/10 – 31/03/11	21,163**	5,456**
Actual 01/03/11 – 29/02/12	29,476* 25,040**	6,824* 5,797**
Projected 01/03/12 – 29/02/13	32,550* 29,384**	8,220* 7,420**

\* Includes Smallholders Production

\*\* = Certified Production

### 1.3 Certification Details

Sime Darby RSPO Membership No: 035-04(O)  
BSi RSPO Certificate No: SPO 543543  
Initial Certification Assessment: January 2009  
Date of Certification: 19/05/2010

### 1.4 Description of Fruit Supply Base

At the time of Initial Certification, the SOU8 supply base was mainly East and Dusun Durian Estates, supplemented with crop diverted from other adjacent Sime Darby Management Units.

LOCATION MAP FOR SOU 8



- SOU 8**
- EAST ESTATE**
- EAST PALM OIL MILL**
- DUSUN DURIAN ESTATE**
- SEPANG ESTATE**

Figure 1: SOU8 Location Map out

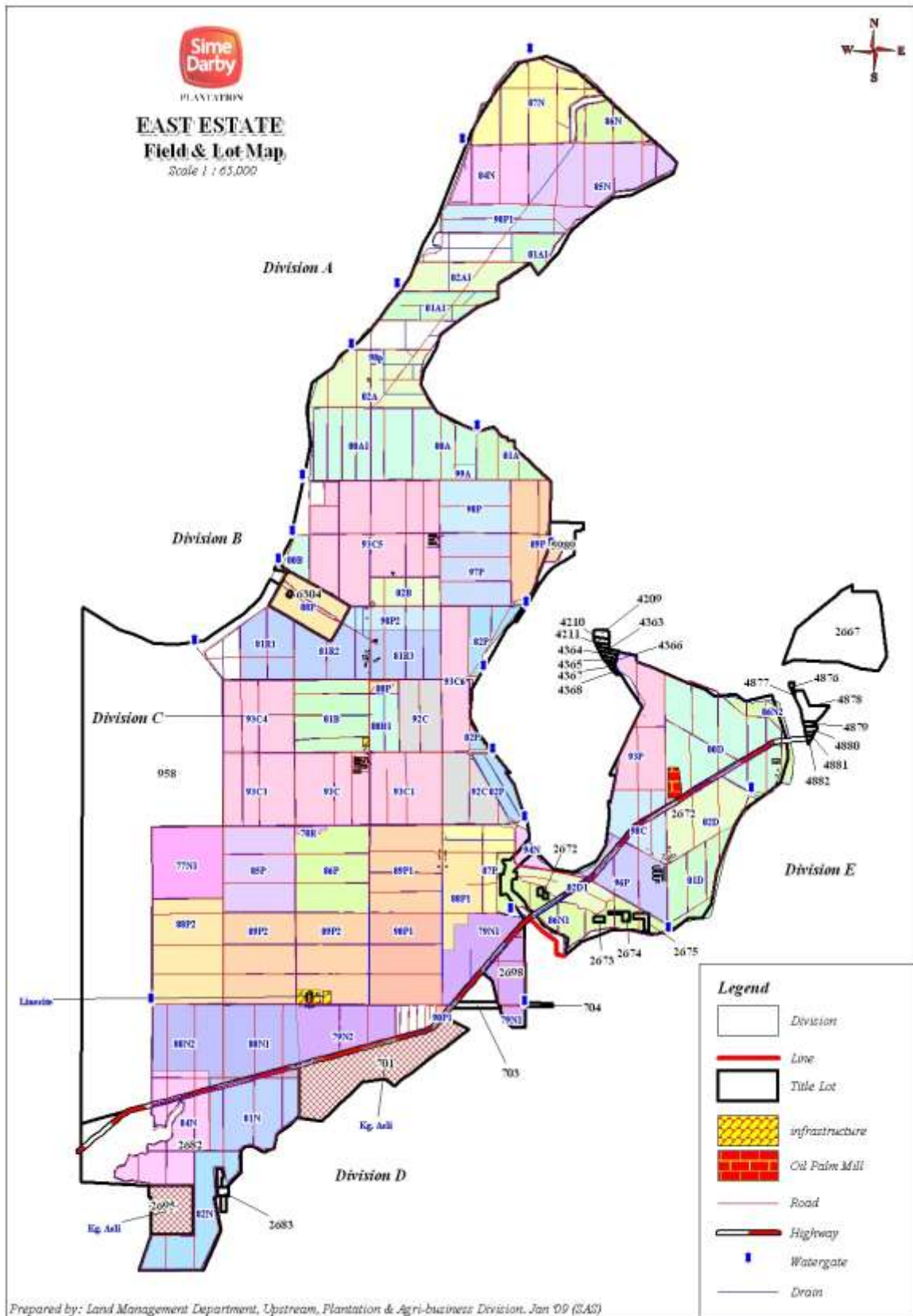


Figure 2: East Estate Layout





Figure 3: Dusun Durian Estate Location

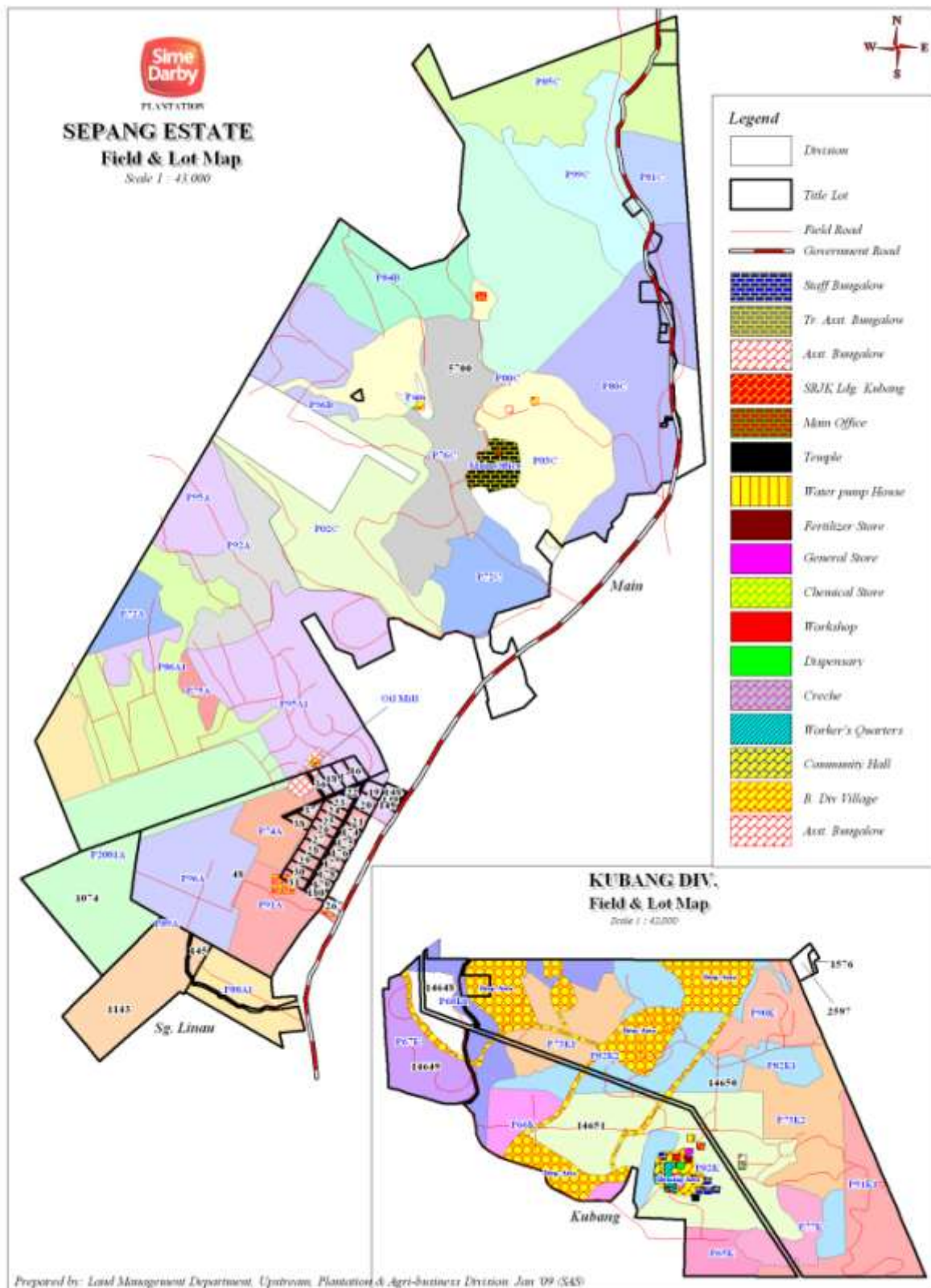


Figure 4: Sepang Estate Layout

In 2011/12, all of Sepang Estate crop was processed at East Mill. The East Mill supply base now consists of FFB from East, Sepang and Dusun Durian Estates. During 2012/13, the Mill is expected to receive additional crop from Dusun Durian and Glengowrie Estates, as shown in Table 3. When breakdowns occur at nearby mills, the crop is diverted to East Mill for processing.

**Table 3: FFB Production**

Source	Estimate at Initial Certification	Actual 01/03/11 – 29/02/12	Projected 01/03/12 – 28/02/13
<b>SOU8 Estates</b>			
East	21,597	9,677	22,000
Dusun Durian	37,133	39,697	42,500
Sepang	1,688	61,311	65,000
<b>Sub-total</b>	<b>60,418</b>	<b>110,685</b>	<b>129,500</b>
<b>Adjacent Sime Darby Estates</b>			
West	↕ 63,393 ↕	316	–
Glengowrie		3,909	6,000
Bradwall		6	–
New Labu		138	–
Padang Lukut		150	–
Bukit Pelandok		264	–
<b>Sub-total</b>	<b>63,393</b>	<b>4,783</b>	<b>6,000</b>
<b>Smallholders*</b>			
Agrosegar	1,774	10,147	12,000
Join Venture	-	7,935	-
Kajang Rubber	-	2,373	2,600
<b>Sub-total</b>	<b>1,774</b>	<b>20,455</b>	<b>14,600</b>
<b>OVERALL TOTAL</b>	<b>125,585</b>	<b>135,923</b>	<b>150,100</b>

\* The FFB production from the Smallholders is excluded from the RSPO Certificate

The SOU8 Estates were developed in the 1920s for rubber and other crops, such as cocoa. Oil palms were first planted in 1954 at Dusun Durian Estate and in the 1960s at East and Sepang Estates and are in their second and third cycle. The age profile of the palms is shown in Table 4a.

**Table 4a: Age Profile of SOU8 Palms**

Age (years)	Estate and % of Planted Area		
	East	Dusun Durian	Sepang
21–35	15	17	29
11–20	40	10	42
4–10	33	38	23
0–3	12	35	6

The areas planted are shown in Table 4b. Compared to the areas provided during ASA1, the area planted at East Estate has increased because during 2010/11, 56 ha were set aside for the Centennial Park project.

However, the project was cancelled and the 56 ha has again been included in the Estate hectareage. The planted area at Sepang Estate has decreased due acquisition by the Government of 9 ha for construction of roads.

**Table 4b: SOU8 Estates and Areas Planted**

Estate	Mature (ha)	Immature (ha)	Total
East	4,302	570	4,872
Dusun Durian	1,494	561	2,055
Sepang	2,364	360	2,724
<b>Overall Total</b>	<b>7,760</b>	<b>1,835</b>	<b>9,595</b>

### Supply Chain

SOU8 uses the mass balance mechanism for the supply chain. All deliveries of FFB to the Mill are issued with a weighbridge docket that records the details of the supplier, truck registration number, driver's name and the tonnage. The weighbridge system is computerised and the FFB delivery and product despatch records are used as the basis for payment for deliveries and invoicing for shipments, respectively. Inspection of documents confirmed that SOU8 maintains all of the documentation required for verification of implementation of the RSPO Supply Chain Certification Standard : November 2011, Mass Balance Mechanism – Refer to Appendix A for details.

### 1.5 Progress against Time Bound Plan

Sime Darby Time Bound Plan (updated March 2012) is included as Appendix B. Sime Darby has achieved RSPO Certification of all 39 of the Management Units in Malaysia, and 12 of the 23 in Indonesia. Sime Darby has completed the Initial Certification Assessments for the remaining 11 Management Units in Indonesia and the assessment reports are pending review by the RSPO. Upon certification of the remaining 11 Management Units, Sime Darby will have achieved the Time Bound Plan.

BSi has continued involvement with assessments of 14 of the Sime Darby Management Units during the 2011/12 period. During this time, Sime Darby has kept BSi informed of issues and claims made against it, as indicated in Appendix B. At the time of preparation of this Report, BSi is not aware of:

- (1) any unresolved significant land disputes;
- (2) any replacement of primary forest or loss of HCVs;
- (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.



### **1.6 Progress of Associated Smallholders/ Outgrowers towards RSPO Compliance**

SOU8 plans to purchase crop from outside suppliers during the 2012/13 year. Interview of two suppliers indicated that they had very limited understanding of the RSPO requirements and on that basis, their crop has been excluded from the SOU8 Certificate. Sime Darby has indicated willingness to work with outside suppliers to implement the RSPO P&C.

### **1.7 Organisational Information / Contact Person**

Sime Darby Plantation Sdn Bhd  
Management Unit SOU8  
Kilang Kelapa Sawit East  
42960 Carey Island  
Selangor Malaysia

Contact Person: Mr Kogolanathan a/l Subramaniayan  
Manager East Palm Oil Mill  
Phone: 03-31224001  
Email: [kks.east@simedarby.com](mailto:kks.east@simedarby.com)

## **2.0 ASSESSMENT PROCESS**

### **2.1 Assessment Team Members**

**Charlie Ross** – Lead Assessor RSPO  
B.App.Sc. M.Sc (Env.Studies)  
Lead Auditor EMS RABQSA Cert N<sup>o</sup>14370  
Topics assessed: Legal, Environment, Agricultural Practices, Social, Sustainability

**Iman Nawireja** – Assessor RSPO  
B.Ag.Sc. M.Sc. (Comm)  
Topics assessed: Legal, Environment, Agricultural Practices, Social, Sustainability

**Robyn Ross** – Social Assessor RSPO  
Topics assessed: Legal, Social, Women and Families, Sustainability

**Noryati Hambali** – Facilitator (Women and Families)

### **2.2 Assessment Programme**

The ASA2 was carried out 20–21 March 2012. The Assessment Programme is included as Appendix C.

The Programme included assessments of East Palm Oil Mill, East and Sepang Estates against all of the RSPO P&C, Supply Chain Standard: 2011 and applicable indicators, and the Supply Chain Requirements for Mass Balance.

The Nonconformities that were assigned and the Observations that were identified during previous assessments were followed up to check the effectiveness of corrective actions – refer Section 3.3 Page 16.

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 ASA2 findings are detailed in Section 3.2 Page 15.

This report is structured to provide a summary for each Principle, together with details for selected indicators. The assessment was based on random samples and therefore nonconformities may exist that have not been identified.

Mr Aryo Gustomo, BSi RSPO Scheme Manager, has reviewed this report for conformance with BSi Procedures and the RSPO Certification System requirements.

### **2.3 Stakeholder Consultation**

Internal and external stakeholders were consulted to obtain their views on SOU8 environmental and social performance and any issues of concern that they may have. External stakeholders were interviewed at their premises where practical or they were invited to the Mill or the Estate. Internal stakeholders were interviewed in groups in the workplace or at their housing. Company officers were not present at any of the meetings. A list of stakeholders contacted is included at Appendix D.

## **3.0 ASSESSMENT FINDINGS**

### **3.1 Summary of Findings**

During this ASA2, a Nonconformity was assigned against Minor Compliance Indicator 4.4.6. Three (3) Observations/Opportunities for Improvement were identified – Refer Section 3.2 Page 15 for details. SOU8 prepared a Corrective Action Plan for addressing the identified Nonconformity, which BSi reviewed and accepted.

Review of the nonconformity assigned to Major Compliance Indicators during previous assessments found the corrective actions were being effectively and consistently implemented and the nonconformities remain closed. The Nonconformity that was assigned to Minor Compliance Indicator 2.2.3 and the eleven (11) Observations that were identified during ASA1 were followed up to check the effectiveness of corrective actions. Refer Section 3.3 Page 16 for details.

BSi recommends continuation of Certification for SOU8 as a producer of RSPO Certified Sustainable Palm Oil.

### **PRINCIPLE 1: Commitment to Transparency**

SOU8 policies and procedures and management plans are maintained up to date and copies are made available if requested. The majority of requests for information are received at Head Office and are then forwarded to the Estates and Mills for provision of site-specific information. The correspondence held on file showed SOU8 sent the requested information in a timely manner.

**Criterion 1.1: Oil palm growers and Millers provide adequate information to other stakeholders on environmental, social and legal issues relevant to RSP0 Criteria, in appropriate languages & forms to allow for effective participation in decision making.**

SOU8 keeps a filing system with records of requests for information and copies of the company's responses. For example, the Mill received a request from MPOB on 12 January 2012 on a Survey on "POME and Biogas for Renewable Energy in Palm Oil Mills", to which the Mill replied on 17 January 2012. Review of records showed the Estate and Mill reply constructively and promptly to requests.

**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.**

Inspection of documents confirmed SOU8 holds copies of each of the management documents that are required to be publicly available. The Mill displays copies of Certificates and Licenses in the Main Office and makes information available on request.

**PRINCIPLE 2: Compliance with Applicable Laws and Regulations**

Inspection of records confirmed that the SOU8 Mill and the Estates have maintained legal compliance with statutory requirements, such as the Factories & Machinery Act 1967, the OSH Act 1994, the Environmental Quality (Clean Air Regulation) 1978 and the Employment Act 1955. The Mill and Estates are on freehold land and the boundaries of the Estates are well defined by trenches and boundary stones are clearly marked. Interview of local community representatives did not identify any land tenure issues.

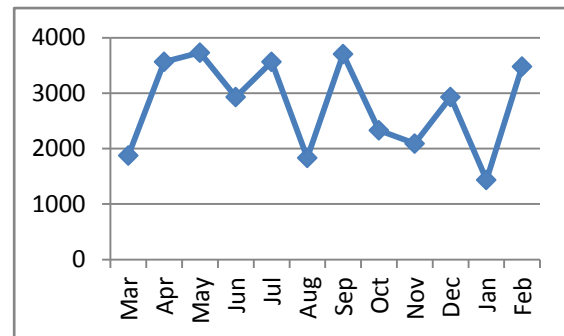
**Criterion 2.1: There is compliance with all applicable local, national and ratified international laws and regulations.**

The Mill was previously certified to ISO 14001:2004 and ISO 9001:2008, but Sime Darby Head Office has decided to cease the external certification audits. The Mill has maintained the internal audits for the Environmental Management System and the Quality Management System. The Mill is in compliance with DOSH inspections and there were no outstanding issues following the inspection on 13 February 2012 and the DOE visit 28 February 2012. Mill boiler emissions were tested quarterly, with the most recent sampling on 27 February 2012 and found well within compliance with Regulations 14 and 25 of the Malaysian Environmental Quality (Clean Air) Regulations, 1978. The Mill has maintained continuous monitoring of smoke density and records confirmed operation within the licence limit.

Housing is of a fair standard and a programme has been initiated to refurbish existing houses and build new houses to meet the legal requirement. The water for domestic use at housing is supplied from the government reticulation system. Houses also are

supplied with electricity from the Government Supply. Inspection confirmed the Mill and Estate machinery inspection certificates (Factories and Machinery Act, 1967) were current and copies were displayed in the Office. Treated Mill effluent is disposed by land application and the treated effluent quality complied with the DOE licence requirements for land application during the previous 12 months, for example, BOD (Figure 5).

Inspection of Mill pay records showed that overtime hours for all workers were in compliance with the maximum permitted by the Labour Law.



**Figure 5: BOD (mg/L) of Treated Mill Effluent March 2011 – February 2012**

The Mill maintains a Register of legal requirements for environment, safety and health, fire services, factory and machinery, housing and amenities, and labour, which was reviewed and updated 20 August 2011.

Estate Legal Compliance is evaluated by internal self-assessment by the Plantation Advisor, with the most recent visit 20-28 October 2011. Mill Legal compliance is assessed by the Mill Advisor during internal audits, with the most recent 22-23 March 2012.

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

The Estates are on Freehold land and copies of the Land Titles are held at the Estates. The original Freehold Titles were granted in 1913 and have been held by the company since that time.

The Estates boundaries have been surveyed and new boundary stones installed to replace missing ones. A sample of boundary stones was inspected during the audit and confirmed these were marked with red and white paint and were being maintained. For example, inspection of Sepang Estate block P07C confirmed that new boundary stones have been installed.

The issue relating to the Kampung Sungai Rambai smallholders who had planted oil palm on the company's land had still not been settled. The smallholders confirmed that relations with SOU8 remain amicable and they will continue to maintain and harvest the palms on the over-planted land.

**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.**

There are Government roads through the Estates and access through the Divisions is unrestricted, except in relation to trucks, in order to minimise the risk of FFB theft.

**PRINCIPLE 3: Commitment to Long Term Economic and Financial Viability**

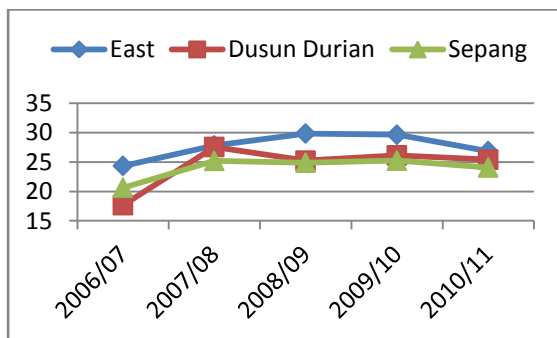
SOU8 has implemented the Sime Darby management system for monitoring and reporting of performance against production targets for achieving long-term economic and financial viability. Reports were available showing the details of production and costs.

SOU8 has continued its commitment to sustainability by funding improvements at the Mill and Estates. The achievement of FFB Yield greater than 25 t/ha over the past 5 years is a strong indicator of sustainable palm oil production.

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

The Estates and the Mill have an annual budget (2011/12) with a four year projection. The Mill and Estates budgets include performance objectives and targets related to production, efficiency and quality. The East Mill OER target for 2011/12 is 22.0%.

The Estate and Mill production are reported monthly against the performance objectives and targets. The Estates average palm yields have increased since 2006 and remained above 25 t/ha (Figure 6).



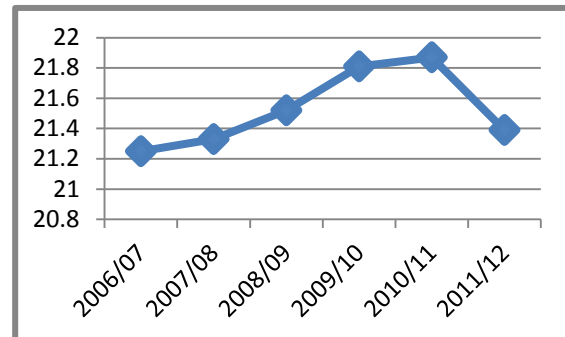
**Figure 6: Average Annual FFB Yield (t/ha/yr) 2007 – 2011**

The Estates have a Replanting Programme that is projected to 2020 and was revised in May 2011 during the annual budget preparation process. East Estate is replanting 15 ha in 2011/12 and 120 ha in 2012/13.

**PRINCIPLE 4: Use of Appropriate Best Practices by Growers and Millers**

SOU8 has well established management systems for monitoring and control of best practice implementation at its Mill and Estates. This includes a programme of regular internal audits by Mill Advisors and Plantation

Inspectors and Agronomists for evaluating and improving production. The Mill OER (Figure 7) has decreased over the past year due to lower FFB quality from outside suppliers and a higher proportion of crop from young palms that have just reached maturity.



**Figure 7: Average Annual OER (%) 2006 – 2012**

The Estates have continued to implement soil conservation practices and groundcover vegetation has been consistently managed. East and Dusun Durian Estates are near the sea and small areas of acid sulphate soils are present. Watergates are used to maintain the watertable and to prevent ingress of salt water.

The Estates have continued to expand the integrated pest management programmes, with the aim of reducing the use of pesticides. The storage and use of pesticides is well managed and the OHS programmes have continued to be implemented.

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

Senior Assistant Managers and the Estate Manager monitor SOP implementation on a daily basis, while the Plantation Advisor carries out 6 monthly checks. Inspection of field conditions and observation of tasks during the audit indicated consistent implementation of field practices.

The implementation of the Mill SOPs is subject to the Quality Management System controls. The Mill carries out daily checks of operating conditions for all work stations, which are recorded on Shift Log Sheets. The Shift Supervisor and Assistant Engineer review the Shift Log Sheets for any maintenance or repairs that may be required. The Mill Advisor inspects and checks implementation of SOPs quarterly, and the most recent visit was 22-23 March 2012. Inspection of the Mill confirmed that operational log sheets were filled in consistently and accurately.

**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 carries out annual inspection of the palms and leaf sampling to monitor nutrient status. The Estate holds a

summary of the results on file. The R&D Department maintains detailed records of palm nutrition monitoring. The palm nutrient status determined by annual visual inspection of palms and foliar sampling and analysis. The annual fertiliser program is determined from the palm nutrient status, soil nutrients and FFB yields. The most recent visit to East Estate was in June and July 2011 and recommendations were made for the 2011/12 fertiliser program. Soil sampling was carried out at all divisions of the Estates in August 2009, Soil Report No S51/2009.

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

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

All of the Dusun Durian Estate land is flat, while at Sepang Estate it is gently undulating. Harvesting paths are maintained using a tractor-driven rotary slasher. *Mucuna bracteata* is planted along sides of drains to minimise erosion. Inspection of field conditions showed adequate groundcover vegetation was maintained for minimising soil erosion.

At replanting, LCC is established immediately following palm planting. Field inspection and observation of spray application to palm circles confirmed appropriate techniques are applied to maintain ground cover vegetation and minimise bare soils.

The Estates have an annual budget and programme for road maintenance. This includes grading and rolling, manual repair of potholes and selective resurfacing. Repairs also are carried out to culverts and bridges.

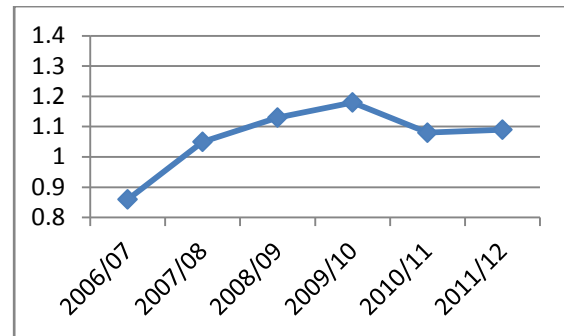
The Estates maintain records of daily water level monitoring in relation to operation of the watergates.

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

The system of Watrgates is operated to maintain a stable level of the watertable. Inspection of records and interview of staff showed the water management system has been operated consistently.

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

The Mill water supply is obtained from the Government Reticulation System and consumption is monitored closely and reported to head office monthly. The average annual water usage was similar to 2010/11 at 1.09 t/t FFB in 2011/12 (Figure 8). The Mill recycles boiler blow-down water and water softener “backwash” water to a lined pond and uses the water for Mill floor cleaning.



**Figure 8: Annual Mill Water Usage (t/t FFB) 2007-2012**

Inspection of the Mill drainage and review of water quality monitoring results showed high BOD effluents were well segregated from monsoon drains and rainfall runoff contained only relatively low concentrations of TSS.

The East Estate water management plan appeared adequately resourced with dedicated staff for conducting twice daily inspections, monitoring and making adjustments to the Watrgates as necessary. Inspection indicated consistent implementation of water management to maintain the target water level and water quality.

**CR04 – A Nonconformity was assigned to Indicator 4.4.6 because insufficient freeboard was maintained at the anaerobic pond and sediment bed number 2 to prevent overflow of partly treated effluent – refer Section 3.2 Page 15.**

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

The IPM program includes monitoring of pest numbers and the use of triggers for initiation of control measures.

The Estates monitor barn owl occupancy of the nesting boxes twice yearly. At East Estate the occupancy was 57%. The Estates have a program for establishment of beneficial plants, with extensive planting of *Turnera subulata*, *Cassia cobanensis* and *Antigonon leptopus* along roadsides, especially at newly replanted areas. The R&D Department monitors the effectiveness of the IPM techniques for controlling the targeted pest.

The Estates maintain records of the locations within the Estates and quantities of pesticides that have been applied and information is available since July 2007.

**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.**



Inspection of the Pesticide Stores and review of stock records confirmed only Pesticide Board approved chemicals were used.

The Estates have maintained the safe storage of Pesticides for meeting the regulatory requirements in relation to security, ventilation, spill containment, separation and labeling of chemicals. Facilities are provided at the pesticide mixing area for sprayers to shower and to wash their PPE and work clothes upon return from the field.

All chemicals were labelled in Bahasa Malaysia. In addition, signs with simple symbols and pictorials illustrating precautions for safe handling of chemicals were displayed prominently. Interview of spray supervisors and workers and observation of tasks indicated good understanding of the hazards and safe work practices for the chemicals being used.

The Clinic Hospital Assistant carries out monthly medical checks of pesticide operators with most recent 8/2/2012 for 23 operators – all confirmed fit for work. A medical check in accordance with CHRA requirements was carried out 23 December 2011 for 9 East Estate Pesticide Operators by Department of Occupational Safety and Health (DOSH) Malaysia – Klinik Hartati Telok Panglima Garang Selangor. All confirmed fit to work with pesticides except for 1 worker (storekeeper) and Management stated that he has been relocated to the Office and will remain working there until his next medical surveillance.

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

Use of Paraquat at the Estates ceased in 2004. Inspection of the pesticide stores and stock records confirmed nil stock of Paraquat or other Class 1 chemicals.

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

The Mill and the Estates revise their OSH Plans each year and include a schedule of work place inspections, meetings, training and LTA targets.

The Mill (01 September 2011) and the Estates carried out reviews of the Hazard Identification, Risk Assessment and Risk Control for all tasks under the Group ESHMS Programme 2011/12.

The Estate has a Training Programme that covers harvesting, spraying, tractor drivers, motorcycle riders, and training for Contractors. The Mill has documented a Safety Training Programme with details of the topics and scheduled for 2011-12.

The Mill and Estates have maintained records of all training, including on-the-job instruction, for individual workers with description of the training and signature of trainer and attendees. An example was training at Sepang on Safety of Chemical Handling conducted by the Visiting Medical Officer on 15 March 2012 attended by

35 participants including Workers, Mandores, Clerks and Staff.

Interview of workers at the Estate and Mill, observation of tasks and site inspections confirmed a good level of safety awareness.

Observation of spray preparation and spraying indicated appropriate product safety requirements were understood and implemented.

SOU8 provides appropriate PPE to all workers, including safety boots, hard hats and for specific tasks, gloves, aprons, masks, safety spectacles and high visibility vests. Records are held for issues to individual staff and workers, including signatures of recipient for each item of PPE issued.

The Senior Assistant Manager is the designated Estate coordinator of OSH. The Mill Assistant Engineer is the designated coordinator of OSH.

Estate OSH Meetings are held quarterly with the most recent at Sepang on 18 January 2012, attended by 15 staff and worker representatives. The Mill has held quarterly safety meetings with the most recent on 30 January 2012, attended by 21 staff and worker representatives. The safety meeting minutes included details on accidents, hazards identified, corrective action and progress.

The Estates (11 August 2011) and the Mill (14 December 2011) have revised the Emergency Response Plans to take into account personnel changes. The Mill has posted emergency information at work stations throughout the Mill. Test drills were carried out three times at the Mill during the past year with the most recent 17 November 2011 for fire fighting, including evaluation of shortcomings and corrective actions for improvement.

The Hospital Assistant carried out First Aid training at the Mill for 34 Staff and 86 Workers on 18 February 2012.

First Aid Kits are held at the Estate workshop and at each Division Office, as well as at four locations in the Mill. Inspection of a sample confirmed kits were stocked and records showed that kits were checked and replenished when necessary.

The Mill and Estates maintain records of all accidents, including the associated investigation. The most recent lost time accident at the Mill was recorded on 27 December 2011.

Malaysian staff and workers are covered by Social Security Organisation (SOCSO) Insurance. Foreign workers are covered with RHB Insurance Berhad under Master Policy Number D08WFWC8606982KL current 01/07/2011 to 30/06/2012.

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

The Estates and Mill have developed a Training Programme for the period July 2011- June 2012 that includes training in SOPs and safety (OSH). Training of workers in SOPs is ongoing in order to maintain and

improve skill levels. Records are held for all types of training and include details of trainer, topic and attendees. The Estates and Mill maintain up to date records of driving licences and trade certificates, such as steam certificate for the fireman.

**PRINCIPLE 5: Environmental Responsibility and Conservation of Natural Resources and Biodiversity**

The Mill and Estates reviewed the Environmental Improvement Plans that continued to focus on water management. The Estates priority is to manage the water levels in order to minimise the generation of acid sulphate and soil salinity. Water conservation is the most pressing issue at the Mill because fresh water is purchased from the government supply.

The scheduled wastes were well controlled, with workshop and pesticide wastes consistently disposed to licensed recyclers. The company's zero burn policy has been consistently applied at replanting areas and there was no evidence of fire being used for waste disposal at housing or at operational areas. SOU8 continued to support mangrove conservation, especially the research into protection of land from erosion.

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

The Mill and Estates revised the Environmental Aspects and Impacts Registers in December 2011.

The Estates have implemented good control of hydrocarbons and management of water levels in the palms has been given high priority. The Mill Improvement Programme continues to focus on water conservation to maximise recycling and reduce consumption of fresh water below the target of 1.1 t/t FFB. This is important because the water for the mill is purchased from the government supply. An improvement during 2011 was the purchase of high pressure equipment for cleaning the mill floor. Collection of rainwater from the clarification station is planned but has not yet been implemented. Another improvement is to minimise the use of diesel for generating electricity.

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

All land within the Estate boundaries was cleared during the early years of development for rubber, with HCV4 assigned to the water supply pond at Dusun Durian and Sepang Estates.

The HCV Management Plan includes the places of worship that are maintained by workers. The fringing mangroves at Carey Island are important for protecting the inter-tidal area from erosion, for nutrient cycling and for providing important habitat for aquatic fauna. Sime Darby has continued support for the Mangrove Research Centre at West Estate. Sime Darby R&D Department is collaborating with the University of Malaya on research associated with mangrove stabilisation of foreshores to enhance the mangrove habitat and prevent erosion.

Signboards prohibiting hunting, fishing and lighting of fires are located near entrances to the Estates. Each Estate and the Mill have carried out awareness of staff and workers at morning muster on the protection of flora and fauna.

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

The Mill and Estates have revised the waste management plans and the main focus continues to be reduction of waste and to maximize the recycling of materials where possible.

Inspection of facilities and records confirmed that scheduled wastes are stored and disposed in accordance with DOE regulatory requirements. The small quantity of spent lubricating oil generated at Dusun durian Estate workshop is transferred to East Oil Mill for disposal to a licensed recycler. The Mill and Estates maintain records of monthly stocktakes, copies of manifests for removal and disposal of scheduled wastes. For example, collection of waste oil by A&C Technology Waste Oil Sdn Bhd on 20 January 2012.

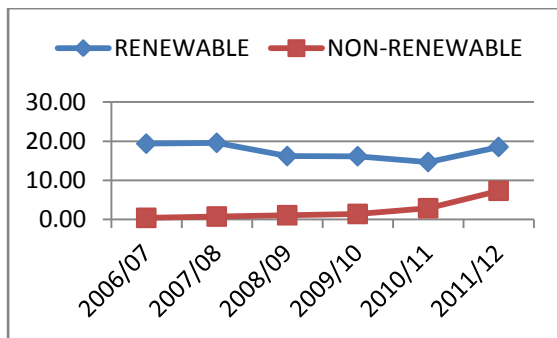
**Observation 01** – At Sepang Estate Contractor Workshop, minor leakage of oil from parked vehicles could be controlled by using "drip trays" – refer Section 3.2 Page 15.

**Observation 02** – At the East Estate landfill, rainfall runoff could be prevented from entering the trench by constructing an earth bund – refer Section 3.2 Page 15.

Field inspection confirmed EFB and treated Mill effluent are recycled to the field. Treated Mill effluent is recycled by discharge into a system of furrows, which appeared well maintained. The Mill maintains weighbridge records of the quantities of crop residues recycled to the field.

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

Renewable and Non-renewable energy use are monitored and reported monthly to top management. The main steam turbine failed and was out of service for almost 3 months in 2011/12 and resulted in increased diesel fuel consumption (Figure 9). The Non-renewable also increased slightly due to the need to run a smaller, less efficient turbine.



**Figure 9: Renewable and Non-renewable Energy Usage (kWh/t FFB) 2006 – 2012**

**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.**

Field inspections found no evidence of open burning being used for waste disposal during replanting at the estates. Inspection of replanting areas confirmed felled palms are chipped and placed in trenches in the field for decomposition as mulch.

Inspection of the Mill, Sepang and East Estate housing, workshops and stores indicated fire has not been used for disposal of packaging wastes or other materials.

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

The Pollution Prevention Plan for Sepang Estate was revised in 2011/12 for mitigation of the impacts identified in the ASA1 Audit, relating to prevention of hydrocarbon spillage. Inspection confirmed improved controls have been implemented at the fuel storage and refueling area.

**PRINCIPLE 6: Responsible Consideration of Employees and of Individuals and Communities by Growers and Millers**

The Mill and Estates reviewed and updated the SIA and Social Action Plans. The Action Plans focused on internal stakeholders and social events and contributions to local schools and places of worship. Stakeholders were consulted and community requests considered in the preparation of the Action Plans.

Internal and external stakeholders confirmed they have an open relationship with the company and the lines of communication with senior management were well known. The company supports Freedom of Association and the union officials had unrestricted access to workers. The company anti-discrimination policy appeared consistently implemented and there were no issues identified during the assessment.

A considerable number of the contractors and suppliers have worked with the company for more than 10 years, which is a good indicator of fair and transparent

dealings. Contractors confirmed there were no issues associated with payment of invoices.

**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.**

The SIA was revised at each Estate, for example, at Sepang Estate in January 2012. Local communities were consulted beforehand at Sepang Estate and the Mill, but not at East Estate. The results of the interviews of stakeholders and contractors and the issues raised were included in the update.

The Mill and Estates have updated the SIA Action Plans, which focus on internal stakeholders and social events for the workforce and donations to local schools and places of worship. **Observation 03 – The Mill and Estates Social Action Plans have been reviewed and updated but input from local stakeholders has not been taken into account at all locations. The Mill Action Plan could be improved by including more details of the completion of actions from the previous year Plan – refer Section 3.2 Page 15.**

**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.**

The Estates and the Mill have updated the list of stakeholders in July 2011. Files are maintained of communications from stakeholders including action taken by the Company.

**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 Mill and Estates continued to use the dispute resolution procedure that is documented in the Sime Darby Sustainable Plantation Management System Appendix 5 and is shown as a flow chart.

Follow-up of the issue at Kampung Sungai Rambai where local people had overplanted on Sime Darby land found that the status quo was maintained.

The review of documents found the only complaints received related to requests for repairs to housing. These have been addressed by the Mill and Estates as appropriate.

**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.**

No new complaint was received over the past year in relation to land.

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

Pay and conditions are documented in the NUPW/AMESU and MAPA Agreement. Interview of Mill and Estate male and female staff and workers confirmed they understand terms and conditions of employment and receive correct leave entitlements. Workers wages are supplemented by the company with two monthly “handouts” of rice and cooking oil.

SOU8 provides a good standard of housing for workers and their families. Finance has been approved for 2011/12 upgrading of worker housing with tendering in progress for refurbishment of 32 houses. Two new staff bungalows will also be constructed. For the 2012/13 budget it is planned for 30 houses to be upgraded plus construction of 15 new units x 2 houses each unit.

Similar to ASA1, interview of a sample of staff, workers and residents indicated their houses were comfortable and that requested repairs were carried out in a timely manner.

Water and electricity are from the Government supply. Primary and Secondary Schools are readily accessible with the company providing transport and subsidising transport costs. A Crèche is available free to all Staff and Worker children with milk and biscuits provided free. Good medical facilities are provided on site and a Visiting Medical Officer attends the clinics fortnightly.

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

Interview of workers confirmed that meetings are held with worker representatives of the NUPW when requested and the company respects freedom of association. Records are held on file of communications with the Unions and Worker Representatives. The most recent meeting with NUPW Union representatives was on 15 January 2012 at Sepang Estate.

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

The Mill and Estates minimum hire age is 18. Similar to ASA1, no children were observed at or near any of the Estate or Mill workplaces during the ASA2 inspections.

**Criterion 6.8: Any form of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age, is prohibited.**

The anti-discrimination policy is included in the Social Policy, which is displayed in Bahasa Malaysia and English at Offices and at Muster areas. Similar to ASA1, interviews of workers and examination of pay records confirmed that there is no discrimination between workers on the basis of ethnicity, religion or gender.

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

The policy to prevent sexual harassment is stated in the Social Policy. A Gender Policy has been implemented and a Committee formed. Interview of female staff and workers confirmed their knowledge of the Committee and inspection of records indicated meetings are held regularly. A gender grievance mechanism has been established and, similar to ASA1, interviewees stated that the necessity to follow the grievance procedure had never arisen.

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

Sime Darby Marketing Department has continued to advise the Mill of FFB pricing and information is available on the method of calculation, which is based on the MPOB pricing that is linked to movements in the CPO price and is considered to be fair and comparable to market prices.

Interviews of Contractors at the Mill and Estates confirmed understanding of Contract Terms and Conditions and that the company was fair in its dealings. The contractors further stated at interview that payments are made in a timely manner.

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

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

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

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

**PRINCIPLE 8: Commitment to Continuous Improvement in Key Areas of Activity**

SOU8 has continued to work on improving the aspects of its operations that contribute to overall sustainability. Importantly, gains have been made in the average FFB yield per hectare in line with the maturing of replanted palms, although in 2011/12 the OER declined due to the crop from young palms.



Environmental and social issues also continue to be addressed appropriately. The expansion of beneficial plants and application of pest census are important factors in the IPM programme. The company has continued maintain an open relationship with internal and external stakeholders.

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

SOU8 uses Class I chemicals only for situations assessed as necessary on the basis of pest census data. Paraquat has not been used at the Estates since 2005.

The Mill has continued to focus on water conservation to maximise recycling and reduce consumption. The main focus of the Estate improvement plan is to reduce the quantity of pesticides by limiting the use of herbicide to spraying of palm circles only. In addition, plantings of “beneficials” have been expanded for the Integrated Pest Management Programme.

The Mill by-products are recycled to the field, and scheduled wastes are well controlled and sold to DOE licensed recyclers. The awareness training of workers for the separation of household wastes at source is ongoing.

The Estates pollution prevention plans continue to target the establishment and maintenance of groundcover vegetation for control of soil erosion. The Mill plan is focusing on water conservation which will reduce the quantity of wastewater requiring discharge.

The Social Action Plan for internal stakeholders continues to focus on housing improvements.

***3.2 Identified Nonconformities and Noteworthy Positive and Negative Observations (ASA2)***

A Nonconformity was assigned to Minor Compliance Indicator 4.4.6. Three (3) Observations/Opportunities for improvement were identified. SOU8 has prepared a Corrective Action Plan for addressing the identified Nonconformity, which BSi has reviewed and accepted.

SOU8 has made a commitment to implement corrective action for addressing the Nonconformities immediately. The effectiveness of corrective action for the Nonconformity will be checked at the next Surveillance Assessment that will be scheduled within twelve months of RSPO approval of continuation of Certification.

***CR04: 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 to this Minor Compliance Indicator because insufficient freeboard was maintained at the anaerobic pond and sediment bed number 2 to prevent overflow of partly treated effluent.

SOU8 has prepared a Corrective Action Plan for addressing the identified nonconformity that involves:

**Immediately:**

Mill will monitor and ensure daily POME off-take is 70% daily and liaise with East Estate on this matter

**Short Term:**

Mill will proceed with desludging as per budget within 3 months, weather permitting and subject to DOE approval.

**Long Term:**

Mill management will budget for installing High Density Polyethylene pipe from East Oil Mill to East Estate to cater for POME off-take, especially during heavy rainfall.

*The BSi Assessors considered that the corrective action was satisfactory and appropriate. Progress toward resolution of the issue will be followed up at the next Annual Surveillance Assessment (ASA3).*

***Observations/Opportunities for Improvement***

Three (3) Observations/Opportunities for Improvement were identified. The progress with the Observations/Opportunities for Improvement will be checked at the next Annual Surveillance Assessment (ASA3).

**01 (5.3.2)** At Sepang Estate Contractor Workshop, minor leakage of oil from parked vehicles could be controlled by using “drip trays”.

**02 (5.3.2)** At the East Estate landfill, rainfall runoff could be prevented from entering the trench by constructing an earth bund.

**03 (6.1.3)** The Mill and Estates Social Action Plans have been reviewed and updated but input from local stakeholders has not been taken into account at all locations. The Mill Action Plan could be improved by including more details of the completion of actions from the previous year Plan.

***Noteworthy Positive Components***

- Management and Staff have a good understanding of RSPO requirements as evidenced by compliance with all applicable P&C and Indicators.
- The Estate FFB yield has increased over the past five years from 22.9 to 25 t/ha/year.
- The high level of importance given to safety training and awareness.
- Good stakeholder relations both internal and external.

***3.3 Status of Nonconformities (Major and Minor) Previously Identified***

Corrective actions for the Nonconformities (**CR01** and **CR02**) assigned to Major Compliance Indicators during previous Assessments were found to be consistently implemented and the Nonconformities remain closed.

**CR03: 2.2.3 Evidence that boundary stones along the perimeter adjacent to state land and other reserves are being located and visibly maintained**

A Nonconformity was assigned to this Minor Compliance Indicator during ASA1 because no progress had been made on the Observation identified during the Initial Certification Assessment at Sepang Estate in relation to engaging a surveyor to locate missing boundary stones. At the ASA01, the Observation was upgraded to a nonconformity.

**ASA2 Findings:** Pandian A/L Subramaniam (a certified surveyor) of Selangor Land and Survey Department has carried out a survey in June 2011 to locate and install the missing boundary stones. A boundary map of was produced in August 2011. Inspection of block P07C confirmed that boundary stones have been installed.

**The Nonconformity was closed 21/03/2012**

**Review of Progress with Observations/ Opportunities for Improvement Previously Identified (ASA1)**

**01 (2.1.3)** Inspection of records showed a small number of Mill workers exceeded the maximum approved monthly Overtime limit, which indicates that internal compliance checks need improvement.

**ASA2 Findings:** Inspection of a sample of pay records showed all overtime hours were within the approved limit.

**02 (4.6.3)** At Sepang Estate there was inadequate control of used pesticide containers with several observed at the Workshop and outside the pesticide mixing area.

**ASA2 Findings:** Inspection to the estate facilities confirmed that used pesticide containers are stored appropriately.

**03 (4.6.4)** At Sepang Estate the some of the MSDS were available only in English which may not be understood by the workers.

**ASA2 Findings:** Inspection of the chemical store confirmed that all MSDS are available in both Bahasa Malaysia and English.

**04 (5.2.3)** Several cages of birds (spotted dove) were observed at the shop near the Office indicating inadequate commitment to discourage the taking of fauna from the Estate.

**ASA2 Findings:** Inspection did not find any caged birds. This indicates the company's commitment to discourage the taking of fauna from the estate.

**05 (5.3.2)** At the time of the Sepang Estate inspection, domestic refuse was inadequately controlled with litter scattered around the housing and at the landfill.

**ASA2 Findings:** Inspection of housing and the landfill confirmed that domestic waste was appropriately controlled.

**06 (5.3.2)** The Mill and Dusun Durian Clinic waste is taken to a local hospital for disposal but there were inconsistent records that waste has been received by the Hospital.

**ASA2 Findings:** Records are maintained at the Mill/Estate Clinic of transfer of medical wastes to the West Group Hospital.

**07 (5.5.3)** Inspection of housing at Sepang Estate found evidence of fire recently being used for waste disposal indicating residents' lack of awareness of the "Zero Burning Policy".

**ASA2 Findings:** Inspection found no evidence of fire being used for disposal of domestic waste.

**08 (6.1.1)** The Sepang Estate SIA had been updated but there appeared limited input from the participation of external stakeholders.

**ASA2 Findings:** The Estate conducted stakeholder consultation in 21 March 2012. Inspection of the SIA confirmed that it has been appropriately updated to include the participation of local stakeholders.

**09 (6.1.3)** An SIA Action Plan has been prepared for the Mill but the Plan does not clearly state the action to be carried out, target completion date and responsibility

**ASA2 Findings:** The Mill SIA Action Plan has been updated and includes the detailed action required, Person Responsible and Completion Date.

**10 (6.2.3)** The Mill Stakeholder List had not been updated with contact details for the individuals.

**ASA2 Findings:** Stakeholder List was updated August 2012 and includes Contractors, Suppliers, Vendors, Government Departments and others with names, addresses and contact numbers.

**11 (6.6.1)** Although Sepang Estate had recently held a meeting with worker union representatives (as confirmed by an NUPW Official), the record of the meeting was incomplete

**ASA2 Findings:** Estate has a regular meeting with estate NUPW representatives to discuss issues in relation to workers. The last meeting was held on 18 January 2012 attended by 15 participants.

The Assessment Team concluded SOU8 had implemented appropriate and effective improvements for each of the Observations identified during ASA1.

**3.4 Issues Raised by Stakeholders**

The issues raised by stakeholders during ASA1 were followed up during this Assessment and found to have been actioned appropriately by the company.

Stakeholders interviewed, both internal and external, had mainly positive comments. Issues raised during the

ASA2 interview process and the Company's response is detailed below.

Residents asked why their fruit and banana trees had recently been cut down by Management.

**Company Response:** *SOU8 to prepare a guideline on planting fruit trees and vegetation at housing areas.*

It was stated that collection of rubbish is not regular and residents are concerned about vermin.

**Company Response:** *A new tender is being sought for another Contractor as present Contractor is unreliable.*

An issue was raised by residents at East Estate Division B Housing that water supply is insufficient due to the rotation times of the supply from the storage tank to individual houses.

**Company Response:** *Management will investigate improving the rotation to give equitable supply to houses. This problem results from the aged and deteriorated water supply pipeline to Carey Island.*

Follow-up of the above issues will be carried out during ASA3.

#### 4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

##### 4.1 Date of Next Surveillance Visit

The next Surveillance Assessment (ASA3) will be scheduled within twelve months of RSPO approval of continuation of Certification.

##### 4.2 Date of Closing Nonconformities (Major and Minor)

**Table 5: Status of Nonconformities**

CAR	CLASS	ISSUED	STATUS
CR01 2.1.1	Major	23/01/2009	Closed 30/01/2009
CR02 5.3.1	Major	05/04/2011	Closed 10/05/2011
CR03 2.2.3	Minor	05/04/2011	Closed 21/03/2012
CR04 4.4.6	Minor	21/03/2012	"Open"

#### 4.3 Sign-off of ASA2 Findings

SOU8 acknowledges and confirms acceptance of the Assessment Report contents, including assessment findings. SOU8 accepts the responsibility for implementing the corrective actions and addressing the opportunities for improvement detailed in the Assessment Report.

Signed for on behalf of  
Sime Darby Plantation Sdn Bhd (SOU8)

SIME DARBY PLANTATION SDN. BHD. (Company No: 647766-V)  
EAST OIL MILL  
Mr Kogolanathan A/L SUBRAMANIAM  
Manager East Palm Oil Mill  
Date: 23/04/2012

Signed for on behalf of  
BSi Group Singapore Pte Ltd

.....  
Mr Charlie Ross  
Lead Auditor

Date: 24 April 2012

## ***Appendix “A”***

### ***Supply Chain Assessment***



**APPENDIX A – SUPPLY CHAIN ASSESSMENT REPORT – SOU8 – MASS BALANCE****EAST OIL MILL****Certified Mill Production – 01 March 2011 – 29 February 2012**

MILL	CAPACITY	CPO	PK
East	30 t/hr	25,040	5,797

**Sales of Certified Mill Products – 01 March 2011 – 29 February 2012**

MILL	CPO	PK
East	25,040	5,797

**CPO Sales from 01/03/2011 to 29/02/2012**

Company	Tonnes
Golden Jomalina Food Industries Sdn Bhd	25,040
<b>TOTAL</b>	<b>25,040</b>

**PK Sales from 01/03/2011 to 29/02/2012**

Company	Tonnes
Sime Darby Kernel Crushing Plant, Carey Island	5,797
<b>TOTAL</b>	<b>5,797</b>

**Certified FFB Received Monthly – 01 March 2011 – 29 February 2012**

Month	East	Dusun Durian	Selangor	West	Glengowrie	Bradwall	New Labu	Pd Lukut	Bukit Pelandok	TOTAL FFB/ MONTH
Mar	478.27	3,415.98	5,199.23	212.54	383.89					9,689.91
Apr	351.05	3,154.62	5,302.76		358.17	1.14	116.34	150.49		9,434.57
May	385.62	3,138.51	5,002.50		181.12	1.07				8,708.82
Jun	508.29	3,099.92	4,597.93		183.44	0.94				8,390.52
Jul	443.41	3,238.92	5,687.91		202.32					9,572.56
Aug	712.07	2,974.79	4,944.87		113.33					8,745.06
Sep	960.20	3,805.95	5,797.72	26.24	265.92		22.02		263.63	11,141.68
Oct	947.00	3,844.89	5,839.65	77.16	311.31	1.66				11,021.67
Nov	1,130.87	3,666.96	5,852.03		547.65	0.81				11,198.32
Dec	1,261.98	3,257.64	4,364.78		481.2					9,365.60
Jan	1,350.07	3,101.79	4,392.13		399.58					9,243.57
Feb	1,147.79	2,996.72	4,329.84		481.25					8,955.60
<b>OVERALL TOTAL</b>	<b>9,676.62</b>	<b>39,696.69</b>	<b>61,311.35</b>	<b>315.94</b>	<b>3,909.18</b>	<b>5.62</b>	<b>138.36</b>	<b>150.49</b>	<b>263.63</b>	<b>115,467.88</b>

**Certified Company Details**

Sime Darby Plantation Sdn Bhd  
Management Unit SOU8  
Carey Island Selangor Malaysia  
Ladang East  
42960 Carey Island  
SELANGOR MALAYSIA

RSPO Membership No: 035-04(O)

Contact Person: Mr Adrianudin Raj Bin Azman  
Senior Manager East Estate

Phone: 03-3122 0528

Fax: 03-3122 0526

Email: [adrianudin.raj.azman@simedarby.com](mailto:adrianudin.raj.azman@simedarby.com)

**RSPO Supply Chain Certification System for Sime Darby Plantation (SDP)**

No	Business Unit	RSPO SCCS Certification Y/N	Trading Option	Certification Body	Date of Certification
1	Unimills B.V., Netherlands	Yes	SG, MB	Control Union (CUC)	Interim self assessment in Mac 2009. Certified by CUC on 28 June 2011
3	SD Biodiesel, Malaysia	Yes	SG, MB	SIRIM	Interim self assessment in Mac 2010. Certified by SIRIM on 25 March 2011
4	SD Jomalina, Malaysia	Yes	SG, MB	SIRIM	Certified on 10 March 2011
5	SD Kempas, Malaysia	Yes	MB	SIRIM	Certified on 19 Aug 2011
6	SD Austral, Malaysia	In Progress	MB	SIRIM	Awaiting Certification by CB. Main Assessment carried out in Feb 2012.
7	NURI Edible Oil Refinery, Malaysia	In Progress	MB	SIRIM	Awaiting Certification by CB. Main Assessment carried out in Jan 2012.
8	NURI Edible Oil Kernel Crushing Plant, Malaysia	In Progress	SG, MB	SIRIM	Awaiting Certification by CB. Main Assessment carried out in Jan 2012.

**Certification Body Details**

BSi Group Singapore Pte Ltd  
 (Co. Reg. 1995 02096-N)  
 3 Lim Teck Kim Road #10-02  
 Genting Centre  
 SINGAPORE 088934

Contact Person: Mr Aryo Gustomo  
 BSi RSPO Scheme Manager  
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**Summary**

Supply Chain assessments were made at East Oil Mill that is owned and operated by Sime Darby. The assessment included site visits to East Oil Mill and East and Sepang Estates, review of records and interviews of staff. The assessor concluded SOU8 has implemented an appropriate management system for controlling the purchase of certified FFB, processing of same and sales of certified CPO and PK. SOU8 maintains adequate records for confirming compliance with the RSPO supply Chain requirements and staff were able to demonstrate an appropriate knowledge of the requirements.

**Conclusion**

The SOU8 management system and records meet the requirements of the RSPO supply chain requirements, November 2011 for the Mass Balance mechanism.

## Certificate Details

### Background to the Report

#### (a) Report authors

##### Assessor

Mr Charlie Ross, BSi RSPO Lead Auditor

##### CB Management Representative

Mr Aryo Gustomo, BSi RSPO Scheme Manager

#### (b) Previous assessments *Not Applicable*

#### (c) On-Site Visits

##### Visit Itinerary

Tuesday 20 March 2012 – East Mill – Opening Meeting held at Mill Meeting Room; Weighbridge Station; examined weighbridge records; daily records of FFB deliveries, CPO and PK production; CPO Bulk Tank and PK Silo records; shipments of CPO and PK. Closing Meeting Wednesday 21 March 2012.

People consulted: S. Kogolanathan (Manager); Mohan s/o Sivasubramaniam (Asst Mgr); Velu Nadesan (QA Supervisor).

## Scope

The scope of the assessment covered the East Oil Mill and the supply base of Sime Darby owned Estates. The Supply Chain mechanism used is Mass Balance. The SOU8 operations were assessed against the RSPO Supply Chain Standard : November 2011 requirements for Oil Mills and Mass Balance.

## Description of Operation's Management System

SOU8 uses the mass balance mechanism for the supply chain. All deliveries of FFB to the Mill are issued with a weighbridge docket that records the name of the supplier, truck registration number, driver's name and the tonnage. The weighbridge system is computerised and delivery records are used as the basis for payment for FFB deliveries. A sample of weighbridge dockets was checked at the Mill against the summaries of FFB deliveries from each Sime Darby Estate supply source. This confirmed the details of the source and quantity of FFB were recorded accurately and could be verified by tracking. The source of the FFB can be traced back to the Estate and the oil palm block from which it was harvested. The Mill summarises and reports daily to Sime Darby Head Office: the quantity of FFB received from the Estates; the tonnage of FFB processed; the tonnages of CPO and PK produced; shipment tonnages; and the quantities of materials held in storage. The Mill and Estates also report the above quantities monthly to Sime Darby Head Office.

Checks of records confirmed 100% of the RSPO Certified CPO produced by the East Mill during the preceding 12 months (01 March 2011 – 29 February 2012) was sold to the Sime Darby owned Golden Jomalina Food Industries Sdn Bhd Refinery. During the same period, 100% of the RSPO Certified PK produced by the East Mill was sold to the Sime Darby owned Kernel Crushing Plant at Carey Island. Inspection of documents confirmed that SOU8 maintains all of the documentation required for supply chain verification (RSPO Supply Chain Standard November 2011).

## Certified Volume Purchased and Claimed

The following certified FFB material was received from SOU8 and adjacent Sime Darby Estates during the 01 March 2011 – 29 February 2012 year and processed at East Mill: 115,468 t/FFB

## Main Report Details

### 1. Documented procedures

- 1.1 The facility shall have written procedures and/or work instructions to ensure the implementation of all the elements specified in these requirements. This shall include at minimum the following:
  - a) Complete and up to date procedures covering the implementation of all the elements in these requirements. *Complies – Procedures are current and include all elements of the Supply Chain for controlling the receipt, sale and dispatch of palm products. For example, SPMS: 2012 Draft/ Appendix 15 - Standard Operating Procedure for Traceability and RSPO Supply Chain Certification System.*
  - b) The name of the person having overall responsibility for and authority over the implementation of these requirements and compliance with all applicable requirements. This person shall be able to demonstrate awareness of the facilities procedures for the implementation of this standard. *Complies – The Mill Manager has responsibility for the Supply Chain aspects of FFB receipts, processing and shipping of palm products. Interview confirmed their knowledge of the RSPO Supply Chain requirements for the respective areas of the operations.*
- 1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFB. *Complies – the Mills Weighbridge SOP covers the receiving of FFB and recording details of the Supplier and Transporter. All deliveries of FFB are subject to verification of documentation and quality checks. For example, MQMS/V1:2008/Level 3/Standard Operating Procedure/Station No. 1/Reception Station/1.3.1:Weighbridge MQMS/V1:2008/Level 3/Standard Operating Procedure/Section V:Introduction/Crop Quality Standards.*

### 2. Purchasing and goods in

- 2.1 The facility shall verify and document the volumes of certified and non-certified FFBs received. *Complies – the Mill records tonnages received at the weighbridge and these are reported daily to Head Office.*
- 2.2 The facility shall inform the CB immediately if there is a projected overproduction. *Complies – the company has a mechanism for advising the CB of production variations, which are monitored internally.*

### 3 Record keeping

- 3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements. *Complies – Inspection of records at the Mill confirmed these were updated daily.*
- 3.2 Retention times for all records and reports shall be at least five (5) years. *Complies – Records are archived and stored for > 5 years.*
- 3.3
  - a) The facility shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, PKO and palm kernel meal on a three-monthly basis. *Complies – these are updated monthly and reported to Head Office.*
  - b) All volumes of palm oil and palm kernel oil that are delivered are deducted from the material accounting system according to conversion ratios stated by RSPO. *Complies*
  - c) The facility can only deliver Mass Balance sales from a positive stock. However, a facility is allowed to sell short. *Complies – The company sales did not exceed the Certified CPO or PK volumes during the 2011/12 year.*
- 3.4 The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. \*product name\*/MB or Mass Balance. The supply chain model used should be clearly indicated. *Complies – The company uses the prefix MB on the Product Code.*
- 3.5 In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that the crush is covered through a signed and enforceable agreement. *Complies – The company has signed contracts with the Kernel Crushing Mill.*

### 4. Sales and good out

- 4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information:
  - a) The name and address of the buyer;
  - b) The date on which the invoice was issued;
  - c) A description of the product, including the applicable supply chain model (Segregated or Mass Balance)
  - d) The quantity of the products delivered;
  - e) Reference to related transport documentation.*Complies – all of these items (a-e) are included in the company's invoices to buyers*

### 5 Training

- 5.1 The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems. *Complies – The company maintains records of training. Interviews of Mill Staff confirmed knowledge of the Supply Chain requirements.*

### 6 Claims

- 6.1 The facility shall only make claims regarding the use of or support of RSPO certified oil palm products that are in compliance with the RSPO Rules for Communications and Claims. *Complies – To the best of the Assessor's knowledge, the company has not made claims outside of the RSPO rules for Communications and Claims.*



## ***Appendix “B”***

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

**RSPO Certification Timebound Plan for Sime Darby Plantation (SDP)**

Financial year (July – June)	Targeted	Achieved
June 2008	5 SOUs	Sime Darby Plantation has had all its SOUs (Malaysian & Indonesian) completing the RSPO Main Assessment.
2008/2009	20 SOUs ( from Malaysia and Indonesia)	
2009/2010	20 SOUs ( from Malaysia and Indonesia)	
2010/2011	17 SOUs ( from Malaysia and Indonesia)	

As of March 2012, RSPO Certification status in Sime Darby Plantation are as follow:

- I. CSPO: To date (as of 1<sup>st</sup> March 2012) 51 SOUs have been certified with RSPO (39 Malaysian SOUs and 12 Indonesian SOUs).
- II. RSPO Certified volume as of 1<sup>st</sup> March 2012: 1,830,674 mt of CPO production claimed & 434,063 mt of kernel production claimed.

Status	Malaysia	Indonesia	Total	Remarks
Certified	39	12	51	• All SOUs in Malaysia have been certified.
RSPO EB Review	0	11	11	• Pending review by RSPO EB.
Assessed/Audited	0	0	0	
<b>Total SOUs</b>	<b>39</b>	<b>23</b>	<b>62</b>	

There were several claims made by NGOs against Sime Darby Plantation operations, and SDP has responded to their claims respectively as the media releases and updates as follow:

**i) Sime Darby's Response to New York Times Article (Jan 2012)**

[http://www.simedarbyplantation.com/Sime\\_Darby's\\_Response\\_to\\_New\\_York\\_Times\\_Article\\_.aspx](http://www.simedarbyplantation.com/Sime_Darby's_Response_to_New_York_Times_Article_.aspx)

**ii) False and Inaccurate Reports on Liberian Operations (Feb 2012)**

[http://www.simedarbyplantation.com/False\\_and\\_Inaccurate\\_Reports\\_on\\_Liberian\\_Operations.aspx](http://www.simedarbyplantation.com/False_and_Inaccurate_Reports_on_Liberian_Operations.aspx)

**iii) Sime Darby Plantation's Response To Oxfam's Press Release (Oct 2011)**

[http://www.simedarbyplantation.com/Sime\\_Darby\\_Plantation's\\_Response\\_To\\_Oxfam's\\_Press\\_Release.aspx](http://www.simedarbyplantation.com/Sime_Darby_Plantation's_Response_To_Oxfam's_Press_Release.aspx)

**iv) Complaints by Forest Peoples Programme on New Planting Procedure, Liberia (Oct 2011 – Feb 2012)**

Further to a bilateral discussion with the complainants was held at site on 17th Dec 2011, the local communities has written a withdrawal letter to RSPO, for SDPL to proceed with any work in Stage III Gbarpulo areas, an official notification from RSPO is sent to complete the said NPP. Sime Darby is progressing with the Stage III new plantings including land development covering 20,000 ha in Gbarpolu County, Rep of Liberia.

# ***Appendix “C”***

## ***ASA2 Programme***

**ASA2 PROGRAMME – 20 – 21 MARCH 2012**

**TEAM: CR: Charlie Ross; RR: Robyn Ross; IN: Iman Nawireja; NH: Noryati Hambali**

DATE	TIME	ACTIVITY	CR	RR	NH	IN	
Tuesday 20 March 2012	AM	Opening Meeting	√	√	√		
		Mill Documentation including Supply Chain & Weighbridge	√				
	TEAM 1 EAST MILL	AM	Interview Contractors/External Stakeholders	√		√	
			Interview Female Office Staff/Workers		√	√	
			Review Pay Documentation		√	√	
			Inspect Mill, Effluent Ponds, Landfill, Land Application, Workshop, Stores	√			
TEAM 2 SEPANG ESTATE	PM	Visit Clinic Interview Staff		√	√		
		Inspect Housing (Mill and Estate) Interview Residents Closing Briefing		√	√		
TEAM 2 SEPANG ESTATE	AM	Opening Briefing				√	
		Inspect Estate and any Buffer Zones				√	
		Interview Male Fieldworkers				√	
		Inspect Workshop, Stores, Landfill				√	
TEAM 2 SEPANG ESTATE	PM	Interview Contractors/External Stakeholders				√	
		Inspect Housing				√	
Wednesday 21 March 2012	AM	Visit any Local Communities				√	
		Estate Documentation				√	
		Closing Briefing				√	
		Opening Briefing	√	√	√	√	
		Inspect Estate including Buffer Zones,	√			√	
	Interview Male Fieldworkers				√		
TEAM 1 EAST ESTATE	AM	Interview Female Fieldworkers		√	√		
		Interview Contractors/External Stakeholders				√	
		Contact Government Offices, NUPW Regional Office, AMESU, NGOs				√	
		Inspect Stores, Land Application, Landfill, Contractor's Workshop	√				
TEAM 1 EAST ESTATE	AM	Interview Female Office Staff/Workers		√	√		
		Review Pay Documentation		√	√		
		Estate Documentation	√				
TEAM 1 EAST ESTATE	PM	Visit any Local Communities				√	
		Prepare Visit Reports and Closing Presentation		√	√		
		<b>Combined Closing Meeting SOU8 and SOU9</b>	√	√	√	√	



## ***Appendix “D”***

### ***Stakeholders Contacted***

**STAKEHOLDERS CONTACTED**

<p><b><i>Internal Stakeholders</i></b></p> <ul style="list-style-type: none"> <li>11 Foreign Harvesters (Sepang Estate)</li> <li>6 Foreign Male Sprayers (Sepang Estate)</li> <li>8 Foreign Harvesters (East Estate)</li> <li>6 Foreign Male Sprayers (East Estate)</li> <li>Health Assistant (Mill/Estate Clinic)</li> </ul>	<p><b><i>Internal Stakeholders</i></b></p> <ul style="list-style-type: none"> <li>8 Female Mill Staff/Workers</li> <li>Group of 30+ Residents Mill and Estate Housing</li> <li>6 Female Fieldworkers (East Estate)</li> <li>6 Female Staff/Workers (East Estate)</li> </ul>
<p><b><i>Contractors</i></b></p> <ul style="list-style-type: none"> <li>2 Mill Contractors</li> <li>2 East Estate Contractors</li> </ul>	<p><b><i>Local Communities</i></b></p> <ul style="list-style-type: none"> <li>Kampung Kepau Laut Representatives</li> <li>Kampung Sungai Rambai Representatives</li> <li>Kampung Sungai Bumbun Representatives</li> </ul>
<p><b><i>Government Departments</i></b></p> <ul style="list-style-type: none"> <li>Department of Labour</li> <li>Lands Department</li> </ul>	<p><b><i>Others</i></b></p> <ul style="list-style-type: none"> <li>AMESU, Subang Jaya</li> <li>NUPW, Selangor</li> <li>Tamil School Headmistress</li> </ul>