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## PUBLIC SUMMARY REPORT

# RSPO 3<sup>rd</sup> ANNUAL SURVEILLANCE ASSESSMENT (ASA3)

# KERESA

## KERESA PLANTATIONS SDN BHD KERESA MILL SDN BHD

BINTULU, SARAWAK, MALAYSIA

*Report Author*

**Allan Thomas – December 2013**

[raneall@ozemail.com.au](mailto:raneall@ozemail.com.au)

Tel: +61 412 492 353

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BSI Group Singapore Pte Ltd (Co. Reg. 1995 02096-N)  
1 Robinson Road  
#15 01 AIA Tower  
Singapore 048542  
Tel +65 6270 0777  
Fax +65 6270 2777  
Aryo Gustomo : aryo.gustomo@bsigroup.com

PT BSI Group Indonesia  
Menara Bidakara II,  
Jl. Jend.Galot Subroto kav. 71-73Komplek Bidakara  
Pancoran, Jakarta Selatan 12870  
INDONESIA  
Tel +62 21 83793174  
Fax +03 2032 2253

<b>TABLE of CONTENTS</b>	<b>Page N<sup>o</sup></b>
<b>SUMMARY</b> .....	<b>1</b>
<b>ABBREVIATIONS USED</b> .....	<b>1</b>
<b>1.0 SCOPE OF CERTIFICATION ASSESSMENT</b> .....	<b>1</b>
1.1 National Interpretation Used .....	1
1.2 Certification Scope.....	1
1.3 Location and Maps .....	1
1.4 Description of Supply Base .....	3
1.5 Date of Plantings and Cycle.....	3
1.6 Other Certifications Held .....	3
1.7 Organisational Information / Contact Person .....	3
1.8 Time Bound Plan for Other Management Units.....	3
1.9 Area of Plantation .....	4
1.10 Approximate Tonnages Certified.....	4
1.11 Date Certificate Issued and Scope of Certificate .....	4
<b>2.0 ASSESSMENT PROCESS</b> .....	<b>5</b>
2.1 Certification Body.....	5
2.2 Qualifications of the Lead Assessor and Assessment Team .....	5
2.3 Assessment Methodology, Programme, Site Visited.....	5
2.4 Stakeholder Consultation and List of Stakeholders Contacted .....	6
<b>3.0 ASSESSMENT FINDINGS</b> .....	<b>7</b>
3.1 Summary of Findings.....	7
3.2 Detailed Identified Non-conformities, Corrective Actions and Auditor Conclusions.....	23
3.3 Non-conformities raised during previous assessment and status.....	24
3.4 Issues Raised By Stakeholders and Findings with Respect To Each Issue.....	24
3.5 Date of Closing Nonconformities.....	24
3.6 Acknowledgement of Internal Responsibility and Formal Sign-Off Assessment Findings.....	25

#### **LIST of TABLES**

1. Keresa Estates and Mill GPS Locations.....	1
2. Plantation FFB Production .....	3
3. Smallholders and FFB Production .....	3
4. Age Profile of Keresa's Planted Oil Palm.....	3
5. Estates' Hectare Statement .....	4
6. Smallholders' Planted Area.....	4
7. Approximate Tonnages Certified.....	4

#### **LIST of FIGURES**

1 Location Map in Sabah, Malaysia.....	2
2. Keresa Plantations Area map.....	2

#### **List of Appendices**

A KERESA RSPO Certificate Details
B Third Surveillance Audit Programme
C Supply Chain Audit – CPO Mill

**SUMMARY**

BSi has conducted a certification assessment of the Keresas operations comprising 1 mill, supply base, support services and infrastructure. BSi concludes that Keresas operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY NIWG Indicators and Guidance November 2010 for the following scope and : Annex 4: Procedures for Annual Surveillance; and Supply Chain Certification Standard: November 2011, Module – CPO Mill: Mass Balance

**BSI RECOMMENDS THE CONTINUATION OF THE APPROVAL OF KERESA AS A PRODUCER OF RSPO CERTIFIED SUSTAINABLE PALM OIL.**

**ABBREVIATIONS USED**

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

VMO Visiting Medical Officer

**1.0 SCOPE OF CERTIFICATION ASSESSMENT****1.1 National Interpretation Used**

The operations of the mill and their supply bases of FFB were assessed against the MY NIWG: November 2010 of the RSPO Principles and Criteria: 2007.

**1.2 Certification Scope**

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

**1.3 Location and Maps**

The Keresas palm oil mill and estates are located in Bintulu, Sarawak, Malaysia. Location maps shown in Figure 1 (Sabah, Malaysia) and Figure 2 (Keresas Plantations Area).

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

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

<b>Location</b>	<b>EASTINGS</b>	<b>NORTHING</b>
Keresas Mill Capacity: 30mt/hr	113°35' 59.1" E	03°09' 49" N
Sujan Office	113°36' 346" E	03°10' 520" N
Jiba Office	113°33' 794" E	03°09' 119" N

Figure 1: Keresia Plantation location map in Sabah, Malaysia

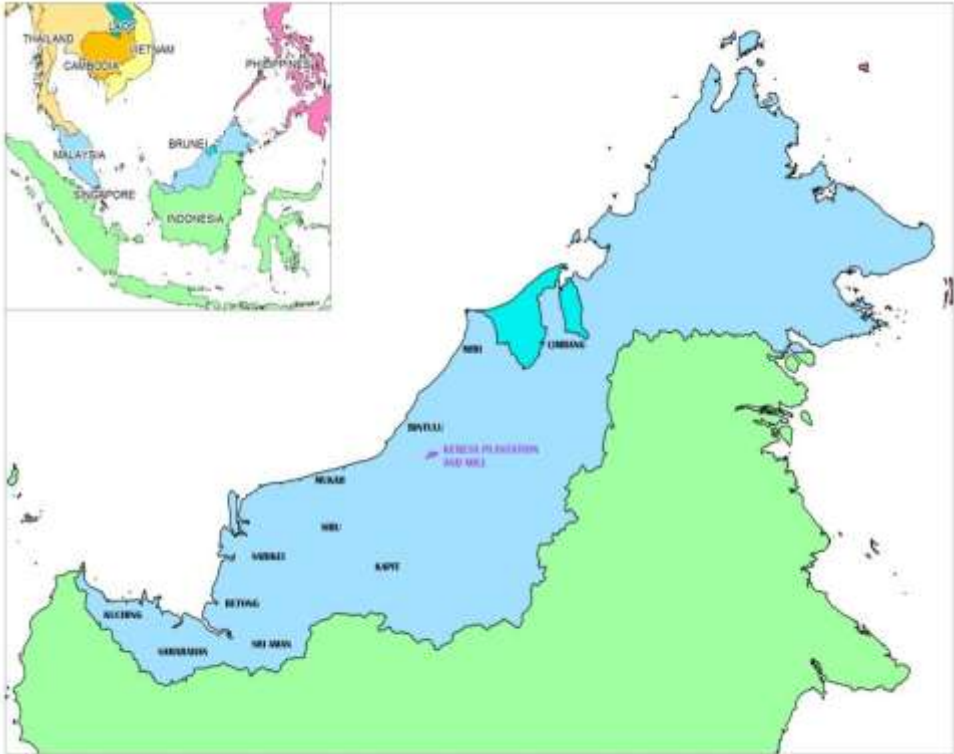
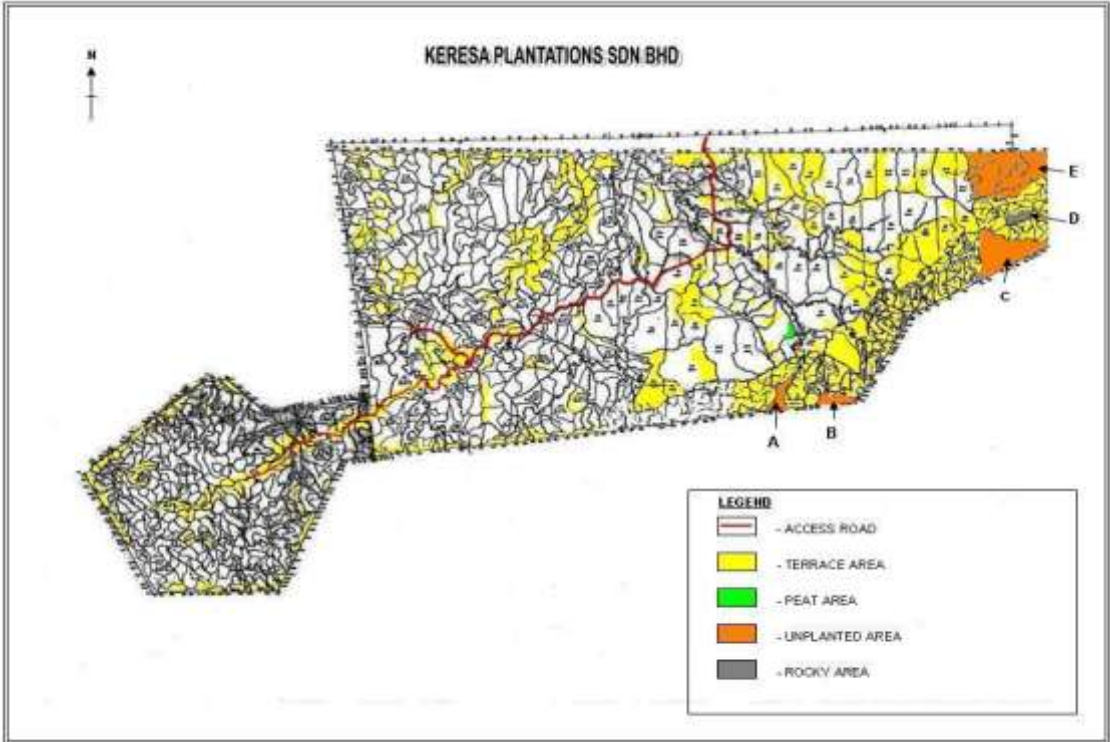


Figure 2: Keresia Plantations Map



#### 1.4 Description of Supply Base

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

**Table 2: Plantation FFB Production**

Year	Keresa Plantations		Total
	Jiba	Sujan	
2011	59,032.06	75,641.57	134,673.63
2012	56,487.81	78,433.00	134,920.81
<b>YTD August 2013</b>	<b>32,446.42</b>	<b>48,101.64</b>	<b>80,548.06</b>
<b>Projected – rest 2013</b>	<b>25,760.58</b>	<b>34,413.36</b>	<b>60,173.94</b>
<b>Total 2013</b>	<b>58,207.00</b>	<b>82,515.00</b>	<b>140,722.00</b>

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

Keresa has continued to support smallholders on continued RSPO implementation and management and to ensure continued certification. Keresa has stated its commitment to continue to work with the smallholders on the implementation of the RSPO P&C with the aim of maintaining the certification.

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

**Table 3: Smallholders and FFB Production**

Smallholders (Total No)	FFB (tonnes)
<b>2011</b>	<b>3,333.12</b>
<b>2012</b>	<b>4,404.83</b>
<b>Projected 2013</b>	<b>5,000.00</b>

#### 1.5 Date of Plantings and Cycle

The company-owned plantations were developed since 1997 following acquisition from CDC. The age profile of the oil palms on the plantations is detailed in Table 4.

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

Year	Age	Ha	%
1997	13	782.10	14.63
1998	12	1,866.85	34.91
1999	11	672.40	12.58
2000	10	447.60	8.37
2001	9	82.62	1.55
2002	8	31.04	0.58
2005	5	499.51	9.34
2006	4	639.07	11.95
2007	3	325.71	6.09
<b>Total</b>		<b>5,346.90</b>	<b>100.00</b>

#### 1.6 Other Certifications Held

Keresa holds ISCC-EU certificate valid until July 2014.

Keresa plan to implement ISO 9001:2008, ISO 14001:2004 and OSHAS 18001:2007 in Keresa Mill as part of committed continuous improvement of the mill operation.

#### 1.7 Organisational Information / Contact Person

Keresa Plantations  
PO Box 2607,  
97008 BINTULU  
SARAWAK MALAYSIA

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

[aziz@keresa.com.my](mailto:aziz@keresa.com.my)

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

Keresa Plantations Sdn Bhd (henceforth referred to as "Keresa") comprises of a mill and approximately 5,696ha (including smallholder) planted to oil palm, in Sarawak, Malaysia. Keresa has advised BSI that there are no land disputes, legal non-compliances or litigations at its operations. In addition Keresa has not developed on HCVF as all the holdings are on previously existing plantations.

This is Keresa's only oil palm operation and therefore no time bound plan is required. However, Keresa recently developed an additional estate through leasing land which excluded in the scope during this audit. The new area now is put on hold under the RSPO compensation procedure. A Major NC raised under 4.2.4 partial certification rules.

4.2.4 (e) Requirements for uncertified management units and/or holdings (RSPO Certification System) Major NC: There was no HCV assessment completed by Keres a prior to planting and clearing the new area known as Kubud estate and own by the local people.

### 1.9 Area of Plantation

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

**Table 5: Estates' Hectare Statement**

<b>Plantations</b>	<b>Mature (ha)</b>	<b>Immature (ha)</b>
Jiba	2,268.82	-
Sujan	3,078.08	-
<b>TOTAL</b>	<b>5,346.90</b>	-

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

**Table 6: Smallholders' Planted Area**

<b>Mature (ha)</b>	<b>Immature (ha)</b>
357.64	-

### 1.10 Approximate Tonnages Certified

**Table 7: Approximate Tonnages Certified**

<b>Year</b>	<b>CPO</b>	<b>PK</b>
2011	28,983.82	2,259.32
2012	29,142.89	5,720.64
<b>YTD August 2013</b>	<b>17,350.05</b>	<b>3,350.79</b>
<b>Projected-rest 2013</b>	<b>13,238.27</b>	<b>2,707.83</b>
<b>Total 2013</b>	<b>30,588.32</b>	<b>6,058.62</b>

**Note: Keres a is the only mill in the area and takes fruit from outside estates and therefore amounts claimed are from Keres a and included small holders – supply chain is MB.**

The increase in production with regards to PK is due to the installation of a new palm kernel plant.

### 1.11 Date Certificate Issued and Scope of Certificate

#### Scope

Scope of the Certificate is for the production from the single palm oil mill and its supply base (refer Table 7 for tonnages). Certificate No. SPO 559278

Date Certificate issued: 21/10/2010

Expiry Date: 20/10/2015

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

#### Inclusion of Smallholders

Keres a had initiated RSPO awareness for the smallholders in the last 4 years through the Malaysian National Interpretation Working Group (MY NIWG) process and worked with the local smallholder representatives. Keres a worked closely with the smallholder representatives in the last 12 months in the improved development of a system to enhance the development of new areas of land to oil palm. The smallholders are included in the certification.

#### Smallholders

Small Holders who are associated with Keres a directly have been included in the assessment.

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

Keres a has a defined list of all their associated independent smallholders and ascertained each of their location and status. This is compiled into a company database. Keres a has agreed to collect the FFB from these defined independent smallholders whilst some have decided to complete delivery themselves using their own transport.

Keres a operates a Small Holder Affairs Department that is supporting the smallholders who supply fruit to the company's mill. The company has appointed a dedicated person the look after small holder affairs. The position was created and the title is Small Holder co-ordinator. The smallholders' land has been mapped and Keres a has verified their rights to the land via means such as land title and previous usage. Keres a supplies oil palm seedlings to the smallholders and assists them by coordinating pest and disease surveys and treatment of pest outbreaks.

Keres a has continued to hold awareness training of smallholders on the RSPO P&Cs during training sessions. Keres a has provided training of smallholders on the RSPO P&C (there has been continuous training on regular occasions on various topics for small holders). Records of smallholder training are available and held with the Smallholder coordinator. The survey of the smallholders involved the physical inspection of all smallholder blocks and interview of each block holder to assess their understanding of sustainable practices and conformance with the relevant RSPO P&Cs.

In consideration of Keres a's close involvement with the individual smallholders, they can be regarded as being "associated" with Keres a.

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

BSi examined in detail the smallholder survey database and concluded that the information showed the majority of smallholders met conformance with the relevant indicators of the MY NIWG (November 2010). The validity of the smallholder survey results was tested by selecting a sample of 12 smallholders that were representative of a range of conditions and subjecting these to field audits. This figure is well in excess of the RSPO sampling guidelines of smallholders. BSi concluded that the survey results for the included smallholders plus the physical audits and the interviews of the smallholder representatives provided substantive evidence of conformance with the RSPO P&C.

## **2.0 ASSESSMENT PROCESS**

### **2.1 Certification Body**

Prepared by  
BSi Group Singapore Pte Ltd  
1 Robinson Road  
#15 01 AIA Tower  
Singapore 048542

RSPO Scheme Manager: Mr Aryo Gustomo  
Phone: +65 6270 0777  
Fax: +65 6270 2777  
Email: [aryo.gustomo@bsigroup.com](mailto:aryo.gustomo@bsigroup.com)

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

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

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

Allan Thomas holds a tertiary qualification in commerce and accounting from Wollongong University in 1973 and has more than 21 years' experience in systems management and auditing of large organisations in construction, forestry, agriculture, manufacturing and in private and Government sectors both in Australia, South East Asia and the South Pacific. During the past 16 years, he has been the Manager of a large certification body based in Australia with responsibilities throughout SE Asia. He has performed over 160 comprehensive audits of management systems throughout the Palm Oil industry including Occupational Health and Safety, Environmental and Quality Management Systems. He has also advised companies on the implementation of OHS in the Oil Palm Industry. He has worked in PNG, Indonesia, Malaysia and SI in the Oil Palm industry. Allan

has conducted over 3,000 system audits in the last 16 years and controlled over 50 auditors when Certification Manager of SGS-ICS.

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

He has conducted Integrated Management assessments of a large number of palm and kernel oil mills and many oil palm plantations in Indonesia, Malaysia and Papua New Guinea. He has worked closely with RSPO in developing an audit checklist for the Principles and Criteria and developed an audit methodology. This was carried out at the instigation of Dr. Simon Lord – in 2005 prior to RT3. Dr. Lord is a former member of the Executive Board – this audit checklist was bought by RSPO in early 2006 He also performed the first baseline assessment of the applications of the P&C. He is a strong advocate of environmental, safety and social accountability.

#### **Muhammad Haris B. Abdullah – Team member**

He graduated from the Open University Malaysia with a Bachelor of Business Administration (Hons) Majored in Human Resource Development and currently pursuing his Master's Degree in Business Administration from the University Utara Malaysia. He has completed RSPO Lead Auditor Training Course. He also has more than 3 years working experience in oil palm plantation and conducting social impact assessments of agriculture, agriculture best practices, and environmental impact assessment and workers welfare. He had assisted with conducting audits of oil palm plantation for more than 8 companies against the RSPO P&C in Indonesia and in Malaysia for the past 4 years. During this assessment, he assessed on the aspect of Legal, Social and community engagements, Smallholders, Stakeholders consultation, and workers welfare.

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

The certification assessment was conducted from the 14<sup>th</sup> to 18<sup>th</sup> of June 2010. The single mill and its supply base including smallholders is a single certification unit as defined by RSPO.

The auditor who has experience in audit of plasma scheme and independent smallholder assessed the smallholders. The mill was audited together with the plantations and smallholders. The 2010 MY National Interpretation of the RSPO Principles and Criteria (as found on the RSPO website) was used throughout and all Principles were assessed. The methodology for collection of objective evidence included physical site inspections, observation of tasks and processes,

interviews of staff, workers and their families, review of documentation and monitoring data. RSPO P&C and questionnaires were used to guide the collection of information. The comments made by external stakeholders were also taken into account in the assessment.

Smallholders were also included in this audit. A total of 12 blocks were audited out of the 54 smallholder blocks.

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

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

Stakeholder consultation involved external and internal stakeholders.

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

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

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

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

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

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

The company representatives only introduced the team and when requested left during meetings with stakeholders. For internal stakeholders the same procedure was followed and company representatives left once the consultations started. Senior management

were not involved in consultations with auditors' consultations with Keresa workers and employees.

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

##### **Executives, Staffs and workers**

Buharni – Manuring Mandore  
 Yusrin – Loader  
 Roslin – Clinic Assistant (Sujan Estate)  
 Jenifer – Clinic Assistant (Sujan Estate)  
 Bambang - Clinic Assistant (Jiba Estate)  
 Winnie Anak Engga – Lab Assistant  
 Catherine – Mill Staff  
 Tony – FFB quality Checker  
 Man – FFB quality Checker  
 Melgibson - FFB quality Checker  
 Augustus – Storekeeper  
 Joshua – Assistant storekeeper  
 Dubahi – Boiler assistant  
 Mohammad Ali – General worker  
 Winnie – TQM Executive  
 Raymond – Safety and Health Officer  
 Agnes- TQM Executive  
 Aziz – Assistant General Manager  
 Kumaran – General Manager  
 Handrick – Senior Field Manager

##### **Contractor and Suppliers**

Yong – Road works Contractor (Unify Services)  
 Chan – New planting contractor (Yi Seng Trading)  
 Edy - New planting contract supervisor  
 Kartika – Shop owner (Syarikat Sujan Semerah Sdn. Bhd)  
 James Ling – Quarry contractor (Sartop Corp. Sdn. Bhd)

##### **Smallholders**

Iba Anak Abas (Tuai Rumah Iba)  
 Ko Anak Babai – KSGS Member  
 Buda Anak Etin – KSGS Member  
 Bawong Anak Uma – KSGS Member  
 Chali Anak Kadop – KSGS Member  
 Etin Anak Pasang - KSGS Member  
 (Majang's Long House)  
 - Juna Anak Aja  
 - Lee Anak Jatan  
 - Richit Anak Maneko  
 - Bakat Anak Jampang  
 - Ramba Anak Amal

TR Majang Ragan

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

Within 12 months of this surveillance assessment commencing 3<sup>RD</sup> September 2014.



### 3.0 ASSESSMENT FINDINGS

#### 3.1 Summary of Findings

As outlined in Section 2.3, objective evidence was obtained separately for each of the RSPO Indicators for the mill and the estates. The results for each indicator from each of these operational areas have been aggregated to provide an assessment of overall conformance of the company's operations with each criterion. A statement is provided for each of the Indicators to support the finding of the assessment team.

There were two non-conformities raised against Major Compliance indicators. The Major nonconformity was closed on 24 October 2013 before completing this report.

Nine (9) non-conformities were assigned against minor compliance indicators. Keresas has prepared a Corrective Action Plan (Appendix D) for addressing the identified non-conformities that was reviewed and accepted by BSI.

There were two (2) non conformities raised against minor compliance indicators in regards to Supply Chain Certification

Seven (7) observations/opportunities for improvement were identified. Details of the non-conformities and observations are given in Section 3.2.

BSI's assessment of Keresas operations, comprising one palm oil mill, estates, smallholders, infrastructure and support services, concludes that Keresas operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY-NIWG Indicators and Guidance: November 2010.

BSI recommends that Keresas be approved as a producer of RSPO Certified Sustainable Palm Oil.

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

Records of requests (1.1.1) and responses are being maintained. Keresas ensures that any requests for information or assistance or grievances are recorded and makes records of informal requests and telephone enquiries. Requestors name, address and contact details and specifics of the request are recorded. There is a record kept of the action taken including timeliness or where requests are denied.

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

Under the procedure any stakeholder/public requests will be managed by stakeholder communication officers. Any requests submitted, except requests from community for particular contributions and all are recorded.

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

Inspection of the records indicated that currently no requests have been received since the previous audit.

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

Besides providing the material to all participants, the RSPO coordinator also kept all official training material and agreement with smallholders in Keresas Plantation main office for reference accessible to all smallholders whenever necessary and all smallholders have been made known of this.

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

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

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

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

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

14. Sexual Harassment Policy
15. Environment Plans & Environment Permits
16. Copies of Government laws, regulations, Code of Practices.
17. Government Environmental Monitoring Reports
18. Waste Management Plans
19. Production Reports
20. FFB Pricing Information
21. Financial report
22. Employee Training.

Land titles (1.2.1) will be made available on request if appropriate. Land titles are in the public domain and are readily available through government offices and are displayed in each estate office.

Group policies such as OHS (1.2.2), Environmental, Equal Employment Opportunities and Sexual Harassment Policies are all available for all stakeholders. These policies were all sighted in many areas throughout the estate and available to all staff and stakeholders.

Plans and impact assessment relating to environmental and social impacts will also be made available on request (1.2.3).

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

A pollution improvement plan (1.2.4) is available and is updated to demonstrate progress made in controlling and reducing pollution of all types. This includes results of survey of all polluting activities.

The documented system for access to customary land and negotiation (1.2.6) procedures for settling disputes is available on request. As are details of all complaints and grievances (1.2.5) given the nature of each occurrence.

Procedures for negotiation are also available for any stakeholders dealing with Keresas.

There is a Continuous Improvement Plan (CIP) (1.2.7), available for all operations including the mill and estates as well as all other ancillary operations. This includes: housing, medical, workers welfare, EMS, OHS, social issues, health, and communication with stakeholders, free prior and informed consent (FPIC).

Keresas Plantation has prepared Smallholders Code of Conduct that contains an implicit RSPO standard. Instead of giving a copy of RSPO standard to the participant, according to Keresas, this approach was chosen to make the participant understand and implementation of the RSPO P&C easier for them. During the training, a simplified material on relevant RSPO P&C was given to the participants, in accordance to latest RSPO standard.

Company has provide all members with "Perjanjian di Antara Pengeluaran dan Organisasi (Agreement between

Smallholders and Organization)" in Bahasa Malaysia. Company has explained the term and condition of the agreement before signing up. For example, agreement between Linggong anak Ragan signed on 10 September 2011, a copy is given to the participants. Confirmed during the interview with the sample participating smallholders they held the copy of the agreement and are understand term and condition of the agreement.

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

Evidence that all applicable legal and regulatory requirements are implemented as prescribed (2.1.1). There is a register of legal and regulatory requirements.

All applicable local, national and ratified international laws and regulations have been identified. This includes areas such as: land rights, labour laws, chemical use, environmental regulations, storage etc. There is no evidence of any chronic or systematic non-compliance with any laws and no breaches have been raised by any outside body at this stage. Although at the time of this assessment there was an investigation by DOSH with regards to the sterilisers and whether they were compliant to safety requirements. We were not aware of the outcome at the time of this assessment.

There is evidence with regards to the compliance of laws and regulatory requirements. This is demonstrated through evidence such as permits, licences and certificates which are obtained in a number of areas to show compliance to laws. The records indicate the expiry dates of any licenses and permits. All permits relating to the mill such as boiler permits, mill operating permits are all displayed. The Boiler Certificates have been paid however DOSH has not yet provided current certificates – this has been followed by Keresas management. This is out of the control of Keresas. There is a very detailed list of legal and other requirements which includes all licenses and permits and the expiry date of each one. This is updated at least every 2 months. This was last updated 26.6.13.

A six monthly inspection of the emissions from the mill stack are undertaken and indicate that smoke density is within allowable limits. Water testing indicates that water quality is within guidelines on most occasions although some anomalies were not in the external reports see 5.6. Although every attempt is made to ensure all required legal requirements are complied with as far as possible. This includes discharges from the mill effluent ponds.

There is a mechanism for ensuring that laws are being implemented in the form of a documented system (2.1.2) in place for tracking any changes to the law. This is under the responsibility of the company lawyer's office in Kuching.

Keresas has a "Legal Register" detailed legal requirement of the plantation company. This register can be made

available to smallholder's scheme members upon request. Company required a valid MPOB license to become member of Keresas Smallholder Scheme.

There is system in place to document relevant laws and regulations required to operate oil palm plantation and mill. The Total Quality Management (TQM) manager is responsible for ensuring legal compliance (2.1.3) of all aspects of the operations. The TQM Manager works closely with legal department of Limar Group in HQ office in Kuching, Sarawak. Some legal documents are placed at the HQ office. Copies are made available in the plantation office as well for immediate access when needed.

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

Field supervisors/mandores are responsible for ensuring the field activities in plantation comply with legal requirement for all activities.

Scheduled staff and workers meetings are conducted to ensure the progress toward legal compliance are met and solve issues if issues appear.

There is in place a documented system which includes the process for ensuring that legal requirements are known and documented. This information is passed on to the relevant areas of operations to ensure that all involved are aware of any changes to laws or any new laws introduced (2.1.4). The register of legal requirements including expiry dates is reviewed on a regular basis and updated whenever any new licenses/permits or obtained or existing ones are renewed.

Mill officer has regular check of legal compliance the latest being 26.6.13 found all complied with legal requirements. There are four Copies of Legal Documents that were unavailable on site e.g. Peraturan-Peraturan Kawalan Bekalan 1974; Peraturan-Peraturan Timbang dan Sukat, 1981 and Akta Timbangan dan Sukat 1972. Record held on file "Legal Register".

The blasting license used for operations in the quarry is copied and kept in the estate office at all times.- Action has been taken and the current license for blasting has been obtained .

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

Company carried out internal audit for the smallholders including legal compliance at least once every two years. The last audit was carried out May 2012, indicated several of smallholders' MPOB permit due in the couple of months; a letter of notification was sent to those smallholders.

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

Documents indicate legal ownership or lease of land, and the external legal advisor maintains all original leases and land titles with copies available at the HQ (2.2.1).

There are documents in place showing legal ownership or lease and a history of land tenure

A review of the documents indicated that the estate was developed on State Lease Land, issued by Department of Land and Survey; Bintulu Division dated 28 December 1996 for 99 years (between 01 January 1981 and 01 January 2080) over an area of 6,023 ha in Lot No. 1 Block 17 Lavang Land District, Bintulu Serawak. A copy is available at the estate office and displayed in public areas. Inspection of terms and conditions of the lease confirmed that the land was intended for agriculture purposes incidental production and crops grown (2.2.2) thereon and such other purposes as may be from time to time approved by the Director of Land and Survey.

The land was initially a logging concession, given a permission to plant to rattan. On 28 February 2005 Lembaga Sumber Asli dan Alam Sekitar (Natural Recourse and Environmental Board) giving an approval of conversion into oil palm planting a further section of the estate previously under rattan (No. ( ) NREB/6-1/2G/3.

There is evidence that legal boundaries can be clearly identified (2.2.3). All boundary pegs and markers for both Jiba and Sujan Estates are easily located and well maintained. A substantial number of boundary pegs were sighted in both estates during this audit. Each marker is further marked on the current maps available for each estate and these include the marker number of each peg. The markers are in place every 100 metres. The estate boundary for Jiba is with a private forestry company. The estate boundary in Sujan is temuda. In Sujan pegs number 719, 722, 720, 723 and 730 were sighted. In Jiba pegs 136, 140, 141 and 142 were sighted.

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

There are no significant land conflicts at present and there have been none since the commencement of the RSPO programmes - any issues which may arise are between disputing local landowners of which the company is aware of and follows the outcome to resolution (2.2.4). In areas which are within the lease but claimed as temuda are not planted by Keresas until local people agree. This was clearly demonstrated.

There is an internal dispute resolution mechanism to solve any disputes including land disputes. The mechanism has not been tested as there are no major disputes within Keresas at present. In practice, Keresas

management has been always ready to discuss any disputes with disputants.

Group manager holds a map dated 16 August 2013, depicting all members plot completed with GPS coordinates. Stated that there were no claim/disputes with the land owned by the members from other community. It was confirmed during interview with local communities, that there has been no land dispute over land in smallholder's plots.

All the lands are under NCR (Native Customary Right), recognized by the government of Sarawak. Community leaders gave local community members permission to till the land, however, in some cases the community did not have a formal title to land, although they had applied to the Land and Survey Department (Jawatan Tanah dan Ukur) Bintulu, Sarawak. Despite unavailability of formal land ownership, however, permission of planting from customary leader is considered sufficient as land ownership recognition.

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

Maps are available in hard copy in appropriate scale, which can be retrieved and reviewed by contacting the Estate Managers. The estates are on Government leases and therefore there are no lands encumbered by customary rights (2.3.1).

Current maps are available showing occupied state land and include tenure information. There is no customary land within Keresas Plantations' boundaries. There are no claims at all under dispute (2.3.2). Boundaries and maps of the estates are clearly shown and delineated. All land encumbered with customary rights are located outside the estate boundary.

All land titles are in place.

Copies of negotiated agreements are not required as all operations are on Government leased land (2.3.3).

Land titles of the estates are clear. Currently there are no acquisitions of customary land taking place. *Temuda* land owned by Rumah Mabong has not been disturbed although it is located at the border of Keresas estate. At the time of audit Rumah Ajan has been undergoing negotiations with Keresas to open and manage the Ajan customary land (1700 ha) on Rumah Ajan's request – see details with regards to this under 7.3. A NPP was supposed to be completed before any development takes place. This is well past the stages of negotiation and an agreement has been reached and signed by all parties. Records of the negotiation are well documented. The company has completed the required EIA and SIA but not the HCV assessment see 7.3 Major NC.

The *temuda*, although according the land lease is inside Keresas Plantation it was decided by the company not to continue this proposed development. The land was put

into status quo. Keresas has given permission to local people to plant on these lands however selling of the land is prohibited, since it was under Keresas land title. This remains the case.

It was confirmed that all land used for oil palm planting by smallholders are under Native Customary Right (NCR), see above. There's has been no land acquisition from previous owner.

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

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

There is an annual budget with two-year projections prepared by Keresas (3.1.1). It is available from the General Manager and Managing Director. There are business plans in place that take into account crop projection, mill extraction rates, costs of production, annual replanting programmes, forecasts and financial indicators. The auditor sighted crop projections for all estates. All mill extraction rates are documented.

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

The budget is reviewed and updated annually, at the minimum. The latest review and update was completed in May 2012.

There is no requirement for an annual replanting programme (3.1.2) at this stage as the earliest plantings were in 1997 so there will no replanting programme until at least 2023.

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

There are SOPs in place for all areas (4.1.1). This includes the mill, from the reception of FFB to transportation of CPO. These have been reviewed and updated when deemed necessary due to any changes. A number of SOP including reception, steriliser operations and other have recently been reviewed and re-issued with pictorial descriptions of requirements. This makes it easier for operators to follow requirements and is an improvement however a number of superseded SOP's are still in the folder and are not marked accordingly to avoid confusion.

There are also SOPs available for all estate activities from planting to harvesting and all other related activities including road construction, drain construction, spraying, pesticide mixing and many others.

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

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

For the mill there is in place a mechanism for monitoring effectiveness of procedures and that they are being followed by workers. The shift supervisors check that all logbooks are completed for all SOPs and operations when required. The operators at the mill had completed the required log sheets at each station on the required timetable from the areas sampled. These log sheets are being collected in a number of areas. The log sheets are supposed to be used to identify breakdowns and cases of wear and tear where breakdowns.

There are records maintained of inspections and audit. The system requires that records of monitoring are kept, e.g. drain and pollution control devices (PCDs) as well as use of personal protection equipment (PPE) etc. - any actions taken such as cleaning are being recorded.

With regards to the estates, a monthly inspection is undertaken by the Estate Managers and also by TQM of all divisions. Records of all inspections are maintained with copies, and with actions being given to the respective Assistants to take action when required and within a set time frame depending on the seriousness of the breach. We sighted the Manager monthly progress report for Sujan estate for July 2013.

Items which are not being completed correctly or do not comply are reported and then followed up by the Estate Manager and TQM. The inspections are scored to indicate areas for improvement and record if improvements have been made since the previous inspection. The inspections records include all blocks visited and therefore are identifiable to each area. We reviewed reports from a number of divisions and reports recorded a steady improvement in performance and most divisions are attaining the required quality of estate management. This included reports for both Sujan and Jiba for both May and June 2013 which were scored accordingly.

The Smallholders Coordinator has carried out training on Best Practice including safe use of chemical, MPOB training, soil training, best management practice on agronomic (harvesting, fertilizer application, and pesticide application); block maintenance, and social related training. Regular field to every member block visit was carried out to monitor the best practice implementation at least once every two years. Audit finding was presented in the longhouse. During the last three years, all smallholders' blocks have been visited. The last visit was made to Kebun Chali Anak Kadop on 04 August 2013; findings were presented to the participant at the long house. Inspection of the field indicated that in general, the palms are good, and review the mill record confirmed an increase in FFB production partly due to the implementation of the best practice in smallholders' estate.

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

Fertiliser use is being recorded and monitored. Fertiliser inputs (4.2.1) are recorded for each estate - including recommendations and actual application against the recommended doses. A number of blocks were reviewed and doses applied were recorded including type, amounts and dates in line with recommendation arising from the leaf analysis which was completed in 2013 for 2013 fertiliser application. There is also a records showing the trends of use of certain fertilisers over the last four years

There is evidence of regular, periodic tissue analysis (4.2.2) including for the last 6 years. Tissue analysis is done by an external testing body – and data reported includes location of estate – in this case CCF which is based in peninsular Malaysia. The latest tissue analysis was completed in 2013.

There is evidence of soil sampling available and this last took place in 2005. There were plans to completed further soil sampling in 2012 however this did not taken place and is now planned for 2013 with plans to complete this exercise again in August 2012. This will take place again shortly after the conclusion of this audit.

Keresa has soil maps in place; this includes different types of soils. There is also a strategy for returning EFB (4.2.3) to the field to be used as a nutrient. There are records in place to show where the EFB is applied in the field. Soil conditions are monitored to ensure that EFB is applied in the correct areas where nutrients are needed.

The nutrient efficiency of the soil takes into account the age of plantations and local soil conditions. Under Sarawak law, land application of POME is not allowed and therefore POME is treated and discharged using the effluent pond system.

There will be no replanting before 2022 and Keresa has in place a strict no burning policy under any circumstances (4.2.3).

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

Training on soil fertility (basic of soil fertility, type of soil, soil erosion, soil erosion consequence, and how to avoid soil erosion) held on 12 June (14 participants – Jiba estate), 10 July (12 participants—rumah Nuga), and 04 August (26 participants at Rumah Iba). Records held on file "Training Record (Internal Training)". Field inspection indicated a good understanding of erosion prevention and generally soil erosion is minimal.

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

There are maps available showing the slope of the land in each estate – practices do normally minimise soil erosion (4.3.1) by following the Sarawak requirements for planting on slope. There is some undulating land, however none is very steep and none is more than 15°. All steep sloping areas are however terraced to prevent erosion. Levees are also built on terraces to prevent water run-off. On the whole, cover crop is excellent and ground cover is adequate in almost all places using LCC. There are areas that are a bit bare in some sloped blocks due to run off in very wet weather however frond stacking and terracing helps to prevent excessive erosion (4.3.2). This appears to be effective.

Effective frond stacking as mentioned earlier is in place to prevent and control erosion. On steep areas fronds are consistently stacked along the contours to prevent further erosion in these areas. They are boxed in the flat areas. If fronds are not stacked correctly as required this is reported in the monthly report and action is taken to ensure the harvesters correctly stack the fronds to help prevent erosion.

There is a road maintenance programme and this has now been fully documented. This is now in place for each estate – this programme nominates roads requiring repairs and upkeep as well as those in need of drains. There are areas marked for grading and other maintenance for 2013 however achievements against plans are not being recorded.

The roading plan includes a review of problem roads, camber and drains required to get any rain water quickly off the roads to prevent damage. There is a SOP in place for road maintenance which is current. All main drains are supposed to be desilted at least annually to ensure run off and reduce road damage.

There are no known fragile or problems soils (4.3.5) at Keresas. There is only very shallow peat (4.3.4) on Keresas estates – in an area less than 60 hectares – this has been surveyed and marked on soil maps.

Training on soil fertility (basic of soil fertility, type of soil, soil erosion, soil erosion consequence, and how to avoid soil erosion) held on 12 June (14 participants – Jiba estate), 10 July (12 participant at Nuga longhouse), and 04 August 2012 (26 participants at Iba longhouse). Record held on file “Training Record (Internal Training)”. Field inspection indicated good understanding of erosion prevention and generally soil erosion is minimal.

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

Water courses and wetlands are protected (4.4.1). Keresas practices include maintaining and restoring appropriate riparian buffer zones along all bodies of water at replanting. The signs indicating the status of the buffer zones have been improved and replaced and all areas are well signposted as to their status. A number of areas planted prior to 2003 are encroaching into buffer

zones, however management at Keresas have left these areas and will not cultivate them. There will be no spraying of these areas and they will be left in place and unharvested to form part of the buffer zone. Hence the required buffer zones will be established according to requirements of 2007.

A number of small rivers running through the property have had the riparian areas preserved and the natural vegetation in these areas continues to thrive and these areas attract bird and animal life. The areas are well maintained and part of the assistant’s inspection routine. There have been no weirs, dams or bunds constructed on waterways running through Keresas estates (4.4.2).

An external organisation is monitoring waterways within Keresas estates every 3 months (4.4.3). Samples are taken at a number of sample points marked on the accompanying maps. These reports are indicating that from time to time, water quality is outside the limits set by the local government. This involves readings of faecal coliform and low pH. The tests include taking samples both upstream and downstream to determine if the activities of Keresas are having a detrimental effect on the rivers. We reviewed the reports of river water testing for a number of quarters including April and July 2013. There are certain anomalies in these reports that indicate that the pH in Sungai Semerah is very low and at unbelievable levels at times lower than 3 both upstream and downstream. This does not appear possible as the following month the readings are within the band range as dictated. These results are not further analysed or a second test taken to determine if the readings are indeed accurate. Although this is raw water and not for consumption the readings in these cases do not appear to be a true reflection of the water quality given the difference a month later.

Keresas estates are monitoring rainfall in three areas (4.4.4) – at each estate office and at the central mess area. They have records in place for the last 6 years. Keresas mill have water flow meters installed and have now been monitoring water use for 3.5 years. The water use per tonne of FFB processed however as not been monitored for 2013 at all.

**4.4.5 Minor NC: There has been no monitoring of water use per tonne of FFB processed for the whole of 2013.**

There is no evidence of water draining into any protected areas (4.4.6).

A water management plan (4.4.7) has been prepared and is in place however it has not been updated since 2010. The water management plan includes but is not limited to:

- Management of discharge including BOD.
- Water usage
- Repair and maintain at water outlets
- Protection of all waterways
- Control of pesticides near waterways

The water management plan now includes management of water on estate roads and drain management

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

A Baseline survey in August in 2010 indicated most rivers close to the smallholders' block were less than 5 meters, with the exception of Ballrully block, which is close to Sg Kemenang of 50 meters width. Inspection indicated the palm was planted before joining "Keresas Scheme". Group manager has provided guidance to preserve the buffer zone and abandoned palm planted on the buffer zone.

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

There is a documented IPM system in place (4.5.1). This includes control of pests using biological and chemical methods to reduce pests. There is an aim for a reduction in the use of chemicals where possible.

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

Techniques used include use of beneficial plants such as *Tunera* to control pests. Also included is the use of pheromones to control Rhinoceros beetles although there has been no outbreak for some time. There is also a policy of not killing snakes in Keresas and this has led to a substantial reduction in the number of rats in the plantation. This is further evidenced by the fact that rat bait has not been purchased for more than 3 years.

The IPM programme is monitored (4.5.2) to determine success. This includes monitoring use of pheromones and moving traps once an area is shown to be clear.

There are no serious outbreaks of major pests at this time. Results of census or monitoring indicated that no large scale pest's outbreaks were identified.

Pest & Disease detection is carried out during the monthly Field Audit Observation report. The individual Assistant Managers for each estate also record any detection in their monthly field report.

There are census sheets being completed for monitoring ganoderma and these are completed in each estate each month. We sighted completed censuses for June and July 2013 in both Jiba and Sujana estates.

There are extensive records of pesticide usage (4.5.3). This includes amounts used, total quantity of active ingredients used, (4.5.4) where applied and number of applications. There are records in place for all blocks in

both Jiba and Sujana estates. Keresas is also measuring the active ingredients of all chemicals being used.

Since the IPM was introduced there has been a substantial reduction in the use of all pesticides – this is in excess of 20% from 2008 to 2009. There has been a further reduction of 30% pesticide used in 2010 -12. This has continued to be the case with further reductions made so far in 2013. The use of pesticides is monitored in all areas applied and a trends analysis is completed of the use of all kinds of pesticides and trends continue to indicate a downward trend in their use. Therefore use of pesticide and active ingredient used per tonne oil CPO is steadily reducing.

Training on IPM and safe use of agrochemical has been carried out on 09 July 2012 attended by 15 participants. Record held on file "Training Record (Internal Training)". Interview of smallholders indicated significant gap between long term smallholders and newly join ones, where long term smallholders have better understanding of IPM and several of them have planted beneficial plants on their plots but it has not been consistently implemented at all smallholders blocks.

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

There is a documented justification (4.6.1) for all agrochemicals used in place. There is a register which records product use; when required; amounts to be used and frequency of use. This is documented within the field operations' SOP specific for pesticide usage, which ensures that the most effective and least harmful chemicals are always the first choice and there is avoidance of prophylactic and indiscriminate spraying.

The chemicals used are those registered under the Pesticides Act 1974 (4.6.2). All chemicals are centrally purchased and the store selects approved chemicals. Keresas has defined the chemicals which may be used. A review of chemicals in the two pesticide stores confirmed that only approved chemicals are being used.

The pesticides located in each estate are stored safely in accordance with Occupational Safety and Health Act 1994 (4.6.3). They are in locked stores with limited access to keys. The stores are secure with two new stores being built in the last few years and the new stores are very spacious and include extractor fans to improve comfort for the stores staff. The stores ensure all controls are centralised and that mixing area, storage areas and areas for washing overalls are provided in one location to reduce double handling. The new pesticide mixing area at Jiba is an excellent clean facility and has been replicated at Sujana.

There are also washing facilities in place for pesticide handlers in case of emergencies. All chemical containers which are not recycled into the field for use with pre-mix of pesticides are triple-rinsed and then pierced and stored in the scheduled waste store.

MSDS have been obtained for all chemicals being used. These are available in Bahasa Malaysia and are on display and readily available to the chemical handlers whether in the field or in mills.

There are also pictorials displayed in the store areas on the precautions to be taken when handling chemicals. Furthermore, training is provided to the operators in the correct and safe ways in chemical handling. Records of this training are provided and available with the training records of each estate. Only trained persons are allowed to handle application of pesticides (4.6.4). No concentrates are taken into the field as all spray solutions are pre-mixed in a designated area. There are ample photographs of operators undergoing training in each estates. There are also training attendance registers available.

There are monthly medical checks completed by the Hospital Assistants for all sprayers and mixers of pesticides and other chemical handlers. Records are in place in each clinic of this monthly testing. The latest medical check as per the CHRA was carried out by the visiting medical officer (VMO) at both Jiba and Sujan Estates (4.6.5).

Paraquat is used in the nurseries and on immature areas. It is also used for selective spraying of volunteer oil palm seedlings and if continuous rain precludes use of alternatives. Use of paraquat continues to be reduced. As with all chemicals, records are kept of any paraquat application. Evidence demonstrates that the use of paraquat has reduced steadily over the last few years since comprehensive records have been kept. There is no use of any other type 1A or 1B chemicals (4.6.7).

Records of pesticide usage (4.6.10) are in place and include records of areas treated, amount of pesticide used per hectare and number of applications. Usage is compared with records of previous years and this information is used to monitor and plan reduction in use. So far over the years since records started being kept more professionally there has been a steady reduction in the use of chemicals. Keres a estates maintain records of the active ingredients of the chemicals being used. The records for each block in each estate are complete. Records have been kept since 2007. A number of records of application were reviewed for a number of blocks in both Sujan and Jiba and records of application were excellent.

The Smallholders Coordinator held a regular survey to identify pesticide use, the last survey was carried out on 01 September 2012. Results presented to the assessor during the audit indicated that smallholders use three kinds of chemical, e.g. Powex/Pounce, Zapce, and Halex/Paraquat. Smallholders Coordinator has prepared

calculation of ingredients used, area treated, and number of application.

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

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

- Estates
  - Mill
  - Workshops
  - Clinics
  - Stores
  - All work areas
- a) Keres a has in place a health and safety policy which is implemented and is displayed in all relevant areas including linesite notice boards to ensure all workers are aware of the policy. This was sighted in all work places such as throughout the mill, in workshops, pesticide stores, clinics and throughout estate offices.
- b) Operations have now been risk assessed and these risks have now been documented. This includes all areas including estates, mills and other work areas.

**4.7.1 b Observation: The risk assessments completed in some operational areas including the mill have inconsistent methods of determining hazards and risk and at times the level of risk does not appear accurate as high risk activities such as hot works and working at heights are rated lower than mundane office risks**

These are extensive and many records are available of the training (4.7.1 c 1) programmes run. These records are kept in each estate and include training subject, attendees and names of the trainers. Training is also provided for plant operators such as tractor drivers. There is also training in fire fighting and other emergency scenarios.

Although generally precautions attached to products are properly observed. There has been a continual improvement in the safety awareness at Keres a since the certification.

A responsible person for OSH has been appointed for Keres a – this is the TQM Manager. Each work area including estate and mills has nominated a person responsible for OSH. This person chairs the local safety meetings.

There are regular meetings in all areas to discuss OSH matters – held at the minimum of 3 monthly intervals in all areas. The meetings held include representatives of all workers. The estates, mills, stores and other areas have regular. These are all recorded. Then the workers are informed of any issues at morning muster. Records of these “tool box” talks are held by the assistant in charge of each particular area. Any actions resulting



from meetings are followed up at least by the next meeting to ensure any issues raised are now adequately controlled. It is unsure if these meetings are effective in the mill given the amount of issues raised there – see above.

Accident and emergency procedures exist and are available in Bahasa Malaysia, and they are widely available to workers on noticeboards. These are tested from time to time. For example, fire drills are held and the records are kept of these drills. The Emergency Response plans are available in each area and these are current with current contacts included. There was a fire drill training session in the mill on 5.6.13 and in Sujan Estates in July 2013 – records are maintained of all drills

Training and drills are also to be held with regards to other possible emergencies such as vehicle accidents or chemical spills. However examples of these other types of drill had not recently been tested.

There are trained First Aiders in both mill and field and these are made known to all workers through notice boards/photographs, etc. There are records of first aid training available for all workers thus trained. Copies of certificates awarded to train First Aiders were sighted.

**4.7.1 I Observation: First Aid equipment is not widely available in all areas. A number of first aid kits were poorly stocked and there was no evidence of regular inspection.**

Records are kept for all accidents which are reported and they are reviewed at least at the 3 monthly OHS meetings in each work area.

**Observation: 4.7.2 however any accidents which result in lost time of less than 3 days are not given enough importance. All accidents and near misses in the mill are to be investigated in full not just over 3 days.**

All workers are covered by accident insurance. Malaysian staff and workers are covered by SOCSO (4.7.3). Foreign workers are covered under a separate policy.

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

There is no formal training plan. Major NC raised.

**4.8.1 Major NC: Keresia has not produced a training plan for 2013. Keresia have therefore not recorded the assessment of training needs for 2013 although this assessment was conducted in late August 2013**

There are however formal training records for all supervisory staff up to the level of senior management.

This includes recording of external courses attended or skills attained – these records are maintained by the administration department.

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

The records are in the form of training attendance registers, photographs recording field training as well as more formal skills courses such as plant operators, driver's licenses, boiler operators and Red Cross First Aid training. Training records are in place for all employees. A sample of training undertaken includes

- Process Training in the mill 18.7.13
- Electrical Safety training on 16.7.13
- Manual Handling training 13.7.13
- First aid training April 2013
- There were also records of pesticide handling and application training in each estate.
- Records of training in harvesting and upkeep

**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.**

There is now confusion within Keresia with regards the identification of Environmental Aspects and Impacts (5.1.1). During this assessment at least 4 different registers were sighted. It seems that now depending on the area a different register is used. Although there is no call for one register and one methodology for determining environmental aspects it would be easier for staff if this was restricted to one methodology for all aspects.

It is very difficult ensuring that all registers are updated and current if there is more than 1. This has deteriorated since the previous audit where Keresia were moving to one register. There are some dates provided when aspects register are updated however the date of review is not provided for all.

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

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

The company has engaged a consultant to carry out "Rapid Social & Environmental Risk Assessment". Field visit was held between 17 – 19 May 2011 (report 09 September 2011). The assessment was using PRA as well as visiting 6 families. Assessment findings later been summarized and been used for training purposes to address social and environmental risk as well as action programme to mitigate social impact of oil palm planting. No replanting and expansion of smallholders' blocks.

5.1.2 Observation from last audit upgraded to Minor NC: This is not compliant and environmental plans for the mill though documented is not being properly implemented or monitored. A number of issues which were to be controlled by the Environmental Improvement Plan were not effectively managed including the following: Evidence of spills in mill and workshops, Interceptors not managed, Inspections indicating all was good when this was not the case, Drip trays either not in place or material saturated and needs replacing, EFB and fruit in mill drains, Many untreated spills in the mill, Interceptors not inspected and in need of urgent cleaning, Drains to bunds left in open position.

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

Identification of high conservation value (HCV) (5.2.1) habitats and protected areas, such as rare and threatened ecosystems that could be significantly affected by the grower or miller has been undertaken in an HCV assessment which was conducted prior to development in 2005. The HCV assessment was undertaken by an independent body that are approved by RSPO as an HCV assessor.

There were no protected, rare or threatened species identified (5.2.2) in the Keresas area and adjacent land which appears to be all government land under forestry projects. A number of riparian areas have been identified as HCV areas and these have been signposted (see comments earlier). The HCV report concludes that there is no HCV in the areas apart from the identified riparian areas around the various rivers running through the estate.

Riparian areas along both sides of the banks of rivers/creeks have been set aside as buffer zones. Buffer zone signs have recently been replaced and are now much more visible than previously. Management is committed to the protection of buffer zones by posting these signboards as above as well as no-hunting signs and introduced stronger law enforcement. The signs are all in the local language. The estates are isolated with very few neighbours surrounding Keresas in any close proximity so threats of hunting etc. are very low and there is no evidence that any illegal activities take place (5.2.3).

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

There are new plantings taking place at the present time at Kubub however there was no HCV assessment

completed prior to clearing and planting – this is serious breach of NPP 1.1.2010 and Major NC raised under 7.3.

Small Holders are aware of any restrictions and appear to abide by signs in place. There is no identified HCV in small holder estates.

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

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

HCV assessment was documented as part of "Rapid Social & Environmental Risk Assessment", 09 September 2011 carried out by a consultant. There were several endangered species identified, however, it was concluded there was no HCV inside and around smallholders area. No management plan is needed for HCV protection.

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

The waste management plan has been prepared and includes pesticide-contaminated waste. The waste management plan is up to current and in place at all operations however it is not effective in the mill at the present time.

Waste is recycled wherever possible. Examples of recycling strategies include identification of the types of wastes, prohibited wastes guidelines, re-use of waste containing nutrients, management of effluent ponds, increasing the efficiency mill extraction.

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

Waste control at present is much improved with all housing areas being found to be very tidy without any obvious litter sighted.

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

Keresas have constructed scheduled waste stores for the control and disposal of all containers and other pesticide waste, they are keeping records of amounts of waste in the store. Keresas have obtained the necessary permits when scheduled waste exceeds a certain amount. This

was sighted. Records of disposal were sighted for April by an approved contractor which included amounts of scheduled waste removed including Oil, Oil Filters, Batteries and Hydraulic Oil.

The records of the disposal of scheduled waste by a licensed collector. Copies of a number of disposal dockets indicating types of waste were available and viewed.

Control also includes correct storage of bulk chemicals and fertiliser, control of hydrocarbons to prevent contamination - provision of bunds, spill kits and drip trays. There are bunds in place for all bulk storage areas.

Mill effluent is treated appropriately and treatment is effective. The records of monitoring of effluent are in place and testing is following a controlled methodology to ensure that results are consistent. This is on a regular scheduled basis and is recorded weekly. The BOD rates are all well below allowable limits of 20 in all cases for the last twelve months. The testing is completed by an independent lab in Bintulu.

The following waste products and sources of pollution (5.3.1) have been identified and are controlled through the Environmental Management system in operation at Keresas.

- Mill effluent – through effluent ponds EFB other by-products – recycled to the field
- Fibre by-product – fuel for furnace.
- Oils and hydrocarbons (including containers) to scheduled waste store
- Hydrocarbon spills treated with sawdust then burnt in boiler.
- Used oil – recycled.
- Pesticides, including containers which are stored in the scheduled waste store until disposed of by licensed contractor
- Pesticide spills – cleaned with spill kits, used kits sent to scheduled waste store.
- Office waste – segregated, recycled where possible with rest to the landfill.
- Household waste – segregated, recycled where possible with the rest to the landfill.
- Human waste – Septic system and soak a-ways.

5.3.2 Minor NC: Although waste streams have been identified and documented with regards the mill this is not effective and is not reducing pollution. These are many examples of uncontrolled waste in the mill. Many empty water bottles, waste pushed in corners out of sight, traps not cleaned and therefore not effective, saturated spill material not removed, housekeeping required in many areas

Landfill sites are in place for all areas. Landfills are effective in ensuring that waste is not spread and that there is no odour. However they appear very small with a short life span. If they are made larger and deeper and

filled correctly from one face they could last much longer and therefore be more effective. Once the land fill cell is closed they cannot be used again and better use needs to be made of these cells to get a longer life.

The collection of household waste is well controlled. There are formal rubbish collections in all areas at least weekly. This is monitored regularly. The garbage collection system in each staffing compound includes separate bins for green waste and other household garbage.

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

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

- The following areas continue to be effective:
  - a) Control of waste within company compounds.
  - b) A number of bunds required to control bulk hydrocarbon tanks in estate and mills have been provided.
  - c) Drip trays are being used to prevent spills in all area (see comment in Minor NC with regards spill kits)
  - d) More drip trays being provided.

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

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

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

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

Training on chemical safety has been carried out and records are in place for Small Holders.

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

Keresa uses fibre to power the boiler which produces steam which drives the turbine for electricity - the use of renewable energy in this case would be almost 100% under normal operating conditions.

**5.4.1 Minor NC: Keresa mill has not provided records of renewable energy use per tonne of FFB OR Palm product in the mill for 2013.**

They provided records of both monitoring of kilowatt hours per tonne of palm product and kilogram of steam per tonne FFB up until the end of 2012.

Keresa monitors the use of non-renewable energy (diesel) and this is monitored in the form of data which records use of diesel per tonne of FFB. Keresa has records in place from 2008 to 2012.

**5.4.2 Minor NC: Keresa mill has not monitored the use of direct fossil fuel per tonne of FFB for 2013.**

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

Keresa now include all fuel used by contractors, transport and other operations with regards to use of non-renewable energy sources.

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

Fire is not being used in anyway at all by Keresa for land preparation for replanting (5.5.1). Neither is fire used for waste disposal by Keresa.

There is no previous crop at Keresa and replanting will not occur until at least 2023 (5.5.2).

There has not been any sanitary burning at Keresa however they will record any areas of sanitary burning if this arises.

Burning of domestic waste (5.5.3) is against company policy and has been mostly eradicated. It is very rare to sight evidence of the burning of domestic waste by workers and families of Keresa.

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

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

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

Assessments have been carried out on all recognised polluting activities and include gas and smoke emissions,

particulate and soot emissions, effluent control, treatment and discharge. Any significant pollutants and emissions have been identified. There is a plan in place to reduce pollution – this is included in the aspects/impacts register and in the Continual Improvement Plan.

Stack emissions are being measured by readers that show emission levels. These are supported by an online monitoring system which is available online in Bintulu. This is also backed up by the ringlemann system if required as a secondary measure.

Keresa records smoke emissions with meaningful data which accurately rates emission levels and does not give false readings which indicate pollution when this does not appear to be the case. There is also a six-monthly check undertaken by a government agency and recent records of the review undertaken in both January and June 2013 show that emissions are within allowable limits. See comments earlier on Keresa's own inaccurate emission records.

Keresa are continuing to keep records of mill emissions and effluent including critical data such as smoke emissions, BOD levels, Total Suspended Solids and oil & grease as required by the relevant environmental permits.

The management of the effluent ponds has continued to be effective with all ponds functioning well. The improvement over the previous 3 years now shows the pond system working effectively – both aerobic and anaerobic ponds are now easily identifiable. The treatment methodology of POME is recorded in effluent pond management plans

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

All drains within the mill and other areas are monitored and interceptors are in place to mitigate storm water pollution. However these are not effectively monitored for the mill – see Minor NC 5.1.2 Continued vigilance is required to ensure that all traps and drains are effective in controlling discharge limits to ensure the stay within legal limits.

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

***Criterion 6.1: Aspects of plantation and mill management, including replanting, that have social impacts are identified in a participatory way and plans to mitigate the negative impacts and promote the***

***positive ones are made, implemented and monitored, to demonstrate continuous improvement.***

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

The company assigned a consultant to carry out Keresia Plantation & Mill – Satisfaction Survey in August 2011 to get stakeholders input to the performance of the company operation, report been completed on October 07, 2011. A four days survey (between 2 and 5 August 2011) and a follow up management workshop were held between 14 and 15 September 2011 at mill and estates to review finding and follow up action measure by the management. A total of 54 estate workers, 22 mill workers, and 6 estate office staff been surveyed of their satisfaction on: (1) term and condition of term and condition of employment, social provision, OHS, and community and relation work.

The management of Keresia takes into account a number of social impacts and these include: access and use rights, economics, subsistence activities, cultural values, health and education. These are thoroughly documented through Social Impact Assessments. Social impacts are identified through dialogues between company and workers, and company and communities. Workers have two mechanisms to channel aspirations, concerns, etc.: dialogues (organized when there is a need to do it) and through JCC (Joint Consultative Committee). JCC is organized every three months and is attended by workers' representatives. All meetings are documented.

Mill carry out regular meetings every six-month with local communities (Ketua Rumah Panjang)—local leader, to assess any impact of company operation might have. For the community, there is a participatory dialogue that has been established to identify the impacts of plantation on the community and also to channel any community suggestions, grievances and concerns. The dialogues are also intended to collect information on issues that need responses by company. Meetings/dialogues were recorded. The last dialogue has been carried out June 2013, attended by 22 community representatives. Most of the issues were actually a request of donation or help and not related social issues.

For the community, there is a participatory dialogue that has been established to identify the impacts of plantation on the community and also to channel any community suggestions, grievances and concerns. The dialogues are also intended to collect information on issues that need responses by company. Meetings/dialogues were recorded. A comprehensive document to summarize the dialogues both with workers and community has not been produced. There is no system in place to ensure that the issues addressed during meetings/dialogues are followed up. The

comprehensive document should cover current social condition, issues and action plan. The document can be used for social management plan for a 6-12 month period. This becomes a basis for workers and community programmes. The comprehensive document should cover current social conditions, issues and action plan.

Assessment document has now been produced and was available.

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

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

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

There is a mechanism to discuss the policy with all affected parties so that they are in agreement to the policy. Keresia implements the communication policy through the establishment of a forum for dialogues both with workers and community. Company has a procedure on "Prosedur Komunikasi dan Aduan" June 2011 and this was communicated to local community representatives for acceptance on 08 July 2011.

An Interview with local community during this assessment confirmed their understanding of the policy and are willing to use the procedures if required. The responsibility for stakeholder communication is TQM manager. He is the official responsible for stakeholder communication.

The Managers (mill and estate) is the responsible person to communicate with external stakeholders. TQM manager has appointed TQM executive to help with stakeholder communication.

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

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

An extensive list of stakeholders and all records of communication and action taken are now effectively recorded. Latest stakeholder meeting has been

conducted on the 12 December 2012 attended by 19 person found no major issues highlighted.

In the Estates a good list of stakeholders is available, consist of government officials, suppliers, contractors, suppliers, village representatives, and clinic, been updated in 2013. The list of stakeholders is now complete. The list has been improved by adding other relevant stakeholders such as government agency, contractors, local community representatives, and NGOs. Relevant detail such as address, contact persons, and phone number have also been included and updated as necessary.

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

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

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

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

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

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

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

The company has now implemented "Prosidur Komunikasi dan Aduan" socialised to local community representatives (through a letter) on 08 July 2011. Interview with local community representatives confirmed their understanding and acceptance. Interview of local communities confirmed that there is no significant land conflict at present - most issues of the few that occur are between disputing local landowners

of which the company is aware of and follows the outcome to resolution. The company is independent of internal land disputes, but helps to arbitrate between disputing parties to determine the rightful owner.

Interview of local communities, local and foreign workers, contractors and suppliers confirmed understanding and the openness of the dispute mechanism to them.

Communication procedure included in the Code of Conduct training material. Interview to the smallholders indicated their understanding of the procedure and would like to use if necessary. Interview of smallholders and local community representatives confirmed that currently there was no issue raised by other parties to the smallholders.

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

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

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

The above mention procedures includes mechanism of calculation and distribution of fair compensation where the compensation would be based on Land and Survey Guidelines where the value of land shall be based on prevailing market price and crops compensation based on present Land and Survey Department rates.

The negotiations over *temuda* areas have not yet been completed. The request from Ajan community to open community land for oil palm is still under discussion and the process is documented. At the time of audit Rumah Ajan has been undergoing negotiations with Keresas to open and manage the Ajan customary land (1700 ha) on Rumah Ajan's request. Keresas and Ajan are still discussing it. All copies of the negotiation are well documented.

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

There is documentation of pay for all employees. A detailed calculation of the payment is presented as a record. A sample of payment documents taken suggests that the payment for sprayer ranges from RM229 to RM523.50 depending on their attendance and deductions. Harvesters can earn higher, ranging from

RM924.57 up to RM 1,249.71. Therefore decent living wages are being provided.

Sample pay slip and contract of worker ID E0377 for the month of June 2013 shows the minimum wage has been paid. Overtime allowances were also paid as per the agreement. An Indonesian worker requested that the payslip to be translated in Bahasa as he couldn't understand the details. Keresas management will translate the payslip in Bahasa and paste it on the notice boards for the workers benefit.

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

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

Workers are provided with housing, water supplies, medical, educational and welfare amenities. Old housing, however, are considered inadequate (limited ventilation, poor drainage system, poor toilets, etc.). Keresas plans to reconstruct new housing of which some have already been completed. The total housing complex has now been completed. The new housing is very good and workers spoken to were very satisfied with the standard of the new housing. Keresas management is to be applauded for this completion of housing.

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

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

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

There is a policy recognizing freedom of association.

Workers are able to channel any issues and concerns through JCC. Minutes of JCC meeting are documented. JCC members met have low understanding of their role in the JCC. Meeting minutes for July 2013 were sighted.

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

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

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

However during the assessment a young worker was detected working for a contractor (under 18 years) this was reported and the young worker was removed from site and the contractor was stood down and fined for this breach.

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

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

Keresas does not knowingly engage in any form of discrimination.

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

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

Small Holders do not use migrant workers.

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

A sexual harassment grievance mechanism has been established ("Polisi Pencegahan Gangguan Seksual dan Keganasan Rumahtangga" dated 01 December 2009), and is documented and available to managers, assistants and all stakeholders via notice boards. There is a policy

to allow for breastfeeding. Employees are allowed to breastfeed 30 minutes per day (twice). Pay is not docked. There are no breastfeeding workers at present employed at Keresas. There is a policy in place on sexual harassment and is documented and available to managers, assistants and all stakeholders via notice boards.

Company has a gender committee chaired by the TQM Executive and representatives from each division. Regular meeting of gender committee have been carried out every four months, additional meeting would be carried out should there is an issue raised. The last meeting was held on 12 August 2011 attended by 17 representatives (11 workers representatives). During the meeting, sexual harassment policy, also been socialised. There are no cases reported so far.

Inspection to the company record indicated no sexual harassment case was reported. Interview of female workers confirmed there was no sexual harassment occurred this year. Female workers indicated awareness to the policy and willingness to use those mechanisms if necessary.

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

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

There is a price mechanism available for farmers.

There is a clear contract agreement with contractors for example with those who build housing complex and estate infrastructure. There is no long term contract. Interview of contractors and suppliers confirmed that they terms and conditions are explained to Contractors before signing. In addition, they undergo an induction process explaining contractual and ESH requirements. Interview of Contractors (Housing Contractor) confirmed understanding of Terms and Conditions, including ESH requirements. The contractor has been working for the company for 5 years and confirmed fairness of dealings with Keresas Plantation and timelines of payment.

There were no complaints received about timing of payments.

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

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

Contribution to local development takes place in the following sequence: firstly community will make request to mills or estates. Then, the request will decide by

management (at the head office) for agreement. Community representatives will be informed during meetings with external stakeholders carried out from time to time – these are recorded. Most of the contribution made is provision of building material and provision of grader for village road maintenance.

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

Record held on file “Community Contribution”. Inspection of the records indicated some items unrelated to donation were put onto the list.

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

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

Records are in place for all requests and contributions.

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

Keresas is in the progress of developing new area. However, this new area is excluded from the Keresas Certification Scope. This area is put under RSPO compensation procedure. Keresas had few discussions with RSPO and going through the process.

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

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

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

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



- Reduction in the use of certain pesticides.
- Environmental impacts.
- Waste reduction 8.1.3 **Observation:** The methods set for maximising recycling of waste are not successful in the mill with evidence of many items which could be recycling lying around and not store to prevent loss.
- Pollution and emissions 8.1.4 **Observation:** There are pollution prevention plans in all areas however the plans for the mill are not effective with a number of areas requiring attention to ensure pollution is prevented. This includes clean-up of spills, cleaning of interceptors and ensuring all other sources of pollution are controlled effectively.
- Social impacts..

### **3.2 Detailed Identified Non-conformities, Corrective Actions and Auditor Conclusions**

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

There were two (2) major non-conformities raised as a result of this assessment.

NC Ref.: CR01-3: 4.8.1 Major NC: Keresa has not produced a training plan for 2013. Keresa have therefore not recorded the assessment of training needs for 2013 although this assessment was conducted in late August 2013.

Corrective action and closeout

HR Department has produced Training Plan in August 2013 for Keresa Mill. Generally, all trainings which been done was in line with requirement based on given Training Plan 2013. Any missed out training in the plan will be conducted before end of the year. The nonconformity closed on 24 October 2013.

NC Ref.: CR-02-3: 4.2.4 (e) Requirements for uncertified management units and/or holdings (RSPO Certification System) Major NC: There was no HCV assessment completed by Keresa prior to planting and clearing the new area known as Kubud estate and own by the local people.

Corrective action and closeout

Retrospective HCV Assessment process by RSPO approved HCV assessors started in October 2013. This was agreed and accepted by RSPO during discussion with RSPO by the company and auditor on 17 September 2013 as action taken to close the nonconformity. The clearing of the area was put under the compensation procedure which the company is dealing directly with RSPO. The NC is closed on 24 October 2013.

This area is put under RSPO compensation procedure. Keresa had few discussions with RSPO and going through the process.

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

Four (4) non-conformities were assigned against minor compliance indicators for the P & C. The minor NC will be followed up during next surveillance.

NC Ref.: CR03-3: 4.4.5 Minor NC: There has been no monitoring of water use per tonne of FFB processed for the whole of 2013.

NC Ref.: CR04-3: 5.1.2 Observation upgraded to Minor NC: This is not compliant and environmental plans for the mill though documented is not being properly implemented or monitored. A number of issues which were to be controlled by the Environmental Improvement Plan were not effectively managed including the following: Evidence of spills in mill and workshops, Interceptors not managed, Inspections indicating all was good when this was not the case, Drip trays either not in place or material saturated and needs replacing, EFB and fruit in mill drains, Many untreated spills in the mill, Interceptors not inspected and in need of urgent cleaning, Drains to bunds left in open position.

NC Ref.: CR05-3: 5.4.1 Minor NC: Keresa mill has not provided records of renewable energy use per tonne of FFB OR Palm product in the mill for 2013.

NC Ref.: CR06-3: 5.4.2 Minor NC: Keresa mill has not monitored the use of direct fossil fuel per tonne of FFB for 2013.

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

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

The assessment identified Five (5) observations/opportunities for improvement. The progress with the observations/opportunities for improvement will be checked during the next Surveillance Assessment visit scheduled for twelve months after the date of certification.

4.7.1 b Observation: The risk assessments completed in some operational areas including the mill have inconsistent methods of determining hazards and risk and at times the level of risk does not appear accurate as high risk activities such as hot works and working at heights are rated lower than mundane office risks

4.7.1 I Observation: First Aid equipment is not widely available in all areas. A number of first aid kits were poorly stocked and there was no evidence of regular inspection

4.7.2 Observation: However any accidents which result in lost time of less than 3 days are not given enough importance. All accidents and near misses in the mill are to be investigated in full not just over 3 days

8.1.3 Observation: The methods set for maximising recycling of waste are not successful in the mill with evidence of many items which could be recycling lying around and not store to prevent loss.

8.1.4 Observation: There are pollution prevention plans in all areas however the plans for the mill are not effective with a number of areas requiring attention to ensure pollution is prevented. This includes clean-up of spills, cleaning of interceptors and ensuring all other sources of pollution are controlled effectively.

#### *Noteworthy Positive Components*

- Long house people have stated that Keresha has helped them to improve their knowledge on oil palm by organizing trainings, field visit and briefing regarding oil palm planting and maintenance. Currently, oil palms are their main source of income.
- On the issue of FFB transportation to the mill, for those (smallholder) who were facing a transport problem, Keresha has bought 5 ton trucks mainly to assist them in transportation and the charge per trip is low and reasonable (based on distance from the mill).
- Keresha has also started renting NCR land with Rh Iba, this project will provide consistent income for the local people who do not have enough funds to develop their land for oil palm cultivation.
- For the past few months, as part of CSR project with Rh Iba, the company has construct a new road to their longhouse and donated paint for them to repaint their chapel.

#### **3.3 Nonconformity raised during previous assessment and status.**

Previous nonconformity was addressed and closed.

5.3.2 Minor NC: The management and control of waste hydrocarbons and pesticides such as spills requires improvement. Particularly in the workshops where there is not always evidence of spill kits being available and being adequate if they are available. The workers are relying on drip trays however these were often seen to be full and required emptying – the reliance on drip trays rather than both spill kits and drip trays is to be discouraged. Furthermore because some traps are covered by heavy lids they are not always being inspected and some were full or blocked and required urgent cleaning.

Close out Action: The mill control of waste hydrocarbons is much improved and spills are treated and spill kits now being adequate. Drips trays are now cleaned before they get full and many drip trays are available in the workshops and pesticide stores. Traps are now more easily accessible and therefore inspected in the pesticide stores.

All the observation was followed up and addressed by the management except observation 5.1.2. This observation was upgraded and raised as nonconformity (see section 3.2 above).

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

There are very few issues raised by stakeholders, where the relationship appears very positive with continuing good feedback as demonstrated by the social survey recently conducted in August 2012.

The long house people made a request to buy the stone from Keresha for repairing roads to their oil palm garden.

Keresha's response: The smallholder has to write official letter address to Keresha and then Keresha will advise the quarry operator to sell stones to them. They have to borne the transport cost.

Auditors Comment: Good approach to help long house people with road issues.

The long house people requested Keresha to supply Hi-Kay fertilizer instead of the NPK fertilizer.

Keresha's response: All the smallholders must agree to use Hi Kay fertilizer because the Hi Kay fertilizer price is slightly higher.

Auditors Comment: This is being transparent with the small holders

The smallholders interested with the service of FFB transportation started by Keresha, so they would to know how to request for the service.

Keresha's response: The smallholder has to call the mill in order to book the transport at least one day earlier. The price per trip is based on the distance from the mill.

Auditors comment: This is also being transparent and helpful to the small holders.

#### **3.5 Date of Closing Nonconformities (Major and Minor)**

CAR Ref.	CLASS	ISSUED	STATUS
CR01	Minor	18/06/2010	Closed on 13/10/2011
CR02	Minor	18/06/2010	Closed on 13/10/2011
CR03	Minor	18/06/2010	Closed on 13/10/2011
CR04	Minor	18/06/2010	Closed on 13/10/2011
CR05	Minor	18/06/2010	Closed on 13/10/2011
CR06	Minor	18/06/2010	Closed on 13/10/2011
CR07	Minor	18/06/2010	Closed on 13/10/2011
CR01-1	Minor	13/10/2011	Closed on 6/09/2012
CR02-1	Minor	13/10/2011	Closed on 6/09/2012
CR03-1	Minor	13/10/2011	Closed on 6/09/2012
CR04-1	Minor	13/10/2011	Closed on 6/09/2012
CR05-1	Minor	13/10/2011	Closed on 6/09/2012

CR01-2	Minor	6/09/2012	Closed on 29/08/2013
CR01-3	Major	29/08/2013	Closed on 24/10/2013
CR02-3	Major	29/08/2013	Closed on 24/10/2013
CR03-3	Minor	29/08/2013	Open
CR04-3	Minor	29/08/2013	Open
CR05-3	Minor	29/08/2013	Open
CR06-3	Minor	29/08/2013	Open

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

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

Signed for on behalf of  
Keresa



.....  
**Mr A K Kumaran**  
**General Manager**  
**Date: 12.9.13**

Signed for on behalf of  
BSi Management Systems Singapore Pte Ltd



.....  
**Mr Allan Thomas**  
**Lead Auditor**  
**Date: 12.9.13**

## *Appendix “A”*

### *RSPO Certificate Details*

Certificate Number: SPO 559278

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

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

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

Keresa Plantations Sdn Bhd Palm Oil Mill and Supply Base	
Location Address	Lavang District, Bintulu, Sarawak, Malaysia
GPS Location (of Mill Site)	03°09' 49" N 113°35' 59.1" E
CPO Tonnage Total (2013 actual + forecast)	30,588.32mt
PK Tonnage Total (2013 actual + forecast)	6,058.62mt
CPO Tonnage certified smallholders	1,100.00mt
PK Tonnage certified smallholders	225.00mt

## *Appendix “B”*

### *Third Surveillance Audit Programme*

ASA3 Surveillance Plan Sunday 25<sup>th</sup> August – Thursday 29<sup>th</sup> August 2013

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

Sunday 25th

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

Monday 26th

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

Tuesday 27th

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

Wednesday 28th

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

Thursday 29th

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

## *Appendix “C”*

### *Supply Chain Audit – CPO Mill*



### Keresas Oil Mill Supply Chain 27.8.13

Requirements	MB
<b>1. Documented procedures</b>	
1.1 The facility shall have written procedures and/or work instructions to ensure implementation of all the elements specified in these requirements.	At this stage there are written/documented procedures for the chain of custody for Keresas Oil Mill. These are approved by the TQM Manager and are dated 14.5.2011 and are still current
<b>2. Purchasing and goods in</b>	
<p>2.1 The facility must operate a system to ensure that RSPO certified inputs of raw materials and products are identified. The system must include the following:</p> <p>a) A mechanism which ensures that when the company orders RSPO material from its suppliers it specifies this requirement within purchase orders and ensures that the origin of the material until the previous permanent processing facility in the supply chain can be verified as such;</p> <p>b) A mechanism which ensures that when the company receives RSPO material it confirms that the RSPO raw materials delivered are the same as those specified in the purchase order and the accompanying documentation from the supplier;</p> <p>c) A mechanism which ensures that if the validity of accompanying documentation is in doubt, the validity is checked prior to accepting the material;</p> <p>d) A mechanism for handling non-conforming material.</p>	<p>Material comes from Keresas Estates therefore there is no PO. 4 % comes from Small Holders. With Small Holder Keresas use a Docket system which indicate weight (quality of product is checked in the field and rejected if rotten) and source of materials. This indicates which small holder block this came from. Purchase orders are not used.</p> <p>The other material comes from outside estates as Keresas mill is close by and provides a service for other producers – there are dockets which indicate where this other material is derived from. This is indicated on each docket – includes weight of FFB on each docket.</p> <p>This is done by weighbridge docket indicate weight and source of RSPO material. In this case PO is not used because internal supplier. All Small Holder RSPO Material is identified by docket system as to source including small holder block location</p> <p>Docket system is used for non RSPO material from outside sources.</p> <p>The material which is Keresas material is identified and all validation can be checked through the docket system– the same can be said of all RSPO material. All non RSPO material is also documented on each weighbridge docket.</p>
	The quality of the RSPO and non RSPO Materials can be

	rejected by the Mill if it is unacceptable with regards to FFA level. This action has to be passed over to the GM for final rejection. This is documented and small holders are trained in harvesting only mature FFB. Any non RSPO material can be rejected and put aside if it does not meet specifications.
<b>3. Sales and goods out</b>	
3.1 The facility must operate a system to ensure that all sales invoices issued for RSPO delivered material includes the following information:	The company is able to issue an invoice which will allow them under the segregation scheme to include amount of RSPO materials and non RSPO materials.
a) The name and address of the buyer;	Yes – this is completed
b) The date on which the invoice was issued;	This is already in place
c) A description of the product ;	Yes – either CPO or PK
d) The quantity of the products delivered;	Yes in place
e) Reference to related transport documentation.	Yes via alert that client has received product via transport company Proof of Delivery
<b>4. Processing</b>	
4.1 The facility can only choose a supply chain option in cases where the RSPO materials have been verified to meet at least the supply chain option requirements in the previous stage of the supply chain.	Mass Balance.
4.2 The facility must assure that the RSPO-certified material is uniquely identifiable to the mill and its supply base and is kept physically isolated from all other oil palm sources in its facility	n/a
4.3 The facility must assure that the RSPO-certified material is kept segregated from non-certified material	n/a
<b>5. Record keeping</b>	
5.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements.	Yes – records are in place and accessible
5.2 Retention times for all records and reports shall be specified by the facility and shall be at least five (5) years.	This is part of the company record keeping requirements
5.3 The facility shall record the volume of RSPO certified material on a three-monthly basis:	
a) Ordered and received from suppliers;	This is maintained through records of production of RSPO and Non RSPO material
b) Used in processing;	-

c) Retained in storage;	-
d) Despatched as RSPO palm oil or derived product.	Includes the amount of RSPO product
5.4 The following trade names should be used and specified in purchase and sales contracts:	Keresas Oil Palm Mill/MB
5.5 The facility must provide documented proof that the certified material can be traced back entirely to the oil mill	This is traced back using delivery dockets to refinery in Bintulu-
5.6 The facility must provide documented proof that the certified material can be traced back to only certified segregated material	-
5.7 The facility must:	
a) link sales with a MB-purchase from a certified permanently located processing unit	Sales are linked to RSPO material certified
b) ensure that the output of RSPO material does not exceed the input of RSPO material on delivery basis	This is recorded in mass balance records – an amount against input material –
5.8 The facility must	
a) provide documents to prove that the BC certificates claimed, match the claimed quantity despatched	
b) provide a declaration from its suppliers with the % of palm products in their recipe	-
<b>6. Training</b>	
6.1. The facility shall specify the training requirements for all staff as required to implement these requirements.	Staff in the weighbridge are already competent in separating the source of the material and this can be related to company & small holder material – all RSPO. There are records of competency of staff in weighbridge
6.2. Training shall be provided to all staff as specified.	Training provided by the TQEM Department.
6.3. The facility shall keep records of the training provided to staff in relation to implementation of these requirements.	Records of all training are maintained as part of RSPO
<b>7. Claims</b>	
7.1 The facility only makes claims regarding the use of or support of RSPO certified sustainable palm oil that are in compliance with the RSPO approved claims	Keresas only make claims on RSPO material balance