



ANNUAL SURVEILLANCE ASSESSMENT REPORT

Kulim (Malaysia) Berhad

Johor Malaysia

Report Author

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SUMMARY

BSi Group Singapore Pte Ltd (BSi) has conducted an Annual Surveillance Assessment of Kulim (Malaysia) Berhad (Kulim) operations comprising three (3) Mills, fifteen (15) oil palm Estates, support services and infrastructure. BSi concludes that Kulim operations have maintained compliance with the requirements of RSPO Principles & Criteria: 2007 and MY-NI Indicators and Guidance 2008.

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

ABBREVIATIONS USED

CHRA	Chemical Health Risk Assessment
CDM	Clean Development Mechanism
CPO	Crude Palm Oil
CSPO	Certified Sustainable Palm Oil
DOE	Department of Environment
EFB	Empty Fruit Bunch
FFB	Fresh Fruit Bunch
HIRAC	Hazard Identification Risk Assessment Control
HCV	High Conservation Value
IPM	Integrated Pest Management
JCC	Joint Consultative Committee
LTA	Lost Time Accident
MAPA	Malayan Agricultural Producers Association
MPOB	Malaysian Palm Oil Board
NUPW	National Union of Plantation Workers
OSH	Occupational Safety and Health
PCD	Pollution Control Device
PK	Palm Kernel
PPE	Personal Protective Equipment
QMS	Quality Management System
SIA	Social Impact Assessment
SOP	Standard Operating Procedure

1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 Identity of Certification Unit

The Certification Unit is Kulim (Malaysia) Berhad operations that consist of three (3) Palm Oil Mills and fifteen (15) Estates. The Kulim Mills and Estates are located in Johor, Malaysia (Figures 1, 2, 3, 4, 5 and 6). The GPS locations of the Mills are shown in Table 1.

Table 1: Mills GPS Locations

MILL	EASTING	NORTHING
Sedenak	103° 32' 17.9628"	1° 43' 51.0888"
Sindora	103° 27' 44.316"	1° 59' 7.3392"
Tereh	103° 21' 5.0004"	2° 13' 3.0648"

1.2 Production Volume

The production tonnages for CPO and PK for the period of the Certificate 23/01/2009 – 22/01/2010 and

projections for the next twelve months are listed in Table 2.

Table 2: Production Tonnages

Palm Oil Mill	Estimate at Certification	Actual 23/01/09 – 22/01/10	Projected 23/01/10 – 22/01/11
Tereh			
CPO	31 287	43240	53280
PK	9 146	12509	15044
Sindora			
CPO	13568	11175	12752
PK	4 382	3642	4365
Sedenak			
CPO	44059	36985	42359
PK	11 415	10950	12324

NB: The production from the recently acquired Sg Tawing Estate and Outside Suppliers is excluded from the Certificate.

1.3 Certification Details

Kulim RSPO Membership No: 021-04(O)
BSi RSPO Certificate No: 537873
Date of previous Assessment: 24/07/2008
Date of Certification: 23/01/2009

1.4 Description of Fruit Supply Base

The supply base is fifteen company owned Estates and twenty-two Outside Suppliers. The FFB production from company owned Estates and Outside Suppliers is listed in Tables 3a, 3b, 3c.

Table 3a: FFB Production (Tereh Mill Supply Base)

Estate	Estimate at Certification	Actual 23/01/09– 22/01/10	Projected 23/01/10– 22/01/11
Tereh Mill			
Tereh Utara	40452	45957	54198
Tereh Selatan	31313	41225	44924
Selai	31810	22805	21714
Enggang	31580	24589	23802
Mutiara	34402	52045	58541
Rengam	357	–	–
Sg Sembrong	56	14822	27969
Sg Tawing	–	9937	34659
Sub Total	169970	211380	265807
Outside Suppliers			
Felda Paloh	↑	29372	31048
Ldg Wawasan	36963	3539	3100
Lian Yik	↓	48	–
K Lori	↓	43	–
Sub Total	36963	33002	34148

Table 3b: FFB Production (Sindora Mill Supply Base)

Source	Estimate at Certification	Actual 23/01/09–22/01/10	Projected 23/01/10–22/01/11
Sindora Mill			
Sindora	65855	58692	62142
Basir Ismail	7122	101	–
Ulu Tiram	860	330	–
Rengam	43647	330	–
Kuala Kabong	–	57	–
Asam Bubok	–	27	–
Sub Total	117484	59537	62142
Outside Suppliers			
Nilai Megah		6059	
Bon Hon		21828	
Che Yu]		38153	
Leely		30133	
Construction	69345		127858
EngHuatLatex		10811	
Ree Fong		5349	
Ching Fook		236	
Maju Jaya		21978	
JTP Trading		37	
Sub Total	69345	134584	127858

Table 3c: FFB Production (Sedenak Mill Supply Base)

Source	Estimate at Certification	Actual 23/01/09–22/01/10	Projected 23/01/10–22/01/11
Sedenak Mill			
Sedenak	50696	40770	45568
Rengam	43647	48630	55017
Asam Bubok	9587	8048	10988
Ulu Tiram	17856	17337	15370
Kuala Kabong	38969	35954	39452
Basir Ismail	45381	35447	48619
Bukit Layang	–	44	–
REM/Pasak	24188	–	–
Sub Total	230234	186230	215014
Outside Suppliers			
Kebun		1511	1800
Sedenak			
Ree Fong		51459	59131
Nirwana		34326	35000
Sedenak		3337	1500
Bahru			
Che Yu	115970	52424	58414
Peladang		2203	3000
Sri Mahtai		6544	11288
Bukit Siput		14115	18500
Hong Hui		40239	27500
Chuan Soon		1287	6000
Fong Tak		1002	14000
Sub Total	115970	208447	236133
Overall Total			
Company Estates	517,688	457,147	542,963
Outside Suppliers	222,278	376,033	398,139

The development of oil palm at the company owned Estates commenced in 1947 and the palms are in their second and third cycles. The age profile of the planted palms is shown in Table 4.

Table 4: Age Profile of Planted Palms

AGE (years)	% of Planted Area
0 – 4	21.18
5 – 16	38.42
17 – 23	27.66
24+	12.74

1.5 Progress against Time Bound Plan

Kulim holds an interest in and is the managing agent for three mills and eleven estates in West Malaysia that are owned by Johor Corporation. BSi carried out an assessment in December 2009 for initial RSPO certification of the Johor Corporation mills and estates. This progress is consistent with the Kulim time bound plan.

In August 2009, Kulim reached agreement with Sime Darby Plantation Sdn Bhd on the acquisition and disposal of one estate. Kulim disposed of Sungai Simpang Kiri Estate to Sime Darby and at the same time acquired Sungai Tawing Estate. Kulim has made a commitment to achieve RSPO Certification of Sungai Tawing Estate during 2010.

The BSi Assessment Team considers the time bound plan to achieve certification of Sungai Tawing Estate to be reasonable and achievable. BSi considers that Kulim meets the RSPO requirements for Partial Certification.

1.6 Progress of Associated Smallholders/ Outgrowers towards RSPO Compliance

Kulim has held initial consultation with FFB suppliers and its aim to achieve RSPO Certification for all of the mills supply bases. Interview of a sample of the FFB suppliers, comprising Outgrowers and FFB Traders, found that they were aware of RSPO but did not have detailed knowledge of the RSPO requirements.

Kulim has assigned the Environmental Officer, Sustainability Department for having responsibility for implementing RSPO P&C with Outgrowers and Independent FFB Traders who supply FFB to the Mills. During 2010, Kulim will develop a work plan for conducting awareness and training for the Outgrowers and FFB Traders. The implementation of the RSPO P&C for the FFB Traders is expected to be very challenging due to issues such as the complexity associated with tracking the FFB from individual growers.

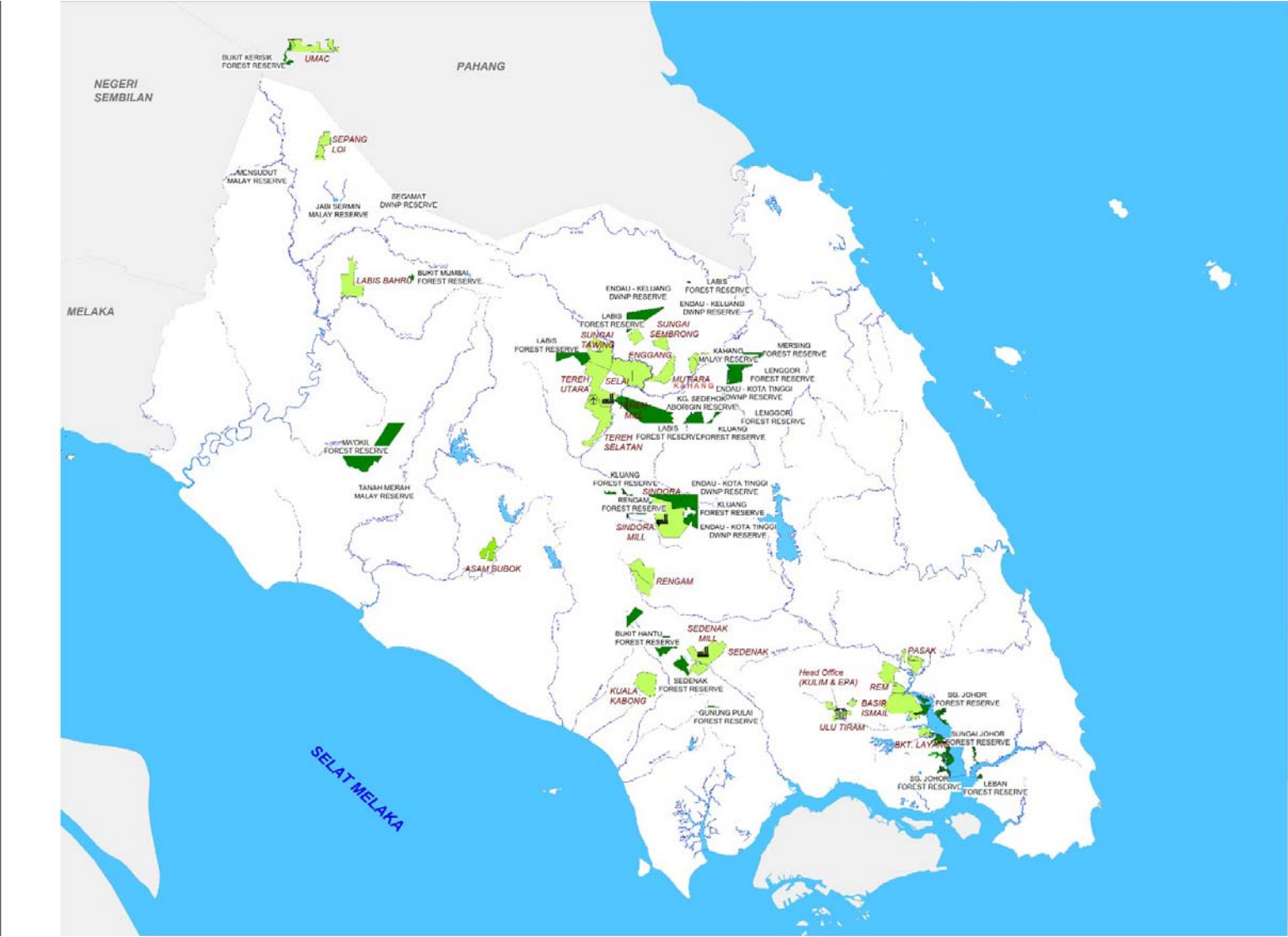


Figure 1: Kulim Mills and Estates Location Map

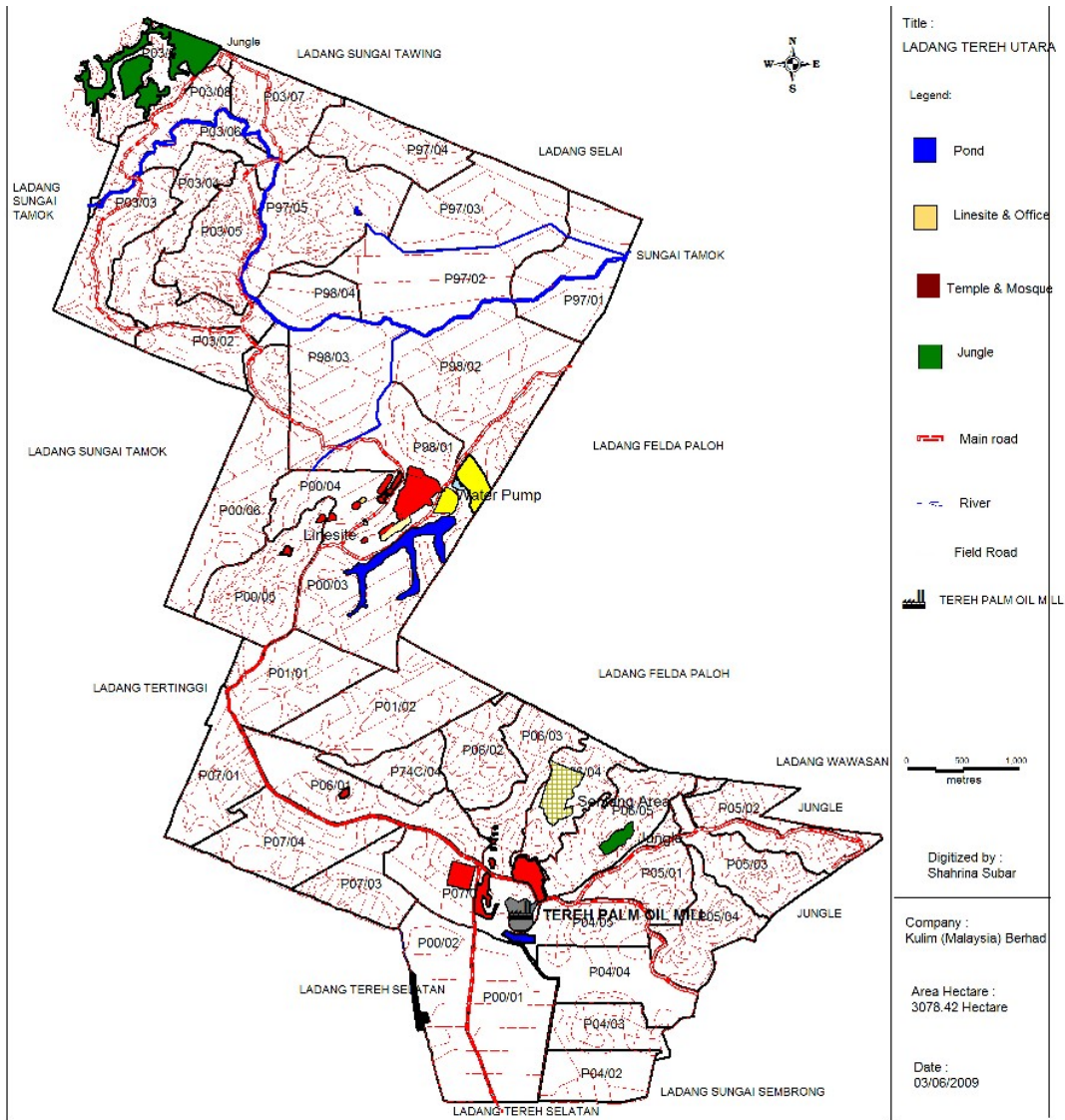


Figure 2: Tereh Utara Estate Layout

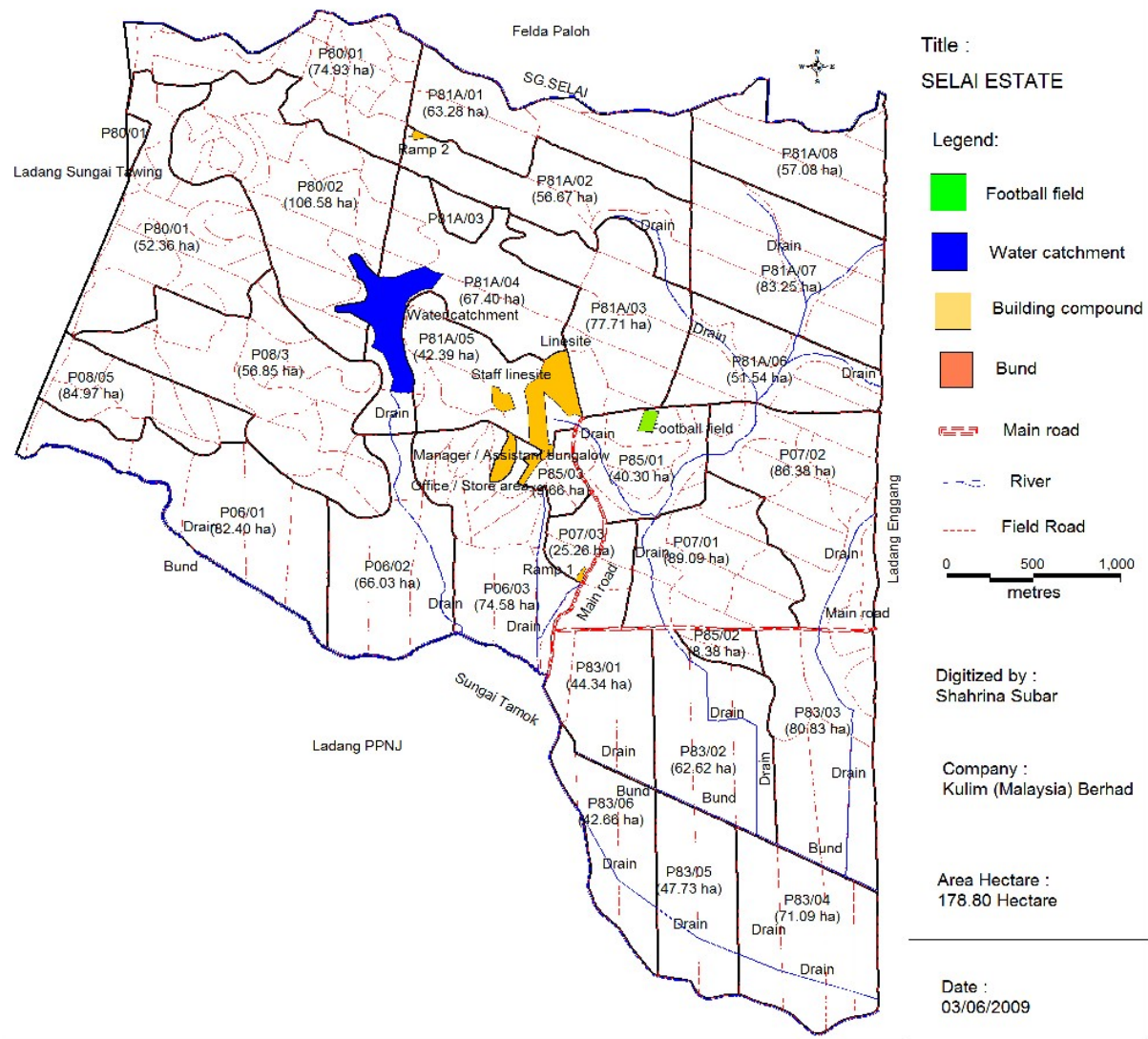


Figure 3: Selai Estate Layout

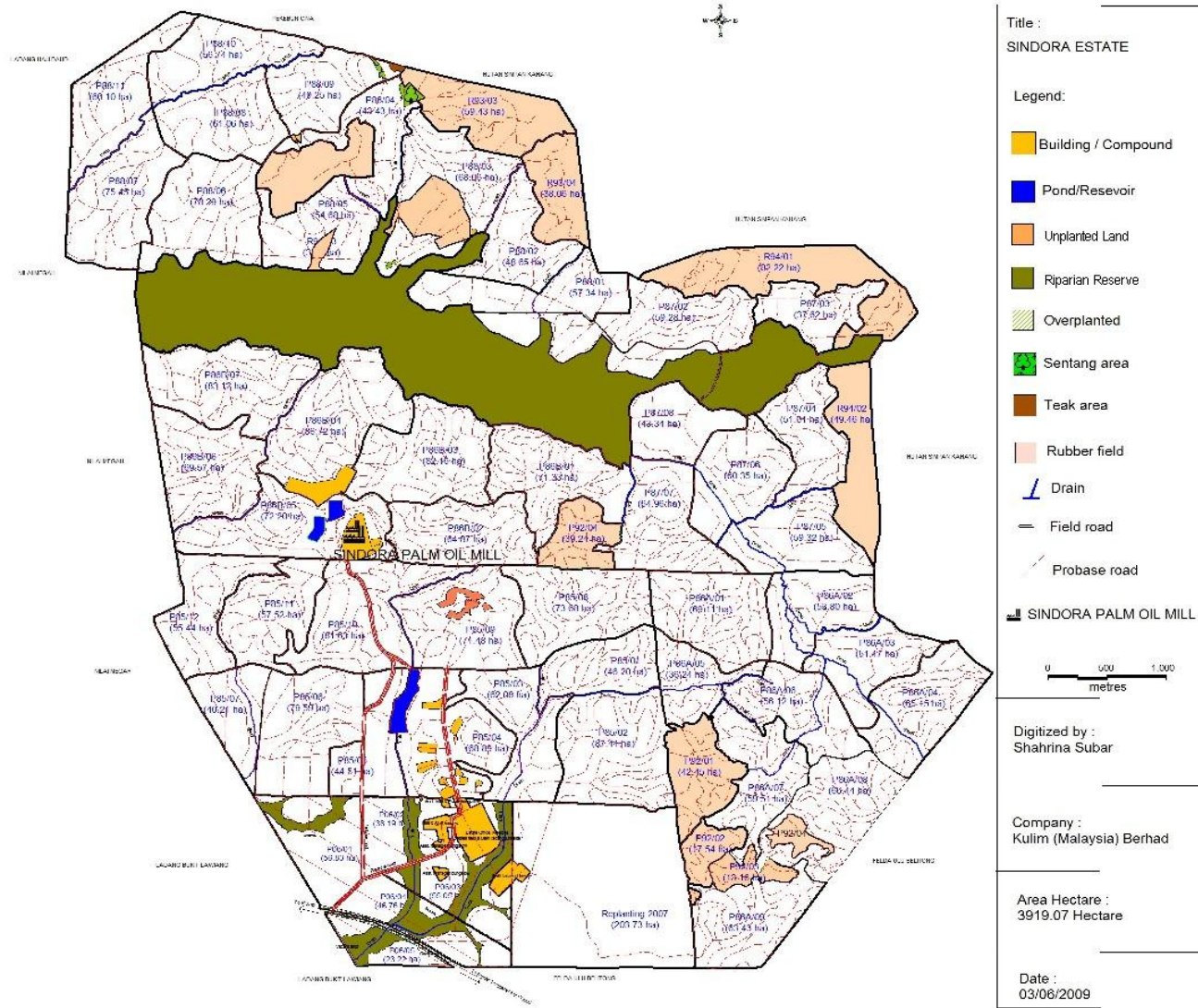


Figure 4: Sindora Estate Layout

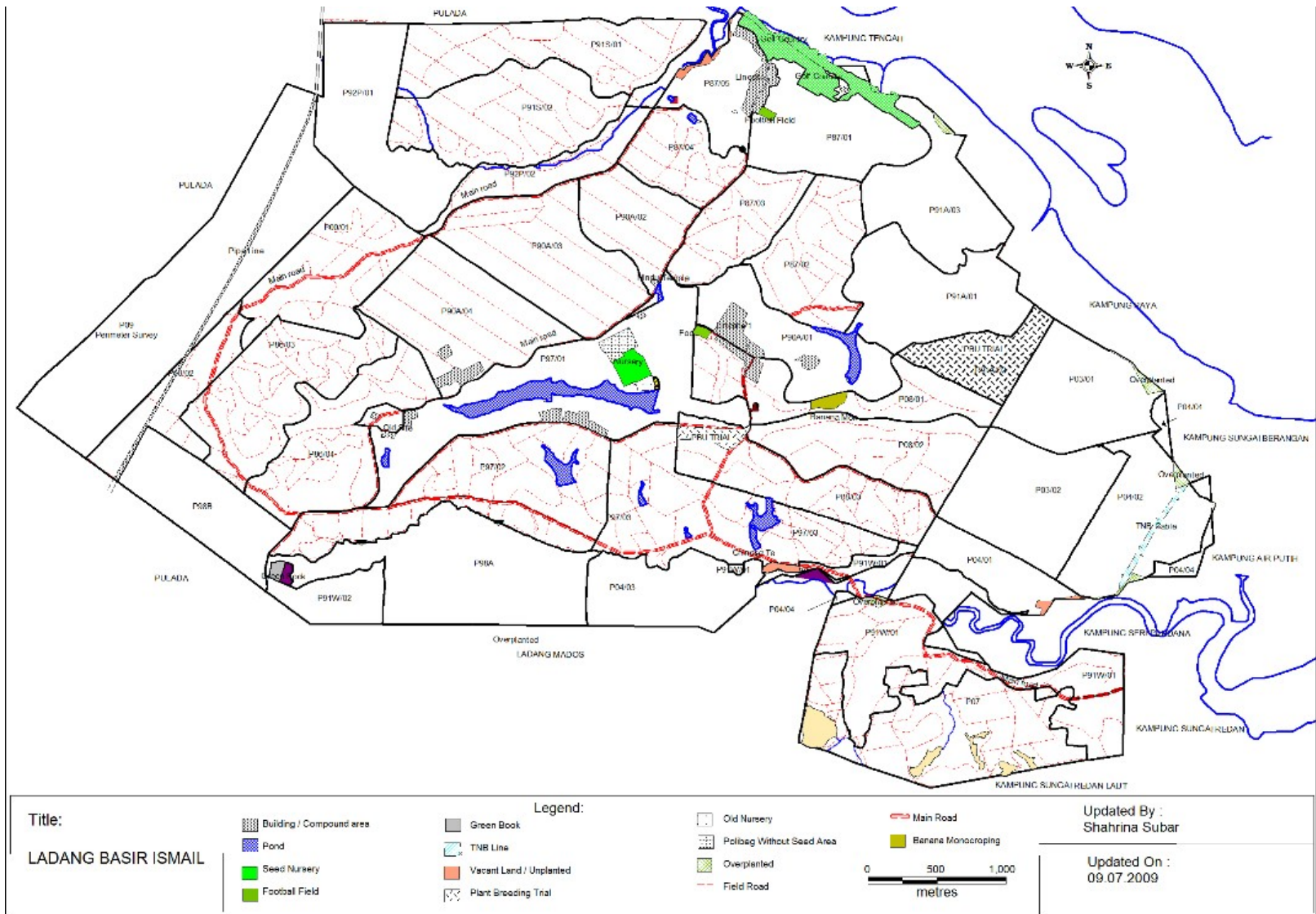


Figure 5: Basir Ismail Estate Layout

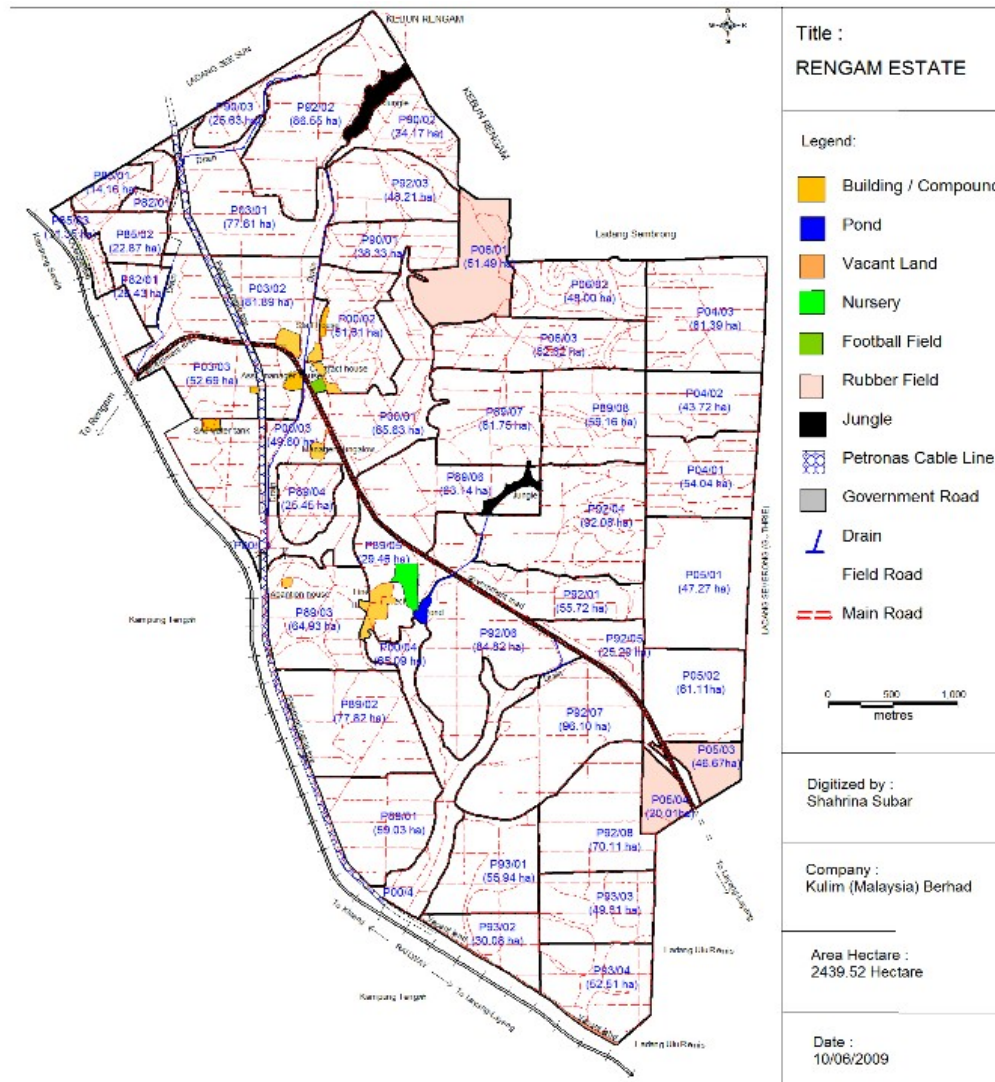


Figure 6: Rengam Estate Layout

1.7 Organisational Information / Contact Person

Kulim (Malaysia) Berhad Contact Person:
 Ulu Tiram Estate Mrs Salasah Elias
 KB 705 Senior Manager
 Johor Bahru Phone: +6078611611
 Johor 80990 Fax: +6078631084
 MALAYSIA Email: salasah@kulim.com.my

2.0 ASSESSMENT PROCESS

2.1 Assessment Team Members

Charlie Ross – Lead Assessor

Iman Nawireja – Social/Environment Assessor

Robyn Ross – Social Assessor (Women and Families)

Junecel Maloloy – Interviewer/Assistant (Women and Families)

CV for Mrs Maloloy is included at Appendix A.

2.2 Assessment Program

The first Surveillance Assessment was carried out between 12 and 21 January 2010. The Assessment Program is included as Appendix B.

The Program included assessments of the three Mills and five Estates against all of the applicable RPSO indicators. Tereh Utara, Selai, Basir Ismail and Rengam Estates were not assessed during the Initial Certification visit in 2008 but were assessed during the January 2010 Annual Surveillance visit. Sindora is the sole Estate that supplies the majority of its crop to Sindora Mill.

The three minor nonconformities and the eleven observations that were assigned during the initial certification assessment were followed up to check the effectiveness of corrective actions.

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

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

2.3 Stakeholder Consultation

Internal and external stakeholders were consulted to obtain their views on Kulim's environmental and social performance and any issues of concern that they may have. External stakeholders were interviewed at their premises where practical or they were invited to the mill or the estate. Internal stakeholders were interviewed in groups in the workplace or at their housing. Company

officers were not present at any of the meetings. A list of stakeholders contacted and interviewed is included at Appendix C".

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

During this first Annual Surveillance, Two (2) Nonconformities were assigned against Minor Compliance Indicators and Nine (9) Observations/Opportunities for improvement were identified. Kulim prepared a Corrective Action Plan for addressing the identified Nonconformities, which BSI reviewed and accepted.

Review of the three minor nonconformities assigned during the Initial Certification Assessment found the corrective actions were effective and the nonconformities were closed out. In addition, the eleven observations had been actioned and the improvements were considered to be effective for addressing the issues.

PRINCIPLE 1: Commitment to Transparency

Kulim has maintained up to date policies, procedures and management plans for provision of information to the public on request, in accordance with Kulim Group Policy. The majority of requests for information are received at Head Office and are then forwarded to the estates and mills for provision of site specific information. A number of requests, mainly seeking financial assistance are received at the estates and mills and these are handled locally in a timely manner.

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

The mills and estates maintain filing systems for recording written requests for assistance and information. Inspection of records found that requests for information were received only from Government Departments or the MPOB. Requests for the estates and mills to provide information for MPOB surveys of producers generally were replied within a reasonable time frame. For example, on 29 September 2009, MPOB requested Kulim to provide information by the 30 October 2009 on the areas of riparian buffer zones within the estates. Selai Estate received this request on 14 October and forwarded the information on 27 October 2009.

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.

Examination of documents confirmed that Kulim Sustainability Department had reviewed each of the

improvement plans that are required to be publicly available and where appropriate these had been updated. For example the Environmental Improvement Plan was reviewed in December 2009 and had been updated and copies of these documents were held at each of the mills and the estates inspected. Enquiries confirmed that documents were publicly available on request, except those relating to commercial confidentiality.

PRINCIPLE 2: Compliance with Applicable Laws and Regulations

Kulim has maintained the systems for documentation, checking and assessment of legal compliance with applicable laws and regulations. Inspection of records confirmed that the mills and the estates visited have maintained legal compliance with statutory requirements, such as the Factories & Machinery Act 1967, the OSH Act 1994, the Environmental Quality (Clean Air Regulation) 1978 and the Employment Act 1955. The program to survey and locate all boundary stones was completed by independent surveyors and inspection of a sample at each of the estates visited confirmed these were clearly marked and visibly maintained. Interview of local community representatives confirmed there were no land tenure issues.

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

Kulim mills and estates have an up to date list of legal requirements that are audited by the Mill Visiting Engineer and the Plantation Inspector during site visits. In addition, each operation has a List of Licenses showing the expiry dates. Inspection of a sample showed licenses were current, for example at Tereh Mill, Boiler Certificate 002107 current to 31 May 2010.

Review of internal audit and consultant reports showed that the mills and the estates visited had maintained legal compliance with applicable laws and regulations. For example, Sedenak Mill boiler emissions were tested 10 September 2009 by UiTM-A&A Laboratory and confirmed the level of dust particulate was in compliance with Regulation 25 of the Malaysian Environmental Quality (Clean Air) Regulations, 1978. Ambient air quality at areas within and surrounding the Mill were tested by Profigreen Sdn Bhd on 9-10 December 2009 and the Total Suspended Particulates monitored were within the Malaysian recommended Environmental Air Quality Guideline. Each of the mills provides smoke density data directly to DOE via an on-line monitoring system.

Kulim has a program for upgrading as well as construction of new houses at the locations where houses have only two bedrooms, for example at Tereh Mill Housing, construction had commenced and was at the foundation stage. Water supplied to housing from the government reticulated supply and from Kulim water treatment plants showed compliance with the Malaysian Drinking Water Quality Standards. Inspection of pay

records found that the mills and the estates complied with the Employment Act 1955 and the Department of Labour monthly overtime limit.

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

Kulim has completed the program of surveying the boundaries of all of its properties and installing boundary stones. Each of the estates visited held a copy of a map showing the locations of boundary stones. Inspections of a sample of boundary stones at each of the estates visited confirmed boundary stones are clearly marked and maintained (Plate 1).



Plate 1: Clearly Marked Boundary Stone

There are currently no Land disputes at the Kulim estates. The boundary survey identified a small area of overplanting at Basir Ismail Estate. Interview of the affected local landowner confirmed that the overplanting by Kulim and the use of the land were successfully concluded by negotiation.

Observation 1 – refer Section 3.2 Page 18 for details

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.

The Kulim mills and estates operations are on either “Freehold Land” or “State Leases”. The land is not encumbered by Customary Rights and the right to use the land is not disputed.

PRINCIPLE 3: Commitment to Long Term Economic and Financial Viability

Kulim has implemented a management system for monitoring and reporting of performance against production targets for achieving long-term economic and financial viability. Reports were available showing the details of production and costs. Although CPO market price was low during 2009 compared with 2008, Kulim continued its commitment to sustainability by funding improvements at each of the mills and estates.

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

Each of the Kulim mills and the estates has an annual operating budget for the calendar year 2010 and five-year projections (2011 – 2015) for production. The budgets include performance targets for production and quality and each of the operating units reports monthly results to senior management. Each of the estates has a long term replanting plan that details the schedule and areas to be replanted.

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

Kulim has well established management systems for monitoring and control of best practice implementation at its mills and estates. This includes a programme of regular internal audits by Mill Advisors and Plantation Inspectors and Agronomists for maintaining a balance between production and protection of soil and water resources.

The boundaries of stream buffer zones that will be reinstated at future replanting were maintained and inspection showed that herbicides had not been applied to these areas.

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

The SOPs for the Mills and Estates operations were available at each location visited. Each of the mills maintained their ISO 9001 Certified QMS. Inspection of records showed that SOPs were reviewed and where appropriate revised. For example at Tereh Mill during 2009, changes were made to five SOPs, such as Effluent Treatment Plant reference "LTM/5.13", issued 21 December 2009, Revision Number 3.

Implementation of SOPs at the Mills was checked by internal audits and the external ISO9001 audit. The Plantation Inspectors visited each of the estates and the Managers prepared Action Plans for responding to issues raised. For example, at Selai Estate the most recent Plantation Inspector visit was 21 September 2009 and the Manager replied on 22 October with corrective actions.

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

The Kulim Agronomists maintained the programme of foliar and soil sampling for assessment of palm nutrition and making recommendations for the annual fertiliser plan, specific to each estate. For example, the Agronomist visited Sindora Estate between 31 March and 13 April 2009 and carried out foliar and soil sampling. Kulim has implemented composting of EFB at each of the mills and bio-compost is applied to the palms to replace part of the inorganic fertiliser requirement.

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

Inspection of field conditions at each of the estates visited showed that the changes made to the spray programme had resulted in regrowth of soft grasses and improved groundcover vegetation. Kulim also had implemented roto-slashing of harvesting paths at the flat and gently sloping areas, in preference to use of herbicide. On sloping areas and terraces, there appeared to be more consistent stacking of pruned fronds along the contour for protection against soil erosion.

Observation 2 – refer Section 3.2 Page 18 for details

Each of the Kulim estates has an annual budget and a programme for road maintenance. Inspection of each of the estates visited confirmed that road maintenance was being carried out in accordance with the annual programme for roadside pruning, road repair, drain upkeep, culvert maintenance, road gravelling and grading. There are no problem or fragile soils at the Kulim estates visited.

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

Inspection of the estates visited showed that Kulim has demarcated the boundaries of river reserves and that these were being protected from disturbance. The programme of demarcating buffer zones for reinstatement at future replanting had been completed by painting "blue and white" rings around the trunks of palms to show clearly the boundaries. At locations where replanting is due, the estates have ceased the application of chemicals to palms within the demarcated buffer zones.

Observations 3, 4 & 5 – refer Section 3.2 Page 18

Inspections of the mills and the estates visited confirmed that point source pollutants were well controlled through maintenance of pollution control devices. Records were available to show that the PCDs had been inspected and cleaned regularly.

The conservation of water resources is an important priority of water management plans, especially at the mills which use large quantities of water for processing. Each of the mills achieved significant reductions in water usage. For example Sedenak Mill has reduced average annual water usage from 1.8 t/t FFB in 2005 to 0.96 t/t FFB in 2009 (Figure 7). The reduction during 2009 was achieved by restricting the use of water for cleaning mill floors to the shut-down for maintenance on Sundays.

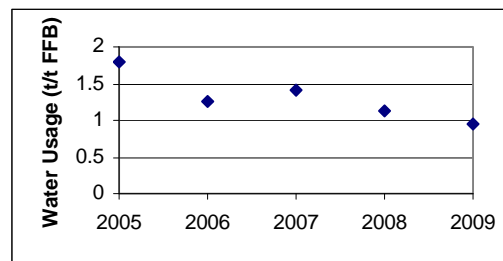


Figure 7: Annual Water Usage at Sedenak Mill

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

The main pest is rats and damage is monitored in the field as well as for the FFB delivered to the mills. The occurrence of fresh rat damage is used as a trigger for a census of pests and assessment of the need for treatment. Census data are available on a block basis in the form of a map on the "Treatment and Census File".

Kulim continued the programme for establishment of beneficial plants (*Turnera subulata* and *Cassia cobanensis*) along roadsides through the estates for control of leaf eating insects. Barn owls have been introduced at each estate for control of rats. At Tereh Utara Estate, for example, maps are available showing the locations of 79 barn owl boxes and established areas of beneficial plants. The annual barn owl census carried out in August 2009 found 73% occupancy of barn owl boxes.

The estates maintain records for each oil palm block of the quantity of pesticides applied. The usage of pesticides is specific to the field conditions at each estate, which often vary considerably due to environmental factors, such as replanting and the age of palms. For example, Rengam Estate data are available since 2002 and the trend (Figure 8) can be explained by local conditions. In 2004 and 2005 herbicide usage increased due to land preparation for replanting. In 2007 spraying of herbicide ceased to allow groundcover vegetation to regenerate. In 2008 the pesticide usage increased due to the need to control an outbreak of rats and because of the reinstatement of glyphosate use for weeding of palm circles. In 2009 pesticides usage fell to 547 active ingredient units/ha, because pesticides were used only for weeding of palm circles.

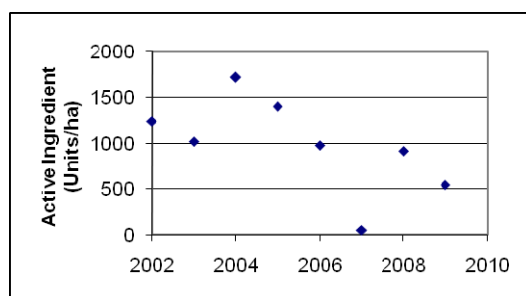


Figure 8: Rengam Estate Pesticide Usage 2002 – 2009

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 seeing to identify alternatives and this is documented.

Kulim has continued to maintain careful control of pesticides and to ensure that these are stored and used safely in accordance with the manufacturer's instructions. Inspection of pesticide stores confirmed that all pesticide storage areas had spill containment, adequate convective ventilation, clear labelling, physical separation by type of chemical, and safety instructions. The purchasing of pesticides is controlled by head office and the company has reduced the number of types of pesticides used. Checks of pesticide stores and stock inventories showed that only pesticides registered under the Pesticides Act 1974 were held.

Information on the safe handling of pesticides is displayed at the pesticides store and mixing area, in the form of pictorial work instructions. Each of the estates visited held a copy of the results of the medical surveillance carried out in accordance with CHRA requirements, except where this was scheduled during the coming months, such as at Tereh Utara. Inspection of records held at the estate clinics confirmed all sprayers undergo monthly medical checks by the Estate Hospital Assistant.

Kulim employs mainly male workers for spraying. Interview of female sprayers confirmed they were aware of the policy of transfer to alternative duties if they were confirmed pregnant.

Kulim uses WHO Type 1A and Type 1B chemicals only on the basis of pest census data when a threshold level is exceeded. For example, at Tereh Utara Estate monocrotophos had been used in January 2010 for control of bagworm. Tereh Utara Estate holds copy of letter of approval from Department of Agriculture for purchase and use of monocrotophos issued 08 January 2010 Ref No JH/MOMO(GL)/10/5. Kulim uses paraquat for control of volunteer oil palms using knapsack sprayers.

Buyers have not requested testing of chemical residues in CPO. Each estate has maintained records on the daily usage of pesticides and the location where applied for each oil palm block, using Bin Cards and the Field Costing Book. Each month the Estates report the quantity of chemical used, including active ingredient concentration, to the Estates Department.

Observations 6 & 7 – refer Section 3.2 Page 18

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

Kulim has implemented an OSH Management Plan for improvement of safety of employees that has been updated for 2010. Risk Assessments (HIRAC) have been completed for the main tasks in the mills and the estates. The risk assessments were reviewed during 2009 and updated. For example at Sindora Mill the Safety Risk Assessment conducted for all work stations and tasks was reviewed and revised 22 June 2009.

Inspections of the mills and the estates visited indicated that safe work practices were being implemented. Workers were observed to be wearing appropriate PPE for the specific task being carried out and the PPE was worn correctly and consistently across the sites visited. At each work location visited safety signs were clearly posted to warn of potential hazards. Records were available of PPE issued to individual workers and contractors, and replacements when damaged or worn.

Observation 8 – refer Section 3.2 Page 18 for details

At each mill and estate there is a designated OSH Coordinator who is responsible for organising safety training, meetings and investigation and reporting of accidents and incidents. Records were available confirming that quarterly OSH meetings had been held at the mills and each of the estates. For example, at Tereh Mill, Minutes were available for the most recent meeting held 16 December 2009, with 16 attendees, and details of discussion on safety for each work station, the workshop, the effluent treatment plant and accidents for review of safety performance and discussion of workplace health and safety issues.

In addition to specific training courses, safety briefings are given at muster to reinforce awareness, such as correct wearing of PPE. Records are maintained of safety training, for example, at Basir Ismail Estate the training was carried out on 2 January 2010 for 13 sprayers for circle spraying technique and records included the signature of the trainee. At each location visited, first aid training had been carried out for supervisors. For example, at Selai Estate first aid training was conducted by the Estate Hospital Assistant on 09 January 2009 attended by 12 participants (all mandores). The subjects of training were: (1) introduction to first aid, (2) injuries, (3) how to apply first aid, and (4) Cardiopulmonary Resuscitation.

The Emergency Response Plans at each mill and estate had been reviewed and updated where necessary, such as for changed phone numbers, and workers had been trained in emergency evacuation. For example, at Sedenak Mill the Emergency Response Plan was revised for Fire/Injuries on 10 February 2008. The mills and estates have site specific Plans including maps showing assembly areas and lists of emergency contacts. Sedenak Mill carried out training for responding to a “Bund Rupture and Oil Spillage” on 25 November 2009. Trial evacuation of Sedenak Mill for fire was carried out on 12 March 2009 and the report indicated evacuation time needed improving. Interviews of mills and estates staff and workers confirmed understanding of emergency response.

All accidents are investigated and reported to Head Office. The LTA Index (number of lost days per million man hours worked) is updated monthly for each mill and estate. The LTA trend for the Estates (combined data) shows a slight reduction since 2005. The LTA trend for the Mills (combined data) was similar to the Estates, except for a spike in 2007 when there was a serious road accident (Figure 9).

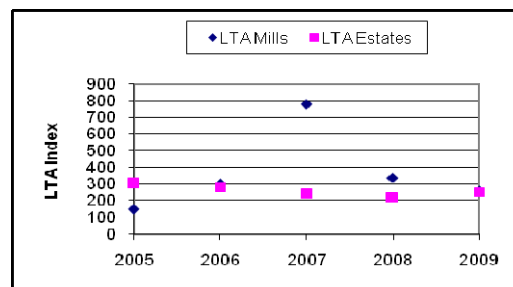


Figure 9: LTA Index for Mills and Estates 2005 – 2009

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

Kulim has prepared an Annual Training Plan 2010 that lists the internal and external training courses scheduled for the mills and estates during the year. In addition each mill and estate has a schedule of “on-the-job” training for the main tasks. Inspection of training records showed that training was carried out during 2009 in accordance with the Training Plan. Each of the mills and estates visited maintained records for individual staff and workers of training, including signatures of attendees. For example, at Sindora Mill training on the Steriliser Station was carried out 15 May 2009.

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

The mills and estates reviewed the Environmental Improvement Plans that initially focussed on control of point source pollutants. The mills and estates have installed sediment and oil traps on all drains at the mill and workshops to prevent the discharge of oil and sediment off-site. Inspection confirmed these devices were operating correctly and that the Improvement Plan had been implemented.

Inspections confirmed that conservation set-asides were being protected from disturbance. Observations during fieldwork indicated relatively abundant fauna, particularly at the areas bordering the Forest Reserve.

Solid wastes are separated at source and recyclables are stored for sale to a recycler. Non-recyclables are disposed in small landfills in accordance with local government regulations.

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.

Kulim reviewed the Environmental Aspects and Impacts Register at each of the operational locations and made revisions where appropriate. For example, at Selai Estate the Aspects and Impacts were updated in November 2009. Kulim Sustainability Team then worked with each mill and estate to prepare site-specific environmental improvement plans. Inspections of the

mills and estates confirmed that improvements have been implemented. For example, at each mill and estate a standard design has been implemented for bulk fuel tank storage and refuelling locations for minimising the risk of fuel spillage. Each estate visited had made progress with the demarcation of riparian buffer zones for future reinstatement at replanting.

Criterion 5.2: The status of rare, threatened or endangered species (ERTs) and high conservation value habitats, if any, that exists 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.

During 2009, Kulim made progress with implementing the site-specific biodiversity improvement plans for each of the estates. Although HCVs do not occur within the estates, work has commenced on planting trees to enhance the small areas of remnant vegetation.

Kulim has formed a partnership with the Johor Branch of the Wildlife Conservation Society for protection of areas with HCVs adjacent to the estates. A Kulim initiative is commencement of a Project "Kulim Wildlife Defenders" in support of the Johor Wildlife Conservation Society Project that it is carrying out jointly with the Johor National Parks Corporation, the Wildlife Department, the Forestry Department, and the Police. This project aims to eliminate poaching through intervention and enforcement in support of conservation of national parks, such as Endau Rompin National Park.

Kulim is working on the "Securing the Boundary" aspect of the conservation project by implementing control of the vehicles entering its estates. This aims to prevent access to the forest reserves bordering the estates, which in turn are linked with the National parks. The "Securing the Boundary" is expected to form an additional buffer for protection of the national parks for conservation of tiger, elephant and other species. Kulim has selected Security guards who have recently been trained in techniques for vehicle inspections and the use of GPS for recording the locations of animal sightings and any poaching incidents during patrols. The estates that are involved in the project keep records of animal sightings and forward these monthly to Kulim Sustainability Department.

Field inspections and interviews confirmed that signs are posted at conservation set-asides and that employees and contractors were aware of the Kulim Conservation Policy that prohibits hunting, fishing and taking of fauna within the estate and adjacent areas.

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

The mills and estates have implemented a Waste Management Plan for control of solid and liquid wastes. Inspections confirmed the mills solid wastes were consistently controlled in accordance with the Waste Management Plan. EFB was shredded in a hammer mill then composted with treated mill effluent. Boiler ash

and fly ash were stored in bunkers to prevent material from entering the stormwater drain system. Recyclables such as scrap metal were stored in a designated area for sale to a recycler. Non-recyclables and domestic refuse were disposed in a small landfill located within the estates.

A Nonconformity CAR Reference CR04 was assigned to Minor Compliance Indicator 5.3.2 – Refer Section 3.2 Page 17 for details.

A Nonconformity CAR Reference CR05 was assigned to Minor Compliance Indicator 5.3.3 – Refer Section 3.2 Page 17 for details.

Scheduled wastes, such as spent lubricating oil and used chemical containers, are stored in secure purpose-built stores. Inspection of the scheduled waste stores and associated records confirmed the scheduled wastes were well controlled and were collected by DOE Licensed contractors. Spent lubricating oil is collected by OLST Petroleum Malaysia Sdn Bhd – Licence number 001526 - expiry 30 April 2010. Copies of manifests were available confirming collection of scheduled wastes, for example, 5E Resources Ref 5E0907183 dated 28 July 2009 for removal of waste coolant (Scheduled Waste 307). Records were available for management of medical wastes from each mill and estate clinic, for example, Pantai Medivest Manifest Serial Number: P210913, dated 22 December 2009.

Observation 9 – refer Section 3.2 Page 18 for details

Inspection of the small landfills showed that wastes were being disposed in accordance with regulatory requirements for municipal landfills. There was also relatively consistent separation of compostable gardening waste from other housing wastes.

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

Each of the mills maintains records of energy usage, which is reported monthly to head office. The use of the steam turbine for electricity generation has been optimised in order to reduce the dependence on diesel fossil fuel.

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.

Inspections of replanting areas showed that the old stands of palms had been felled, chipped and retained in windrows as mulch. The use of fire for waste disposal was not found at any of the mills or the estates inspected.

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

The mills have continued to implement improvements to reduce pollution since the Certification Assessment. For example, Sedenak Mill has constructed a bunker for storage of boiler ash with a roof for protection from rain and installed drain covers for prevention of ash from being washed into the stormwater drain Plate 2.



Plate 2: Very Good Facility for Storage of Boiler Ash at Sedenak Mill, January 2010

Kulim has carried out site investigations at each of the mills and completed feasibility studies for implementing CDM projects for methane capture from effluent treatment. During 2010 Kulim aims to secure funding for the CDM projects.

Inspections of the mills and the estates visited confirmed that PCDs were being maintained to minimise the discharge of entrained suspended solids and oil off site. Records were available of weekly inspections and cleaning of PCDs.

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

Kulim has reviewed and updated the SIA and Social Action Plan. Major improvements will be the construction of 3 bedroom houses at all Estates commencing in 2010.

Local community representatives stated there was improved communication with the company and the good relationship maintained. The JCC continued to operate with quarterly meetings at the mills and each Estate.

Interviews of workers and their families indicated they are treated fairly and there were no issues related to discrimination.

Female staff and workers appreciated the operation of the Gender Committee.

Contractors and Outgrowers stated they had a good relationship with the company and that dealings were fair and transparent.

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

The Kulim Sustainability Team visited each of the mills and estates in October and November 2009 and met with internal stakeholders for review of the social issues identified previously as well as any new situations. Following the review, site specific social improvement plans were updated in December 2009 for the 2010

year. Interview of external and internal stakeholders during the Surveillance Assessment confirmed that the Kulim Sustainability Team had consulted them during the annual review of social issues.

During 2009, constraints were placed on major capital expenditure projects due to the significant fall in the CPO price. For example, construction of replacement housing at Tereh Mill and at other locations was put on hold. However at the time of the Surveillance Assessment, construction of the first stage of the replacement housing at Tereh Mill had re-commenced and foundations prepared for the new units.

Interview of workers, staff and their families confirmed that improvements had been made since the Certification Assessment. The social improvement plans for 2010 included a list of issues together with a target date for implementation. The improvements included items, such as sealing road surfaces at housing areas to reduce dust from vehicle traffic (Tereh Utara Estate), as well as issues such as monitoring the prices charged for goods at shops to ensure these were fair and reasonable (Sindora Mill and Estate Housing).

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.

Interviews of stakeholders confirmed that Kulim has an open approach to communication with staff, workers and local communities. Local community representatives stated they would readily contact the estate or mill manager if they had an issue concerning the company's operations. The mills carried out customer surveys as a requirement of their ISO 9001 QMS. The results of the surveys were analysed and an Action Plan prepared in response to customer feedback, for example, to reduce the kernel moisture content and provide consistent product quality.

Inspection of records showed that the list of stakeholders had been reviewed and updated where necessary. Each mill and the estates maintained filing systems for receiving and responding to communications. The majority of written communications from external stakeholders were for requests for donations or assistance to local schools and places of worship. Records are available confirming that Kulim Managers replied positively and promptly to requests for assistance.

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

The mills continued to maintain the ISO 9001 QMS procedures for responding to customer complaints. For example, Sedenak Mill received a complaint on 26 October 2009 relating to high moisture content of palm kernel. Sedenak Mill investigated and responded to the complaint on 28 October. The estates maintain "Inquiry Registers" for receiving and responding to requests and

complaints. Inspection of records showed that there were no unresolved issues or complaints.

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.

Kulim operations all are on land that is either freehold or on state leases and customary rights are not applicable.

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.

Interviews of staff and workers confirmed they have received a copy of their employment contract. Foreign workers stated that the recruitment agent provided them with a copy of their contract and explained it to them. In addition they stated that Kulim staff explains information on pay and conditions and answered questions that they have from time to time. Examination of pay records showed that workers on daily rates as well as those on piece rates received above the current MAPA/NUPW award rate.

The majority of the workforce is made up of single male foreign workers recruited from Indonesia. Interviews of local and foreign workers indicated satisfaction with the standard of housing and facilities. The majority of the estates are served by government electricity and water supplies and schools are located nearby. At the more remote locations, Kulim provides water and electricity. Review of water quality test results for water supplied to housing confirmed compliance with the Malaysian Drinking Water Quality Standard.

The company has established recreational facilities and places of worship at each of the housing areas. Kulim provides free bus transport and uniforms for the school children of staff and local workers.

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.

Interviews of staff and workers and NUPW Officials from the Kluang Office confirmed that Kulim supports freedom of association. At each mill and estate there is a local committee made up of union representatives elected by members. Records are kept of meetings between company representatives and the local union committee members. For example, at Tereh Mill the most recent meeting with local representatives was held on 28 September 2009 for discussion of work and amenities issues.

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 of a sample of personnel files at the mills and estates confirmed that recruits' age was checked against their Malaysian Identity Card, or in the case of foreign workers, their passport. Underage persons were not observed at any of the work locations inspected during the surveillance assessment.

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.

Inspection of pay records and interviews of staff and workers at the mills and estates did not identify any issues related to discrimination. The NUPW Union Officials stated that Kulim treats their workers fairly and they had not received any complaint related to ethnicity, religion or gender.

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

At most of the locations visited, gender committees had been formed and were operating, but at others, such as Rengam Estate the female staff and workers stated that they were happy to hold informal meetings. Interviews of female staff and workers confirmed that sexual harassment was not an issue.

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

Kulim Finance Department arranges contracts with FFB suppliers. The FFB price is based on the MPOB price that is linked to the CPO market price and is published monthly. Inspection confirmed that each of the mills displayed the current FFB price at the weighbridge as well as on notice boards that are accessible to visitors.

Interviews of FFB suppliers, FFB transport contractors and suppliers of equipment and materials confirmed the contracts were explained to them during the tendering process. Contractors and suppliers stated that Kulim made payments on time and they did not have any complaints. Many of the contractors and suppliers had worked with Kulim for more than 10 years, which indicates a good business relationship.

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

The public infrastructure is well developed near most of the mills and estates visited and government services are readily accessible. The contributions by Kulim to local communities are mainly in the form of donations and assistance to schools and places of worship. Some of the donations are in kind, such as mowing sports fields. These contributions are considered appropriate for the local situation.

PRINCIPLE 7 is not applicable as there was no new development at any Kulim estate.

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

In December 2009, Kulim Sustainability Department reviewed and revised the "Combined Improvement Plan" that was prepared in 2008 and included actions for addressing environmental, OSH and social issues. The 2008 Plan focused on improving environmental protection measures and upgrading facilities and systems to meet RSPO requirements. The Assessment Team's inspection of facilities and systems during the Surveillance visit confirmed progress with implementing the Improvement Plan.

Kulim has continued the programme of establishing beneficial plants and the deployment of barn owls as key elements of IPM for reducing the use of pesticides. The implementation of improved controls on the use of herbicides and training of operators has reduced the quantity of chemicals applied since 2007.

The mills and estates have implemented separation of wastes at source and recycling of materials, such as spent lubricating oil, scrap metal and used pesticide containers. The recycling of palm by-products has been maximised to reduce the requirement for inorganic fertilisers. Separation of compostable materials from mill and domestic wastes has reduced the quantity of materials requiring landfill disposal. Inspections during the Surveillance Assessment confirmed the recovery of recyclables was being implemented consistently at the mills and the estates.

The mills and estates have installed oil and sediment traps at workshops and at all petroleum hydrocarbon and chemicals storage and use areas. Inspections confirmed that these were being inspected and cleaned consistently in order to prevent pollution from point source pollutants. Each of the three mills achieved reductions in water usage, and hence the quantity requiring chemical treatment and discharge to the environment. Each of the mills smoke density meters are connected to the DOE to provide on-line monitoring of boiler smoke emissions. Feasibility studies were completed at each of the mills for implementation of CDM projects for reducing Green House Gas emissions by methane capture from effluent treatment plants. The next stage is to secure funding for CDM implementation.

The mills and estates made progress on improvements at housing areas for the benefit of staff and workers. Although major capital works for construction of replacement housing were delayed due to the fall in the CPO price, minor works projects such as renovation of houses continued. The estates and mills continued to support local schools, especially those in remote locations such as Tereh Mill and supply base.

3.2 Identified Nonconformities and Noteworthy Positive and Negative Observations

Two (2) Nonconformities were assigned to Minor Compliance Indicators and Nine (9)

Observations/Opportunities for improvement were identified.

Kulim has prepared a Corrective Action Plan for addressing the identified Nonconformities. BSi has reviewed and accepted the Kulim Corrective Action Plan.

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

At Tereh Mill, unshredded EFB has been left in a stockpile and there is no programme for recycling to the palms as mulch. Drainage from the stockpile area was discharged offsite without treatment and has potential for water pollution.

Corrective Actions

Kulim Corrective Actions include:

- i. Arrange with Tereh Selatan and Tereh Utara Estates to transport the stockpiled EFB to the field for recycling to the palms.
- ii. Install a retaining wall for collecting and diverting the drainage from the EFB storage area into the nearby PCD for treatment.

The BSi Assessment Team accepted the Corrective Action Plan and implementation will be checked at the next surveillance visit scheduled for the end 2010.

CAR Reference CR05: 5.3.3 Evidence that crop residues/ biomass are recycled (Cross ref C 4.2).

At Sindora Estate:

- *there is no programme to manage the EFB that is excess to compost site capacity during peak crop.*
- *excess shredded EFB has accumulated in a large stockpile near the hammer mill to the extent that vehicle traffic had restricted access and turning for loading. (Drainage from the stockpile area is well controlled as it is collected and applied to the compost)*

Corrective Actions

Kulim Corrective Actions include:

- (i) The Mill is to arrange with Sindora Estate to remove the stockpile of shredded EFB and transport it to the field for recycling to the palms as mulch.

The Mill and Sindora Estate are to implement a system for improved communication to advise when the composting site capacity has been reached and for the mill to cease shredding of EFB. The Estate then will transport the EFB to the field for recycling to the palms as mulch.

The BSi Assessment Team accepted the Corrective Action Plan and implementation will be checked at the next surveillance visit scheduled for the end 2010.

Noteworthy Negative Observations

The Assessment Team identified Nine (9) Observations/Opportunities for Improvement. The progress with the Observations/Opportunities for Improvement will be checked at the next Surveillance Assessment visit scheduled for the end of 2010.

1. **(2.2.4)** Kulim has negotiated settlement of a small area of overplanting (at Basir Ismail Estate Block P04 Block1) on 26 December 2009, but the process needs to be formalised with a written agreement.
2. **(4.3.2)** At Rengam Estate, although Guatemala grass has been established along part of the streambanks, Vetiver grass is likely to be more effective for controlling erosion due to its deep rooting characteristics.
3. **(4.4.1)** *Mucuna bracteata* has invaded the buffer zone at Basir Ismail Estate P04 Block 2 and needs to be eradicated to prevent smothering trees.
4. **(4.4.1)** The Security Guardhouse at the entrance to Selai Estate is located within the riparian buffer zone. Currently there is no Plan to correct this situation at future replanting.
5. **(4.4.7)** At Rengam Estate, additional roadside "turn-out" drains are required on the steeper hills to reduce the slope length between drains for interception of rainfall runoff and improved water management for prevention of erosion.
6. **(4.6.4)** At Selai and Sindora Estates Pesticides mixing area, a Work Instruction was not available showing the measurement quantity of chemical for each weeding application.
7. **(4.6.5)** Annual medical surveillance has not yet been conducted at Tereh Utara Estate, but is scheduled to be carried out in February 2010 by DOSH registered medical practitioner.
8. **(4.7.1)** At Tereh Mill vehicle workshop and at Basir Ismail Estate workshop the pressure regulators on an oxyacetylene welding set were badly damaged. Corrective action was taken immediately and replacement regulators were purchased from Kluang.
9. **(5.3.2)** At Tereh Clinics, medical wastes were stored in secure containers but there was no programme for disposal to a licenced scheduled waste contractor. Kulim immediately implemented transfer of medical wastes to a central storage location at Sindora Estate Clinic and these were collected by Pantai Medivest Sdn Bhd. Kulim has implemented an instruction for regular transfer of medical wastes from Tereh to Sindora Estate for collection by the licensed contractor.

Noteworthy Positive Observations

- Kulim Mills have maintained their ISO 9001 Certifications for Quality Management Systems for consistent product quality. In addition, the company

is implementing a Safety Management System with the aim of achieving Certification to BS OHSAS 18001. The greater attention to health and safety has resulted in reductions of the number of workplace accidents as well as the severity of accidents.

- Interviews of staff and workers indicated Kulim treated them fairly and many had worked with the company for more than 20 years. Contractors and Suppliers made positive comments about the company, especially the greater involvement of contractors' employees in training.
- NUPW Officials commented very favourably on the relationship with Kulim. They stated that the company was very cooperative in allowing access to the mills and estates for meetings with worker representatives and in responding to issues raised by workers.
- The Johor Branch of the Wildlife Conservation Society was very positive about Kulim's support for the "Securing the Boundaries" Project through the involvement of its security personnel in the "Wildlife Defenders" Programme. In addition, Kulim has engaged the Wildlife Conservation Society to conduct awareness sessions at schools on protection of wildlife and prevention of poaching.

3.3 Status of Nonconformities (Major and Minor) Previously Identified

Nonconformity Reference CR01: 4.4.6 – Water drainage into protected areas is avoided wherever possible. Appropriate mitigating measures will be implemented following consultation with relevant stakeholders.

Certification Assessment Findings: Sindora Mill - Inspection showed a section of the anaerobic pond 2 embankment had been removed when the pump was installed for transferring effluent to the compost site. At the time of the site visit the freeboard at this location was less than 30cm. There is a risk of overtopping and discharge into the Sembrong water supply catchment during heavy rain or if blockage of the outlet pipe to pond 3 was to occur.

Surveillance Assessment Findings: Inspection confirmed that fill had been placed to build up the height of the embankment to the original level and that freeboard of >60cm was being maintained.

The Nonconformity was closed.

Nonconformity Reference CR02: 5.6.3 - Monitor and reduce peat subsidence rate through water table management. (Within ranges specified in C4.3).

Certification Assessment Findings: Kuala Kabong - The present conventional monitoring programme does not provide a measure of peat subsidence rate. No data are

held at the Estate on changes in ground surface level relative to a fixed datum for assessment of subsidence. For example, weir heights have not been tied in by survey to a benchmark to enable assessment of changes in ground surface level. A temporary benchmark is available at the estate from survey work carried out in 1998.

Surveillance Assessment Findings: *The Estate engaged a Surveyor (Jurukur Abadi) to install a permanent benchmark on a solid foundation in mineral soil and four (4) temporary benchmarks at locations within mineral soil in close proximity to the peat soil area and each monitoring point (Plate3). Initial levels have been measured relative to the permanent benchmark and these will be monitored annually to check for any changes in ground surface level. Kulim has prepared an SOP "A19 – Monitoring Subsidence of Peat Soils" for measurement of ground surface level.*

The Nonconformity was closed.



Plate 3: Survey Point for Monitoring Peat Subsidence

Nonconformity Reference CR03: 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 languages understood by the workers or explained carefully to them by a Plantation Management official in the operating unit.

Certification Assessment Findings: Sedenak and Tereh Mills - Pay records showed excessive hours of overtime (compared with the Department of Labour maximum of 104 hours per month) were worked 120 hours at Sedenak Mill and 130 hours at Tereh Mill during the 2007 peak crop season.

Kulim has identified excess overtime as an important social issue in SIA (SR032) but it has not yet been addressed.

Surveillance Assessment Findings: *The Mills have implemented controls that require Heads of Departments to update the Mill Manager weekly on overtime worked.*

Inspection of pay records confirmed that this measure has been effective in controlling overtime to within the approved Labour Department extension approvals.

The Nonconformity was closed.

Review of Progress with Observations/ Opportunities for Improvement

OBS01 (4.3.2) Sedenak Estate – small areas (1–2 ha) of bare soil occur at some locations, eg P99 block 1. These areas have not been mapped and groundcover is poor.

The Estate advised that weeding at this location had been limited to spraying only the palm circles, to allow the vegetation to re-grow. Inspection of photographs of the P99 Block 1 area showed that groundcover vegetation had recovered and was dominated by Nephrolepis spp ferns.

OBS02 (4.4.3) Laboratory analyses results are sent to all Mills and Estates by hard copy/email where they are manually input to an excel spreadsheet. A check of records showed accurate transcription but possibility of error during transfer of data. SPO proposes to request UTCL to forward data by email in excel spreadsheet.

The Mills now receive data electronically in the appropriate format.

OBS03 (4.4.3) The programme and sampling results of ambient water quality at all Mills and Estates have not been reviewed in relation to the applicability of measured parameters as indicators of the specific potential impacts or frequency of sampling relative to seasonal conditions.

Kulim reviewed the sampling program and expanded the water quality parameters measured to enable calculation of the Water Quality Index. The revised sampling programme commenced in mid-2009 and the results are collated at Sustainability Department. At the time of the Surveillance Assessment there were insufficient data for assessment of trend information. This will be followed up during the next Surveillance Assessment.

OBS04 (4.4.7) Tereh Mill – a site specific Water Management Plan, including site map and locations of discharge points has yet to be prepared.

The Mill has prepared an appropriate Water Management Plan that identifies the locations of all water discharge points and treatment methods, together with targets for water quality and usage.

OBS05 (4.6.5) Mutiara Estate – an annual medical surveillance has not yet been conducted but is planned to be carried out in September 2008 by DOSH registered medical practitioner.

Records confirm that CHRA Medical Surveillance was carried out by Poliklinik Rozikin, Tampoi, Johor Bahru on 28 August 2008 for 23 pesticide operators. All operators were assessed as fit for duties.

OBS06 (4.7.1) Sedenak Estate – First Aid training has not yet been carried out.

Records confirm First Aid and Emergency Response trainings were carried out for 17 persons on 2 September 2009.

OBS07 (4.7.1) Sindora Estate – sprayers were not wearing safety goggles whilst refilling knapsacks with chemical. The pre-mixed container of Ally was not marked to distinguish it from other 20L containers of water.

Inspection confirmed that all pre-mix containers were clearly marked to identify the contents. Spraying was not being carried out during the site inspection however inspection of training records showed that all sprayers had been trained in the correct use of PPE. Observations of spraying being carried out at other locations during the assessment confirmed PPE was being worn correctly and safe work practices were implemented.

OBS08 (5.3.2) At all three mills inadequate control of boiler ash storage results in spillage into the monsoon drain and overloading of PCDs. Mills propose to concrete a bunker for storage of boiler ash and to cover drains at specific locations.

Each of the mills has constructed a bunker for temporary storage of boiler ash and installed drain covers to prevent material spillage into drains.

OBS09 (5.3.2) Sedenak Mill – Stored decanter cake is exposed to rain and is washed into the adjacent drain where it discharges via a PCD off-site.

The mill has constructed a bunker for temporary storage of decanter cake with a roof to protect the stored material from rainfall.

OBS10 (5.3.2) Tereh Mill – boiler ash is not recycled to the field. A trial is in progress to evaluate incorporation of boiler ash with bio-compost.

A trial was carried out to evaluate incorporation of boiler ash with bio-compost but was found to be unsuitable. The boiler ash is used for landfill purposes.

OBS11 (6.5.2) Local and Foreign workers have signed contracts but are not provided with a copy of their “Employment Contract”.

Interviews of male and female workers confirmed they had received a copy of their “Appointment Letter” or

“Employment Contract” but most did not retain a copy with them. Workers stated that a copy was available at the Office if they needed it. Foreign workers indicated that Terms and Conditions were explained by the Recruitment Agent as well as by Kulim Assistant Managers.

The Assessment Team concluded Kulim had implemented appropriate and effective improvements for each of the Observations identified during the Initial Certification Assessment.

3.4 Issues Raised by Stakeholders and Findings with Respect to each issue

Issues Raised by Internal Stakeholders

Workers and their families at Tereh, Sindora and Sedenak Estates stated that small bats enter the roof space of houses and roost there, causing excessive noise and odour.

Company Response: *New houses currently under construction will have all entry points sealed. Kulim will implement a programme to seal entry points at existing houses.*

The Assessment Team considered this action appropriate and will follow up at the next Surveillance visit.

Tereh Mill residents stated that the shop is only open from 8am until midday and carries limited variety of items in stock. Residents would like the operating hours to be extended and the shop to offer a larger range of items. *(The shop was closed at time of inspection therefore the operator could not be interviewed.)*

Company Response: *Management will discuss with the shop owner the need for an extension of opening hours and the range of items available.*

The Assessment Team considered this action appropriate and will follow up at the next Surveillance visit.

Issues Raised by External Stakeholders

External stakeholders contacted did not raise any issues of concern relating to the Kulim operations.

4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

4.1 Date of Next Surveillance Visit

The next surveillance visit is planned for December 2010.

4.2 Date of Closing Nonconformities (Major and Minor)

Table 5: Status of Nonconformities

CAR	CLASS	ISSUED	CLOSED
CR01	Minor	24/07/2008	21/01/2010
CR02	Minor	24/07/2008	21/01/2010
CR03	Minor	27/07/2008	21/01/2010
CR04	Minor	21/01/2010	"Open"
CR05	Minor	21/01/2010	"Open"

4.3 Sign-off of Surveillance 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
Kulim (Malaysia) Berhad
 Hj Izhar Bin Mahmood
 Director - Plantation Operations

.....
 Date: 17/02/2010

Signed for on behalf of
BSi Group Singapore Pte Ltd
 Charlie Ross
 Lead Auditor

.....
 Date: 17/02/2010

Appendix “A”

CV for New Assessment Team Member

Junecel Maloloy – Curriculum Vitae

Year of Birth:	1978
Nationality:	Filipino
Sex and Status:	Female and Married
Present Status:	Teacher, Humana Primary School Humana Borneo Child Aid Society
Office:	Humana Borneo Child Aid Society PO Box 61850, 91127 Lahad Datu, Sabah East Malaysia
Residential:	The River Estates Sdn. Bhd. Tomanggong Estate Locked Bag No 5, 91109 Lahad Datu, Sabah, East Malaysia

Educational Qualifications

Junecel Maloloy grew up on a plantation in Sabah and attended Matina High School, Davao, Philippines between 1991 and 1995. After completing senior high school, she studied at Harvardian International University, Davao, Philippines and in 1999 graduated with a Bachelor of Science in Elementary Education.

Work Experience

In 2001 Junecel was appointed as a primary school teacher at the Humana School, Tomanggong Estate, Lahad Datu, Sabah, East Malaysia, where she has worked since. In this role, she has responsibility for teaching children between Grade 1 and Grade 6 and assisting with school administration.

RSPO Experience

Junecel has assisted with the initial certification assessments of six oil palm plantation companies in Sabah and Peninsula Malaysia. Her role has involved assisting and facilitating the interview of female workers and their families at oil palm mills and estates. Having grown up on a plantation, she has first-hand knowledge of the issues facing families working and living in remote locations. She is fluent in Bahasa Malaysia, Sabahan, Filipino and English, which is a key asset for effective communication with local as well as foreign workers recruited from Indonesia and the Philippines.

Appendix “B”

Annual Surveillance Assessment Program

TEAM: CR: CHARLIE ROSS; RR: ROBYN ROSS; IN: IMAN NAWIREJA; JM: JUNECEL MALOLOY					
Day / Date	Time	Details	CR	IN	RR/ JM
Tuesday 12 January Tereh Mill	AM	Opening Meeting (Mill and Estates) Document Review Interview Female Office Staff/Workers Review Pay Documentation Interview Contractors/External Stakeholders Review SIA Review Improvement Plans	√ √ √ √	√ √ √ 	√ √ √
	PM	Physical Inspection Mill/Effluent Ponds/Stores/Workshop/Landfill Interview Male Workers Visit any Local Communities Visit Clinic Interview Staff Inspect Housing and Interview Residents Closing Briefing	√	√ √	√ √
Wednesday 13 January 2 Teams C ROSS Tereh Utara Estate		Physical Inspection Tereh Utara Estate Physical Inspection Stores, Land Application of POME, Landfill Interview Female Fieldworkers Interview Female Office Staff/Workers Review Pay Documentation Visit Clinic – Inspect Housing & Interview Residents Documentation Review including SIA & EIA Improvements Closing Briefing	√ √ √		√ √ √ √
	I NAWIREJA Selai Estate	Physical Inspection Selai Estate, Interview Male Workers Physical Inspection Stores, Landfill Interview Contractors/External Stakeholders Visit any Local Communities Inspect Housing Documentation Review including SIA & EIA Improvements Closing Briefing		√ √ √ √ √	√
Thursday 14 January Sindora Mill	AM	Opening Meeting (Mill and Estates) Document Review Interview Female Office Staff/Workers & Inspect Pay Documentation Interview Contractors/External Stakeholders Review SIA Review Improvement Plans	√ √ √ √	√ √ √ 	√ √ √
	PM	Physical Inspection Mill/Effluent Ponds/Stores/Workshop/Landfill Interview Male Workers Visit any Local Communities Visit Clinic Interview Staff Inspect Housing and Interview Residents Closing Briefing	√	√ √	√ √

DATE	TIME	ACTIVITY	CR	IN	RR/ JM
Friday 15 January Sindora Estate	AM	Opening Briefing Physical Inspection Sindora Estate/Interview Male Fieldworkers Physical Inspection Stores, Land Application of POME, Landfill Interview Female Fieldworkers Interview Female Office Staff/Workers Review Pay Documentation Interview Contractors/External Stakeholders	√ √ √	√ √	√ √ √
	PM	Documentation Review Visit Clinic Interview Staff Inspect Housing and Interview Residents Visit Local Communities Closing Briefing	√	 √	 √ √
Saturday 16 January Sedenak Mill	AM	Opening Meeting (Mill and Estates) Document Review Interview Female Office Staff/Workers & Inspect Pay Documentation Interview Contractors/External Stakeholders Review SIA Review Improvement Plans	√ √ √	√ √ √ √	√ √ √ √
	PM	Physical Inspection Mill/Effluent Ponds/Stores/Workshop/Landfill Inspect Land Application of POME Interview Male Workers Visit any Local Communities Visit Clinic Interview Staff Inspect Housing and Interview Residents Closing Briefing	√ √	 √ √	 √ √
Sunday 17 January		Review and Collation of Data			
Monday 18 January Basir Ismail Estate	AM	Opening Briefing Physical Inspection Estate/Interview Male Fieldworkers Physical Inspection Stores, Land Application, Landfill Interview Female Fieldworkers Interview Female Office Staff/Workers Review Pay Documentation Interview Contractors/External Stakeholders	√ √ √	√ √ √	√ √ √
	PM	Documentation Review Visit Clinic Interview Staff Inspect Housing and Interview Residents Visit Local Communities Closing Briefing	√	 √	 √ √

DATE	TIME	ACTIVITY	CR	IN	RR/ JM
Tuesday 19 January Rengam Estate	AM	Opening Briefing	√	√	√
		Physical Inspection Estate/Interview Male Fieldworkers Physical Inspection Stores, Land Application, Landfill Interview Female Fieldworkers Interview Female Office Staff/Workers Review Pay Documentation Interview Contractors/External Stakeholders	√ √ √	√ √	√ √
	PM	Documentation Review Visit Clinic Interview Staff Inspect Housing and Interview Residents Visit Local Communities Closing Briefing	√	√	√ √
Wednesday 20 January EPA HQ		Document Review Follow-up on outstanding data/information/clarification Prepare IAV Report	√	√	√
Thursday 21 January EPA HQ	1100	Prepare Corrective Action Plan Template Prepare Closing Presentation Closing Meeting	√	√	√

Appendix “C”

List of Stakeholders Contacted/Interviewed

**Stakeholders Interviewed Kulim Operations
Johor, Malaysia**

INTERNAL STAKEHOLDERS

<p><u>TEREH</u> Mill 12 Female Staff/Workers 5 Residents at Housing Clinic HA and Assistant</p>	<p>Tereh Utara Estate 4 Female Staff/Workers 1 Female Field Daily Rated Worker Family Groups at Housing Clinic HA and Assistant</p>	<p>Selai Estate Smallholder Family Groups at housing Clinic HA</p>
<p><u>SINDORA</u> Mill 3 Malaysian Male Workers 3 Indonesian Male Workers 6 Female Staff/Workers 7 Residents at Housing Clinic HA (Mill and Estate)</p>	<p>Sindora Estate 4 Female Staff/Workers 6 Female Daily Rated Workers 4 Indonesian Male Palm Nursery Workers 7 Residents at Housing</p>	
<p><u>SEDENAK</u> Mill 3 Malaysian workers 3 Foreign Workers 2 Male Staff 3 Female Staff 5 Female General Workers 10 Residents at Housing Clinic HA</p>	<p>Basir Ismail Estate 1 Indonesian Female Spray Mandore 7 Female Staff 3 Female Daily Rated Workers 9 Residents at Housing Clinic HA and Assistant</p>	<p>Rengam Estate 5 Indonesian Sprayers 5 Foreign Workers (Harvesters) 2 Female Daily Rated Field Workers 3 Female Staff 2 Female Daily Rated Office Workers 7 Residents at Housing Clinic HA</p>

EXTERNAL STAKEHOLDERS

<p><u>TEREH</u> Mill Full Swing Agriculture (FFB Transport Contractor) Spare Parts supplier FFB Supplier (Felda) School Master (Sekolah Kebangsaan Ladang Tereh) NUPW Representative</p>	<p>Selai Estate Smallholder Kem Hoi (FFB Supplier) Religious Leader</p>	
<p><u>SINDORA</u> Mill Nilai Megah (FFB Transport Contractor) Leely Construction Ent (FFB Supplier) SGS Sinar Enterprises & Teknovasi Tertiary (Spare Parts Suppliers) Biokekal Sdn Bhd (Composting Contractor)</p>	<p>Sindora Estate 5 FFB Contractors Linesite Shop Operator NUPW Leader Representative Imam Mosque Ulu Belitong</p>	
<p><u>SEDENAK</u> Mill MechMar (Boiler Contractors) Suria Bastari Agrotech Enterprise (FFB Supplier) Honta Hardware Enterprise & Kewaja Industries (General Suppliers) Imam Mosque NUPW Leader Representative</p>	<p>Basir Ismail Estate Kg Air Putih Head Fam Brothers Trading (FFB Transport Contractor)</p>	<p>Rengam Estate Lai Cheong & Son (FFB Transport Contractor) Kg Melayu Tengah Head Kg Melayu Renggam Head NUPW Representative</p>

<p>GOVERNMENT DEPARTMENTS/STATUTORY AUTHORITIES Johor Labour Department Kluang Labour Department MPOB, Kluang</p>	<p>NGOs and OTHERS Wildlife Conservation Society, Johor Tenaganita Industrial Relation Officer – NUPW, Kluang</p>
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