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PUBLIC SUMMARY REPORT

RSPO

4th ANNUAL SURVEILLANCE ASSESSMENT (ASA04)

Sime Darby Plantation Sdn Bhd
SOU 8: East Palm Oil Mill
Carey Island, Selangor, Malaysia

Report Author:

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SUMMARY

BSi has conducted the Fourth Annual Surveillance Assessment (ASA 4) of Sime Darby Plantation (RSPO membership No.: 1-0008-04-000-00), Strategic Operating Unit (SOU) 8 comprising East Palm Oil Mill, supply base and infrastructure. East certification unit located in Carey Island, Selangor, Peninsular Malaysia comprising one mill, three estates, support services and infrastructure. The ASA4 was conducted on 12 – 14 February 2014. BSi concludes that East Palm Oil Mill and supply base operations comply with the RSPO requirements [RSPO P&C MYNI 2010; RSPO Certification System June 2007 (revised March 2011) including Annex 4: Procedures for Annual Surveillance Assessment; and Supply Chain Certification Standard: November 2011, Module D – CPO Mills: Segregation]

BSi recommends the approval of East Certification Unit's operations as a producer of RSPO Certified Sustainable Palm Oil.

ABBREVIATIONS USED

ASA	Annual Surveillance Assessment
BOD	Biological Oxygen Demand
CHRA	Chemical Health Risk Assessment
CPO	Crude Palm Oil
DOE	Department of Environment
DOSH	Department of Occupational Safety & Health
EFB	Empty Fruit Bunch
FFB	Fresh Fruit Bunch
HCV	High Conservation Value
KER	Kernel Extraction Rate
MSDS	Material Safety Data Sheet
MY-NI	Malaysian National Interpretation
NC	Nonconformity
NUPW	National Union of Plantation Workers
OER	Oil Extraction Rate
PK	Palm Kernel
PPE	Personal Protective Equipment
SCCS	Supply Chain Certification Standard
SG	Segregation
SIA	Social Impact Assessment
SOP	Standard Operating Procedure

1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 Identity of Certification Unit

The East Palm Oil mill and East estate are located on Carey Island, while Dusun Durian and Sepang Estate are located on the mainland approximately 40km from the Mill in Selangor, Malaysia. Figure 1 show East Palm Oil Mill and location of supply base in the state of Selangor. Figure 2 and 3 shows East estate and Sepang Estate layout. The GPS location of the mill is shown in Table 1.

Table 1: Mills GPS Locations

MILL	EASTING	NORTHING
East Mill Capacity:30mt/hr	101° 26' 10.09"	2° 53' 0.00"

1.2 Production Volume

The estimated tonnages reported for the ASA 4 and the actual production for previous year are detailed in Table 2. The production details are for the next 12 months of the ASA4 reporting period from February - January. It is noted that there an increase in the projected palm products (CPO) due to anticipating higher FFB projection and the mill is expecting to maintain the OER in the range of 21.70%. The increase in FFB production was due to consideration given to area coming into prime mature stage. The projected tonnages for the ASA 4 reporting period of the Certificate are based on the budgeted data.

Table 2: Production tonnages certified

East Mill	ASA3 Projected	ASA3 Actual	ASA4 Projected
CPO	33,189	25,529	29,203
PK	8,389	5,607	7,402
OER Trend	21.76	21.81	21.70
KER Trend	5.50	4.79	5.50
FFB Processed	152,519	117,055	134,576

1.3 Certification details

RSPO Membership No: 1-0008-04-000-00

BSI RSPO Certificate No: SPO 543543

Date of Certification: 19/05/2010

1.4 Description of Supply Base and Supply Chain

The supply base is comprised of three Sime Darby's own estates that supply 100% of the FFB processed at the mill. During this assessment there is no FFB received from outside non-certified suppliers. Table 2 shows the CPO, PK tonnage produced by the mill and the oil and kernel extraction trend. It is noted that East mill use the segregated supply chain system for the supply chain because there is no non-certified FFB purchased from out growers. Supply chain element was checked and described in Appendix E. The mill has sufficient system, records and facility for the Segregation supply chain model. Records are clearly indicated with the product name/supply chain model as RSPO CPO/SG.

Table 3: Actual and Projected FFB Tonnages

Estate	Projected ASA3	Actual ASA3	Estimate During ASA4
East	38,876	16,385	24,030
Dusun Durian	43,015	41,279	45,416
Sepang	70,628	59,338	65,130
Diverted from West Palm Oil Mill *	-	53	-
TOTAL	152,519	117,055	134,576

Note: * West Palm Oil Mill RSPO Certificate Number: SPO 543594 valid until 18/05/2015.

The actual FFB production and projected production is shown in Table 3 above. It is noted that there is increase

in the overall projected FFB production from three supply base compared with actual achieved for the ASA3 period. This is due to consideration given to area coming into prime mature area during the ASA4 reporting period. This factor was taken into consideration for the higher projection. The age profile and mature, immature area details are listed in Table 4a and 4b.

Table 4a: Age Profile of Palms

AGE (years)	Estate and % of Planted Area		
	East	Dusun Durian	Selangor
0 – 3	7.41	24.51	10.79
4 – 10	25.84	46.31	22.87
11 – 20	30.06	21.45	45.84
21+	36.69	7.73	20.50
TOTAL	100.00	100.00	100.00

Table 4a shows age profile of the planted palms. All the estates have immature area. The immature area is replanted area. There is no new planting. Table 4b shows the mature and immature planted area in hectare at each supply base estates. Total planted area is 9,665ha covering 8,647ha of mature and 1,018ha of immature area. It is noted that almost 90% of the total planted area in the supply base is matured. This is contributing to the increase FFB, CPO and PK projection for the next 12 months. The operating units are optimistic that this is an achievable target.

Table 4b: Estates and Areas Planted

Estate	East	Dusun Durian	Selangor	Total
Mature (ha)	4,614	1,569	2,464	8,647
Immature (ha)	258	509	251	1,018
Sub-Total (Planted) (ha)	4,872	2,078	2,715	9,665
Infrastructure and unplanted Area (ha)	653	114	479	1,246
GRAND TOTAL (ha)	5,525	2,192	3,194	10,911

1.5 Other Certifications Held

East palm oil mill and supply base were not holding any other certificate at the time of this assessment.

1.6 Organisational Information / Contact Person

Sime Darby Plantation Sdn Bhd
SOU 8 Management Unit (East Estate)
42960, Carey Island,
Selangor, Malaysia.

Contact Person: Mr. Abdul Jalil Sulaiman
Senior Manager, East Estate
Phone: +603-31220519; Fax: +603-31220524
Email: ldg.east@simedarby.com

1.7 Progress against Time Bound Plan

Sime Darby Time Bound Plan is included as Appendix A. There are total of 59 Certification Units within Sime Darby Plantation (34 in Malaysia and 25 in Indonesia). As per the time bound plan, Pagoh palm oil mill and Sua Betong palm oil mill which was newly commissioned end of 2012 was certified on 28 January 2014 (Pago) and February 2014 (Sua Betong). Based on this achievement, Sime Darby Plantation has achieved RSPO Certification for all the 34 Management Units in Malaysia.

There are 25 Management Units in Indonesia. 21 Management Units in Indonesia has achieved RSPO Certification. There are 4 certification units in Indonesia was audited and summary report is being RSPO peer reviewed. Upon certification of the remaining Management Units, Sime Darby will achieved and complete the Time Bound Plan for RSPO certification.

BSi has continued involvement with assessments of Sime Darby Management Units during the 2013/14 financial year period. During this time, Sime Darby has kept BSi informed of any issues and claims made against it. At the time of preparation of this Report, BSi is not aware of:

- Any unresolved significant land disputes;
- Any replacement of primary forest or loss of HCVs;
- Any labour disputes that are not being resolved through an agreed process;
- Any evidence of noncompliance with any law at any of the landholdings.

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

Progress of Associated Smallholders/Out-growers towards RSPO Compliance

East certification unit does not have any associated smallholders or out growers.

Figure 1: Map showing Location of the East Palm Oil Mill and Supply Base Estates in the state of Selangor, Malaysia.

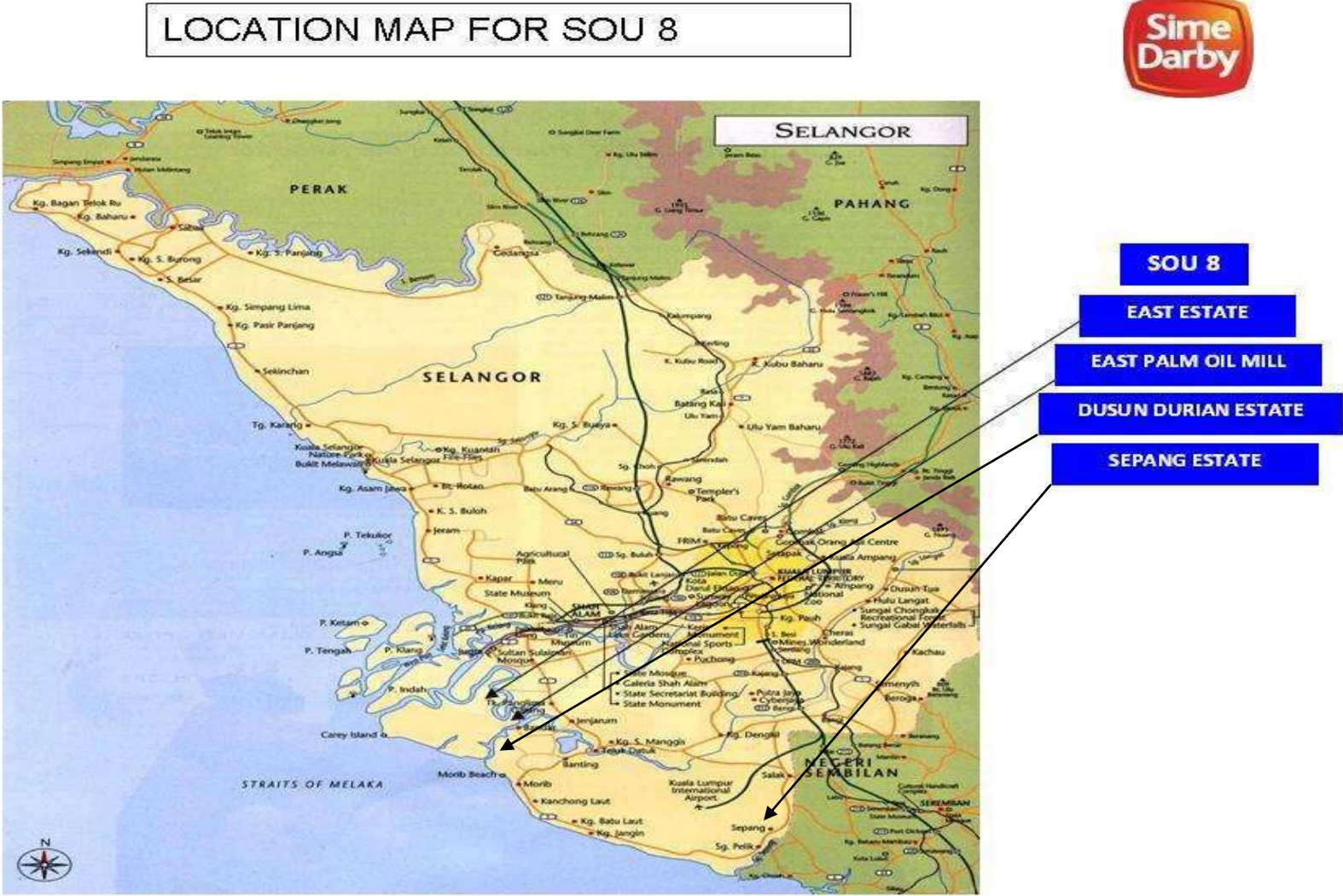


Figure 2: East Estate field map

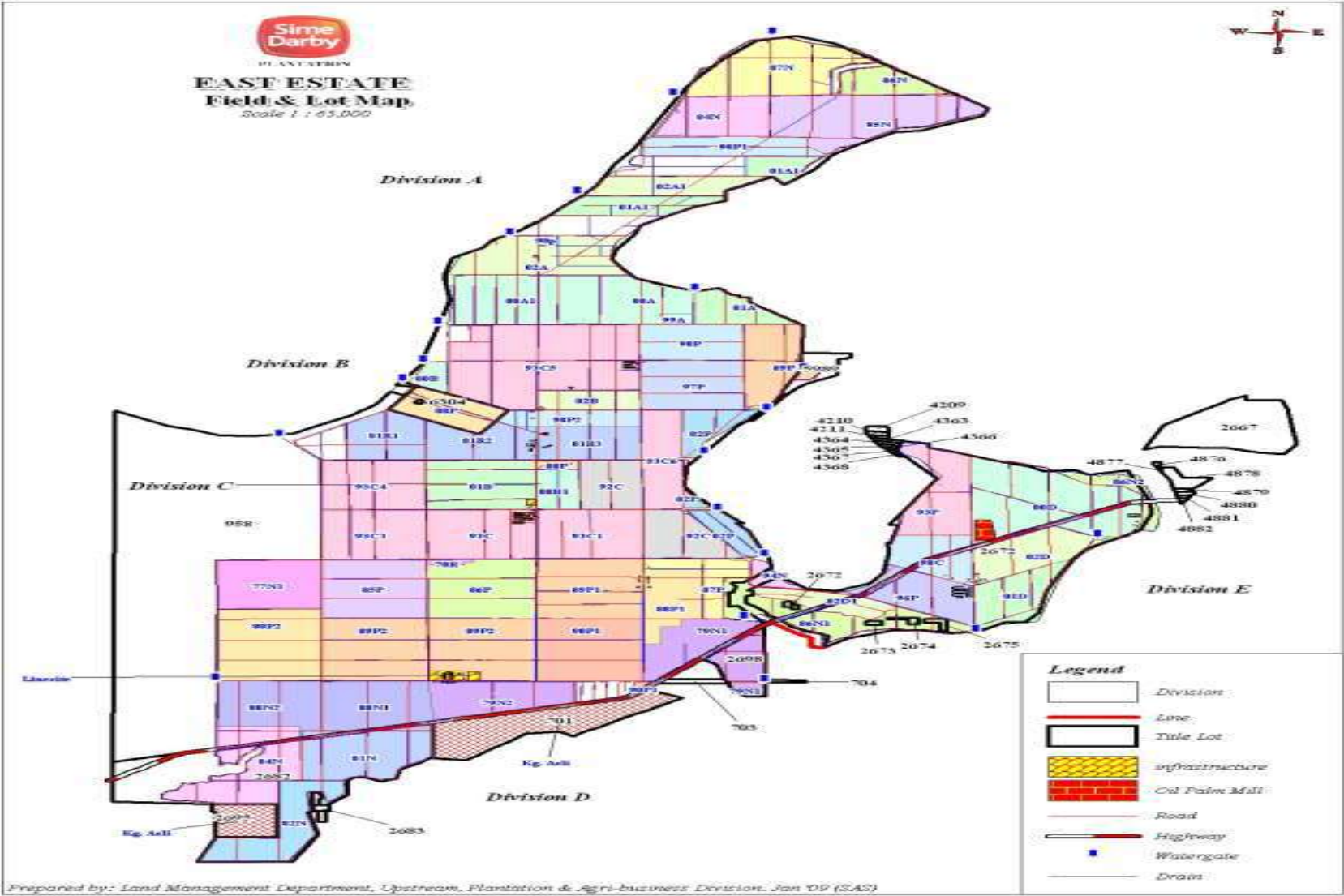
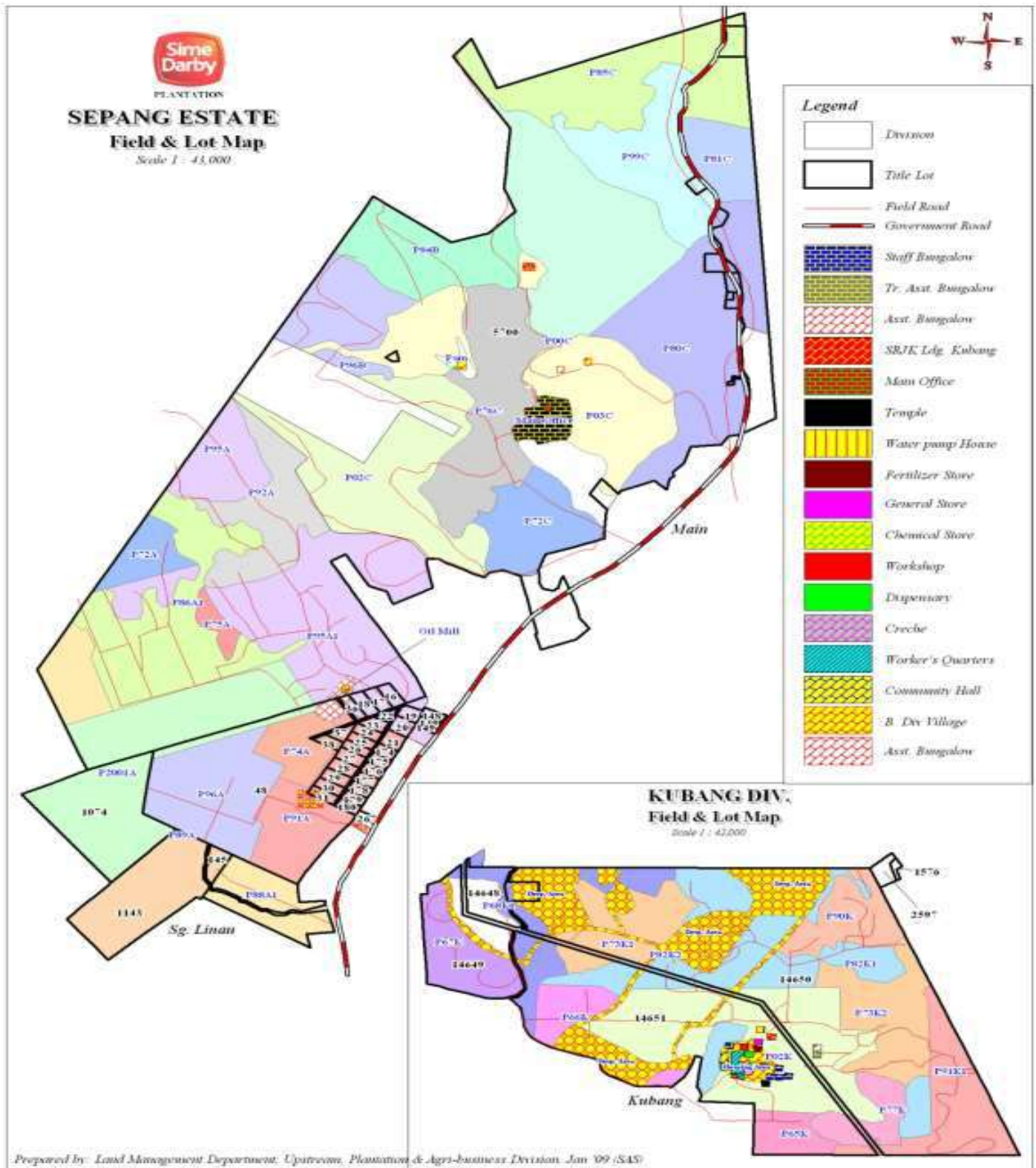


Figure 3: Sepang Estate field map



2.0 ASSESSMENT PROCESS

2.1 Certification Body

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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 provides independent, third-party certification of management systems. BSi has a Regional Office in Singapore, and an Office in Kuala Lumpur, Jakarta and Bangkok.

2.2 Qualifications of the Lead Assessor and Assessment Team

Senniah Appalasamy – Lead Assessor

He holds degree in Resource Economics from Agriculture University, Malaysia. He has vast experience in Plantation crop management covering oil palm plantation, rubber, cocoa and pepper for more than 10 years. He is also experience in manufacturing sector as a quality controller and production management. He is involved in RSPO implementation and assessment since 2008 as a team member and subsequently as a lead auditor with RSPO approved certification body covering assessment with RSPO P&C, RSPO SCCS, RSPO NPP and RSPO Group Certification in Malaysia, Indonesia and Thailand. He has completed ISO 9001:2008, EMS 14001 Lead Auditor Training, OHSAS 18001 Lead Auditor Training, RSPO Lead Auditor Training Course, RSPO SCCS Lead Auditor Training Course, RSPO – RED Lead Auditor Training Course, International Sustainable Carbon Certification (ISCC) Lead Auditor training, RSPO SCCS awareness training, GHG Calculation Training organised by RSPO and Sustainability Report Assurance (SRA) Lead Assessor Training. He has attended workshops and seminar organised RSPO including FPIC workshops, HCV seminars and social auditing workshops. Besides RSPO, he is also qualified as ISCC lead auditor and SRA Lead Assessor. He have experience in other standards i.e. Global Gap Option 1 and 2 (Fruit, vegetable and aquaculture) and GMP B+ as team member.

Muhammad Haris B. Abdullah – Team member

He holds MBA from University Utara Malaysia and a degree in Business Administration (Hons) Majored in Human Resource Development from the Open University Malaysia. He 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 attended the RSPO Lead Auditor

Training in April 2013 and passed the course. He is also passed the ISO 14001 Lead Auditor Training and qualified as EICC auditor. He completed the OHSAS 18001 Lead Auditor Training Course in February 2014. He also attended RSPO SCCS awareness training and GHG Calculation Training by organised by RSPO. He had assisted with conducting audits of oil palm plantation for more than 7 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 Safety and Health, Legal, Social and community engagements, Stakeholders consultation, and workers welfare.

Nabila Seth Nivan – Team member

Nabila Seth Mohd Nivan is a fulltime employee with BSi Services Malaysia. She graduated in Business Administration from University Technology Mara, Malaysia. She attended internal RSPO training in September 2012. Currently she is an ISO 9001:2008 auditor with BSi. She has audited more than 17 companies against the ISO 9001 standard for the past 2 years and recently involved as Social Auditor during the RSPO Assessment to assess the social aspects and gender issues.

2.3 Assessment Methodology, Programme, Site Visits

This Fourth Annual Assessment was conducted on 12 – 14 February 2014. Evidence of implementation to closing out the Major nonconformity was satisfactorily accepted by BSi audit team on 7 April 2014. The audit programme is included as Appendix C.

The methodology for collection of objective evidence included physical site inspections, observation of tasks and processes, interviews of staff, workers and their families, review of documentation and monitoring data. Checklists and questionnaires were used to guide the collection of information. The comments made by external stakeholders were also taken into account in the assessment.

The palm oil mill and was treated as the Certification Unit and its supply base estates as the supplier of certified FFB. Mill was audited together with the sample of estates. During this assessment, East and Sepang estates were assessed. A range of environmental and social factors were covered. These include consideration of topography, palm age, proximity to areas with HCVs, declared conservation areas and local communities.

The nonconformity that was assigned and the observations that were identified during the ASA 3 were followed up to check the effectiveness of the corrective actions and implementation. This was conducted to ensure that the previous nonconformity is remains closed. The findings are detailed in Section 3.1 and 3.2 below.

This report is structured to provide a overall summary of the assessment as well as details for indicators. The assessment was based on random samples and

therefore nonconformities may exist that have not been identified.

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

2.4 Stakeholder Consultation

Stakeholder consultation involved internal and external stakeholders. External stakeholders were contacted by telephone to arrange meetings at a location convenient to them to discuss the operating unit's practices in relation to environmental and social performance.

Meetings were held with stakeholders to seek their views on the performance of the company with respect to the RSPO requirements and aspects where they considered that improvements could be made. The meeting was conducted without the present of management of East Certification Unit. At the start of each meeting, the auditor explained the purpose of the audit followed by an evaluation of the relationship between the stakeholder and the company before discussions continued. The auditor recorded comments made by stakeholders and verified with the management before incorporating into the assessment findings.

Employee interviews with male and female workers and staff were held in private at the workplace in the mill and the estates. Fieldworkers were interviewed informally in small groups in the field. In addition, the wives of workers and staff were interviewed in informal group meetings at their housing. Separate meetings were held with the local community leader. Company officials were not present at any of the internal or external stakeholder interviews which were appreciated by the stakeholders. A list of Stakeholders contacted is included as Appendix D.

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

As outlined in Section 2.3, objective evidence was obtained separately for each Principle, together with details for Criteria for the East palm oil mill and the sampled estates (East and Sepang estates). The results each of these operational areas have been aggregated to provide an assessment of overall conformance of the Company's operations with each selected Criteria. An explanation is provided to support the finding of the assessment team.

During the ASA4, a major nonconformity, two minor nonconformities and two observations/Opportunities for improvement were identified. East Certification Unit has prepared a Corrective Action Plan for addressing the identified nonconformities that was reviewed and accepted by BSi audit team. For the Major nonconformity, evidence of the closing out the Major nonconformity was assessed, verified and accepted before finalising this report. Minor nonconformity raised

during the ASA 3 was followed up and evidence of closing the nonconformity was checked and verified for continuous closing out the nonconformity. Minor nonconformities raised during the ASA4 will be followed up during the re-certification visit. Details of the nonconformities are in section 3.2 and 3.3.

BSi recommends continuation of RSPO Certification for East Certification Unit as a producer of RSPO Certified Sustainable Palm Oil comprising the East Palm Oil Mill, East estate, Dusun Durian estate and Sepang estate.

PRINCIPLE 1: Commitment to Transparency

The company have effective system for receiving and responding to the request of information to the internal and external stakeholders. All operating units kept the record of request and responses. Information request file QSHE/08/5.5.3 contains details of information requested and response. It is noted that the mill and estates maintain up to date policies, procedures and management plans as publicly available information to the stakeholders upon request.

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.

Mill and estates maintained record of request and replies to the request from external and internal stakeholders as well as respond to regulatory bodies, Malaysian Palm Oil Association, Malaysian Palm Oil Board, school, village communities and other stakeholders who request for information. For example, PS Pipeline Sdn. Bhd requested to enter through the Sepang Estate compound for Petronas Pipeline maintenance work on 30/8/2013 and estate manager gave approval on the same day by letter (Ref. No.: PSP-5-06(226/13)).

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

Inspection of document confirmed that mill and estates keep copy of management documents such as land titles/user right, health and safety plan, plan and impact assessment relating to environmental and social impacts, pollution prevention plan, details of complaints and grievances, negotiation procedures and continues improvement plan and this documents are publicly available as per Sime Darby Plantation's group policy.

PRINCIPLE 2: Compliance with Applicable Laws and Regulations

Inspection of records during document audit showed the mill and its supply base complied with all of their respective permit conditions and legal requirements. On-site Internal compliance officers and administration

officers ensure permits are renewed promptly. This confirmed that the internal control and checks were effective for monitoring compliance. All the operation units hold a land title and no land dispute issues were sighted during the ASA4 at the East Certification Unit and its supply base.

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

East mill and supply base is keeping up to date list of legal requirements. The company has own mechanism to ensure all relevant legal requirements are complied. Mechanism to track any changes in applicable law includes list of laws, regulation reference, permit and license to manage through the “Legal and Other Regulatory Register”. Each operating unit has a list of licenses showing the expiry dates. Based on this information, the on-site compliance officer and administration officer renews the permits and licenses. Inspection of a sample of licenses and permits confirmed all valid. i.e. MPOB licenses are valid (East mill No.: 533088004000 expiry 30/9/2014) East Estate No.: 531308002000 expiry 31/07/2014); energy commission permit No.: 00105684 to supply and electricity consumption expiry 03/04/2014, DOE license No.: 001456 expiry 30/6/2014, and etc. The smoke density monitoring system calibration was done by ST Tech Engineering Sdn. Bhd (Report No.: 5480) dated 12/10/2013 (Cert. No.: NML/0894/E/12). Mill personnel such as boilerman, chargeman, engine drivers and engineers have competency certificates and hospital assistant registered with health department Cert. No.: Q1762 (Grade 1) . Recent evaluation of compliance was carried out on January 2014. Report shows compliance found. External audit by Agriculture department (Pesticide control division) was done on 29 October 2013 found compliance against Pesticide Act 1974 & Poison Act 1996.

The Mill and the Estates visited had maintained legal compliance with applicable laws and regulations. Review of internal audit reports showed that in particular for Safety, Social, and Environmental regulations. The latest internal RSPO compliance audit was done in 13 January 2014.

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

It is noted that the land is not encumbered by customary rights and the right to use the land is not disputed by any internal and external stakeholders interviewed. The mill and estates are on Freehold Land and leasehold land. Each estate holds land titles. Example, East Estate operation is on freehold land titles and a copy of each land title is available during the audit. The land titles sighted for Grant No.: GM4136 Lot No.: 12351, Grant No.: GM4137 Lot No.: 12352 & Grant No.: GM4138 Lot No.: 12353.

The Estates have maps showing the locations of boundary stones that have been physically located and marked. Inspection of a sample of boundary stones at Sepang Estate confirmed they were clearly marked and visibly maintained. Both estates have completed re-survey of boundaries to facilitate replanting.

There was some boundary issues were noted during the last assessment at field 08. The land close to the field 08 was visited during the ASA4. Clear demarcation of the site was completed and the area belongs to the local people and the company has been marked and boundary stone was cited during the field visit. The East estate has settled the payment issue through the head office. There were no further issues raised by the villagers and local people.

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.

Interview with local community representatives and other stakeholders confirmed there is no land dispute or any claim of customary land within the estates. The mill and estates are on freehold and leasehold land. No disputes were noted during the assessment. There is no restriction for stakeholders to access through the estates. Written permission from the operating units is given to access the internal estate roads if there is any request.

PRINCIPLE 3: Commitment to Long Term Economic and Financial Viability

The mill and supply base estates have well developed internal management system for monitoring and improvement of their operations against operation target to achieved long term economic and financial viability. Monthly reports are produced and send to head office for monitoring purpose. In addition Plantation Sustainability Quality Management (PSQM) department conduct inspection toward production/quality related issues and provide technical assistant for the estate including RSPO certification and monitoring of compliance.

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

The mill and both sampled estates have annual operating budget which shows the cost and production. A separate document shows projected production and cost for five years in the form of five years projection. Mill and estates has prepared 5 Year Business Plan for period covering 2013 - 2017 and reviewed annually by operating unit and zone General Manager. The last review was carried out on May 2013 prior to end of financial year 2012/2013. The plan includes environment, social (workers and staffs welfare), and health and safety component and associated capital expenditure for improvement.

East estates have replanting program within 5 years. Replanting is planned for palm older than 25 years old. Field No.: 89P1 and 90P1 (185.76ha) at East estate will be replanted in 2013/14 financial year.

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

The Mill and all the supply base estates have implemented management systems for monitoring and implementing best practices. This includes a program of regular internal audits, visit by the zone General Manager, Agronomist and Planting Advisor. Visit reports are used as a monitoring tool and improvement made based on the findings and recommendations.

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

Group Standard Operating Procedures (SOPs) of Sime Darby for mills and estate covering all the relevant operations including work instruction. Inspection to the field and mill confirmed that the SOPs are implemented. Assistant Managers and staff monitor the implementation. All the monitoring records are kept for more than 12 months based on the requirement.

Planting Advisor and Mill advisor make annual visit to evaluate the performance of the mill and estates. General Manager visits the estates on quarterly basis to review estate performance against Sime Darby standard. Latest Mill Advisor visit was between 14 and 15 January 2013 (Report No.: SOU8/ETM/01/12-13). Issues highlighted in the mill and planting adviser reports were rectified by the mill and estate management. Planting advisor visited the East estate between 4 and 5 April 2013. The next visit for the 2014 is planned to be conducted on April 2014. East estate was visited by planting adviser on 26-29 August 2013 (report No. 02/12-13). Recent management review was conducted on 30 January 2014. All operating units maintain DOSH and DOE Visit Records as well. DOSH last visited on 29 July 2013. DOE visits regularly to inspect and collect effluent sample and visit the mill. There were no any issues highlighted by both regulatory bodies. External audit by Agriculture department (Pesticide control division) was done on 29 October 2013 found compliance against Pesticide Act 1974 & Poison Act 1996. Last internal RSPO compliance audit was conducted on 13 January 2014. Noncompliance found during the internal assessment was corrected by the operating units. All identified noncompliance was addressed by the operating units.

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

Agronomist visited the East estates on July 2013 while Sepang estate on 8-9 October 2013. This visit was part of the fertilizer recommendation whereby the agronomy

make final conclusion based on field visit. Leaf analysis was conducted much earlier in the month of March by Sime Darby R&D. Soil analysis and visual observation used as a guidance to prepare the final fertilizer recommendation. Majority of the soil is Jawa series and no peat soil noted. Research Centre carried monitoring of fertiliser application. Application records are documented in the daily costing book. Sample fertilizer application records checked at East estate found that for matured field applied with MOP as per recommendation with 1.25kg/palm using mechanical spraying. At Sepang estate MOP applied at 1.25kg/palm in the month of August – September 2013. Record shows the application date, filed number, dosage applied per palm, type of fertilizer and number of applicators. During field visit noted that replanting is carried with zero burn technique.

EFB applied to palm with rate of 40mt/ha at the inter-row. Records are documented and summary of total applied is reported at the end of the month. Beside EFB, POME is applied as part of land application using furrow system. Records show that BOD level of POME is below the allowable 5000mg/L.

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

Field inspection showed groundcover with soft grass and soft weeds is maintained. No blanket spraying. Recently replanted area is established with cover crops and vegetation is well established. There is no significant erosion risk was noted during the field visit. There are no peat soils or soil categorised as problematic or fragile soil at all estates.

Estates have implemented annual road maintenance programme. Example of programme checked at Sepang estate shows the map indicating road repairs and maintenance for the whole estate roads includes grading, compacting and stone application to strengthen the road surface. Visit to the field No.: 01A & 99C found the field and main roads in good conditions and well maintained.

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

Estates have implemented a programme to reinstatement of riparian strips at both side of the stream during replanting and are implemented. Inspection in the field confirmed that buffer zone have been set aside for reinstatement during replanting. During the field visit it is noted that river is maintained with the riparian zone and clearly marked and maintained. No bunds/weirs/dams were constructed across the main waterways in the estate.

There is an Integrated Water Management Plan which has been implemented. The plan takes into account the efficient use of resources, ensure amongst other that the use of water did not impact on other users, avoid contamination of ground and surface water, and

appropriate treatment of mill effluent. Overflow water from sand cyclone is being collected to use for cleaning activities. The mill monitors the river water quality on quarterly basis. Latest test report (No.: IE49/2014) dated 2/1/2014 found compliance as per DOE limit such as BOD is < 1.

Rainfall data is used as guidance for the water management. Past three years rainfall record shows that more than 130 days of rain is observed. Rainfall for the FY2012/2013 was 1,937mm with 138 rainy days.

East palm oil mill has maintained monitoring records of water usage which recorded every day and summarised on monthly basis. Average annual water consumption varies from 0.95 m³ – 1.10 m³ per tonne FFB processed. The total water consumption for the month of January 2014 was 1.08 m³ per tonne FFB processed whereby the target was 1.15 m³ /FFB Mt.

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

The estates have implemented biological method of controlling pest in the plantation through Integrated Pest Management (IPM) such as introduction of barn owl by erecting barn owl boxes at rate of 1 box for 15 ha to control rat damage. Latest barn owl occupancy census record at Sepang estate shows the occupancy was increased to 71% as at December 2013 for the total of 148 boxes while the occupancy rate at East estate was 58%. All the operating units send the census reports to Research and Development Department at 6 months interval.

Beneficial plants such as *Cassia cobanensis*, *Turnera subulata* and *Antigonon leptopus* established as a preventive measure to control leaf eating pest and planted in all the estates. Major pest is bagworm and estate conduct census prior to justify any chemical treatment and obtain approval from Agriculture Department for any purchase of pesticide. For example, Sepang estate has obtained permit (No.: SG/METHA (GL)/14/008) to purchase "methamidaphos" dated 12/2/2014 for 100ltrs. The chemical treatment is justified with census records and approved by the estate manager.

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.

As per Sime Darby Plantation's group policy, purchasing of agrochemical controlled from the head office. Inspection at site reveals that only pesticides registered

by the Pesticide Board were used. Latest register updated on December 2013 to ensure only registered agrochemicals are used. The only type 1 agrochemical seen was methamidaphos which was used for bagworm treatment occasionally when there is an incident detected and above the threshold level. Pararquat is not used at any of the estates.

All agrochemicals are stored in accordance to the Occupational Safety and Health Act 1994 (Act 514) and Regulations and Orders and Pesticides Act 1974 (Act 149) and Regulations. Inspection of the store revealed that it is locked, with proper ventilation, labelled and with SOP for receiving and issuing.

Medical surveillance carried out once a year for all operators as per CHRA covers all the employees handling agrochemical. The last medical surveillance was done on January 2014 and the result shows all confirmed medically fit to continue as agrochemical applicators. Medical records are follow the USECHH form 1 format done by DOSH registered doctor (HQ/08/DOC/00/709) at clinic Dr. Hartati.

All information regarding the chemicals and its usage, hazards, trade and generic names of the agrochemical are available in local language and some in English. Interview with the store keeper reveal that he understands the information.

Records of pesticide and other agrochemicals are kept in daily activity book. This record includes active ingredients used, area treated, amount applied per ha, application round, and number of applicators and hours worked. These records are available for the past 5 years.

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

Sime Darby's Occupational Safety and Health (OSH) Policy provide guidance for all OSH related matters. This policy communicated to all employees onsite during quarterly safety meeting and morning briefing. DOSH visit regularly to monitor the safety at the mill. Last visit was on 29 July 2013.

All operating units supply appropriate PPE that suits individual work requirement. It is also noted that PPE use is implemented and monitored by "Mandor" and supervisor. However, during site visit at East estate, Contractor's workers at the housing renovation site at Division B found to be working without PPE. Also, HIRARC Table section (b) requires risk assessment to be conducted even-though there is an existing control was missing. Therefore, a nonconformity was raised as per below.

NC Ref: 1022245M1: Major nonconformity against indicator 4.7.1c (i) & d : 4.7.1 Evidence of documented Occupational Safety Health (OSH) plan which is in compliance with OSH Act 1994 and Factory and Machinery Act 1967 (Act139). b. All operations have

been risk assessed and documented. c (i) To ensure all workers involved have been adequately trained in a safe working practices (See also C 4.8) d. The appropriate personal protective equipment (PPE) is used for each operation. At East estate, the following were found during site visit and document review:

1.) During the site visit to the housing renovation site at Division B, the contractor's workers (6 Bangladeshi workers) who are constructing drain using "Cangkul" were only wearing sandals during the work. They were not wearing protective boots. All workers need adequately trained in safe working practice.

2.) The risk assessment review after the accident dated 7/8/2012 was not available. The guidance note under the HIRARC Table, section (b) requires risk assessment to be conducted even-though there is an existing control. Contractor's work risk assessment not cited. - refer Section 3.2 for details.

The annual review of the HIRARC was carried out by safety officer onsite and compliance officers. Last review for the mill was done on 27 January 2013. Mill and estate have individual training program to address the entire safety requirement and work procedures for each category of work and work station. Safety awareness is ongoing all the time through morning briefing which includes safety at work and records are maintained.

The Assistant Manager is the person responsible for any OSH issues and he communicates and updates the managers accordingly. OSH meetings are conducted quarterly. Last meeting at Sepang estate was done on 17/12/2013 and next meeting is schedule on 18/2/2014. At East estate and mill, the meeting was conducted on 9 December 2013. Meeting minutes was checked and found that there are no any pending issues. Meeting was attended by representative from all categories of workers and contractors.

The mill and estates have emergency evacuation plan complete with emergency contact details, organisation chart, responsibility and training was conducted to communicate the plan. The OSH training includes competency training for drivers, chemical handlers, firefighting training by Fire Department, first aid training by Hospital Assistant.

Inspection reveals that first aid kits are available at work site and first aiders are train to handle any emergency situations. Emergency contact details are posted on the notice boards where easily can be seen.

Permit to Work (PTW) were issued for all trunk injection works. Sample PTW dated 12/6/2013 checked at Sepang estate found in compliance to requirements of Sime Darby PSQM – ESH and DOSH (e.g: Field No. 03C, 3 workers, 3 hours).

Annual accident reports are sent to DOSH as per requirement through JKKP 8 forms dated 6 January 2014. Accident records are documented if there are any accidents. There is no fatal accident noted. Minor accident reported such as thorn prick is common among

the workers and this is recorded at the estate clinic during treatment carried out. Local workers covered by SOCSO and foreign workers are covered by RHB accident insurance (Policy No.: FW055775) which is valid until June 2014.

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

East Mill and Estates have annual training program based on a training need analysis carried out at the operating unit level for each work-station and work area covering staff, workers and contractors. The program includes the frequency of training/retraining on an annual basis. Training includes formal courses conducted using external resources and "on-the job" instruction and briefing. For example, the first aid training was conducted on 24 January 2014 at estate level, Refresh training for mandors and sprayers on CDA spraying techniques was conducted on 10/10/2013 by the supplier involving 15 people, Trunk Injection introduction training on 10 October 2013, Bund Monitoring training for 4 workers on 23 September 2013, safety training on 5 December 2013 attended by contractors as well and fire drill at mill on 7 February 2014 by BOMBA from Banting town which include emergency rescue training and PPE and chemical handling training on 22 November 2013, etc.

Interview with staff and contractor reveal that they are included in the training activities and have undergone safety training before they start work on site and are required to attend safety briefings as well.

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

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

The Mill and all the estates carry out the annual review of environmental impacts in term of Environmental Impact Assessment. Once reviewed a Management Action Plans is developed. This information is also taken into consideration for the Continuous Improvement Plans with latest reviewed on 10 January 2014. A list of Actions for improvement of environmental performance has been revised for each of the significant impacts. The review includes reduction of waste by initiating awareness on recycling waste such EFB, Fiber and shell in the mill.

At the estates, during replanting palms are felled, chipped and kept on the same area as an organic fertilizer. Replanting areas are established with cover crop to mitigate any environmental impacts such as erosion of top soil. Environmental improvement plan to mitigate the negative impacts are available.

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.

The HCV assessment was conducted internally to identify possible presence of HCVs within and adjacent to the estates prior to the initial assessment. The assessment also include identification of any protected area within and adjacent to the operating units. All land within the Estate boundaries was cleared during the early years of development, with HCV4 assigned to the water supply pond at Sepang Estate. The fringing mangroves at Carey Island are important for protecting the inter-tidal area from erosion, for nutrient cycling and for providing important habitat for aquatic fauna.

Sime Darby has continued support for the Mangrove Research Centre at East Estate. Sime Darby R&D Department is collaborating with the University of Malaya on research associated with mangrove stabilization of foreshores to enhance the mangrove habitat and prevent erosion. The Estates have maintained signboards prohibiting hunting, fishing and lighting of fires. Each Estate and the Mill have carried out awareness of staff and workers at morning muster on the protection of HCVs.

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

The mill and estates have identified waste products and sources of pollution in the Environmental Impact Assessment and Pollution Prevention Plan which was reviewed updated for the 2013/2014 Financial Year on 10 July 2013. Operational pollution at the mill is monitored as per requirement of regulation and reports are current and send to the relevant authorities on time.

Domestic waste is collected twice a week and disposed in the estate's landfill. The landfill area is well managed with the location far from any water course and community area.

The company has continued managing scheduled waste stores at the mill and each of the estates. Agrochemical containers are triple rinsed and punctured to avoid any misuse. Schedule waste is disposed through licensed collector Kualiti Alam Sdn. Bhd with latest disposal was on 9/10/2013 (CN No.: 050969 – 002) for SW410, SW103, SW110 and SW409. Medical wastes such as sharps are collected and disposed through visiting medical officer. Records are maintained.

However, during site visit at Sepang estate schedule waste store, spillage was noted at the schedule waste area. Therefore, a nonconformity was raised as per below.

NC Ref: 1022245N0: Minor nonconformity against indicator 5.3.2: Having identified wastes and pollutants, an operational plan should be developed and implemented, to avoid or reduce pollution. At Sepang estate, Visit to the workshop schedule waste store on 13/02/2014 found spillage of lubricants at the entrance and on the floor. Further verification with the Foreman confirmed that the spillage was occurred during the collection of schedule waste by the contractor on 9/10/2013. However, there was no mitigation implemented to avoid spillages. - refer Section 3.2 for details.

Operational waste such as EFB, Fiber, Shell and effluent is recycled. POME and EFB applied in the field is monitored and well managed with furrow system for POME. POME BOD level is below the standard of 5000mg/L. DOE carry out regular sampling.

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

East Mill monitors and reports energy usage monthly to head office through monthly report. The company has optimized the use of renewable energy. The energy usage varies depending on the FFB supplied by the estates. During low crop there is a slight increase in use of diesel fuel for processing. Monitoring of fuel used is based on per tonne of CPO. Average 0.60mt of fiber used per day combining with 0.11mt of shell as renewable energy source.

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.

Inspection to the newly replanted area at Sepang estate and East estate confirmed that zero burning techniques are implemented during replanting. No any sign of burning activities in the field. During replanting palms are felled, chipped and mulched on the field where replanting is being carried out.

Inspection at mill and estates confirm that zero burning policy is communicated and implemented. The workers interviewed have awareness about the zero burn policy.

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

The East palm oil mill and all estates Pollution Prevention Plan was documented in the Environmental Impacts Identification and Improvement Plan, reviewed for the financial year 2013/2014. Pollutants and emissions are identified and plans to reduce were developed as per the national regulations and guidance. Inspection confirmed the mill and estates have implemented appropriate controls for preventing pollution from point source emissions to air and discharges of wastewater, such as the mill monsoon drains.

Smoke emission quality test at the mill was done every 6 month in accordance to the Environmental Quality Regulation. The test was conducted by the external consultant approved by Department of Environment. The latest test result shows that all parameters were complied with the standard requirements. No peat land within the supply base. The pilot project for Methane Capture from POME anaerobic Digester Tank No.1 for vehicle biogas is still in testing stage.

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

Aspects of plantation and mill management related to social issues identified through Social Impact Assessment. Annual review is conducted through stakeholder meetings and communication with stakeholders. It is noted that all the operating units maintain good relationship with internal and external stakeholders such as employees, contractors, surrounding communities and regulatory bodies. Improvement on social obligation includes improvement of the housing and facilities for the employees and contribution to the surrounding community development such as road maintenance.

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.

Baseline SIA assessment for SOU 8 was last prepared in March 2011 with the participation of affected parties and being reviewed annually. The PSQM department is responsible to perform the SIA assessment. Internal yearly review performed by respective operating units compiling all issues raised during internal and external stakeholder meetings. Last review for the FY 2013/2014 was conducted on February 2014 through stakeholder consultation and social action plan is developed based on feedback received from external and internal stakeholders.

The social action plan contains a time table with person responsible to manage and monitor each issue. It is noted that there were no pending unresolved issues. Issues related to access through the estates and permission to conduct cultural and religious activities is managed and monitored.

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.

East Palm Oil Mill and Estates engage in communication with local communities and interested parties. The communication procedure is as per Sime Darby's group communication policy which shows flow chart of the

communication procedure. This was confirmed during interview with the local community representative and village head.

At each operating units the Social Liaison Officer or Estate assistant Manager is the person responsible for communications with communities and other stakeholders. Stakeholders confirm that they know the social liaison officer.

However as an area for improvement, an observation was raised against indicator 6.2.3: At Sepang Estate and East Estate, list of stakeholder delayed in updating. Contractors, suppliers, local authorities missed out in the list.

Record of meeting with attendance list and minute of meeting are available as attachment. Last stakeholder meeting was conducted on 4 February 2014. 19 internal and external stakeholders attended the meeting. There are no any disputes recorded during the meeting. Stakeholder list contains names and contact details. All the estate maintains communication recorded as part of the stakeholder communication document.

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.

Grievance procedure was communicated to all stakeholders during meetings as a part of process to resolve any disputes. Complaint and grievances was recorded in complaint book. Checks of information held at the Mill showed there was no grievance raised by the communities. Issues registered by workers mainly related to housing repairs, all of which had been actioned by the management.

However as an area for improvement, an observation was raised against indicator 6.3.2: At East Mill and East Estate, the grievances recorded by the workers yet to be updated with actions taken and its current status although interviews with workers confirm that action was already taken. The current practice of having only one person in charge acknowledgement can be further improved.

There were no any pending disputes noted during this audit. This was confirmed by internal and external stakeholders interviewed as well as the records inspected.

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.

There is no issue related to compensation for loss of legal or customary rights noted during this assessment. All the land was initially from the state government.

However, stakeholders have access to any negotiations of there in any disputes.

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.

All the workers are covered by the MAPA/NUPW agreement and the staff covered with MAPA/AMESU agreement. This is documented at all the operating units. Migrant workers make up the majority of the workforce who are engaged on 2 or 3 year contracts. Payments are made as per the agreement. Inspection of contracts of both local and foreign workers confirmed that pay and conditions are available in local language and explained to the foreign workers by executives with the assistance from translators.

However, during document audit at Sepang estate, the local workers contracts were not available for inspection for two sampled workers. Therefore, a minor nonconformity was raised as per below.

NC Ref: 1022245N2: Minor nonconformity against indicator 6.5.2: Labour laws, union agreements or direct contracts of employment detailing payments and conditions of employment (e.g working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc) are available in the language understood by the workers or explained carefully to them by a plantation management official in the operating unit. Document audit at Sepang Estate found that work contract for local workers are not available for the sample selected during the audit such as for employee (No. 05-5161) and (No. 05-5476) - refer Section 3.2 for details.

Mill and estates provide adequate housing to their employees and meets the government standard. Old units are upgraded from two room houses to three rooms. All the houses are provided with water and electricity supply. During the meeting with workers no issues were highlighted. Beside the housing, the company is also provide other facilities such as worshipping places, crèche, clinics, sports facilities and community hall.

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 management recognise that all employees have right to form and join trade unions of their choice and to bargain collectively. This is carried out by the employees by joining the NUPW and AMESU.

At all operating unit's workers union meeting held with NUPW when required. Last meeting was held on 26

September 2013 attended by the union representative and foreign workers representatives. It was highlighted by the union representative that most of issues resolved through ad-hoc discussions. It was confirmed by the union secretary that there is no any unresolved labour issue. Interview with the on-site workers union secretary reveals that most of the work related issues are resolved through verbal discussion.

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.

Inspection to employee contract agreement and list of registration confirmed that those employed are as per company policy on minimum age. The minimum working age is 18 and above. During field visit and consultation with stakeholders confirm that there is no child labour employed at any of the operations.

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.

Sime Darby continues to practice equal opportunity policy which is displayed at notice board at the mill and estates to communicate to all employees. This was communicated with all employees during morning master as well. Interview of male and female workers confirmed understanding and awareness of the policy. Pay record and interview with employees confirm that there is no any kind of discrimination. All workers have access to the grievance and resolution mechanism.

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 statement to prevent sexual harassment and violence is documented in the Sime Darby Plantation Social Policy. One of the female staff members has been appointed as head of gender committee and members representing each operating units and work category are selected as committee members to represent female workers.

The company has developed specific grievance mechanism on sexual harassment and violence. Female workers interview confirmed understanding of the mechanism and no issue was raised during the audit.

The last gender committee meeting was held on 5 February 2014 at estate and mill level. The meeting minutes shows that no any kind of harassment issue was raised in the meeting. The meeting follows the guidelines as per the Gender Committee Manual.

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

East palm oil mill process FFB from company owned estates only. No FFB purchased from out-growers or smallholders. Pricing mechanism for other contractual agreements is mutually agreed by contractors/suppliers prior to signing any contracts.

Contractors/suppliers understand contractual agreement and stated that the contract is transparent and fair. The company has standard term and condition of contract agreement which is explained prior to signing. Prompt payment is made as per contract agreement. No issues were highlighted by the contractors interviewed. Inspection to the "Grievance Book" indicated no complaint was raised in relation to processing of the payment. Sample Contract (Ref. No.: KKSEAST/1314/02) and payment record dated 15 January 2014 was checked and verified.

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

The company continue to contribute for the activities at the local communities villages when request is forwarded. It was noted that the villagers have well developed infrastructure build by the government and access to government services, for example, sealed road access, government electricity and water supplies to housing and schools. The operating units continue to make donations to local communities for their places of worship and local schools when requested. These contributions are considered appropriate for the socio-economic setting around the mill and estates.

Principle 7: Responsible Development of New Plantings

SOU 8 Certification Unit has not carried out any new oil palm developments and there are no plans for expansion of plantings. Immature area is replanted area. Therefore, principle 7 is not applicable to this assessment.

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

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.

East palm oil mill and supply base estates have carried out annual review of the environmental and social aspects of its operations to identify improvements. The Social Action Plan has continued to work towards improving stakeholder relationship through engagement and dialogue besides further improving the workers housing.

Efforts are being implemented to limit pesticide use only when there is an outbreak and justified with census prior

to application. Integrated Pest management (IPM) is continuously implemented as part of efforts to reduce pesticide usage. Paraquat is completely eliminated. Grass cutting is carried out to maintain harvesting path on the flat area. Awareness on recycling is progressively implemented and evidence of recycling was noted during the assessment.

3.2 Detailed Identified Nonconformities, Evidence of closing out Major Nonconformities and Auditor Conclusions

There was a major nonconformity and two minor nonconformities were identified during this assessment along with area for improvement as an observation. Corrective action plans with respect to the major nonconformity raised during the ASA4 have been reviewed and found to be effectively implemented and the Major NC was closed on 7 April 2014. The management submitted corrective action plans for all the nonconformities. The Audit Team has reviewed and accepted the Corrective Action Plan. Implementation of corrective actions and closing out the minor nonconformities will be followed up during the re-certification Assessment.

The detail of the nonconformity is listed below.

Major Nonconformity

A major nonconformity was raised during the ASA4. Corrective Actions and closing out evidence for the major nonconformity identified during the ASA4 has been effectively implemented and the nonconformity is closed. The detail as follows:

NC Ref: 1022245M1: Major nonconformity against indicator 4.7.1b, c (i) & d: 4.7.1 Evidence of documented Occupational Safety Health (OSH) plan which is in compliance with OSH Act 1994 and Factory and Machinery Act 1967 (Act139). b. All operations have been risk assessed and documented; c (i) To ensure all workers involved have been adequately trained in a safe working practices; d. The appropriate personal protective equipment (PPE) is used for each operation. At East estate, the following were found during site visit and document review:

1.) During the site visit to the housing renovation site at Division B, the contractor's workers (6 Bangladeshi workers) who are constructing drain using "Cangkul" were only wearing sandals during the work. They were not wearing protective boots. Workers are adequately trained in safe working practice is lacking.

2.) The risk assessment review after the accident dated 7/8/2012 was not available. The guidance note under the HIRARC Table, section (b) requires risk assessment to be conducted even-though there is an existing control. Contractor's work risk assessment not cited.

Corrective Action Plan and Implementation

Corrective Action Plan was submitted to BSI audit team on 20/2/2014. The corrective action plan was reviewed and found to be appropriate to address the

nonconformity. The safe working practice briefing was conducted on 21/2/2014 attended by 7 workers and site supervisor. The risk Assessment was reviewed on 28/2/2014 for the work by the contractor at the housing site to address the accident recorded in 2012. The HIRARC table included the risk level and control measures. The remaining implementation evidence for the PPE inspection at work site was received on 4/4/2014. The major nonconformity was closed on 7/4/2014.

Minor Nonconformities

Two nonconformities were assigned against Minor Compliance Indicators. The management at East Certification Unit operations has prepared corrective action plan for addressing the minor non conformities which BSi audit team has reviewed and accepted. Progress towards closing out and the action taken will be followed up during the re-certification Assessment.

The details of these nonconformities are as follows:

NC Ref: 1022245N0: Minor nonconformity against indicator 5.3.2: Having identified wastes and pollutants, an operational plan should be developed and implemented, to avoid or reduce pollution. At Sepang estate, Visit to the workshop schedule waste store on 13/02/2014 found spillage of lubricants at the entrance and on the floor. Further verification with the Foreman confirmed that the spillage was occurred during the collection of schedule waste by the contractor on 9//10/2013. However, there was no mitigation implemented to avoid spillages. - refer Section 3.2 for details.

Corrective Action Plan:

The management immediately carried out housekeeping work at the store. It is also conducted briefing to the foreman to supervise carefully the despatch of schedule waste in the future. The management is planning to re-design the entrance door. Quotation received on 18/3/2014. The full implementation will be followed up during the re-certification assessment.

NC Ref: 1022245N2: Minor nonconformity against indicator 6.5.2: Labour laws, union agreements or direct contracts of employment detailing payments and conditions of employment (e.g working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc) are available in the language understood by the workers or explained carefully to them by a plantation management official in the operating unit. Document audit at Sepang Estate found that work contract for local workers are not available for the sample selected during the audit such as for employee (No. 05-5161) and (No. 05-5476).

Corrective Action Plan:

The management found the two work contract from the employment file which was missing during the audit. The

Work contract was dated 1/1/2014 and signed by the management and employees. The contract contains the required term and condition such as pay, working hours, overtime, annual leave, sick leave, holiday entitlement, period of notice and other conditions. Further records of the employees will be followed up during the re-certification assessment.

Observation/Opportunity for improvement

There are two observations/Opportunities for improvements were identified. The progress with the Observations/Opportunities for Improvement will be followed up during the re-certification Assessment.

The Details are of below:

Observation 1 (6.2.3): At Sepang Estate and East Estate, list of stakeholder delayed in updating. Contractors, suppliers, local authorities missed out in the list.

Observation 2 (6.3.2): At East Mill and East Estate, the grievances recorded by the workers yet to be updated with actions taken and its current status although interviews with workers confirm that action was already taken. The current practice of having only one person in charge acknowledgement can be further improved.

3.3. Status of Nonconformities (Major and Minor) Previously Identified and observations

No Major nonconformity was raised during the last assessment. However, a minor nonconformity against indicator 6.1.3 was assigned and 8 observations/opportunities for improvement was identified. Corrective Actions plans which was submitted during the ASA3 for the nonconformity identified during the ASA 3 was effectively and consistently implemented and the nonconformity remains closed.

CR05: 6.1.3 A timetable with responsibilities for mitigation and monitoring is reviewed and updated as necessary. Observation 03 identified during ASA2 was raised to a Nonconformity against this Minor Compliance Indicator because Dusun Durian Social Action Plan was revised 01 July 2012 but has not been updated with the completion of actions taken from the previous year, nor for the new actions and assignment of responsibility. Similarly, East Estate met with the local community Kg Sg Rambai on 16 January 2013 but did not include in the Social Action Plan details for resolving the land issue or target completion dates and assignment of responsibility.

ASA 4 Findings: Document audit found that The Social Action Plan has been updated and reviewed by Estate management. Latest review was done on February 2014 after the stakeholder meeting on 4 February 2014. 19 internal and external stakeholders attended the meeting. There is no dispute recorded during the meeting. The Kg Sg Rambai issue was addressed. All the additional issues discussed with the local community have been included in the Plan together with the responsible person and targeted completion date. The CAP is implemented. The NC is closed on 12/2/2014.

Observations:

01 (2.1.1) The Labour Department approval of the extension to the number of overtime hours worked at East Mill each month will expire on 30.11.2013. It is important to ensure sufficient time to complete the renewal process.

ASA4 Findings: Labour Department approval on overtime permit dated 25/9/2013 (Ref. No.:JTKS 6/119. Jld 2 (42), allowing maximum 130 hrs/month with condition the duration is not exceeding 7 hrs/day was sighted during the document review. The permit is valid till 24/9/2014.

02 (4.4.1) East Estate had recently completion of the rehabilitation earthworks on the bund beside the river channel at Block 07B3 and plans to engage the Mangrove Research Centre to plant mangroves along the riverbank to protect it from erosion. Presently there is no documented Plan or Timetable for reestablishment of mangroves along the river.

ASA4 Findings: The planting of mangroves along the riverbank has been completed by the Mangrove Research Centre on December 2013. Bund monitoring by the estate personnel is being carried out on monthly basis. Visit to the riverbank area found the mangroves were well grown and maintained.

03 (4.4.3) East Estate monitors the pH and salinity of water discharged from drains weekly and the results are stored manually on file. The value of the information could be improved by presenting the data graphically for evaluation of trends in water quality.

ASA4 Findings: The value of the pH and salinity of water monitoring were being compiled and presented in graphical data. The trend shows the water quality is being maintained at DOE approved limit.

04 (4.6.3) Pre-mixed pesticide of unknown composition was stored in un-marked plastic containers on a tractor in an un-secure situation at East Estate. Nonconformity initially was assigned but the Estate implemented immediate corrective action and moved the containers to a secure store and labelled them together with the tractor-mounted spray tank to show the contents.

ASA4 Findings: Field and store visit found all chemical containers were stored in the designated area with proper labeling. No un-secure or misuse of chemical containers were noted during the audit.

05 (4.6.4) Field inspections showed the technique for use of Controlled Droplet Application spray equipment needs improving to ensure complete and effective spraying of palm circles for weed control. This will require re-training of mandors and sprayers.

ASA4 Findings: Refresh training for mandors and sprayers on CDA spraying technics was conducted on 10/10/2013 by the supplier involving 15 people. Field

inspection at both sampled estates showed the sprayers were using correct technics for CDA palm circle spraying.

06 (4.7.1) The wearing of hearing protection at the Mill was not consistent and enforcement is needed to ensure compliance with company policy.

ASA4 Findings: The enforcement of PPE usage such as hearing protection at the Mill is being monitored by the mill personnel through PPE inspection and work site inspection. However, the enforcement of PPE usage by contractor's workers at the estate was lacking. Therefore, this observation has been upgraded to Major nonconformity during this assessment. – refer section 3.2 for details.

07 (6.5.3) The Mill and East Estate Housing Repairs Registers do not record actions taken or the date repairs were carried out. For example, inspection of the Register showed most entries appeared unactioned but when the line site was inspected and these specific houses were visited the repairs had been carried out. It is important to ensure all requests for repairs, including verbal requests, are recorded.

ASA4 Findings: All request for housing repairs are being recorded in the complaint book together with the action taken and completion date. Pending works are also remarked for the reason and the complainant has been informed accordingly. Interview with the workers confirmed that repair works are carried out when requested.

3.4 Issues raised By Stakeholders and Findings with Respect To Each Issue

The issues raised by stakeholders during ASA3 were followed up during this Assessment and found to have been actioned appropriately by the company. During this ASA4, stakeholders were contacted through phone calls as well as private meeting conducted without the present of management team. The majority of stakeholders had positive comments about SOU 8 Certification Unit comprising East mill and three estates. Issues raised by stakeholders were discussed with the management and the company's response is obtained. The details of stakeholders comment are as follows:

District Counselor and District villages Leader: Suggested to separate the housing site for local and foreign workers to avoid any social conflicts which had happened in other places due to cultural differences.

Management response: The management is aware on the matter. The shifting of foreign workers to a designated housing site is already being carried out phase by phase and expected to be complete by end of the year.

Auditor finding: Visit to the line site and interview with the housewives confirmed that this arrangement is

being carried out. Therefore, the issue is being addressed accordingly by the management.

Contractors: Payment is made promptly and no any disputes. Management has included them in the trainings and safety meetings. No any restriction if they want to meet with the manager.

Management response: All contractors are compulsory to follow the safety training and briefing. The contractors are included in the safety meeting to ensure that they follow company's safe operating procedure.

Auditor finding: No further issues to verify.

Union representative and foreign workers representative: No any unresolved disputes were highlighted. Facilities and pay is acceptable. Pay slip indicates the total earning.

Management response: Meeting held with union not only formal meeting but also informal meeting when requested by union representative or workers. Company also provides free cooking oil and rice to all workers. So far the relationship between management and workers are good. Company always wants to ensure that workers happy working in the plantation and mill.

Auditor finding: No issues noted. Workers understand the term and condition of their work contract.

School Representative: Positive comments received from the representative. He described estate management as very helpful in solving any issues and cooperative in relation to assistance with infrastructure and social services. Any communication is channeled through meeting and promptly attended by the estate manager or assistant manager. No complaint about management practices in relation to environmental and social.

Management response: Management always assists school if there is request for assistance.

Auditor finding: Positive comment.

Temple Committee Representative: Management assist during the temple activities through donation. No any pending issues.

Management response: Management always assists temple during festival.

Auditor finding: No issue to verify further.

Village Representatives: No any pending issues. No land disputes or boundary disputes.

Management response: Management has taken initiative to resolve the Kg Sg Rambai issue and it is resolved now.

Auditor finding: During the site visit, Kg. Sg. Rambai was visited. The area has been demarcated clearly and interview with the villagers around there also confirm no any further issues.

Police Representative: They are aware that the estates are employing foreign workers. So far no issues of illegal workers have been identified in the estates and mill. They have not received any complaints from locals as well.

Management response: Management always ensures that only legalized foreign workers are employed.

Auditor finding: Positive feedback. Document audit on the profile of workers confirm that only workers with valid permits are employed.

4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

4.1 Date of Next Visit (Re-Certification)

The date of Re-certification visit will be scheduled anytime three months before the anniversary of the certificate date.

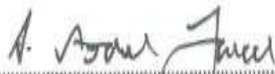
4.2 Date of Closing Nonconformities (Major and Minor)

NC Ref.	CLASS	ISSUED	STATUS
CR01 2.1.1	Major	23/1/2009	Closed on 30/1/2009
CR02 5.3.1	Major	5/4/2011	Closed on 10/5/2011
CR03 2.2.3	Minor	5/4/2011	Closed 21/03/2012
CR04 4.4.6	Minor	21/3/2012	Closed 6/2/2013
CR05 6.1.3	Minor	6/2/2013	Closed 12/2/2014
1022245M1 4.7.1	Major	14/2/2014	Closed 7/4/2014
1022245N0 5.3.2	Minor	14/2/2014	"open"
1022245N2 6.5.2	Minor	14/2/2014	"open"

4.3 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
Sime Darby Plantation Sdn Bhd – SOU 8 East
Certification Unit



Mr. Abdul Jalil Sulaiman
Senior Manager, East Estate

Date: 24/4/2014

Signed for on behalf of
BSi Group Singapore Pte Ltd



Senniah Appalasamy
BSI RSPO Lead Auditor
Date: 18.04.2014

Appendix A: Sime Darby Plantation Time bound Plan

certification Status	Malaysia	Indonesia	Status during ASA03
Certified as of March 2014	34 Certification units	21 Certification units	Total Certified: 55
Undergoing Certification Process	-	4 Certification Unit	Certification on-going: 4
RSPO EB Review	-	-	-
Total	34 Certification units	25 Certification units	59 Certification units

Appendix B: Sime Darby Plantation Sdn Bhd – SOU 8 East Certification Unit RSPO Certificate Details

Sime Darby Plantation Sdn. Bhd.
 SOU 8 Management Unit (East Palm Oil Mill)
 Carey Island, Selangor
 MALAYSIA

BSI RSPO Certificate No: SPO 543543

Date of Initial Certificate Issued: 19 May 2010

Date of Expiry: 18 May 2015

Applicable Standards: RSPO Certification System June 2007 (revised March 2011) including Annex 4: Procedures for Annual Surveillance; RSPO P&C MY-NIWG 2010; and relevant element of Supply Chain requirements for CPO Mills; SCCS Standard Nov 2011 Module – Segregation.

East Palm Oil Mill and Supply Base		
Location	Carey Island, Selangor, Malaysia.	
Address	SOU 8 Management Unit (Ladang East) 42960 Carey Island, Selangor, MALAYSIA	
GPS	Longitude: 2° 53' 0.00" N Latitude: 101° 26' 10.09" E	
CPO Tonnage Total Production (Certified)	29,203	
PK Tonnage Total Production(Certified)	7,402	
Company Estate FFB Tonnage (Certified)	134,576	
Estates FFB Tonnage (Certified)	East Estate	24,030
	Dusun Durian Estate	45,416
	Sepang Estate	65,130

Appendix C: 4th Annual Surveillance Assessment Program

Date	Time	Subjects	Senniah	Nabila	Muhd Haris
Wednesday 12/2/2014 (SOU 8)	09.00 – 10.00	Opening Meeting: (SOU 8) <ul style="list-style-type: none"> • Presentation by the Estate and mill managers • Presentation by Audit team leader. Confirmation of assessment scope and finalize Audit plan (including stakeholder's consultation).	√	√	√
	10.00 – 12.00	East Palm Oil Mill Inspection: FFB receiving, warehouse, workshop, wastes management, Effluent Ponds, OSH, Environment issues, POME application, water treatment, staff, workers and contractor interview, housing and facility inspection.	√	√	√
	12.00 – 13.00	Lunch	√	√	√
	13.00 – 17.00	East Palm Oil Mill: Document Audit, SOPs, Supply chain for CPO mill, Review on SEIA documents and records, wage records, employee data, training records, permits, mill inspection records, etc.	√	√	√
Thursday 13/2/2014 (SOU 8)	08.00 – 12.00	Sepang Estate Field visit, boundary inspection, fertiliser application, field spraying, harvesting, workers interview, buffer zone, HCV area, Office, workshop, worker housing, clinic, Landfill, Chemical store and mixing, and document audit.	√	-	√
	09.00 – 12.00	Meeting with stakeholders (Government, village rep, smallholders, Union Leader, contractor etc.)	-	√	-
	12.00 – 13.00	Lunch	√	√	√
	15.00 – 17.30	Sepang Estate Document review (General Documentation e.g. Legal, Manual and Procedure, HCV identification, SEIA documents, Health and Safety, Time bound plan verification, review pay documents etc).	√	√	√
Friday 14/2/2014 (SOU 8)	08.00 – 12.00	East Estate Field visit, boundary inspection, fertilizer application, field spraying, harvesting, workers interview, buffer zone, HCV area, Office, workshop, worker housing, clinic, Landfill, Chemical store and mixing, etc.	√	√	√
	12.00 – 13.00	Lunch	√	√	√
	13.00 – 16.00	East Estate Document review (General Documentation e.g. Legal, Manual and Procedure, HCV identification, SEIA documents, Health and Safety, Time bound plan verification, review pay documents etc).	√	√	√
	16.00 – 17.00	Auditor meeting & Preparation for closing meeting	√	√	√
	17.00 – 18.00	Closing Meeting	√	√	√

Appendix D: List of Stakeholders Contacted

<p><i>Internal Stakeholders</i></p> <p>East Certification Unit Management team and Staff Representatives from Sustainability Department On site compliance executives Mill Manager and Assistants Estate Managers and Assistants Facility Administrators Gender Committee Representatives Hospital Assistant Clinic Assistant Male and Female workers Workers Union Representatives Foreign Workers Representative Onsite NUPW secretary AMESU Representative</p>	<p><i>Local Communities</i></p> <p>Temple Committee Representative Kampung Sungai Keroh Village Representative Kampung Sg Rambai Village Representative Kampung Sg Bumbun Village Representative</p>
<p><i>Government Departments</i></p> <p>Police Representative District Counsellor District villages Leader School Headmasters/Representative</p>	<p><i>Contractors</i></p> <p>Housing contractor Supplier FFB Transport contractor Engineering work contractor</p>

Appendix E: East Palm Oil Mill Supply Chain Assessment (Module D: Segregation)

Requirements	Compliance
D.1. Documented procedures	
D.1.1 The facility shall have written procedures and/or work instructions to ensure implementation of all the elements specified for Segregation (SG) supply chain requirements. a) Complete and up to date procedures covering the implementation of all the elements. b) The name of the person having overall responsibility for and authority over the implementation of these requirements and compliance with all applicable requirements. This person shall be able to demonstrate awareness of the facilities procedures for the implementation of this standard.	East palm oil mill have written documented procedures for the chain of custody with SG and MB model covering certified and non certified FFB. The mill manager has the responsibility to ensure implementation. During the audit only the SG model used because only certified FFB is processed at the moment. However, the palm oil mill also have the system in place to use Mass Balance model through either down grading the SG to MB or through purchasing non certified FFB in the future.
D.1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFBs.	East mill has documented procedures for the incoming FFB, processing and outgoing palm products (CPO and PK). System available to make marking on the receiving documents to differentiate the certified and non-certified FFB received. Only certified FFB received.
D.2. Purchasing and goods in	
D.2.1 The facility shall verify and document the volumes of certified and non-certified FFBs received.	Daily records are prepared at the entry point at the weighbridge. Daily summary and monthly summary documented for all the certified and non certified FFB. Records verified by internal and external audit. Only certified FFB received.
D.2.2 The facility shall inform the CB immediately if there is a projected overproduction.	The facilities aware of this procedure.
D.3. Record keeping	
D.3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of certified and noncertified palm products.	Daily records are prepared at the entry point at the weighbridge. Daily summary and monthly summary documented for all the certified FFB. Records verified by internal and external audit. Only certified FFB received.
D.3.2 Retention times for all records and reports shall be at least five (5) years	The retention period is specified as five years and financial documents retained longer based on the local regulation requirement.
D.3.3 The facility shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, PKO and palm kernel meal on a three-monthly basis.	All the inventory records are maintained and updated on daily basis and monthly report shows monthly inventory. No PKO and Palm kernel meal at East mill. PK is sold to Sime Darby's subsidiary kernel crushing plant.
D.3.4 The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. *product name*/SG or Segregated. The supply chain model used should be clearly indicated.	System in place to indicate CPO/Segregated on the documents related to the supply chain. Weighbridge ticket number 78830 checked and verified.
D.4. Sales and goods out	
D.4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information	500mt of Segregated certified palm oil sold to Sime Future Trading through the eTrace system. This information was verified in the eTrace. Sales of GreenPalm certificate was sold as a group rather than individual mill. Sample of existing sales documents were checked and found that sales documents include required information and comply to the requirement. The information on the documents are:
(a) The name and address of the buyer	Name and address of buyer written on the existing invoice. i.e. Sime Future Trading Sdn Bhd, Kuala Langat, Selangor.
(b) The date on which the invoice was issued	Date is written on all dispatch and relevant documents. Weighbridge ticket number 005416 dated 11 February 2014.
(c) A description of the product, including the applicable supply chain model (Segregated)	System in place to write product description and supply chain model is written as CPO/Segregated.
(d) The quantity of the products delivered	Quantity in tone (Weighbridge ticket 005416 with weight 34.92mt).
(e) Reference to related transport documentation	Weighbridge documents and D/O includes all the transport references. Weighbridge ticket number 005416 checked and verified. Transport details i.e. Vehicle number BJJ 694 written and included.
D.5. Processing	
D.5.1 The facility shall assure and verify through clear procedures and record keeping that the RSPO certified palm oil is kept segregated from non certified material including during transport and storage and be able to demonstrate that is has taken all reasonable measures to ensure that contamination is avoided. The objective is for 100 % segregated material to be reached. The systems should guarantee the minimum standard of 95 % segregated physical material; up to 5 % contamination is allowed	During this assessment it was confirmed that only certified source of FFB from own plantation is processed. This ensures that there is no possibility of mixing during processing.
D.5.2 The facility shall provide documented proof that the	Processing and storage records can trace back to only certified segregated raw

RSPO certified palm oil can be traced back to only certified segregated material.	material (FFB) and finish product (CPO and PK).
D.5.3 In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that: <ul style="list-style-type: none"> The crush operator conforms to these requirements for segregation The crush is covered through a signed and enforceable agreement 	There is no outsourcing activity directly handled by the mill. The kernel is sold to a subsidiary kernel crushing plant belong to Sime Darby Group. The kernel crushing plant have own supply chain certificate and it is independent from the mill.
D.6 Training	
D.6.1 The facility shall provide the training for all staff as required implementing the requirements of the Supply Chain Certification Systems.	Staffs in the weighbridge, inventory, storage and processing, document control have attended training. Training was conducted on 7 October 2013.
D.7. Claims	
D.7.1 The facility shall only make claims regarding the use of or support of RSPO certified palm oil that are in compliance with the RSPO Rules for Communications and Claims.	No claims made because the CPO is delivered/sold to downstream refineries.

Actual Certified Palm Production - 01 February 2013 - 31 January 2014 (ASA3)

MILL	CAPACITY	CPO	PK
East Palm Oil Mill	30 mt/hr	25,529	5,607

Actual Sales of Certified Palm Products - 01 February 2013 - 31 January 2014 (ASA3)

MILL	Certified CPO Sales	Certified PK Sales	Remarks
East Palm Oil Mill	500	NIL	Certified CPO sales through eTrace.

Actual Certified FFB Received Monthly - 01 February 2013 - 31 January 2014 (ASA3)

Month	East	Dusun Durian	Sepang	Certified FFB Received from West Palm Oil Mill	Total FFB/Month
February 2013	1,370	3,712	4,513	-	9,595
March 2013	1,078	3,221	4,637	-	8,936
April 2013	1,562	3,169	4,410	-	9,141
May 2013	1,068	2,975	4,810	-	8,853
June 2013	1,328	2,890	4,539	53	8,810
July 2013	1,635	3,574	5,724	-	10,933
August 2013	1,617	3,508	5,743	-	10,868
Sept. 2013	1,761	3,255	5,322	-	10,338
Oct. 2013	1,476	3,960	5,653	-	11,089
Nov. 2013	1,316	3,764	5,184	-	10,264
Dec. 2013	1,049	3,643	4,361	-	9,053
January 2014	1,125	3,608	4,442	-	9,175
Total	16,385	41,279	59,338	53	117,055