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## PUBLIC SUMMARY REPORT

### RSPO

## 2<sup>nd</sup> ANNUAL SURVEILLANCE ASSESSMENT (ASA02)

### Sime Darby Plantation Sdn Bhd SOU 18: Diamond Jubilee Palm Oil Mill Jasin, Malacca, Malaysia

*Report Author:*

**Senniah Appalasamy – October 2013**

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## SUMMARY

BSi has conducted the Second Annual Surveillance Assessment (ASA 2) of Sime Darby Plantation (RSPO membership No.: 1-0008-04-000-00), Strategic Operating Unit 18 comprising Diamond Jubilee Palm Oil Mill, supply base and infrastructure. Diamond Jubilee certification unit located in Jasin, Malacca, Peninsular Malaysia comprising one mill, three estates, support services and infrastructure. The ASA2 was conducted on 20 – 23 August 2013. BSi concludes that Diamond Jubilee Palm Oil Mill and supply base operations comply with the RSPO requirements [RSPO P&C MYNI 2010; RSPO Certification System June 2007 (revised March 2011) including Annex 4: Procedures for Annual Surveillance Assessment; and Supply Chain Certification Standard: November 2011, Module D – CPO Mills: Segregation]

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

## ABBREVIATIONS USED

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

## 1.0 SCOPE OF CERTIFICATION ASSESSMENT

### 1.1 Identity of Certification Unit

The Diamond Jubilee Palm Oil mill and estates are located KM8, Jasin – Simpang Bekoh road, District of Jasin, State of Malacca, Peninsular Malaysia. The oil mill is central to the supply base estates which are located in the District of Jasin, Malacca, Malaysia. Figure 1 and 2 shows Diamond Jubilee Palm Oil Mill and Bukit Asahan estate layout. The GPS location of the mill is shown in Table 1.

**Table 1: Mills GPS Locations**

MILL	EASTING	NORTHING
Diamond Jubilee Mill Processing Capacity:25mt/hr	102° 33' 6"	2° 2' 35"

## 1.2 Production Volume

The estimated tonnages reported for the ASA 2 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 an increase in the projected palm products (CPO) due to anticipating higher FFB projection and slightly higher OER. The increase in FFB production was due to consideration given to area coming into mature stage. The projected tonnages for the 2013–2014 period of the Certificate are based on the annual budget.

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

Diamond Jubilee Mill	2011-2012 Actual	2012-2013 Actual	2013-2014 Projected
CPO	26,847	26,315	32,483
PK	6,273	6,956	8,310
OER Trend	21.67	21.36	21.50
KER Trend	5.06	5.65	5.50
FFB Processed	123,911	123,200	151,084

## 1.3 Certification details

RSPO Membership No: 1-0008-04-000-00  
BSI RSPO Certificate No: SPO 591224  
Date of Initial Certification: 05/10/2011  
Date of ASA1: 18-20/09/2012  
Date of ASA2: 20-23/08/2013

## 1.4 Description of Supply Base and Supply Chain

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

**Table 3: Actual and Projected Estate FFB Tonnages**

Estate	2011-2012 Actual	2012-2013 Actual	2013-2014 Estimate
Diamond Jubilee	53,862	53,861	62,212
Bukit Asahan	52,744	48,670	62,333
Serkam	17,305	20,669	26,539
<b>TOTAL</b>	<b>123,911</b>	<b>123,200</b>	<b>151,084</b>

There are no out-growers within the supply base. Diamond Jubilee Palm Oil Mill process only certified FFB from own certified estates using segregated supply chain model. 70% of FFB from Serkam Estate (Main Division) is budgeted under this certification unit. 30% FFB is sent to another certified Kempas mill.

The actual FFB production and projected production is shown in Table 3 above. It is noted that there is significant increase in the overall projected FFB production from three supply base compared with actual in 2012-2013 Financial Year (FY) even though 30% FFB from Serkam Estate (main Division) is excluded. This is due to consideration given to area coming into maturity stage and reduction in the immature area. This factor was taken into consideration for the higher projection. The age profile and mature, immature area details are listed in Table 4a and 4b.

**Table 4a: Age Profile of Palms**

AGE (years)	Estate and % of Planted Area		
	Diamond Jubilee	Bukit Asahan	Serkam
0 – 3	12.49	8.45	0
4 – 10	34.71	4.63	31.66
11 – 20	36.09	82.75	29.33
21+	16.71	4.17	39.01
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Table 4a shows that about 8 - 12% of the planted area at Diamond Jubilee and Bukit Asahan estates are immature stage during this assessment. All the area at Serkam estate are matured. Table 4b shows the mature and immature planted area. It is noted that almost 90% (6,966.76ha) of the total planted area in the Diamond Jubilee supply base is matured. This is contributing to the increase FFB, CPO and PK projection for the FY2013/2014. The operating units are optimistic that this is an achievable target.

Table 4b shows the mature and immature area details. Total land area certified is 8,028.66ha. Planted area is 7,562.32ha. The biodiversity and HCV area in each estate are detailed under criteria 5.2. Total HCV area is 0.82ha. Biodiversity area is 23.54ha. Balance areas are used for infrastructure. Immature area is replanted area.

**Table 4b: Estates and Areas Planted**

Estate	Mature (ha)	Immature (ha)	Total (ha)
Diamond Jubilee	2,418.14	345.12	2,763.26
Bukit Asahan	2,711.60	250.44	2,962.04
Serkam	1,837.02	0	1,837.02
<b>TOTAL</b>	<b>6,966.76</b>	<b>595.56</b>	<b>7,562.32</b>

### 1.5 Other Certifications Held

Diamond Jubilee 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 18 Management Unit (KKS Diamond Jubilee)  
KM 8, Jasin – Simpang Bekoh Road, District of Jasin,  
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### 1.7 Progress against Time Bound Plan

Sime Darby Time Bound Plan is included as Appendix A. Sime Darby has achieved RSPO Certification for 34 of the Management Units in Malaysia and 19 in Indonesia. There are two management units in Malaysia will undergo RSPO initial Certification due to newly commissioned mills. There are 6 certification units in Indonesia was audited and summary report is being RSPO peer reviewed. Upon certification of the remaining Management Units, Sime Darby will have achieved the Time Bound Plan.

Recently Sime Darby communicated that SOU 19 Nordanal Mill and SOU 25 Segaliud mill was decommissioned. However, a new palm oil mill was commissioned, Pagoh Palm Oil Mill and included in the Time Bound Plan. The Pagoh Certification Unit will be using SOU 19 as reference number. The initial certification assessment was carried out on June 2013 and pending for RSPO approval.

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

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

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

### Progress of Associated Smallholders/Out-growers towards RSPO Compliance

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

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

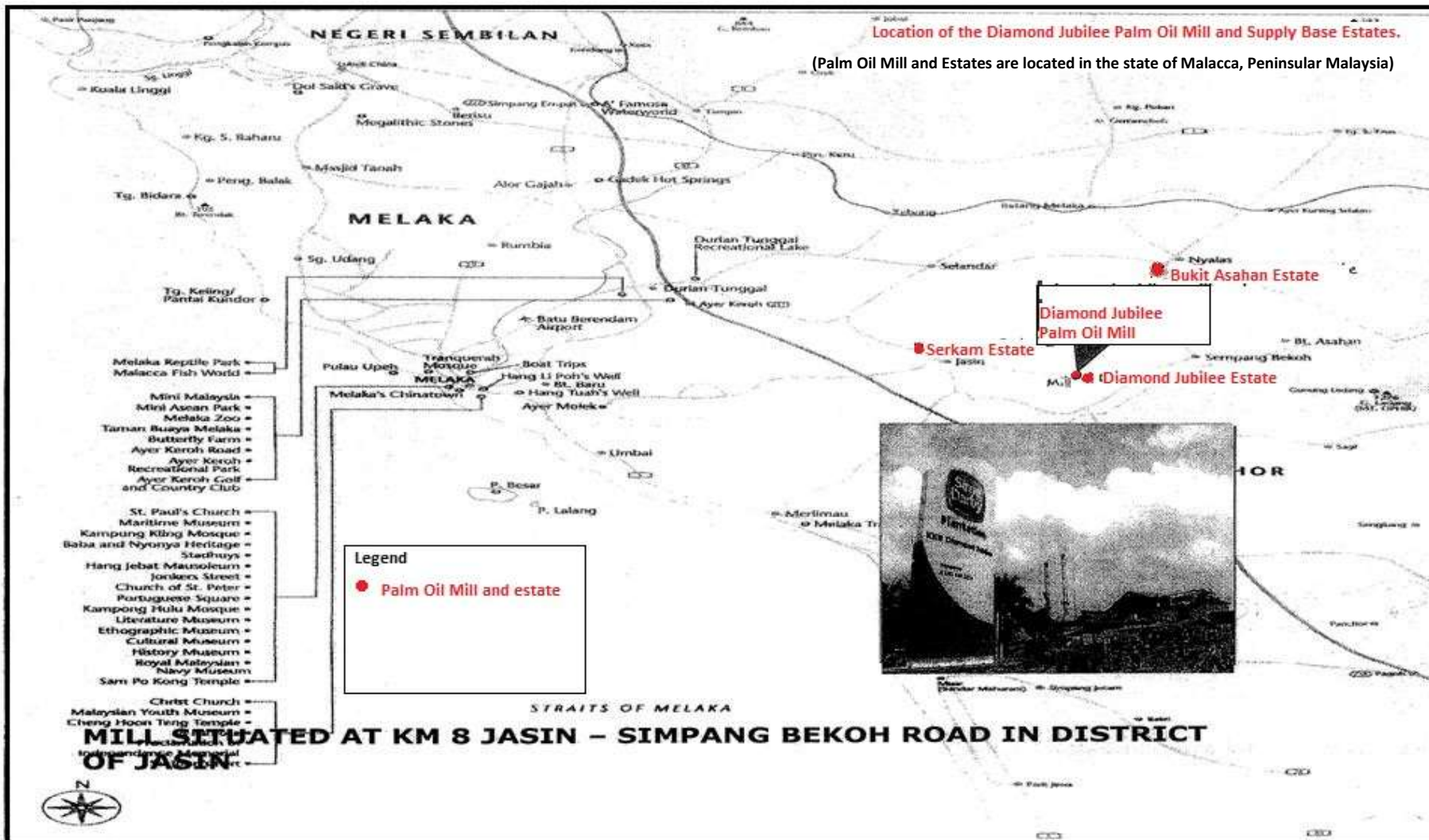
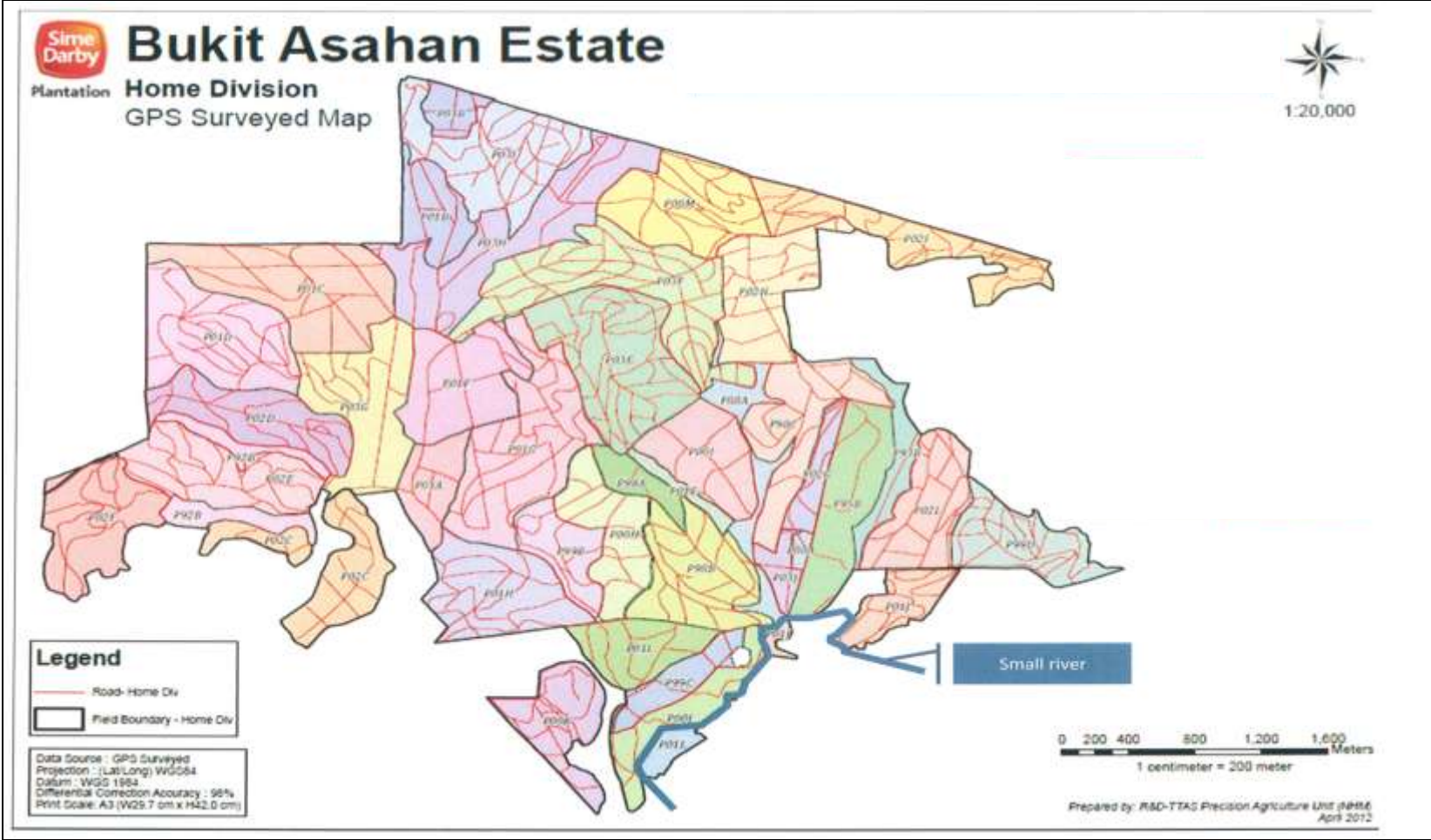


Figure 2: Bukit Asahan Estate field map



## 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 Appalasamy – 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

He graduated from the Open University Malaysia with a Bachelor of Business Administration (Hons) Majored in Human Resource Development and currently pursuing his Master's Degree in Business Administration from the University Utara Malaysia. He has completed RSPO Lead Auditor Training Course. He also 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 had assisted with conducting audits of oil palm plantation for more than 8 companies against the RSPO P&C in Indonesia and in Malaysia for the past 4 years. During this assessment, he assessed on the aspect of Legal, Social and community engagements, Stakeholders consultation, and workers welfare.

### 2.3 Assessment Methodology, Programme, Site Visits

This Second Annual Assessment was conducted on 20 – 23 August 2013. Evidence of implementation to closing out the Major nonconformity was satisfactorily accepted by BSi audit team on 7<sup>th</sup> October 2013. The audit programme is included as Appendix C.

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

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

The nonconformities that were assigned and the observations that were identified during the ASA 1 were followed up to check the effectiveness of the corrective actions and implementation. This was conducted to ensure that the previous nonconformities are remains closed. The findings are detailed in Section 3.1 and 3.2 below.

This report is structured to provide a summary for each Principle as well as 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 the operating unit's practices in relation to environmental and social performance.

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

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

#### **2.5 Date of Next Surveillance Visit**

The date of next surveillance visit will be approximately within 12 months from ASA2.

### **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 Diamond Jubilee palm oil mill and the sampled estates (Bukit Asahan and Serkam 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 Criteria. An explanation is provided for the criteria to support the finding of the assessment team.

During the ASA2, a major nonconformity, two minor nonconformities and six observations/Opportunities for improvement were identified. Diamond Jubilee 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 ASA 1 were followed up and evidence of closing the nonconformities were checked and verified for continuous closing out the nonconformities. Minor nonconformities raised during the ASA2 will be followed up during the next surveillance and will be reported in ASA3. Details of the nonconformities are in section 3.2 and 3.3.

BSi recommends continuation of RSPO Certification for Diamond Jubilee Certification Unit as a producer of RSPO Certified Sustainable Palm Oil comprising the Diamond Jubilee Palm Oil Mill, Diamond Jubilee estate, Bukit Asahan estate and Serkam estate.

#### **PRINCIPLE 1: Commitment to Transparency**

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

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

Mill and estates maintained record of request and replies to the request from external and internal stakeholders as well as respond to regulatory bodies, Malaysian Palm Oil Association, Malaysian Palm Oil Board, school and other stakeholders who request for information. Document check shows that request for labour survey on 7 January 2013 received from Labour Department Officer, Puan Noraini was responded promptly on 10 January 2013 approved by the Manager.

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

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



**PRINCIPLE 2: Compliance with Applicable Laws and Regulations**

Inspection of records during document audit showed the mill and its supply base complied with all of their respective permit conditions and legal requirements. On-site Internal compliance officers and administration officers ensure permits are renewed promptly. This confirmed that the internal control and checks were effective for monitoring compliance. All the operation units hold a land title and no land dispute issues were sighted.

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

Diamond Jubilee mill and supply base was keeping up to date list of legal requirements. The company has own mechanism to ensure all relevant legal requirements are complied. Mechanism to track any changes in applicable law includes list of laws, regulation reference, permit and license to manage. Each operating unit has a list of licenses showing the expiry dates. Based on this information, the on-site compliance officer and administration officer renews the permits and licenses. Inspection of a sample of licenses and permits confirmed all valid. i.e. MPOB licenses are valid (Diamond Jubilee mill No. 500288804000 expiry 30/9/2014; Water extraction permit from SPAN : 293/6/11/2012 valid till 31 October 2014, DOE permit number: 000171 valid until 30/6/2014, valid registration with the energy commission, weighbridge permit as per “Akta Timbang dan Sukat” (certificate number B445726, valid diesel permit etc. Mill personnel such as boilerman, charginer, engine drivers and engineers have competency certificates and clinic assistant registered with health department. Recent evaluation of compliance was carried out on April 2013. Report shows compliance.

*As an area for improvement, an observation was raised (indicator 2.1.1): The Air Compressor (MK PMT 9544) at Serkam Estate (Jasin division) workshop does not indicate the PMT number clearly. Old writing has faded.*

The Mill and the Estates visited had maintained legal compliance with applicable laws and regulations. Review of internal audit reports showed that in particular for Safety, Social, and Environmental regulations. The latest internal audit was done in 24 April 2013.

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

It is noted that the land is not encumbered by customary rights and the right to use the land is not disputed by any internal and external stakeholders interviewed. The mill and estates are on Freehold Land and leasehold land. Each estate holds land titles. Example, the Bukit Asahan Estate holds 7 freehold land titles and two leasehold land title. The leasehold land title numbers are

lot 303 and lot 319. This land was initially from the 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 Bukit Asahan and Serkam Estates confirmed they were clearly marked and visibly maintained. Both estates have completed re-survey of boundaries to facilitate replanting.

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

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

**PRINCIPLE 3: Commitment to Long Term Economic and Financial Viability**

The mill and supply base estates 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/quality related issues and provide technical assistant for the estate including RSPO certification and monitoring of compliance.

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

The mill and all the three estates have annual operating budget which shows the cost and production. A separate document shows projected production and cost for five years in the form of five years projection. Mill and estates has prepared 5 Year Business Plan for period covering 2012 - 2016 and reviewed annually by operating unit and zone General Manager. The last review was carried out on May 2013 prior to end of financial year 2012/2013. The plan includes environment, social (workers and staffs welfare), and health and safety component and associated capital expenditure for improvement.

Bukit Asahan and Serkam estates have replanting program within 5 years beginning in 2015. Replanting is planned for palm older than 25 years old.

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

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

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

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

Planting Advisor and Mill advisor make annual visit to evaluate the performance of the mill and estates. General Manager visits the estates on quarterly basis to review estate performance against Sime Darby standard. Latest Mill Advisor visit was between 18 and 20 March 2013. Planting advisor visited the Bukit Asahan estate between 5 and 7 December 2012. Issues highlighted were rectified by the mill and estate management. Recent management review was conducted on 30 January 2013. All operating units maintain DOSH and DOE Visit Records as well. DOSH last visited on 13 March 2013. DOE visits regularly to inspect and 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 April 2013. Noncompliance found during the internal assessment was corrected by the operating units. All identified noncompliance was addressed by the operating units. However, the implementation of SOP Manual for Gender Committee was not monitored. Nonconformity was raised.

*NC Ref: 959763N1 (Minor): A nonconformity was assigned against Minor indicator 4.1.2 at Bukit Asahan estate because, as per Sime Darby SOP (SOP Manual for Gender Committee Implementation), committee meeting should be done quarterly. However, at Bukit Asahan Estate there were no meeting has been carried out for second quarter as per the SOP. - refer section 3.2 for details.*

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

Agronomist visited the estates on April 2013. This visit was part of the fertilizer recommendation whereby the agronomy make final conclusion based on field visit. Leaf analysis was conducted much earlier in the month of March. Soil analysis and visual observation used as a

guidance to prepare the final fertilizer recommendation. Majority of the soil is lateritic and no peat soil noted. Research Centre carried monitoring of fertiliser application. Application records are documented in the daily costing book. Sample checked at Bukit Asahan estate found that for recently replanted field 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 palm with rate of 45mt/ha at the inter-row. Sample checked at Bukit Asahan estate shows that field number 07A was applied with 40.72 Mt EFB in Jun 2013. Records are documented and summary of total applied is reported at the end of the month. Beside EFB, POME is applied as part of land application at Diamond Jubilee estate. Record shows that 161 ha were applied with POME. BOD is below the allowable 5000mg/L.

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

Field inspection showed groundcover with soft grass and soft weeds. 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. Example of programme checked at Serkam estate shows the map indicating road repairs and maintenance for the whole estate roads includes grading, compacting and stone application to strengthen the road surface.

**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 it is noted that small river is maintained with the riparian zone and clearly marked and maintained. No bunds/weirs/dams were constructed across the main waterways in the estate. However, river water monitoring at Bukit Asahan estate was not available. Nonconformity was raised.

*NC Ref: 959763M0 (Major): A nonconformity was assigned against Major indicator 4.4.3 at Bukit Asahan estate because, there was no latest water sampling carried out for the Asahan River for more than 9 months. The frequency of waterways monitoring to reflect the current activities of the estates was not followed. - refer section 3.2 for details.*

There is an Integrated Water Management Plan which has been implemented. The plan takes into account the

efficient use of resources, ensure amongst other that the use of water did not impact on other users, avoid contamination of ground and surface water, and appropriate treatment of mill effluent.

Rainfall data is used as guidance for the water management. Past three years rainfall record shows that at least more than 120 days of rain is observed. Rainfall for the FY2012/2013 was 1,724mm with 138 rainy days.

Diamond Jubilee palm oil mill has maintained monitoring records of water usage which recorded every day and summarised on monthly basis. Average annual water consumption varies from 0.95 M<sup>3</sup> – 1.10 M<sup>3</sup> per tonne FFB processed. The total water consumption for the month of July 2013 was 1.10 M<sup>3</sup> per tonne FFB processed. The water supply is sourced from water catchment area which covers about 1.54 ha.

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

The estates have implemented biological method of controlling pest in the plantation through Integrated Pest Management (IPM) such as introduction of barn owl by erecting barn owl boxes at rate of 1 box for 20 ha to control rat damage. IPM system is in place. However, there is lapse in the monitoring of barn owl occupancy. Nonconformity was raised.

*NC Ref: 959763N2 (Minor): A nonconformity was assigned against Minor indicator 4.5.2 because the Barn Owl introduced and implemented as a biological control for the rat was not monitored six monthly. Census conducted but not as per Sime Darby Agricultural Reference Manual v.1 Section 15 page 4 which referring to the monitoring of barn owl population requires monitoring every six month and sends the report to R&D Department. It is noted that all operating units (Diamond Jubilee Estate, Bukit Asahan Estate and Serkam Estate) did not send the report for the last 16 months. There is also a memo from the Zone office dated 12/6/2013 (from En. Mohd Ahdly Arbain) was requesting for the Barn owl census report, Ganoderma Census report and Rat baiting report. His memo shows that all operating units did not send the report for the last 16 months.*

Bukit Asahan estate monitors the use of agrochemical and pesticide. An average of 0.071 a.i/ha used for the month of January to June 2013.

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 2013 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 the 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 covers all the employees handling agrochemical. The last medical surveillance was done on January 2013 and the result shows all confirmed fit for work. Medical records are follow the USECHH form 1 format done by DOSH registered doctor (HQ/08/DOC/00/19P) at clinic Dr. Sudha.

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

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

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

Sime Darby's Occupational Safety and Health (OSH) Policy provide guidance for all OSH related matters. This policy communicated to all employees onsite during quarterly safety meeting and morning briefing. DOSH visit regularly to monitor the safety at the mill. Last visit was on 13 March 2013.

The annual review of the HIRARC was carried out by safety officer onsite and compliance officers. Last review was done on 25 January 2013. Mill and estate have individual training program to address the entire safety requirement and work procedures for each category of work and work station. Safety awareness is ongoing all the time through morning briefing which includes safety at work and records are maintained. 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 was checked and found that there are no any pending issues. Meeting was attended by representative from all categories of workers and contractors.

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

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

*However as an area for improvement, an observation was raised against indicator 4.7.1 (e): The Permit to work (PTW) issued for confined space was without proper authorized entrant & Standby person. Understanding are lacking on issuing the Permit to work for confined space.*

Accident reports are sent to DOSH as per requirement through JKKP 6, 8 and 7 forms. Accident records are documented if there are any accidents. There is no fatal accident noted. Minor accident reported such as thorn prick is common among the workers and this is recorded at the estate clinic during treatment carried out. Local workers covered by SOCSO and foreign workers are covered by accident insurance which is valid until June 2014.

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

Diamond Jubilee 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 10 April 2013 at estate level, Training on water sampling on 19 March 2013, FFB transport contractor training on 24 January 2013, and safety training on 5 August 2013, fire drill at mill on January 2013 which include emergency rescue training, PPE and chemical handling training on 22 June 2013 etc.

*However as an area for improvement, an observation was raised against indicator 4.8.1: Fire Drill has performed in January 2013 at Bukit Asahan Estate and in 2010 at Serkam Estate. Report will be helpful for improvement.*

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

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

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

The Mill and all the estates carry out the annual review of environmental impacts in term of Environmental Impact Assessment. Once reviewed a Management Action Plans is developed. This information is also taken into consideration for the Continuous Improvement Plans with latest reviewed on 5 July 2013. A list of Actions for improvement of environmental performance has been revised for each of the significant impacts. The review includes reduction of waste by initiating awareness on recycling waste such EFB, Fiber and shell in the mill.

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

*However, an observation was raised against indicator 5.1.2 at Bukit Asahan Estate as the Environmental Impact evaluation and Environmental Aspect identification last reviewed in 5 August 2012 for the financial year 2012/2013. There is a delay in the review for 2013/2014 and planned at end of August 2013.*

**Criterion 5.2: The status of rare, threatened or endangered species and high conservation value habitats if any, that exist in the plantation or that could be affected by plantation or mill management, shall be identified and their conservation taken into account in management plans and operations.**

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

There is no change in the biodiversity area. Similar to last assessment, there is about 0.32 ha HCV6 (cemetery) present within the landholding of Diamond Jubilee and Serkam estate (0.5 ha). Biodiversity area includes water catchment (1.54 ha in Diamond Jubilee estate) and conservation area such as riparian area (Diamond Jubilee: 2 ha, Bukit Asahan: 18ha and Serkam estate: 2 ha) 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 Jun 2013.

Enhancement of the river buffer zones are carried out by planting jungle trees (*shorea sp*). Planting of jungle trees has been commenced to increase the biodiversity of tree species. 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 updated for the 2013/2014 Financial Year on 25 February 2013. Operational pollution at the mill is monitored as per requirement of regulation and reports are current and send to the relevant authorities on time.

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

The company has continued managing scheduled waste stores at the mill and each of the estates. Agrochemical containers are triple rinsed and punctured to avoid any misuse. Schedule waste is disposed through licensed collector OLST Petro Chemical Sdn Bhd (registration number 5181) and medical wastes such as sharps are collected and disposed through visiting medical officer. Records are maintained.

*However, an observation was raised against indicator 5.3.2 at Serkam Estate. All Schedule waste at Kesang & Jasin Division was in progress of transporting to the Kemendor division storage area.*

Operational waste such as EFB, Fiber, Shell and effluent is recycled. POME and EFB applied in the field is

monitored and well managed with furrow system for POME. POME BOD level is below the standard of 5000mg/L. DOE carry out regular sampling.

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

The Mill monitors and reports energy usage monthly to head office through monthly report. The company has optimized the use of renewable energy. The energy usage varies depending on the FFB supplied by the estates. During low crop there is a slight increase in use of diesel fuel for processing. Monitoring of fuel used is based on per tonne of CPO. Average 48mt of fiber used per day combining with 7mt of shell as renewable energy source.

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

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

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

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

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

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

***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 18 Diamond Jubilee (Malacca 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 2013/2014 was conducted on June 2013 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.**

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

At each operating units the Social Liaison Officer or Estate 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. Last stakeholder meeting was conducted on 15 July 2013. 29 internal and external stakeholders attended the meeting. There are no any disputes recorded during the meeting. Stakeholder list contains names and contact details. All the estate maintains communication

recorded as part of the stakeholder communication document.

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

Grievance procedure was communicated to all stakeholders during meetings as a part of process to resolve any disputes. Complaint and grievances was recorded in complaint book. 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.

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

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

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

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

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

Interview with the workers at the mill and estates confirmed that 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. Sample work contract of employee number 0000084174 dated 5 January 2010 confirm that these benefits are given.

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

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

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

*However as an area for improvement, an observation was raised against indicator 6.6.1: During document review it was noted that Union meetings have been conducted on the 26 July 2013 at Mill and 24 June 2013 at Bukit Asahan Estate. The minutes of the meeting was still in progress of completion.*

**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.**

Sime Darby 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 23 March 2013 at estate and mill level. The meeting minutes shows that no any kind of harassment issue was raised in the meeting. The meeting follows the guidelines as per the Gender Committee Manual.

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

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

Contractors/suppliers understand contractual agreement and stated that the contract is transparent and fair. The company has standard term and condition of contract agreement which is explained prior to signing. Prompt payment is made as per contract agreement. No issues were highlighted by the contractors interviewed. Inspection to the "Grievance Book" indicated no complaint was raised in relation to processing of the payment. Contract payment dated 15 May 2013 was checked and verified.

**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. Interview with the local school representative and community leader reveal that operation units contribute to local community activities.

**Principle 7: Responsible Development of New Plantings**

Diamond Jubilee 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.**

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

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

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

There was a major nonconformity and two minor nonconformities were identified during this assessment along with area for improvement as an observation. Corrective action plans with respect to the major nonconformity raised during the ASA2 have been reviewed and found to be effectively implemented and the Major NC was closed on 7<sup>th</sup> October 2013. The management submitted corrective action plans for all the minor nonconformities as well. 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 ASA2. Corrective Actions and closing out evidence for the major nonconformity identified during the ASA2 has been effectively implemented and the nonconformity is closed. The detail as follows:

**NC Ref: 959763M0 (Major): A nonconformity was assigned against Major indicator 4.4.3: Outgoing water into main natural waterways should be monitored at a frequency that reflects the estates and mills current activities which may have negative impacts. At Bukit Asahan estate, there was no latest water sampling carried out for the Asahan River for more than 9 months.**

*The frequency of waterways monitoring to reflect the current activities of the estates was not followed.*

Corrective Action and evidence of implementation: The Bukit Asahan estate management analyzed the root cause and found that there was a delay in receiving the water sampling bottles from the supplier. The management also prepared a schedule for water sampling. For monitoring purpose, the results of the water monitoring will be included as an agenda during the ESH meeting to see whether the results are within the stipulated parameters. The person in-charge is the assistant manager. The water sampling has been carried out on 26 August 2013 and the lab test report No.: IE 181/2013 dated 5 September 2013 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 7/10/2013.

**Minor Nonconformities**

Two nonconformities were assigned against Minor Compliance Indicators. The management at Diamond Jubilee Certification Unit operations has prepared corrective action plan for addressing the minor nonconformities which BSi audit team 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:

**NC Ref: 959763N1 (Minor): A nonconformity was assigned against Minor indicator 4.1.2: Records of monitoring and the actions taken are maintained and kept for a minimum of 12 months. At Bukit Asahan estate, as per Sime Darby SOP (SOP Manual for Gender Committee Implementation), committee meeting should be done quarterly. However, at Bukit Asahan Estate there were no meeting has been carried out for second quarter as per SOP.**

Corrective Action and evidence of implementation: The management found that the executive in-charge was transferred to another operating unit and misplaced the meeting details. Latest meeting was conducted on 26/8/2013. Next meeting is scheduled on 13/11/2013. The progress will be followed up during the ASA3.

**NC Ref: 959763N2 (Minor): A nonconformity was assigned against Minor indicator 4.5.2: Monitoring extent of IPM implementation for major pests. The Barn Owl introduced and implemented as a biological control for the rat was not monitored six monthly. Census conducted but not as per Sime Darby Agricultural Reference Manual v.1 Section 15 page 4 which referring to the monitoring of barn owl population requires monitoring every six month and sends the report to R&D Department. It is noted that all operating units (Diamond Jubilee Estate, Bukit Asahan Estate and Serkam Estate) did not send the report for the last 16 months. There is also a memo from the Zone office dated 12/6/2013 (from En. Mohd Ahdly Arbain) was requesting for the**



*Barn owl census report, Ganoderma Census report and Rat baiting report. His memo shows that all operating units did not send the report for the last 16 months.*

Corrective Action: The management submitted actual census records for the month of September 2013. Onsite implementation will be followed up during the ASA3.

### **Observation/Opportunity for improvement**

There are six 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 (2.1.1): The Air Compressor (MK PMT 9544) at Serkam Estate (Jasin division) workshop does not indicate the PMT number clearly. Old writing has faded.*

*Observation 2 (4.7.1(e)): The Permit to work (PTW) issued for confined space was without proper authorized entrant & Standby person. Understanding are lacking on issuing the Permit to work for confined space.*

*Observation 3 (4.8.1): Fire Drill has performed in January 2013 at Bukit Asahan Estate and in 2010 at Serkam Estate. Report will be helpful for improvement.*

*Observation 4 (5.1.2): Bukit Asahan Estate as the Environmental Impact evaluation and Environmental Aspect identification last reviewed in 5 August 2012 for the financial year 2012/2013. There is a delay in the review for 2013/2014 and planned at end of August 2013.*

*Observation 5 (5.3.2): Serkam Estate. All Schedule waste at Kesang & Jasin Division was in progress of transporting to the Kemandor division storage area.*

*Observation 6 (6.6.1): During document review it was noted that Union meetings have been conducted on the 26 July 2013 at Mill and 24 June 2013 at Bukit Asahan Estate. The minutes of the meeting was still in progress of completion.*

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

Corrective Actions for Nonconformities identified during the ASA 1 was effectively and consistently implemented and the nonconformity remains closed.

#### **A779834/1: Minor nonconformity was raised against indicator 4.4.7: Evidence of water management plans.**

*It is noted during the stakeholder interviews that water supply to the workers housing is insufficient. Visit to the Diamond Jubilee estate's workers housing and discussion with management reveal that the water supply is given for one hour/house. The management already have plan to get the water supply for workers housing from the government water supply. However the plan was delayed since 2010/2011 financial year due to some*

*administrative delay from the government. The completion of the water supply from the government source as budgeted in 2011/2012 annual budget will be further checked during next annual assessment.*

**ASA 2 Findings:** *The water supply from government is in the final stage of completion. As temporary measure, the management has extended the current water supply to two hours/house. No issue related with this was highlighted during interview with the workers. The CAP is implemented. NC is addressed and closed on 20/8/2013.*

**A779834/2: Minor nonconformity was raised against indicator 4.5.4: Monitoring of the pesticide usage units per hectare or per tonne crop e.g. total quantity of a.i. used/tonne of oil.** *During the document check at Bukit Asahan estate it was noted that the details of a.i./hectare is not available.*

**ASA 2 Findings:** *The management unit has prepared and monitor the pesticide usage by calculating the ai/ha used on monthly basis. An average of 0.071 a.i/ha used for the month of January to June 2013. The CAP is implemented. NC is addressed and closed on 20/8/2013.*

**A779834/3: Minor nonconformity was raised against indicator 5.1.2: Environmental improvement plan to mitigate the negative impacts and promote the positive ones is developed.** *During the mill visit it was noted that the monsoon drain located near the ramp, within the mill compound was contaminated with water from the ramp. Empty plastic containers kept in the same area with scrap iron although there is a designated schedule waste store for empty plastic containers. It is noted the LEV/Fume Hood at the laboratory was not re-designed as per recommendation from the Baseline Inspection and Evaluation by external consultant dated 28/6/2011. It was concluded that implementation and monitoring to mitigate negative impact is lacking.*

**ASA 2 Findings:** *A new drain has been constructed to divert the water from ramp into mill waste water treatment. Empty plastic containers were properly kept at the schedule waste store. The LEV/Fume Hood at the laboratory has been re-designed as per recommendation from the Baseline Inspection and Evaluation by external consultant. The CAP is implemented. NC is addressed and closed on 20/8/2013.*

**A779834/4: Minor nonconformity was raised against indicator 5.3.2: Having identified waste and pollution, an operational plan should be developed and implemented, to avoid or reduce pollution.**

*The palm oil mill has schedule waste store. However SW 110 such as faulty florescent tube is not collected and stored in the schedule waste store. It was noticed that the faulty florescent tube was found inside the waste collection bin (marked as glass). At Bukit Asahan Estate the street-light bulb disposed into the pail contain sand.*

**ASA 2 Findings:** Faulty florescent tube is being collected and stored in the schedule waste store properly and not sighted at other areas. The CAP is implemented. NC is addressed and closed on 20/8/2013.

**A779834/5: Minor nonconformity was raised against indicator 6.5.3: Growers and millers provide adequate housing, water supplies, medical, educational and welfare amenities in accordance with Workers' Minimum Standard of Housing and Amenities Act 1990 (Act 446) or above, where no such public facilities are available or accessible (not applicable to smallholders).** It is noted during the stakeholder meeting that there is insufficient of treated water supply to the workers housing. The management is aware of this issue. However it is not clear whether this issue has been addressed. Further, the action plan to source the water supply from the government source was delayed since 2010/2011 financial year due to some administrative delay from the government. It is noted during interview with the employee at the Diamond Jubilee Palm Oil Mill, the house provided to the employee is in bad condition with broken window and many other defects. Request to repair is attended by the management. However, sometime it takes more than two weeks for the completion of the repairing. The poor condition of the housing is not ensuring that the employee is given adequate and suitable house to live.

**ASA 2 Findings:** The water supply from government is in the final stage of completion. As temporary measure, the management has extended the current water supply to two hours/house. No issue related with this was highlighted during interview with the workers. Construction of new workers housing is on-going and expected to be complete by mid-2014. Ad-Hoc repairs are being carried out as temporary measure whenever there's a complaint by workers. This was confirmed by the workers during interview. The CAP is implemented. NC is addressed and closed on 20/8/2013.

Observation 1 (2.1.4): System for tracking any changes in the law is available and tracked through internal checklist to ensure compliance. It should be signed by the person conducted the assessment with date.

**ASA 2 Findings:** The checklist has been signed by the person conducted the assessment (Chief Clerk) with the date.

Observation 2 (2.2.3): At Diamond Jubilee Estate and Bukit Asahan Estate boundary re-surveying is in the progress. Operating units should ensure the completion. This will further verified during the annual assessment.

**ASA 2 Findings:** The boundary re-survey has been completed on December 2012.

Observation 3 (4.1.2): Records of monitoring and the action taken are maintained and documented. The

Master record list (form CR-01/MRL) should be available during the assessment as a reference document.

**ASA 2 Findings:** The Master record list (form CR-01/MRL) was available during the ASA2 assessment as a reference document.

Observation 4 (4.2.2): Periodic soil analysis is conducted as per SOP every 5 years. Operating units should make the report available all the time not only for audit purpose but as an internal reference.

**ASA 2 Findings:** Soil analysis report is being kept by the operating units as an internal reference at all the operating units.

Observation 5 (4.4.7): At Diamond Jubilee Estate, visit to the Water catchment area found that the area is fenced for security reason. However during the visit, it was found that the gate was not locked. It will be to the benefit of the operating unit to ensure the security of the water catchment area by ensuring the gate is locked all the time.

**ASA 2 Findings:** The operating unit has appointed the security supervisor to ensure that the gate is locked all the time.

Observation 6 (4.6.4): At Diamond Jubilee estate it was noted that some of the hazard sign (marking) on the herbicide pre-mix containers are faded. Re-painting should be considered.

**ASA 2 Findings:** All the pre-mix containers have been re-painted with the hazard sign.

Observation 7 [4.7.1 (i)]: It is noted during the Diamond Jubilee Palm Oil Mill visit that First Aid box is only being sent to the worksite during the audit at workshop. It is to the benefit of the employees to ensure it is readily available at all time.

**ASA 2 Findings:** Visit to the mill found that first aid boxes were available at workshop and other required areas.

Observation 8 (5.3.2): At the Diamond Jubilee Palm Mill, the store where Soda Ash is stored and oil traps at drain outlets are lack of housekeeping. Regular upkeep should be considered.

**ASA 2 Findings:** Soda Ash store and oil traps at drain outlets were well maintained through regular housekeeping.

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

During this ASA2, stakeholders were contacted through phone calls as well as private meeting conducted without the present of management team. The majority of stakeholders had positive comments about Diamond Jubilee Certification Unit comprising Diamond Jubilee

mill and three 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.

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. There are no any other 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 3)**

The next surveillance visit will be scheduled within twelve months of this ASA2.

**4.2 Date of Closing Nonconformities (Major and Minor)**


CAR Ref.	CLASS	ISSUED	STATUS
04/2009	Minor	IAV	Closed on 18/09/2012
05/2009	Minor	IAV	Closed on 18/09/2012
06/2009	Minor	IAV	Closed on 18/09/2012
A779834/1	Major	ASA1	Closed 9/11/2012
A779834/2	Major	ASA1	Closed 9/11/2012
A779834/1	Minor	ASA1	Closed 20/08/2013
A779834/2	Minor	ASA1	Closed 20/08/2013
A779834/3	Minor	ASA1	Closed 20/08/2013
A779834/4	Minor	ASA1	Closed 20/08/2013
A779834/5	Minor	ASA1	Closed 20/08/2013
959763M0	Major	ASA2	Closed 7/10/2013
959763N1	Minor	ASA2	Open
959763N2	Minor	ASA2	Open

**4.3 Acknowledgement of Internal Responsibility and Formal Sign-off of Assessment Findings**

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

Signed for on behalf of  
 Sime Darby Plantation Sdn Bhd – SOU 18 Diamond Jubilee Certification Unit  
  
**SIME DARBY PLANTATION SDN BHD**  
**KKS DIAMOND JUBILEE**  
 Mr. Jesma Bin Jallil  
 Manager, Diamond Jubilee Palm Oil Mill  
 SOU 18 - Diamond Jubilee 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 ASA02
Certified	33 operating units	19 operating units	52 operating units	Total Certified: 52
Decommissioned	1 (Segaliud)	-	-	-
New mill added to Time bound Plan	2	-	2	Certification in 2013
RSPO EB Review	0	6 operating units	6 operating units	On-going peer review.
Total	35 operating units	25 operating units	60 operating units	-

**Note: Status verified as of August 2013. Details are explained under section 1.5 of this summary report.**

## Appendix B: Sime Darby Plantation Sdn Bhd – SOU 18 Diamond Jubilee Certification Unit’s RSPO Certificate Details

Sime Darby Plantation Sdn. Bhd.  
 SOU 18 Management Unit (Diamond Jubilee Palm Oil Mill)  
 KM 8, Jasin – Simpang Bekoh Road, District of Jasin,  
 Malacca, MALAYSIA

BSI RSPO Certificate №: SPO 591224

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.

<b>Diamond Jubilee Palm Oil Mill and Supply Base</b>	
<b>Location</b>	District of Jasin, Malacca, Malaysia.
<b>Address</b>	SOU 18 Management Unit (KKS Diamond Jubilee), KM 8, Jasin – Simpang Bekoh Road, District of Jasin, Malacca, MALAYSIA
<b>GPS</b>	Longitude: 102° 33' 6" E Latitude: 2° 2' 35" N
<b>CPO Tonnage Total Production (Certified)</b>	32,483
<b>PK Tonnage Total Production(Certified)</b>	8,310
<b>Company Estate FFB Tonnage (Certified)</b>	151,084
<b>Estates FFB Tonnage (Certified)</b>	Diamond Jubilee Estate : 62,212
	Bukit Asahan Estate : 62,333
	Serkam Estate : 26,539

## Appendix C: 2<sup>nd</sup> Annual Surveillance Assessment Program

Date	Time	Subjects	Senniah	Isman	Muhd Haris
Monday 19/8/2013	PM	Audit Team travelling to the site.	√	√	√
Tuesday 20/8/2013 <b>DJ Palm Oil Mill</b>	08.00 – 09.00	Opening Meeting: <ul style="list-style-type: none"> <li>• Presentation by the Estate and mill managers</li> <li>• Presentation by Audit team leader.</li> <li>• Confirmation of assessment scope and finalize Audit plan (including stakeholder's consultation).</li> </ul>	√	√	√
	09.00 – 12.00	<b>DJ Palm Oil Mill</b> Inspection: FFB receiving, warehouse, workshop, wastes management, Effluent Ponds, OSH, Environment issues, POME application, water treatment, staff, workers and contractor interview, housing and facility inspection.	√	√	√
	12.00 – 13.00	Rest / Lunch	√	√	√
	13.00 – 17.00	<b>DJ Palm Oil Mill:</b> Document Audit, SOPs, Supply chain for CPO mill, Review on SEIA documents and records, wage records, employee data, training records, permits, mill inspection records, etc.	√	√	√
Wednesday 21/8/2013	08.00 – 12.00	<b>Bukit Asahan Estate</b> Field visit, boundary inspection, fertiliser application, field spraying, harvesting, workers interview, buffer zone, HCV area, Office, workshop, worker housing, clinic, Landfill, Chemical store and mixing, etc.	√	√	-
	09.00 – 12.00	<b>Meeting with stakeholders</b> (Government, village rep, smallholders, Union Leader, contractor etc.)	-	-	√
	12.00 – 13.00	Rest / Lunch	√	√	√
	13.00 – 17.00	<b>Bukit Asahan Estate</b> Document review (General Documentation e.g. Legal, Manual and Procedure, HCV identification, SEIA documents, Health and Safety, Time bound plan verification, review pay documents etc).	√	√	√
Thursday 22/8/2013	8.00 – 12.00	<b>Serkam Estate</b> Field visit, boundary inspection, fertiliser application, field spraying, harvesting, workers interview, buffer zone, HCV area, Office, workshop, worker housing, clinic, Landfill, Chemical store and mixing, etc.	√	√	√
	12.00 – 14.00	Lunch & Friday Prayers	√	√	√
	13.00 – 17.00	<b>Serkam Estate</b> Document review (General Documentation e.g. Legal, Manual and Procedure, HCV identification, SEIA documents, Health and Safety, Time bound plan verification, review pay documents etc).	√	√	√
Friday 23/8/2013	8.00 – 10.00	Verify any outstanding issues & Preparation for closing meeting	√	√	√
	10.00 – 11.30	Closing Meeting	√	√	√
	12.00	Audit team travel back to KL	√	√	√

## Appendix D: List of Stakeholders Contacted

<p><b><i>Internal Stakeholders</i></b></p> <p>Diamond Jubilee 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><b><i>Local Communities</i></b></p> <p>Temple Committee Representative          Kampung Kelubi Village Representative</p>
<p><b><i>Government Departments</i></b></p> <p>Police Representative          District Labour Office          MPOB Office          School Teacher</p>	<p><b><i>Contractors</i></b></p> <p>Housing contractor          FFB Transport contractor          Engineering work contractor</p>

## Appendix E: Diamond Jubilee Palm Oil Mill Supply Chain Assessment (Module D: Segregation)

Requirements	Compliance
<b>D.1. Documented procedures</b>	
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.	Diamond Jubilee 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.	Diamond Jubilee 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. Incoming FFB report no. G12873 was checked. It contains Field number (91H), Tonnage (9.75mt), Vehicle number (TNM 8842) and recorded as certified FFB from own supply base (Diamond Jubilee Estate).
<b>D.2. Purchasing and goods in</b>	
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.
<b>D.3. Record keeping</b>	
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 Diamond Jubilee mill. PK is sold to Sime Darby's subsidiary kernel crushing plant.
D.3.4 The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. *product name*/SG or Segregated. The supply chain model used should be clearly indicated.	System in place to indicate CPO/Segregated and PK/Segregated on the documents related to the supply chain. Weighbridge ticket number 003799 checked and verified for the sales of certified PK/Segregated.
<b>D.4. Sales and goods out</b>	
D.4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information	No sales of certified CPO through UTZ. Sales through GreenPalm are carried out as group sales. There is sale of certified PK amounting 500mt to Sime Futures Trading Sdn Bhd. Sample of sales documents were checked for certified PK sales (weighbridge ticket number 003799, Vehicle number WPR 9088, Contact number S/AGC/0813/PK2317C). CPO sold as conventional palm products. The information on the documents are:
(a) The name and address of the buyer	Name and address of buyer written on the existing invoice. i.e. Sime Future Trading Sdn Bhd, Kuala Langat, Selangor.
(b) The date on which the invoice was issued	Date is written on all dispatch and relevant documents.
(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. Weighbridge ticket number 003799 checked and verified. Transport details i.e. Vehicle number and driver's name included.
<b>D.5. Processing</b>	
D.5.1 The facility shall assure and verify through clear procedures and record keeping that the RSPO certified palm oil is kept segregated from non certified material including during transport and storage and be able to demonstrate that is has taken all reasonable measures to ensure that contamination is avoided. The objective is for 100 % segregated material to be reached. The systems should guarantee the minimum standard of 95 % segregated physical material; up to 5 % contamination is allowed	During this assessment it was confirmed that only certified source of FFB from own plantation is processed. This ensures that there is no possibility of mixing during processing.
D.5.2 The facility shall provide documented proof that the	Processing and storage records can trace back to only certified segregated raw



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

**Actual Certified Palm Production - July 2012 - June 2013 (ASA1)**

MILL	CAPACITY	CPO	PK
Diamond Jubilee Palm Oil Mill	25 mt/hr	26,315	6,956

**Actual Sales of Certified Palm Products - July 2012 - June 2013 (ASA1)**

MILL	Certified CPO Sales (mt)	Certified PK Sales (mt)	Remarks
Diamond Jubilee Palm Oil Mill	NIL	500	No sales of certified CPO. CPO sold as normal palm products because buyers want only normal conventional palm products.

**Actual Certified FFB Received Monthly - July 2012 - June 2013**

Month	Diamond Jubilee Estate	Bukit Asahan Estate	Serkam Estate	Total FFB/Month
July 2012	6,118	5,616	1,508	13,242
August 2012	5,397	5,810	1,981	13,188
September 2012	6,355	5,723	1,565	13,643
October 2012	6,078	6,663	1,627	14,368
November 2012	5,582	5,152	1,721	12,455
December 2012	4,092	3,876	1,893	9,861
January 2013	3,790	3,900	1,918	9,608
February 2013	3,025	2,211	1,553	6,789
March 2013	3,266	2,590	1,746	7,602
April 2013	3,375	2,350	1,894	7,619
May 2013	3,276	2,126	1,498	6,900
June 2013	3,507	2,653	1,765	7,925
<b>Total</b>	<b>53,861</b>	<b>48,670</b>	<b>20,669</b>	<b>123,200</b>