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PUBLIC SUMMARY REPORT

RSPO

1st ANNUAL SURVEILLANCE ASSESSMENT (ASA01)

Sime Darby Plantation Sdn Bhd SOU 2: Chersonese Palm Oil Mill Perak, Malaysia

Report Author:

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SUMMARY

BSi has conducted the First Annual Surveillance Assessment (ASA 1) of Sime Darby Plantation (RSPO membership No.: 1-0008-04-000-00), Chersonese Palm Oil Mill and supply base located in Kuala Kurau, Perak, Malaysia comprising one mill, four estates, support services and infrastructure.

The assessment was conducted in two stages. First stage was transfer assessment to transfer the existing RSPO certificate to BSi. The transfer assessment was conducted because the initial assessment was conducted by different Certification Body (Control Union Certification). Sime Darby decided to transfer the annual assessment to BSi. The transfer assessment was conducted as per BSi internal transfer assessment procedure on 3/9/2012 prior to the onsite assessment. The existing RSPO certificate is valid until 4/10/2016. The decision to transfer the assessment was made by Sime Darby Plantation Sdn Bhd's management. Previous certification body's RSPO scheme manager was contacted by BSi Malaysia representative. Previous assessment report was obtained and verified with the previous Certification Body and found that there is no open Major NC or any other financial or payment issues. There was no objection from the previous Certification Body regarding the transfer assessment. The transfer assessment concludes that BSi can continue the Transfer of Certificate which allows the BSi to conduct the annual surveillance assessment and proceed to issue certificate of compliance.

The second stage of the assessment was conducted onsite to assess the continuous compliance of the certification unit against the RSPO P&C MYNI: 2010; RSPO Certification System June 2007 (revised March 2011) including Annex 4: Procedures for Annual Surveillance; and Supply Chain Certification Standard: November 2011. The onsite assessment was conducted on 11 – 13 September 2012.

Based on the assessment result and successful close out of the Major NC raised during the first annual surveillance assessment, BSi concludes that Chersonese Palm Oil Mill and supply base comply with the RSPO requirements [RSPO P&C MYNI-2010; RSPO Certification System June 2007 (revised March 2011) including Annex 4: Procedures for Annual Surveillance; and Supply Chain Certification Standard: November 2011, Module D – CPO Mills: Segregated.

BSi recommends the continuation of the approval of Chersonese Palm Oil Mill and supply base operations as a producer of RSPO Certified Sustainable Palm Oil.

ABBREVIATIONS USED

ASA	Annual Surveillance Assessment
BOD	Biological Oxygen Demand
CAP	Corrective Action Plan (for nonconformity)
CHRA	Chemical Health Risk Assessment
CPO	Crude Palm Oil
DOE	Department of Environment
DOSH	Department of Occupational Safety & Health
EFB	Empty Fruit Bunch
FFB	Fresh Fruit Bunch

HCV	High Conservation Value
IPM	Integrated Pest Management
KER	Kernel Extraction Rate
MSDS	Material Safety Data Sheet
MY-NI	Malaysian National Interpretation
NC	Nonconformity
NUPW	National Union of Plantation Workers
OER	Oil Extraction Rate
PK	Palm Kernel
PPE	Personal Protective Equipment
SCCS	Supply Chain Certification Standard
SEIA	Social & Environmental Impact Assessment
SG	Segregation
SIA	Social Impact Assessment
SOP	Standard Operating Procedure

1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 Identity of Certification Unit

The Chersonese Palm Oil mill and estates are located in Kuala Kurau, Perak, Malaysia. The oil mill is central to the estates located near Kuala Kurau, Perak, Malaysia. Figure 1 and 2 shows Kalumpang Estate and Holyrood estate layout. The GPS location of the mill is shown in Table 1.

Table 1: Mills GPS Locations

MILL	EASTING	NORTHING
Chersonese Palm Oil Mill Processing Capacity: 45mt/hour	100° 27' 12"	4° 59' 24"

1.2 Production Volume

The estimated tonnages reported for the ASA 1 and the actual production for previous year are detailed in Table 2. The production details are for financial year July – June. It is noted that there is significant increase in the projected palm products (CPO) due to anticipating the reduction in the FFB production and consideration given to area under immature stage. The projected tonnages for the 2012–2013 period of the Certificate are based on the annual budget.

Table 2: Production tonnages certified for July – June Financial Year

Chersonese Palm Oil Mill	2009-2010 Actual	2010-2011 Actual	2011-2012 Actual	2012-2013 Projected
CPO	40,580	39,377	37,944	37,773
PK	10,047	9,158	9,448	9,718
OER Trend	19.67	20.51	20.16	20.60
KER Trend	4.87	4.77	5.02	5.30

1.3 Certification details

RSPO Membership No: 1-0008-04-000-00
BSi RSPO Certificate No: SPO 590800
Date of previous Assessment: 16-18/02/2009 (by previous Certification Body: Control Union Certification).
Date of Initial Certification: 05/10/2011

1.4 Description of Supply Base and Supply Chain

The supply base is the FFB from four Sime Darby's own estates that supply 100% of the FFB processed at the mill. During this assessment there is no FFB received from outside suppliers. Table 2 shows the CPO, PK tonnage produced by the mill and the oil and kernel extraction trend. The actual FFB production and projected production is shown in Table 3 below. It is noted that there is a slight increase (1%) in the projected FFB production is due to consideration given to area coming into maturity stage. Other than that the projected tonnages were based on the potential yield could be achieved due to improvement in planting material and age profile of palms.

It is noted that Chersonese mill use the segregated supply chain system for the supply chain because there is no non-certified FFB purchased from out growers. Supply chain element was checked and described in Appendix E.

Table 3: Actual and Projected Estate FFB Tonnages

Estate	2009-2010 Actual	2010-2011 Actual	2011-2012 Actual	2012-2013 Estimate
Chersonese	64,286	49,223	47,594	47,313
Holyrood	26,241	25,002	20,444	19,614
Tali Ayer	63,009	64,267	68,501	61,399
Kalumpang	52,770	53,500	51,678	55,038
TOTAL	206,306	191,992	188,217	183,364

(Note: Data based on Financial year July – June)

* There are no outgrowers. Chersonese Palm Oil Mill process only certified FFB from own estate.

The projected figures show slight decrease (2%) compared with actual in 2011-2012 Financial Year (FY). This decrease expected by the operating units considering the age profile and area that under immature stage in FY 2012/2013. Age profile of the palms is shown in Table 4a.

Table 4a: Age Profile of Palms

AGE (years)	Estate and % of Planted Area (ha)			
	Chersonese	Holyrood	Tali Ayer	Kalumpang
26 – 30	6.79	0.80	0.52	-
21 – 25	11.67	20.72	21.20	0.86
11 – 20	38.87	22.86	54.42	59.20
4 – 10	19.82	11.94	10.03	37.18
0 – 3	22.85	43.68	13.83	2.76
TOTAL	100.00	100.00	100.00	100.00

Table 4b shows the mature and immature planted area. Overall about 18% of the total 10,104.11ha in Chersonese Certification Unit's supply base are immature. This is contributing to the lower FFB, CPO and PK projection for the FY2012/2013.

Table 4b: Estates and Areas Planted

Estate	Mature (ha)	Immature (ha)	Total (ha)
Chersonese	2,378.92	704.45	3,083.37
Holyrood	704.66	546.61	1,251.27
Tali Ayer	2,950.13	473.51	3,423.64
Kalumpang	2,281.12	64.71	2,345.83
TOTAL	8,314.83 (82%)	1,789.28 (18%)	10,104.11

1.5 Other Certifications Held

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

1.6 Organisational Information / Contact Person

Sime Darby Plantation Sdn Bhd
 SOU 2 Management Unit (KKS Chersonese)
 34350 Kuala Kurau, Bagan Serai, Perak, MALAYSIA
 Contact Person: Mr Chandran Govindasamy
 Manager, Kalumpang Estate
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 Fax: +605-7215841
 Email: ldg.kalumpang@simedarby.com

1.7 Progress against Time Bound Plan

It is noted that Sime Darby Time Bound Plan is progressed according to the initial plan submitted to BSi and has had all its certification units in Malaysia and Indonesia completed the RSPO initial assessment. There was an update dated March 2012 attached in the Appendix below which shows the latest status. This was verified again during this assessment. All the 39 certification units in Malaysia and 16 certification units in Indonesia already certified. There are 7 certification units in Indonesia was audited and summary report is being RSPO peer reviewed. Sime Darby is also complying with RSPO NPP by complying and posting NPP for the new development in Liberia. Sime Darby keep BSi updated with any issues related to partial certification and at the time of this report, BSi is not aware of any new unresolved land disputes, any replacement of primary forest or loss of HCV, any labour disputes that are not being resolved through an agreed process or any evidence of non compliance with any applicable law at the landholdings.

BSi has reviewed Sime Darby's Time Bound Plan and considers the program to be challenging and implemented across its operation in Malaysia and Indonesia. BSi considers Sime Darby's Time Bound Plan to conform to the RSPO requirements for Partial Certification.

Progress of Associated Smallholders/Outgrowers towards RSPO Compliance

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

Figure 1: Map showing Kalumpung estate and surrounding entities

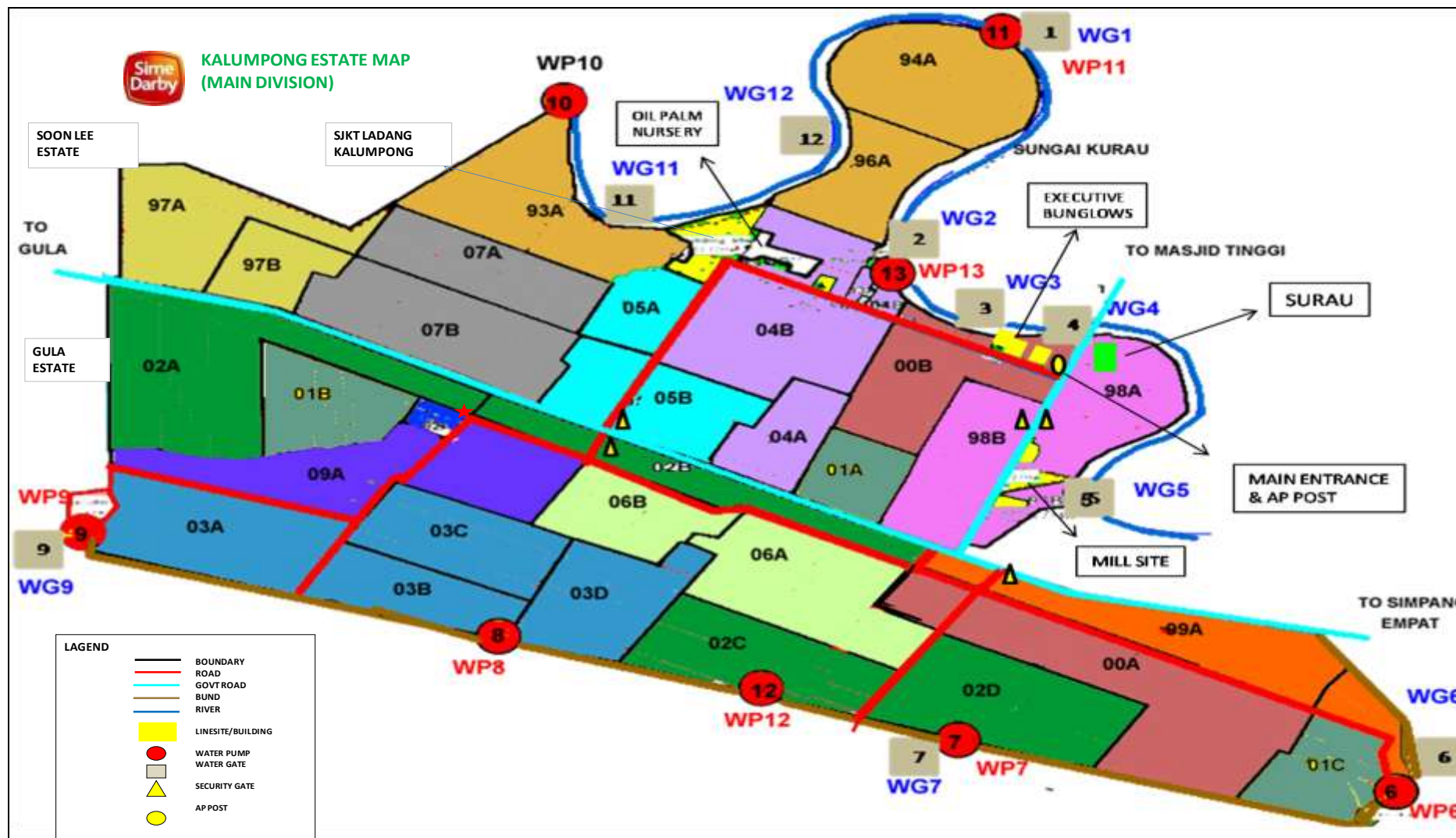
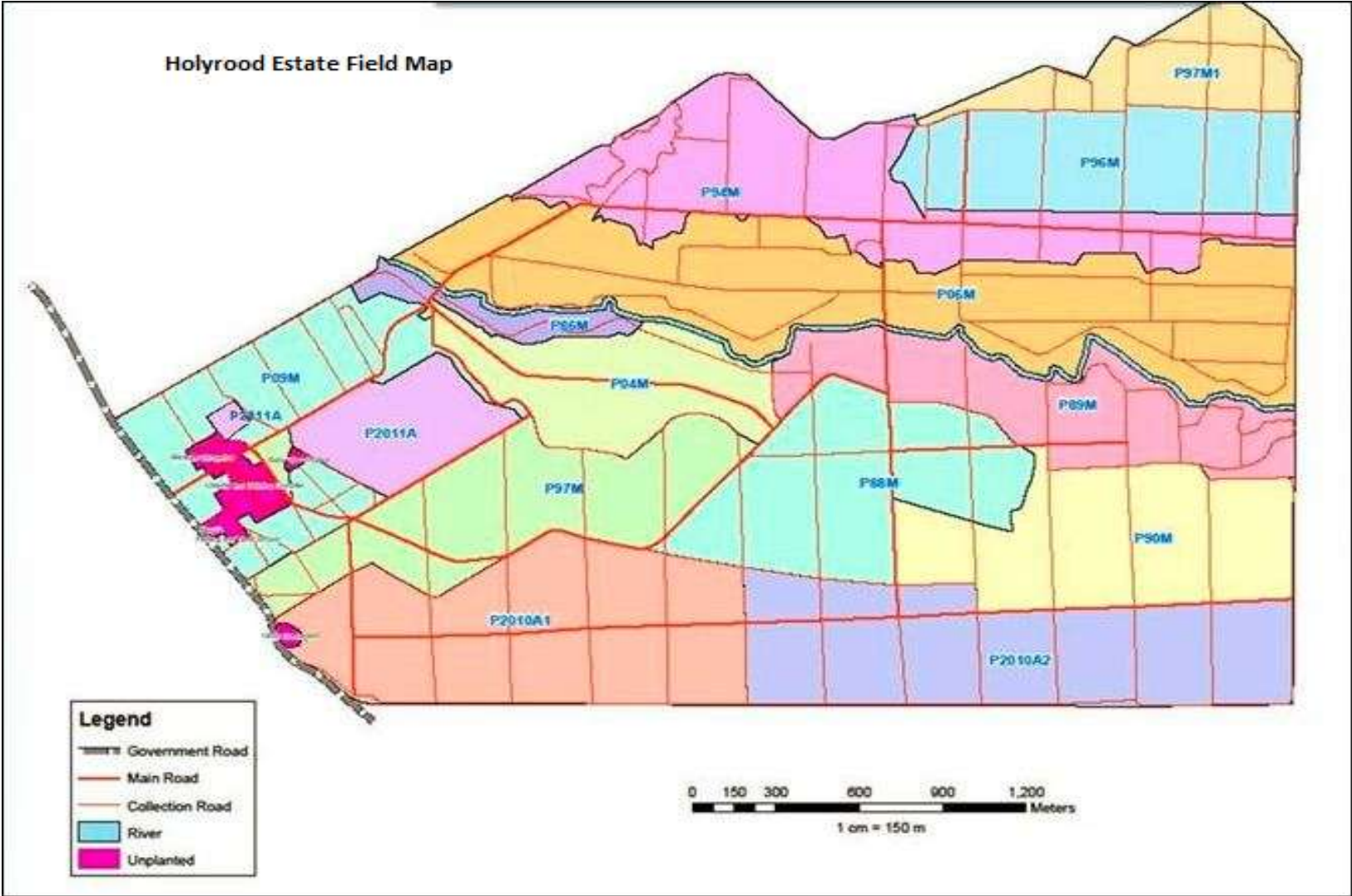


Figure 2: Holyrood Estate field map



2.0 ASSESSMENT PROCESS

2.1 Certification Body

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

2.2 Qualifications of the Lead Assessor and Assessment Team

Senniah Appal Sammy – Lead Assessor

He holds degree in Resource Economics from Agriculture University of Malaysia. He has vast experience in Plantation crop management covering oil palm plantation, rubber, cocoa and pepper for more than 10 years. He is also experience in manufacturing sector as a quality controller and production management. He is involved in RSPO implementation and assessment since 2008 as a team member and subsequently as a lead auditor with RSPO approved certification body covering assessment with RSPO P&C, RSPO SCCS and RSPO NPP in Malaysia and Indonesia. He has completed ISO 9001:2008, RSPO SCCS awareness training, RSPO Lead Auditor Training Course and International Sustainable Carbon Certification (ISCC) Lead Auditor training. Beside RSPO, he is also qualified as ISCC lead auditor. He have experience in other standards i.e. Global Gap Option 1 and 2 (Fruit, vegetable and aquaculture) and GMP B+ as team member.

Isman Bin Yusoff - Assessor

He holds Executive MBA from University Technology Mara and a degree in Electrical Engineering from University of Missouri, USA. He worked as an ISO 9001 Lead Auditor with SIRIM and as an ISO 9001, ISO 14001 and OHSAS 18001 Lead Auditor with Det Norske Veritas (DNV) for the past 6 years. He is also experience in Bio Mass CDM Projects. Currently he is a Lead Auditor with BSi for ISO 9001, ISO 14001 and OHSAS 18001. Isman Yusoff attended RSPO internal training on September 2012. He attended RSPO Certification Body workshop on October 2011, February 2012, June 2012 and Supply Chain Training organised by RSPO Secretariat on February 2012. He has involved in auditing palm oil mills as well as wood industries. He has been involved in RSPO assessment since September 2012 as a team member covering assessment with RSPO P&C in Malaysia. During

this assessment, he assessed on the aspect of legal, environment, safety and health and mill best practices.

Muhammad Haris Bin Abdullah - Assessor

Muhammad Haris Bin Abdullah graduated from the Open University Malaysia with a Bachelor of Business Administration (Hons) Majored in Human Resource Development and currently pursuing his Masters Degree in Business Administration from the University Utara Malaysia. He has more than 3 years working experience in oil palm plantation and conducting social impact assessments of agriculture, agriculture best practices, and environmental impact assessment and workers welfare. He has assisted with conducting audits of oil palm plantation for more than 7 companies against the RSPOP&C in Indonesia and Malaysia for the past 3 years.

2.3 Assessment Methodology, Programme, Site Visits

This Annual Assessment was conducted on 11 – 13 September 2012. Evidence of implementation to closing out the Major nonconformities was satisfactorily accepted by BSi audit team on 9 November 2012. The audit programme is included as Appendix C.

The approach to the audit was to treat the mill and its supply base as an RSPO Certification Unit. Mill was audited together with the sample estates. A range of environmental and social factors were covered. These included consideration of topography, palm age, proximity to areas with HCVs, declared conservation areas and local communities.

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

The Nonconformities that were assigned and the observations that were identified during the initial assessment were followed up to check the effectiveness of corrective actions and implementation. The ASA1 findings are detailed in Section 3.1 and 3.2 below.

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 requirement

2.4 Stakeholder Consultation

Stakeholder consultation involved internal and external stakeholders. External stakeholders were contacted by telephone to arrange meetings at a location convenient

to them to discuss environmental and social performance.

Meetings were held with stakeholders to seek their views on the performance of the company with respect to the RSPO requirements and aspects where they considered that improvements could be made. At the start of each meeting, the auditor explained the purpose of the audit followed by an evaluation of the relationship between the stakeholder and the company before discussions continued. The auditor recorded comments made by stakeholders and verified with the management before incorporating into the assessment findings.

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

2.5 Date of Next Surveillance Visit

The date of next surveillance visit will be approximately scheduled within 12 months from ASA1.

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

As outlined in Section 2.3, objective evidence was obtained separately for each Principle, together with details for selected Criteria for the Chersonese mill and the sampled estates (Holyrood and Kalumpang estates). The results for each selected indicator from each of these operational areas have been aggregated to provide an assessment of overall conformance of the Company's operations with each selected Criterion. A statement is provided for the Indicators to support the finding of the assessment team.

During the ASA1, a major nonconformity, three minor nonconformities and five Observations/Opportunities for improvement were identified. Chersonese Certification Unit has prepared a Corrective Action Plan for addressing the identified nonconformities that was reviewed and accepted by BSi audit team. For the Major nonconformities, evidence of the closing out the Major nonconformities was assessed, verified and accepted before finalising this report. Minor nonconformities raised during the initial certification were followed up and evidence of closing the nonconformities were checked and verified for closing out the nonconformities. Minor nonconformities raised during the ASA1 will be followed up during the next surveillance. Details are in section 3.2 and 3.3.

BSi recommends continuation of Certification for Chersonese Certification Unit as a producer of RSPO Certified Sustainable Palm Oil.

PRINCIPLE 1: Commitment to Transparency

The mill and estates has maintained up to date policies, procedures and management plans for provision of information to the stakeholders upon request. The company have effective system for receiving and responding to the request of information to the internal and external stakeholders. All operating units kept the record of request and responses.

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

Mill and estates maintained record of request and replies to the request from external and internal stakeholders such as respond to regulatory bodies, Malaysian Palm Oil Association, school and other stakeholders who request for information. For example, information related to effluent treatment was given to Department of Environment (DOE) on 7 June 2012.

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

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

PRINCIPLE 2: Compliance with Applicable Laws and Regulations

Inspection of records during document audit showed the mill and its supply base complied with all of their respective permit conditions and legal requirements. This confirmed that the internal audits and checks were effective for monitoring compliance. All the operation units hold a land title and no land dispute issues were sighted.

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

The mill and estates have kept an up to date list of legal requirements. As a group, the company has own mechanism to ensure all relevant legal requirements are complied. I.e. document of Mechanism on Tracking of Law Changes which includes list of laws, regulation

reference, permit and license to manage. In addition, each operation has a list of licenses showing the expiry dates. Based on this information, the administration officer renews the permits and licenses. Inspection of a sample of licenses and permits confirmed all valid. i.e. MPOB licenses are valid (Chersonese mill No. 533667104000 expiry 31/10/2013; Kalumpong estate No. 542021011000 expiry 31/8/2013; Holyrood estate No. 535944011000 expiring in 31/1/2013), DOE permit valid until 30/6/2013 (No. 000444), Energy Commission Registration (No. 90205) valid until 20/11/2012. Mill personnel such as boilerman, charginman, engine drivers and engineers have competency certificates and clinic assistant registered (No. P1219). Recent evaluation of compliance was carried out on 19/7/12. Report shows compliance found. List of all applicable laws are kept in file OSHE/04/5.2.4 as a on-site reference.

Review of internal audit reports showed that the Mill and the Estates visited had maintained legal compliance with applicable laws and regulations, in particular for Safety, Social, and Environmental regulations. The latest internal audit was done in 19 July 2012.

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

The Mill and Estates are on Freehold Land. The land is not encumbered by customary rights and the right to use the land is not disputed. Each estate holds land titles. Example, the Kalumpong Estate holds 5 land titles for the main division (No. 52824, 6887, 81186 81187 and 316701) and Gedong Division holds 10 land titles covering all the 2,345 planted hectare. This land was initially from the Perak State Government.

The Estates have maps showing the locations of boundary stones that have been physically located and marked. Inspection of a sample of boundary stones at Holyrood and Kalumpong Estates confirmed they were clearly marked and visibly maintained.

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

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

PRINCIPLE 3: Commitment to Long Term Economic and Financial Viability

Similar to other Sime Darby Plantation's operating units, Chersonese mill and supply base estates has well developed internal management system for monitoring and improvement of their operations against operation target to achieved long term economic and financial viability. Monthly reports are produced and send to

head office for monitoring purpose. In addition Plantation Sustainability Quality Management (PSQM) department conduct inspection toward production related issue and provide technical assistant for the estate including RSPO certification and monitoring of compliance.

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

Chersonese mill and all the four estates has annual operating cost and production projected for five years in form of annual budget. Mill and estates has prepared 5 Year Business Plan for period covering 2012 - 2016 and reviewed annually by operating unit and zone General Manager. The last review was carried out on March 2012 prior to end of financial year 2011/2012. The plan includes environment, social (workers and staffs welfare), and health and safety component and associated capital expenditure for improvement.

Chersonese, Holyrood and Tali Ayer estates have replanting program within 5 years. Replanting is planned for palm older than 25 years old.

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

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

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

Sime Darby has prepared Group Standard Operating Procedures (SOPs) for mills and estate covering all the relevant operations. Inspection to the field and mill confirm that the SOPs are implemented. Assistant Managers and staff monitor the implementation.

Mill adviser and Planting Adviser make annual visit to evaluate the performance of the mill and estates. General Manager visits the estates on quarterly basis to review estate performance against Sime Darby standard. Latest Planting Adviser visit was on 20 – 22 March 2012. Issues highlighted were rectified by the estate management. All operating units maintain DOSH and DOE Visit Records as well. DOSH last visited on 28 August 2012. DOE visited on 17 July to collect effluent sample and visit the mill. There were no any issues highlighted by both regulatory bodies. Last internal RSPO compliance audit was conducted on 24 May 2012. Noncompliance found during the internal assessment was corrected by the operating units. All identified noncompliance was addressed by the operating units.

As an area for improvement an observation was raised (indicator 4.1.2): Records of monitoring and the action taken are maintained and documented. However it is noted that the Master record list (form CR-01/MRL) should be available during the assessment.

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 Agronomist visits (10 August 2012) the estates prior to fertilizer recommendation. Result of the leaf analysis (dated 6 March 2012), soil analysis (dated 26 March 2012) and visual observation used as a guidance to prepare the fertilizer recommendation. Recommendation for the financial year 2012/2013 was sent to the operating unit in March 2012. Research Centre carried monitoring of fertiliser application. Application records are documented in the daily costing book. Sample checked at Holyrood estate found that for recently replanted field (previous field number 86B) applied with phosphate per recommendation with 500gm/palm. Record shows the application date, filed number, dosage applied per palm, type of fertilizer and number of applicators. During field visit noted that replanting is carried with zero burn technique.

EFB applied to immature palm with rate of 30 -35mt/ha at the inter-row. Sample checked shows that field number 11B was applied with 42.09mt EFB on 10 September 2012. Records are documented and summary of total applied is reported at the end of the month. Beside EFB, compost fertilizer is applied as well at Tali Ayer estate (800ha) and Kalumpong estate (1,411.70 mt)

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

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

Estate has implemented annual road maintenance programme. During audit, ongoing road maintenance was carried out with road grader. Road inspected are generally in a good condition and well maintained.

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

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

Research Centre carried out water analysis in the river (upstream, midstream, and downstream) with the last sampling for the 2nd half of the year was on 30 June 2012, result dated 2 August 2012 shows all parameter are within the standard as water quality index.

Rainfall data is used as guidance for the water management. Past three years rainfall record shows that at least 80 days of rain is observed. Rainfall for the FY 2009/2010 was 3,324mm (139 rainy days), FY 2010/2011 is 2,812 mm (106 rainy days) and FY2011/2012 was 1990 mm with 79 rainy days.

Chersonese palm oil mill has maintained monitoring records of water usage which recorded every day and summarised on monthly basis. Annual water consumption varies from 0.81 M³ – 1.12 M³ per tonne FFB processed. The total water consumption for the month of August 2012 was 0.81 M³ per tonne FFB processed.

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

The estates have implemented biological method of controlling pest in the plantation through IPM such introduction of barn owl by erecting barn owl boxes at rate of 1 box for 20 ha to control rat damage. Recent census in Kalumpong estate indicates about 70% of occupancy. There are 52 boxes available. At Holyrood estate there are 71 boxes with occupancy rate of 77%.

All estates planted beneficial plants such as *Cassia cobanensis*, *Turnera subulata* and *Antigonon leptopus* as a preventive measure to control leaf eating pest. Every estate has their own nursery to propagate the beneficial plant and subsequently planted in the field. It is noted that the major pest is bagworm and estate conduct census prior to justify any chemical treatment and obtain approval from Agriculture Department for any purchase of pesticide. During this assessment, it was noted that there is no outbreak and no treatment conducted.

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

As per Sime Darby Plantation's group policy, purchasing of agrochemical controlled from the head office. Inspection at site reveals that only pesticides registered by the Pesticide Board were used. Latest register updated on June 2012 to ensure only registered agrochemicals are used.

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

During this assessment there is no any class 1 agrochemicals noted in the store as well as no records of any usage noted. No paraquat use since March 2004. This was also confirmed by stakeholders and workers during field interview.

Medical surveillance carried out once a year for all operators as per CHRA. The last medical surveillance was done on 30 July 2012 and the result shows all confirmed fit for work. Next medical surveillance is due in June 2013.

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

However as an area for improvement, an observation was raised (4.6.4) for the operating units to take efforts to have all information in local language because some of the MSDS were in English and may not be understood well by the person in charge at the store although it was explained to him by the executives.

Chersonese mill conduct analysis of chemical residues in CPO. Last analysis was on August 2012 shows there is no any sign of chemical residues in CPO.

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

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

Sime Darby's Occupational Safety and Health (OSH) Policy provide guidance for all OSH related matters. This policy communicated to all employees onsite during quarterly safety meeting and morning briefing.

The annual review of the HIRARC was carried out by safety officer onsite and compliance officers. Last review was done on 7 February 2012. Mill and estate have individual training program to address the entire safety requirement and work procedures for each category of work and work station. Safety awareness is ongoing all the time through morning briefing which includes safety at work and records are maintained. CHRA was done covering all the operation by assessor approved by DOSH (JKKP HIE 127/171-2 (124).

Observation during the mill visit and estates field visit reveal that good awareness of safety is practiced. All operating units supply appropriate PPE that suits individual work requirement. It is also noted that PPE use is implemented and monitored by "Mandor" and supervisor.

The Assistant Manager is the person responsible for any OSH issues and he communicates and updates the managers accordingly. OSH meetings are conducted quarterly. Meeting minutes dated 15 June 2012 was checked and found that there are no any pending issues. Meeting was attended by representative from all categories of workers and contractors.

The mill and estates have emergency evacuation plan complete with emergency contact details, organisation chart, responsibility and training was conducted to communicate the plan. The OSH training includes competency training for drivers, chemical handlers, fire fighting training by Fire Department, first aid training by St. John Ambulance (7 July 2012) etc.

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

However as an area for improvement, an observation was raised (4.7.1 i): It is noted that First Aid box is available at worksite at Holyrood estate. However during the inspection it is found that some of the content is missing.

Accident reports are sent to DOSH as per requirement. Accident records are documented if there are any accidents. There is no fatal accident since 2010. Zero accident reported in 2011 and 2012 but minor common injuries are noted. There were 3 accidents reported in 2010. Local workers covered by SOCSO and foreign workers are covered by accident insurance renewed and valid until June 2013.

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

The Mill and Estates have annual training program based on a training need analysis carried out at the operating unit level for each work-station and work area covering staff, workers and contractors. The program includes the frequency of training/retraining on an annual basis. Training includes formal courses conducted using external resources and "on-the job" instruction and briefing. For example, the first aid training was conducted in July at estate level and in August at SOU level, FFB transport contractor training on July 2012, and Tractor driver safety training on July 2012, fire drill on January and February 2012 which include search and rescue training etc.

Interview with staff and contractor reveal that they are included in the training activities and have undergone

safety training before they start work on site and are required to attend safety briefings as well.

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

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

The Chersonese palm oil mill and all the estates carry out the annual review of environmental impacts in term of Environmental Impact Assessment. Once reviewed a Management Action Plans is developed. This information is also taken into consideration for the Continuous Improvement Plans with latest reviewed on June 2012. A list of Actions for improvement of environmental performance has been revised for each of the significant impacts. The review includes reduction of waste by initiating awareness on recycling waste such EFB, Fiber and shell in the mill. At the estates, during replanting palms are felled, chipped and kept on the same area as an organic fertilizer. Replanting areas are established with cover crop to mitigate any environmental impacts such as erosion of top soil.

An observation was raised (5.1.1) because the Environmental Impact Evaluation was done in the mill, however the format and form used is different from the Sime Darby SOP.

Environmental improvement plan to mitigate the negative impacts are available. However implementation and monitoring is lacking. A minor nonconformity was raised as below.

A minor nonconformity was raised against indicator 5.1.2: During the mill visit it was noted that the monsoon drain located near the ramp was contaminated. There were empty plastic containers kept in the same area with scrap iron although there is a designated schedule waste store. The scrap iron is scattered.

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.

Prior to the initial assessment, the HCV assessment was conducted internally to identify possible presence of HCVs within and adjacent to the estates. The assessment also include identification of any protected area within and adjacent to the operating units.

Although there is no HCV present within the landholding, conservation area such as riparian area and social conservation area such worshipping areas are maintained, monitored and managed as per

requirement. Signboards are erected to create awareness prohibiting illegal hunting and fishing. Monitoring is documented. Last monitoring was carried out on September 2012.

Enhancement of the river buffer zones are carried out by planting jungle trees. Planting of jungle trees has been commenced to increase the biodiversity of tree species. At Holyrood estate a herbal garden was developed near the administration office as part of creating biodiversity within estate. Habitat protection includes prevention of disturbance by workers through awareness campaigns and regular patrols of the area. Inspection of housing areas and interview of residents confirmed workers are aware of the company policy that prohibits illegal hunting.

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

The mill and estates have identified waste products and sources of pollution in the Environmental Impact Assessment and Pollution Prevention Plan which was reviewed in Junet 2012. Operational pollution at the mill is monitored as per requirement of regulation and reports are current and send to the relevant authorities on time.

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

However, a Major nonconformity was raised against indicator 5.3.2. Although as per the RSPO P&C requirement this should be a minor indicator, the Minor findings is upgraded to Major because the nonconformity raised during the initial assessment was not fully rectified. It is noted that during the facility visit at Chersonese mill and Kalumpang estate, the diesel bund was cracked and broken. This issue was already raised during the initial assessment and was detected again during this annual assessment. It is noted that this nonconformity particularly related to diesel bund is not addressed at all by the operating unit. As per RSPO ASA procedure, this NC is elevated as Major Non Conformity.

The company has continued managing scheduled waste stores at the mill and each of the estates. Agrochemical containers are triple rinsed and punctured to avoid any misuse. Schedule waste is disposed through licensed collector Aliran Segar Sdn Bhd and Faber Medi-Serve Sdn Bhd. Medical wastes, such as sharps, are collected and records are maintained. Subsequently it is disposed through Faber Medi-Serve Sdn Bhd.

Operational waste such as EFB, Fiber, Shell and effluent is recycled. POME and EFB applied in the field is monitored and well managed with furrow system for POME. POME BOD level is below the standard of 5000mg/L. DOE carry out regular sampling. Last smapling was carried out on 17 July 2012.

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

Chersonese palm oil mill monitors and reports energy usage monthly to head office through monthly report. The company has optimized the use of renewable energy. The energy usage varies depending on the FFB supplied by the estates. During low crop there is a slight increase in use of diesel fuel for processing. Monitoring of fuel used is based on per tonne of CPO.

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

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

Inspection at mill and estates confirm that zero burning policy is communicated and implemented. However the awareness among the workers seems to be lacking.

A Minor nonconformity was raised against indicator 5.5.3: During the visit to the housing site, it was noted that household waste is burn at the vicinity of the housing site.

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

The Chersonese palm oil mill and all estates Pollution Prevention Plan was documented in the Environmental Impacts Identification and Improvement Plan, reviewed for the financial year 2012/2013. Pollutants and emissions are identified and plans to reduce were developed as per the national regulations and guidance. Inspection confirmed the mill and estates have implemented appropriate controls for preventing pollution from point source emissions to air and discharges of wastewater, such as the mill monsoon drains.

Smoke emission quality test at the mill was done every 6 month in accordance to the Environmental Quality Regulation. The test was conducted by the external consultant approved by Department of Environment. The latest test result shows that all parameters were complied with the standard requirements. No peat land within the supply base.

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

Aspects of plantation and mill management related to social issues identified through Social Impact Assessment. Annual review is conducted through

stakeholder meetings and communication with stakeholders. It is noted that all the operating units maintain good relationship with internal and external stakeholders such as employees, contractors, surrounding communities and regulatory bodies. Improvement on social obligation includes improvement of the housing and facilities for the employees and contribution to the surrounding community development such as road maintenance.

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

The initial Social Impact Assessment for SOU 2 Chersonese (Perak Zone) was prepared prior to the initial assessment was reviewed on annual basis by taking into consideration the feedback from stakeholders. Last review for the FY 2012/2013 was conducted on 18 June 2012 through stakeholder consultation and social action plan is developed based on feedback received from external and internal stakeholders. The social action plan contains a time table with person responsible to manage and monitor each issue.

It is noted that there were no pending unresolved issues. Issues related to access through the estates and permission to conduct cultural and religious activities is managed and monitored.

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

All the operating units engage in communication with local communities and interested parties. The communication procedure is as per Sime Darby's group communication policy which shows flow chart of the communication procedure. This was confirmed during interview with the local community representative and village head.

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

The stakeholders include employees, contractors, suppliers, labour union representatives; staff union representative, neighbouring estates representatives, as well as local village. Record of meeting with attendance list and minute of meeting are available as attachment. Stakeholder list contains about 37 names and contact details.

All the estate maintains communication recorded as part of the stakeholder communication *document*. However this was not available at the mill.

A Minor nonconformity was raised against indicator 6.2.3: *Chersonese POM is maintaining list of stakeholder. However there is no evidence of communication records such as stakeholder meeting or other form of communication and action taken in response to input from stakeholders.*

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

Grievance procedure is available. This procedure was communicated to all stakeholders during meetings as a part of process to resolve any disputes. Complaint and grievances was recorded in complaint book. Inspection of the records indicated that the systems to resolve all disputes are in a timely manner. Complaints on housing defects are attended by the same day or the complainant is informed on the status of the issue by next day. There are also cases where complaints were raised verbally to the staff and executives although workers are encouraged to record in the book. Even verbal grievances are attended promptly. This was confirmed by the workers and staff interviewed.

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

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

There is no issue related to compensation for loss of legal or customary rights noted during this assessment. All the land was initially from the state government. However, stakeholders have access to any negotiations of there in any disputes.

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

Similar to other plantation companies in Malaysia, all the workers are covered by the MAPA/NUPW agreement and the staff covered with MAPA/AMESU agreement. This is documented at all the operating units. Migrant workers make up the majority of the workforce who are engaged on 2 or 3 year contracts. Payments are made as per the agreement. Inspection of contracts of both local and foreign workers confirmed that pay and conditions are available in local language and the language that the foreign workers speak.

Interview with the workers at the Chersonese palm oil mill and supply base estates confirm the employees understand the term of employment contract including pay rate, fringe benefits, annual leave, sick leave, public holiday, maternity leave, dismissal procedures and conditions etc.

Mill and estate provide adequate housing to their employees and meets the government standard. At Kalumpang estate 32 units of new housing to replace old housing was completed and received certificate of fitness from the government authority. It is now occupied. 22 units were upgraded from two room houses to three rooms. All the houses are provided with sufficient water and electricity supply. No any issues were highlighted by workers during the interview.

Beside the housing, the company is also provide other facilities such as worshipping places, crèche, clinics, sports facilities and community hall.

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

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

At operating unit's workers union meeting held with NUPW when required. Last meeting was held on 16 November 2011. Issues related to work was discussed and it was confirmed by the union secretary that there is no any unresolved labour issue. Interview with the on-site workers union secretary reveals that most of the work related issues are resolved through verbal discussion. Due to this reason the recent the compilation of issues discussed is in the progress during the assessment.

An observation was raised (6.6.1) because although communication with labour union is conducted and documented but some records are not compiled. It will be to the benefit of the operating unit to compile all the documents for easy reference.

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

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

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

An equal opportunity policy is displayed at notice board at the mill and estates. This was communicated with all employees. Interview of male and female workers confirmed understanding and awareness of the policy. Pay record and interview with employees confirm that there is no any kind of discrimination. All workers have access to the grievance and resolution mechanism.

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

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

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

The last gender committee meeting was held on 24 May 2012 at estate level and on 10 July 2012 at the mill. The meeting minutes shows that no any kind of harassment issue was raised in the meeting. The meeting follows the guidelines as per the Gender Committee Manual.

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

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

Contractors/suppliers understand contractual agreement and stated that the contract is transparent and fair. The company has standard term and condition of contract agreement which is explained prior to signing. Prompt payment is made as per contract agreement. No issues were highlighted by the contractors interviewed. Inspection to the "Grievance Book" indicated no complaint was raised in relation to processing of the payment.

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

The estate provided access right to stakeholders to pass through estate road. Company contribute donation to local schools, village and for sports activities at

surrounding community area whenever there is a request and approved by the head office.

Principle 7: Responsible Development of New Plantings

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

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

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

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

Efforts are being implemented to limit pesticide use only when there is an outbreak and justified with census prior to application. IPM is continuously implemented as part of efforts to reduce pesticide usage. Paraquat is completely eliminated. Grass cutting is carried out to maintain harvesting path on the flat area. Awareness on recycling is progressively implemented and evidence of recycling was noted during the assessment.

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

There was a Major nonconformity and three minor nonconformities were identified during this assessment. Corrective action plans with respect to the major nonconformity raised during the ASA1 have been reviewed and found to be effectively implemented and the NC was closed within the 60 days on 9 November 2012. There were also five observations for improvement was raised. The management submitted corrective action plans for all the nonconformities. The Audit Team has reviewed and accepted the Corrective Action Plan. Implementation of corrective actions and closing out the minor nonconformities will be followed up during the next Surveillance Assessment.

The details of the nonconformities are listed below.

Major Nonconformity

A Major nonconformity was raised during the ASA1. Corrective Actions and closing out evidence for the major nonconformity identified during the ASA1 has been effectively implemented and the nonconformity is closed. The detail as follows:

A775875/1: Major nonconformity against indicator 5.3.2: Having identified wastes and pollution; an

operational plan should be developed and implemented to avoid or reduce pollution. Although as per the RSPO P&C this indicator should be a minor indicator, the Minor findings is upgraded to Major because the same nonconformity raised during the initial assessment was not fully rectified. It is noted that during the facility visit at Chersonese mill and Kalumpong estate, the diesel bund was cracked and broken. This issue was already raised during the initial assessment and was detected again during this annual assessment. It is noted that this nonconformity particularly related to diesel bund is not addressed at all by the operating unit. As per RSPO ASA procedure, this NC is elevated as Major Non Conformity.

The mill management analyzed the root cause and found that there should be a regular inspection on the diesel bund (containment wall). The mill management took positive action by sealing all the cracks. Photographic evidence of implementation was submitted to the audit team. Audit team reviewed the corrective action and implementation. The evidence of implementation was accepted. The Major NC has now been closed on 9 November 2012.

Minor Nonconformities

Three nonconformities were assigned against Minor Compliance Indicators. The management at Chersonese Certification Unit operations has prepared corrective action plan for addressing the non conformities which BSI has reviewed and accepted. Progress towards closing out and the action taken will be followed up at the subsequent surveillance assessment.

The details of these nonconformities are as follows:

A775875/2: (5.1.2 Environmental improvement plan to mitigate the negative impacts and promote the positive ones is developed, implemented and monitored). During the mill visit it was noted that the monsoon drain located near the ramp was contaminated. There were empty plastic containers kept in the same area with scrap iron although there is a designated schedule waste store. The scrap iron is scattered.

A775875/3: (5.5.3 No evidence of burning waste (including domestic waste) Minor nonconformity was raised against indicator 5.5.3. During the visit to the mill housing site, it is noted that household waste is burn at the vicinity of the housing site.

A775875/4: (6.2.3 Maintenance of a list of stakeholder, records of all communication and records of action taken in response to input from stakeholders. Chersonese mill is maintaining list of stakeholder. However there is no evidence of communication records or stakeholder meeting records and action taken in response to input from stakeholders.

Observation/Opportunity for improvement

There are five observations/Opportunities for improvements were identified. The progress with the

Observations/Opportunities for Improvement will be checked at the next Annual Surveillance Assessment. The Details are of below:

Observation 1 (4.1.2): Records of monitoring and the action taken are maintained and documented. However it is noted that the Master record list (form CR-01/MRL) should be available during the assessment.

Observation 2 (4.6.4): The operating units to take efforts to have all information in local language because some of the MSDS were in English and may not be understood well by the person in charge at the store although it was explained to him by the executives.

Observation 3 (4.7.1): It is noted that First Aid box is available at worksite at Holyrood estate. However during the inspection it is found that some of the content is missing.

Observation 4 (5.1.1): The Environmental Impact Evaluation was done in the mill. However the format and form used is different from the Sime Darby SOP. Efforts can be taken to standardise the format.

Observation 5 (6.6.1): Communication with labour union is conducted and documented but some records are not compiled. It will be to the benefit of the operating unit to compile all the documents for easy reference.

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

Based on the initial assessment report and communication with the previous certification body, it was noted that there are no any major nonconformities or any major issues outstanding.

There were two minor nonconformities identified during the initial assessment for the Chersonese Certification Unit. Corrective Actions and implementation for the minor nonconformity identified during the initial assessment was effectively and consistently implemented and the nonconformity remains closed. The details of the nonconformity and evidence of closing out the nonconformity is listed below.

NC reference number 05/2009: Minor nonconformity against indicator 5.6.2 relating to the reduction of pollution. Plans are reviewed annually. On a number of estates, diesel tank bunds were noted to be in-adequate. Containment wall is too small and cracked. No valves on drain pipes. Valves not locked to ensure they remain closed until any draining work.

ASA1 Findings: During this annual assessment, it was noted that all the operating units have reviewed individual plans to mitigate any pollution activities. Pollutants and emissions are identified and plans to reduce are developed and implemented in conformance to national regulations and guidance. This minor NC on review is now closed during ASA1.

However the finding related to the diesel bund was again found at the mill and this finding was raised as a major nonconformance under indicator 5.3.2 which more appropriate to the implementation. (Refer to Major NC number A775875/1 above)

NC reference number 06/2009: Minor nonconformity against indicator 6.3.2 the grievances system resolves disputes in an effective, timely and appropriate manner. During stakeholder consultation it was revealed that requests for improvements from the schools in particular are not being followed up in an expedient way. It appears that when advice is sought from HQ by the company at an estate level, then the request is in danger of being delayed for an unacceptable length of time.

ASA1 findings: The estate schools were visited during ASA 1. Consultation with the head master and teacher reveal that request is handled promptly and the company takes all the efforts to assist. The teacher is also aware about the grievances procedures and highlighted that since the introduction and implementation of RSPO, issues highlighted are immediately responded and action taken. There was no any new issues were highlighted neither by the teacher or other stakeholders. With this evidence of implementation the audit team satisfy that the NC is addressed effectively and closed.

OBS 01 (4.5.1): *On many estates there appears to be a lack of beneficial plants. Whilst monitoring records show endemic bagworm levels, more open ground in re-planting sites should be considered and consideration given to the optimum quantity and location of beneficial plants. Consideration could be given to planting in existing open spaces as appropriate to do so.*

ASA1 findings: All the estates developed a program for planting of beneficial plants such as *Cassia cobanensis*, *Turnera subulata* and *Antigonon leptopus* as a preventive measure to control leaf eating pest. Replanting areas are established with cover crop to avoid bare grounds. Estate established small nurseries for the beneficial plants and subsequently planted in the field.

OBS 02 (6.5.3): *At some line sites it was noted that water supplies are limited due to supply restrictions. However plans are in place and budgeted, to replace with government supply in 2009/2010. Also noted that maintenance plans are in place for improvement to wiring and general maintenance*

ASA1 findings: Water supply is now from government and there is no any issue related to water supply was highlighted by employees and stakeholders interviewed. General maintenance is carried out regularly and whenever any defects are reported. Records of maintenance carried out are documented.

OBS 03 (6.5.3): *At some line sites it was noted that extensions have been added to houses where the*

number of rooms is inadequate for the size of the family. It is noted that further improvement plans are in place and approved by the labour office and that some families are being provided with two houses as one with 4 rooms.

ASA1 findings: There were no any issues related to housing found during this assessment. New housing was completed and employees already moved in. There is also budget available for continuous improvement of the housing.

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

During this ASA1, the majority of stakeholders had positive comments about Chersonese Certification Unit comprising Chersonese mill and four estates. Issues raised by stakeholders were discussed with the management and the company’s response is obtained. The detail of stakeholders comment is provided in each criterion as part of this summary report.

No issues or disputed was raised by local and foreign workers. Union representative confirmed that no any unresolved disputes or grievance. Contractors confirm that payment is made promptly and no any disputes. Contracts are transparent and legal. Head of the village and village representative: Confirmed that good relationship is maintained with the management and villagers. No any disputes were highlighted.

4.0 CERTIFIED ORGANISATION’S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

4.1 Date of Next Surveillance Visit (ASA 2)

The next surveillance visit will be scheduled within twelve months of this ASA1.

4.2 Acknowledgement of Internal Responsibility and Formal Sign-off of Assessment Findings

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

Signed for on behalf of
Sime Darby Plantation Sdn Bhd – SOU 2 Chersonese Certification Unit


.....

Mr. Chandran Govindasamy
SOU 2 - Chersonese Certification Unit

Signed for on behalf of
BSi Group Singapore Pte Ltd


.....

Senniah Appalasamy
BSI RSPO Lead Auditor

Appendix A: Sime Darby Plantation Time bound Plan

certification Status	Malaysia	Indonesia	Time bound for certification	Status during ASA01
Certified	39 operating units	16 operating units	55 operating units	All SOUs in Malaysia certified.
RSPO EB Review	0	7 operating units	7 operating units	Ongoing peer review.
Total	39 operating units	23 operating units	62 operating units	-

Note: Status verified as of December 2012

Note: All the operating units have been audited as per time bound plan. There were several claims made by NGOs against the Sime Darby Plantation operation. Sime Darby has responded to all the queries respectively and kept BSI updated.

Appendix B: Sime Darby Plantation Sdn Bhd – SOU 2 Chersonese Certification Unit RSPO Certificate Details

Sime Darby Plantation Sdn. Bhd.
 SOU 2 Management Unit (KKS Chersonese)
 34350 Kuala Kurau, Bagan Serai,
 Perak, MALAYSIA

BSI RSPO Certificate No: SPO 590800
 (Previous CB Certificate No: C815148CU-RSPO-02.2011)

Date of Initial Certificate Issued: 5 October 2011

Date of Expiry: 4 October 2016

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

Chersonese Palm Oil Mill and Supply Base	
Location	Kuala Kurau, Perak, Malaysia.
Address	SOU 2 Management Unit (KKS Chersonese), 34350 Kuala Kurau, Bagan Serai, Perak, MALAYSIA
GPS	Longitude: 100° 27' 12" E Latitude: 4° 59' 24" N
CPO Tonnage Total Production (Certified)	37,773
PK Tonnage Total Production(Certified)	9,718
Company Estate FFB Tonnage (Certified)	183,364
Estates FFB Tonnage (Certified)	Chersonese Estate : 47,313
	Holyrood Estate : 19,614
	Tali Ayer Estate : 61,399
	Kalumpang Estate : 55,038

Appendix C: 1st Annual Surveillance Assessment Program

Team: SA: Senniah Appalasamy; IY: Isman Yusoff ; MH: Muhd Haris

Date	Time	Subjects	SA	IY	MH
10/09/2012 Monday	PM	Audit Team travelling to Chersonese, Kuala Kurau.	√	√	√
11/09/2012 Tuesday	08.00 – 08.30	Opening Meeting Introduction Presentation by the estate and mill managers on operational activities and supply chain related to the FFB supplied to the mill. Presentation by Audit Team Leader and confirmation on the assessment scope. Finalize Audit schedule.	√	√	√
	08.30 – 12.00	Mill inspection – FFB collection ramp, warehouse, workshop, waste and effluent management, POME land application, Landfill, safety and environment aspects, Interview with mill workers etc.	√	√	-
	08.30 – 12.00	Stakeholders' consultation: village head, surrounding community, school teacher, Workers Union Representative, Contractor, Supplier, NGOs.	-	-	√
	12.00 – 13.00	Lunch.	√	√	√
	13.00 – 12.00	Document review at the Chersonese Mill (General Documentation e.g. Legal, Manual and Procedure, training, HCV and SEIA documents, Health and Safety, supply chain documents etc)	√	√	-
	13.00 – 17.00	Mill Facility and Infrastructure Inspection: housing, clinic, kindergarten, crèche, recreational facilities, interview with residents.	-	-	√
12/09/2012 Wednesday	08.00 – 12.00	Holyrood Estate – Inspections e.g. Office, worker housing, Clinic, Landfill, Chemical store and mixing area, Fertiliser store, field operation, boundary inspection, buffer zone and HCV, etc	√	√	-
	08.00 – 12.00	Holyrood Estate documents audit.	-	-	√
	12.00 – 13.00	Lunch	√	√	√
	13.00 – 17.00	Estates document audit - Continue	√	√	√
	Evening	Auditor meeting.	√	√	√
13/09/2012 Thursday	08.00 – 12.00	Kalumpong Estate – Inspections e.g. Office, worker housing, Clinic, Landfill, Chemical store and mixing area, Fertiliser store, field operation, boundary inspection, buffer zone and HCV, etc	-	√	√
	08.00 – 12.00	Kalumpong Estate Document Audit.	√	-	-
	12.00 – 13.00	Lunch	√	√	√
	13.00 – 16.30	Continue document audit.	√	√	√
	16.30 – 17.00	Closing meeting.	√	√	√
14/09/2012 Friday	AM	Team travelling Chersonese - KL	√	√	√

Appendix D: List of Stakeholders Contacted

<p><i>Internal Stakeholders</i></p> <p>Chersonese Certification Unit Management team and Staff Representatives from Sustainability Department On site compliance executives Mill Managers and Assistants Estate Managers and Assistants Facility Administrators Gender Committee Representatives Hospital Assistant Male and Female workers Workers Union Representatives Onsite NUPW secretary AMESU Representative</p>	<p><i>Local Communities</i></p> <p>Kuala Gula Village Representative Selinsing Village Representative</p>
<p><i>Government Departments</i></p> <p>District Labour Office District Agriculture Office District MPOB Office School Teacher Kuala Kurau Bird Sanctuary</p>	<p><i>Contractors</i></p> <p>Housing contractor FFB Supplier FFB Transport contractor</p>

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

Requirements	Compliance
D.1. Documented procedures	
D.1.1 The facility shall have written procedures and/or work instructions to ensure implementation of all the elements specified for Segregation (SG) supply chain requirements. a) Complete and up to date procedures covering the implementation of all the elements. b) The name of the person having overall responsibility for and authority over the implementation of these requirements and compliance with all applicable requirements. This person shall be able to demonstrate awareness of the facilities procedures for the implementation of this standard.	Chersonese palm oil mill have written documented procedures for the chain of custody with SG and MB model covering certified and non certified FFB. The mill manager has the responsibility to ensure implementation. The SG model used because only certified FFB is processed at the moment. However, the palm oil mill also have the system in place to use Mass Balance model through either down grading the SG to MB or through purchasing non certified FFB in the future.
D.1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFBs.	Chersonese mill has documented procedures for the incoming FFB, processing and outgoing palm products (CPO and PK). System available to make marking on the receiving documents to differentiate the certified and non-certified FFB received.
D.2. Purchasing and goods in	
D.2.1 The facility shall verify and document the volumes of certified and non-certified FFBs received.	Daily records are prepared at the entry point at the weighbridge. Daily summary and monthly summary documented for all the certified and non certified FFB. Records verified by internal and external audit.
D.2.2 The facility shall inform the CB immediately if there is a projected overproduction.	The facilities aware of this procedure.
D.3. Record keeping	
D.3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of certified and noncertified palm products.	Daily records are prepared at the entry point at the weighbridge. Daily summary and monthly summary documented for all the certified and non certified FFB. Records verified by internal and external audit.
D.3.2 Retention times for all records and reports shall be at least five (5) years	The retention period is specified as five years and financial documents retained longer based on the local regulation requirement.
D.3.3 The facility shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, PKO and palm kernel meal on a three-monthly basis.	All the inventory records are maintained and updated on daily basis and monthly report shows monthly inventory. No PKO and Palm kernel meal at Chersonese mill. PK is sold to Sime Darby's subsidiary kernel crushing plant.
D.3.4 The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. *product name*/SG or Segregated. The supply chain model used should be clearly indicated.	System in place to indicate CPO/SG on the documents related to the supply chain.
D.4. Sales and goods out	
D.4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information	There are no sales of certified palm product through UTZ and GreenPalm. However the mill is ready to carry out sales of certified palm products. Existing system is ready to cater for future sustainable palm product sales. Sample of existing sales documents were checked and found that:
(a) The name and address of the buyer	Name and address of buyer written on the existing invoice.
(b) The date on which the invoice was issued	Date is written on all dispatch and relevant documents.
(c) A description of the product, including the applicable supply chain model (Segregated)	System in place to write product description and supply chain model is written.
(d) The quantity of the products delivered	Quantity in tonne.
(e) Reference to related transport documentation	Weighbridge documents and D/O includes all the transport references.
D.5. Processing	
D.5.1 The facility shall assure and verify through clear procedures and record keeping that the RSPO certified palm oil is kept segregated from non certified material including during transport and storage and be able to demonstrate that is has taken all reasonable measures to ensure that contamination is avoided. The objective is for 100 % segregated material to be reached. The systems should guarantee the minimum standard of 95 % segregated physical material; up to 5 % contamination is allowed	During this assessment it was confirmed that only certified source of FFB from own plantation is processed. This ensures that there is no possibility of mixing during processing.
D.5.2 The facility shall provide documented proof that the RSPO certified palm oil can be traced back to only certified segregated material.	Processing and storage records can trace back to only certified segregated raw material (FFB) and finish product (CPO and PK).
D.5.3 In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that: <ul style="list-style-type: none"> • The crush operator conforms to these requirements 	There is no outsourcing activity directly handled by the mill. The kernel is sold to a subsidiary kernel crushing plant belong to Sime Darby Group. The kernel crushing plant have own supply chain certificate and it is independent from the mill.

<p>for segregation</p> <ul style="list-style-type: none"> The crush is covered through a signed and enforceable agreement 	
<p>D.6 Training</p>	
<p>D.6.1 The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems.</p>	<p>Staffs in the weighbridge, inventory, storage and processing, document control have attended training.</p>
<p>D.7. Claims</p>	
<p>D.7.1 The facility shall only make claims regarding the use of or support of RSPO certified palm oil that are in compliance with the RSPO Rules for Communications and Claims.</p>	<p>No claims made because the CPO is delivered/sold to downstream refineries.</p>