



PUBLIC SUMMARY REPORT

INITIAL RSPO CERTIFICATION ASSESSMENT

SIME DARBY PLANTATION Sdn Bhd

Management Unit SOU19a

Yong Peng, Johor, Malaysia

Report Author

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SUMMARY

BSi Group Singapore Pte Ltd (BSi) has conducted an assessment of Sime Darby Plantation Sdn Bhd Management Unit SOU19a (SOU19a) operations comprising One (1) mill, supply base, support services and infrastructure. BSi concludes that SOU19a operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY-NI Indicators and Guidance : 2008.

The Certification Assessment of SOU19a was carried out between 30 June and 02 July 2009, but the submission of this Report to RSPO was delayed until the RSPO Executive Board agreed to the resolution of issues (May 2010) at Sime Darby properties in Indonesia that affected Partial Certification compliance requirements.

BSi recommends that SOU19a be approved as a producer of RSPO certified sustainable palm oil.

ABBREVIATIONS

AMESU	All Malayan Estates Staff Union
BOD	Biological Oxygen Demand
CPO	Crude Palm Oil
DOE	Department of Environment
DOSH	Department of Occupational Safety & Health
EFB	Empty Fruit Bunch
EIA	Environmental Impact Assessment
EMS	Environmental Management System
ERP	Emergency Response Plan
FFB	Fresh Fruit Bunch
HCV	High Conservation Value
HIRAC	Hazard Identification Risk Assessment Control
IPM	Integrated Pest Management
LTA	Lost Time Accident
MAPA	Malayan Agricultural Producers Association
MPOA	Malaysian Plantation Owners Association
MPOB	Malaysian Palm Oil Board
MSDS	Material Safety Data Sheet
MY-NI	Malaysian National Interpretation
NUPW	National Union of Plantation Workers
OHSAS	Occupational Health & Safety Assurance System
OSH	Occupational Safety & Health
PK	Palm Kernel
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
QMS	Quality Management System
R&D	Research and Development
SIA	Social Impact Assessment
SOCISO	Social Security Organisation (Malaysia)
SOP	Standard Operating Procedure
SOU	Strategic Operating Unit
SPKS	Serikat Petani Kelapa Sawit (Oil Palm Smallholders Association)
SPMS	Sustainable Plantations Management System
TQEM	Total Quality Environmental Management

1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 National Interpretation Used

The operations of the mill and its supply base of FFB were assessed against the Malaysian National

Interpretation (MY-NI : 2008) of the RSPO Principles and Criteria : 2007.

1.2 Certification Scope

The scope of certification is the production from the Yong Peng Palm Oil Mill that is sourced from SOU19a Yong Peng Estate with a total planted area of 3,249 ha, adjacent Sime Darby Estates, and an FFB Trader.

1.3 Location and Maps

SOU19a consists of the Yong Peng Mill and Yong Peng Estate that are located in Johor, Malaysia (Figure 1). An additional map showing detail of Yong Peng Estate is included (Figure 2). The GPS location of the Mill is shown in Table 1.

Table 1: Mill GPS Location

MILL	EASTING	NORTHING
Yong Peng	103°08'54.22" E	2°03'31.71" N

1.4 Description of Supply Base

The majority (58.5%) of the Yong Peng Mill supply base is sourced from Yong Peng Estate and the remainder is from nine (9) adjacent Sime Darby Estates (8.8%) and an FFB Trader (32.7%). FFB is diverted from the adjacent Sime Darby Estates to Yong Peng Mill, which has spare processing capacity.

The FFB production from SOU19a Estate, adjacent Sime Darby Estates and FFB Trader for the 01 July 2008 – 30 June 2009 reporting period is listed in Table 2.

Table 2: Mill Supply Base

Source	FFB (t)
SOU19a Estate	
Yong Peng	54,849
Adjacent Sime Darby Estates	
SOU19 P Bukit/T Renchong	5,196
SOU20 Sungai Labis	217
SOU20 North Labis	23
SOU18 Serkam Estate	491
SOU14 PD Lukut Estate	225
SOU16 Muar River Estate	402
SOU13 Labu Estate	130
SOU21 Bukit Paloh Estate	1,165
SOU18 Bukit Asahan Estate	<u>412</u>
	8,261
FFB Trader (Bon Hon Trading)	30,698
TOTAL	93,808

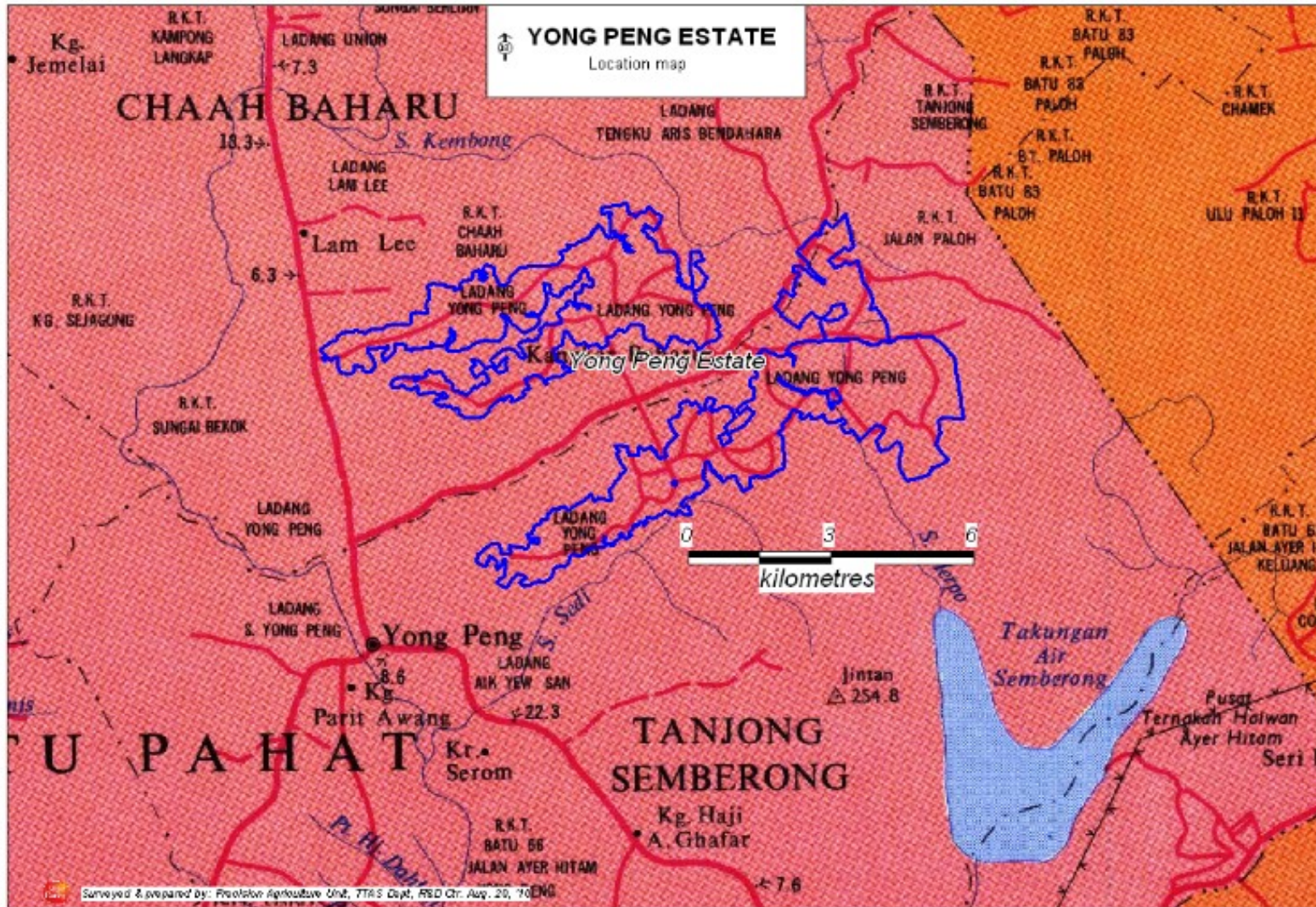


Figure 1: SOU19a Location Map

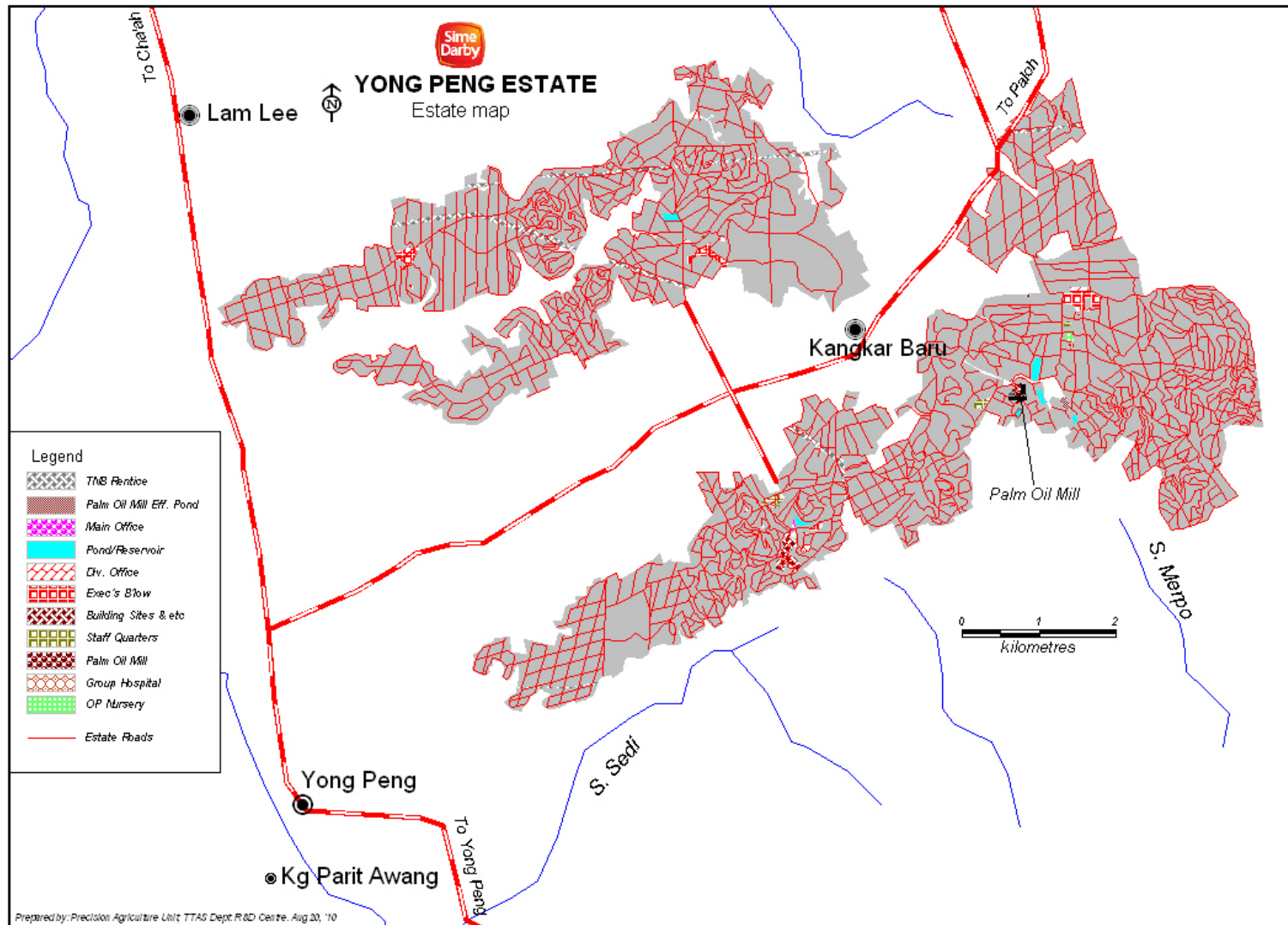


Figure 2: Yong Peng Estate Layout

1.5 Date of Plantings and Cycle

Yong Peng Estate was developed in 1935 initially to rubber. Oil palms were first planted in 1986 and are in their 2nd cycle. The age profile of the palms is shown in Table 3.

Table 3: Age Profile of Palms

AGE (years)	% of PLANTED AREA
21 – 30	10.5
11 – 20	36.6
4 – 10	52.8
0 – 3	0.1

1.6 Other Certifications Held

SOU19a holds no other Certifications.

1.7 Organisational Information / Contact Person

Sime Darby Plantation Sdn Bhd
Management Unit SOU19a
PO Box 104
83700 Yong Peng
Johor MALAYSIA

Contact Person: Mr Ho For Nam
SOU Chairman/Estate Manager
Phone: +6074811849
Fax: +6074811872

1.8 Time Bound Plan for Other Management Units

Sime Darby Time Bound Plan (updated November 2009) is included as Appendix A. During the year, Sime Darby realigned three of the Management Units in Malaysia for strategic operating reasons. This reduced the total number of management units from 61 to 58.

In August 2009, Sime Darby and Kulim (Malaysia) Berhad reached agreement on the acquisition and disposal of one estate. Sime Darby acquired Sungai Simpang Kiri Estate from Kulim and at the same time disposed of Sungai Tawing Estate to Kulim. The Sungai Simpang Kiri Estate was certified by BSi in January 2009 when it was part of the Kulim Group.

In August 2009, Sime Darby disbanded SOU24a after the transfer of Sungai Tawing Estate to Kulim, re-alignment of Cenas Estate with SOU24 and closure of Sungai Tawing Mill. Sime Darby also disbanded SOU30a in September 2009 after re-alignment of Jeleta Bumi Estate with SOU28 and closure of Jeleta Bumi Mill.

Sime Darby has varied the previous Time Bound Plan by concentrating initially on achieving certification for all of the management units in Malaysia, followed by those in Indonesia. This enabled Sime Darby to bring forward the certifications of Management Units. By 30 June 2009, certification assessments had been completed for 67%

of the Management Units, compared to the projected 45% in the 2008 Time Bound Plan.

BSi considers that the variation of the Time Bound Plan was reasonable to focus the training and implementation resources on the operations within a single jurisdiction. BSi recommends acceptance of the Time Bound Plan variation.

Sime Darby has advised BSi that no new land tenure issues have surfaced at any of its properties since the Initial Certification Assessment of SOU19a. During 2009 progress was made on dialogue between Sime Darby's Management Unit PT MAS in West Kalimantan and the organisation SPKS that represents schemed smallholder interests. Sime Darby has agreed with SPKS for the local Dayak Leader (Adat Regional Head) to participate in meetings as mediator. Sime Darby met with Sawit Watch representatives at RT7 for discussions on land issues localised to one estate in West Kalimantan.

Sime Darby has advised BSi that there are no labour conflicts at any of its oil palm operations.

Sime Darby notified BSi that during 2009 it had engaged consultants who completed HCV Assessments at all of its operations in Indonesia that it acquired in November 2007 and where new development had been carried out since November 2005. The assessment indicated that land with HCV present had been cleared and developed to oil palm at Sukamandang and Pemanting SOUs in West Kalimantan. In May 2010, the RSPO notified Sime Darby that the RSPO Executive Board had reached agreement on Sime Darby's HCV offset for the affected area.

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

1.9 Area of Plantation

The areas of palms at SOU19a Estate are listed in Table 4.

Table 4: Estate and Area Planted

Mature (ha)	Immature (ha)	Total Lease Area (ha)
2,998	251	3,402

1.10 Approximate Tonnages Certified

The approximate tonnages certified on the basis of 01 July 2008 – 30 June 2009 production from the SOU19a Estate is detailed in Table 5.

Table 5: Approximate Tonnages Certified

MILL	CPO	PK
Yong Peng	19,590	5,139

1.11 Date Certificate Issued and Scope of Certificate

The scope of the Certificate is for the production from the Yong Peng Palm Oil Mill and the supply base from the SOU19a Estate and adjacent Sime Darby Estates. One-third of the FFB processed at the Mill is purchased from an FFB Trader, who sources FFB from smallholders and small-growers. Interview of the FFB Trader confirmed that he was aware of RSPO and that SOU19a had communicated information on requirements for future RSPO Certification. SOU19a also had communicated information on RSPO to smallholders adjacent to the Estate. However, SOU19a had not yet addressed the issue of traceability of the FFB from smallholders and small-growers who sell their fruit to the FFB Trader. The FFB supplied by the FFB Trader is excluded from the Initial Certificate. SOU19a has developed a Plan for achieving Certification of the FFB Trader and Smallholders/Small-growers within three years of RSPO approval of the Initial Certification. Certificate details are included as Appendix B.

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

2.0 ASSESSMENT PROCESS

2.1 Certification Body

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

2.2 Assessment Methodology, Programme, Site Visits

BSI conducted a Stage I Certification Assessment 25 to 27 May 2009 against the RSPO MY-NI : 2008. The scope of the Stage I Assessment included Yong Peng Mill, Yong Peng Estate and support infrastructure and focussed on field inspections and a review of management systems and documentation. The Stage I Assessment identified a number of nonconformities. SOU19a prepared a Corrective Action Plan and has implemented corrective actions since May 2009.

BSI conducted the Stage II Certification Assessment 30 June to 02 July 2009. The Certification Assessment Programme is included as Appendix C.

The approach was to audit the Mill together with the Estate, such that a range of environmental and social

factors were covered. These factors included consideration of topography, soils, age of palms and proximity to local communities and areas with HCVs. The audit also checked the implementation of corrective actions since the May 2009 Stage I audit.

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

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

Mr Allan Thomas, BSi Lead Auditor EMS, QMS and OHSAS has reviewed this report for conformance with RSPO Certification System requirements and technical content.

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

2.3 Qualifications of the Lead Assessor and Assessment Team

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

Charlie Ross – Lead Assessor

B.App.Sc. M.Sc (Env.Studies)
Lead Auditor EMS RABQSA Cert N^o 14370

Iman Nawireja – Social Assessor

B.Ag.Sc. M.Sc. (Comm)

Robyn Ross – Social Assessor (Women & Families)

Junecel Maloloy – Facilitator/Interviewer

Charlie Ross is an independent environmental auditor who has extensive fieldwork experience in conducting environmental and social assessments of oil palm projects over the past 18 years in Indonesia, Malaysia, Nigeria, Papua New Guinea and Solomon Islands. He has participated in fieldwork for HCV assessments since 2004. He has completed lead auditor training in ISO 9001 Quality Management Systems, lead auditor training in OSHAS 18001 Occupational Health and Safety Assurance Systems, auditor training in Environmental Management, SA8000 Social Accountability and RSPO P&C. He has been involved in the RSPO process since RT1 and has conducted Certification assessments of oil palm plantation companies against the RSPO P&C in Indonesia, Malaysia and PNG.

Iman Nawireja graduated with a Bachelor of Agricultural Science from the University of Bogor in 1997 and a Masters Degree in Communications from the University

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

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

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

2.4 Stakeholder Consultation and List of Stakeholders Contacted

Stakeholder consultation involved internal and external stakeholders. External stakeholders were notified by placing a copy of the Stakeholder Notification letter on the RSPO, Sime Darby and BSi websites. Letters were written to individual stakeholders and telephone calls were made to arrange meetings to discuss SOU19a's environmental and social performance.

During the stakeholder notification period, BSi did not receive any responses in writing from stakeholders. Meetings were held with stakeholders to seek their views on the performance of the company with respect to the RSPO requirements and aspects where they considered that improvements could be made. Stakeholders included those immediately linked with the operation of the company, such as employees, smallholders and contractors, as well as organisations that may have an interest in SOU19a's operations or adjacent areas.

Stakeholder consultation took place in the form of meetings and interviews. The interviewer explained the purpose of the audit at the outset followed by an evaluation of the relationship between the stakeholder and the company before discussions proceeded. The

interviewer recorded comments made by stakeholders and these have been incorporated into the assessment findings.

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

A list of Stakeholders contacted/interviewed is included as Appendix D.

2.5 Date of Next Surveillance Visit

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

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

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

One (1) Nonconformity was raised against Major Compliance Indicator 2.1.1 and One (1) Nonconformity was raised against Minor Compliance Indicator 4.4.5. Eleven (11) Observations/Opportunities for improvement were identified. *Where a nonconformity/observation is assigned, reference is made at the end of the text of the Indicator to which it refers.* Details of the Nonconformities and Observations are given in Section 3.2 (Page 15).

SOU19a has prepared a Corrective Action Plan that was reviewed and accepted by BSi.

SOU19a implemented corrective action and provided documents to confirm this. The nonconformity against Major Compliance Indicator 2.1.1 was closed.

Progress on implementation of corrective action for the nonconformity against the Minor Compliance Indicator will be checked during the Surveillance Assessment scheduled to be carried out within twelve months of SOU19a receiving initial RSPO Certification.

BSi has conducted an assessment of the SOU19a operations comprising 1 mill, 1 oil palm estate, support services and infrastructure. BSi concludes that SOU19a operations comply with the requirements of RSPO

Principles & Criteria: 2007 and MY-NI Indicators and Guidance : 2008.

BSi recommends that SOU19a be approved as a producer of RSPO Certified Sustainable Palm Oil.

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

The Mill and Estate maintain records on individual files for requests received, for example, MPOB, DOE, DOSH, Labour Department for operating statistics and other information. Both Mill and Estate information indicates requests are replied to promptly for example request from Labour Department received 27 April 2009 and replied by the Mill 11 May 2009 and the Estate on 13 May 2009. (1.1.1)

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

The Estate is on Freehold land and copies of Land Titles are held in the Estate Office, as detailed for Criterion 2.2 Page 8. (1.2.1)

A copy of the Health and Safety Policy signed by Top Management April 2008 is displayed prominently on notice boards at the Mill and Estate Offices and is available to the public.

The Mill and Estate have the elements of a Safety Plan documented together with an annual schedule for 2009 calendar year for holding OSH meetings, training and safety inspections. (1.2.2)

Environmental aspects and impacts have been evaluated using the Sime Darby TQEM Risk Assessment Template for each Mill operating station – completed 14 May 2009 and for the Estate 18 May 2009. Sime Darby TQEM carried out a Social Impact Assessment at SOU19a during May 2009 and a report has been prepared that includes issues raised by stakeholders. (1.2.3)

The Mill has prepared a Pollution Prevention Plan for the main environmental impacts April 2009.

The Estate has prepared a Pollution Prevention Plan 10 June 2009 for control of negative impacts and enhancement of beneficial outcomes, such as recycling of palm by-products and energy saving. (1.2.4)

The Mill has a “Complaints Book” for recording complaints from workers, such as housing or pay issues, including action to address the issue and responsible person. The Estate maintains log books for registering and responding to complaints. A log book is held at each Division as well as for the Estate Manager to receive issues from stakeholders. (1.2.5)

Sime Darby has a documented procedure for handling disputes, such as in relation to land boundaries (Appendix 3 of the Sime Darby SPMS issued 1 November 2008). There is also a procedure in the form of a flow

chart for handling social issues – Appendix 5 of the Sime Darby SPMS Manual). Mill and Estate Staff were aware of the Procedure. (1.2.6)

The Mill has documented improvements in the Pollution Prevention Plan and the “Quality/Safety/Environment Management Programme” for 2008/09. The Estate has detailed improvements in the Strategic Plan for 2008/09 prepared 15 August 2008, for example, improvement of workshop, water conservation on terraces and changing to Government supply for domestic water to individual houses. In addition, continuous improvements are detailed in the Pollution Prevention Plan, Biodiversity Plan and Social Action Plan. (1.2.7)

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

The Mill maintains copies of all Permits and Licences on file. A copy of licences is displayed in the Mill office.

The last DOSH Annual Mill machinery inspection was 26 March 2009. DOSH has requested installation of a liner in No 1 and No 2 Sterilisers. This is scheduled during the July 2009 shutdown. The most recent DOSH visit to the Estate was 26 August 2008 and issues raised have been addressed.

At the time of the Assessment the annual Mill machinery inspection was in progress together with mill shutdown to replace boiler tubes.

Inspection of mill effluent test results for the previous twelve months confirmed compliance with land application requirements and the maximum BOD of treated effluent was 1,228 mg/L compared to the limit of 5,000 mg/L.

Boiler emissions were tested 22 April 2009 and emissions were found to be well below the allowable limit of 0.4 g/Nm³ at 12% CO₂.

Ambient air quality was tested 17-18 April 2009 and confirmed compliance of total suspended particulates with the Malaysia Recommended Environmental Air Quality Guideline of 260 µg/m³.

Noise has been measured at the Mill and high noise level areas mapped and demarcated with safety signage.

Division C housing was constructed in 2003 and meets standard government requirement of 3 bedrooms. Division A and B housing was constructed in 1979 and does not meet the government standard requirement of 3 bedrooms. Sime Darby has a programme for upgrading housing to meet the government requirement.

Domestic Water is presently obtained from a catchment within the Estate and is treated by the Estate. The Mill and Estate have approval in the 2009/10 budget to connect housing to the Government water supply. The Mill sampled the domestic water supply 2 June 2009 and results for physical and chemical properties confirm suitability for domestic use.

Electricity is from the Government supply direct to individual houses with residents paying for all usage.

Mill and Estate tractor drivers have been trained in defensive driving 9-10 July 08.

The Mill has an extension to 150 overtime hours per month that was granted by Labour Department Approval

Number PP 5/34/0076 issued 1 February 2009 to 31 January 2010. Inspection of a sample of Mill and Estate pay records confirmed all overtime hours were within the approved limit. Checks of pay records confirmed pay and conditions were in accordance with department of Labour regulations. (2.1.1)

A nonconformity was assigned to this Major Compliance Indicator – CR01 refer Section 3.2 Page 15 for details

Observation 01 – refer Section 3.2 Page 15 for details

The Mill and Estate hold a Legal Requirements Register that includes an explanation of the requirements in relation to relevant legislations, such as OSH, Environment, Housing and Labour. (2.1.2)

Sime Darby Corporate Assurance Department carried out an Audit of Mill OSH on 1 August 2008 and Group Corporate Assurance Audit 23 March 2009. The Mill has prepared a Corrective Action Plan for the issues raised. A Group Corporate Assurance Audit was carried out at the Estate 8 July 2008 and records show that the issues raised have been addressed. (2.1.3)

MAPA, MPOA, AMESU, NUPW and Sime Darby Regional Office provide legal updates on changes to labour laws and worker pay and conditions. Sime Darby TQEM Standards and Compliance Unit provide legal updates on all applicable legislation throughout Sime Darby. For example, MAPA Circular No. 17/2009, concerning employees' fringe benefits. (2.1.4)

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

The Estate is on Freehold land and copies of Land Titles are held in the Estate Office. There are 63 Land Titles, such as Lot No 8501 Hakmilik No 80741, Mukim Tj Semberong, Batu Pahat, Johor, registered 22 April 2002. (2.2.1)

The Estate operations are consistent with the Land Title for agriculture. (2.2.2)

The Estate has prepared a map showing the locations of all boundary stones. Inspection of a sample of boundary stones confirmed these were marked with a red and white post and were being maintained. (2.2.3)

Observation 02 – refer Section 3.2 Page 15 for details

At the time of the Certification Assessment, the available information indicated there were no current or recent land disputes. All of the oil palm operations are on Freehold Title, which has not been disputed. Interview of local community leaders and the Department of Land and Survey confirmed there are currently no land disputes. (2.2.4)

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

All of the Estate operations are on Freehold land. The Estate does not restrict access through the area, except

in relation to trucks, which must first obtain permission. (2.3.1)

All of the Estate operations are on Freehold land. There are no land claims at SOU19a. (2.3.2)

All of the Estate operations are on Freehold land. There are no negotiated agreements at SOU19a. (2.3.3)

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

The Mill and Estate have an Annual budget for 2009-10. The Mill and Estate have production projections for four years. The projections include production and quality performance targets that are subject to 6 monthly reviews. (3.1.1)

Yong Peng Estate has an annual replanting programme prepared November 2008 and projected for ten years (2008-2019). (3.1.2)

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

The Mill holds a copy of the Mill Quality Management System SOPs issued 1 November 2008. The Mill has developed pictorial illustrated SOPs (Issued May 2008) for each workstation in Bahasa Malaysia. These were displayed on a notice board at each workstation. The Estate holds a copy of the Estate Quality Management System SOPs issued 1 November 2008 that cover all operations from nursery through to mature palms. In addition, the Estate has prepared SOPs specifically for a range of tasks, for example, harvesting and selective spraying. The Senior Assistant Manager has translated the harvesting SOP into Sasak Language for foreign workers from Lombok, Indonesia who comprise the majority of the harvesting workforce (4.1.1)

Implementation of the Mill SOPs is checked by the Mill Advisor with the most recent visit 9-10 April 2009. Issues raised are being addressed, such as the scheduling of the mill shut-down for boiler tube replacement. The Mill Engineer carries out weekly mill preventative maintenance inspections and records are held of the requests made to the maintenance workshop for repairs to equipment.

The Plantation Advisor visited the Estate 16-18 June 2009 but a Report was not yet issued at the time of the Assessment. Review of the previous visit report (December 2008) confirmed issues raised by the Plantation Advisor have been addressed and confirmed by correspondence on file. (4.1.2)

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

Sime Darby Agronomy Section of R&D Department makes annual recommendations for fertiliser applications that are based on the result of site visits for inspection of palms and soil sampling. The fertiliser recommendation includes the quantity to be applied to

each block. The Estate Manager checks that fertiliser application matches the Agronomy Section recommendation. (4.2.1)

Sime Darby Agronomy Section of R&D Department carries out annual inspection of the palms and leaf sampling to monitor nutrient status (last visit 24 December 2008 and report January 2009). The Estate holds a summary of the leaf sampling results on file and R&D Department maintain detailed records on computer. Soil nutrient status is assessed by 5 yearly sampling and analysis, with reference to guidance specific to the individual soil type. The results of the inspection of palms, leaf sampling, soil sampling and FFB yield are used to determine the annual fertiliser programme. (4.2.2)

R&D Department includes sampling of areas where POME and EFB are applied for assessment of palm nutrition. Results from the foliar sampling and FFB yields are used to advise on the annual fertiliser requirement. (4.2.3)

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

Approximately 50% of the Estate is terraced. Field inspection of replanted areas confirmed terraces have been constructed with a back-slope, stop bunds and water conservation pits. Pruned fronds are stacked at the edge of terraces with U-shaped stacking on flat to undulating areas. Legume cover crop is established at the time of palm replanting. (4.3.1)

Inspection confirmed adequate groundcover was maintained at most areas of the Estate. (4.3.2)

Observation 03 – refer Section 3.2 Page 15 for details

The roads throughout the Estate were well formed and covered with a durable surface of laterite. The Estate uses a tractor with a mid-mounted blade for minor regrading of road surfaces. The Estate has implemented a programme for repair of culverts, road-side drains and silt pits. (4.3.3)

There are no peat soils at SOU19a. (4.3.4)

The soil maps of the Estate show there are no fragile or problem soils at SOU19a. (4.3.5)

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

All of the land except for a small steep area was cleared during the original development in the 1930s. There are no rivers or streams flowing through the Estate. Buffer zones are being reinstated along small streams (<1m width) that originate within the Estate. The Estate has prepared a map showing the buffer zones and has demarcated the areas with signage. (4.4.1)

There are no rivers or streams passing through the Estate. Dams have not been constructed. (4.4.2)

The Estate has carried out an initial sampling of water quality of small streams that originate within the Estate. Samples were collected from near the head of the catchment and at the Estate boundary. The water

quality sampling results shows that the water quality index of the streams was Class II with respect to total suspended solids, under the Malaysian Interim National Water Quality Standard. (4.4.3)

Daily rainfall is recorded and the information is used for crop forecasting and scheduling planting and other tasks, such as fertiliser application. (4.4.4)

The Mill records information daily on the quantity of water treated for use at the mill and at housing. However, the water supplied to the mill is not metered separately from the water supplied to housing. Monthly usage has been calculated since July 2008 and indicates high consumption due to inclusion of water supplied to the Mill Housing. The Mill has approval in the 2009/10 budget for connecting the housing to the Government water supply, which is targeted for implementation by the end of 2009. (4.4.5)

A nonconformity (CR02) was assigned to this Minor Compliance Indicator – refer Section 3.2 Page 15 for details

The Mill has implemented a system for transfer of drainage from the FFB ramp and the steriliser area to the effluent treatment plant for treatment and disposal by land application. Pollution control devices (oil and sediment traps) have been installed at workshops, refuelling areas and chemical stores to prevent discharge of contaminants off-site. Inspection confirmed the pollution control devices were well maintained and records were available of weekly inspections. (4.4.6)

The Mill has a documented Water Management Plan that includes material use, waste water generated, methods of treatment and disposal. Inspection confirmed water management at the Mill was well implemented with good segregation of high BOD effluent from clean stormwater. Estate water management plans are documented in the Sime Darby Agriculture Reference Manual. Inspection of the Estate confirmed water conservation practices were well implemented on terraces for collection and utilisation of rainfall runoff. Rainwater collection has been installed at the workshop. (4.4.7)

Observation 04 – refer Section 3.2 Page 16 for details

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

IPM is documented in the Sime Darby Agricultural Reference Manual – Section 15. The Estate has implemented biological controls such as, the beneficial plants *Turnera subulata* and *Cassia cobanensis* and Barn Owls. Maps are held showing areas where “beneficials” have been planted and the location of Barn Owl boxes. (4.5.1)

The main pests are Bagworm and rats. The Estate has a dedicated team that conducts pest census continuously. Information from the pest census is used for deciding whether treatment is necessary. (4.5.2)

The Estate records data in the Store Issue Book on the quantities and locations of pesticides used. This information has been summarised since July 2007. (4.5.3)

The pesticides usage indicator has been calculated since July 2007. The information showed the total annual pesticide usage units decreased by 15-2% between the periods July 2007 – June 2008 and July 2008 – June 2009 due to reduction in the quantities of chemicals required to treat bagworm. (4.5.4)

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

The quantity of chemical and treatment required is documented in Section 16-5 of the Sime Darby Agricultural Reference Manual. The Estate has implemented a Work Instruction with the quantities of chemicals to be measured for each spray application. Chemicals are pre-mixed at the Pesticides Store and the diluted spray solution is transported to the field in 20 Litre containers. (4.6.1)

Sime Darby Central Purchasing Department controls purchase of pesticides. Inspection of the Pesticides Store confirmed only pesticides registered by the Pesticides Board were held. For example, the Estate holds a copy of approval letter from the Pesticides Board (Number JH/METHA(GL)/09/22) for the purchase of Methamidophos dated 23 March 2009. (4.6.2)

Inspection of the Main Pesticide Store and Division Pesticide Stores confirmed chemicals were stored in accordance with regulatory requirements, including security and spill containment, separation of chemicals, labeling and adequate ventilation. (4.6.3)

All chemicals are labelled in Bahasa Malaysia. MSDSs are held for each chemical and are in Bahasa Malaysia. (4.6.4)

Observation 05 – refer Section 3.2 Page 16 for details

The Estate is in the process of carrying out Annual medical surveillance for all pesticide operators. Surveillance of 10 operators was carried out 13 May 2009 and the medical report by the DOSH registered doctor confirmed all were fit for work. (4.6.5)

Observation 06 – refer Section 3.2 Page 16 for details

The Estate employs a small number of female pesticide operators who work only at the Palm Nursery. When a female pesticide operator is confirmed pregnant and wishes to continue working she is transferred to other duties and is not allowed to return to work with pesticides until she is no longer breastfeeding. (4.6.6)

At the time of inspection, there were no Class 1A or 1B chemicals held at the Pesticides Store. Inspection of

Pesticides Store stock records confirmed the Estate ceased the use of Paraquat in April 2008. (4.6.7)

Aerial spraying is not carried out at SOU19a. (4.6.8)

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

The Estate holds records in the daily cost book of the quantities of pesticides applied and the areas where used on a per block basis. These records and information on active ingredients are available since July 2007 and are stored on site for five years then archived. (4.6.10)

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

(a) The Mill and Estate have a documented Safety and Health Policy signed by Top Management April 2008 that is displayed prominently in Offices and on the Notice Board near the Mill Supervisors Office and Estate Muster area. Information on safety awareness is conducted for mill staff and workers at Monday Briefings and for Estate workers at morning musters.

(b) The Mill carried out a HIRAC on 20 April 2009, which covered all Work Stations and the main tasks. The Estate HIRAC was carried out 16 February 2009 covering all tasks at the Office, Field and Workshop.

(c) The Mill and Estate have prepared an annual Training Plan that includes safety topics and schedule. The Mill carries out safety awareness training during Monday morning briefings. Records are held on file that includes specific training topics, for example, PPE usage (15 June 2009). The Estate conducts the majority of safety training during Muster briefings and records are held on file "Training Record Workers". The most recent task-specific safety training was 24 June 2009 for harvesting.

i. Observation of tasks being carried out at the Mill and Estate indicated workers were working safely and were aware of safety issues.

ii. Inspection of spraying confirmed workers were wearing PPE and observing appropriate precautions for handling of the chemicals being used.

(d) Appropriate PPE was being used in the boiler area and the workshop. Inspection of spraying confirmed correct PPE was being worn.

i. The Mill issues standard PPE comprising helmet, safety shoes, vest, and hearing protection to all workers with specific PPE issued for certain tasks. The Mill Storeman maintains records of PPE Issues, including signature of recipient. Noise mapping has been carried out at the Mill and "ear muff" hearing protection is supplied to workers exposed continuously to high noise levels. The Estate standard issue PPE is safety shoes, hard hat with additional PPE provided for specific tasks, for example, sprayers are provided with apron, rubber boots, gloves, safety spectacles and an N95 particulate respirator.

- (e) The Assistant Manager is the person responsible for OSH coordination at the Mill. The Senior Assistant is OSH coordinator for the Estate.
- (f) The Mill and Estate carry out quarterly OSH Meetings with the most recent (Mill) 5 May 2009 attended by 20 persons and (Estate) 9 June 2009 with 21 attendees including a representative from each work function.
- (g) The Mill and Estate have prepared (March 2009) an ERP that includes a list of responsible persons, emergency phone contacts, site plans and locations of fire-fighting equipment. Trial evacuations were carried out (Mill 14 May 2009) (Estate 17 June 2009) including review of performance.
- (h) First aid training was carried out by the Hospital Assistant for 19 Estate staff, mandores and workers on 11 April 2009 and 11 June 2009 for 11 Staff, Foremen and Mill Operators
- (i) Inspection of first-aid kits in the Mill Supervisors' Office and Workshop confirmed these had been restocked on 23 May 2009. The Estate provides first-aid kits to Mandores for use in the field. (4.7.1)

Mill and Estate accidents are investigated and reported to the Sime Darby Regional Safety Officer and records maintained. The Mill and Estate discuss safety performance at the quarterly OSH Committee Meetings. The OSH Committee reviews accident reports and makes recommendations for preventative actions. The Mill recorded only one LTA in 2008/09, which occurred on 8 February 2009. The last LTA at the Estate was 13 May 2009. (4.7.2)

Malaysian staff and workers are covered by SOCSO Insurance. Foreign workers are covered under "RHB Insurance Berhad" (Mill: Policy Number FW011952); (Estate: Policy Number FW011875) with expiry 30 June 2010. (4.7.3)

Observation 07 – refer Section 3.2 Page 16 for details

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

Sime Darby Head Office prepares an annual formal training programme for Executives and Staff. The majority of Mill training is informal on-the-job instruction to improve skill levels. A Training Needs Assessment prepared for 2008/09 year for Staff is due for review June 2009. The Mill carries out training on safety, quality and environment at Monday briefings and records are maintained (file Training Record Workers) of the topics and attendance of staff and workers with the most recent training held 29 June 2009.

The Estate has a documented Training Programme through to December 2009. Records are held on file of training, topic and attendees. An example, training on the planting of legume cover crop was conducted for 12 workers 2 April 2009. (4.8.1)

Criterion 5.1: Aspects of plantation and mill management, including replanting, that have environmental impacts are identified, and plans to mitigate the negative impacts and promote the positive

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

Environmental aspects and impacts have been evaluated using the Sime Darby TQEM Risk Assessment Template for each operating area for the Mill 14 May 2009 and for the Estate 18 May 2009. The risk assessment process identified the significant environmental aspects of the Mill and Estate. This information has been used for developing the Environmental Improvement Plan. (5.1.1)

The Mill has documented improvements in the Pollution Prevention Plan and the "Quality/Safety/Environment Management Programme" for 2008/09. An example is for boiler operators to minimise the use of nutshell for boiler fuel and to close the induced draft fan damper during boiler raking in order to reduce the incidence of black smoke emissions. The Estate has documented environmental improvements including beneficial outcomes in the Pollution Prevention Plan. (5.1.2)

Observation 08 – refer Section 3.2 Page 16 for details

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 Sime Darby TQEM Ecologist carried out an HCV assessment of the Estate and adjacent areas in May 2009. The survey found there were no HCVs present within or adjacent to the Estate. All of the land within the lease was cleared during the original development, except for one small, steep area. (5.2.1)

The Sime Darby TQEM Ecologist has prepared an HCV Management Plan. The HCV Management Plan focuses on the reinstatement of buffer strips along small streams during replanting of palms and enrichment planting of trees to enhance the small area of remnant secondary forest at a steep area. (5.2.2)

SOU19a has carried out awareness to staff, workers and resident families on the protection of fauna and the reinstated buffer zones along streams. Signboards prohibiting hunting are posted at the entrances to the Estate and are displayed at muster areas. Interviews of workers confirmed awareness of the company policy prohibiting hunting within and adjacent to the Estate. (5.2.3)

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

The Mill and Estate have prepared a Waste Management Plan 2008/09 that identifies the main wastes generated and methods of treatment, recycling or disposal. Mill by-products, such as fibre and nut shell are used to fuel the boiler and EFB and boiler ash are recycled to the field. (5.3.1)

Inspections of the Mill and Estate confirmed that the Waste Management Plan was well implemented, with

wastes kept safely in temporary storage at the Mill prior to recycling or disposal. The Mill has a well designed Scheduled Waste Store with spill containment, separation and labeling of wastes. The Mill has engaged ALDWYCH Bhd (DOE Licence Number 000605 issued 30 April 2006) to remove and dispose of scheduled wastes. The most recent scheduled waste consignment was 26 March 2009 and a copy of Consignment Note Number WO16409 is held on file.

The Estate has identified actions to be taken for waste management in the Waste Management Plan. The Estate has engaged Licenced recycler Tex Cycle Sdn Bhd, for collection and disposal of empty pesticide containers (DOE Licence No 000500 that is valid until 30 April 2010). Quarterly scheduled waste returns to DOE have been prepared and are held on file. Clinic wastes have been identified as scheduled waste and the Estate has engaged Pantai Medivest Sdn Bhd for collection and disposal of clinic wastes, such as sharps and soiled dressings. Medical wastes are stored in secure containers at the clinic prior to disposal. The most recent consignment to Pantai Medivest was 13 April 2009. Wastes that are unable to be recycled are disposed in a small landfill. Inspection confirmed the landfill operation was consistent with guidelines for municipal waste disposal. (5.3.2)

Observation 09 – refer Section 3.2 Page 16 for details

POME is recycled to the palms via furrows in a land application system. Inspection of the land application system confirmed that it was well designed and maintained, with a full-time operator in attendance. The furrow system includes maintenance of an emergency bund at the end of each furrow to prevent overflow. (5.3.3)

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

The Mill monitors energy usage and has calculated monthly values since January 2008. The operation of the steam turbine is maximised in order to reduce diesel fuel consumption for standby power. The year-to-date energy usage from the steam turbine is 98.40 kWh/t CPO. (5.4.1)

The Mill monitors non-renewable energy usage and has calculated monthly values since January 2008. The year-to-date energy usage from the standby diesel genset is 7.87 kWh/t CPO. The Estate has optimised FFB harvesting and transport in order to reduce diesel fuel usage. (5.4.2)

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

The company has a zero burning policy and inspection confirmed this is being consistently implemented. (5.5.1)

There has been recent replanting at the Estate (March 2009). Inspection of the replanting area confirmed the previous palms had been felled, chipped and the material placed in windrows as mulch. (5.5.2)

Inspection of housing and operating areas at the mill and estate found no indication of fire having been used for waste disposal. (5.5.3)

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

The Mill has prepared a Pollution Prevention Plan April 2009 that includes improvements, for example, prevention of petroleum lubricants leakage and spillage. The Mill plans to implement recovery of oil from steriliser condensate for storage and sale, which will reduce the current loading on the cooling pond. The Estate has prepared a Pollution Prevention Plan that details the actions being taken to reduce the significant impacts identified in the EIA process. For example, legume cover crop is established immediately following the chipping of felled palms in order to minimise the risk of soil erosion at replanting areas. (5.6.1)

Pollution Prevention Plans are due for review in April 2010. (5.6.2)

There are no peat soils at SOU19a. (5.6.3)

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

Sime Darby TQEM carried out an SIA at SOU19a in May 2009 that included consultation with internal and external stakeholders. Interview of Estate female Staff confirmed that they participated in the SIA interview process. (6.1.1)

Observation 10 – refer Section 3.2 Page 16 for details

The SIA Report includes a list of stakeholders contacted and notes on the consultation meetings. Interview of local village leaders confirmed they participated in the SIA meetings in May 2009. (6.1.2)

TQEM prepared a Social Action Plan (June 2009) that identifies actions planned to resolve each of the issues raised by stakeholders. An example is to seal the roads at the housing area in order to reduce dust emissions, with a budget approved 2009/10 (6.1.3)

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

A Communication Procedure is documented in the form of a flow chart in appendix 5 of the Sime Darby Plantation Estate Quality Management System. Mill and Estate staff were aware of the communication procedure, which was available at the Offices visited. Interviews of community leaders indicated there was a cordial relationship and open communication with the Mill and the Estate. (6.2.1)

The Mill and Estate Managers are the designated persons with responsibility for communication.

Interviews of Community Leaders and Local Stakeholders indicated they are comfortable with approaching Management to raise issues, which indicates open communication processes. (6.2.2)

The Mill and Estate have a list of stakeholders that includes contractors, suppliers, local community heads, government departments and other interested parties that were revised 20 April 2009 (Mill) and June 2009 (Estate). The Estate has mapped the locations of all smallholders surrounding each Division and holds records of their contact details. The Mill and Estate maintain records of communications and responses. The Estate Management met with Kampong Sri Semangat representatives 8 June 2009 to brief them on RSPO, safety requirements for locals using Estate roads and security issues. (6.2.3)

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

Sime Darby has a documented Grievance Procedure in the form of a Flow Chart – Appendix 5 of Sime Darby SPMS Manual. The Mill and Estate maintain log books for registering and responding to complaints. A log book is held at each Division as well as for the Estate Manager to receive issues from stakeholders. The log books include details of the complaint as well as the action taken. The records showed the majority of issues were for minor repairs to housing. (6.3.1)

There have been no recent disputes that have required addressing through the dispute resolution process. (6.3.2)

Sime Darby policy is to make the dispute resolution process available to all affected parties. (6.3.3)

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

Sime Darby has implemented a procedure for handling land disputes (Appendix 3 Sime Darby SPMS issued 1 November 2008), including boundary and squatter issues. (6.4.1)

The land dispute procedure refers the compensation assessment to the Corporate Land Management and Legal Department of Sime Darby who assess and advise on compensation. (6.4.2)

There have been no claims for compensation related to land or boundaries at SOU19a. (6.4.3)

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

Pay and conditions are documented in MAPA/AMESU Agreement 2006 and MAPA/NUPW Field and Other

General Employees and Fringe Benefits Agreement 2007. Copies of the Agreements were available on site. (6.5.1)

Interview of Mill and Estate Staff and Workers confirmed they retain a copy of their Letters of Appointment and understand Terms and Conditions. All staff and workers interviewed stated they receive correct leave entitlements and understand the deductions outlined on their pay slips. (6.5.2)

Observation 11 – refer Section 3.2 Page 16 for details

Mill and Division C housing were constructed in the early 2000s, are of good standard and meet the Government requirement of 3 bedrooms. Inspection confirmed that residents take pride in housing appearance with extensive flower and vegetable gardens. Two bedroom housing built in 1979 is in poor condition and does not meet government standard of 3 bedrooms. Construction has been included in the budget to replace older two bedroom houses at Divisions A (48 units) and B (34 units) over the next three years.

A Tamil school is located at the Estate with a Primary School at Kangkar Baru 4km distance and a Secondary School is at Yong Peng approximately 16 km distance. A bus, under contract by the Company, collects children from the housing areas to travel to and from school, with the company subsidising 50% of travel costs.

Domestic Water is presently obtained from a catchment within the Estate and treated by the Estate. A budget has been approved (Mill and Estate) 2009/10 for changing to Government supply for domestic water to individual houses for all three Divisions. Electricity to houses is from the Government Supply with residents paying for usage. The close proximity of the Estate to towns provides residents with access to purchase all necessities.

Medical treatment at the company clinic is provided to staff, workers and their families free of charge. Interview of a sample of staff, workers and residents raised no significant issues in relation to housing. The clinic is staffed by a qualified Hospital Assistant and female Nurses. Interview of Clinic Staff confirmed the clinic is well supplied with medicines and equipment. A Visiting Medical Officer attends the clinic fortnightly. (6.5.3)

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.

SOU19a holds meetings with NUPW Worker Representatives when requested. For example, records are held of a meeting (16 May 2009) between Mill Management and NUPW Worker Representatives. The Estate has records of meeting held with 8 Executives and NUPW worker representatives 29 April 2009. (6.6.1)

Sime Darby has a statement on Freedom of Association that is documented in the Social Policy approved by Top Management April 2008. Copies of the Social Policy were displayed on notice boards at offices and muster areas.

Interview of staff and workers confirmed they were free to join a Union if they so wish and had no issues of concern. Enquiry with AMESU and NUPW did not identify any unresolved issues on behalf of their members. (6.6.2)

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

The minimum working age is 18 under the Labour Ordinance. At time of hire check of age is confirmed by ID Card for local hires and checks of Passports of foreign workers. Foreign workers are recruited centrally by Sime Darby Head Office and after processing of documentation through Department of Immigration are allocated to the Estate. Inspection of records confirmed age requirement is met for both local and foreign workers. Field inspections did not find any under-age worker at the Mill or Estate. (6.7.1)

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

A statement on Equal Opportunities is included in the Social Policy approved by Top Management April 2008. Copies of the Policy are displayed on Notice Boards at the Offices and Muster areas at the Mill and Estate. Interview of staff and workers confirmed awareness of Policy and no issues of concern. (6.8.1)

Interview of staff and workers confirmed there is no discrimination in relation to gender, ethnicity or religious beliefs and all enjoyed a good working relationship with the company. Inspection of a sample of pay records indicated there is no discrimination between local and foreign rates of pay for the same position classification. (6.8.2)

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

A statement to prevent sexual harassment and violence is documented in the Social Policy approved by Top Management April 2008. Interview of female Staff and Workers confirmed their knowledge of the Policy and stated no issues of concern. A Gender Committee has been formed and the first meeting for Mill Staff and Workers was held 20 May 2009 with 13 attendees. An Estate Staff Member attended the Tenaganita Workshop on the Gender Policy 25-26 April and the first Gender Committee meeting was held for Estate Staff and Workers 29 April 2009 with 40 attendees. (6.9.1)

Tenaganita has facilitated preparation of Sime Darby's Grievance Procedure. The Gender Policy Manual, which includes the grievance mechanism, has been distributed to SOU19a. Interview of female staff and workers indicated they were aware of the Procedure for raising any issues of concern. (6.9.2)

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

Sime Darby Marketing Department arranges Contracts for purchase of FFB. The purchase price is related to CPO price. Details of FFB price calculation are included in the Contract Agreement with the FFB supplier and are based on average prices of CPO and PK for Peninsula Malaysia reported by MPOB. (6.10.1)

All purchases of outside crop are managed by Sime Darby Marketing Department. The Mill displays the current FFB price on a Notice Board at the entrance to the Mill. Information on past FFB prices is available from Sime Darby Marketing Department. (6.10.2)

The Company explains contracts to contractors at the pre-tender stage. Interviews of contractors confirmed their understanding and they stated they would not sign if they did not understand. One labour supply contractor has worked with the company for 30 years, which indicates a very good relationship and fair dealings. (6.10.3)

Interviews of contractors for Mill and Estate indicated that payments are made in a timely manner and no issues were raised. (6.10.4)

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

Infrastructure and Government Services are well developed and readily accessible in the area. SOU19a makes contributions to local schools for sports days and to places of worship for religious festivals. The Estate made relief donations to flood victims in 2007. (6.11.1)

Principle 7: Responsible Development of New Plantings

SOU19a has not carried out any new oil palm developments and there are no plans for expansion of plantings. Principle 7 is not applicable to this Assessment.

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

SOU19a ceased the use of paraquat in April 2008. The use of chemicals to control outbreaks of palm pests is based on pest census data and the exceedance of pre-determined pest threshold numbers. SOU19a has a programme for establishment of beneficial plants in order to reduce dependence on chemicals for pest control. (8.1.1)

The Environmental Improvement Action Plan has focused on the control of point source pollutants, such as petroleum hydrocarbons. With these issues now well controlled, the Action Plan items during the coming year include reduction of water usage at the Mill. The Estate Action Plan includes increasing the areas where beneficial plants have been established for integrated pest management. (8.1.2)

The Waste Management Action Plan is targeting the improved separation of wastes at source into recyclables and non-recyclables. The Mill and Estate are working together to improve the recycling of excess fibre to the field for use as mulch. At housing areas, further awareness training will be carried out to improve the separation of gardening waste from non-recyclables. (8.1.3)

The Mill Pollution Prevention Plan includes additional training of the boiler operators and checks to reduce the incidence of black smoke emissions during operations, such as raking of the boiler. The Estate also is aiming to improve groundcover vegetation for erosion prevention and discharge of suspended sediment in runoff. (8.1.4)

The Estate Social Action Plan includes reduction of dust at housing areas by installing speed humps. A longer term aim is to seal the roads at housing compounds. Another important Social Action Plan item is the construction of replacement housing. (8.1.5)

The Sime Darby Management Review process shares information on best practices for performance improvement. TQEM has requested SOUs to record information on expenditure related to social and environmental aspects. (8.1.6)

3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions

Nonconformities were assigned to Major Compliance Indicator 2.1.1. and Minor Compliance Indicator 4.4.5.

SOU19a has prepared a Corrective Action Plan for addressing the identified Nonconformities. The Audit Team has reviewed and accepted the SOU19a Corrective Action Plan.

SOU19a has made a commitment to implement corrective action for addressing the Minor Nonconformity immediately following the Certification Audit. The effectiveness of corrective action will be checked at the Surveillance Assessment that will be scheduled within twelve months of initial RSPO Certification.

CR01: 2.1.1 Evidence of compliance with legal requirements

A Nonconformity was assigned as the bacterial content of water supplies to Divisions A and C housing sampled by the Government Health Department on 23 April 2009 exceeded the Malaysian National Drinking Water Quality Standard. At the time of the Certification Assessment, the Estate had not re-sampled the supplies to check suitability of the water for domestic use.

SOU19a has prepared a Corrective Action Plan for addressing the identified nonconformity that involves:

- 1) Cleaning of main water storage tank.
- 2) To arrange review and adjustment of water treatment plant operation.

- 3) Water samples of A,B & C Division to be sent for testing to the Sime Darby Research Centre accredited laboratory.

Corrective Action:

SOU19a took immediate corrective action by checking the water treatment plant operation and adjusting the clarifier and chlorine dosing levels to provide the required concentration of residual free chlorine in the treated water supply. This action was observed by the BSi Lead Assessor during the assessment visit. SOU19a also commenced work on cleaning of the treated water tanks. Following cleaning of the treated water storage tanks, SOU19a re-sampled and arranged testing of the water supplies. The results (Appendix E) showed that E.coli bacteria were not detected in any of the water samples and confirmed suitability for potable use.

The nonconformity (CR01) against Major Compliance Indicator 2.1.1 was closed out.

CR02: 4.4.5 Monitoring of water usage in mills (tonnage water use/tonne FFB processed)

A Nonconformity was assigned as the water supplied to the mill has separate meters from that supplied to housing but at the time of the Assessment the actual mill water usage had not been recorded separately or evaluated.

SOU19a has prepared a Corrective Action Plan for addressing the identified nonconformity as follows:

- 1) Water usage for mill and housing will be monitored and recorded in water usage logbook separately.
- 2) Water usage will be reviewed and analysed monthly.

Progress toward resolution of the issue will be followed up by BSi Assessors at the Surveillance Assessment that is scheduled within twelve months from the RSPO approval of Initial Certification.

Observations/Opportunities for Improvement

Eleven (11) Observations/Opportunities for Improvement were identified. The progress with the Observations/Opportunities for Improvement will be checked at the Surveillance Assessment visit scheduled within twelve months from the RSPO approval of Initial Certification.

01 (2.1.1) Construction has been included in the budget to replace older two bedroom houses at Divisions A (48 units) and B (34 units) over the next three years.

02 (2.2.3) The Estate has approval in the 2009/10 budget for a programme to survey and locate the position of missing boundary stones and to reinstate markers.

03 (4.3.2) Small areas of bare soil were observed on terraces near the Mill indicating over spraying has occurred previously. The Estate has conducted awareness training for sprayers to apply chemical to circles only and has ceased all spraying at the affected area to allow regeneration of groundcover.

- 04 (4.4.7)** Some locations of the March 2009 replanting area have insufficient roadside “turnout drains” to channel rainfall runoff from the road onto terraces for water conservation and prevention of erosion of the road surface.
- 05 (4.6.4)** Initially a nonconformity was assigned as inspection of spraying at Division A found that several of the used chemical containers that were re-used for pre-mix had not been marked with the chemical hazard symbol. **Corrective action was taken immediately and the containers marked with the chemical hazard symbol.**
- 06 (4.6.5)** The medical surveillance for the remainder of the sprayers is scheduled for July 2009.
- 07 (4.7.3)** Information on the list of foreign workers for inclusion in the renewal of insurance policy was forwarded on 23 May 2009 to the Insurance Company. At the time of the Initial Certification Assessment visit the renewal of the policy had not yet been received by the Estate.
- 08 (5.1.2)** The Mill Environmental Improvement Plan focuses on reducing negative impacts but does not emphasise promotion of positive ones, such as recycling of wastes.
- 09 (5.3.2)** Separation of recyclables from domestic waste has only recently been initiated and inspection of the landfill showed more awareness needs to be conducted to reduce the quantity of recyclables, such as garden waste, disposed in the landfill.
- 10 (6.1.1)** Although the SIA Report includes a summary of meetings, this could be improved by providing more details of each meeting on the topics discussed.
- 11 (6.5.2)** The company will be changing the payslip format in the near future and awareness training will need to be conducted for worker understanding of pays.

3.3 Noteworthy Positive Components

- The Estate has established a fauna reserve at the domestic water supply pond and demarcated palms to be removed at future replanting.
- Mill and Division C housing were constructed in the early 2000s, are of good standard and meet the Government requirement of 3 bedrooms. Residents are encouraged to maintain small “kitchen” gardens, which is of great benefit in reducing workers daily living costs.

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

The majority of stakeholders had positive comments about SOU19a. For the situations where stakeholders raised issues, the company’s response is stated below.

Internal Stakeholder Issues

Mill staff and workers are unable to use the crèche on rainy days as the crèche does not operate when the estate workers are unable to work due to the rain.

Company Response: Management will liaise with the Mill and if there is a requirement the crèche will remain open to accommodate the children.

Female staff and workers and residents at housing stated that the dust at the housing areas created by vehicle traffic was an issue.

Company Response: Immediate action will be taken to install “speed humps” to control speed of vehicles. Sealing of housing compound roads with tarmac is budgeted for the 2009/10 year.

Residents stated that some water tanks stored in ceilings leaked. They have reported but are still waiting for repairs to be carried out. Inspection confirmed water damage to ceilings beneath storage tanks.

Company Response: Management has not been made aware of the leaking tanks and will investigate and repair. Tanks have previously been repaired when notified by residents.

Residents at Division C housing stated that they did not have a Community Hall and had nowhere to hold functions, such as NUPW Meetings.

Company Response: A and B Divisions have Community Halls. At C Division, the crèche will be made available for community meetings.

A Lombok worker passed away in December 2008. Workers are satisfied with the company’s handling of the repatriation of the body, but have requested evidence that an ex-gratia payment has been made to the deceased’s family to finally settle the matter.

Company Response: Management has made the payment to the family of the deceased and will communicate this information to the Estate workers.


3.5 Acknowledgement of Internal Responsibility

SOU19a acknowledges and confirms acceptance of the Assessment Report contents, including assessment findings. SOU19a accepts the responsibility for addressing the opportunities for improvement detailed in the Assessment Report.

3.6 Formal Sign-off of Assessment Findings

Signed for on behalf of
Sime Darby Plantation Sdn Bhd (SOU19a)

SIME DARBY PLANTATION SDN. BHD.
LADANG YONG PENG (647766-V)



.....
HO FOR NAM
Sime Darby Plantation Sdn Bhd (SOU19a)
MANAGER

SOU Chairman/Yong Peng Estate Senior Manager

Date: 11-08-10

Signed for on behalf of
BSI Group Singapore Pte Ltd



.....
Mr Charlie Ross
Lead Auditor

Date: 02/09/2010

Appendix “A”

Sime Darby Time Bound Plan

SIME DARBY TIME BOUND PLAN**Sime Darby Plantation RSPO Certification Status**

Financial year (July – June)	Status
June 2008	5 SOUs undergoing RSPO Main Assessment
2008/2009	<p>Malaysia a. RSPO certified : 5 SOUs b. Awaiting RSPO Board: 13 SOUs c. Audited: 21 SOUs (3 SOU have been realigned due to strategic/business development)</p> <p>Indonesia a. RSPO certified : 0 SOUs b. Awaiting RSPO Board: 2 SOUs c. Audited: 1 SOU</p>
2009/2010	<p>Malaysia Currently undergoing RSPO audit assessment: 1 SOU</p> <p>Indonesia Currently undergoing RSPO audit assessment: 10 SOU</p>
2010/2011	<p>Indonesia To complete RSPO Certification for Indonesia Operation for 8 SOU</p>
TOTAL SOU (Todate)	MALAYSIA: 37 SOU (38 OIL MILLS) INDONESIA: 21 SOU (23 OIL MILLS) TOTAL: 58 SOU (61 OIL MILLS)

Updated: 13 Nov 2009

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Appendix “B”

SOU19a RSPO Certificate Details

Sime Darby Plantation Sdn Bhd
 Management Unit SOU19a
 83700 Yong Peng
 Johor
 MALAYSIA

Certificate Number : SPO 550182
 Certificate Issue Date: (RSPO Approval Date)

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

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

SOU19a RSPO CERTIFICATE DETAILS

SOU 19a Yong Peng Palm Oil Mill and Supply Base	
Location	83700 Yong Peng, Johor, Malaysia
Address	83700 Yong Peng, Johor, Malaysia
GPS Location	2°03'31.71" N 103°08'54.22"E
CPO Tonnage Total	19,590
PK Tonnage Total	5,139
Estate FFB Tonnage	Yong Peng Estate: 54,849
FFB Tonnage supplied by adjacent Sime Darby Estates	P. Bukit/T.Renchong Estate: 5,196; Sungai Labis Estate: 217; North Labis Estate: 23; Serkam Estate: 491; PD Lukut Estate: 225; Muar River Estate: 402; Labu Estate: 130; Bukit Paloh Estate: 1,165; Bukit Asahan Estate: 412 Total : 8,261
FFB Tonnage supplied by FFB Trader *	30,698
CPO Tonnage Claimed**	13,179
PK Tonnage Claimed**	3,457

* Tonnage not included in Certificate

** The Tonnage Claimed is the proportion of the total production from SOU19a and adjacent Sime Darby Estates and is based upon the Reporting Period 01 July 2008 – 30 June 2009

Appendix “C”

Certification Assessment Programme

SOU19a CERTIFICATION ASSESSMENT PROGRAMME

DATE	TIME	ACTIVITY	CR	RR/ JM	IN
Tuesday 30 June 2009	AM	Opening Meeting	√	√	√
		Physical Inspection Mill/Effluent Ponds/Stores/Workshop	√		
YONG PENG MILL	PM	Interview Male Workers			√
		Interview Female Office Staff/Workers		√	
		Review Pay Documentation		√	
		Interview Contractors/FFB Trader			√
		Mill Documentation	√	√	
Wednesday 01 July 2009	AM	Inspect Mill Housing and Interview Families		√	
		Physical Inspection Stores, Land Application, Landfill	√		
		Interview Female Fieldworkers		√	
	PM	Interview Female Office Staff/Workers		√	
		Review Pay Documentation		√	
		Interview Contractors/External Stakeholders			√
YONG PENG ESTATE	PM	Review of HCV Assessment and Monitoring Plans	√	√	
		Estate Documentation	√	√	
		Visit Clinic and Interview Staff		√	
		Inspect Housing and Interview Residents		√	
	EVENING	Visit Local Communities Kg Sin Lek and Kg Melayu			√
Visit Housing and Interview Foreign Worker Residents				√	
Thursday 02 July 2009	0900	Prepare IAV Report and Closing Meeting Presentation	√	√	
		Closing Meeting	√	√	√

Appendix “D”

List of Stakeholders Contacted

STAKEHOLDERS CONTACTED

<p><i>Internal Stakeholders</i></p> <p>6 Male Mill Staff/Workers (Local) 9 Male Mill Workers (Foreign) 4 Male Sprayers (Foreign) 4 Harvesters (Foreign) 7 Female Mill Staff/Workers 7 Residents Mill Housing 4 Female Estate Staff/Workers 2 Female Palm Nursery Workers (Local) 3 Residents Estate Housing Clinic Hospital Assistant 4 NUPW Worker Representatives</p>	<p><i>Contractors & Consultants</i></p> <p>Tay Min Der, Puspa, and Mainara (General Contractors) Mannani (FFB Transport Contractor) Yon Chun Kong and Abu Bakar (Labour Supply Contractors)</p>
	<p><i>NGOs and Others</i></p> <p>Tenaganita WWF Malaysia NUPW Kluang Branch Head NUPW Petaling Jaya AMESU Subang Jaya</p>
<p><i>Local Communities</i></p> <p>Kg Sri Semangat Heads and Residents P. S. Chong, Mohd Ali Ahmad, and Maimun Ismail (Smallholders) Kg Sin Lek Head and Residents Kg Melayu Religious Leader and Residents</p>	<p><i>Government Officials</i></p> <p>Department of Safety and Health Department of Indigenous Peoples Affairs Department of Labour Department of Land and Survey</p>

Appendix “E”

Drinking Water Laboratory Test Results

SIME DARBY RESEARCH SDN. BHD.

(Company No. : 560590-X)
 Laboratory Services Section, Processing & Engineering Department
 R&D Centre – Downstream, Carey Island
 Lot 2664, Jalan Pulau Carey
 42960 Pulau Carey
 Selangor Darul Ehsan, Malaysia
 Tel. : 03-3326 6900
 Fax : 03-3326 6884
 E-mail : r&d.carey.downstream@simedarby.com

**MICROBIOLOGY ANALYSIS TEST REPORT**

TEST REPORT NO.	: ML080/09
FACTORY/CLIENT	: Ladang Yong Peng
TYPE OF SAMPLE	: Water
REFERENCE	: Letter dated 03/08/09
DATE RECEIVED	: 06/08/09
DATE ISSUED	: 17/08/09

Lab ref. no.	Sample Description	Analysis		Remarks
		<i>E. coli</i> Count* (cfu/mL)	Coliform Count (cfu/mL)	
ML/2009/167	A1	Nil	Nil	-
ML/2009/168	A2	Nil	Nil	-
ML/2009/169	A3	Nil	Nil	-
ML/2009/170	B1	Nil	Nil	-
ML/2009/171	B2	Nil	1	-
ML/2009/172	B3	Nil	28	-
ML/2009/173	C1	Nil	Nil	-
ML/2009/174	C2	Nil	Nil	-
ML/2009/175	C3	Nil	Nil	-

COMMENTS: -

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Note

* *E. coli* Count is used for enumeration of *E. coli* bacteria. The results do not specifically indicate only O157 strain. It contains all strains of *E. coli*.

APPROVED BY:

(NORULHUDA YUSOF)
MICROBIOLOGIST