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PUBLIC SUMMARY REPORT

RSPO

1st Annual Surveillance Assessment

TDM Plantation Sdn. Bhd Kemaman Palm Oil Mill, Kemaman, Terengganu, Malaysia

Report Author:

Senniah Appalasamy – Revised December 2014

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SUMMARY

BSi has conducted the 1st Annual Surveillance Assessment of Kemaman Palm Oil mill and supply base operations located in Kemaman, Terengganu, Malaysia comprising one palm oil mill, six company own oil palm estates, support services and infrastructure. Kemaman Palm Oil Mill is belongs to TDM Plantation Sdn Bhd. (RSPO Membership number: 1-0095-11-000-00). TDM Plantation Sdn Bhd owns two palm oil mills in Malaysia. Both palm oil mills are located in the State of Terengganu, Malaysia.

The assessment was conducted against the RSPO requirements [RSPO P&C MYNI 2010; RSPO Certification System June 2007 (revised March 2011) and Supply Chain Certification Standard: November 2011, Module D-CPO Mills: Segregation]. BSi concludes that Kemaman Palm Oil Mill and Supply Base operations comply with the RSPO requirements.

BSi recommends for continuation of the approval of Kemaman 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
EMS	Environmental Management System
FFB	Fresh Fruit Bunch
HCV	High Conservation Value
IAV	Initial Assessment Visit
IPM	Integrated Pest Management
KPOM	Kemaman Palm Oil Mill
MSDS	Material Safety Data Sheet
MY-NI	Malaysian National Interpretation
NUPW	National Union of Plantation Workers
PK	Palm Kernel
PPE	Personal Protective Equipment
SEIA	Social & Environmental Impact Assessment
SIA	Social Impact Assessment
SOP	Standard Operating Procedure

1.0 SCOPE OF ANNUAL SURVEILLANCE ASSESSMENT

1.1 Identity of Certification Unit

Kemaman Palm Oil Mill and estates are located in Terengganu, Malaysia (Appendix E: Figure 1). The oil mill is central to the estates located near Kemaman. Kemaman Palm Oil Mill process FFB from own company estates. No FFB from outside source received/processed by the mill. Sampled estate maps are included in the Appendix F (Figures 2) and Appendix G (Figure 3). The GPS location of the mill is shown in Table 1.

Table 1: Mills GPS Locations

MILL	EASTING	NORTHING
Kemaman Palm Oil Mill (Capacity: 60mt/hr)	103.248	4.403

1.2 Certified Production Volume

The actual tonnages produced and projection for next 12 months is detailed in Table 2. The projected tonnages are based on the annual budget.

Table 2: Production tonnages

Kemaman Palm Oil Mill	Projected for 2013/14	Actual for 2013/14	Projected for 2014/15
CPO	64,816	52,950	60,878
PK	16,830	13,698	16,333

1.3 Certification details

RSPO Membership No: 1-0095-11-000-00
BSi RSPO Certificate No: SPO 587626
Date of Initial Certification Assessment: 4-6 Dec. 2012
Date of certification: 1 November 2013
Date of ASA1: 8 - 11 September 2014

1.4 Description of Supply Base and Supply Chain

The supply base is the FFB from six company owned estates that supplied 100% of the FFB processed at the Kemaman Palm Oil Mill.

The projected FFB production tonnages shown in Table 3 were based to the potential yield could be achieved by the supply base estates in KPOM Certification Unit. KPOM using the Segregation mechanism for the incoming FFB and outgoing palm products. This is possible because KPOM receives certified FFB from company owned estates. There is no FFB supply from outside source.

Table 3: Estate FFB Tonnages Production

Estate	Projected 2013/14	Actual 2013/14	Projected 2014/15
Tebak	65,700	55,142	61,500
Pelantoh	69,500	60,785	68,940
Jernih	54,600	47,286	53,450
Air Putih	53,400	46,965	52,600
Gajah Mati	50,900	45,737	49,980
Majlis Agama Islam	11,900	8,682	10,500
Total	306,000	264,597	296,970

The age profiles of the palms are shown in Table 4a. The immature areas are those replanted. There are no any new planting at Kemaman Palm Oil Mill Certification Unit. It was noted from the age profile that the palms are approaching end of the first planting cycle.

Table 4a: Age Profile of Palms

AGE (years)	% of PLANTED AREA					
	TE	PE	JE	APE	GME	MAIE
26 – 30	0	0	0	25.42	8.16	0
21 – 25	23.87	31.54	6.00	20.89	34.53	0
11 – 20	72.35	68.46	46.34	39.09	44.18	100.00
4 – 10	0	0	47.66	0	0	0
0 – 3	3.78	0	0	14.60	13.13	0
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00

Note:

TE – Tebak Estate; PE – Pelatoh Estate;

JE – Jernih Estate; APE – Air Putih Estate;

GME – Gajah Mati Estate; MAIE – Majlis Agama Islam Estate

The areas of mature and immature palms are detailed in Table 4b for each of the estates.

Table 4b: Estates and Areas Planted

Estate	Mature (ha)	Immature (ha)	Total Planted Area
Tebak	3,015.75	118.53	3,134.28
Pelatoh	3,015.75	-	3,228.00
Jernih	2,998.60	-	2,998.60
Air Putih	3,508.61	599.62	4,108.23
Gajah Mati	3,125.26	472.40	3,597.66
Majlis Agama Islam	792.40	-	792.40
TOTAL	16,668.62	1,190.55	17,859.17

1.5 Other Certifications Held

No other certification held by the Kemaman Palm Oil Mill and Supply Base.

1.6 Organizational Information / Contact Person

TDM Plantation Sdn Bhd
Kemaman Palm Oil Mill,
KM 121, Jerangau – Jabor Highway,
24101 Kemaman, Terengganu,
Malaysia.

Contact Person (Head Office): Mr. Mohd. Asri Bin Sulong

Contact Person (Mill): Mr. Shahbudin Bin Usop

Tel: +609 6204842

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Email: asri.sulong@tdmberhad.com.my

1.7 Progress against Time Bound Plan

TDM Plantation owns oil palm operation in Malaysia with two palm oil mills located in Kemaman District and Terengganu District, State of Terengganu, Peninsular Malaysia. TDM Plantation implemented and achieved RSPO Certification for the two palm oil mills in 2013. TDM Plantation Sdn Bhd is a RSPO member (Membership number: 1-0095-11-000-00).

TDM Plantation Sdn Bhd's Time Bound Plan was completed in 2013. There is no any changes in the Time Bound Plan. TDM Plantation Sdn Bhd 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 TDM Plantation Sdn Bhd conform to the RSPO requirements for Partial Certification.

Progress of Associated Smallholders/Out-growers towards RSPO Compliance

KPOM does not purchase FFB from smallholders or out-growers. There is no any associated FFB suppliers.

2.0 ASSESSMENT PROCESS

2.1 Certification Body

PT BSI Group Indonesia,
(ASI Accreditation RSPO-ACC-19)
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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 accredited office in at Jakarta, Indonesia. Affiliate offices located at Singapore, Kuala Lumpur and Bangkok.

2.2 Qualifications of the Lead Assessor and Assessment Team

Senniah Appalamy - Lead Assessor

He holds degree in Resource Economics from Agriculture University, 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, RSPO NPP and RSPO Group Certification in Malaysia, Indonesia and Thailand. He has completed ISO 9001:2008, RSPO SCCS awareness training, RSPO Lead Auditor Training Course, RSPO SCCS Lead Auditor Training Course, RSPO – RED Lead Auditor Training Course, International Sustainable Carbon Certification (ISCC) Lead Auditor training and Sustainability Report Assurance (SRA) Assessor Training. Besides RSPO, he is also qualified as ISCC lead auditor and SRA Lead Assessor. He have experience in other standards i.e. Global Gap Option 1 and 2 (Fruit, vegetable and aquaculture) and GMP B+ as team member.

Muhammad Haris B. Abdullah – Team member

He graduated from the Open University Malaysia with a Bachelor of Business Administration (Hons) Majored in Human Resource Development and completed his Master's 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 will be attending the RSPO Lead Auditor Training in April 2013. He had assisted with conducting audits of oil palm plantation for more than 7 companies against the RSPO P&C in

Indonesia and in Malaysia for the past 5 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

The 1st Annual Surveillance Assessment was conducted from 8 - 11 September 2014. 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 during the initial certification assessment were followed up to check the effectiveness of corrective actions and evidence of the implementation. This report is structured to provide a summary for each Principle, together with details for each indicator. The assessment was based on random samples and therefore nonconformities may exist that have not been identified.

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 TDM Kemaman's environmental and social performance.

Meetings were held with stakeholders during the certification assessment on 8 September 2014 to seek stakeholders' 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 interviewer explained the purpose of the audit followed by an evaluation of the relationship between the stakeholder and the company before discussions proceeded. The interviewer recorded comments made by stakeholders and these have been incorporated into the assessment findings.

Internal stakeholder interview such as worker 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 during the field visit. In addition, the

wives of workers and staff were interviewed in informal group meetings at their housing site. Separate visits were made to each of the local communities to meet with the village head and residents. Company officials were not present at any of the internal or external stakeholder interviews. A list of Stakeholders contacted is included as Appendix C.

2.5 Date of Annual Surveillance Assessment

The 2nd Annual Surveillance Assessment will be scheduled on August 2015.

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 Criteria and Indicators for the Mill and the Estates. The results for each indicator have been aggregated to provide an assessment of overall conformance of the Company's operations with each indicator. A statement is provided for each of the Indicators to support the finding of the assessment team.

During the assessment there were three major nonconformities and four minor nonconformities were identified. Kemaman Palm Oil Mill and Supply Base operations have prepared a Corrective Action Plan for addressing the identified nonconformities that was reviewed and accepted by BSi. All the major conformities were closed prior to the recommendation for continuation of the certification.

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 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.

Kemaman Mill and Estates have maintained records on file of requests for information received from Government Departments such as DOSH and other interested parties, together with the response. For example, Padang Kubu Primary School has requested for transportation for school students to attend seminar on 3/8/14 has been approved and replied on the same day.

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 all operating units 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 TDM 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 titles. Land boundaries have been confirmed by survey and boundary markers are clearly demarcated and were confirmed during the field visit.

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

Kemaman Mill and supply bases maintain copies of applicable Permits and Licences. Register of legal and other requirements were revised on January 2014. Compliance with legal requirements is also demonstrated by internal and external audit report findings and review of documents and records on site during this assessment. The Mill and Estates have kept an up to date list of legal requirements with review dated June 2014. Company has owned mechanism to ensure all relevant legal requirements are comply. In addition, each operation has a List of Licenses showing the expiry dates and displayed in the office. Example of permits inspected: MPOB license (501374002000), Steam Engineer (Certificate No. 091/20060), Boiler man (Certificate No. 10721), Engine Driver (Certificate No. 031614), Sodium Hydroxide license (No. 023541), Fire Arm License (No. 323419), Weighbridge (No. B250147 and B250148), DOE License (No. 00059), etc are valid and current.

The most recent visit by DOSH on the 6/4/14 did not found any issues related to safety and health regulations. Issues raised by DOE during the visit to the mill on the 13/8/14 such as faulty smoke density meter has been repaired on 23/8/2014 by LKS (M) Sdn. Bhd. DOE quarterly report for the second quarter of 2014 (April – June) was send to DOE on 10/7/2014.

Mill boiler dust emission latest test by Environmental Science (M) Sdn. Bhd Laboratory dated 7 August 2014. The monitoring was conducted to analyse the emission of one boiler stack 1 during normal operating load. The dust particulates concentration was at 0.2513 g/Nm³ at 12% CO₂ which is comply with the Environmental Act (Clean Air) Regulation 1978 standards. The TDM

Compliance Unit provides legal updates on all applicable legislation throughout TDM operation. For example, legal updates on changes to labour laws and worker pay and conditions such as the minimum retirement age order and compliance was found during this assessment.

However, during the visit to the Pelantoh Estate Clinic was noted that the HA was not available on 8/9/2014 (full day). However, medicine were prescribed and dispensed to patient by assistant who is not a qualified Hospital Assistant. The medicine dispensed was not recorded in the records book. Medicines were dispensed to eight patients but only five was recorded. Dispense of medicine did not comply with the clinic SOP whereby the SOP require only HA can dispense medicine. The practice is against legal requirement and company's own procedure. Major nonconformity was raised.

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

As reported during initial assessment, Kemaman Mill and Estates are on government lease Land. The land is not encumbered by customary rights and the right to use the land is not disputed by stakeholders who were interviewed during the stakeholder consultation. All the estates hold land titles from Terengganu State Government. Copies of the land titles are available at the operating units. Land titles inspected are found to be valid. At Air Putih estate, examples of the land titles are HSD 3812 – HSD 3821 covering Lot. No.: PT 2143 – PT 2147 and PT 1209 – PT 1213. As for MAIDAM estate, there were 17 titles covering 907.35ha.

The oil palm operations are consistent with the land title term for oil palm purposes. Inspection of a sample of the boundary stones at Air Putih and Majlis Agama Islam (MAIDAM) estates (field No.:98A1 bordering with “Jengai” Forest Reserve”confirmed that steel pipes have been installed beside the concrete boundary stones and were continuously maintained visibly.

The Estates have maps showing the locations of boundary stones that have been physically located and marked. Inspection of the boundary stones at the estates during the field visit reveal that it is clearly marked with red and white paint and maintained. There is no a land dispute or boundary disputes.

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.

As reported during the initial assessment, Kemaman mill and Estates are on the State Government Land from the Terengganu State Government. All operating units are not restricting access by stakeholders through the estates, Interviews with the local kampong head confirmed that no customary land had been used. Available data shows no claim against TDM in relation to customary land.

PRINCIPLE 3: Commitment to Long Term Economic and Financial Viability

TDM has continued its commitment to long term sustainability and improvements through a capital expenditure programme. Kemaman Palm Oil Mill and supply bases have made progress towards achieving their performance production targets for the current financial year.

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

The Estates and Mill have an Annual Operational Budget for 2014 financial year and Capex Budget that are projected for the next five years. The budgets include performance objectives and targets related to production, efficiency and quality covering cost of production yield per hectare, OER, KER etc.

The Mill achieved average OER of 20.01% for the 2013 financial year and compared to the projection for 2014 of 20.50%. The mill is expected to improve on the process and aiming for higher OER and KER.

Both Estates have a Long Range Replanting Programme that is projected for 5 years and revised in January 2014 for the current financial year. For example, at Air Putih estate, replanting was in progress for 564.08ha.

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

Kemaman Mill and estates operates in accordance with the TDM management systems and standard operating procedures. The practices consistently monitored by mill and plantation advisors and recommendations for improvements are given to maintain the sustainable practices.

TDM has engaged external agronomist from Sime Darby Seeds and Agriculture Services Sdn Bhd to maintain the management of soil fertility and optimisation of FFB yields. The establishment of beneficial plants and the implementation of IPM as a preventive measure to overcome pest attacks have continued with the aim of reducing the use of chemicals

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

Company's Agriculture Policy covers land preparation, planting material, upkeep, harvesting, transport etc. SOP for mill dated 1st May 2011 edition TDM/KPOM/01 Revision – 01/2011. Revised SOP dated 28/7/2012 covers all operations for the estate. There are 40 SOPs covering all aspects of oil palm management. A Separate work instruction is available at the mill to cover all the work stations at the mill. Work Instructions in Bahasa Malaysia have been derived from SOPs and are posted at work stations at the mill and at certain locations at the estates, such as the Muster Notice Boards.

External Planting advisor visits the estates annually with last visit to Air Putih estate was on 17-19 February 2014 and 3 March 2014 to MAIDAM estate. The Estates hold copies of previous internal audit reports that include the Manager's response to issues raised and corrective action to be taken.

However, minor nonconformity against indicator 4.1.2 was raised. The KPOM and supply base site was audited by external certification body on December 2012. Since the last external audit there were no RSPO internal monitoring audit conducted for more than 20 months despite there is a compliance department. 2. Estates are monitored through internal and external Planting Adviser (PA) but there is no internal or external monitoring of the mills.

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

Similar to the initial assessment, external Agronomist from Sime Darby Seeds and Agriculture Services Sdn Bhd visited estates on 22 August 2013 to carry out physical observation prior to the fertilizer recommendation for 2014. The foliar sampling exercise was conducted on July 2013. The visual analysis and the leaf analysis result which shows the nutrient level was used as guidance for the fertilizer recommendation. Soil sampling was carried out in April 2013 and is scheduled to be repeated every 5 years. Fertilizer application records held on file "Fertiliser Application Records" were checked and verified.

All palm by-products including fronds, EFB, and expeller are recycled. EFB is applied at the rate of 45mt/ha at immature fields. There is no POME application. Kemaman mill's DOE permit allows discharge to stream with BOD limit of 100ppm. Latest effluent analysis report from FELDA Bukit Goh Lab dated 21 July 2014 (Cert No.: 1925/2014) show that the BOD is 49 which is within the permitted limit. Fronds are also used to prevent erosion following pruning and after harvesting of FFB.

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

Recently replanted area is established with cover crops and vegetation is well established. Field inspection showed groundcover with soft grass and soft weeds. 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 both estates.

Estates have implemented annual road maintenance programme. Example of programme checked at Air Putih 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. There are no peat soils or soil categorised as problematic or fragile soil at all estates visited. Majority soil categorised as both "Rengam and Jerangau" with mix of clay.

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

Both estates assessed has prepared map showing riparian buffer zones and demarcated the areas prior to replanting for both estates. The riparian buffer zones inspected and found in general to be maintained in good condition and within the limits as prescribed by the Government on both sides of streams. No bunds/weirs/dams were constructed across the main waterways in the estate.

However, major nonconformity was raise under indicator 4.4.1 at Maidam Estate because Chemical Store, Fertilizer Store and Schedule Waste Store were located on the riparian buffer zone. This is against the company policy on protection of river buffer zone and RSPO requirement on protection of water courses.

Kemaman Palm Oil Mill monitors water quality of outgoing waters to identify any adverse effect from the mill activities. As fo Air Putih Estate, upstream and downstream of Sungai Rambai and Sungai Bandi is being monitored. The laboratory (ERA Lab Sdn. Bhd) analysis results indicate no significant difference in quality between upstream and downstream locations. Analysis report (14/04/W456) dated 29 April 2014 shows all the specifications are within the permitted level of 100ppm.

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 average of 100 days rain is observed. Rainfall for the year 2014 as at August was 1216.50mm with 41 rainy days.

The mill has maintained monitoring records of water usage which recorded every day and summarised on monthly basis. Average annual water consumption varies from 1.35 M3 – 2.19 M3 per tonne FFB processed. The total water consumption for the month of August 2014 was 1.38 M3 per tonne FFB processed. The water supply is sourced from water catchment.

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

IPM is documented in Agriculture Manual. The estates continue to implement biological control for the oil palm pest in the plantation such as leaf eating pest and rat. The IPM techniques applied at the estates include monitoring of pest before initiation of control measures. There is a measurement of the amount of each pesticide used and type for each specific pest. At the present time there are no outbreaks of Leaf Eating Caterpillars. Beneficial plants have been established along the main access roads, including Tunera subulata and Antigonon leptopus. At Air Putih Estate, barn owl boxes are being placed at rate of 1 box for 20 ha to control rat damage.

Latest barn owl census dated 25/8/2014 shows 81.58 % occupancy.

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.

There is a formal justification for agro chemical use and this is documented within the IPM, which attempts to ensure that the most effective and least harmful chemicals are always first choice. Inspection of the Pesticide Stores confirmed only pesticides registered by the Pesticides Board were held. All chemicals were labelled in Bahasa Malaysia. Agronomist makes recommendations on which chemicals are allowed for use at the estates. This advisory information was consistent with the Work Instruction displayed at the Agrochemical store. MSDS was displayed in local Bahasa Malaysia language at the agrochemical store for each chemical stored as well as a Work Instruction on safe handling for the easy understanding of the agrochemical handlers. Records held shows that paraquat is being used but the management is committed to reduce the usage as per the RSPO requirement. There is no other class 1 agrochemical noted during the assessment. Records and interview of staff confirmed there is no aerial application of agrochemicals.

Estates and Mill have a programme of conducting annual medical surveillance of all pesticide operators as per CHRA. Safety Solutions Consultant conducted CHRA on June 2010 by Mr. Ramli Othman (JKKP: HIE 127/171-2(203)). Latest medical surveillance for chemical handlers were conducted on 30 March 2014 at clinic Nabila by Dr. Masrina Binti Malik (DOSH Registration Number: HQ/08/DOC/00/547) found all workers are fit for work. Female workers confirmed knowledge of the policy of transfer to alternative duties if they wished to continue working when pregnancy was confirmed. Records held at the Clinic showed that none of the female sprayers had worked with pesticides after pregnancy was confirmed.

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

Kemaman Palm Oil Mill and Supply Base estates has maintained an approved Health and Safety Policy dated 1 September 2012 that is displayed prominently on notice boards in English and local language Bahasa Malaysia. The Policy is implemented through the OSH activities by the on-site safety officers.

The Mill HIRAC was reviewed for each of the workstations and was last updated January 2014. Revised training plan for the safe working and work instruction for the 2014 includes all the work station at mill and estates. The estates have prepared a Training

Matrix that lists the OSH core competency training for Staff and Workers. The Mill and Estates hold training records, including details of the topic, trainer, and list of attendees.

The mill and estates maintained up to date accident records in term of "Daftar Kemalangan, Kejadian Berbahaya, Keracunan Pekerjaan dan Penyakit Pekerjaan" using JKPP 6 and 8. The JKPP 8 has been send to DOSH as per regulation.

All operating units conduct quarterly Safety Committee Meetings with the most recent held on 16 June 2014 attended by 12 persons and 8 people absent with approval. The OSH Committees discussed accident reports, workplace inspections and issues raised by representatives. The topics discussed are communicated to workers at muster briefing and by the OSH Committee representatives. All operating units review the Emergency Response Plan. Emergency Rescue Team training conducted on the 18 October 2013. An OSH Training was also conducted on the 1 April 2014.

All operating units maintain records of accidents and LTAs. The last reported LTAs were on 30 November 2012 for the mill and estates with zero lost time incidents. There is no any fatal accident. Minor common injuries are reported such as thorn prick incidents during the harvesting. Records are maintained in the form of accident register, dangerous occurrence, poisoning and disease (Daftar Kemalangan, Kejadian Berbahaya, Keracunan Pekerjaan dan Penyakit Pekerjaan". Reports are sent to DOSH annually.

All the local workers are covered by the accident insurances where for Malaysian is covered by SOCSO or Perkeso (Pertubuhan Keselamatan Sosial); while for foreign workers are covered under foreign workers compensation scheme of Tune Insurance by Policy No.: 14-613-A-013150 valid till 2 September 2015. Inspections of the mill and estates visited indicated that safe work practices were being implemented and proper PPE's are in use by the workers.

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

Kemaman Mill and Estates have prepared an annual training plan for 2014 that details the training to be carried out for each work station on January 2014. Training need assessment has been done on prior to the establishment of training plan. In addition, the Mill carries out informal on-the-job instruction to improve skill levels.

All operating units have maintained records of training for workers and staff. For example, MAIDAM estate has conducted FFB Loader training on 20/8/2014 for 2 workers, First aid training on 12/8/2014 conducted by hospital assistant and chemical handling training on 5/8/2014 for six workers. Mill has conducted safe handling of chemicals on 8/5/2014, Permit to work training and confine space entrance training on 25/3/2014 which was done by Kuala Terengganu DOSH.

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

The Kemaman mill and supply bases continue to ensure that environmental improvements are implemented consistently towards the reduction of waste, such as oil losses at the Mill and the efficient use of natural resources such as water. Riparian buffer are being reinstated during replanting and the company continued to make employees aware of the need to protect biodiversity areas. Inspection at estate fields shows the riparian area has been demarcated. Scheduled wastes were well controlled.

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.

Kemaman Mill and Estates carried out the annual review of environmental impacts in term of Environmental Impact Assessment management Action Plans and Continuous Improvement Plans. The last review was conducted in January 2014 with no changes due to any changes in the operation.

The Environmental Plans are in place and indicate the controls used to ensure any impacts are controlled and reduced and where possible eliminated and better practices put in place. New compost plant was in construction during the assessment which can transform the EFB to compost fertilizer together can reduce the effluent discharge. It also help the organisation with a system to control and reduce negative impacts and promote positive impacts such as buffer zones, waste management plans, spill control plans and emergency plans.

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 Management Plans focus on the protection of habitat from disturbance. The Estates have installed signboards that indicate to any one passing through the types of fauna that may be encountered in the peripheries of the estates. Warning signs indicate that the wild life is protected and that hunting and collecting are prohibited. The Estates promote awareness of buffer zones to workers and local communities via the prominent use of signboards. There is no any ERT identified within the plantation. Species found within the conservation area are wild boar (*Sus scrofa*), Cobra (*naja sp.*) and monitor lizard.

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

Scheduled waste stores and stored materials well managed with appropriate label, segregation and the inventory is up-to-date. Authorised and licensed schedule waste collector engaged to dispose the schedule waste. For example, mill has send schedule waste through E-consignment Note: 1029091 dated 25 August 2014 for spent lubricating oil and used oil filters by Hiap Huat Chemicals Sdn. Bhd. Clinical waste were disposed through nearby government clinic.

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.

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

The mill continue to monitor and report 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 of 0.12 fiber used per month combining with 0.06mt 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.

All operating units avoid using fire for waste disposal as per company policy on zero burning. Recently replanted areas confirmed palms were felled, chipped and windrowed. The solid waste was reutilized as boiler fuel (Palm Oil Waste). Inspections of estate housing confirmed no prove of fire use for waste disposal.

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

The mill and both estates Pollution Prevention Plan was documented in the Environmental Impacts Identification and Improvement Plan, reviewed for the year 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 (Environmental Science (M) Sdn. Bhd) approved by Department of Environment. The latest test result (Registration No.:L-GB-TC1407CTP-0404) dated 7/8/2014 shows that all parameters were complied with the standard requirements. No peat land within the

supply base. No peat soil within the Kemaman Certification Unit's supply base.

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

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.

Social Impacts are identified in part via the grievance process for employees, contractors and other parties for negative impacts and through social interaction for positive impacts. Regular informal meetings were conducted with internal and external stakeholders to get feedbacks.

However, minor nonconformity against indicator 6.1.3. At Air Putih Estate and Maidam Estate: During documents review it was noted that there is no timetable with responsibilities for mitigation and monitoring of social issues is reviewed and updated as necessary.

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.

Communication and consultation procedure for the company is available. This procedure was communicated to the internal and external stakeholders during meeting. Communication with local communities and other effected parties are carried out through regular meetings and informal gatherings at worshipping places. Stakeholder list is available and updated. This list includes local community leaders, representatives, suppliers, contractors, government departments and contacts details. Interview with stakeholders confirm that there are regular meetings were conducted. Last meeting was held on 14/5/2014 attended by 20 stakeholders. The mill and estate managers are responsible for communication with local communities and other 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.

Complain procedure available and similar to the initial assessment procedure. No formal complaints noted. Most of the communication records shows request for assistance such as request for permission to use transportation for school activities. These records are written and maintained by all operating units. Inspection of the records indicated that the system resolved all disputes in a timely manner. Workers interview confirmed that the procedure was implemented.

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.

Procedure for identifying legal and customary rights and for identifying people entitled to compensation is available. There is no legal customary land issue found in the vicinity of the Kemaman Palm Oil Mill and Supply Base estates. Interview with local community leaders and elderly community members confirmed that no outstanding land dispute in this certification unit.

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

Pay and conditions are documented in the employment agreement between the company and workers and calculated in line with the current MAPA/NUPW award rate and minimum wage. The foreign workers treated equally as per the local workers. Inspection of contracts of both local and foreign workers confirmed that pay and conditions are available. Foreign workers policy dated 1/09/2012 established to ensure there is no any form of discrimination practices.

Contracts of employment contains detail of payments and conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc) available in the language understood by the workers. Those unable to read are explained carefully to them by the executives accompanied by the workers representative. Utilities are subsidies by the company.

However, minor nonconformity against indicator 6.5.2 was raised. Direct contracts of employment detailing payments and conditions of employment for the 5 trainee Hospital Assistant recruited by Pelantoh Estate dated 28/10/2013, 5/11/2013 and 29/4/2014 indicated that the term and condition follows the MAPA/NUPW agreement. However, under the MAPA/NUPW agreement there is no category of Trainee Hospital Assistant. The appointment letter required the trainees to undergo training for more than two years and sit for the grade 2 or grade 3 examinations which fall under the staff category and MAPA/AMESU agreement.

Palm Oil Mill and estates provide adequate housing, water supplies, medical, educational and welfare amenities in accordance with Workers' Minimum Standard of Housing and Amenities Act 1990 (Act 446). Some houses are recently converted to three rooms.

However, minor nonconformity against indicator 6.5.3 was raised. During the visit to the workers housing site it was found that the workers housing improvement and upgrading was not implemented. No any improvement noted in the operating units visited (KPOM mill, Pelantoh

Estate, Air Putih Estate and Maidam Estate). 2. There is delay in approving budget for new housing. i.e. Air Putih housing site was budgeted in April 2014 but until September 2014 there were no any progress noted during the site visit. 3. At the Maidam estate, the foreign workers are staying at a very substandard living condition with broken toilets and bathrooms, small rooms, dirty kitchen environment etc. There is no approval letter from Labour department for hostel. The sewage tank was overflowing and going into the nearby drain. The wiring condition is prone for fire hazard. 4. Road leading to the staff and executive quarters of KPOM was budgeted in 2013 but until now there were no progress and being delayed further to 2015. 5. There is no 5 years housing improvement plan at Pelantoh estate.

At Maidam estate immediate corrective actions were taken to engage the sewage collector to carry out the maintenance works at the Maidam workers housing. Wiring was re-checked and repaired and was verified on 15 October 2014.

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.

Formal union meeting with the management was conducted on 17/7/2014. Workers have freedom to join the workers union. Policy on Freedom of Association dated 1/09/2012. This was confirmed by the Terengganu State NUPW Secretary who attended the stakeholder meeting with the audit team on 8/9/2014.

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.

Verification of employment contract agreement confirmed that workers are above 18 years of age. Copy of Identification Card for locals or passport for foreign worker is held together with the work contract. During field visit children were not observed at any of the working place at both mill and estate.

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.

Social Policy dated 1/09/2012 includes statement on equal opportunity and fair treatment. Any form of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age, is prohibited. The policy is displayed at notice board at muster ground in the mill and estates. Interview of male and female

workers confirmed understanding and awareness of the policy.

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.

TDM has prepared Gender Policy since September 2012 in regards to sexual harassment. Similar to the initial assessment, interview of female Staff and Workers confirmed their knowledge of the Policy and as advised there were no outstanding issues.

Latest Gender committee meeting was conducted on the 26 June 2014 at Mill attended by 25 members. As for Air Putih estate, recent meeting was held on 20 April 2014 attended by 8 members. Social activities and committee fund raising are the issues discussed. No sexual harassment issues were reported.

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

There is no smallholder dealing with the palm oil mill. Pricing mechanism for FFB is not applicable because the FFB sourced is from own company estates. Contractors and suppliers understand contractual agreement and stated that the contract is transparent and fair. The company has standard term and condition of contract agreement.

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

Company continue to contribute to school activities and community activities. This was confirmed by school teachers and local community during interview. Company also allow access to local community to access through the estate roads. Consultations with the local communities are held to encourage them to highlight and suggest any activities for local community development.

Principle 7: Responsible Development of New Plantings

All the Supply Base Estates in Kemaman Palm Oil Mill Certification Unit did 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.

All the estates are not using any class 1 pesticides. Management is continued to reduce the use of paraquat

y substituting with glyphosate. The use is limited to immature area. Environmental Impact Management Plan reviewed on January 2014 includes details the impact mitigation measures and actions required to improve environmental performance for the identified significant impacts. Mill and Estates is continued to control point source pollution from workshops, diesel generator at mill and chemical stores. Pollution Preventive Plans to construct a EFB bio-composting plant is still on-going with construction completed 70%. The completion will reduce the quantity of EFB requiring disposal by land application. Organic Bio-compost expected to cut down the in-organic fertilizer applied.

Social impacts associated with operations have been reviewed and an Action Plan for mitigation of negative social impacts is available. Action Plan is continue to improve and upgrade housing. All the operating units have an informal system to capture the performance and expenditure in social and environmental aspects. The information is captured in the budget. The details were verified.

3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions

During the assessment there were three major nonconformity and four minor nonconformities were raised.

KPOM Certification Unit submitted Corrective Action Plans for all the nonconformities. Corrective actions plans with respect to the nonconformities have been reviewed by the BSI audit team and found to be effectively addressing the nonconformities. The implementation of the corrective action plans to address the major nonconformity raised was verified during the special visit on 15 October 2014. The corrective actions were implemented effectively and the major nonconformity was appropriately closed on 8 November 2014 after verifying additional documents from the operating unit.

Major Nonconformity

Ref. 1097194M1: Major nonconformity against indicator 2.1.1 - Evidence of compliance with legal requirements: Pelantoh Estate Clinic: During the visit to the Pelantoh Estate Clinic was noted that the HA was not available on 8/9/2014 (full day). However, medicine were prescribed and dispensed to patient by assistant who is not a qualified Hospital Assistant. The medicine dispensed was not recorded in the records book. Medicines were dispensed to eight patients but only five was recorded. Dispense of medicine did not comply with the clinic SOP whereby the SOP require only HA can dispense medicine. The practice is against legal requirement and company's own procedure.

It was identified that the root cause was due to short of HA. Corrective Action Plan and Close out evidence: The operating unit submitted corrective action plans and evidence for implementation.

Special visit was conducted to verify the implementation on 15/10/2014 and found that the corrective action plans were appropriately implemented. During the major nonconformity close out verification visit it was noted that there is a permanent Hospital Assistant at Pelantoh Clinic (Pembantu Perubatan U29). Records dated 22/9/2014, 29/9/2014 and 13/10/2014 was checked and verified. All the medicine was prescribed and dispensed by the qualified Hospital Assistant. All the dispensed medicines are recorded with full details of the patients. The process is complying with the existing SOP. The major nonconformity was closed on 16 October 2014.

Ref. 1097194M2: Major nonconformity against indicator 4.4.1 – Protection of water courses and wetlands, including maintaining and restoring appropriate riparian buffer zones at or before replanting along all natural waterways within the estate: Maidam Estate: Chemical Store, Fertilizer Store and Schedule Waste Store were located on the riparian buffer zone. This is against the company policy on protection of river buffer zone and RSPO requirement on protection of water courses.

It was identified that the root cause was the location is easy to access and the field office is near to the store. Corrective Action Plan and Close out evidence:

The operating unit submitted corrective action plans and evidence for implementation. Management ensure no buildings are built and located within the buffer zone area. Majlis Agama Islam (MAIDAM) Estate have received approval to construct new store and site office which was already approved in 2014 budget on 12/10/2014 through "Borang B Ref. number MA009/14 dated 20/9/2014" and purchasing of cabin store dated 12/10/2014. As an immediate correction the estate already remove all the store items to cabin store. Fertilizers are stored under canopy store with pallets and covered with canopy. The estate has shifted the schedule waste to Gajah Mati estates since 10/10/2014 which already equipped with standard building and storage facility. MAIDAM estate at the same time minimizes the purchasing and storage of store items. The corrective action plan has been implemented and the progress was checked and verified. The implementation was verified with site visit on 15/10/2014 to MAIDAM Estate and Gajah Mati estate. The visit was accompanied by the managers from MAIDAM estate, Gajah Mati estate and Compliance manager from the head office. The items from the building at buffer zone removed and the building in the process of dismantling from the buffer zone. Store items shifted to Gajah Mati estate and Cabin store which was completed on 12/10/2014. The buffer zone is re-instated. The nonconformity is addressed appropriately and closed on 15 October 2014.

Ref. 1097194M3: Major nonconformity against indicator D2.1 (RSPO SCCS) - The facility shall have documented procedures for receiving and processing certified and noncertified FFBS: KPOM received certified FFB direct from STPOM Certification Unit's supply Base.

However, there was no verification conducted by KPOM to ensure only certified segregated FFB is delivered to KPOM. There is no copy of STPOM RSPO certificate at KPOM to verify the details on the delivery note (i.e. certificate details, expiry date etc)

It was identified that the root cause due to the same company's certified FFB received. Corrective Action Plan and Close out evidence:

The operating unit submitted corrective action plans and evidence for implementation. KPOM Compliance Executive conducted on-site verification of all segregated FFB received and reported prepared dated 28 September 2014. The report include all the required process of verification such as implementation of SOP process, verification of delivery note, weight, date, transport information, source of segregated FFB, certificate validity and details. KPOM also have all the relevant copy of the certificate. The verification report dated 28 September 2014 was checked and verified by BSI Lead Auditor on 16 October 2014 at the KPOM. The BSI verification was accompanied by the mill manager, compliance manager from head office and on-site compliance executive. The major nonconformity was closed on 16 October 2014.

Minor Nonconformities

The corrective action plans to address the minor nonconformities were verified by BSI audit team and found to be appropriate to address the minor nonconformities. The progress towards closing this nonconformity will be followed up during the next surveillance assessment. The details of these minor nonconformities are provided below:

Ref. 1097194N1: Minor nonconformity against indicator 4.1.2 - Records of monitoring and the actions taken are maintained and kept for a minimum of 12 months: 1. The KPOM and supply base site was audited by external certification body on December 2012. Since the last external audit there were no RSPO internal monitoring audit conducted for more than 20 months despite there is a compliance department. 2. Estates are monitored through internal and external Planting Adviser (PA) but there is no internal or external monitoring of the mills.

Ref. 1097194N2: Minor nonconformity against indicator 6.1.3 - A timetable with responsibilities for mitigation and monitoring is reviewed and updated as necessary: Air Putih Estate and Maidam Estate: During documents review it was noted that there is no timetable with responsibilities for mitigation and monitoring of social issues is reviewed and updated as necessary.

Ref. 1097194N3: Minor nonconformity against indicator 6.5.2 - Labour laws, union agreements or direct contracts of employment detailing payments and conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc) are available in the language understood by the

workers or explained carefully to them by a plantation management official in the operating unit: Pelantoh Esatate: 1. Direct contracts of employment detailing payments and conditions of employment for the 5 trainee Hospital Assistant recruited by Pelantoh Estate dated 28/10/2013, 5/11/2013 and 29/4/2014 indicated that the term and condition follows the MAPA/NUPW agreement. However, under the MAPA/NUPW agreement there is no category of Trainee Hospital Assistant. 2. The appointment letter required the trainees to undergo training for more than two years and sit for the grade 2 or grade 3 examinations which fall under the staff category and MAPA/AMESU agreement.

Ref. 1097194N4: Minor nonconformity 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):

1. During the visit to the workers housing site it was found that the workers housing improvement and upgrading was not implemented. No any improvement noted in the operating units visited (KPOM mill, Pelantoh Estate, Air Putih Estate and Maidam Estate). 2. There is delay in approving budget for new housing. i.e. Air Putih housing site was budgeted in April 2014 but until September 2014 there were no any progress noted during the site visit. 3. At the Maidam estate, the foreign workers are staying at a very substandard living condition with broken toilets and bathrooms, small rooms, dirty kitchen environment etc. There is no approval letter from Labour department for hostel. The sewage tank was overflowing and going into the nearby drain. The wiring condition is prone for fire hazard. 4. Road leading to the staff and executive quarters of KPOM was budgeted in 2013 but until now there were no progress and being delayed further to 2015. 5. There is no 5 years housing improvement plan at Pelantoh estate. Immediate corrective actions were taken to engage the sewage collector to carry out the maintenance works at the Maidam workers housing. Wiring was re-checked and repaired and was verified on 15 October 2014.

3.3 Status of Nonconformities Previously Identified

Previous nonconformities were followed up during the ASA1. The details as follows:

A819714/1N: Minor nonconformity against indicator 5.1.2 - Environmental improvement plan to mitigate the negative impacts and promote the positive ones, is developed, implemented and monitored. There is oil trap at the Kemaman Palm Oil Mill's FFB Ramp for the monsoon drain. It is noted during the mill visit that it is not well maintain and the contaminated water from the ramp is already enter into this drain during rain. There is no maintenance carried out to clean the oil trap to ensure no contaminated water over flow from the oil trap.

ASA1: The monsoon drain was re-constructed. The ramp leachate water is trapped and sends back to effluent.

Maintenance is carried out by the ramp operator. The nonconformity was closed on 8/9/2014.

A819714/2N: Minor nonconformity against indicator 5.3.2 - Having identified wastes and pollutants, an operational plan should be developed and implemented, to avoid or reduce pollution. During the visit to the Kemaman Palm Oil Mill found that empty plastic container and rubber tube were disposed at the scrap iron storage area. At Jernih Estate, oil contaminated Cotton glove and cloth rag was disposed near the workshop area. The action causes pollution. There was no operational plan to avoid or reduce polluted material.

ASA1: During the ASA1 visit it was noted that the mill has designated area for storing empty plastic container and rubber tube. Re-visit to Jernih Estate it was noted that schedule waste managed well. Oil contaminated Cotton glove and cloth rag collected and stored at schedule waste store with required labelling. The store clerk was trained to understand the schedule waste management by DOE officer during their visit on 13/8/14. The nonconformity was closed on 8/9/2014.

Observation/Opportunity for improvement

There were five Observations/Opportunities for improvements were identified during the last assessment.

Observation 1 (2.2.2): Gajah Mati Estates - Process of transferring the term of crop is in process and application sent to the Government Department on 26/8/2012 and awaiting for the reply from government. ASA1: The term was still in progress. The operating unit is continuously communicating and following up with the government department.

Observation 2 (4.3.3): Gajah Mati Estate - Road maintenance programme available. Progress work and detail of the work is documented as well. Identification of future area to be maintained will help the operating units.

ASA1: The operating unit has developed comprehensive plan which was verified during the ASA1.

Observation 3 (5.1.1): All units - Environment Impact and Aspect identification was dated 1/5/2012. The issues can be included in the 2013 training schedule for staff and workers to create awareness.

ASA1: Training includes all the required RSPO training inclusive of environment issues.

Observation 4 (4.1.1): All estates - SOP and Safe working procedure are available. It can be further improved by standardising with details such as approval date, document number, revision date and detail of person approved.

ASA1: The standardisation is made to suit the operating units. No other issues.

Observation 5 (6.5.3): Improvement for the housing to convert from two rooms to three rooms is available and project is in progress. Some houses already converted to

three rooms. This will be followed up for continuity during the annual assessment.

ASA1: It was noted that the progress was too slow and on the mill has achieved the target of completing the new housing. The slow progress was also highlighted by workers. Site visit confirm that there is delay. Nonconformity was issues and the progress will be followed up during the next assessment.

Noteworthy Positive and Negative Components

- ✓ The Mill continues to improved safety of access through the processing workstations by upgrading and clearly marking walkways and handrails of ladder-ways.
- ✓ Renewable energy for generating electricity by running the steam turbine to generate power has been maximized.
- ✓ Conservation area continuously maintained.

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

During the ASA1 stakeholders had positive comments about Kemaman Palm oil Mill and Supply Base estates. The detail of stakeholders' feedback is provided in each criterion as part of this summary report.

1.) The Police Department said there is no security issue.

Company Response: The management ensure security at mill and estates through "Assistant Police" (Polis Bantuan).

Auditor Finding: During the ASA1 found that security is well taken care. Workers and other stakeholders confirm that there are no issues related to security.

2). Workers Union and Foreign workers representative: No pending issues. Houses site need improvement.

Company Response: Company have budget.

Auditor Finding: Nonconformity was raised based on the site visit which indicated slow improvement of housing (refer section 3.2 above). The progress will be followed up during next assessment.

3). Representative from DOSH informed that there is no issue on legal compliance related to machinery permits.

Company Response: The management took note of the comment.

Auditor Findings: Machinery permits verified confirm valid.

4). Air Putih village representative highlighted that the management and village community have good relationship. No any disputes. The company provide job opportunity and donations for village activities.

Company Response: The management continue to assist based on the head office approval.

Auditor Finding: No further issues.

4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

4.1 Date of Closing Nonconformities (Major and Minor)

CAR Ref.	CLASS	ISSUED	STATUS
A819714/1M	Major	6/12/2012	Closed on 30/05/2012
A819714/1N	Minor	6/12/2012	Closed on 8/9/2014
A819714/2N	Minor	6/12/2012	Closed on 8/9/2014
1097194M1	Major	11/9/2014	Closed on 16/10/2014
1097194M2	Major	11/9/2014	Closed on 15/10/2014
1097194M3	Major	11/9/2014	Closed on 16/10/2014
1097194N1	Minor	11/9/2014	Open
1097194N2	Minor	11/9/2014	Open
1097194N3	Minor	11/9/2014	Open
1097194N4	Minor	11/9/2014	Open

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

Kemaman Palm Oil Mill Certification Unit acknowledges and confirms acceptance of the Assessment Report contents, including assessment findings. Kemaman Palm Oil Mill and Supply Base accept the responsibility for implementing the corrective actions and addressing the opportunities for improvement detailed in the Assessment Report.

Signed for on behalf of
Kemaman Palm Oil Mill and Supply Base



.....
Mr. Shahbudin Bin Usop

Mr. Shahbudin Bin Usop
Manager
Kemaman Palm Oil Mill

Signed for on behalf of
BSi Group Singapore Pte Ltd



.....

Mr. Senniah Appalasamy
BSi RSPO Lead Auditor

Appendix A: TDM Plantation Sdn Bhd – Kemaman Palm Oil Mill Certification Unit’s RSPO Certificate Details

TDM Plantation Sdn Bhd
 Kemaman Palm Oil Mill,
 KM 121, Jerangau – Jabor Highway,
 24101 Kemaman, Terengganu,
 Malaysia.

BSI RSPO Certificate No: SPO 587626

Date of Initial Certificate Issued: 1 November 2013.

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

Kemaman Palm Oil Mill and Supply Base					
Location Address	KM 121, Jerangau – Jabor Highway, 24101 Kemaman, Terengganu, Malaysia.				
GPS Location	103.248E; 4.403 N				
CPO Tonnage Total	60,878				
PK Tonnage Total	16,333				
CPO Claimed for Certification	60,878				
PK Claimed for Certification	16,333				
Own estates FFB Tonnage	296,970				
Scheme Smallholder FFB Tonnage	-				
Company’s adjacent Suppliers FFB Tonnage – Other adjacent estates (Certified)	-				
Estates	Production Area		Other use (ha)	Certified Area / Total land lease (ha)	Annual FFB Production (mt)
	Mature (ha)	Immature (ha)			
Tebak Estate	3,015.75	118.53	321.78	3,456.06	61,500
Pelantoh Estate	3,228.00	0	64.16	3,292.16	68,940
Jernih Estate	2,998.60	0	227.81	3,226.41	53,450
Air Putih Estate	3,508.61	599.62	181.66	4,289.89	52,600
Gajah Mati Estate	3,125.26	472.40	115.87	3,713.53	49,980
Majlis Agama Islam Estate	792.40	0	114.95	907.35	10,500
Total	16,668.62	1,190.55	1,026.23	18,885.40	296,970

Appendix B: Assessment Programme

PRELIMINARY AGENDA				
Date	Time	Subjects	Senniah	Muhd Haris
Sunday 7/9/2014	PM	Audit Team travelling to site.	√	√
Monday 8/9/2014	08.30 – 09.00	Opening Meeting: <ul style="list-style-type: none"> Opening Presentation by Audit team leader. Confirmation of assessment scope and finalize Audit plan (including stakeholder's consultation). 	√	√
	09.00 – 12.00	Kemaman Palm Oil Mill Inspection: FFB receiving, warehouse, workshop, wastes management & Landfill, Effluent Ponds, OSH & ERP, Environment issues, POME application, water treatment, staff, workers and contractor interview, housing and facility inspection, clinic, etc.	√	√
	12.00 – 13.00	Lunch	√	√
	13.00 – 16.30	Kemaman Palm Oil Mill: Visit to laboratory, weighbridge and palm product storage area. Document Review P1 – P8: SOPs, Supply chain for CPO mill, Review on SEIA documents and records, wage records, employee data, training records, legal permits, mill inspection and internal monitoring records, CIP & implementation etc. Verify previous nonconformities.	√	√
	16.30-17.00	Interim Closing briefing.	√	√
Tuesday 9/9/2014	08.30 – 12.00	Air Putih Estate Field visit, boundary inspection, field operations, staff & workers interview, buffer zone, HCV area, IPM implementation, OSH&ERP, workshop, storage area (agrochemical, fertilizer, lubricant etc), agrochemical mixing area, Schedule waste management, worker housing, clinic, Landfill, , etc.	√	-
	09.00 – 12.00	Meeting with stakeholders (Government, village rep, smallholders, Union Leader, contractor etc.)	-	√
	12.00 – 13.00	Lunch	√	√
	13.00 – 16.30	Air Putih Estate Document review P1 – P8: (General Documentation e.g. Legal, Manual and Procedure, production & monitoring records, IPM & HCV records, SEIA documents & records, OSH records, review pay documents, records of communication with stakeholder/workers representatives, new planting, CIP and implementation etc).	√	√
	16.30-17.00	Interim Closing Briefing	√	√
Wednesday 10/9/2014	8.30 – 12.00	Majlis Agama Islam Estate Field visit, boundary inspection, field operations, staff & workers interview, buffer zone, HCV area, IPM implementation, OSH&ERP, workshop, storage area (agrochemical, fertilizer, lubricant etc), agrochemical mixing area, Schedule waste management, worker housing, clinic, Landfill, , etc.	√	√
	12.00 – 13.00	Lunch	√	√
	13.00 – 16.30	Majlis Agama Islam Estate Document review P1 – P8: (General Documentation e.g. Legal, Manual and Procedure, production & monitoring records, IPM & HCV records, SEIA documents & records, OSH records, review pay documents, records of communication with stakeholder/workers representatives, new planting, CIP and implementation etc).	√	√
	16.30-17.00	Interim Closing Meeting	√	√
Thursday 11/9/2014	8.30 – 12.00	Kemaman Palm Oil Mill: Supply Chain audit continue.	√	√
	12.00 – 13.00	Lunch	√	√
	13.00 – 15.30	Verify any outstanding issues. Verify time bound plan & issue relevant to partial certification. Prepare for closing meeting.	√	√
	15.30 – 16.30	Closing Meeting	√	√

Appendix C: List of Stakeholders Contacted

<p>Internal Stakeholders</p> <p>Managers and Assistants</p> <p>Male Mill Staff/Workers</p> <p>Female Mill Staff/Workers</p> <p>Foreign Worker</p> <p>Male and Female Estate workers</p> <p>Hospital Assistant</p> <p>Hospital Assistant at Clinic</p> <p>Union Representatives</p> <p>Gender Committee Secretary</p> <p>1 boiler operators</p> <p>1 engine room operators</p> <p>1 warehouse officer</p> <p>1 chief of central workshop</p> <p>1 Clinic/hospital assistants</p>	<p>External Stakeholders</p> <p>Head of the Village</p> <p>Kampung Seri Bandi Village Head</p> <p>Kampung Air Putih Village Head</p> <p>Mosque Committee</p> <p>Committee at village</p> <p>Contractors & Consultants</p> <p>Electrical Contractor</p> <p>General Supplier</p>
<p>Government Departments</p> <p>Labour Department</p> <p>Fire and Rescue Department</p> <p>Labour Department</p> <p>Department of Safety and Health (DOSH)</p> <p>Nurse at the Government clinic</p> <p>Police Officer at on-site Police Station</p> <p>School Teacher</p>	<p>Workers Union</p> <p>National Union of Plantation Workers, Kuala Terengganu Branch</p>

Appendix D: Kemaman 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.	Kemaman palm oil mill have written documented procedures (TDM/KPOM/01 rev. KPOM 01/2012 dated 1/5/2012) for the chain of custody with SG and MB model covering all the RSPO Supply Chain Certification Standard for handling certified and non certified FFB. The mill manager has the responsibility to ensure implementation assisted by the on-site compliance executive. The SG model is used because only certified FFB is received and processed at KPOM.
D.1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFBs.	Kemaman Palm Oil 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. Only certified FFB received during the last 12 months.
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. However, the verification of certified FFB from certified source Sungai Tong Mill was not verified. Nonconformity was raised. Refer to section 3.2 of the summary report.
D.2.2 The facility shall inform the CB immediately if there is a projected overproduction.	The facilities aware of this procedure and stated in the SOP.
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 in SOP 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. Computerized system in place. No PKO and Palm kernel meal at Kemaman Palm Oil mill. PK is sold to external kernel crushing plant independent from the mill.
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. Sample documents are available as reference.
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	Sales of certified palm product recorded in eTrace. The mill has system to carry out sales of certified palm products and makes traceability records as per RSPO requirement.
(a) The name and address of the buyer	Name and address of buyer written on the 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. Product description written such as CPO/SG for certified product delivery.
(d) The quantity of the products delivered	Quantity in tone is recorded in the delivery documents.
(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 and company own certified mill received and 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 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	There is no outsourcing activity directly handled by the mill. The kernel is sold to a kernel crushing plant in Kuantan. The kernel crushing is independent from the mill.

certified. The mill has to ensure that: <ul style="list-style-type: none"> The crush operator conforms to these requirements for segregation The crush is covered through a signed and enforceable agreement 	
D.6 Training	
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. SCCS re-training was conducted on 2/1/2014 and attended by the staff handling supply chain documents such as all executives, weighbridge clerk, administration clerk, dispatch clerk, lab assistant and processing assistants .
D.7. Claims	
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 - November 2013 – October 2014

MILL	CAPACITY	CPO	PK
Kemaman Palm Oil Mill	45 mt/hr	52,950	13,698

Actual Sales of Certified Palm Products - November 2013 - October 2014

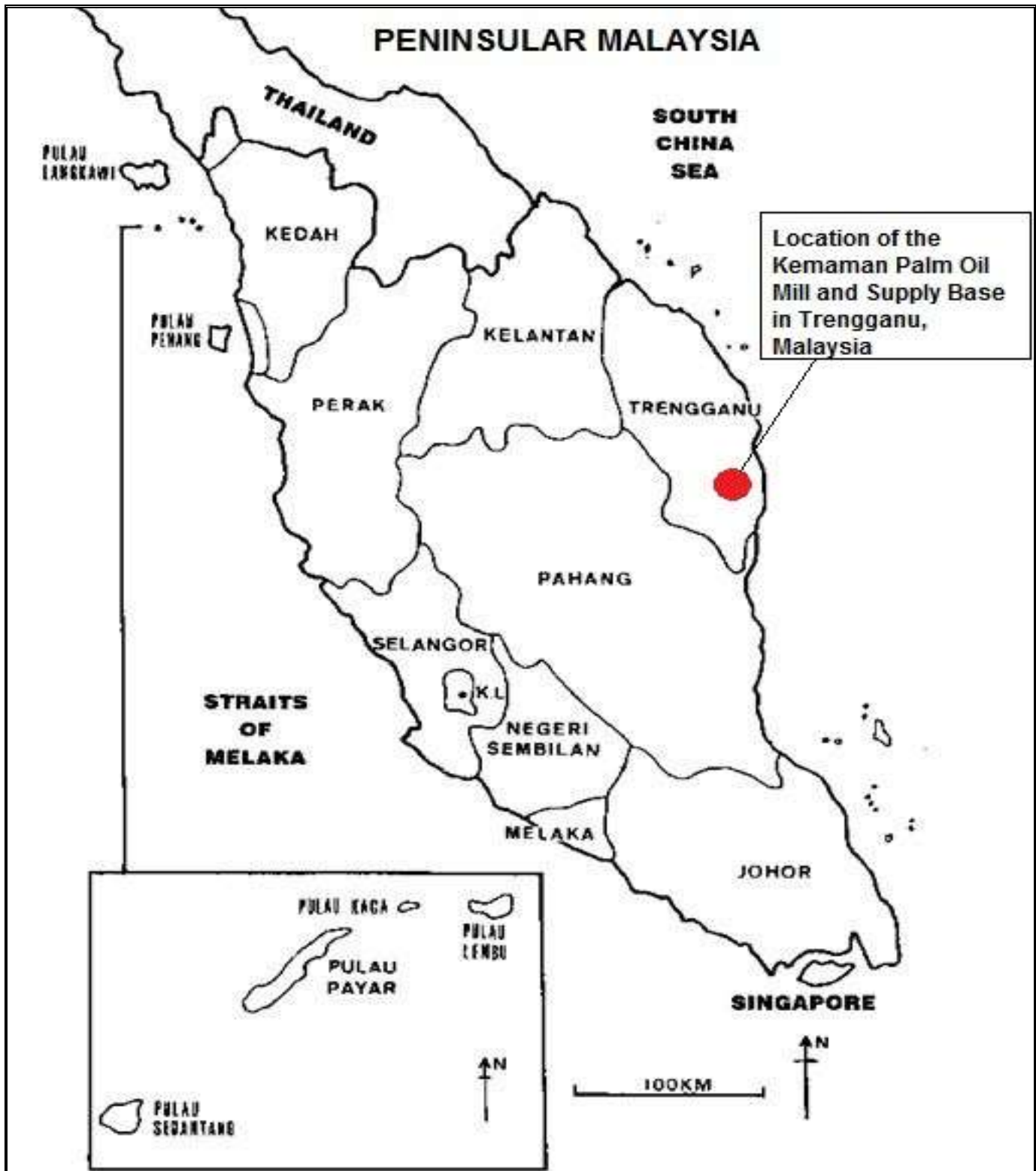
MILL	Certified CPO Sales	Certified PK Sales	Remarks
Kemaman Palm Oil Mill	19,532mt (Confirmed sales in eTrace noted at the time of Finalising this report)	NIL	Sales of certified palm products in eTrace.

Actual Certified FFB Received Monthly - November 2013 – October 2014

Month	Estate						
	Tebak	Pelantoh	Jernih	Air Putih	Gajah Mati	Majlis Agama Islam (MAIDAM)	Total FFB/Month
Nov. 2013	5313	5966	4584	4226	3798	996	24883
Dec. 2013	4280	5779	3179	3304	3737	740	21019
January 2014	3810	5965	3708	3814	3807	493	21597
February 2014	4457	4485	2708	3973	3844	310	19777
March 2014	4840	4395	2872	3800	3955	402	20264
April 2014	4041	4902	2619	3955	3353	533	19403
May 2014	4270	4413	3277	3646	3585	659	19850
June 2014	4118	4332	3572	3741	3546	693	20002
July 2014	4692	4290	3885	3913	3590	677	21047
August 2014	4880	4896	5163	3716	3770	1,000	23,425
Sept. 2014	5005	5294	5977	4545	3888	1,063	25,772
Oct. 2014	5436	6068	5742	4332	4864	1,116	27,558
Total	55142	60785	47286	46965	45737	8,682	264,597

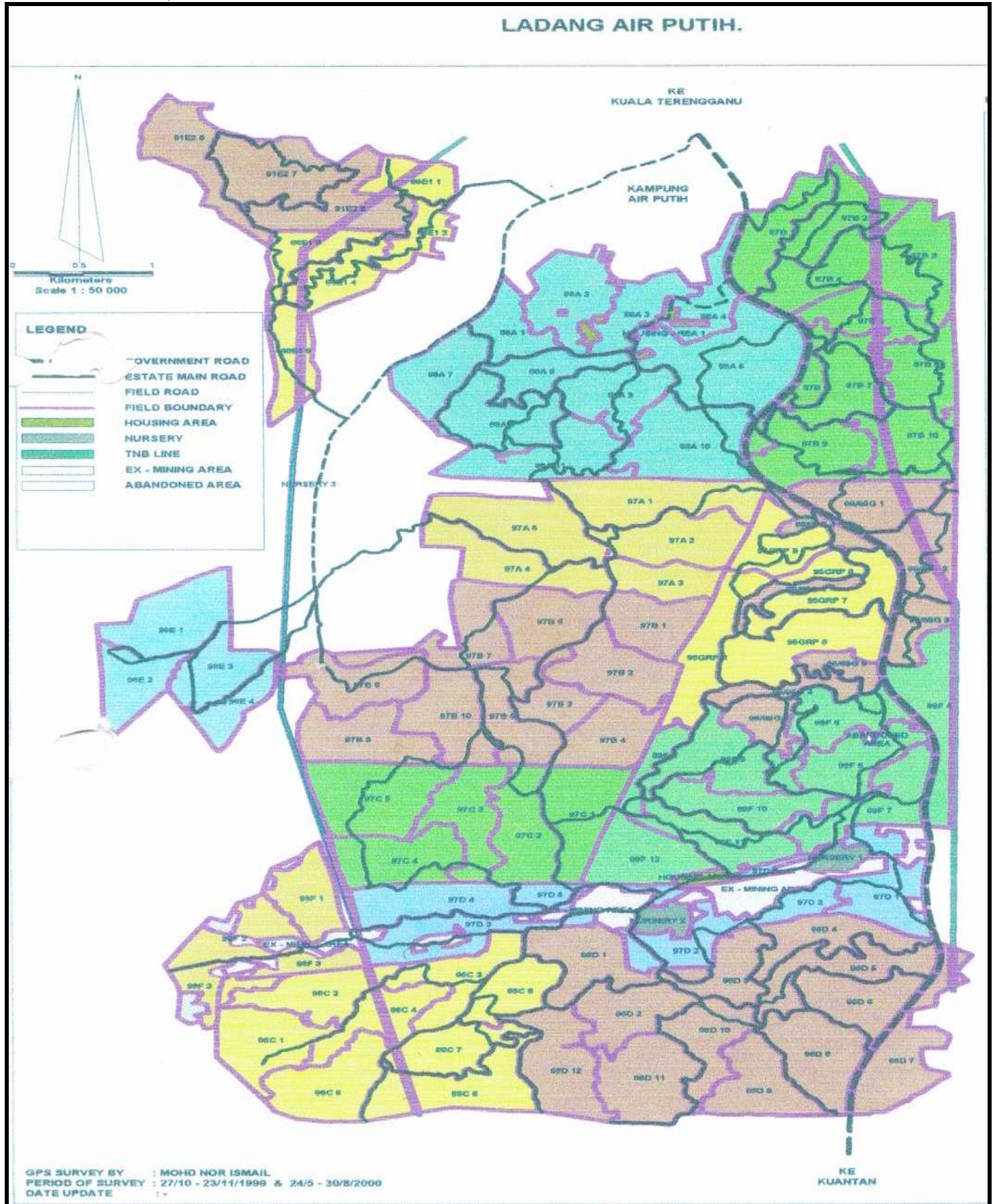
Appendix E

Map shows location of the Kemaman Palm Oil Mill and Supply Base in Trengganu, Malaysia



Appendix F

Air Putih Estate field map



Appendix G

Majlis Agama Islam (MAIDAM) Estate field map

