



ANNUAL SURVEILLANCE ASSESSMENT (ASA3)

SIME DARBY PLANTATION Sdn Bhd

Management Unit SOU26

Sandakan Sabah Malaysia

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SUMMARY

BSi Group Singapore Pte Ltd (BSi) has conducted the third Annual Surveillance Assessment (ASA3) of Sime Darby Plantation Sdn Bhd Management Unit SOU26 operations comprising a Mill, four (4) oil palm Estates, Smallholders, Small-growers, support services and infrastructure. BSi concludes that SOU26 operations have maintained compliance with the requirements of RSPO Principles & Criteria: 2007 and MY-NI Indicators and Guidance 2010.

The ASA3 of SOU26 was carried out between 27 and 29 June 2011. BSi recommends the continuation of the approval of SOU26 as a producer of RSPO Certified Sustainable Palm Oil.

ABBREVIATIONS USED

BOD	Biological Oxygen Demand
CHRA	Chemical Health Risk Assessment
CPO	Crude Palm Oil
DOE	Department of Environment
DOSH	Department of Occupational Safety & Health
EFB	Empty Fruit Bunch
ESH	Environment Safety and Health
FFB	Fresh Fruit Bunch
HIRAC	Hazard Identification Risk Assessment Control
HCV	High Conservation Value
JCC	Joint Consultative Committee
LTI	Lost Time Injury
MPOB	Malaysian Palm Oil Board
MSDS	Material Safety Data Sheet
OER	Oil Extraction Rate
OSH	Occupational Safety and Health
PK	Palm Kernel
PPE	Personal Protective Equipment
POME	Palm Oil Mill Effluent
SIA	Social Impact Assessment
SOP	Standard Operating Procedure
SPIEU	Sabah Plantation Industry Employee Union
TSS	Total Suspended Solids

1.0 SCOPE OF SURVEILLANCE ASSESSMENT

1.1 Identity of Certification Unit

The Certification Unit is the Sime Darby Plantation Sdn Bhd Management Unit SOU26 that consists of the Sandakan Bay Palm Oil Mill and four Estates. The SOU26 Mill and Estates are located in Daerah Suanlamba District of Sandakan, Sabah, East Malaysia (Figures 1 and 2). The Mill and Estates are situated immediately south-east of Sandakan Bay. The Global Positioning System (GPS) location of the Mill is shown in Table 1.

Table 1: Mill GPS Location

MILL	LONGITUDE	LATITUDE
Sandakan Bay	E 118° 10' 20"	N 5° 45' 20"

1.2 Production Volume

The production tonnages for CPO and PK for the period of the Certificate (01/10/2010 – 30/09/2011) and projected for the next twelve months are listed in Table 2. The CPO production for the 2010/11 period is significantly less than for the Estimate at Initial Certification and the 2009/10 year. SOU26 explained this was due to declining FFB Yields and the unseasonal very high rainfall during the current year, which is almost double the long-term average. This caused disruption of harvesting, crop evacuation and other field practices and is reflected in lower FFB tonnages reported in Table 3.

Table 2: Production Tonnages

Sandakan Bay Palm Oil Mill	Estimate At Initial Certification	Actual 01/10/10 – 30/09/11	Projected 01/10/11 – 30/09/12
CPO	56,372	49,730	58,640
PK	15,369	12,274	12,606

1.3 Certification Details

Sime Darby RSPO Membership No: 035-04(O)
BSi RSPO Certificate No: SPO 537872
ASA2 Certificate: 03/12/2010
Date of Initial Certification: 01/10/2008

1.4 Description of Supply Base

The supply base is four (4) company owned Estates, two (2) independent Smallholders and four (4) Small-growers. The FFB production from company owned Estates, Smallholders and Small-growers is listed in Table 3. Refer to comment in Section 1.2 above regarding FFB yields.

Table 3: FFB Tonnages Processed

Source	Estimate at Initial Certification	Actual 01/10/10 – 30/09/11	Projected 01/10/11 – 30/09/12
SOU26 Estates			
Sentosa Estate	54,322	61,975	71,206
Tun Tan Estate	54,265	55,526	55,373
Tigowis Estate	40,865	36,109	43,376
Tunku Estate	56,354	55,508	69,625
Sub Total	258,826	209,118	239,580
Smallholders			
Banco Bin Jansie	716	1,038	800
Novel Borneo	883	1,441	1,000
Sub Total	1,599	2,479	1,800
Small-growers*			
Golden Forefront	1,845	2,151	2,400
Maishang Holding	2,981	3,879	3,000
Corporate Spirit	4,612	4,990	4,000
Maju Jaya	1,975	3,517	2,500
Sub-total	11,413	14,537	11,900
TOTAL	271,838	226,134	253,280

* Production from Small-growers is not included in the Certificate

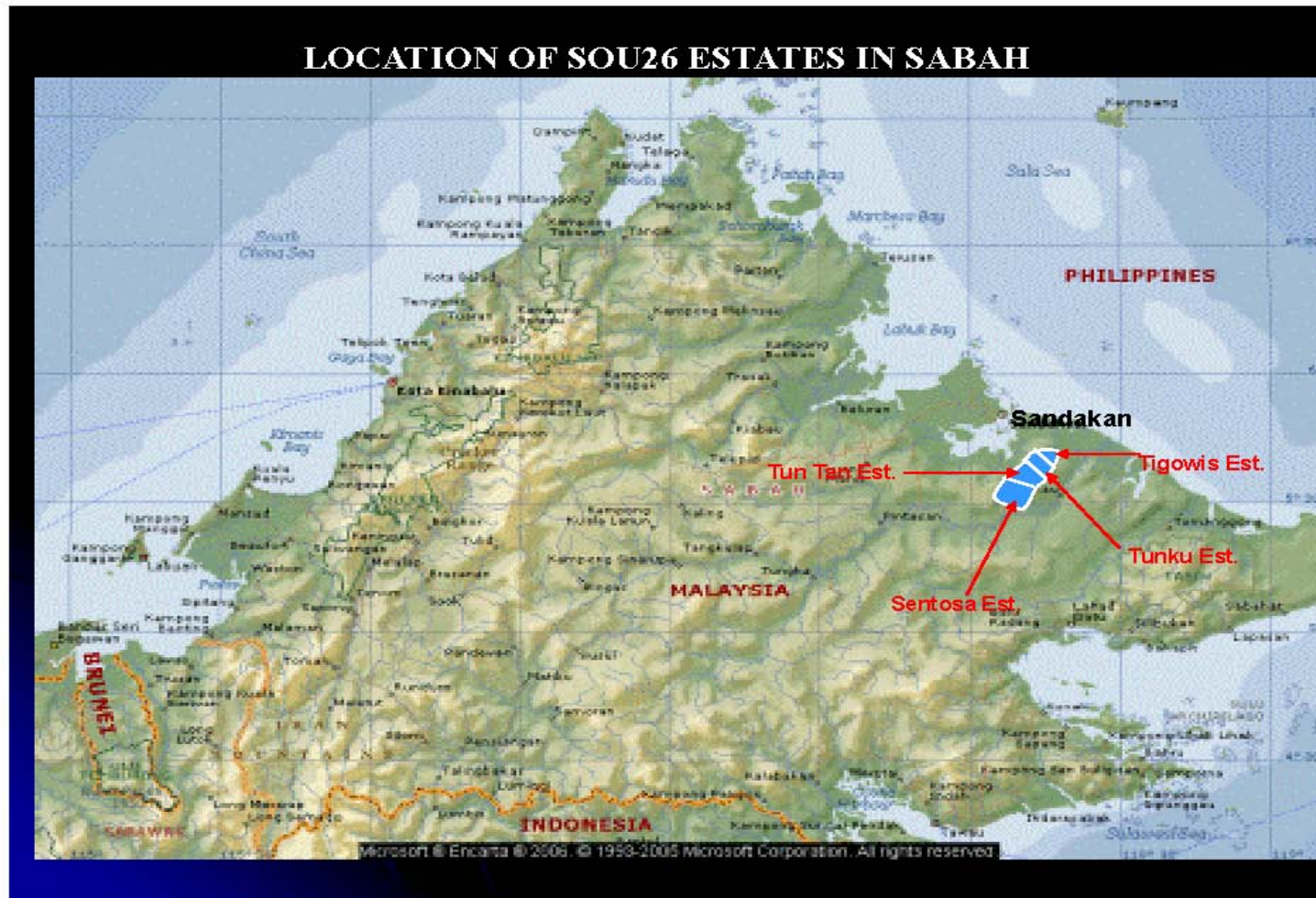


Figure 1: SOU26 Location Map

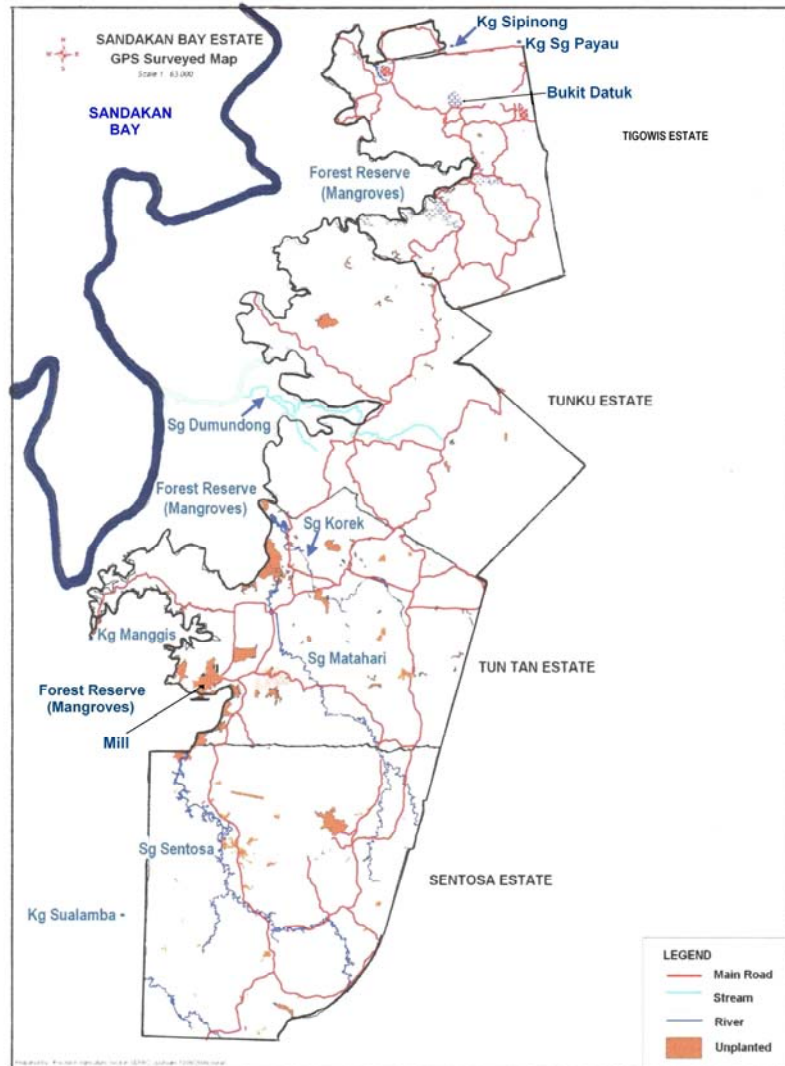


Figure 2: Layout of Estates

The company owned Estates were developed in the early 1990s and the majority of the palms are in the first cycle. Replanting commenced during the 2010/11 year at Sentosa, Tigowis and Tunku Estates. The age profile of SOU26 palms is shown in Table 4a.

Table 4a: Age Profile of SOU26 Palms

Age (years)	Estate and % of Planted Area			
	Sentosa	Tun Tan	Tigowis	Tunku
11 – 20	92.7	100	90.9	94.7
4 – 10	0	0	0	0
0 – 3	14.9	0	9.1	5.5

The areas planted for SOU26 Estates are shown in Table 4b. The areas planted differ from those reported at Initial Certification, which included land occupied by infrastructure. The total plantable area at Sentosa Estate reported during the Initial Certification has reduced by 411 ha due to designation for Conservation/set-aside area 219.6ha; Roads 80ha; Palm Nursery 4.6ha; buildings 106.8ha. The total plantable area at Tun Tan Estate has reduced by 330 ha due to designation for Building Sites and Roads, 179ha; Conservation/set-aside Area 139ha; Green Book Project 7ha; Palm Nursery 5ha. The total plantable area at Tunku Estate has reduced by 239 ha due to designation for Conservation/set-aside Area 103ha; Building Site, Roads and Ponds 130ha; Palm Nursery 6ha. The total plantable area at Tigowis Estate has not changed.

Table 4b: SOU26 Estates and Areas Planted

LOCATION	MATURE (ha)	IMMATURE (ha)
Sentosa	2,667	468
Tun Tan	2,813	0
Tigowis	1,885	189
Tunku	2,801	163
TOTAL	10,166	820

1.5 Progress against Time Bound Plan

Sime Darby Time Bound Plan (updated June 2011) is included as Appendix A. During 2010, Sime Darby initiated the realignment of three of the Management Units in Malaysia for strategic operating reasons. To date, the realignment of three Management Units (SOU9a, SOU30a and SOU30b) have been completed, reducing the total number of Management Units from 61 to 58.

Sime Darby has completed Initial Certification Assessments for all of the Management Units in Malaysia, and 11 of the 21 in Indonesia. Sime Darby has scheduled the Initial Certification Assessments for the remaining 10 Management Units in Indonesia for mid-2011 and is on track to achieve the targets of the Time Bound Plan.

Sime Darby provided BSi with an update on progress with resolution of issues raised in 2008 at PT MAS in Indonesia. A follow-up meeting was held between top management of Sime Darby Plantation and representatives of Serikat Petani Kepala Sawit (Organisation for Representing Smallholders) during the RT8 Conference in Jakarta. Mr Paul Wolvekamp of Both ENDS mediated the meeting that was also attended by representatives of Sawit Watch and House of "Adat" from Sanggau. Inquiries by BSi indicated that significant progress has been made with regard to the issues raised earlier. No new issue was highlighted during the meeting.

BSi's continued involvement with 13 of the Sime Darby Management Units during the previous 12 months has not identified:

- (1) any unresolved significant land disputes;
- (2) any replacement of primary forest or loss of HCVs (Sime Darby did not carry out any new land development during 2010/11);
- (3) any labour disputes that are not being resolved through an agreed process;
- (4) any evidence of noncompliance with any law at any of the landholdings.

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

1.6 Progress of Associated Smallholders/ Outgrowers towards RSPO Compliance

SOU26 has nominated one of the Sentosa Estate Assistant Managers for being responsible for implementing the RSPO P&C with the Smallholders and Small-growers who supply FFB to the Mill.

A BSi Assessor visited one of the Small-growers, Corporate Spirit, and inspected the oil palm block. The Smallholder's progress with implementation of the RSPO P&C was assessed against the "Specific National Guidance for Smallholders and Small-growers" published in the MY-NI: October, 2010.

Interview of the Supervisor who manages the upkeep and harvesting of the Small-grower Estate, found the level of awareness of RSPO had not increased during the previous 12 months, but remained at the "initial awareness level". Inspection of the oil palm and facilities at the smallholding showed the palms were well maintained and the block was free of weeds. However, a number of the RSPO requirements had not yet been adequately addressed.

The Assessment Team concluded that SOU26 needs to allocate an appropriate level of resources for training and assistance to the Smallholders and Small-growers in order to meet the target of achieving compliance with the RSPO requirements. As noted in the ASA2 Report, only the crop from the two Smallholders (Banco Bin Jansie and Novel Borneo) is included in the RSPO Certificate at this time.

1.7 Organisational Information / Contact Person

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 Management Unit SOU26
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 Contact Person: Mr Mohamed Azhaza Abdul Aziz
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2.0 ASSESSMENT PROCESS

2.1 Assessment Team Members

Charlie Ross – Lead Assessor RSPO
 B.App.Sc. M.Sc (Env.Studies)
 Topics assessed: Legal, Environment, Agricultural Practices, Social, Sustainability

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

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

Noryati Hambali – Facilitator Women and Families

2.2 Assessment Programme

The Assessment was carried out between 27 and 29 June 2011 and the Programme is included as Appendix B.

The Assessment Programme included physical inspections of the Mill, Tunku and Tun Tan Estates, associated facilities and infrastructure and one Small-grower. Observations were made of tasks at each work station in the Mill, as well as harvesting, fertiliser application and the handling and application of herbicide at the two Estates. Checklists and questionnaires were used to guide the collection of information. Targeted visits were made to Sentosa and Tigowis Estates for following up issues identified during the 2010 ASA2 Surveillance Assessment.

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.

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

Mr Aryo Gustomo, BSi RSPO Scheme Manager, has reviewed this report for conformance with BSi

Procedures and the RSPO Certification System requirements.

2.3 Stakeholder Consultation

Internal and external stakeholders were contacted and interviewed. The Social Assessor visited each of the three local villages and met with village representatives and residents. A list of stakeholders contacted is included as Appendix C.

Stakeholders were interviewed in private and company officers were not present at any of the stakeholder interviews.

A visit was made to the Small-grower "Corporate Spirit" to assess progress with implementation of the applicable RSPO P&C – refer Section 1.6 Page 4.

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

During this ASA3, the Assessment Team identified nonconformities against Minor Compliance Indicators 4.4.6, 5.2.3, 5.3.2 and 5.5.3. Sixteen (16) Observations/Opportunities for Improvement were identified – refer Section 3.2 Page 13 for details.

Review of the nonconformities assigned during previous Assessments found that implementation of corrective actions has been maintained and all Nonconformities assigned remain closed. In addition, the ten observations identified during ASA2 had been actioned and the improvements were considered to be effective for addressing the issues – refer Section 3.3 Page 14 for details.

PRINCIPLE 1: Commitment to Transparency

SOU26 has kept up to date records of communications and has provided information to the public on request, in accordance with Sime Darby Group Policy. The Mill and Estate Managers maintained dialogue with local communities during the year and this was helpful to keep the local people updated on issues of concern to them. The company updated the relevant policies and procedures when Head Office advised of changes and where appropriate the documents were made publicly available.

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 Estates operate a filing system for receiving and responding to requests for information relating to the oil palm operations. Inspection of the files showed that during the past year, requests for information were received only from Government Departments and the Malaysian Palm Oil Board. SOU26 responded

appropriately with the requested information. For example, SOU26 received a letter on 15 November 2010 from the MPOB requesting information for a survey on Biogas and Renewable Energy Use, and replied to this request on 04 January 2011.

PRINCIPLE 2: Compliance with Applicable Laws and Regulations

SOU26 has kept all of the applicable licenses up to date and the Mill displays these in the foyer of the office. In addition, the internal systems for routine checking and assessment of legal compliance with applicable laws and regulations, such as an audit on 16 June 2011, were maintained. The testing of mill boiler emissions, treated effluent and the quality of drinking water supplies to housing were well within compliance with the applicable limits. Inspection of a sample of boundary stones at Tunku and Tun Tan Estates confirmed these were clearly marked and visibly maintained. During the visit to local communities, representatives did not raise any issues in relation to land tenure and confirmed they were aware that the boundary stones had been surveyed and located to demarcate the SOU26 land.

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

Inspection of records confirmed that the Mill has maintained legal compliance with statutory requirements such as the Factories & Machinery Act 1967, the OSH Act 1994 and the Environmental Quality (Clean Air Regulation) 1978. The Mill maintains a list of licences and expiry dates and a copy of each licence is displayed in the Mill Office foyer. All of the licences were current, for example Boiler No 1 Certificate current to 03 July 2012.

Records were available confirming the mill boiler smoke density meter was calibrated and tested by STS Instruments on 01 June 2011 (Work Report No 1679). Uniquejaya Environmental Services carried out boiler emission testing of chimney No1 (Report 11 April 2011) and confirmed the measurements were well below the allowable limit of 0.4 g/Nm³. Inspection of a sample of smoke density records confirmed compliance with regulatory requirements. Review of mill effluent treatment monitoring results showed that BOD measurements during the preceding 12 months decreased from a high of 190 mg/L in June 2010, which was well below the limit of 1,000 mg/L for land application (Figure 3). In May 2010, SOU26 commissioned a polishing plant for the treatment of mill effluent and this has reduced the BOD and TSS concentrations of the final effluent.

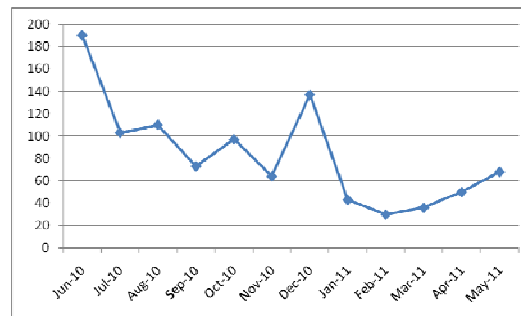


Figure 3: BOD (mg/L) of Treated Mill Effluent June 2010 to May 2011

The treated water supplies to Mill and Estates housing were tested by Millivest Sdn Bhd on 11 May 2011 (Report No MI/WATR/20110002/WHO Mill Housing; Report No MI/WATR/20110008/WHO Tunku Estate Housing) and all parameters were within the Malaysian Drinking Water Quality Standard, including bacteriological tests. **Observation 01: Laboratory tests of Tun Tan Estate drinking water quality on 21 May 2011 indicated slight exceedance of the dissolved cadmium level (0.007 mg/L) compared to the limit of 0.005 mg/L. The drinking water should be re-sampled and re-tested immediately. It should be noted that these low concentrations are slightly above the laboratory analytical method reporting limit – refer Section 3.2 Page 13.** SOU26 is implementing a Programme to replace the original timber houses with 3 bedroom houses.

Inspection of records confirmed that the Mill has a letter from Department of Labour dated 6 June 2011 approving extension of overtime hours to 150 per month current to 2014. Inspection of pay records showed that monthly overtime for mill workers was within the approved limit.

The Mill and Estates had maintained the Legal Register that lists the applicable laws and contains information on legal requirements and updates. The Legal Requirements Register was reviewed on 10 June 2010 and updated in relation to Sime Darby Group Policies and Operating Procedures relating to Monitoring ESH Activities and Performance.

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

Interview of local community representatives did not identify any land issues or claims in relation to the SOU26 landholdings. Samples of boundary stones were inspected at Tunku and Tun Tan Estates and found to be well maintained, with vegetation controlled so that the markers were clearly visible.

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 SOU26 land is Government Leasehold and there is no customary land within the property. The

company does not restrict local peoples' access through the Estates, except in relation to the transport of FFB, which requires permission from the Mill Manager or his designate.

PRINCIPLE 3: Commitment to Long Term Economic and Financial Viability

The Mill and Estates have reported their monthly production achievements against the budget parameters set by Sime Darby Management. The Mill OER during 2010/11 was well below budget because of the prolonged wet weather that resulted in increased water content of fruit delivered to the mill. FFB production also was below target due to the effect of the exceptionally high rainfall of 4,473 mm in 2011, compared to the long-term average of 3,433 mm. Another factor affecting FFB production is the ageing palms, with all of the original plantings carried out over a 3 year period and are now due for replanting. Sime Darby's commitment to long term economic and financial viability was demonstrated by considerable investment in upgrading infrastructure, such as the programme to replace the original timber housing with larger permanent dwellings.

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

The SOU26 Business Plan was reviewed at the time of the annual budget preparation in May 2011 and updated with revised production forecasts to take into account the replanting programme. SOU26 has prepared a 5 year replanting Programme and commenced replanting of the older palms in the 2010/11 year. The Estates average annual FFB Yield has been declining (Figure 4), for example, Tunku Estate reduced from 22.43 t/ha in 2007/08 to 18.86 in 2009/10 due to the Estate's inability to maintain sufficient harvesters and poor crop recovery from the hilly terrain.

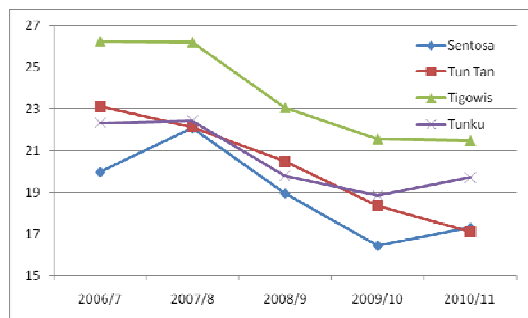


Figure 4: Average Annual FFB Yield 2006 – 2011

The Mill annual average OER (Figure 5) has increased to 22.9% in 2009/10, but then has decreased year-to-date to 21.26%, which was explained due to the unseasonal wet weather, and the high moisture content of bunches that negatively affects OER.

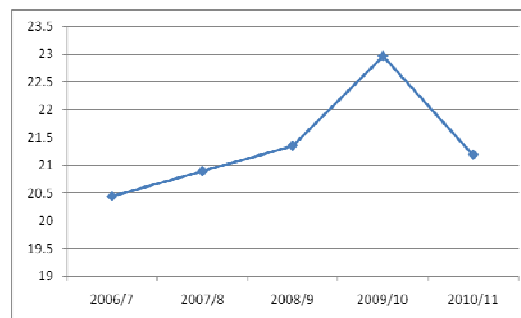


Figure 5: Average Annual OER (%) 2006 – 2011

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

Sime Darby 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 and Plantation Advisors 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. The monitoring of water quality of streams that drain the Estates showed no significant difference in Water Quality Index between the upstream and downstream sampling locations.

SOU26 has continued to control the storage and use of pesticides. Herbicide is pre-mixed at the pesticide store and the pre-mixed chemical is transported in 20 litre containers to the field together with spray equipment. Review of records confirmed sprayers had received training and Medical Surveillance had been carried out in accordance with CHRA requirements. Inspection of the application of herbicide showed that workers were following safe work practices and were aware of the hazards associated with the herbicides being used.

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

The SOPs for the Mill and Estate operations were available at the offices and Work Instructions were displayed at work stations in the Mill and at the Estates.

Sime Darby monitors the implementation of SOPs by periodic visits by a Mill Advisor, a Plantation Advisor and an Agronomist. Copies of the Mill Advisor's reports for previous 12 months and the Mill Manager's reply were examined during the site visit. The Mill Advisor's visit 23-24 February 2011 did not identify any legal noncompliance, but noted the failure of the composting contractor to process the required quantity of EFB and mill effluent. The Mill Engineer developed an Action Plan for addressing the issues raised by the Mill Advisor.

The Plantation Advisor visited each of the Estates and Tunku Estate 10-12 January 2011 and raised issues

related to crop recovery that were due to the difficult terrain and high rainfall of the area. The Plantation Advisor made recommendations for improvement that are being implemented by the Estate management. Issues raised by the Plantation Advisor were addressed in an Action Plan prepared by the Assistant Manager for each of the Estates.

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 Agronomists make periodic visits to the Estates and inspect field conditions and the visual appearance of the palms.

The Agronomist carried out soil sampling at Tunku Estate in October 2011. The Agronomist visited Tunku Estate in July 2010 and inspected palms and field conditions for preparing the annual fertiliser Programme based on the results of leaf samples, palm yields and soil sampling.

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

The Estates have a programme of road improvement involving re-surfacing with rock from a quarry at Tunku Estate. The total length of Tunku Estate main roads and harvest roads that will be resurfaced in 2011/12 is 33.9 km.

Inspection of fields of mature palms and recently replanted areas found relatively good groundcover of vegetation on the terraces. At mature palms, *Nephrolepis spp* ferns were well established consistently along the palm inter-row, but at some low-lying flat areas, groundcover was "patchy". At the replanting area, *Pueraria javanica* and *Calapogonium caeruleum* were planted on the terraces immediately following planting of the palms. **Observation 02:** *Groundcover vegetation was inadequate at some low-lying flat areas of Tunku Estate, and the absence of vegetation along the frond stacks may indicate that over-spraying may have occurred – refer Section 3.2 Page 13.*

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

The Mill and Estates have continued the water quality sampling of surface streams, for example at Tunku Estate, samples were collected on 12 April 2011. The results showed no significant differences between upstream and downstream samples, except with respect to TSS. The Mill implemented recycling of steam turbine cooling water in 2009/10 for use in mill cleaning. This has reduced the water usage from 1.81 t/t FFB in 2008/9 to 1.19 t/t FFB in 2009/10 (Figure 6). The level of water usage generally is above the target of 1.0 t/t FFB because the steam turbine is operated outside of processing hours to generate standby electricity for the office and for housing.

CR07: *A Nonconformity was assigned because the Mill monsoon drains sediment traps had not been cleaned – refer Section 3.2 Pages 12.*

Observation 03: *Although Tun Tan Estate has mapped riparian buffer zones for reinstatement at future replanting, however inspection found that some of the original markers for demarcation had not been maintained, for example at Block 10 – refer Section 3.2 Page 13.*

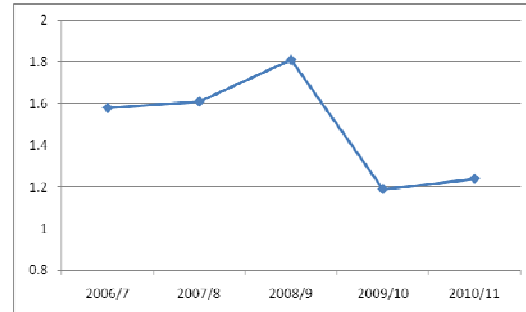


Figure 6: Annual Mill Water Usage 2006-2011

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

The main palm pest is the rat. The estates have tried to introduce barn owls from Peninsular Malaysia, but this has been unsuccessful. The Estates therefore find it necessary to use chemical treatment, which is based on monitoring of rat damage and the uptake of rat baits during application.

To date there has been no outbreak of leaf eating palm pests. The Estates are continuing to establish beneficial plants along roadsides.

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

Inspection of the Pesticides Stores and records confirmed only pesticides are used that are registered by the Pesticides Board. The Estates did not hold any stock of World Health Organisation Type 1A or 1B chemicals or paraquat.

Inspection of the Pesticide Stores confirmed the storage has been maintained to meet regulatory requirements, for example, security, ventilation, signage, lighting, spill containment, separation and labeling of chemicals. Labelling of all chemicals and Work Instructions is in Bahasa Malaysia. Work Instructions are displayed at the pesticide storage and mixing areas. The estates pre-mix herbicide concentrate with water and transport the spraymix to the field in 20 litre containers. **Observation 04:** *There was no Work Instruction at Tunku Estate pesticide mixing area to show the quantity to be*

measured for preparing 20 Litres of pre-mix for each spray application – refer Section 3.2 Page 13.

Observation 05: The accuracy of measuring liquid pesticide concentrate could be improved by replacing the measures with plastic laboratory grade measuring cylinders – refer Section 3.2 Page 14.

The sprayers undergo monthly medical checks at the Estates clinic. CHRA medical surveillance was carried out by a DOSH registered doctor from Klinik Mansor Sdn Bhd on 18 August 2010 for a total of 21 workers and sprayers.

Interview of female pesticide operators confirmed they were aware that once they fell pregnant and wished to continue working they would be transferred to other duties. Upon return to work they are not permitted to commence spraying duties until they have ceased breastfeeding. Aerial spraying is not carried out at SOU26. No buyer has yet requested CPO testing for chemical residues.

The Estates have continued to maintain records in the Daily Issues Book of the quantities of chemicals used. Copies of Stores Issues records are held at the Estates for 5 years.

Observation 06: At Tunku Estate a number of 20 Litre plastic drums containing pre-mixed pesticide were not clearly marked to show the content – refer Section 3.2 Page 14.

Observation 07: The presence of a discarded empty pesticide container at the landfill indicates inadequate control of schedule waste material – refer Section 3.2 Page 14.

Observation 08: At Tun Tan Estate two MSDS were not available in Bahasa Malaysia and the MSDS were not available for two recently purchased chemicals. At Tunku Estate, the MSDS for Glyphosate was not available in Bahasa Malaysia – refer Section 3.2 Page 14.

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

SOU26 has implemented an ESH Management Plan for improvement of safety of employees. Risk Assessments (HIRAC) have been updated for the main tasks in the Mill (18 January 2011) and the Estates (12 June 2011). Records were available confirming that quarterly OSH meetings had been held at the Mill and the Estates for review of safety performance and discussion of workplace health and safety issues. Tunku Estate held a quarterly Safety Committee Meeting on 19 May 2011, with 33 attendees. Safety briefings are given at muster to reinforce awareness and specific training is carried out for workers related to their work, including correct wearing of PPE. **Observation 09:** Although Tunku Estate provides a safety briefing for visitors, Emergency Response Training and a Simulated Emergency Drill had not been carried out since 2009 – refer Section 3.2 Page 14.

Observation 10: At Tunku Estate Workshop, the mechanic's damaged safety goggles for oxy-acetylene welding and cutting had not been replaced with the correct type, however this was corrected immediately – refer Section 3.2 Page 14.

Observation 11: At Tun Tan Estate Workshop and Pesticide Store, two fire extinguishers required recharging, which indicated inadequate monitoring – refer Section 3.2 Page 14.

The Emergency Response Plans had been reviewed and updated where necessary, for example Tunku Estate for changes to the management structure. All accidents are investigated and reported to Sime Darby Head Office. Examination of the accident records showed that only one LTI occurred at the Mill during the previous 12 months (June 2010) and that was a minor injury.

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

The Mill and Estates updated the Training Matrix for the 2011/12 year and has maintained records of training carried out during the previous year.

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

The Environment Protection Department, Kota Kinabalu, Sabah approved the replanting of land to oil palm, for example, 162.94 ha at Tunku Estate, Reference JPAS/PP/17/600-1/11/1/106 (19) dated 2 November 2010. Inspection of the replanting area and records held on file showed compliance with the replanting approval conditions.

Inspections confirmed that conservation set-asides, such as the Tunku Estate water supply catchment and pond, were being maintained and protected from disturbance. The Mill and Estates carried out awareness to staff and workers to reinforce the need to protect flora and fauna.

The Estates continued to operate small landfills for the disposal of non-recyclable materials. Inspections confirmed the small landfills were being maintained in accordance with local government regulations. The Estates have commenced a Programme to separate recyclable materials from refuse.

Inspections showed there had been insufficient attention given to the pollution prevention measures, such as inspecting and maintaining the sediment and oil traps on drains at the Mill and workshops, to prevent the discharge of oil and sediment off-site.

Inspections showed that fire has not been used for waste disposal during replanting and the operations were consistent with Sime Darby's zero-burning policy.

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

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

The Mill and Estates reviewed and updated the Environmental Aspects and Impacts Registers and the Environmental Improvement Plans. For example the Estates reviewed the register and Improvement Plans on 20 June 2011. In 2011/12 Tunku has budgeted for construction of a larger scheduled waste store.

Tunku Estate engaged Sinoh Environmental Sdn Bhd to conduct the EIA for replanting of land to oil palm and the Environmental Compliance assessment and reporting of compliance to the Environment Protection Department, Sabah.

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 Mill and Estates conducted awareness to the workers during muster briefings on the protection of flora and fauna. Inspections confirmed that conservation set-asides, such as the Tunku Estate water supply catchment and pond and the mangroves bordering the Estate, were being maintained and protected from disturbance, in accordance with the Conservation Management Plan.

CR08: A Nonconformity was assigned because at Tun Tan Estate Block 13, bananas had been planted within the riparian buffer zone – refer Section 3.2 Page 13.

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

The Mill and Estates have revised the Waste Management Plan to include information on the bio-composting plant. The plant produces organic fertiliser from the composting of palm by-products (EFB, excess fibre, nut shell, boiler ash and mill effluent).

Inspections of the Mill and the Estates confirmed the solid and liquid wastes were consistently controlled in accordance with the Waste Management Plan.

Boiler ash and fly ash were stored in bunkers at the Mill to prevent material from entering the stormwater drain system.

Recyclables such as scrap metal from the workshops were stored in a designated area for sale to a recycler. Non-recyclables and domestic refuse were disposed in a small landfill located at each Estate. **Observation 12:** The Tunku Estate landfill trench had recently been closed but the litter nearby had not been cleaned up – refer Section 3.2 Page 14.

Observation 13: At Tun Tan Estate Recycling Area, many of the materials have remained stored for three years. Currently there does not appear to be a plan for removing/transport of the materials off site to a Recycle – refer Section 3.2 Page 14.

Scheduled wastes such as spent lubricating oil and used chemical containers are stored in secure purpose-built stores at each Estate and the Mill. Inspection of the scheduled waste stores and associated records confirmed the scheduled wastes were well controlled and were collected by DOE Licensed contractors. Records were available such as a copy of manifest, for example, Consignment No: CSB:1876 for collection of hydrocarbon contaminated waste filters, gloves & rags by Cahajasa Sdn Bhd on 19 January 2011.

Medical wastes are transported to Kinabangan Hospital for collection by DOE Licensed Contractor Faber Medi-Serve Sdn Bhd.

CR09: A Nonconformity was assigned because at Tun Tan Estate Workshop the Pollution Prevention Plan was not adequately implemented – refer Section 3.2 Page 13.

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

The electricity usage (Figure 7) has increased due to requirements for the composting plant conveyor, the effluent polishing plant and domestic demand from workers in new housing. In addition, the quantity of FFB processed at the Mill has declined over the past year, which has resulted in increased use of the diesel genset to meet the demand and a corresponding increase in the Indicator for non-renewable energy.

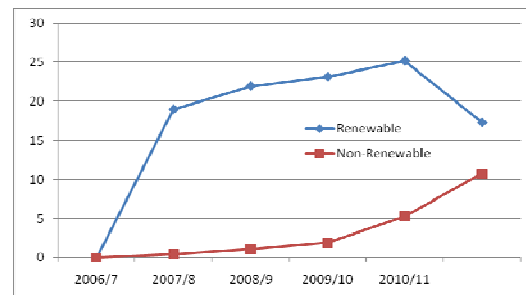


Figure 7: Renewable and Non-renewable Energy Usage (kWhr/t FFB) 2006-2011

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

Inspection of the replanting area confirmed that the old palms had been felled and chipped for use as mulch. However, during inspections of the Mill and the Estates it was found that fire had been used for domestic waste disposal at Tun Tan Housing.

CR10: A Nonconformity was assigned because inspection of Tun Tan Estate housing found evidence of fire being used for domestic waste disposal – refer Section 3.2 Page 13.

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

The Pollution Prevention Plan was updated in June 2011 with information on the bio-compost plant. The bio-compost plant utilised considerably less FFB and mill effluent than the planned 30% of the mill effluent. This resulted accumulation of EFB at the Mill. The Mill installed a concrete bund for containment of leachate from the EFB stockpile and a sump and pump for reclaim of collected leachate. The Mill implemented a system for recycling of steriliser condensate for use as dilution water, which will improve oil recovery and utilise waste water.

At replanting, the Estates are constructing terraces with a back-slope and with stop bunds for collection and conservation of water. This will increase the infiltration and use of water and reduce the amount of rainfall runoff, which in turn will reduce the risk of soil erosion and sedimented runoff entering the streams.

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

SOU26 reviewed and updated the SIA and Social Action Plan in July 2010. Major improvements were the construction of fifteen new three-bedroom houses at Tun Tan Estate and twelve new houses at Tigowis Estate during the year.

Interviews of local community representatives found there was a good relationship with the company that was maintained through regular informal meetings. Communication between company management and workers was maintained through quarterly JCC meetings at the Mill and each Estate.

Sime Darby signed a collective agreement with Sabah Plantation Industry Employees Union (SPIEU) on 22 October 2009 for the formation of Workers Union at SOU26. In relation to the agreement, the SPIEU representative visited SOU26 to initiate the formation of Workers Union in May 2010. Interviews of workers and their families indicated there were no issues related to discrimination. The Gender Committees continued to operate and there was good participation by female staff and workers.

The company continued to maintain a good relationship with Contractors and Smallholders.

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.

SOU26 updated the SIA and the Social Action Plan in July 2010 and took into account input from internal and external stakeholders. The improvement of worker housing and worker amenities continued as the priority issues to be addressed in the Social Action Plan. The Social Action Plan was updated with the following items:

- Continued operation of JCC;
- Operation of Gender Committee;
- Construction of new 3 bedroom houses

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.

SOU26 has carried out informal visits to local communities to provide information on the company's operations and to receive feedback on any issues. Interview of representatives at each of the three local villages confirmed that SOU26 staff had visited and there was improved communication with the company. SOU26 has reviewed and updated the list of stakeholders, for example at Tigowis Estate in July 2010. **Observation 14: The Tun Tan Estate Stakeholder List could be improved by including Government, NGO and Union Official details – refer Section 3.2 Page 14.**

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.

SOU26 continued to operate with an informal approach to complaints and grievances, which is open to stakeholders to raise any issues directly with the managers and assistants and these are documented.

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

There has been no loss of customary land or access rights at SOU26.

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.

The majority of labourers are recruited from Indonesia on 5 year contracts. The sample of workers interviewed found that they understood their employment terms and conditions and pay rates. Checks of samples of pay records at the Mill and Tunku Estate confirmed workers and staff were paid in accordance with their contracts. The current daily rate and the piece rate for harvesters were displayed on notice boards at muster areas.

Interviews of workers and their families who were now residing in the new houses at Tunku and Tun Tan Estates found a very high level of satisfaction. An issue raised by residents was the time taken for the new Humana School to commence operation. The School building is completed and SOU26 advised that they are working with Borneo Child Aid Society to engage teachers. The BSi Assessor contacted Borneo Child Aid Society during the ASA3 and was advised that arrangements are presently being made to engage a suitable number of teachers for SOU26 Humana School but this was taking longer than expected.

Observation 15: Presently there is no formal system for residents of Tunku Estate to register requests for repairs

to housing as some “verbal” requests are not being actioned. – refer Section 3.2 Page 14.

Observation 16: *The Kindergarten has no water supply and there is no equipment (educational or recreational) at either the Kindergarten or the Crèche. – refer Section 3.2 Page 14.*

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

Interview of staff and workers confirmed the company respects their right to join a union and that there were no issues regarding union officials visiting site. Contact with SPIEU confirmed there were no significant worker issues at SOU26.

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 records found that checks of age were made consistently for all new hires and details were available of the foreign workers passports. During site visits, children were not found at any of the work places at the Mill or the Estates.

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 Mill and Estates did not identify any issues related to discrimination.

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*

SOU26 has continued to maintain awareness of the company policies through muster briefings and the display of information on noticeboards. Interviews of female Staff and Workers indicated issues were resolved in an appropriate and timely manner.

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

SOU26 purchases FFB from 2 Smallholders and 5 Small-growers and although their FFB represents only a small proportion of the mill throughput, the company has maintained a good relationship with them. Interview of the Small-growers confirmed they understood their contracts and they stated they had been supplying FFB to SOU26 for several years. The growers understood the

Mill FFB grading system and the penalties applied for poor fruit quality.

The contractors interviewed had worked with SOU26 for a number of years and understood the contracts, which had been explained to them. The FFB transport contractor had worked with SOU26 for 15 years and had not experienced problems with payments, which were made on time.

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

SOU26 makes contributions to local communities when requested that are considered appropriate for the situation. Examples are provision of clean water, access road maintenance and sports field upkeep.

PRINCIPLE 7: Responsible Development of New Plantings

SOU26 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.

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

SOU26 did not purchase or use any WHO Type 1A or Type 1B chemicals during the year and these have not been used since 2000. Paraquat also had not been purchased during the year and has not been used at the Estates since 2004.

The Mill and Estates reviewed and updated the Environmental Aspects and Impacts Register and Improvement Plans. Inspections confirmed previous improvements had been implemented, such as the installation of rainwater tanks at Tunku Estate housing for collecting rainwater.

In 2010/11 the Mill is implementing a system for the re-use of steriliser condensate as dilution water in processing. This will reduce water usage, improve oil recovery and utilise waste heat.

The major item of the Social Action Plan was the construction of a new Humana school at Tun Tan Estate. Inspection confirmed that the construction of the school has been completed and was ready for hand-over following final inspection.

The Mill and Estates have captured information on expenditure for environmental and social improvements in the accounting system.

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.*

Tunku Estate construction of replacement housing is well underway with 1 block of 12 units completed, another

block of 12 units under construction and 4 additional blocks scheduled to be built.

3.2 Identified Nonconformities and Noteworthy Positive and Negative Observations (ASA3)

Nonconformities were assigned to Minor Compliance Indicators 4.4.6, 5.2.3, 5.3.2 and 5.5.3 during this ASA3. Sixteen (16) Observations/Opportunities for Improvement were identified.

SOU26 has prepared a Corrective Action Plan for addressing the identified Nonconformities, which BSi has reviewed and accepted.

CR07: 4.4.6 Water drainage into protected areas is avoided wherever possible. Appropriate mitigating measures will be implemented following consultation with relevant stakeholders

A Nonconformity was assigned because inspection on 27 June of the Mill monsoon drains sediment traps showed these had not been cleaned, although the Inspection Checklist completed on the 26 June 2011 was signed as having been inspected and cleaned. At Tun Tan and Tunku Estates, there did not appear to be regular (weekly) inspection and cleaning of workshop sediment traps.

Corrective Action:

- The sediment traps were cleaned immediately this was pointed out.
- An additional mechanism will be implemented to ensure the checks and sediment traps cleaning has been carried out by assigning responsibility to the Assistant Engineer.

Progress toward resolution of the issues will be followed up by BSi Assessors at the next Surveillance Assessment (ASA4).

CR08: 5.2.3 Evidence of a commitment to discourage any illegal or inappropriate hunting fishing or collecting activities, and developing responsible measures to resolve human wildlife conflicts

A Nonconformity was assigned because inspection at Tun Tan Estate Block 13 found recently planted bananas within the riparian buffer zone demarcated for future reinstatement, which indicated inadequate commitment to discourage inappropriate activities within the HCV4 area.

Corrective Action:

- The bananas were removed immediately.
- Additional awareness will be conducted to workers.
- Buffer zones will be inspected monthly to check for disturbance.

Progress toward resolution of the issues will be followed up by BSi Assessors at the next Surveillance Assessment (ASA4).

CR09: 5.3.2 Having identified wastes and pollutants, an operational plan should be developed and implemented to avoid or reduce pollution.

A Nonconformity was assigned because at Tun Tan Estate Workshop, the pollution prevention plan was not adequately implemented to prevent soil contamination from waste oil spillage.

Corrective Action:

- The oil spillage within the workshop has been cleaned. The contaminated soil has been removed and placed in the scheduled waste store.
- The Estate will include inspection for control of hydrocarbons on the monthly check list.

Progress toward resolution of the issues will be followed up by BSi Assessors at the next Surveillance Assessment (ASA4).

CR10: 5.5.3 No evidence of burning waste (including domestic wastes).

A Nonconformity was assigned because inspection of the Tun Tan Estate housing found evidence of fire being used for disposal of domestic waste.

Corrective Action:

- A warning letter has been issued to Staff and Workers.
- Additional awareness to be carried out.
- Monthly inspections by Hospital Assistant to check for evidence of fire.

Progress toward resolution of the issues will be followed up by BSi Assessors at the next Surveillance Assessment (ASA4).

Noteworthy Negative Observations (ASA3)

The assessment team identified Sixteen (16) Observations/ Opportunities for Improvement. The progress with the Observations/Opportunities for Improvement will be checked during the next Surveillance Assessment (ASA4).

01 (2.1.1) Laboratory tests of Tun Tan Estate drinking water quality on 21 May 2011 indicated slight exceedance of the dissolved cadmium level (0.007 mg/L) compared to the limit of 0.005 mg/L. The drinking water should be re-sampled and re-tested immediately. It should be noted that these low concentrations are slightly above the laboratory analytical method reporting limit.

02 (4.3.2) Groundcover vegetation was inadequate at some low-lying flat areas of Tunku Estate, and the absence of vegetation along the frond stacks indicated overspraying may have occurred.

03 (4.4.1) Although Tun Tan Estate has mapped riparian buffer zones for reinstatement at future replanting, however inspection found that some of the original markers for demarcation had not been maintained for example at Block 10.

04 (4.6.1) There was no Work Instruction at Tunku Estate pesticide mixing area to show the quantity to be measured for preparing 20 Litres of pre-mix for each spray application.

- 05 (4.6.1)** The accuracy of measuring liquid pesticide concentrate could be improved by replacing the present measures with plastic laboratory grade measuring cylinders.
- 06 (4.6.3)** A number of 20 Litre plastic drums containing pre-mixed pesticide were not clearly marked to show the content.
- 07 (4.6.3)** The presence of a discarded empty pesticide container at the landfill indicates inadequate control of schedule waste material.
- 08 (4.6.4)** At Tun Tan Estate two MSDS were not available in Bahasa Malaysia and the MSDS were not available for two recently purchased chemicals. At Tunku Estate, the MSDS for Glyphosate was not available in Bahasa Malaysia.
- 09 (4.7.1)** Although Tunku Estate provides a safety briefing for visitors, Emergency Response Training and a Simulated Emergency Drill had not been carried out since 2009.
- 10 (4.7.1)** At Tunku Estate Workshop, the mechanic's damaged safety goggles for oxy-acetylene welding and cutting had not been replaced with the correct type. This was corrected immediately.
- 11 (4.7.1)** At Tun Tan Estate Workshop and Pesticide Store, two fire extinguishers required recharging, which indicated inadequate monitoring.
- 12 (5.3.2)** The Tunku Estate landfill trench had recently been closed but the litter nearby had not been cleaned up.
- 13 (5.3.2)** At Tun Tan Estate Recycling Area, many of the materials have remained stored for three years. Currently there does not appear to be a plan for removing/transport of the materials off site to a Recycler.
- 14 (6.2.3)** The Tun Tan Estate Stakeholder List could be improved by including Government, NGO and Union Official details.
- 15 (6.5.3)** Presently there is no formal system for residents of Tunku Estate to register requests for repairs to housing as some "verbal" requests are not being actioned.
- 16 (6.5.3)** The Kindergarten has no water supply and there is no equipment (educational or recreational) at either the Kindergarten or the Crèche.

Noteworthy Positive Observations

- Reduction in BOD of treated POME due to installation of a polishing plant.
- Reduction in water usage through recycling of steam turbine cooling water.
- Construction to replace housing has continued with many units now completed and occupied.

3.3 Status of Nonconformities (Major and Minor) Previously Identified (ASA2)

Review of Nonconformities assigned to Major Compliance Indicator 6.1.1 during the Initial Certification Assessment; Major Compliance Indicator 2.1.1 and Minor Compliance Indicators 2.1.3, 4.3.2 and 5.3.2 during the ASA1 found corrective actions were being effectively and consistently implemented and the nonconformities remain closed. Zero Nonconformities were identified during ASA2 requiring follow up.

Review of Progress with Observations/Opportunities for Improvement Previously Identified (ASA2)

1. **(4.7.1)** The Mill has implemented safety requirements consistently for employees and contractors who work within the Mill compound. Inspection of the recently commissioned bio-composting plant that is operated by a third party Contractor and located adjacent to the Mill, found that although the Mill supervises the composting contract, the same standard of Mill OHS has not been applied consistently to the contractor's workers.

ASA3 Findings: *Inspection of the compost site found that the workers had been issued with the standard set of PPE and were wearing them when carrying out tasks.*

2. **(4.7.1)** Inspection of the Tigowis Workshop found that the "Inspection Checklist" had not been followed to identify a potential hazard associated with welding equipment.

ASA3 Findings: *Due to time constraints a visit to Tigowis Estate was not possible during ASA3. Follow-up of OBS02 will be carried out during ASA4.*

3. **(4.7.1)** At Tigowis Estate, an oil leak from the diesel genset had not been controlled and had formed a slip hazard on the concrete floor.

ASA3 Findings: *Due to time constraints a visit to Tigowis Estate was not possible during ASA3. Follow-up of OBS03 will be carried out during ASA4.*

4. **(4.7.1)** The individual Mill Plans for each of the potential emergencies had been reviewed, but the overall Emergency Response Procedure had not been updated to include the associated site plan and emergency contact numbers.

ASA3 Findings: *The Mill had updated the Emergency Response Procedure with a Site Plan and Contacts on 22 November 2010.*

5. **(4.7.1)** The Tigowis Emergency Response Procedure is overdue for review and update.

ASA3 Findings: *Documents provided showed the Procedure had been reviewed.*

6. **(5.1.1)** Sentosa Estate Environmental Aspects and Impacts register has been updated to include potential impacts from replanting that is planned to commence in 2011, but did not assign "soil

disturbance and soil erosion" in the significant impacts category. In consideration of the hilly terrain at parts of SOU26, it is appropriate that the land disturbance at replanting be recognised as a significant impact.

ASA3 Findings: Documents provided showed the Environmental Aspects had been reviewed.

7. (5.3.2) Crop residues and other wastes continued to be well managed at the Mill, however, there was inadequate control of used packaging materials and workshop wastes at the recently commissioned third party Contractor's compost site.

ASA3 Findings: Inspection found the Contractors Office and workshop areas were neat and tidy and refuse had been collected and removed.

8. (5.3.2) At Tigowis Estate, used pesticide containers and other scheduled wastes had filled the scheduled waste store to capacity and arrangement needs to be made for collection by the licensed contractor.

ASA3 Findings: Due to time constraints a visit to Tigowis Estate was not possible during ASA3. Follow-up of OBS08 will be carried out during ASA4.

- 09 (6.1.2) The Mill and Estates have reviewed the Social Action Plan prepared by Wild Asia, and follow-up meetings have been held with external stakeholders, but the issues raised have not been included in the SIA Action Plan.

ASA3 Findings: Local communities were consulted to identify any social issues and these were incorporated into the Social Action Plan.

- 10 (6.2.3) A number of Stakeholders were not included in the 2010 updated Mill Stakeholder List, for example the SPIEU Official.

ASA3 Findings: The Mill had updated Stakeholder List and included all relevant stakeholders. However, the Tun Tan Estate Stakeholder List was incomplete (Government, Non Government Organisations (NGOs), Union Official).

3.4 Issues Raised by Stakeholders

The issues raised by stakeholders during the ASA2 were followed up during this Assessment and found to have been actioned appropriately by the company.

Issues Raised During ASA3

The majority of stakeholders had positive comments about SOU26. For the situations where stakeholders raised issues, the company's response is stated below.

Tun Tan Estate harvesters stated they only receive one pair of rubber boots per year.

Company Response: SOU26 has identified an alternate boot that may be more durable and will trial them.

4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

4.1 Date of Next Surveillance Visit

The next surveillance visit will be scheduled within twelve months of ASA3.

4.2 Date of Closing Nonconformities (Major and Minor)

Table 6: Status of Nonconformities

Reference	CLASS	ISSUED	CLOSED
CR01	Minor	02/06/2008	17/09/2009
CR02	Minor	02/06/2008	17/09/2009
CR03	Major	17/09/2009	16/11/2009
CR04	Minor	17/09/2009	24/09/2010
CR05	Minor	17/09/2009	24/09/2010
CR06	Minor	17/09/2009	24/09/2010
CR07	Minor	29/06/2011	Open
CR08	Minor	29/06/2011	Open
CR09	Minor	29/06/2011	Open
CR10	Minor	29/06/2011	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
Sime Darby Plantation Sdn Bhd (SOU26)



Mr Mohamed Azhaza Abdul Aziz
General Manager SOU26

Date: 16/8/2011

Signed for on behalf of
BSi Group Singapore Pte Ltd



Mr Charlie Ross
Lead Auditor

Date: 19/08/2011

Appendix “A”

Sime Darby Time Bound Plan

SIME DARBY PLANTATION RSPO CERTIFICATION TIME BOUND PLAN & STATUS

Financial Year	SOU	Main Assessment	Status	Surveillance Assessment	Status
PLANTATIONS - MALAYSIA					
2010 / 2011	SOU 26	Jun-08	Certified in Oct-08	Sep-10	Re-certification approved
	SOU 28, 29, 30 & 30b*	May-08	Certified in Jan-09	Nov-10	*2 nd Surveillance Report submitted to RSPO by SIRIM
	SOU 14	Sep-08	Certified in May-10	Mar-11	1 st Surveillance Report to RSPO by BSi
	SOU 17	Sep-08	Certified in May-10	Mar 11	Assessed by SIRIM, 1 st Surveillance Report pending finalisation
	SOU 8, 9 & 9a**	Jan-08	Certified in May-10	Mar-11	**1 st Surveillance Report submitted by BSi to RSPO
	SOU 21	Feb-09	Certified in May-10	Feb-11	1 st Surveillance report submitted to RSPO by Moody Intl Cert
	SOU 25 & 30a***	Apr-09	Certified in May-10	Apr-11	***Assessed by BSi, 1 st Surveillance Report pending finalisation
	SOU 1	Jul-09	Certified in Aug-10	Jun-11	Planned
	SOU 19a	Jun-09	Certified in Oct-10	Jul-11	Planned
	SOU 20	Jun-09	Certified in Nov-10	Jul-11	Planned
	SOU 19	Jun-09	Certified in Jan-11	Jul-11	Planned
	SOU 27	May-10	Certified in Jan-11	Jan-12	Planned
	SOU 24	Dec-08	Certified in Mar-11	Nov-11	Planned
	SOU 5 & 6	Jan-09	Certified in Mar-11	Nov-11	Planned
	SOU 23	Jan-09	Certified in Apr-11	Nov-11	Planned
	SOU 7	Jul-09	Certified in Apr-11	Mar-12	Planned
	SOU 3	Mar-11	Certified in Jun-11	Mar-12	Planned
	SOU 2, 4, 5a, 18 & 22	Feb-09	Assessed, report pending finalisation with CUC		
	SOU 10, 11, 12 & 16	Jun-09	Public Summary Report submitted by CUC to RSPO		
	SOU 13, 15, 16, 31, 32, 33 & 34	Jun-09	Assessed, report pending finalisation with CUC		

SIME DARBY PLANTATION RSPO CERTIFICATION TIME BOUND PLAN & STATUS

Financial Year	SOU	Main Assessment	Status	Surveillance Assessment	Status
PLANTATIONS - INDONESIA					
2010 / 2011	SOU 13	Nov-08	Certified in Aug-10	May-11	Assessed by BSi, 1 st Surveillance Report pending finalisation
	SOU 1, 14	May-09	Certified in Nov-10	Sep-11	Planned
	SOU 2, 3, 4, & 5	Oct-10	Assessed, report pending finalisation with Mutu Agung		
	SOU 14, 15, 19 & 20	Nov-10	Assessed, report pending finalisation with Mutu Agung		
	SOU 18	Dec-10	Assessed, report pending finalisation with Mutu Agung		
	SOU 6, 7, 8, 9 & 10	Jun-11	Planned		
	SOU 11, 12, 20 & 21	Jun-11	Planned		

*Due to realignment of processing strategy, the SOU 30b mill has been designated as a third party mill with effect from September 2010 and currently is processing 100% crop procured from outside suppliers (non RSPO certified). Crop from SOU 30b estate is currently being processed by SOU 29 mill. Therefore, the Annual Surveillance Assessments were conducted only for SOU 28, 29 & 30. The RSPO certificate for SOU 30b has subsequently been withdrawn.

**Similarly, SOU 9a mill was designated as a third party mill with effect from July 2010 and crop from SOU 9a estate is currently being processed by SOU 8 mill. The RSPO certificate for SOU 9a has since been withdrawn.

***Annual Surveillance Assessment was conducted only for SOU 25 as SOU 30a mill has ceased operation with effect from August 2009. Subsequently SOU 30a was dissolved and the estate has been realigned under SOU 28. The RSPO certificate for SOU 30a has also been withdrawn.

Appendix “B”

ASA3 Programme

SOU26 ASA3 PROGRAMME – 27–29 JUNE 2011

DATE	TIME	ACTIVITY	CR	IN	RR	NH
Monday June 27	AM	Opening Meeting Document Review Interview Mill Workers Interviews (Contractors/External Stakeholders) Contact Government Offices DOSH, DOE, Labour Department, SPIEU, PACOS Review Pay Documentation Interview Female Staff/Workers Review SIA/Environment Action Plans	√ √	√ √ √ √	√ √ √ √	√ √ √ √
	PM	INSPECTION SANDAKAN BAY PALM OIL MILL Inspect Mill, Effluent Ponds, Stores, Workshop Land Application, Compost Site and Landfill Visit Local Communities (Kg Manggis Baru) Visit Small-grower (Corporate Spirit) to assess progress on implementation of RSPO P&C Visit Mill Clinic and Interview Staff Inspect Housing and Interview Residents Closing Briefing	√ √ √ √	√ √ √ √	√ √ √ √	√ √ √ √
Tuesday June 28	AM	Inspect Estate, including Buffer Zones/Interview Male Fieldworkers Inspect Stores, Landfill Inspect Housing Commence Document Review		√ √ √ √		
	PM	Visit remainder Local Communities (Kg Sg Payau) Document Review Closing Briefing		√ √ √		
TEAM 2 TUNKU ESTATE	AM	Inspect Estate, including Buffer Zones Inspect Stores, Landfill Interview Female Fieldworkers Interview Female Office Staff/Workers Review Pay Documentation	√ √		√ √ √	√ √ √
	PM	Document Review Visit Clinic and Interview Staff Inspect Housing and Interview Residents Closing Briefing	√ √		√ √ √	√ √ √
Wednesday June 29	AM	Follow up any outstanding issues/data collection Prepare Visit Report Prepare Closing Closing Meeting	√	√	√ √	

Appendix “C”

Stakeholders Contacted

STAKEHOLDERS CONTACTED

Mill 5 Male Foreign workers 5 Male Malaysian workers 5 Female Staff/Workers Residents at Housing	Tunku Estate 2 Female Staff/Workers 4 Female Sprayers 4 Female Crèche Workers Clinic Aider Family Groups at Housing
Tun Tan Estate 6 Indonesian Harvesters	External Stakeholders Borneo Engineering Service Sdn Bhd
Local Communities Kampung Sungai Payu – Imam plus residents Kampung Manggis Baru – Head plus residents	Government Departments Department of Labour Sandakan Immigration Department Sandakan Land and Survey Department Sandakan
NGOs and Others Sabah Plantation Industry Employee Union (SPIEU) Borneo Child Aid Society (Humana)	