



PUBLIC SUMMARY REPORT
INITIAL RSPO CERTIFICATION ASSESSMENT

SIME DARBY PLANTATION Sdn Bhd
Management Unit SOU3
Perak, Malaysia

Report Author

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TABLE of CONTENTS**Page N^o**

SUMMARY	1
ABBREVIATIONS USED	1
1.0 SCOPE OF CERTIFICATION ASSESSMENT	1-6
1.1 National Interpretation Used	1
1.2 Certification Scope	1
1.3 Location and Maps.....	1
1.4 Description of Supply Base.....	1
1.5 Date of Plantings and Cycle.....	6
1.6 Other Certifications Held	6
1.7 Organisational Information/Contact Person	6
1.8 Time Bound Plan for Other Management Units	6
1.9 Area of Plantation	6
1.10 Approximate Tonnages Certified.....	6
1.11 Date Certificate Issued and Scope of Certificate.....	6
2.0 ASSESSMENT PROCESS	7-8
2.1 Certification Body	7
2.2 Assessment Methodology, Programme, Site Visits.....	7
2.3 Qualifications of Lead Assessor and Assessment Team	7
2.4 Stakeholder Consultation and List of Stakeholders Contacted	8
2.5 Date of Next Surveillance Visit	8
3.0 ASSESSMENT FINDINGS	8-18
3.1 Summary of Findings.....	8
3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions	16
3.3 Noteworthy Positive Components	17
3.4 Issues Raised by Stakeholder and Findings with Respect to Each Issue	17
3.5 Acknowledgement of Internal Responsibility	18
3.6 Formal Sign-off of Assessment Findings	18

LIST of TABLES

1 Mill GPS Location	1
2 Mill Supply Base.....	1
3 Age Profile of Palms	6
4 Estates and Areas Planted.....	6
5 Approximate Tonnages Certified.....	6

LIST of FIGURES

1 SOU3 Location Map	2
2 Kamuning Estate Layout.....	3
3 Elphil Estate Layout.....	4
4 Kinta Kellas Estate Layout	5
5 Monthly BOD of Treated Mill Effluent September 2010 to February 2011	9
6 Mill Water Usage October 2010 – February 2011	11
7 Monthly Energy Usage October 2010 – February 2011	14

LIST of APPENDICES

A Sime Darby Time Bound Plan
B SOU3 RSPO Certificate Details
C Certification Assessment Programme
D List of Stakeholders Contacted

SUMMARY

BSi Group Singapore Pte Ltd (BSi) has conducted an initial certification assessment of Sime Darby Plantation Sdn Bhd Management Unit SOU3 (SOU3) operations comprising the new Elphil Mill, supply base, support services and infrastructure. BSi concludes that SOU3 operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY-NI Indicators and Guidance : 2010.

BSi recommends that SOU3 be approved as a producer of RSPO certified sustainable palm oil.

ABBREVIATIONS

AMESU	All Malayan Estates Staff Union
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
ERP	Emergency Response Plan
FFB	Fresh Fruit Bunch
HCV	High Conservation Value
HIRAC	Hazard Identification Risk Assessment Control
LTA	Lost Time Accident
MAPA	Malayan Agricultural Producers Association
MPOA	Malaysian Plantation Owners Association
MPOB	Malaysian Palm Oil Board
MSDS	Material Safety Data Sheet
MY-NI	Malaysian National Interpretation
NGO	Non Government Organisation
NUPW	National Union of Plantation Workers
OER	Oil Extraction Rate
OHSAS	Occupational Health & Safety Assurance System
OSH	Occupational Safety & Health
PK	Palm Kernel
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
R&D	Research and Development
SIA	Social Impact Assessment
SOP	Standard Operating Procedure
TQEM	Total Quality Environmental Management
WWF	World Wildlife Fund for Nature

1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 National Interpretation Used

The operations of the Elphil Mill and its supply base of FFB were assessed against the Malaysian National Interpretation (MY-NI : 2010) of the RSPO Principles and Criteria : 2007.

1.2 Certification Scope

The scope of certification is the production from the Elphil Palm Oil Mill that is sourced from Elphil, Kamuning and Kinta Kellas Estates at SOU3 and from adjacent Sime Darby Estates.

1.3 Location and Maps

The SOU3 Mill and Estates are located in Perak, Malaysia (Figure 1). An additional map showing details of Kamuning Estate is included (Figure 2). The GPS location of the Mill is shown in Table 1.

Table 1: Mill GPS Location

MILL	LONGITUDE	LATITUDE
Elphil Mill	101°5'37" E	4°53'24" N

1.4 Description of Supply Base

The Elphil Mill supply base is the three SOU3 Estates that supply (96.3%) of the FFB processed at the mill, crop diverted from adjacent Sime Darby Estates (2.1%) and crop purchased from an FFB Trader (1.6%). The adjacent Sime Darby Estates are RSPO Certified and their crop is included in the Initial Certificate.

Interview of the FFB Trader found that he had very limited knowledge of RSPO requirements. Sime Darby has indicated that it did not plan to purchase FFB from the FFB Trader during the coming year. On this basis the FFB Trader's crop has been excluded from the Initial SOU3 Certificate.

The FFB production from SOU3 Estates, other adjacent Sime Darby Estates and the FFB Trader that was processed at Elphil Mill for the 01 July 2010 – 10 March 2011 reporting period is listed in Table 2. It should be noted that Elphil Mill was commissioned in May 2010 and during the period 01 July 2010 to 10 March 2011 only part of the crop from the SOU3 Estates was processed at the Mill.

Table 2: Mill Supply Base

Source	Actual FFB t 01/07/2010 10/03/2011	Projected FFB t 01/07/10– 30/06/11
SOU3 Estates		
Elphil	26,520	45,994
Kamuning	45,712	94,447
Kinta Kellas	14,762	25,463
<i>Sub Total</i>	86,994	165,904
Adjacent Sime Darby Estates		
Bukit Hijau (SOU1)	60	—
Anak Kulim (SOU1)	106	—
Bukit Selarong (SOU1)	285	—
Padang Buluh (SOU1)	297	—
Sungai Dingin (SOU1)	103	—
Jentayu (SOU1)	193	—
Tali Ayer (SOU2)	553	—
Holyrood (SOU2)	238	—
Somme (SOU2)	49	—
<i>Sub Total</i>	1,884	
FFB Trader		
Tang Tatt	1,496	—
TOTAL	90,374	165,904



Figure 1: SOU3 Location Map



Figure 2: Kamuning Estate Layout

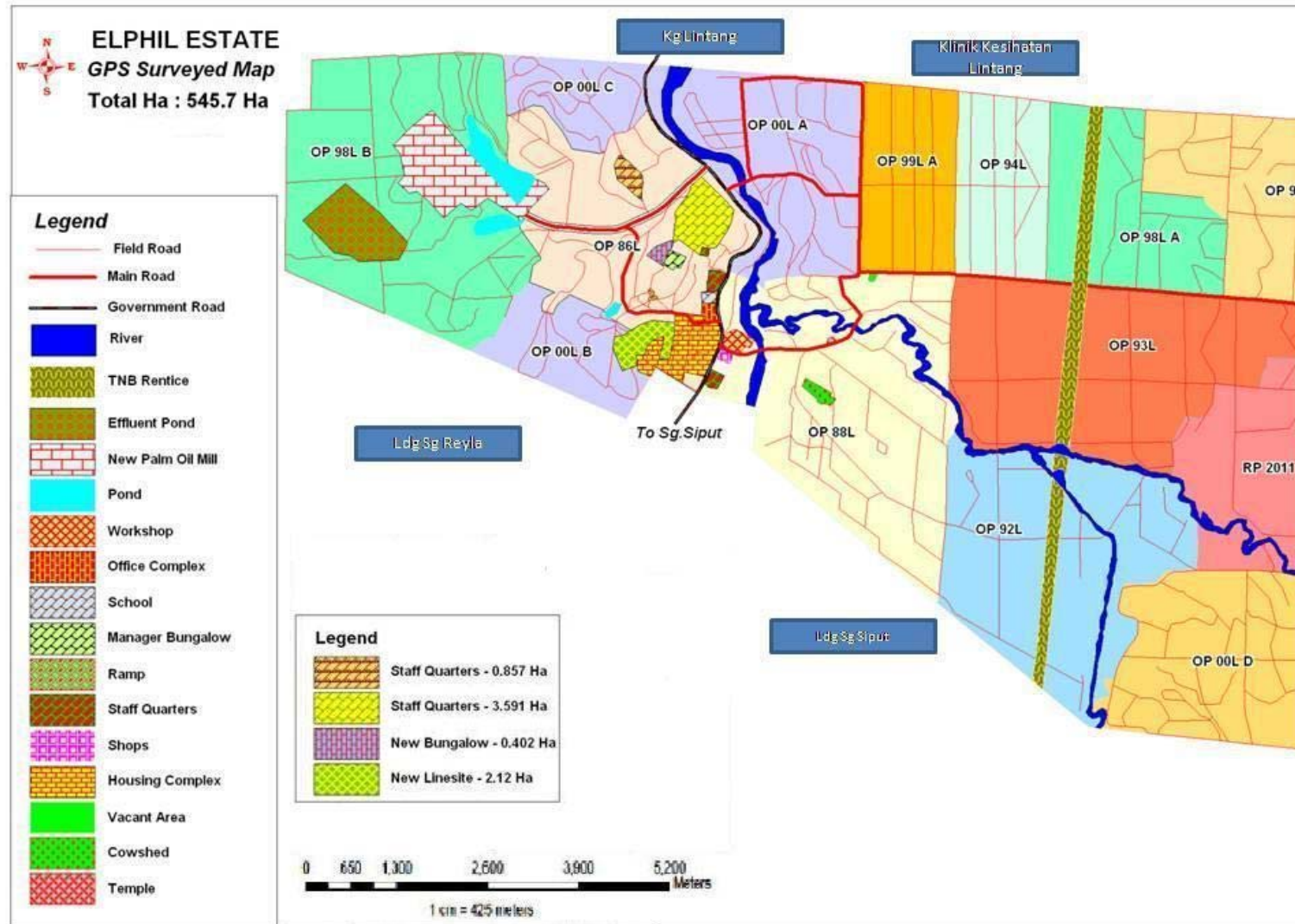


Figure 3: Elphil Estate Layout

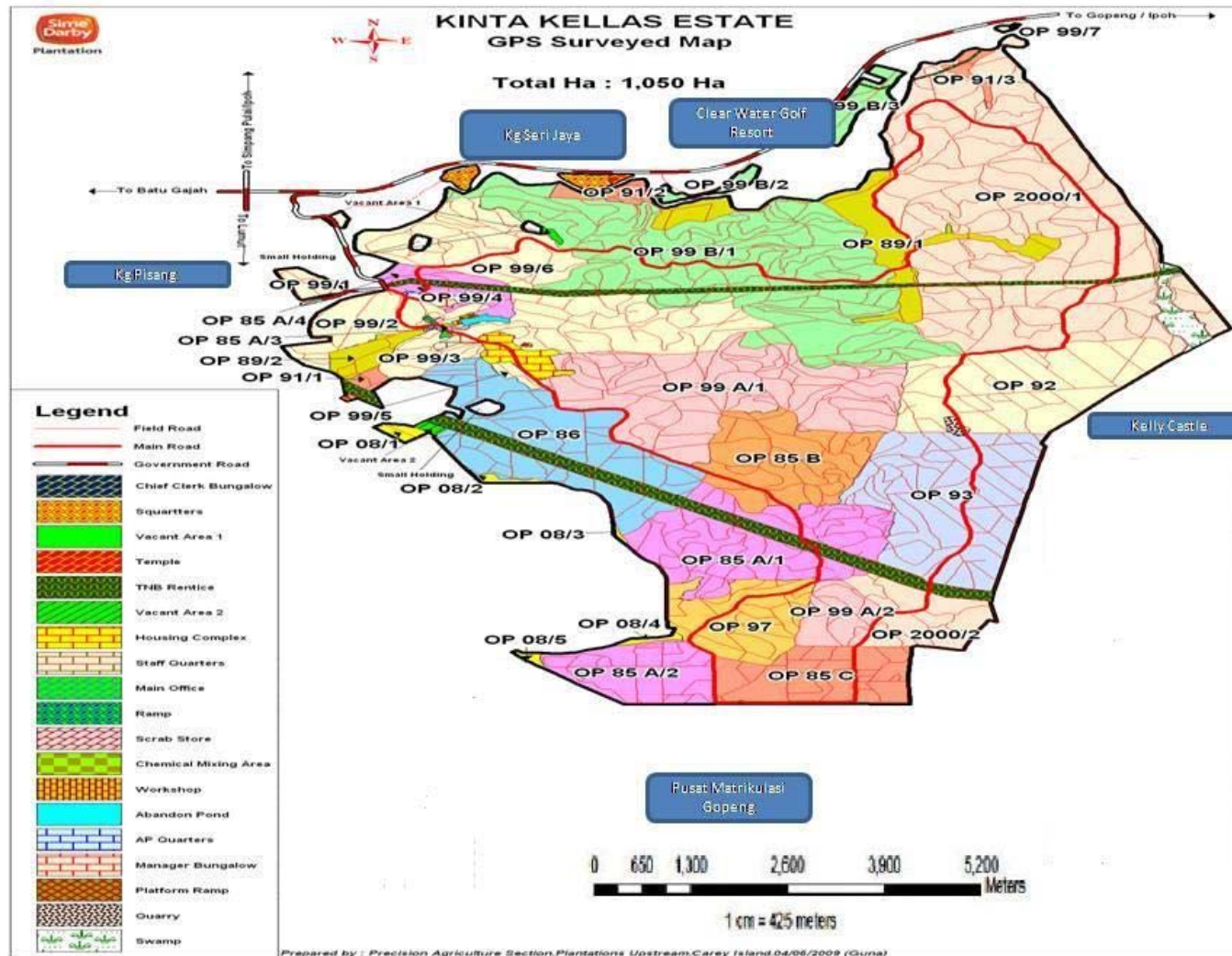


Figure 4: Kinta Kellas Estate Layout

1.5 Date of Plantings and Cycle

The company owned Estates were developed in the early 1920s initially to rubber. Oil palms were first planted in 1986 and are in the 1st and 2nd cycles. The age profile of the palms is shown in Table 3.

Table 3: Age Profile of Palms

AGE (years)	% of PLANTED AREA
31 – 35	—
21 – 30	16
11 – 20	60
4 – 10	21
0 – 3	3

1.6 Other Certifications Held

SOU3 does not hold any other Certification.

1.7 Organisational Information / Contact Person

Sime Darby Plantation Sdn Bhd
Management Unit SOU3
Kilang Kelapa Sawit Elphil 31100
Sungai Siput (U)
Perak
MALAYSIA
Contact Person: Mr Mohamad Azahar Saat
Manager Elphil Mill
Phone: +605 5940177
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Email: kks.elphil@simedarby.com

1.8 Time Bound Plan for Other Management Units

Sime Darby Time Bound Plan (updated December 2010) is included as Appendix A. During 2009, Sime Darby initiated the realignment of three of the Management Units in Malaysia for strategic operating reasons. To date, only one of these three Management Units has been realigned (SOU 24a), reducing the total number of Management Units from 61 to 60.

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

Sime Darby provided BSi with an update on progress with resolution of issues raised in 2008 at PT MAS in Indonesia. A follow-up meeting was held between top management of Sime Darby Plantation and representatives of Serikat Petani Kepala Sawit (SPKS) (Organisation for Representing Smallholders) during the RT8 Conference in Jakarta. Mr Paul Wolvekamp of Both

ENDS mediated the meeting that was also attended by representatives of Sawit Watch and House of "Adat" from Sanggau. Both parties agreed that significant progress has been made with regard to the issues raised earlier. No new issue was highlighted during the meeting.

BSi's continued involvement with 14 of the Sime Darby Management Units during the previous 12 months has not identified:

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

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

1.9 Area of Plantation

The areas of mature and immature palms at SOU3 are detailed in Table 4 for each of the Estates.

Table 4: Estates and Areas Planted

Estate	Mature (ha)	Immature (ha)	Total Estate Lease Area
Elphil	1,534	142	1,676
Kamuning	3,512	48	3,560
Kinta Kellas	944	6	950
TOTAL	5,990	196	6,186

1.10 Approximate Tonnages Certified

The approximate tonnages certified on the basis of the projected 01 July 2010 – 30 June 2011 production from the three SOU3 estates are detailed in Table 5.

Table 5: Approximate Tonnages Certified

Elphil Palm Oil Mill	Actual 01/07/2010 – 10/03/2011	Projected 01/07/10 – 30/06/11
CPO	19,655	36,665
PK	3,964	9,125

1.11 Date Certificate Issued and Scope of Certificate

The scope of the Certificate is for the production from the Elphil Palm Oil Mill and the supply base from the three SOU3 company owned estates. Certificate details are included as Appendix B.

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

2.0 ASSESSMENT PROCESS

2.1 Certification Body

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

2.2 Assessment Methodology, Programme, Site Visits

BSi conducted the Initial Certification Assessment of SOU3 on 11 and 12 March 2011. The Certification Assessment Programme is included as Appendix C.

The approach was to audit the Mill together with one Estate chosen from the supply base, such that a range of environmental and social factors were covered. These factors included consideration of topography, soils, age of palms and proximity to local communities. Kamuning Estate was selected for the audit as it contained the Mill and the system for land application of treated POME. The Estate also has an area of hilly topography and recent replanting.

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

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

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

2.3 Qualifications of the Lead Assessor and Assessment Team

BSi Group Singapore holds copies of educational qualifications, certificates and audit logs for each of the audit team members. BSi has evaluated the

qualifications and experience of each audit team member and has registered the following designations for conducting RSPO Assessments.

Charlie Ross – Lead Assessor
B.App.Sc. M.Sc (Env.Studies)
Lead Auditor EMS RABQSA Cert N^o 14370
Iman Nawireja – Social Assessor
B.Ag.Sc. M.Sc. (Comm)
Robyn Ross – Social Assessor
Noryati Hambali – Facilitator

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

Iman Nawireja graduated with a Bachelor of Agricultural Science from the University of Bogor in 1997 and a Masters Degree in Communications from the University of Indonesia in 2002. He is a Lecturer in social statistics at the University of Bogor and has more than 10 years experience in conducting social impact assessments of agriculture, mining and forestry projects. He has assisted with field studies on the effect of resource development projects on farmer and community incomes, health status and household division of labour. He has completed Lead Auditor training in ISO 14001 Environmental Management Systems. He has assisted in conducting environmental and social assessments of oil palm projects during the past 7 years. He has assisted with conducting Certification audits of oil palm plantation companies against the RSPO P&C in Indonesia and in Malaysia.

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

Noryati Hambali was previously a Teacher with Borneo Child Aid Society and is currently studying for her Diploma in Business Administration at Rima International College, Selangor. She has assisted with the assessments of three oil palm plantation companies, one in Sabah and two in Peninsula Malaysia. Her role has involved assisting and facilitating the interview of female

workers and their families at oil palm Mills and Estates. She has first-hand knowledge of the issues facing families working and living in remote locations. She is fluent in Bahasa Malaysia, Sabahan and English, which is a key asset for effective communication with local as well as foreign workers.

2.4 Stakeholder Consultation and List of Stakeholders Contacted

Stakeholder consultation involved internal and external stakeholders. External stakeholders were notified by placing a copy of the Stakeholder Notification letter on the RSPO, Sime Darby and BSi websites. Letters were written to individual stakeholders and telephone calls were made to arrange meetings and to discuss SOU3 environmental and social performance.

During the stakeholder notification period, BSi did not receive any responses in writing from stakeholders. Meetings were held with stakeholders to seek their views on the performance of the company with respect to the RSPO requirements and aspects where they considered that improvements could be made. Stakeholders included those immediately linked with the operation of the company such as employees, local communities and contractors, as well as organisations that may have an interest in SOU3 operations or adjacent areas.

Stakeholder consultation took place in the form of meetings and interviews. The interviewer explained the purpose of the audit at the outset followed by an evaluation of the relationship between the stakeholder and the company before discussions proceeded. The interviewer recorded comments made by stakeholders and these have been incorporated into the assessment findings.

Structured worker interviews with male and female workers and staff were held in private at the workplace in the Mill and the Estate. Fieldworkers were interviewed informally in small groups in the field. A visit was made to Kampung Sungai Sejuk to meet with the village head and residents. In addition, the wives of workers and staff were interviewed in informal group meetings at their housing. Company officials were not present at any of the interviews.

A list of Stakeholders contacted is included as Appendix D.

2.5 Date of Next Surveillance Visit

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

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

As outlined in Section 2.2, objective evidence was obtained separately for each of the RSPO Indicators for the Mill and the Estates. The results for each indicator

from each of these operational areas have been aggregated to provide an assessment of overall conformance of the Company's operations with each Criterion. A statement is provided for each Indicator to support the findings of the assessment team.

Two (2) Nonconformities were raised against Minor Compliance Indicators. Eleven (11) Observations / Opportunities for improvement were identified. Details of the Nonconformities are given in Section 3.2 (Page 16).

SOU3 has prepared a Corrective Action Plan that was reviewed and accepted by BSi. Progress on implementation of corrective action will be checked during the Surveillance Audit scheduled to be carried out within twelve months of SOU3 receiving initial RSPO Certification.

BSi has conducted an assessment of the SOU3 operations comprising 1 mill, 3 oil palm estates, support services and infrastructure. BSi concludes that SOU3 operations comply with the requirements of RSPO Principles & Criteria: 2007 and MY-NI Indicators and Guidance : 2010.

BSi recommends that SOU3 be approved as a producer of RSPO Certified Sustainable Palm Oil.

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

The Mill and Estate have implemented a system for receiving and responding to requests for information. Records are held on file of requests for information received from Government, MPOB and other interested parties, together with the response. Inspection of records indicated requests are replied to within 30 days. For example, the MPOA carried out a survey on Labour Shortages and Abscondment of Foreign Workers for the Period of 1 July to 31 December 2010. The MPOA letter was received on 15 December 2010 and the estate replied on 12 January 2011, ahead of the required reply of 31 January 2011 (1.1.1)

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

The Mill and Estate hold copies of each of the management documents listed under Criterion 1.2 and these are publicly available upon request. The Estate holds copies of the Government Leases for the land, as detailed for Indicator 2.2.1. (1.2.1)

A copy of the Health and Safety Policy signed by Top Management April 2008 is displayed prominently on notice boards at the Mill and Estates and is available to the public. The Estate has an OSH Plan 2010/11 that provides a schedule for Risk Assessment, Training

Program, Safety Committee Meetings and workplace safety inspections. (1.2.2)

Copies are available of an Environmental Aspects and Impacts Register prepared by the Mill and Estate in November 2011 using a risk assessment process. The Estate and Mill hold copies of a Social Impact Assessment and a Social Action Improvement Plan. (1.2.3)

Pollution prevention measures for mitigation of the significant environmental impacts that were identified by the risk assessment process are detailed in the Environmental Improvement Plan. (1.2.4)

The Mill and Estate have implemented a system for recording complaints and grievances in a logbook together with actions taken for resolution. Issues also are raised by worker representatives at the quarterly OSH Meeting and records are held on file. (1.2.5)

Negotiation Procedures are documented in the Sime Darby Procedures for Handling Social Issues – in Sustainable Plantation Management System (2008). (1.2.6)

A Continuous Improvement Plan has been documented that is made up of an Environment Plan and Social Action Plan. (1.2.7)

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

Compliance with legal requirements is demonstrated by audit report findings and review of documents and records on site. The Mill maintains copies of applicable Permits and Licences on display. Checks of a sample of permits indicated all were current. The most recent DOE (22 June 2010) and DOSH (17 January 2011) site visit reports indicated there were no outstanding items that needed to be addressed.

Mill effluent test results are held on file and are graphed to provide information on trend. The test results between September 2010 and February 2011 (Figure 5) showed the quality of treated effluent was less than 100 mg/L.

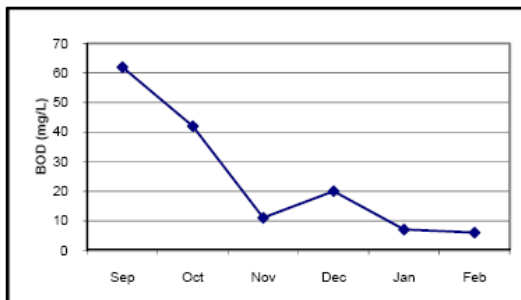


Figure 5: Monthly BOD of Treated Mill Effluent September 2010 to February 2011

Boiler emissions were tested on 19 August 2010 and the results were in compliance with regulation 25 of the Malaysian Environmental Quality (Clean Air) Regulations,

1978. The Mill boiler smoke density meters were calibrated by ST Tech Engineering Sdn Bhd 26 March 2010. Continuous monitoring of boiler smoke emissions, using a smoke density meter confirmed compliance with regulatory requirements.

Observation 01 – Refer Section 3.2 Page 17 – Inspection of Mill pay records found overtime in excess of the Labour Department maxim (104 hours) had been worked over several months. When this was discovered by Sime Darby during their internal audit, a Letter was forwarded to Department of Labour requesting an extension to the overtime hours limit per month. The Mill immediately implemented a system for controlling overtime that requires approvals prior to overtime being worked. Inspection of manual entry records for February and March confirmed this to be implemented consistently.

The Mill and Estate housing water supplies are from the Government Supply. Electricity is supplied to housing from the Government supply.

The Mill and Estates hold Copies of drivers' licences and tradesman certificates, such as Boiler Fireman Certificate No PK56/2001 Issued 26 September 2001. (2.1.1)

The Mill and Estates have a Legal Register (Issue No 1, 11 January 2011) that lists all applicable legislation, together with a summary of compliance requirements, a list of permits and their expiry dates. In addition, the Mill and Estates hold hard copies of a selection of legislation, such as the Environment Act, the Employment Act and the OSH Act. (2.1.2)

Implementation of legal compliance is checked by Internal Audits and enforced by Corrective Action Plans. TQEM Mill Advisory and Plantation Advisory Department, Safety and Health Unit conduct quarterly and six-monthly audits, respectively of the operations, which include applicable legal requirements. Sime Darby Group Corporate Assurance Department conducts annual audits that assess legal compliance. The Mill and Estates are required to respond to issues identified during the audit and prepare a Corrective Action Plan. At the time of the Certification Assessment there were no legal compliance issues as indicated by review of internal audit reports. (2.1.3)

TQEM Standards and Compliance Unit provide legal updates on all applicable legislation throughout Sime Darby. In addition, MAPA, MPOA, AMESU, NUPW and Sime Darby Regional Office provide legal updates on changes to labour laws and worker pay and conditions. (2.1.4)

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

The Estates hold copies of Land Titles, for example Title No. GRN52966 (CT11582) on lot no.3096 for area of 5.9666 ha. All operations are on Freehold Land. The estates hold 58 land certificates that make up the total of 2,326 ha. The land certificate area ranges from 0.4 hectare to 662 hectares. (2.2.1)

The oil palm operations are consistent with the land title for agricultural purposes. Sime Darby is in the process of amalgamating the land certificates. (2.2.2)

Boundary stones are marked on the ground using red and white poles. Inspection of a sample of the boundary stones confirmed that steel pipes painted red and white have been installed beside the concrete boundary stones and were maintained. **Observation 02 – Refer Section 3.2 Page 17** – In February 2011 SOU3 engaged a contract surveyor to survey the Estate boundaries and to identify the locations of missing boundary stones. Work is expected to be completed during the second quarter of 2011. (2.2.3)

The Estate has a map showing the location of boundary stones. (2.2.4)

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

All of the Estates operations are on Freehold land. There is no customary land within the SOU3 Estates. Sime Darby does not restrict access through the estates, except in relation to trucks. (2.3.1)

There are presently no land claims that dispute Sime Darby's ownership of the land. (2.3.2)

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

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 (2010/11) and Capex Budget that are projected for the next four years. The budgets include performance objectives and targets related to production, efficiency and quality. The Mill OER achieved for the year to date is 21.8%, compared to the Target for 2010/11 of 22.1%. The SOU3 Estates FFB yield for the year to date is 14.5 t/ha, which indicates the for 2010/11 of 25.0 t/ha is not likely to be achieved. (3.1.1)

The Estates have a Replanting Programme that is projected to 2019 and was revised in December 2010. Kamuning Estate is scheduled to replant 171 ha of palms in 2011/12. (3.1.2)

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

The Mill and Estates are implementing an integrated environment, quality and health & safety management system.

The Estates hold a copy of Sime Darby Standard Operating Procedures issued 2 January 2008. In addition, the Estates have work procedures in Bahasa Malaysia for operational control for each of the main tasks, including safety issues. (4.1.1)

The implementation of SOPs is checked during daily inspection by staff as well as by internal audits. Mill

operators record operating parameters hourly on log sheets and the Mill Engineer and Shift Supervisor check these each shift and on a daily basis. The Mill Advisor conducts site inspections twice yearly and the first visit for the new mill was in progress during the Initial Certification Assessment.

The Plantation Advisor visits the Estates six-monthly, with the most recent visit 12-15 January 2011 and the Estate Manager's response to issues raised is held on file. The Estates hold copies of previous internal audit reports that include the Manager's response to issues raised and corrective action to be taken. (4.1.2)

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

Sime Darby Agronomy Section of R&D Department makes annual recommendations for fertiliser applications. The Estate Managers check that fertiliser application matches the recommendation. The current fertiliser recommendation was based on the site visit of March 2010. The fertiliser recommendation includes the quantity to be applied to each oil palm block. (4.2.1)

Sime Darby Agronomy Section of R&D Department carries out annual visual inspection of the palms and leaf sampling to monitor palm nutrient status (last visit March 2010). The Estates hold a summary of the results on file and R&D Department maintains detailed records. Soil sampling was carried out in July 2010 and is scheduled to be repeated every 5 years. (4.2.2)

The majority of EFB is converted to compost and a small quantity is applied as mulch to immature palms at replanted areas. The Estates maintain records of the quantity of EFB received from the Mill and the oil palm blocks of immature palms to which it is applied. R&D Department monitors the nutrient status of palms using the results from the foliar sampling to advise on the annual fertiliser requirement to supplement EFB application. (4.2.3)

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

The Estates hold copies of soil maps. The two main soil types are Jeranggau and Rengam, which are sandy and well drained. Immediately following replant, leguminous cover crop consisting of a mixture of *Pueraria javanica*, *Calapogonium caeruleum* and *Centrosema muconoides* is planted to prevent soil erosion. Field inspection confirmed soil conservation practices generally were consistently implemented. **Observation 03 – Refer Section 3.2 Page 17** – The "box stacking" of pruned fronds was inconsistent and needs to be improved at the undulating areas for control of soil erosion. (4.3.1)

Observation 04 – Refer Section 3.2 Page 17 – Minor patches of bare soil were evident at two of the locations inspected, such as Block 02C, which may have been due to over-spraying of paths with a mixture of glyphosate and ally. SOU3 will cease spraying of paths at these locations to allow regeneration of groundcover. (4.3.2)

SOU3 has a documented road maintenance programme for 2010/11 with a schedule for each Division. Maintenance includes grading, re-surfacing with laterite where necessary, roadside pruning and construction of silt pits. Inspection showed roads were well maintained with “turnout” drains and silt pits constructed at regular intervals to divert rainfall runoff into the adjacent palms. (4.3.3)

SOU3 does not have any peat soils. (4.3.4)

There are no peat soils or fragile soils at SOU3. (4.3.5)

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

There is one small river, Sg Nyamuk, flowing through Kamuning Estate, with a width of less than 10 metres. Replanting along the river is not scheduled until 2025 and a riparian buffer zone will be reinstated along both banks at that time. Kamuning Estate has delineated buffer zones to be re-instated at future replant along Sg Nyamuk. Inspection showed the buffer zone boundaries have been demarcated and the use of chemicals has ceased and has been replaced with manual weeding of palm circles. **Observation 05 – Refer Section 3.2 Page 17 – Control of stream-bank erosion of Sungai Nyamuk could be improved by planting Vetiver grass to supplement the use of sandbags.** (4.4.1)

There has been no construction of bunds, weirs or dams across the main watercourse. (4.4.2)

The Mill has commenced collecting water samples quarterly from Sg Kerdah upstream and downstream from the mill discharge. The initial sampling was carried out in February 2011, but at the time of the visit, laboratory analysis results had not yet been received. (4.4.3)

Daily rainfall is measured at all three SOU3 Estates and records are forwarded monthly to the Drainage and Irrigation Department. Rainfall information is used for the scheduling of fertiliser application. (4.4.4)

The Mill reports total water usage monthly to Head Office. Water meters were installed and became operational during September 2010 and data are available for complete months since October 2010. The monthly usage (Figure 6) for the period October 2010 to February 2011 has reduced from 0.96 t/t FFB in November to 0.7 t/t FFB in February. (4.4.5)

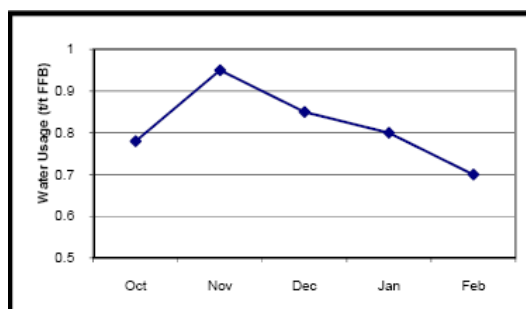


Figure 6: Mill Water Usage October 2010 – February 2011

The Mill and Estates have installed pollution control devices on all workshops and drains in order to prevent the discharge of contaminants. (4.4.6)

The Mill prepared a Water Management Plan in May 2010 that included a target of 1.0 t/t FFB for water usage for the year. Figure 4 shows the mill has achieved a much lower water usage. The Plan includes segregation of high BOD wastewater from clean stormwater.

At the new housing for Elphil Mill, rainwater tanks have been installed for supplementing the supply. (4.4.7)

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

IPM is documented in the Sime Darby Agricultural Reference Manual – Section 15. IPM involves inspection and monitoring of field conditions prior to treatment using chemicals for weed and pest control. The major palm pest is rats in mature palms. Inspection showed barn owls are used for control of rats. The beneficial plants *Turnera subulata* and *Cassia cobanensis* were established extensively along roadsides for control of leaf-eating insects. (4.5.1)

The Estates maintain records of six monthly census of barn owls. At Kamuning Estate barn owl boxes have been installed at a ratio of one per twenty-one ha of palms. The Estate plans to increase the number of barn owl boxes in 2011/12 to reduce the ration to one box per 10 ha of palms. The barn owl census carried out in December 2010 found 70% occupancy. Records show that use of chemical baiting has been reduced and the owls appear to be assisting with control of rats. Kamuning Estate has never had an outbreak of leaf-eating insects that has required chemical treatment. (4.5.2)

The Estates maintain records of the blocks where chemical treatment, such as rat baiting, has previously been carried out. (4.5.3)

The Estates have commenced recording information on active ingredients since July 2010 and have calculated the pesticides toxicity indicator for the recent data. (4.5.4)

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

The quantity of chemical and treatment required for various field conditions are documented in Section 16.5 of the Agricultural Reference Manual. In addition, the Estates have prepared a Work Instruction that is displayed at the chemical mixing area with details of the quantities of chemicals to be measured for each particular treatment. **Observation 06 – Refer Section**

3.2 Page 17 – *The accuracy of measuring the quantity of chemical for mixing with water could be improved by providing appropriate measuring devices. (4.6.1)*

Sime Darby Central Purchasing Department controls purchase of pesticides. Inspection of the Pesticides Store confirmed only pesticides registered by the Pesticides Board were held. (4.6.2)

Inspection confirmed the Pesticides Store meets regulatory requirements with respect to spill containment, security, ventilation, separation and labeling of chemicals. (4.6.3)

Inspection of the pesticides store confirmed all chemicals were labelled in Bahasa Malaysia. MSDSs were displayed in the Pesticides Store for each of the chemicals held. Sime Darby has developed Pictorial Work Instructions with text in Bahasa Malaysia for chemical mixing and spraying. (4.6.4)

Monthly health check for all pesticide operators is carried out by the Hospital Assistant. CHRA medical surveillance has been carried out by a DOSH registered doctor 16-21 April 2009 for all pesticide spray operators. The CHRA Report concluded that all spray operators were fit for duty. (4.6.5)

Only males are employed as pesticide sprayers at SOU3. (4.6.6)

Paraquat was last used in 2004. Inspection of the Pesticides Stores confirmed Paraquat was not held and the Stock Balance Report showed the last remaining quantity of Paraquat was used in 2004. (4.6.7)

Aerial spraying is not carried out. (4.6.8)

No buyer has yet requested CPO testing for chemical residues. (4.6.9)

The Estates maintain records of monthly stocktakes of chemicals and information on areas treated is available from daily cost books. The pesticides use information has been summarised with active ingredient and data available since July 2010. (4.6.10)

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

(a) The Mill and Estates have a Safety and Health Policy approved by Top Management April 2008 that is displayed prominently on notice boards. The Sime Darby OSH Department provides guidance and conduct safety audits at the Mill and Estates. Information on safety is communicated to workers at muster briefings. The Mill conducts the safety briefings during the Monday Morning Assembly of staff and workers. Inspection of the Mill and Estates workplaces, observation of tasks being carried out and interview of workers indicated employees were aware of safety precautions.

(b) The Mill HIRAC was conducted 7 December 2010 and meets conformance with the OHSAS 18001 format. The risk assessments were carried out by a team who reviewed each of the workstations at the Mill and the tasks carried out at the Estate.

(c) The Mill has a Safety Training Plan 2010-11. The Estates have prepared a Training Matrix that lists the OSH core competency training for Staff and Workers. The Estates Annual Training Schedule prepared for 2010 includes pesticide sprayer training.

i. The Mill and Estates hold training records, including details of the topic, trainer, list of attendees and signatures. For example the Mill carried out workplace safety training for 18 staff on 16 and 17 January 2011. The most recent training for pesticide operators was carried out January 2011 for use of PPE.

ii. Inspection of spraying and interview of sprayers indicated operators understand safe work practices.

(d) Inspection of tasks confirmed appropriate PPE is supplied to all workers

i. The standard issue of PPE to Mill workers is safety shoes, helmet, ear-plugs and high visibility vest. Additional PPE is provided for specific workstations, such as eye protection for oxyacetylene welding and “ear muffs” for high noise work stations. Inspection of spraying confirmed correct use of PPE, such as boots, apron, gloves, respirator and eye protection.

(e) The Mill has appointed two safety coordinators, the Assistant Manager and the Assistant Engineer. The Field Supervisor is responsible for safety coordination for the Estate.

(f) The Mill and Estates conduct quarterly Safety Committee Meetings with the most recent held (Mill - 04 March 2011 attended by 18 persons) (Estates – 11 February 2011 attended by 23 persons) and minutes were available. Review of the OSH Committee Meeting Minutes showed the topics discussed included 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.

(g) The Mill and Estates have all elements of an ERP included in a Master Plan that was reviewed and updated 2 January 2011.

(h) The St John ambulance conducted First aid training for 4 mill staff and 1 worker supervisor on 21 July 2010. The Red Crescent Society conducted First Aid training on 13 July 2010 for 17 Supervisors from Kamuning Estate.

i) First Aid Kits are available in the Office and at 6 Work Stations in the Mill. The Estates have issued First Aid Kits to Supervisors and Mandores. A sample of Kits was inspected and these were found to be appropriately stocked. (4.7.1)

The Mill and Estates maintain records of all accidents. The records showed that the number of LTAs at the Estates has remained static during the past four years. SOU3 is implementing a safety management system with the aim of achieving zero LTAs. (4.7.2)

Malaysian staff and workers are covered by Social Security Organisation (SOCSO) Insurance. Foreign workers are covered under RHB Insurance - Policy Number (Mill FW011867); (Kamuning Estate FW011863); all current to 30/06/2011. (4.7.3)

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

The Mill has an annual Training Plan 2010-11 that covers competencies required for each Work Station. Training records are held including details of the topic, trainer, list of attendees and signatures. An example was training in operation of the “Water Softener” for 3 staff on 05 March 2011. Details of awareness training conducted at Mill Monday briefings are recorded in a “Logbook”.

The Estates have prepared a Training Matrix for the tasks and personnel to be involved. Training in work practices is mostly by informal on-the-job instruction. Records of informal training are kept in the “Daily Report Book”, including the topic, names of workers and the signature of the Mandore. (4.8.1)

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

TQEM facilitated the preparation of an Environmental Aspects and Impacts Register for the estates (15 April 2010 and the Mill (15 December 2010) using a risk assessment process. The preparation of the Aspects and Impacts Register considered negative as well as positive impacts, such as recycling of solid wastes. The risk scores were used to identify the significant impacts that require management, or in some cases, inclusion in the Pollution Prevention Plan. (5.1.1)

The Elphil Mill is newly constructed and was commissioned in May 2010. The Mill has been constructed using best practices and the latest conventional technology for pollution prevention therefore environmental improvements are minor in scale and generally will be limited to fine-tuning of systems. (5.1.2)

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.

Ecologists from the TQEM team have assessed the possible presence of HCVs within and adjacent to the estates. Practically all plantable land was cleared during the original land development in the early 1920s and remnant vegetation is limited to small areas of steep limestone hills. TQEM assigned HCV4 to remnant vegetation and riparian buffer zones. (5.2.1)

The TQEM Ecologists prepared an HCV Management Plan that focuses on habitat protection and enhancement. For example, training and awareness of staff and workers has been carried out on company policies that prohibit disturbance of designated protected areas. No endangered, rare or threatened species were identified at the estates. Sime Darby is implementing a programme of tree planting to enhance

the habitat at the reserves at hilly areas and riparian buffer zones throughout the company’s oil palm operations. (5.2.2)

Signs are posted at the entrance to the estates prohibiting hunting, fishing and the use of fire. This is supplemented by posters on notice boards at muster areas. Awareness of the protection of fauna has been conducted at Estates muster briefings. **Observation 07 – Refer Section 3.2 Page 17 – At Kamuning Estate housing, several spotted doves *Streptopelia chinensis* were kept in a cage. These birds were likely to have been captured in the Estate, indicating inadequate control of hunting and gathering activities Estate Management took immediate action to inspect the housing areas and release any caged spotted doves.** (5.2.3)

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

The Mill and Estates have prepared a list of all waste products and sources of pollution in the Environmental Aspects & Impacts Register. (5.3.1)

The Waste Management Action Plan describes operational control of the main waste products and sources of pollution. The Mill and Estates have implemented segregation and storage of wastes from processing, the workshops, and packaging materials where possible. **CR01 – Refer Section 3.2 Page 16 – The mill boiler ash bin load-out area has inadequate containment to prevent ash from entering the adjacent stormwater drain. Observation 08 – Refer Section 3.2 Page 17 – Inspection of Kamuning Estate worker housing found inconsistent management of domestic refuse, with litter scattered among the adjacent palms, indicating inadequate training and implementation of the Waste Management Action Plan. When this was pointed out by the Assessor, Estate Management took immediate action to remove the rubbish therefore an Observation was assigned.** Inspection showed that segregation of recyclables was well managed at workshops for materials, such as scrap metal and spent lubricating oil. The Mill and Estates have scheduled waste stores and stored materials were labeled, segregated and the inventory up-to-date. The new Mill has not yet produced sufficient scheduled waste for a consignment. The Mill and Estates have engaged Kualiti Alam Sdn Bhd to collect, transport and dispose of scheduled waste (DOE Licence Nos: 000211-000215). Copies were available of Estates Scheduled Wastes Manifests.

The Estates have developed small landfills for disposal of non-recyclables. Inspection at Kamuning showed the landfill was appropriately located and operated in accordance with regulatory requirements.

Medical wastes have been identified as a scheduled waste and are stored in secure containers. Formal arrangements have been implemented with Pantai Medivest for safe disposal of medical waste to an approved facility. (5.3.2)

The Mill wastes are transferred to an adjoining site that is operated by a contractor to produce compost. The

Mill maintains records of EFB and other palm by-products tonnages transferred to the composting site. For example the Mill has installed a flow meter that is read daily for recording the quantity of raw effluent transferred to the compost site. The balance of the raw effluent that is excess to composting requirement is treated in effluent ponds. At the time of the Initial Certification Assessment visit, the effluent ponds were still being filled. Excess treated effluent will be disposed by land application in furrows at Elphil Estate. (5.3.3)

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

The Mill reports total renewable energy use monthly to Head Office following the commencement of recording in October 2010 (Figure 7). The average electricity generated from renewable energy for the period October 2010 to February 2011 was 23.72 kWh/t FFB. (5.4.1)

The Mill also reports non-renewable energy use monthly to Head Office. The monthly electricity generated from non-renewable energy is also shown in Figure 7. (5.4.2)

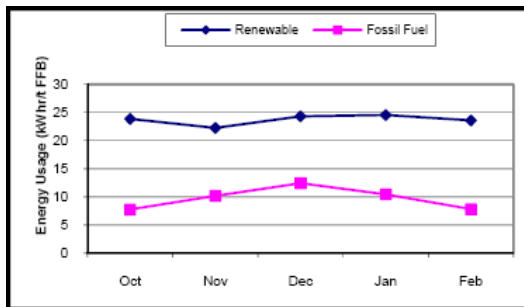


Figure 7: Monthly Energy Usage October 2010-February 2011

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

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

At replanting palms will be felled, chipped and windrowed. (5.5.2)

CR02 – Refer Section 3.2 Page 16 – Inspection of Kamuning Estate housing found evidence of fire being used at the majority of houses for disposal of garden waste. (5.5.3)

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

Pollution prevention measures are documented in the Pollution Prevention Plan 2010/11. Mill effluent is treated in digester tanks. Sime Darby is investigating the feasibility of biogas collection from the effluent digester tanks for reduction of greenhouse gas emissions.

Observation 09 – Refer Section 3.2 Page 17 – The oil/water separator at the Kamuning Estate bulk fuel storage tank requires modification to improve the efficiency of operation.

Actions also are being implemented to improve groundcover to minimise the risk of soil erosion within palms, and sediment transported in runoff. (5.6.1)

The initial Pollution Prevention Plan is due for review in May 2011. (5.6.2)

There are no peat soils at SOU3. (5.6.3)

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

Sime Darby TQEM Department carried out a Social Impact Assessment in February 2011. The SIA involved seeking input from staff, workers, contractors and local community representatives. A Consultation Meeting was held on 20 December 2010 involving 31 participants from local Kampung, Contractors and Mill and Estate workers. (6.1.1)

Interview of a sample of male and female staff and workers confirmed their involvement in the SIA interviews. Local community leaders stated they were interviewed about social issues during the SIA. (6.1.2)

A Social Action Plan has been prepared for addressing the issues raised by stakeholders, including assignment of responsibility and target completion date. (6.1.3)

Observation 10 – Refer Section 3.2 Page 17 – Although Local Communities did not identify any issues during the SIA carried out in December 2010, it is important there is ongoing consultation to identify any emerging issues.

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.

Procedures are documented for internal and external communications in Section 5 of the Mill Quality Management System Manual – April 2008.

Communication Procedures are documented in Estate Quality Management System (Standard Operating Manual) Section 5.5.3. Inspection and interviews confirmed staff were familiar with the communication procedures. (6.2.1)

The Managers of the Mill and Estates are the nominated persons for communication with external stakeholders. (6.2.2)

The Mill and Estates have prepared a list of stakeholders that includes suppliers, contractors, community leaders, government departments and emergency contacts. Interview of community leaders indicated the Estates met them periodically to discuss issues as well as during social gatherings. (6.2.3) **Observation 11 – Refer Section 3.2 Page 17 – The Kamuning Estate List of**

Stakeholders could be improved by including local Kampung Leaders, Government Departments and NGOs.

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.

A dispute resolution procedure is documented in the Sime Darby Sustainable Plantation Management System Appendix 5 and is shown as a flow chart. (6.3.1)

Inspection of the Mill customer communication records showed it has not received any complaints from customers. There have been no recent disputes to assess the effectiveness of the system. (6.3.2)

The company policy is to make the dispute resolution process available to any affected party. (6.3.3)

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

Sime Darby has implemented a procedure for handling land disputes, including boundary and squatter issues. The Estates are on Government Leases and there have not been any disputes. (6.4.1)

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

Sime Darby Policy is to make information related to land disputes available on request. (6.4.3)

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

Pay and conditions are documented in the MAPA/AMESU Agreement 2006 and MAPA/NUPW Field and Other General Employees and Fringe Benefits Agreement 2007. (6.5.1)

Staff and Workers are provided with a copy of an "Appointment Letter" at the time of recruitment. Daily rated workers were aware of their daily rate and understood details of their payslips. Workers stated if there was ever a discrepancy they would advise their supervisor and if the company was in error payment would be forthcoming next pay check. Interviews of female staff and workers confirmed they understood terms and conditions of their contract of employment. Interviewees stated they were aware of and receive all leave entitlements. (6.5.2)

The company provides a good standard of housing for its staff and workers and their families. A mobile market visits the housing daily selling vegetables and fish. There are two shops that supply goods to residents at prices comparable to "outside". A Primary School is located

approximately 1.5km distance. Secondary School is located at Sg Siput, approximately 8 km distance. Water is supplied to Mill and Estate housing from the Government supply and piped directly to each house. Tanks have been installed at the newly constructed houses to collect rainwater. Electricity to houses is from the Government Supply. A Temple and a Mosque are located within walking distance of housing. A Crèche is available for staff and workers children at no charge and the company provides milk and biscuits. (6.5.3)

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

NUPW Officials have not yet visited the new Elphil Mill and therefore have not formed a Committee with elected representatives. A meeting of AMESU representatives was held on 17 February 2011 and Minutes of the Meeting are available. (6.6.1)

A statement on Freedom of Association is included in the Social Policy approved by Top Management April 2008. The Social Policy was displayed on notice boards at offices and muster areas. Interview of staff and workers at the Mill and the Estates confirmed they understood and were free to join a Union if they so wished. (6.6.2)

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

The minimum working age is 18 under the Labour Ordinance 1969. At time of hire age is checked by examination of ID Card for local persons. Check of Passports of foreign workers is carried out prior to hire. Children and under-age workers were not observed at any of the Mill or Estate operational areas during the certification assessment. (6.7.1)

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

A statement on Equal Opportunities is included in the Social Policy approved by Top Management April 2008. Copies of the Policy are displayed on Notice Boards at the Offices and Muster areas at the Mill and Estates. (6.8.1)

Interview of staff and workers and inspection of a sample of pay records confirmed there is no discrimination. (6.8.2)

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

A statement on Sexual Harassment and Violence is included in the Social Policy approved by Top Management April 2008. Interview of Staff and Workers confirmed their knowledge of the Policy and they stated they had no issues of concern. (6.9.1)

Interviews of female staff and workers confirmed their awareness of the Grievance Procedure to address gender related issues but stated no such issues had arisen. (6.9.2)

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

Sime Darby Marketing Department advises the Mill of FFB pricing monthly. Information is available on the FFB pricing mechanism, which is based on the MBOB market price. (6.10.1)

All purchases of outside crop are managed by Sime Darby Marketing Department. Information on FFB price is available from the Marketing Department upon request. (6.10.2)

Interview of contractors confirmed their understanding of agreements and they considered the contracts are fair, legal and transparent. (6.10.3)

Interview of contractors indicated that payments are made in a timely manner. (6.10.4)

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

The infrastructure in the area is well developed and government services are readily available. SOU3 makes donations to local communities in support of religious festivals, sporting activities and schools. (6.11.1)

Principle 7: Responsible Development of New Plantings

SOU3 has not carried out any new oil palm developments and there are no plans for expansion of plantings. Principle 7 is therefore not applicable to this Assessment.

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

Estates records show that the use of paraquat ceased in 2004 and World Health Organisation Type 1A or Type 1B chemicals have not been used. (8.1.1)

The main environmental improvement at the Mill has been to reduce water usage. (8.1.2)

The Mill and Estates have implemented recycling of scheduled wastes. The Estates are implementing segregation of household refuse at source and recycling of materials to reduce the quantity requiring landfill disposal. (8.1.3)

The Mill and Estates have implemented effective control measures for prevention of pollution from point sources, such as workshops, vehicle washdown bays, pesticide stores and monsoon drains. (8.1.4)

The Mill and Estates have commenced regular dialogue with local community leaders to keep them informed of the company operations and to receive their input on any issues of concern. Community leaders indicated this was a good initiative and would improve the relationship. (8.1.5)

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

3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions

Nonconformities were assigned to two (2) Minor Compliance Indicators 5.3.2 and 5.5.3. SOU3 has prepared a Corrective Action Plan for addressing the identified Nonconformities, which BSi Assessment Team has reviewed and accepted.

SOU3 has made a commitment to implement corrective actions for addressing the Minor Nonconformities. The effectiveness of corrective action will be checked at the Surveillance Assessment that will be scheduled within twelve months of RSPO approval of the Initial Certification.

CR01: 5.3.2 Having identified wastes and pollutants, an operational plan should be developed and implemented, to avoid or reduce pollution

A Nonconformity was assigned as the mill ash bin loading area presently has inadequate containment to prevent spilled ash from entering the adjacent monsoon drain; and the monsoon drain has not been fitted with a sediment trap to prevent any entrained solids from being discharged off site..

SOU3 has prepared a Corrective Action Plan for addressing the identified nonconformity that involves:

1. To construct a containment wall surrounding the boiler ash bin area.
2. To construct a sediment trap at the monsoon drain discharge outlet (outside mill fence).

Progress toward resolution of the issue will be followed up at the Annual Surveillance Assessment 2011.

CR02: 5.5.3 No evidence of burning waste (including domestic wastes).

A Nonconformity was assigned as inspection of Kamuning Estate housing found evidence of fire being used at the majority of houses for garden waste disposal.

SOU3 has prepared a Corrective Action Plan for addressing the identified nonconformity as follows:

1. To carry out frequent inspection of the housing.
2. No burning signage was erected at the housing.
3. A "don't litter" signboard was fixed at the housing, the estate shop and the estate office.
4. To set up a site for composting of garden waste.

Progress toward resolution of the issue will be followed up at the Surveillance Assessment.

Observations/Opportunities for Improvement

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

OBS01 (2.1.1) Inspection of Mill pay records found overtime in excess of the Labour Department maxim (104 hours) had been worked over several months. When this was discovered by Sime Darby during their internal audit a Letter was forwarded to Department of Labour requesting an extension of the overtime hours limit per month. The Mill immediately implemented a system for controlling overtime that requires approvals prior to overtime being worked. Inspection of manual entry records for February and March confirmed this to be implemented consistently.

OBS02 (2.2.3) In February 2011 SOU3 engaged a contract surveyor to survey the Estate boundaries and to identify the locations of missing boundary stones. Work is expected to be completed during the second quarter of 2011.

OBS03 (4.3.1) The “box stacking” of pruned fronds was inconsistent and needs to be improved at the undulating areas for control of soil erosion.

OBS04 (4.3.2) Areas of bare soil were evident at two of the locations inspected, such as Block O2C, which may have been due to over-spraying of paths with a mixture of glyphosate and ally.

OBS05 (4.4.1) Control of stream-bank erosion of Sungai Nyamuk could be improved by planting Vetiver grass to supplement the use of sandbags.

OBS06 (4.6.1) The accuracy of measuring the quantity of chemical for mixing with water could be improved by providing appropriate measuring devices.

OBS07 (5.2.3) At Kamuning Estate housing, several spotted doves *Streptopelia chinensis* were observed in cages. These birds were likely to have been captured in the Estate, indicating inadequate control of hunting and gathering activities. Estate Management took immediate action to inspect the housing areas and release any caged spotted doves.

OBS08 (5.3.2) Inspection of Kamuning Estate worker housing found inconsistent management of domestic refuse, with litter scattered around housing and among the adjacent palms, indicating inadequate training and implementation of the Waste Management Action Plan. When this was pointed out by the Assessor, Estate Management took immediate action to remove the rubbish therefore an Observation was assigned.

OBS09 (5.6.1) The oil/water separator at the Kamuning Estate bulk fuel storage tank requires modification to improve the efficiency of operation.

OBS10 (6.1.3) Although Local Communities did not identify any issues during the SIA review carried out in December 2010, it is important there is ongoing consultation to identify any emerging issues.

OBS11 (6.2.3) Kamuning Estate List of Stakeholders could be improved by including local Kampung Leaders, Government Departments and NGOs.

3.3 Noteworthy Positive Components

➤ Construction of the new Mill provides the opportunity for use of the latest technology for palm oil processing and improved efficiencies for FFB handling and processing.

➤ New housing constructed for staff and workers at Elphil Mill is of very high standard.

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

The majority of stakeholders had positive comments about SOU3. For the situations where stakeholders raised issues, the company’s response is stated below.

Internal Stakeholder Issues

The majority of the labour workforce at the Mill and Estates is recruited from Indonesia. These workers did not raise any issues of concern. They were satisfied with the standard of housing and stated that they were able to send savings home regularly. Bangladeshi workers raised concern that they do not have their passports.

Company Response: *Sime Darby has received an email from Malaysian Immigration Department advising that Bangladeshi workers who wish to continue employment can renew their passport and work permit. Others who wish to return home will be issued a “special pass” by Malaysian Immigration Department.*

Government

Government Departments contacted raised no issues of concern in relation to SOU3.

NGOs and Others

NUPW raised no issues related to SOU3.

3.5 Acknowledgement of Internal Responsibility

SOU3 acknowledges and confirms acceptance of the Assessment Report contents, including assessment findings. SOU3 accepts the responsibility for addressing the opportunities for improvement detailed in the Assessment Report.

3.6 Formal Sign-off of Assessment Findings

Signed for on behalf of
Sime Darby Plantation Sdn Bhd (SOU3)

SIME DARBY PLANTATION SDN. BHD.
(Incorporated in Malaysia) (647700-V)
PILANG KAKAPA SAWIT ELPIH
Mohamad Azahar Saati
Manager, Nephel Palm Oil Mill
(MOHAMAD AZAHAR SAATI)
Pengurus

Date: 19/04/2011

Signed for on behalf of
BSI Group Singapore Pte Ltd

.....
Mr Charlie Ross
Lead Auditor

Date: 20/04/2011

Appendix “A”

Sime Darby Time Bound Plan

**SIME DARBY PLANTATION
RSPO CERTIFICATION TIME BOUND PLAN & STATUS**

Financial Year	SOU	Main Assessment	Status	Surveillance Assessment	Status
PLANTATION MALAYSIA					
2010 / 2011	SOU 26	Jun-08	Certified in Oct-08	Sep-10	Re-certification approved
	SOU 28, 29, 30 & 30b	May-08	Certified in Jan-09	Nov-10	Assessed, report pending with CB
	SOU 14 & 17	Sep-08	Certified in May-10	Mar-11	Planned
	SOU 8, 9 & 9a	Jan-08	Certified in May-10	Mar-11	Planned
	SOU 21	Feb-09	Certified in May-10	Apr-11	Planned
	SOU 25 & 30a	Apr-09	Certified in May-10	Apr-11	Planned
	SOU 1	Jul-09	Certified in Aug-10	Jun-11	Planned
	SOU 19a	Jun-09	Certified in Oct-10	Aug-11	Planned
	SOU 20	Jun-09	Certified in Nov-10	Sep-11	Planned
	SOU 24	Dec-08	Assessed, report under review		
	SOU 23	Jan-09	Assessed, report under review		
	SOU 5, 5a & 6	Jan-09	Assessed, report under review		
	SOU 2, 4, 18 & 22	Feb-09	Assessed, report pending with CB		
	SOU 19	Jun-09	Assessed, report under review		
	SOU 10, 11 & 12	Jun-09	Assessed, report pending with CB		
	SOU 13, 15 & 16	Jun-09	Assessed, report pending with CB		
	SOU 3 & 7	Jul-09	Assessed, report pending with CB		
	SOU 31, 32, 33 & 34	Jul-09	Assessed, report pending with CB		
	SOU 27	May-10	Assessed, report pending with CB		
PLANTATION INDONESIA					
2010 / 2011	SOU 13	Nov-08	Certified in Aug-10	Jun-11	Planned
	SOU 1, 14	May-09	Certified in Nov-10	Sep-11	Planned
	SOU 2, 3, 4, & 5	Oct-10	Assessed, report pending with CB		
	SOU 14, 15, 19 & 20	Nov-10	Assessed, report pending with CB		
	SOU 18	Dec-10	Audit pending		
	SOU 6, 7, 8, 9 & 10	Jun-11	Planned		
	SOU 11, 12, 20 & 21	Jun-11	Planned		

Appendix “B”

SOU3 RSPO Certificate Details

Management Unit SOU3
Sungai Siput
Perak
MALAYSIA

Certificate Number : SPO 550180
Certificate Issue Date: (RSPO Approval Date)

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

Standards: RSPO Principles & Criteria : 2007; Malaysia National Interpretation : 2010

SOU3 RSPO CERTIFICATE DETAILS

SOU 3 Elphil Palm Oil Mill and Supply Base	
Location	Sungai Siput, Perak, MALAYSIA
Address	Elphil Mill 31100 Sungai Siput (U) Perak MALAYSIA
GPS Location	101°5'37" E 4°53'24" N
CPO Tonnage Total	36,665
PK Tonnage Total	9,125
Estates FFB Tonnage	Elphil: 45,994; Kamuning: 94,447; Kinta Kellas: 25,463

Tonnages of CPO and PK are based on the projected FFB production from the three Estates for the period 01 July 2010 to 30 June 2011

Appendix “C”

Certification Assessment Programme

CERTIFICATION ASSESSMENT PROGRAMME – 11–12 MARCH 2011

TEAM: CR: Charlie Ross; RR: Robyn Ross; IN: Iman Nawireja; NH: Noryati Hambali					
DATE	TIME	ACTIVITY	CR	IN	RR/ NH
Friday 11 March ELPHIL MILL	AM	Opening Meeting Document Review Interview Mill Contractors and External Stakeholders Contact Government Offices DOSH, DOE, Labour Department, NUPW Regional Office (Union Official) Interview Female Office Staff/Workers Review Pay Documentation	√ √	√ √ √	√ √ √
	PM	Physical Inspection Mill/Effluent Ponds/Stores/Workshop Interview Mill Workers Visit Clinic and Interview Staff Inspect Housing, Interview Residents Visit Local Communities Closing Briefing	√ √	 √ √ √	 √ √ √ √
Saturday 12 March KAMUNING ESTATE	AM	Opening Briefing Physical Inspection Estate/ Interview Male Fieldworkers Interview Female Fieldworkers Physical Inspection Stores, Land Application, Landfill Interview Estate Contractors and External Stakeholders Interview Female Office Staff/Workers Review Pay Documentation	√ √ √	√ √ √	√ √ √ √
	PM	Document Review Visit Local Communities Visit Clinic and Interview Staff Inspect Housing and Interview Residents Closing Meeting	√	 √	 √ √

Appendix “D”

List of Stakeholders Contacted

LIST OF STAKEHOLDERS CONTACTED

<p><i>Internal Stakeholders</i> 4 Female Mill Office Staff/Workers 2 Male Indonesian Mill Workers 5 Male Local Mill Workers Hospital Assistant (Mill Clinic) Residents Mill Housing</p>	<p><i>Internal Stakeholders</i> 3 Foreign Harvesters Kamuning Estate 6 Male Sprayers Kamuning Estate Hospital Assistant Kamuning Estate Clinic 3 Female Office Staff/Workers (Kamuning Estate) Residents Kamuning Estate Housing</p>
<p><i>Contractors & Consultants</i> FFB Supplier 2 Harvesting Contractors 2 General Contractors</p>	<p><i>Local Communities</i> Kampung Sungai Sejuk Representative</p>
<p><i>Government Departments</i> Labour Department Head Department of Safety and Health Department of Environment</p>	<p><i>NGOs and others</i> National Union of Plantation Workers AMESU Tenaganita</p>