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PUBLIC SUMMARY REPORT
ANNUAL SURVEILLANCE ASSESSMENT (ASA4)

Kulim (Malaysia) Berhad

Johor Malaysia

Report Author

Charlie Ross – Prepared December 2012

EMandM@bigpond.net.au

Tel: +61 417609026

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SUMMARY

Kulim (Malaysia) Berhad (Kulim) owns and operates four (4) Mills and twenty (20) oil palm Estates and holds an interest in and is the managing agent for 1 Mill (Tunjuk Laut) and 6 oil palm Estates owned by Johor Corporation in West Malaysia. BSi Group Singapore Pte Ltd (BSi) has conducted the Fourth Annual Surveillance Assessment (ASA4) of Kulim owned Mills, oil palm Estates, support services and infrastructure. BSi concludes that Kulim operations have maintained compliance with the requirements of RSPO Principles & Criteria: 2007; MY-NI Indicators and Guidance 2010; and RSPO Supply Chain Certification Standard : November 2011, Module E – CPO Mills : Mass Balance.

BSi recommends the continuation of the approval of Kulim as a producer of RSPO Certified Sustainable Palm Oil.

ABBREVIATIONS USED

BOD	Biological Oxygen Demand
CHRA	Chemical Health Risk Assessment
CDM	Clean Development Mechanism
CPO	Crude Palm Oil
DOE	Department of Environment
DOSH	Department of Occupational Safety & Health
EFB	Empty Fruit Bunch
FFB	Fresh Fruit Bunch
HIRAC	Hazard Identification Risk Assessment Control
HCV	High Conservation Value
JCC	Joint Consultative Committee
LTA	Lost Time Accident
MPOB	Malaysian Palm Oil Board
MSDS	Material Safety Data Sheet
NUPW	National Union of Plantation Workers
OER	Oil Extraction Rate
OSH	Occupational Safety and Health
PCD	Pollution Control Device
PK	Palm Kernel
PPE	Personal Protective Equipment
QMS	Quality Management System
SIA	Social Impact Assessment
SOP	Standard Operating Procedure
WHO	World Health Organisation

1.0 SCOPE OF SURVEILLANCE ASSESSMENT

1.1 Identity of Certification Unit

Kulim recently acquired the Palong Mill and 6 Estates from Johor Corporation. Following the acquisition, the Certification Unit now is Kulim (Malaysia) Berhad operations that consist of four (4) Palm Oil Mills and twenty (20) Estates. The Kulim Mills and 19 of the Estates are located in Johor State and the other Estate is located in Pahang State, Malaysia (Figures 1 to 10). The GPS locations of the Mills are shown in Table 1.

Table 1: Mills GPS Locations

MILL	EASTING	NORTHING
Tereh (60 t/hr)	103° 21' 5.0004"	2° 13' 3.0648"
Sindora (45 t/hr)	103° 27' 44.316"	1° 59' 7.3392"
Palong (40 t/hr)	102° 47'	2° 42'
Sedenak (75 t/hr)	103° 32' 17.9628"	1° 43' 51.0888"

1.2 Production Volume

The production tonnages for CPO and PK for the 12 months prior to ASA4 (01/11/2011 – 31/10/2012) and projections for the next twelve months are listed in Table 2. CPO and PK production increased at Tereh Mill due to the receipt of all crop from Sg Tawing. Tereh Mill production is expected to increase next year due to the maturing of young palms and ceasing the diversion of crop to one of the Johor Corporation mills. Production increased at Sindora Mill due to the processing of crop from Basir Ismail, REM and Rengam Estates, which was previously processed at Sedenak Mill. As a consequence of this transfer, CPO and PK production at Sedenak Mill from company Estates decreased. However, this was more than offset by the increased tonnage of outside crop processed at the mill.

Table 2: Production Tonnages

	Tereh	Sindora	Palong	Sedenak	Total
At Certification					
CPO	31,287**	13,568**	30,581**	44,059**	119,495**
PK	9,146**	4,382**	9,194**	11,415**	34,137**
ASA1					
CPO	43,240**	11,175**	22,523**	36,985**	113,923**
PK	12,509**	3,642**	5,899**	10,950**	33,000**
ASA2 [#] Palong previously owned by JCORP and audited to ASA1 only					
CPO	44,461**	16,446**	N/A [#]	28,465**	89,372**
PK	14,107**	5,276**	N/A [#]	8,285**	27,668**
ASA3					
CPO	66,978*	37,832*	N/A [#]	86,057*	190,867*
PK	59,499**	28,647**	N/A [#]	30,120**	118,266**
	18,060*	11,536*	N/A [#]	25,008*	54,604*
	16,051**	8,749**	N/A [#]	8,797**	33,597**
ASA4 01/11/2011 – 31/10/2012					
CPO	50,985*	36,789*	34,971*	85,178*	207,923*
	44,754**	27,756**	22,030**	28,281**	122,821**
PK	13,553*	11,417*	9,091*	24,536*	58,597*
	11,882**	8,634**	5,724**	8,140**	34,380**
Projected 01/11/2012 – 31/10/2013					
CPO	63,687*	41,005*	37,649*	85,220*	227,561*
	54,181**	30,048**	20,688**	28,202**	133,119**
PK	16,775*	12,081*	9,992*	24,471*	63,319*
	14,190**	8,795**	5,450**	8,058**	36,493**

* Includes Outside Suppliers tonnages

** = Certified Production

1.3 Certification Details

Kulim RSPO Membership No: 021-04(O)

BSi RSPO Certificate No: 537873

Initial Certification Assessment: 14–24 July 2008

Date of Certification: 23/01/2009

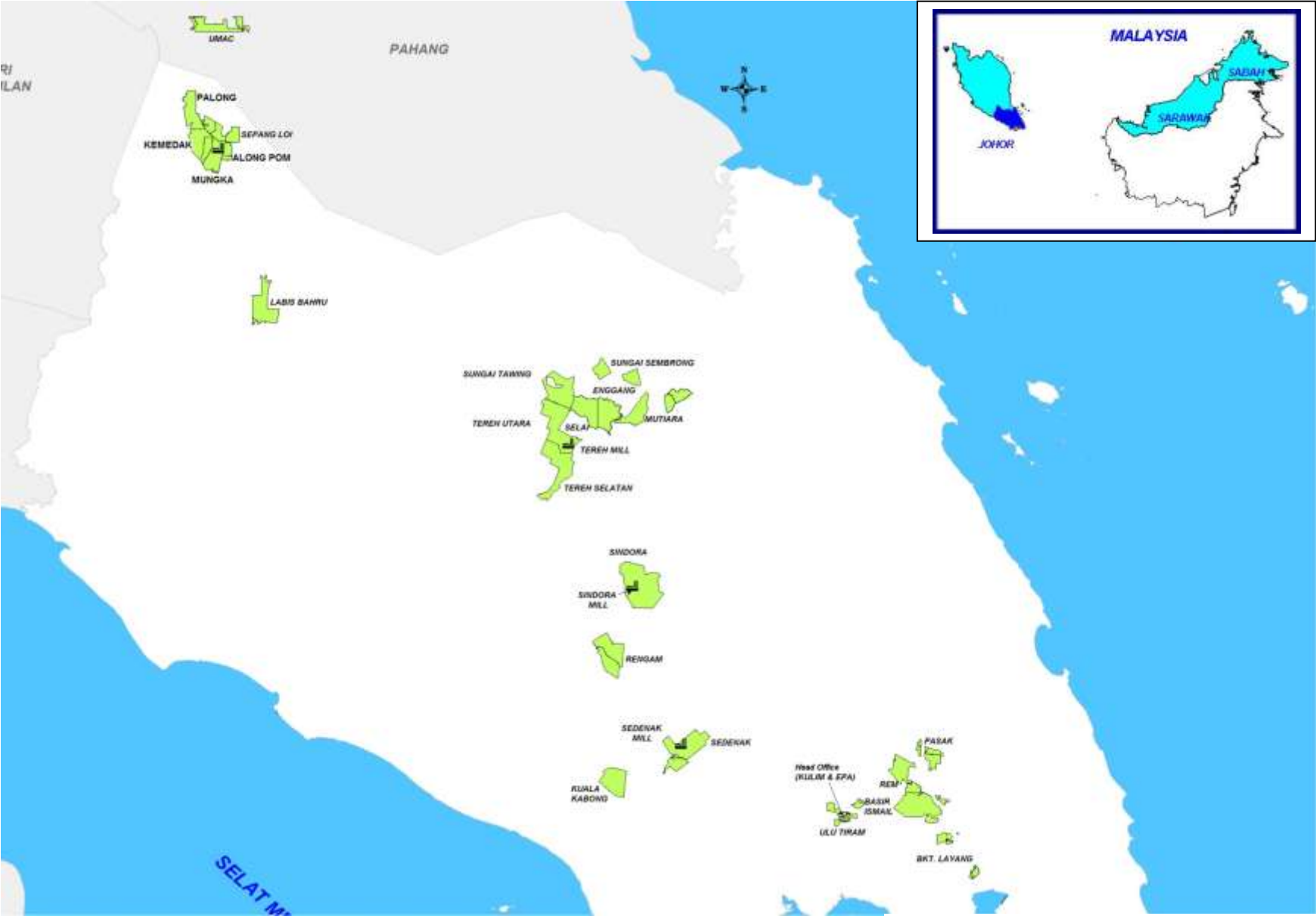


Figure 1: Kulim Mills and Estates Location Map

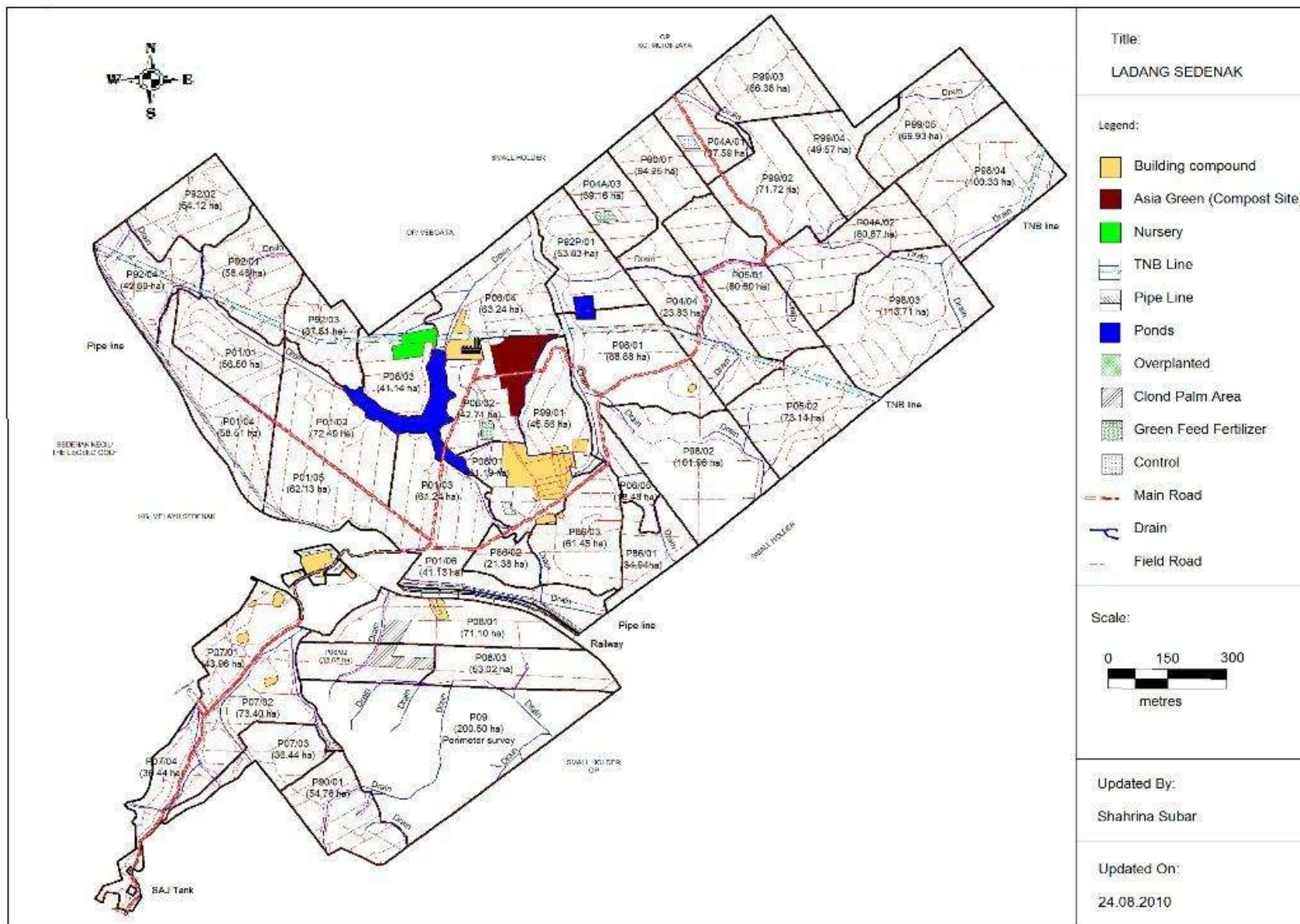


Figure 2: Sedenak Estate Layout

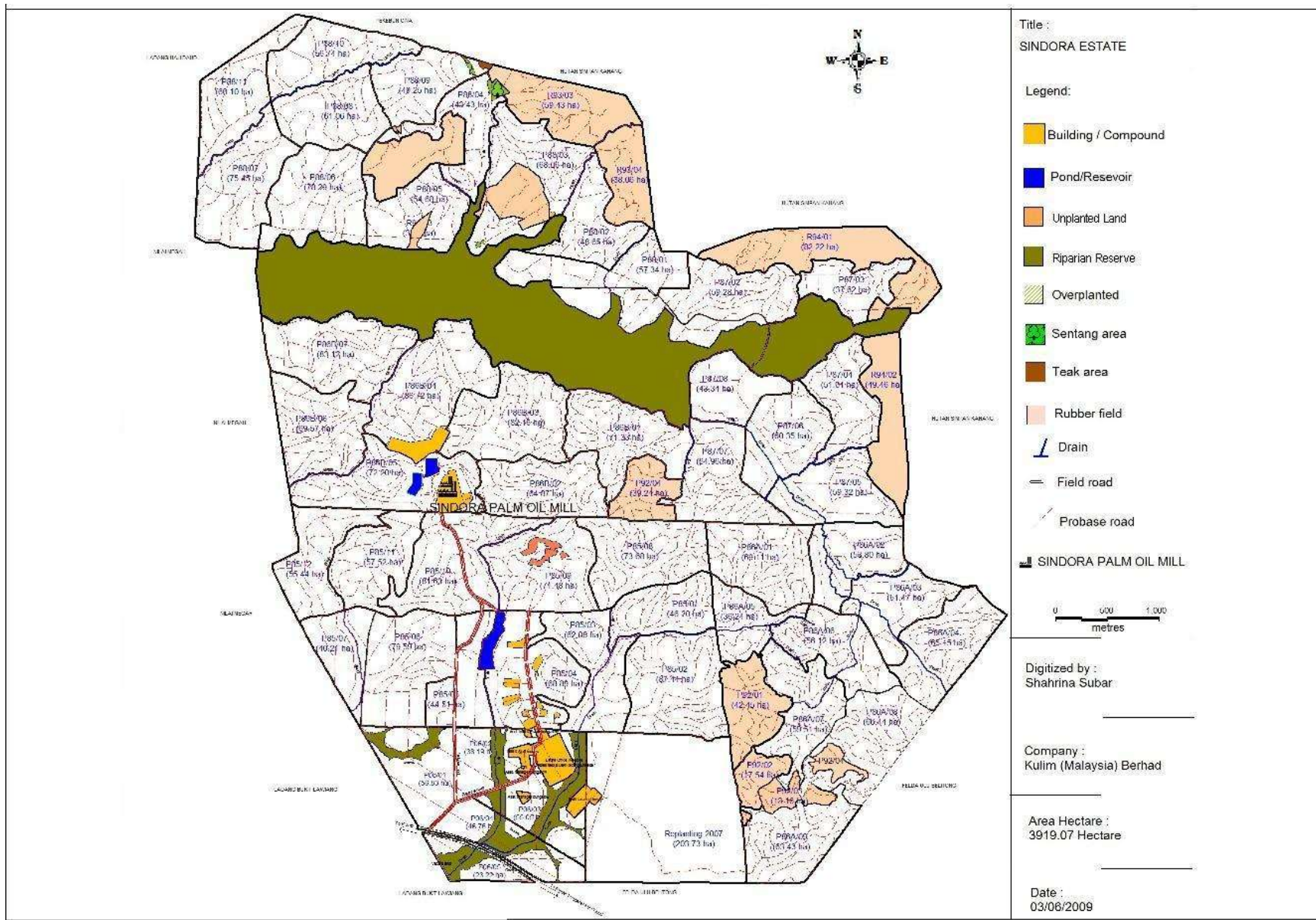


Figure 3: Sindora Estate Layout

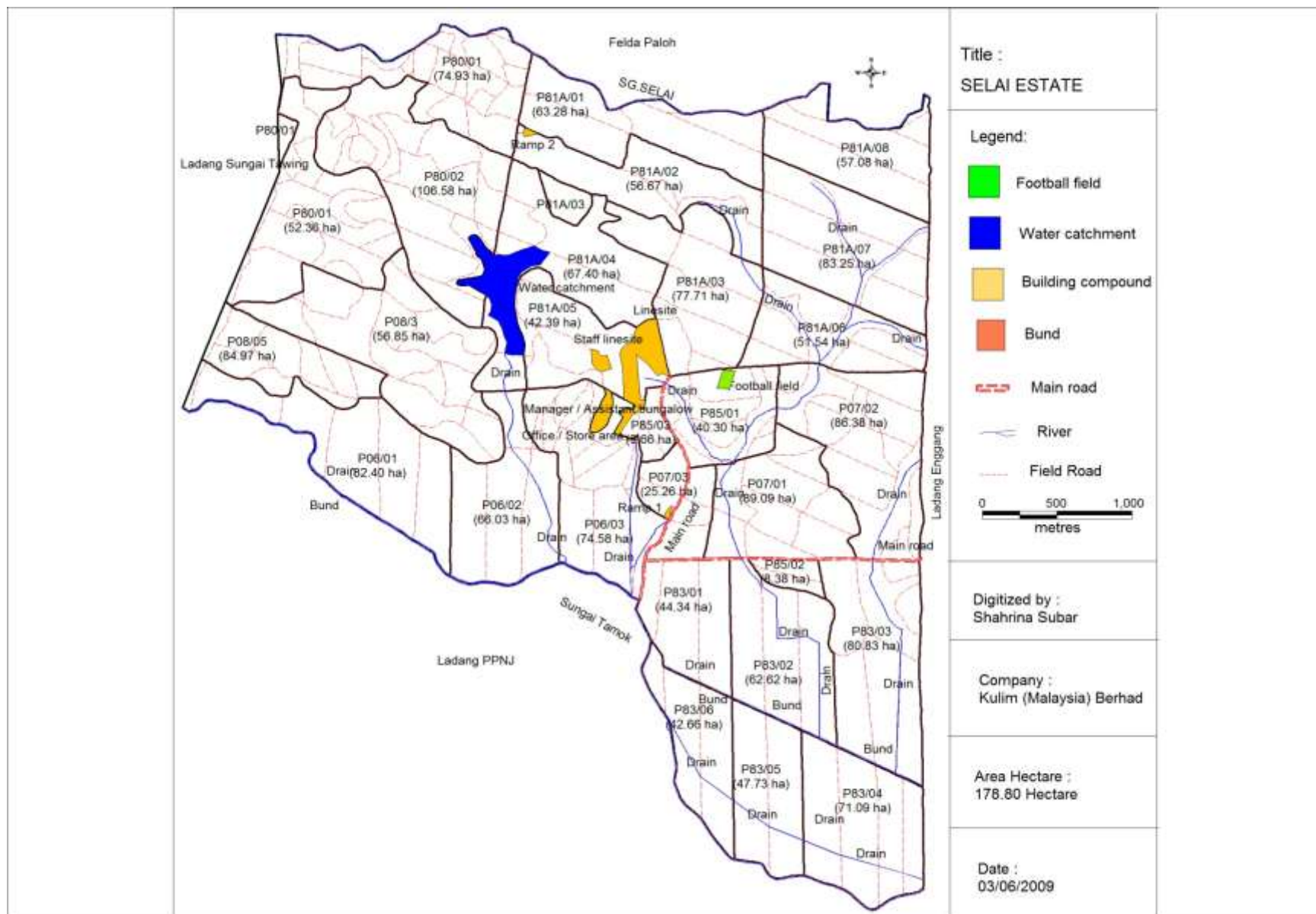


Figure 4: Selai Estate Layout

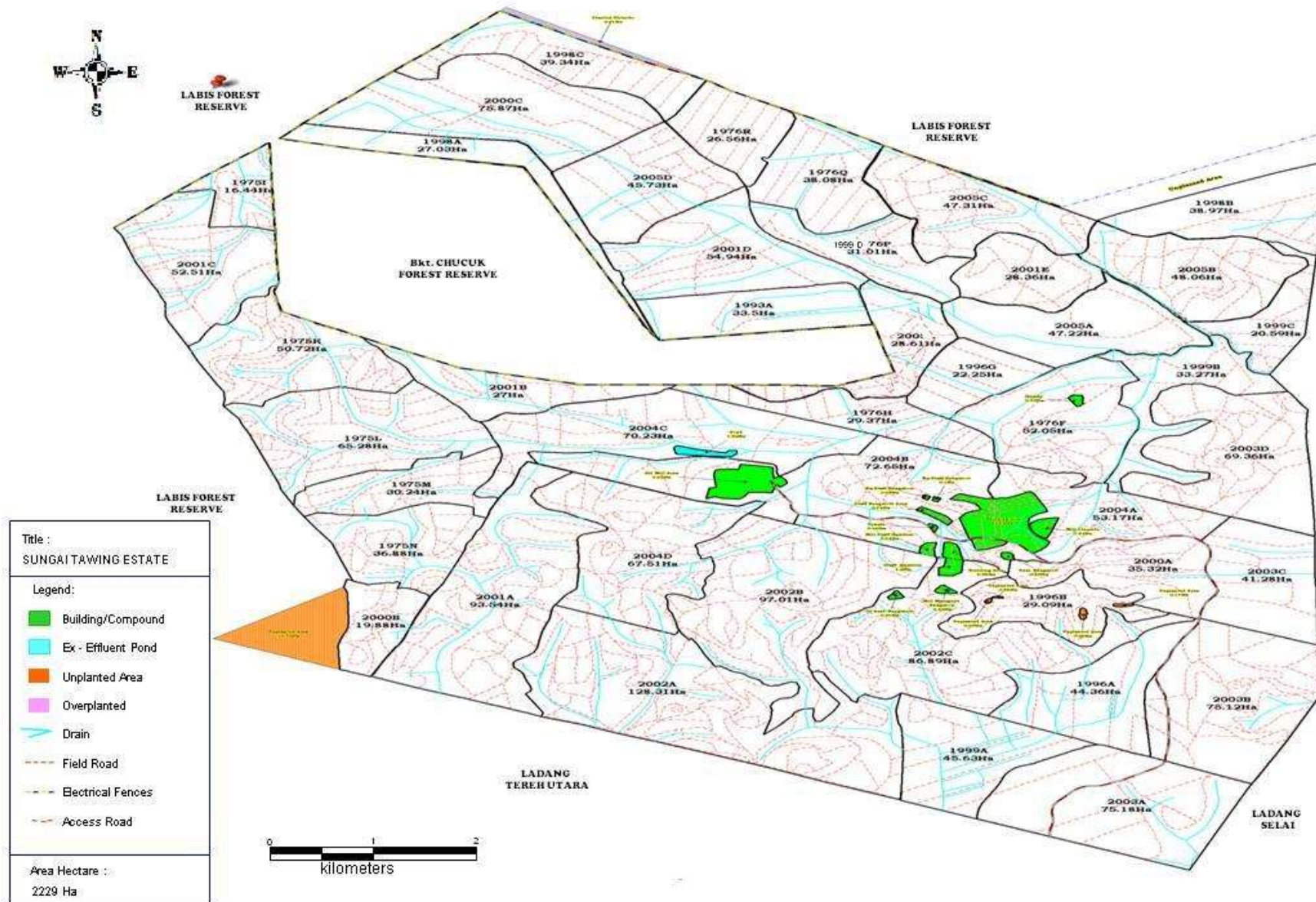


Figure 5: Sungai Tawing Estate Layout

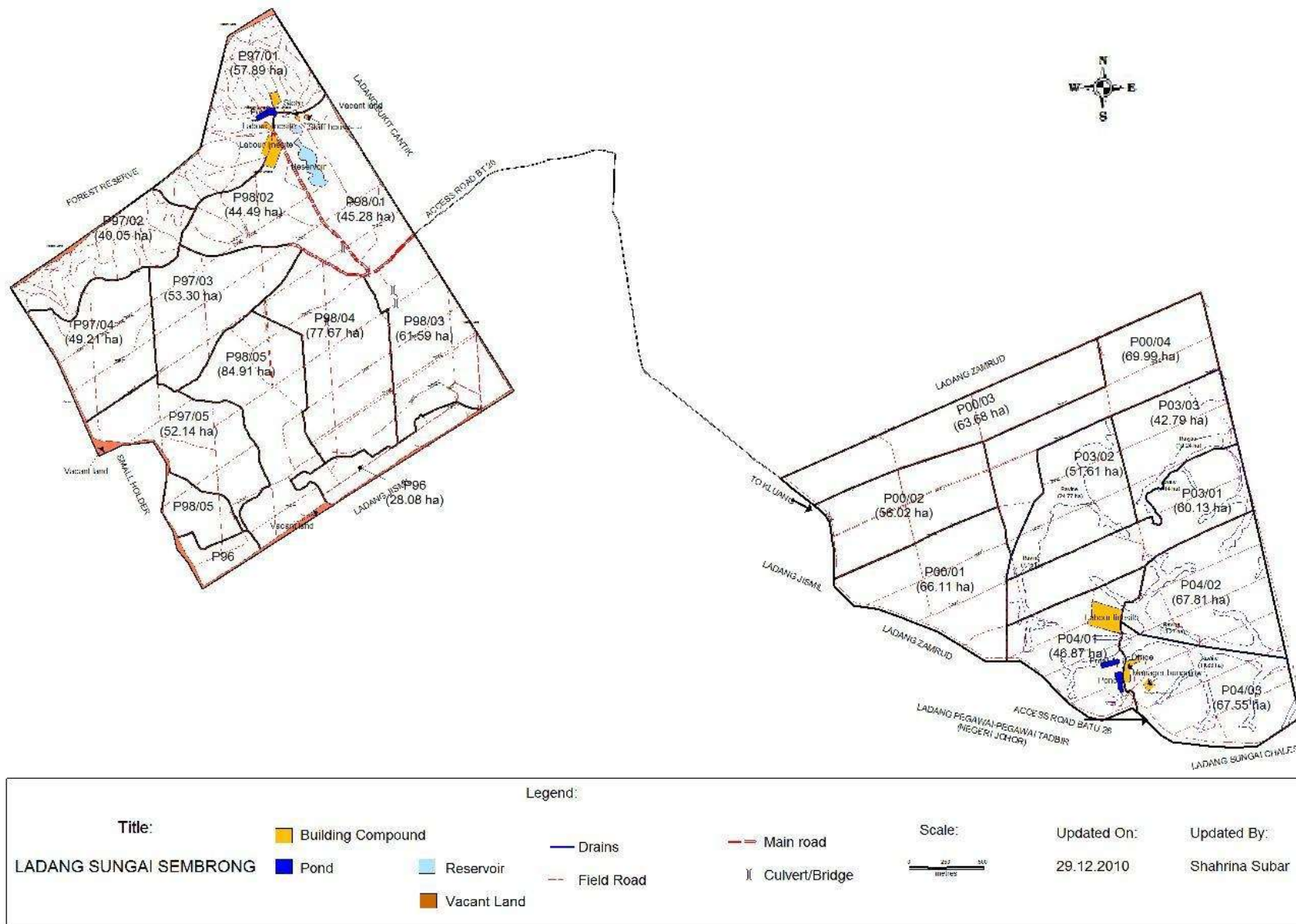


Figure 6: Sungai Sembrong Estate Layout

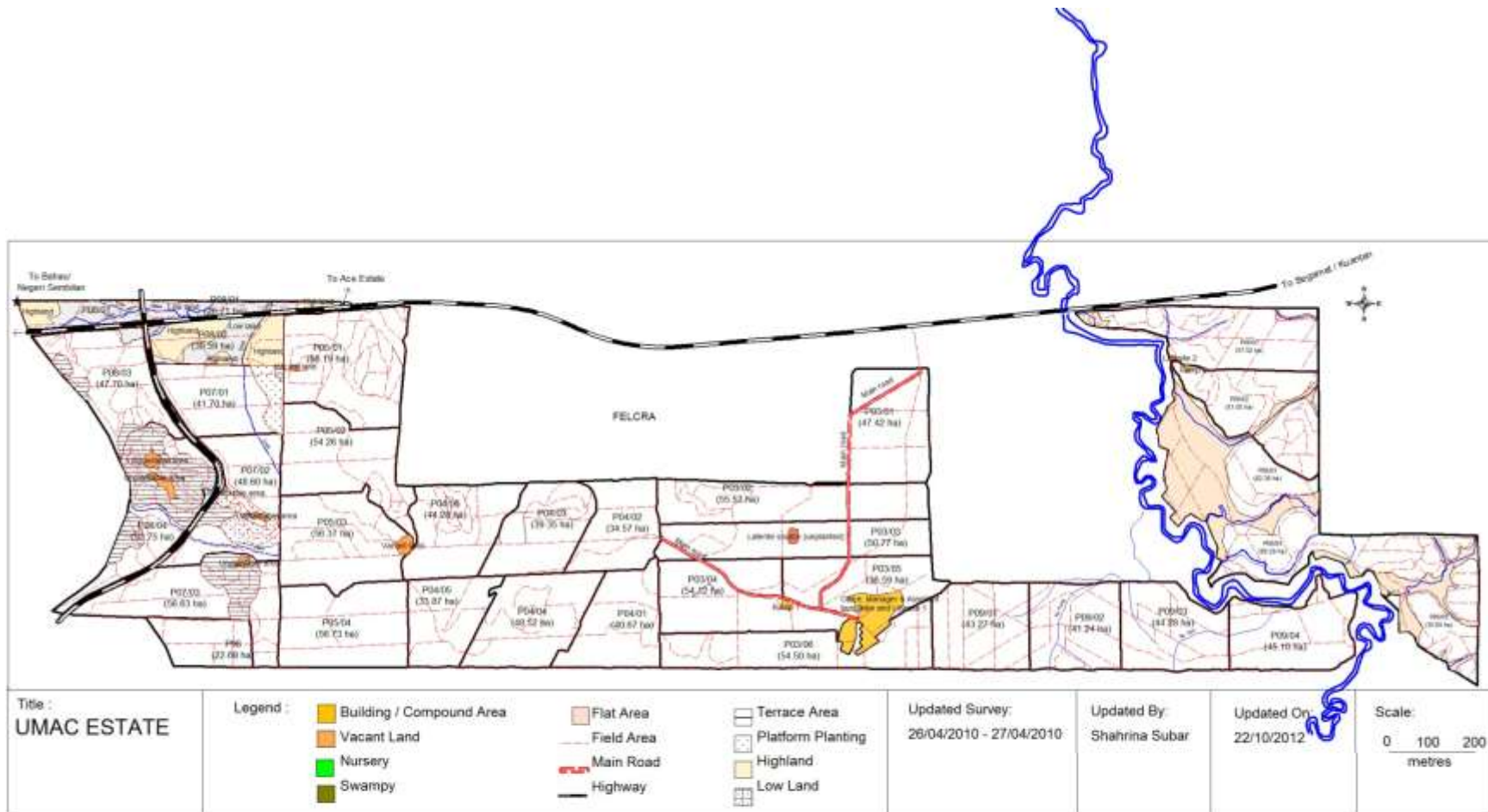


Figure 7: UMAC Estate Layout

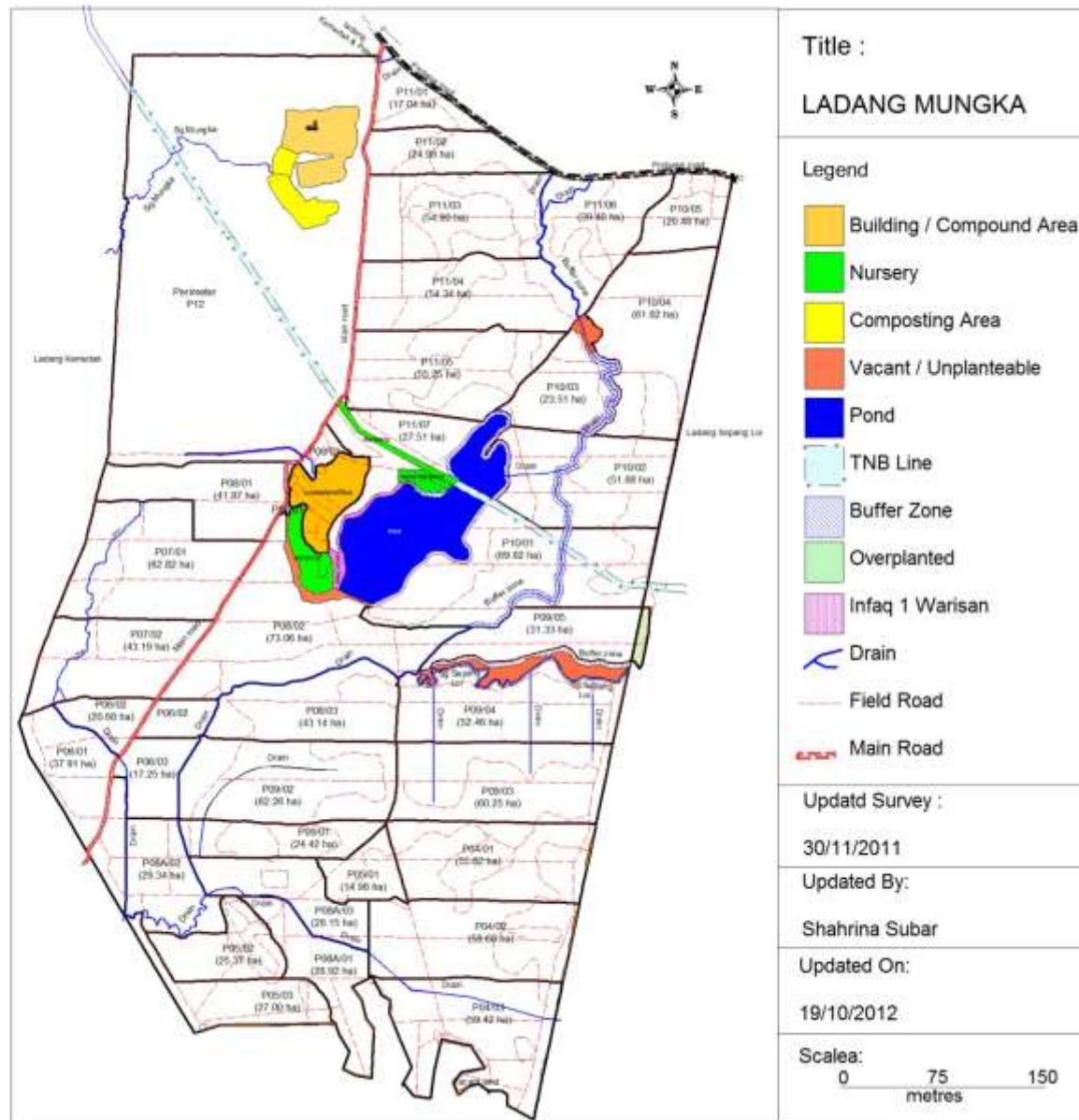


Figure 8: Mungka Estate Layout

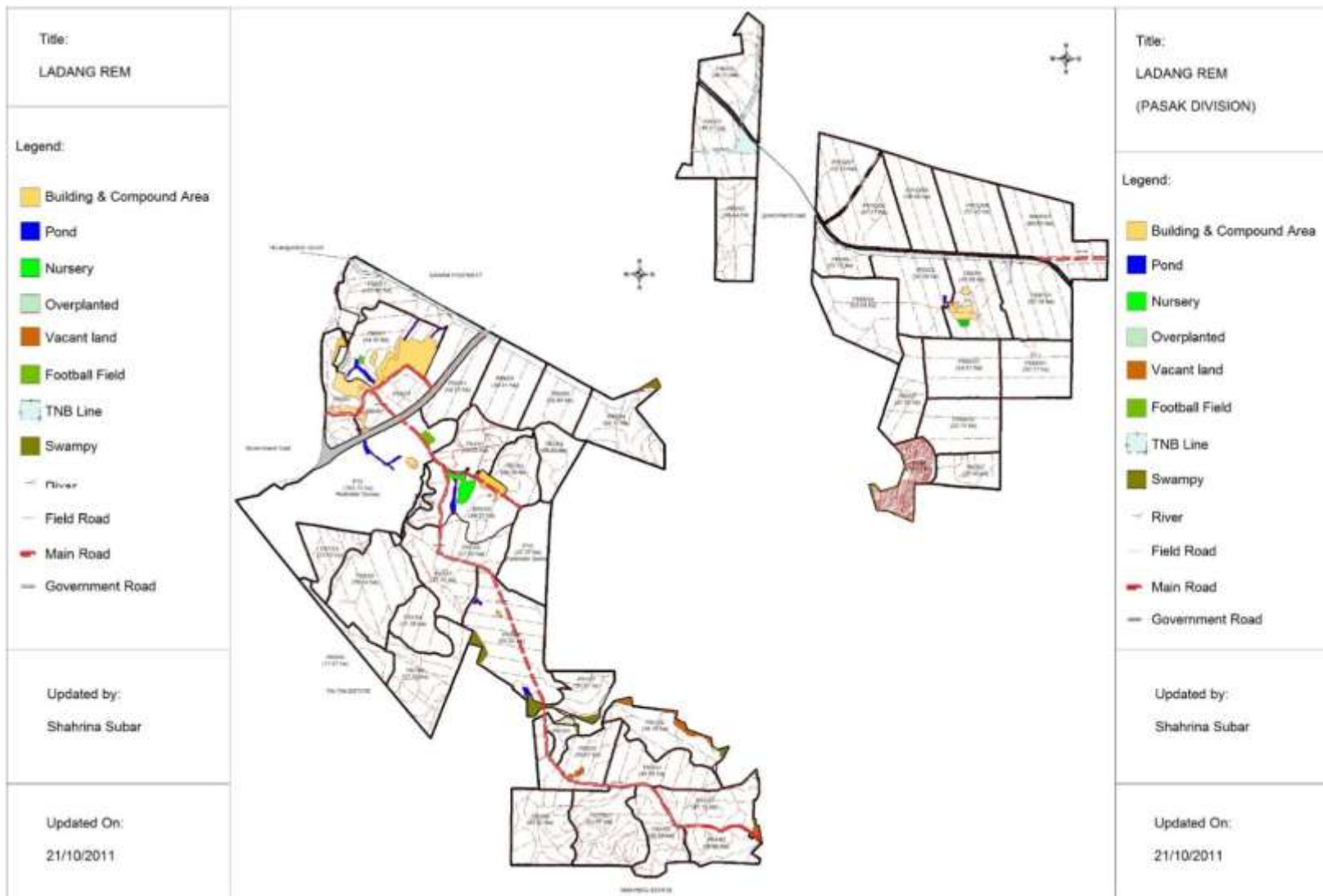


Figure 10: REM Estate Layout

1.4 Description of Supply Base

The supply base is twenty (20) company owned Estates; six (6) Outside Estates; nineteen (19) FFB Traders and their FFB production is listed in Tables 3a, 3b, 3c and 3d. Production from Outside Estates and FFB Traders is not included in the Certificate.

Table 3a: FFB Production (Sedenak Mill Supply Base)

Source	Estimate at Certification 23/01/2009	Actual 01/11/11– 31/10/12	Projected 01/11/12– 31/10/13
Kulim Estates			
Sedenak	50,696	45,870	53,570
Rengam	43,647	136	–
Ulu Tiram	17,856	11,550	7,424
Kuala Kabong	38,969	36,937	39,588
Basir Ismail	45,381	39,900	38,345
REM	24,188	–	–
Sg Papan (JCORP)	–	4,424	–
Sub Total	220,737	138,817	138,927
Outside Estates*			
Asam Bubok		3,822	4,270
Sedenak Bahru		1,347	1,500
Kebun Sedenak		3,254	2,700
Senai Estate		148	–
FFB Traders*			
Per Pd Kawasan Kulai		4,273	5,500
Nirwana Ceria		4,236	9,288
Hong Hui		56,498	60,000
Ree Fong		10,122	16,613
Per Sri Mahtai	115,970	6,877	5,500
Bukit Siput		24,676	25,000
Che Yu		43,690	57,825
Fong Tak		4,620	3,000
Keng Ann		28,063	38,063
R & S Enterprise		10,825	7,000
Hup Guan		13,425	16,230
Choon Guan		28,627	–
Per Sri Misan		3,685	4,010
Per Md Sangidi		6,650	4,010
Guan Leng		24,564	20,800
Sub Total*	115,970*	279,402*	281,309*
TOTAL	336,707	418,219	420,236

Table 3b: FFB Production (Palong Mill Supply Base)

Source	Estimate at Certification 09/02/2011	Actual 01/11/2011– 31/10/2012	Projected 01/11/2012– 31/10/2013
Kulim Estates			
Palong	26,364	13,905	9,439
Mungka	20,901	9,721	10,783
Kemedak	20,191	10,586	10,408
Sepang Loi	10,923	17,151	16,106
UMAC	16,443	25,350	24,884
Labis Bahru	26,025	31,065	29,298
Sub Total	120,847	107,778	100,918
FFB Traders*			
Eng Huat		27,528	35,670
Kin Ma	38,576	33,199	43,059
Per Sri Mahtai		2,497	3,271
Sub Total*	38,576*	63,224*	82,000*
TOTAL	159,423	171,002	182,918

Table 3c: FFB Production (Tereh Mill Supply Base)

Source	Estimate at Certification 23/01/2009	Actual 01/11/11– 31/10/12	Projected 01/11/12– 31/10/13
Kulim Estates			
Tereh Utara	40,452	50,334	62,455
Tereh Selatan	31,313	46,280	57,795
Selai	31,810	15,722	14,863
Eggang	31,580	14,696	14,675
Mutiara	34,402	45,067	51,500
Sg Sembrong	56	17,470	26,395
Sg Tawing	–	27,737	30,324
Sub Total	169,613	217,306	258,007
Outside Estates*			
Felda Paloh		22,553	29,027
Ldg Wawasan		4,166	4,940
FFB Traders*	36,963		
Eng Huat		91	–
Che Yu		3,524	10,000
Sub Total*	36,963*	30,334*	43,967*
TOTAL	206,576	247,640	301,974

Table 3d: FFB Production (Sindora Mill Supply Base)

Source	Estimate at Certification 23/01/2009	Actual 01/11/11– 31/10/12	Projected 01/11/12– 31/10/13
Kulim Estates			
Sindora	65,855	52,838	57,170
Basir Ismail	7,122	–	–
Ulu Tiram	860	–	–
Rengam	43,647	48,302	49,482
REM	–	37,141	39,923
Sub Total	117,484	138,281	146,575
FFB Traders*			
Nilai Megah		11,397	9,842
Ree Fong		12,073	10,085
Per Md Sangidi		8,539	7,701
Per Sri Misan	69,345	19,864	18,520
Zahaco Enterprise		45	–
Hup Guan		6,485	6,741
Per Sri Mahtai		867	1,060
Sub Total*	69,345*	59,270*	53,949*
TOTAL	186,829	197,551	200,202
Total Company Estates	628,681	602,182	644,427
Total Outside Crop*	260,854*	432,230*	461,225*
OVERALL TOTAL	889,535	1,034,412	1,105,652

* Production from Outside Estates and FFB Traders is not included in the Certificate

Supply Chain

Kulim uses the mass balance mechanism for the supply chain. All deliveries of FFB to the Mills are issued with a weighbridge docket that records the name of the supplier, truck registration number, driver's name and the tonnage. The weighbridge system is computerised and delivery records are used as the basis for payment for FFB deliveries. A sample of weighbridge dockets was checked at each Mill against the Daily Transaction Summary of FFB deliveries from each supply source. This confirmed the details of the source and quantity of FFB were recorded accurately and could be verified by tracking. Kulim made sales of CSPO certificates on the

GreenPalm trading platform. Inspection of documents confirmed that Kulim maintains all of the documentation required for supply chain verification (Refer to Appendix A).

There was no change to the Tereh Mill supply base between 2011 and 2012, except for the increased proportion of the crop from Sg Sembrong and Sg Tawing delivered to the mill. The FFB produced by company Estates is expected to increase significantly (12%) in the coming year due to maturing of young palms.

Sindora Mill continued receiving crop from Rengam and REM Estates but did not receive any crop from Basir Ismail Estate. There were two additional Outside Suppliers' (FFB Traders) who sell FFB to Sindora Mill, as shown in Table 3d.

At Sedenak Mill, production from company Estates is expected to increase due to palms reaching maturity and the Mill plans to purchase more crop from outside suppliers.

At Palong Mill the FFB received from Palong, Mungka and Kemedak Estates decreased because of the replanting program.

The development of oil palm at the company owned Estates commenced in 1947 and the palms are in their second and third cycles. The age profile of the palms is shown in Table 4a.

Table 4a: Age Profile of Palms

AGE (years)	% of Planted Area
Kulim Estates	
24+	14.65
17 – 23	19.78
5 – 16	51.32
0 – 4	14.25
Outside Estates*	
24+	–
17 – 23	100
5 – 16	–
0 – 4	–

* Production from Outside Estates is not included in the Certificate

The areas of mature and immature palms are detailed in Table 4b for each of the Estates and changes from areas reported in ASA3 are explained below. The total plantable areas reported during ASA3 has increased at Tereh Utara (4.60 ha) and Enggang (3.79 ha) following a GPS Survey that improved the accuracy of the area measurements. At Sungai Tawing, the planted area was reduced by 15ha because of damage caused by elephant in 2012 and this has now been classified as “vacant land”. At Sindora Estate, the planted area increased by 7.04 ha because this area was earlier allocated to nursery, but was replanted in 2012. At Basir Ismail

Estate, the planted area increased by 135.88 ha because land that was previously declared as “vacant”, was replanted during 2012.

Table 4b: Areas Planted

Kulim Estates	Mature (ha)	Immature (ha)	Total Area
Tereh Utara	2,854	–	2,854
Tereh Selatan	2,358	187	2,545
Selai	830	794	1,624
Enggang	743	902	1,645
Mutiara	2,316	–	2,316
Sungai Tawing	1,515	468	1,983
Sungai Sembrong	1,187	–	1,187
Sindora	2,534	751	3,285
Rengam	2,277	73	2,350
REM/Pasak	1,746	490	2,236
Sedenak	2,171	473	2,644
Ulu Tiram	494	130	624
Kuala Kabong	1,643	–	1,643
Basir Ismail	1,672	1,043	2,715
Palong	794	1,036	1,830
Mungka	575	1,173	1,748
Kemedak	519	1,182	1,701
Sepang Loi	920	–	920
UMAC	1,376	174	1,550
Labis Bahru	1,743	137	1,880
Sub Total	30,267	9,013	39,280
Outside Estates*			
Asam Bubok	686	–	686
Kebun Sedenak	319	–	319
Sedenak Bahru	190	–	190
Senai Estate	2,156	–	2,156
Felda Paloh	1,312	–	1,312
Wawasan Paloh	318	–	318
Sub Total	4,981	–	4,981
OVERALL TOTAL	35,248	9,013	44,261

* Production from Outside Estates is not included in the Certificate

1.5 Progress against Time Bound Plan

Kulim holds an interest in and is the managing agent for Tunjuk Laut Mill and six Estates in West Malaysia that are owned by Johor Corporation. In February 2011, RSPO approved the Initial Certification of the Johor Corporation Mills and Estates. BSi concludes that Kulim has completed all of the commitments of its Time Bound Plan that relate to company owned and managed mills and estates.

1.6 Progress of Associated Smallholders/ Outgrowers towards RSPO Compliance

Kulim has held initial consultation with FFB suppliers and advised them it aims to achieve RSPO Certification for all of the Mills supply bases. Interview of a sample of the FFB suppliers, comprising Outside Estates and FFB Traders, found that they were aware of RSPO but still did

not have detailed knowledge of the RSPO requirements. Kulim has assigned responsibility for implementing RSPO P&C with Outside Estates and Independent FFB Traders who supply FFB to the Mills to the Environmental Officer, Sustainability Department.

1.7 Organisational Information / Contact Person

Kulim (Malaysia) Berhad	Contact Person:
Ulu Tiram Estate	Mrs Salasah Elias
KB 705	Senior Manager
Johor Bahru	Phone: +6078611611
Johor 80990	Fax: +6078631084
MALAYSIA	Email: salasah@kulim.com.my

2.0 ASSESSMENT PROCESS

2.1 Assessment Team Members

Charlie Ross – Lead Assessor RSPO

B.App.Sc. M.Sc (Env.Studies)

Topics assessed: Legal, Environment, Agricultural Practices, OHS, Social, Sustainability

Iman Nawireja – Assessor RSPO

B.Ag.Sc. M.Sc. (Comm)

Topics assessed: Legal, Environment, Agricultural Practices, OHS, Social, Sustainability

Robyn Ross – Social Assessor RSPO

Topics assessed: Legal, Social, Women and Families, Sustainability

Junecel Maloloy – Facilitator, Women and Families

2.2 Assessment Programme

The Fourth Annual Surveillance Assessment (ASA4) was carried out between 05 and 12 November 2012. The Assessment Programme is included as Appendix B.

The Programme included assessments of the four Mills and nine of the twenty Estates, Selai, Sungai Tawing, Sungai Sembrong, UMAC, Mungka, Rengam, REM, Sedenak and Ulu Tiram against all of the RSPO P&C and applicable RPSO indicators, and the RSPO Supply Chain Certification Standard : November 2011, Module E – CPO Mills : Mass Balance. The Estates were selected for assessment on the basis of alternate years.

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

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

Mr Aryo Gustomo, BSi RSPO Scheme Manager, has reviewed this report for conformance with BSi Procedures and the RSPO Certification System requirements.

2.3 Stakeholder Consultation

Internal and external stakeholders were consulted to obtain their views on Kulim's environmental and social performance and any issues of concern that they may have. External stakeholders were interviewed at their premises where practical or they were invited to the Mill or the Estate. Internal stakeholders were interviewed in groups in the workplace or at their housing. Company officers were not present at any of the meetings. A list of stakeholders contacted and interviewed is included at Appendix C.

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

During this ASA4 One Nonconformity was assigned to Minor Compliance Indicator 4.4.6. Ten (10) Observations/Opportunities for improvement were identified. Refer Section 3.2 Page 23 for details. Kulim prepared a Corrective Action Plan for addressing the identified Nonconformity, which BSi reviewed and accepted.

Review of the nonconformities assigned during previous assessments (CR01 – CR06) found corrective actions were being effectively and consistently implemented and the nonconformities remain closed. The thirteen (13) Observations/Opportunities for Improvement identified during ASA3 were also followed up to check the effectiveness of corrective actions. Refer Section 3.3 Page 24 for details.

PRINCIPLE 1: Commitment to Transparency

Kulim has maintained up to date policies, procedures and management plans for provision of information to the public on request. The requests for information are received at Head Office and are then forwarded to the Estates and Mills for provision of site specific information. A number of requests, mainly from local schools or places of worship, seeking financial assistance are received at the Estates and Mills and these were handled locally in a timely manner.

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 Mills and Estates maintain filing systems for recording written requests for assistance and information. Inspection of records found that requests for information were received only from Government Departments, NUPW and the MPOB. Requests for the

Estates and Mills to provide information, such as for MPOB surveys, were replied to in a timely manner. For example, Tereh Mill received a request from the MPOB by email on 10 May 2012 for a survey on Oil Losses & Oil Recovery System. The Mill Manager replied with the completed survey form on 14 May 2012. Mungka Estate received a request from MPOB 14 March 2012 on survey of production costs, which was replied to on 06 April 2012.

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

Examination of documents confirmed that Kulim makes copies publicly available on request, except those relating to commercial confidentiality.

PRINCIPLE 2: Compliance with Applicable Laws and Regulations

Kulim has maintained the systems for documentation, checking and assessment of legal compliance with applicable laws and regulations. Inspection of records confirmed that the Mills and the Estates visited have maintained legal compliance with statutory requirements, such as the Factories & Machinery Act 1967, the OSH Act 1994, the Environmental Quality (Clean Air Regulation) 1978 and the Employment Act 1955. The program to survey and locate all boundary stones was completed by independent surveyors. Inspection of a sample of boundary stones at each of the Estates visited confirmed these were clearly marked and visibly maintained. Interview of local community representatives confirmed there were no land tenure disputes with Kulim.

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

Kulim Mills and Estates have an up to date list of legal requirements that are audited by the Mill Visiting Engineer and the Plantation Inspector, respectively during site visits. In addition, each operation has a List of Licenses showing the expiry dates. The most recent Mill Engineer visit to Sedenak Mill was 18 & 19 June 2012; Sindora Mill 15 March 2012 and he reported that all statutory requirements were being met. All statutory licenses were checked and found to be current, for example, at Sindora Mill the licence for the Mill Boiler No 2 was extended to 22 November 2012 to cover the period of commissioning Boiler No 3 (Letter dated 25 July 2012, Ref: JKKP.J. 127/699/1 Jld.17 (14).

Review of internal audit and consultant reports showed that the Mills and the Estates visited had maintained legal compliance with applicable laws and regulations. For example, Sedenak Mill boiler emissions were tested on 26 and 27 September 2012 by Spectrum Laboratories (Johor) Sdn Bhd and confirmed the level of dust particulate was in compliance with Regulation 25 of the Malaysian Environmental Quality (Clean Air) Regulations, 1978. Ambient air quality at areas within and

surrounding the Mill were tested by Spectrum Laboratories (Johor) Sdn Bhd on 26 and 27 September 2012 and the Total Suspended Particulates monitored were within the Malaysian recommended Environmental Air Quality Guideline. Each of the Mills provides smoke density data directly to DOE via an on-line monitoring system. The smoke density meters at each Mill are calibrated six-monthly, for example ST Tech Engineering Sdn Bhd calibrated the meter for Sedenak Mill on 20 June 2012. A DOE Officer visited Palong Mill on 21 March 2012 and collected samples of final treated effluent and reported there were no issues that required corrective action. Palong Mill received DOE approval on 12 July 2012 (REF:ASJ(B) 31/152/000/057 Jld.5(18)) to construct a new holding pond and carry out desludging of Anaerobic Pond #1.

The DOSH Officer visited Tereh Mill on 01 November 2012 and conducted the annual inspection of Boiler No4 and requested some minor works be carried out. A DOSH Officer visited Palong Mill on 02 May 2012 and carried out hydrostatic tests on a vertical steriliser and confirmed satisfactory operation.

Mill effluent is treated in effluent ponds and used for composting with EFB and the balance is recycled to the palms by land application in furrows. The BOD of treated mill effluent complied with licence limits of 5,000 mg/L throughout the year (Figure 11) and the maximum BOD was 328 mg/L at Sedenak Mill in September.

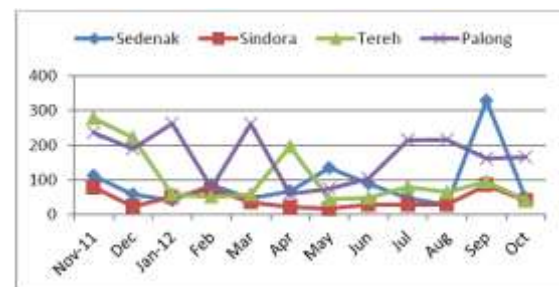


Figure 11: BOD (mg/L) of Treated Mill Effluent

Kulim has continued the capital expenditure program for upgrading as well as construction of new houses at the locations where houses have only two bedrooms. Construction of 30 houses was completed at Tereh Mill in 2012 as well as a new shop and canteen. Water supplied to housing from the government reticulated supply and from Kulim operated water treatment plants showed compliance with the Malaysian Drinking Water Quality Standard. The Mills and Estates carry out daily checks of pH and residual free chlorine and at some locations, jar tests to determine the dosing of flocculant. In addition, samples are sent to the Kulim Central Laboratory monthly or an external consultant. For example at Sg Tawing Estate, Nalco is engaged for monthly monitoring of the water treatment plant performance.

Observation 01 – Domestic water supply tests carried out by Kulim Central Laboratory indicated an anomaly

with the measurement of sodium at Tereh Mill, Sungai Tawing and Selai Estates. The results indicated the concentration of sodium in treated water exceeded that of the raw water, but the cations and anions were out of balance by a significant amount. Kulim Central Laboratory does not provide technical guidance to the Mills and Estates on recommended action to adjust water treatment – refer Section 3.2 Page 23.

Inspection of pay records found that the Mills and the Estates complied with the Employment Act 1955 and the Department of Labour monthly overtime limit. For example, Sindora had received a letter from Department of Labour dated 17 July 2012 approving extension of overtime hours to 130 per month for a period of 6 years current 07-05-2012 to 06-05-2018.

Observation 02 – Inspection of pay records at Sindora, Tereh and Palong Mills showed a small number of workers exceeded the approved overtime hours during the peak crop period – refer Section 3.2 Page 23.

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

Kulim has completed the program of surveying the boundaries of all of its properties and installing boundary stones. Each of the Estates visited held a copy of a map showing the locations of boundary stones. Inspections of a sample of boundary stones (for example Number 71 at Sg Tawing P10 Block 05) at each of the Estates visited confirmed boundary stones are clearly marked with poles painted red and white and maintained. There are currently no Land disputes at any of the Kulim Estates.

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

The Kulim Mills and Estates operations are on either “Freehold Land” or “State Leases”. The land is not encumbered by Customary Rights and the right to use the land is not disputed.

PRINCIPLE 3: Commitment to Long Term Economic and Financial Viability

Kulim has implemented a management system for monitoring and reporting of performance against production targets for achieving long-term economic and financial viability. Reports were available showing the details of production and costs. Kulim has continued its commitment to sustainability by funding capital expenditure for improvements at each of the Mills and Estates.

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

Each of the Kulim Mills and the Estates has an annual operating budget for the calendar year 2013 and five-year projections (2012 – 2017) for production. The budgets include performance targets for production and

quality and each of the operating units reports monthly results to senior management. The average annual FFB yield for the Estates (Figure 12) has decreased between 2007 and 2010 due to replanting and the large area of young mature palms. For example Mungka Estate has been replanted starting in 2004 and the age profile in 2012 is 4 years. Yields were affected by below average rainfall in the first half of 2012, and the peak crop was later than previous years. Each of the Estates has a long term replanting plan that details the schedule and areas to be replanted.

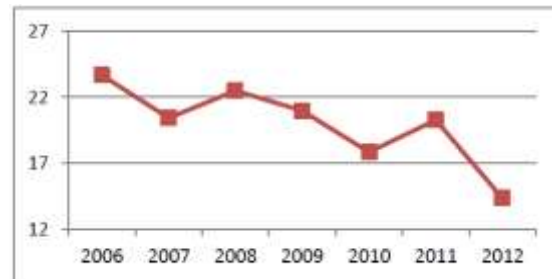


Figure 12: Average Annual FFB Yield 2007 – 2012

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

Kulim has well established management systems for monitoring and control of best practice implementation at its Mills and Estates. This includes a programme of regular internal audits by Mill Advisors and Plantation Inspectors and Agronomists for maintaining and improving production. For example, the Mill Advisor visited Tereh Mill on 06 and 07 August 2012 and the issues identified were being addressed in an Action Plan. The average annual OER has been increasing since 2007 (Figure 13) due to closer attention paid to FFB quality and crop evacuation, and in 2012 year to date exceeded 20% at all mills. Although a high proportion (67%) of the FFB processed at Sedenak Mill is purchased from outside suppliers, the OER increased slightly to 20.33% in 2012. At Palong Mill, the OER decreased slightly from 20.84 to 20.36 partly due to the changing age profile of the palms with young palms now reaching maturity.

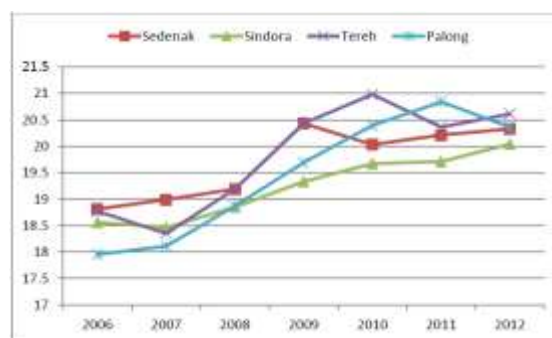


Figure 13: Average Annual Mill OER (%) 2007-2012

The boundaries of stream buffer zones that will be reinstated at future replanting were maintained and inspection showed that herbicides had not been applied

to these areas. Inspection of recently replanted areas confirmed the buffer zones were set aside in accordance with Kulim Policy. The use of pesticides is closely controlled and an important element of the IPM programme.

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

The SOPs for the Mills and Estates operations were available at each location visited. Each of the Mills maintained their ISO 9001 Certified QMS. The ISO 9001 Surveillance Audit was carried out at, for example, Sedenak Mill on 18 and 19 July 2012 and five Observations were raised.

Implementation of SOPs at the Mills was checked by internal audits and the external ISO9001 audit.

The Plantation Inspectors visited each of the Estates and the Managers prepared Action Plans for responding to issues raised. For example, the Plantation Inspector visited Sg Tawing Estate on 08 August 2012 and reported the yields were much lower than in 2011 because of prevailing seasonal conditions.

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

The Kulim Agronomists maintained the programme of foliar and soil sampling for assessment of palm nutrition and making recommendations for the annual fertiliser plan, specific to each Estate. For example, the Agronomist visited Sg Tawing Estate between 17 and 19 July 2012 and carried out inspection of the palms and foliar sampling. Kulim has implemented composting of EFB at each of the Mills and bio-compost is applied to the palms to replace part of the inorganic nitrogenous fertiliser requirement.

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

Kulim has overlain a topographic map on the soil map to identify areas of potential erosion risk at each Estate. Steep areas have been identified for setting aside as conservation areas when replanting is due. Inspection of field conditions at each of the Estates visited showed well established and maintained groundcover vegetation. Kulim has implemented roto-slashing of harvesting paths at flat and gently sloping areas, in preference to use of herbicide. On sloping areas and terraces, stacking of pruned fronds along the contour for protection against soil erosion was relatively consistent.

Observation 03 – At the Sindora and Palong Mill compost sites, control of soil erosion needs improving to prevent sediment from entering the monsoon drain and depositing in the stormwater pond – refer Section 3.2 Page 23.

Observation 04 – At Sg Tawing Estate, over-grazing by cattle has resulted in areas of bare soil, for example at POO Block 1, and is at risk of erosion – refer Section 3.2 Page 24.

Each of the Kulim Estates has an annual budget and a programme for road maintenance. Inspection of each of the Estates visited confirmed that road maintenance was being carried out in accordance with the annual programme for roadside pruning, road repair, drain upkeep, culvert maintenance, road gravelling and grading. Despite heavy rain during the week preceding the site visit, roads were passable at all of the areas inspected.

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

Inspection of the Estates visited showed that Kulim has demarcated the boundaries of river reserves and that these were being protected from disturbance. The programme of demarcating buffer zones for reinstatement at future replanting had been completed by painting “blue and white” rings around the trunks of palms to show clearly the boundaries. At locations where replanting is due, the Estates have ceased the application of chemicals to palms within the demarcated buffer zones. At Sg Tawing Estate, inspection of Fields P11 and P12 confirmed an appropriate width buffer zone had been set aside at replanting for the size of the streams and in accordance with Kulim Policy.

Observation 05 – Inspection of replanted areas confirmed buffer zones were correctly marked and set aside along small rivers, but found several palms were planted inside the designated buffer zone beside man-made drains (UMAC P09 Block 2, Mungka P10 Block 2, Ulu Tiram P12) – refer Section 3.2 Page 24.

Inspections of the Mills and the Estates visited confirmed that point source pollutants were well controlled through maintenance of pollution control devices. Records were available to show that the PCDs had been inspected and cleaned regularly. The Estates and Mills carry out monitoring of water quality upstream and downstream of the operations. For example, monthly sampling near Palong Mill showed the Water Quality Index generally decreased by between 1 and 2 points between upstream and downstream locations.

Observation 06 – At Sedenak Mill, a blocked transfer pipe between Anaerobic Ponds #3 and #4 had recently been repaired, but this had resulted in increased storage of effluent. The Mill took immediate action to lower the pond effluent levels to ensure adequate freeboard to prevent overflow of Pond #3 and Pond #6 – refer Section 3.2 Page 24.

CR07 – A Nonconformity was assigned at Sindora Mill, because significant tension cracks have developed on top of the wall of the “Holding Pond” constructed in July 2012 for storage of sludge removed from the aerobic effluent treatment ponds. There is risk of failure of the structure, which is likely to discharge high BOD effluent into protected receiving waters – refer Section 3.2 Page 23.

The Mills have been implementing water conservation programs to reduce usage and slight improvements were made at Palong and Tereh (Figure 14), where vertical sterilisers are operated and water usage is better controlled to prevent wastage. At Sindora Mill a new

larger capacity boiler has been constructed which is expected to improve water use efficiency.

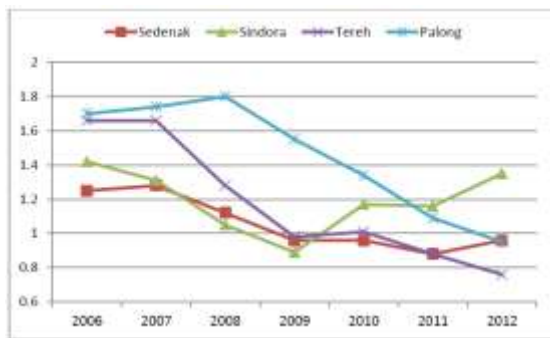


Figure 14: Annual Mill Water Usage (t/tFFB) 2007-2012

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

The main palm pest is rats and damage is monitored in the field as well as for the FFB delivered to the Mills. The occurrence of fresh rat damage is used as a trigger for assessment of the need for treatment. Census data are available on a block basis in the form of a map on the "Treatment and Census File".

Kulim continued the programme for establishment of beneficial plants (*Turnera subulata* and *Cassia cobanensis*) along roadsides through the Estates for control of leaf eating insects. Barn owls have been introduced at each Estate for control of rats and annual census indicated good occupancy at some estates such as Mungka (79%).

The Estates maintain records for each oil palm block of the quantity of pesticides applied. The usage of pesticides is specific to the field conditions at each Estate, which often vary considerably due to environmental factors, such as replanting and the age of palms.

Observation 07 – At Sg Tawing, the accuracy of pesticide measurement could be improved by displaying a Work Instruction at the mixing area and the use of laboratory grade plastic measuring cylinders – refer Section 3.2 Page 24.

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.

Kulim has continued to maintain careful control of pesticides and to ensure that these are stored and used safely in accordance with the manufacturer's instructions. Inspection of pesticide stores confirmed

that all pesticide storage areas had spill containment, adequate convective ventilation, clear labelling, physical separation by type of chemical, and safety instructions. Checks of pesticide stores and stock inventories showed that only pesticides registered under the Pesticides Act 1974 were held. A small quantity of paraquat was held at each of the estates visited and this was secured in a separate locked store.

Information on the safe handling of pesticides is displayed at the pesticides store and mixing area, in the form of pictorial work instructions.

Kulim Head Office has ensured that MSDS in Bahasa Malaysia have been supplied to each of the Estates. Each of the Estates visited held a copy of the results of the medical surveillance carried out in accordance with CHRA requirements. For example, Sg Tawing Estate arranged for 26 pesticide operators to undergo CHRA medical surveillance by Healthcare Group BP Diagnostic Centre, Kluang on 20 July 2012. Inspection of the report showed all operators were fit to continue working with pesticides.

Kulim employs mainly male workers for spraying. Interview of female sprayers confirmed they were aware of the policy of transfer to alternative duties if they were confirmed pregnant and wished to continue working.

Kulim uses WHO Type 1A and Type 1B chemicals only on the basis of pest census data when a threshold level is exceeded. Inspection of records confirmed the estates held Department of Agriculture approval for use of chemical for bag worm outbreak. For example, Sg Tawing Estate used monocrotophos for trunk injection of 366 ha of palms in October 2012 for control of bagworm. Sg Tawing Estate holds a copy of letter of approval from the Department of Agriculture for purchase and use of monocrotophos issued 22 October 2012 Ref No JH/MONO(GL)/12/320. Kulim uses paraquat for control of volunteer oil palms and for weeds in immature palms.

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

Kulim has implemented an OSH Management Plan for improvement of safety of employees that has been updated for 2012. Risk Assessments (HIRAC) have been completed for the main tasks in the Mills and the Estates. Sedenak Mill staff underwent training in September 2012 in the new format that included a description of the "Existing Control" and an Action Plan for improving control where appropriate. For example, at Tereh Mill the Safety Risk Assessment for all work stations and tasks was reviewed and revised 1 August 2012, but did not identify any significant change.

The DOSH Inspector visited Sindora Mill on 27 September 2012 to complete the hydrostatic testing of the new boiler. All of the recommended actions have been addressed. Inspections of the Mills and the Estates visited indicated that safe work practices were being implemented. Workers were observed to be wearing appropriate PPE for the specific task being carried out and the PPE was worn correctly and consistently across most of the sites visited. At each work location visited

safety signs were clearly posted to warn of potential hazards. Records were available of PPE issued to individual workers and contractors, and replacements when damaged or worn.

Observation 08 – *The identification of safety hazards could be improved by consistent implementation of workplace inspections using a standard checklist – refer Section 3.2 Page 24.*

At each Mill and Estate there is a designated OSH Coordinator who is responsible for organising safety training, meetings and investigation and reporting of accidents and incidents. Records were available confirming that quarterly OSH meetings had been held at the Mills and each of the Estates. For example, at Tereh Mill, the third OSH meeting of the year was held on 17 October 2012 attended by 27 persons. Minutes were available for each of the three meetings held during 2012, and included details of discussion on safety for each work task, review of safety performance and discussion of workplace health and safety issues.

In addition to specific training courses, safety briefings are given during muster to reinforce awareness, such as correct wearing of PPE. Records are maintained of safety training, for example, Basic First Aid training was carried out by the Hospital Assistant at Sedenak Mill 08 October 2012 for a total of 20 participants including staff, mandore and workers. Emergency Response Training was carried out at Sindora Mill on 02 May 2012 for all mill staff and workers and involved a full evacuation and use of fire fighting equipment. Ulu Tiram Estate carried out emergency response training on 12 October 2012.

The Emergency Response Plans at each Mill and Estate had been reviewed and updated where necessary, such as for changed phone numbers, and workers had been trained in emergency evacuation. For example, at Sedenak Mill the Emergency Response Plan was revised in May 2012 and contact details updated. The Mills and Estates have site specific Plans including maps showing assembly areas and lists of emergency contacts.

Kulim has prepared an Emergency Response Master Plan that is reviewed every three years and is next due for review in 2013. Interviews of Mills and Estates staff and workers confirmed understanding of emergency response.

First Aid Kits are installed at various work stations at the Mills and Estates and inspection confirmed these had been inspected appropriately stocked.

All accidents are investigated and reported to Head Office. The LTA Index (number of lost days per Million man hours worked) is updated monthly for each Mill and Estate. The last reported accident at Tereh Mill was May 2012, with 18 days lost.

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

Kulim has prepared an Annual Training Plan 2012 that lists the internal and external training courses scheduled for the Mills and Estates during the year. In addition each Mill and Estate has a schedule of “on-the-job” training for the main tasks. Inspection of training

records showed that training was carried out during 2012 in accordance with the Training Plan. Each of the Mills and Estates visited maintained records for individual staff and workers of training, including induction of new workers. Tereh Mill carried out training on 06 October 2012 for “Cleaning of Pollution control Devices”, with 13 attendees. Ulu Tiram Estate carried out sprayer training for 12 sprayers on 28 June 2012, conducted by the company that supplies spray pumps and chemicals.

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

The Mills and Estates reviewed and updated the Environmental Improvement Plans that continued to focus on reducing the impact of point source pollutants. The Estates Improvement Plans included expansion of biological controls, such as barn owls and beneficial plants in the IPM Programme. Kulim has continued to support the work of the Wildlife Conservation Society, Johor Branch, who completed field surveys of birds and bats and prepared a draft report on the study.

Inspections confirmed that conservation set-asides and riparian buffer strips that were re-established during re-planting, were being protected from disturbance.

Solid wastes are separated at source and recyclables are stored for sale to a recycler. The majority of the Kulim Estates continued to consign empty pesticide containers to G-Planter, a government licensed recycler. Non-recyclables are disposed in small landfills in accordance with Local Government sanitary landfill regulations.

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.*

Kulim Sustainability Team worked with representatives from each Mill and Estate at the Training Centre on 07 August 2012 to conduct training and review of the Environmental Aspects and Impacts Register. Each operating unit then prepared site-specific environmental aspect and impact risk assessments. For example, Tereh Mill staff reviewed their aspects and impacts on 01 October 2012 and the next stage will be preparation of improvement plans for the coming year. An example of a specific improvement is at Sindora Mill, where the frequency of cleaning the FFB platform and the ramp will be changed from weekly to monthly to reduce water use. At Palong Mill, a device will be installed at the kernel storage bunker for collection of kernel oil draining from the stored product.

Criterion 5.2: *The status of rare, threatened or endangered species (ERTs) and high conservation value habitats, if any, that exists 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.

Kulim continued to provide funding to the Wildlife Conservation Society, Johor Branch, who have completed the survey of birds and bats at the following three project areas:

- (1) REM and surrounding areas – REM and Basir Ismail Estates and the adjacent Sungai Johor Forest Reserve
- (2) Sindora Region – Sindora Estate and the Endau-Kota Tinggi Department of National Parks & Wildlife Reserve;
- (3) Tereh Utara Region – (Mutiara, Selai and Tereh Utara Estates).

At the time of the ASA4, only a preliminary report on the fieldwork surveys for the Birds and Bats Project was available. An overall report on the project is expected to be available during late 2012.

A Kulim representative contributed to a meeting with Wildlife Conservation Society and the Pahang State Perhilitan Department on the sharing of experiences in managing human/elephant conflict.

Kulim continued to support the Kulim Wildlife Defenders Program through a range of activities involving school children around Kulim Estates as well as the Estate communities and Estate workers on awareness for the prevention of human-wildlife conflict.

Field inspections and interviews of staff and workers confirmed that the HCV Management Plans were being implemented. For example, at Sg Tawing, staff interviewed were aware of the elephant protection program and what action to take in the event of encroachment into the plantation. The signs warning of the protection of conservation set-asides have been maintained. Kulim also had maintained awareness to employees and contractors of the Kulim Conservation Policy that prohibits hunting, fishing and taking of fauna within the Estate and adjacent areas.

In addition to protection of HCVs, Kulim has implemented a program called “Infaq 1 Warisan” for HCV enhancement involving staff sponsorship of planting of native tree species. Staff donate funds to sponsor purchase of tree seedlings, which the staff then plant at the estate. For example at Mungka Estate, over 3,000 native trees have been planted in the riparian buffer zone surrounding the water supply lake.

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

The Mills and Estates continued to implement the Waste Management Plan for control of solid and liquid wastes. Inspections confirmed the Mill solid wastes were consistently controlled in accordance with the Waste Management Plan. EFB was shredded in a hammer Mill then composted with treated Mill effluent. Boiler ash and fly ash were stored in bunkers to prevent material from entering the stormwater drain system. Recyclables, such as scrap metal, were stored in a

designated area for sale to a recycler. Non-recyclables and domestic refuse were disposed in a small landfill located within the Estates.

Observation 09 – At Sindora and Tereh Mills there is an opportunity to improve the facilities for temporary storage of processing wastes, (boiler ash, excess fibre and nut shell) to prevent spillage into the adjacent monsoon drain. Examples of good practices are available, such as at Sedenak and Palong where a bunker with a roof has been constructed for temporary storage of boiler ash – refer Section 3.2 Page 24.

Scheduled wastes, such as spent lubricating oil and used chemical containers, are stored in secure purpose-built stores. Inspection of the scheduled waste stores and associated records confirmed the monthly stocktakes were kept up to data and the scheduled wastes were well controlled and were collected by DOE Licensed contractors.

Spent lubricating oil was collected by OLST Petrochemical Sdn Bhd and copies of manifests were available confirming collection, for example, Consignment Note 7388 dated 03 November 2012 for collection of waste oil from Sedenak Mill. Sg Tawing Estate consigned 448 empty pesticide containers to G-Planter, Lorry Number JMG1008 on 06 November 2012.

Medical wastes are stored securely at each Clinic prior to transfer to Sindora Clinic for collection by Pantai Medivest. Records were available for management of medical wastes from each Mill and Estate clinic visited, for example, at Sg Tawing, records showed the most recent transfer to Sindora Estate was 11 October 2012 and to Pantai Medivest Sdn Bhd, Manifest Serial Number: P435946 dated 25 October 2012.

Inspection of the small landfills showed that wastes were being disposed in accordance with regulatory requirements for municipal landfills. There was also relatively consistent separation of compostable gardening waste from other housing wastes.

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

Each of the Mills maintains records of energy usage, which is reported monthly to head office. The use of the steam turbine for electricity generation has been optimised in order to reduce the dependence on diesel fossil fuel.

At Sedenak Mill, one of the two steam turbines was being repaired, requiring greater use of the diesel genset for power generation. At Tereh Mill, there was increased use of diesel genset in 2012 due to the commissioning of a new kernel plant and clarification station that were run in parallel to the old plant. This was compounded by lower crop received by the mill for processing.

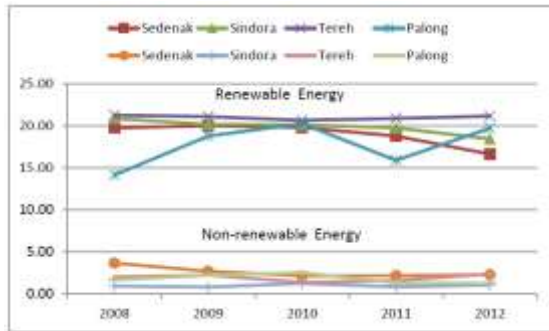


Figure 15: Mills Renewable Energy Usage (kWh/tFFB) 2007-2012

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.

Inspections of replanting areas showed that the old stands of palms had been felled, chipped and retained in windrows as mulch. The use of fire for waste disposal was not found at any of the Mills or the Estates inspected.

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

The Mills have continued to implement improvements to reduce pollution since the Initial Certification. One focus has been the reduction of water usage because this also reduces the amount of wastewater generated and requiring treatment.

Sindora Mill has constructed a new larger capacity boiler that will be commissioned in November-2012. This will improve efficiency and reduce the incidence of black smoke emissions. The installation of an additional anaerobic pond at Sindora Mill has reduced significantly the BOD of treated effluent.

Kulim has carried out site investigations at each of the Mills and completed feasibility studies for implementing CDM projects for methane capture from effluent treatment. However, CDM Projects have not yet been implemented.

Inspections of the Mills and the Estates visited confirmed that PCDs were being maintained to minimise the discharge of entrained suspended solids and oil off site. Records were available of weekly inspections and cleaning of PCDs.

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

Kulim has reviewed and updated the SIA and Social Action Plan for the 2012 year.

Kulim continues to make major improvements for staff and workers, such as the continuation of the programme for construction of additional 3 bedroom houses at the Mills and Estates.

Local community representatives stated there was good communication with the company and the good relationship was maintained. The JCC continued to operate with quarterly meetings at the Mills and Estates.

Interviews of workers and their families indicated they are treated fairly and there were no issues related to discrimination.

The Gender Committees continued to operate successfully for the communication of issues among female staff and workers.

Kulim continued to maintain a good relationship with contractors and outgrowers who confirmed that dealings were fair and transparent.

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

The Kulim Sustainability Team visited each of the Mills and Estates in 2012 and met with stakeholders for review of the social issues. Following the review, the Estates and Mills prepared site-specific social improvement plans consistent with the local situation for the 2012 year.

Interviews of internal and external stakeholders during the Surveillance Assessment confirmed that they had been consulted during the annual review of social issues.

The company continues to make progress on the construction of new 3 bedroom houses to replace the 2 bedroom ones that no longer meet the government standard. For example, at Tereh Mill 30 houses have been completed and are now occupied. Another 30 are presently under construction with a budget approved for construction of another 10 units during 2013.

Interview of residents at all locations visited found repairs to housing they had requested were being carried out in a timely manner. At Sg Tawing Estate a budget has been approved 2013/14 for refurbishment of 72 houses.

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

The Estate and Mill Managers are the main point of contact for internal and external stakeholders. Interviews of stakeholders confirmed that Kulim has an open approach to communication with staff, workers and local communities.

Inspection of records showed that the Mills and Estates maintained their lists of stakeholders up to date, for example, Palong Mill List was updated 05/10/2012. Inspection of records at all locations also indicated that written communications were replied to promptly and the correspondence kept on file.

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.

The Mills respond to customer complaints by means of the ISO 9001 QMS procedures. The Mills and Estates maintain “Inquiry Registers” for receiving and responding to requests and complaints from employees and external stakeholders. Review of the registers found there was no unresolved grievance.

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.

Kulim operations all are on land that is either freehold or on state leases and customary rights are not applicable.

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.

Interviews of staff and workers confirmed that had been provided with a copy of their employment contract and they understood their pay rates and deductions.

The majority of the workforce is made up of single male foreign workers recruited from Indonesia. Interviews of local and foreign workers indicated satisfaction with the standard of housing and facilities. New housing continues to be constructed, for example, at Tereh Mill 15 x 2 units (30 houses) have been completed and are now occupied. Another 15 x 2 units are presently under construction with 5 x 2 units budget approved for construction during 2013. Interview of residents at all locations visited found requested repairs were being carried out in a timely manner. At Sg Tawing Estate a budget has been approved 2013/14 for refurbishment of 72 houses. Each location visited held a “Housing Repairs Register”, for example, inspection of Mungka Estate Register showed repairs are carried out in a very timely manner with no outstanding entries. The electricity and water supplies and schools are located nearby. At the more remote locations, Kulim provides water and electricity. Review of water quality test results for water supplied to housing confirmed compliance with the Malaysian Drinking Water Quality Standard.

Residents at all company housing have access to facilities established by the company, such as health clinic, sports field, community hall, crèche, and places of worship. Kulim provides free bus transport and uniforms for the school children of staff and local workers.

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.

Interviews of staff and workers and Officials from the NUPW Kluang Office confirmed Kulim supports freedom of association. At each Mill and Estate (except Mungka Estate) there is a local committee made up of union representatives elected by members. Records are kept of meetings between company representatives and the local union committee members, for example Sindora Estate had recently held a meeting on 09 September 2012. **Observation 10 – There is no Workers Union at Mungka Estate however the Mosque Committee Meetings are used to gather workers’ input in regard to the Estate operations. However, minutes of meeting were not consistently prepared for every meeting conducted – refer Section 3.2 Page 24**

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

Inspection of a sample of personnel files at the Mills and Estates confirmed recruits’ ages were checked against their Malaysian Identity Card, or in the case of foreign workers, their passport. Under-age persons were not observed at any of the work locations inspected during ASA4.

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

Inspection of a sample of pay records and interviews of staff and workers at the Mills and Estates did not identify any issues related to discrimination. The NUPW Union Officials stated they had never received any complaint related to discrimination in Kulim’s treatment of employees.

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

Gender Committees continue to operate at each of the locations visited. Interviews and inspection of Meeting Minutes indicated grievances were rare and the gatherings were mainly used for arranging social activities and events.

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

Kulim Finance Department arranges contracts for the purchase of goods and services, including those with FFB suppliers. Interviews of FFB Traders confirmed Kulim deals fairly with them and they do not experience any delays in receiving payment. Kulim pays in accordance with the MBOB formula plus a premium for FFB quality. A number of contractors and suppliers of equipment and spare parts have worked with Kulim for more than 10

years and at Tereh Mill, and FFB Transporter has been working with the company for 31 years, which confirms a good relationship with the company.

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

The public infrastructure is well developed near most of the Mills and Estates visited and government services are readily accessible. Kulim has continued to make appropriate contributions to local communities in the form of donations and assistance to schools and places of worship and donations for religious festivals.

PRINCIPLE 7 is not applicable as there has been no new development at any Kulim Estate.

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

Kulim has reviewed and updated the environmental improvement plans for the mills and estates. The company is continuing with the replanting program to reduce the age profile of the palms. The benefits of the replanting programme will be realised in the future when the palms enter the most productive age. The mills have been working with the estates and outside suppliers to improve FFB quality and the OER which is an important indicator of processing efficiency.

The programme of establishing beneficial plants and the deployment of barn owls has continued, with the aim of reducing the use of pesticides. The use of herbicides continued to be well controlled and supported by the training of operators.

The Mills have optimised the use of steam turbines for generating electricity, which has reduced the dependence on the usage of non-renewable diesel fuel. Tereh, Sedenak and Palong Mills achieved water usage <1.0 t/t FFB. Kulim continues to invest in capital improvements such as new boilers at Sindora and Palong to provide continuity of processing throughput. There was limited progress on implementation of CDM projects for reducing Green House Gas emissions. The Mills and Estates made significant progress on improvements at housing areas, involving the construction of new three-bedroom houses as well as upgrading of existing houses. The company continued to support local schools and places of worship with donations which are considered appropriate for the socio-economic settings.

3.2 Identified Nonconformities and Noteworthy Positive and Negative Observations (ASA4)

During this ASA4 a Nonconformity was assigned to Minor Compliance Indicator 4.4.6. The Assessment Team also identified ten (10) Observations/ Opportunities for Improvement. The progress with these will be checked at the next Assessment Visit (Re-certification).

CR07 – Minor Compliance Indicator 4.4.6 – Water drainage into protected areas is avoided wherever

possible. Appropriate mitigating measures will be implemented following consultation with relevant stakeholders.

A Nonconformity was assigned at Sindora Mill, because significant tension cracks have developed on top of the wall of the “Holding Pond” constructed in July 2012 for storage of sludge removed from the aerobic effluent treatment ponds. There is risk of failure of the structure, which is likely to discharge high BOD effluent into protected receiving waters.

Corrective Actions

Immediate action:

The mill took immediate corrective action according to the requirement of Item 9.2 of SM/WI/15 (ISO 9001) titled “Operation of Effluent Treatment Pond and Effluent Treatment Plant” and has covered the damaged area with plastic canvas to avoid further rain water infiltration of the tension crack. The water in the holding pond was pumped out to Anaerobic Pond No 2 in order to minimise the water level and to reduce the pressure along the affected bund.

Long Term Preventive Actions:

Engineering Department recommended - A two (2) tier bund construction for the external embankment of the pond with slope compaction and establishment of turf for erosion prevention. Engineering Department shall prepare detailed technical drawings and construction specifications for the purpose.

A program to plant Vetiver grass shall be provided to further strengthen the slope in order to prevent/stop earth movement.

The Mill will carry out weekly inspection on the pond conditions and records of inspection will be maintained.

Engineering Department shall review the engineering specification for the design and construction of water impoundments.

BSi considers the Corrective and Preventive actions appropriate and accepted the Plan.

Observations/Opportunities for Improvement (ASA4)

01 (2.1.1) Domestic water supply tests carried out by Kulim Central Laboratory indicated an anomaly with the measurement of sodium at Tereh Mill, Sungai Tawang and Selai Estates. The results indicated the concentration of sodium in treated water exceeded that of the raw water, but the cations and anions were out of balance by a significant amount. Kulim Central Laboratory does not provide technical guidance to the Mills and Estates on recommended action to adjust water treatment.

02 (2.1.1) Inspection of pay records at Sindora, Tereh and Palong Mills showed a small number of workers exceeded the approved overtime hours during the peak crop period.

03 (4.3.2) At the Sindora and Palong Mill compost sites, control of soil erosion needs improving to prevent

sediment from entering the monsoon drain and depositing in the stormwater pond.

- 04 (4.3.2)** At Sg Tawing Estate, over-grazing by cattle has resulted in areas of bare soil, for example at P00 Block 1, and is at risk of erosion.
- 05 (4.4.1)** Inspection of replanted areas confirmed buffer zones correctly marked and set aside along small rivers, but found several palms were planted inside the designated buffer zone beside man-made drains (UMAC P09 Block 2, Mungka P10 Block 2, Ulu Tiram P12).
- 06 (4.4.6)** At Sedenak Mill, a blocked transfer pipe between Anaerobic Ponds #3 and #4 had recently been repaired, but this had resulted in increased storage of effluent. The Mill took immediate action to lower the pond effluent levels to ensure adequate freeboard to prevent overflow of Pond #3 and Pond #6.
- 07 (4.6.1)** At Sg Tawing, the accuracy of pesticide measurement could be improved by posting a Work Instruction at the mixing area and the use of laboratory grade plastic measuring cylinders.
- 08 (4.7.1)** The identification of safety hazards could be improved by consistent implementation of workplace inspections using a standard checklist.
- 09 (5.3.2)** At Sindora and Tereh Mills there is an opportunity to improve the facilities for temporary storage of processing wastes, (boiler ash, excess fibre and nut shell) to prevent spillage into the adjacent monsoon drain. Examples of good practices are available, such as at Sedenak and Palong where a bunker with a roof has been constructed for temporary storage of boiler ash.
- 10 (6.6.1)** There is no Workers Union at Mungka Estate, however the Mosque Committee Meeting is used to gather workers' input in regard to the Estate operations. However, minutes of meetings were not consistently prepared for every meeting conducted.

Noteworthy Positive Observations

- The Company has continued to invest capital for improving Mill performance and throughput.
- The Company has continued with the replanting programme to reduce the overall age profile.
- The Mills and Estates continue to maintain a good safety record with regard to work related LTAs.
- Improvements in FFB quality and OER, which are strong indicators of efficient processing.
- Kulim continues to maintain a very good relationship with both internal and external stakeholders.
- The Mills and Estates have continued to make improvements in utilisation of natural resources with reductions in water consumption and diesel fuel.

- Improvements to housing continue to be made with construction of new houses as well as upgrading of existing houses
- Kulim has continued the program called "Infaq 1 Warisan" for HCV enhancement involving staff sponsorship of planting of native tree species.
- Gender Committees were extremely active at all locations visited, with a good level of support from Management. This has resulted in creating a social network for female staff and worker engagement.
- Kulim has continued to engage with the Wildlife Conservation Society who have completed a preliminary "Birds and Bats Survey" at Kulim and JCORP Estates.
- On 22 October Kulim was presented with the Prime Ministers CSR Award for Environmental Effort.

3.3 Status of Nonconformities (Major and Minor) Previously Identified

Corrective Actions implemented for the Nonconformities identified during previous Assessments (CR01 – CR06) remain in place and the nonconformities remain closed.

Review of Progress with Observations/ Opportunities for Improvement Identified during Kulim ASA3

The thirteen (13) Observations/ Opportunities for Improvement were followed up during ASA4 and the findings are detailed below.

1. **(4.4.5)** At Tereh Mill one of the centrifuges had a significant water leak and needed repairing to prevent wastage. *Tereh Mill dismantled the centrifuge and found the "spinning disc" was damaged. A replacement part was ordered.*

ASA4 Findings: *Inspection of the Mill found water management was well controlled and no leaking taps or pipes were observed.*

2. **(4.4.5)** At Sedenak Mill the presence of two leaking water taps, a leaking boiler water treatment chemical dosing pump and damaged hoses used for floor cleaning indicate additional awareness is required on water conservation.

ASA4 Findings: *Inspection of the Mill found water management was well controlled and no leaking taps or pipes were observed.*

3. **(4.6.2)** At Kuala Kabong Estate, the chemical "Tamaron" had expired but arrangements had not been made for its safe disposal.

ASA4 Findings: *The Estate provided a copy of Consignment Note No: 091167-001/0001 dated 01/11/2012 for disposal of the Tamaron to Kualiti Alam Sdn Bhd.*

4. **(4.6.3)** Basir Ismail Estate needs to modify the sump at the chemical mixing area to enable reclaim of the drainage for use in pre-mix.

ASA4 Findings: *The Estate provided photographic evidence of the modifications to the sump of the chemical mixing area.*

5. **(4.7.1)** At Tereh Mill one of the step ladders had two broken stays and was unsafe to use. This was removed from storage and tagged immediately not to be used. *The Mill took action immediately and purchased a new step ladder from Kluang (Purchase Order #09084 dated 31 October 2011).*

ASA4 Findings: *Inspections at maintenance workshops found all ladders and working at heights safety equipment in good order.*

6. **(4.7.1)** Rengam Estate has not carried out a drill to test their preparedness for responding to an emergency.

ASA4 Findings: *Rengam carried out an unannounced fire drill on 04 November 2011 and prepared a report on the response. Emergency drills had been carried out and were documented at each of the Mills and Estates visited during ASA4.*

7. **(4.7.1)** At REM Estate First Aid Training is carried out by the Hospital Assistant. However, the training is not recorded to show list of participants and topics discussed.

ASA4 Findings: *REM Estate carried out First Aid training on 21 November 2011 and holds a record signed by the list of participants.*

8. **(5.1.1)** The effectiveness of the EIA review process could be improved by ensuring that issues from the previous Action Plans are followed up during review visits and if not closed, they should remain in the updated Action Plan with clear allocation of responsibility and target completion date. If no new issue is identified, then this should be recorded.

ASA4 Findings: *The EIA Action Plans had been reviewed relatively consistently at each of the sites visited and updated with additional action plans as appropriate to the specific site.*

9. **(5.3.2)** At Tereh Mill, the Pollution Control Devices (PCDs) were working effectively, but sediment removed from PCD No5 had been discarded incorrectly and was at risk of being washed into the drain by rain. *The Mill immediately cleaned up the deposited sediment and conducted awareness for the Operator to explain the purpose of the work.*

ASA4 Findings: *Inspections of Mills and Estates found consistent maintenance of PCDs and disposal of sediment waste.*

10. **(5.3.2)** At Rengam and Sindora Estates an earth bund had not been constructed around the landfill trenches to prevent rainfall runoff from entering the trench.

ASA4 Findings: *Inspections of landfills at each of the Mills and Estates visited found consistent bunding of landfills to prevent inflow of rainfall runoff.*

11. **(5.3.2)** At Sedenak Mill, minor slumping of an internal embankment of the primary effluent pond needs repair and planting of Vetiver grass to stabilise the earthen embankment surface.

ASA4 Findings: *Inspection confirmed the primary effluent pond embankment had been stabilised and Vetiver grass had been planted for erosion control.*

12. **(5.3.2)** Basir Ismail Estate needs to relocate the fuel bowser so that vehicles park fully on the concrete spill pad during refuelling for containment of any spillage.

ASA4 Findings: *Basir Ismail provided photographic evidence of the relocated fuel dispensing hose and the improved spill containment.*

13. **(6.1.1)** The effectiveness of the SIA review process could be improved by ensuring issues from the previous Action Plans are followed up during review visits and if not closed, they should remain in the updated Action Plan with clear allocation of responsibility and target completion date. If no new issue is identified, then this should be recorded.

ASA4 Findings: *Inspection of action logs at each of the Mills and Estates visited showed consistent close-out of actions as well as carry-forward of those that were still in progress.*

Review of Progress with Observations/ Opportunities for Improvement Identified during JCORP ASA1

(4.4.1) Inspection of replanted areas at the estates visited confirmed consistent implementation of the SOP Guidance for establishment of buffer strips along small streams and palms were planted the correct distance at streams. However, at Bukit Kelompok Estate it was noted that the planting procedure was not followed because the buffer zone was not marked out before palms were planted.

ASA4 Findings: *The Estate provided a written statement and photographic evidence confirming marking of the buffer zones with concrete markers before replanting was carried out on 6 February 2012.*

(5.2.2) At Sepang Loi Estate *Mucuna bracteata* had encroached part of the buffer zone that is being reinstated at Block P08/3, which will hinder the re-establishment of tree species.

ASA4 Findings: *Sepang Loi provided photographic evidence of the removal of the *Mucuna bracteata* and the buffer zone is now clear from encroachment.*

The Assessment Team concluded Kulim had implemented appropriate and effective improvements for each of the Observations identified during ASA3.

3.4 Issues Raised by Stakeholders and Findings with Respect to each issue

The issues raised by stakeholders during ASA3 were followed up during this Assessment (ASA4) and found to have been actioned appropriately by the company.

Issues Raised by Stakeholders during ASA4

The majority of stakeholders had only positive comments about Kulim. External stakeholders contacted did not raise any issues of concern relating to the Kulim operations.

Mungka and REM Estates Foreign workers did not understand why local workers received the “Special Gratuity Payment” monthly but Foreign workers have to wait until they complete their 3 year contract and receive a “lump sum” payment.

Company Response: *This payment will be included as part of the “Minimum Basic Wage” in 2013.*

Residents stated the Ulu Tiram Estate linesite road is in bad condition.

Company Response: *The Estate has funding in the 2013 budget for repairs to the road.*

Ulu Tiram residents stated that the timber surrounds of the windows of their houses were rotten and leaked badly during heavy rain periods.

Company Response: *A budget has been approved 2012 to repair window surrounds and drainage and repairs will commence immediately a contractor has been engaged.*

The Assessment Team considered the above responses appropriate and will follow up during the next visit (Re-certification).

4.0 CERTIFIED ORGANISATION’S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

4.1 Date of Next Surveillance Visit

The next Assessment (Re-certification) will be scheduled prior to the 23/01/2014 expiry date of Kulim’s Certificate.

4.2 Date of Closing Nonconformities (Major and Minor)

Table 5: Status of Nonconformities

CAR	CLASS	ISSUED	CLOSED
CR01 4.4.6	Minor	24/07/2008	21/01/2010
CR02 5.6.3	Minor	24/07/2008	21/01/2010
CR03 6.5.25	Minor	27/07/2008	21/01/2010
CR04 5.3.2	Minor	21/01/2010	10/01/2011
CR05 5.3.3	Minor	21/01/2010	13/01/2011
CR06 5.3.2	Minor	13/01/2011	05/11/2011
CR07 4.4.6	Minor	12/11/2012	“open”

4.3 Sign-off of Surveillance Assessment Findings

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

Signed for on behalf of
Kulim (Malaysia) Berhad
 Hj Izhar Bin Mahmood
 Director - Plantation Operations



Date: 21/12/12

Signed for on behalf of
BSi Group Singapore Pte Ltd
 Charlie Ross
 Lead Auditor



Date: 21/12/2012

Appendix “A”

Supply Chain Assessment

APPENDIX A – SUPPLY CHAIN ASSESSMENT REPORT – KULIM (MALAYSIA) BERHAD – MASS BALANCE

Certified Mill Production – 01 November 2011 – 31 October 2012

MILL	CAPACITY	CPO	PK
Tereh	60 t/hr	54,181	14,190
Palong	40 t/hr	20,688	5,450
Sindora	45 t/hr	30,048	8,795
Sedenak	75 t/hr	28,202	8,058
TOTAL	220 t/hr	133,119	36,493

Sales of Certified Mill Products (GreenPalm Certificates) – 01 November 2011 – 31 October 2012

CPO	PK
80,135	4,000

**Sales Certified CPO (GreenPalm Certificates)
01 November 2011 – 31 October 2012**

Month	BUYER (CPO)	TONNES/ CERTIFICATES
Nov-11		–
Dec	GreenPalm	3,675
Jan-12	GreenPalm	20,000
Feb	GreenPalm	21,135
Mar	GreenPalm	6,810
Apr	GreenPalm	–
May	GreenPalm	8,010
Jun	GreenPalm	510
Jul	GreenPalm	12,495
Aug	GreenPalm	25
Sep	GreenPalm/ PGEO / Keck Seng	7,475
Oct		–
TOTAL		80,135

**Sales Certified PK (GreenPalm Certificates)
01 November 2011 – 31 October 2012**

Month	BUYER (PK)	Tonnes
Nov-11		–
Dec		–
Jan-12		–
Feb		–
Mar		–
Apr		–
May		–
Jun		–
Jul	GreenPalm	70
Aug	GreenPalm	2,130
Sep	GreenPalm	1,800
Oct		–
TOTAL		4,000

TEREH MILL SUPPLY BASE

Certified FFB Received Monthly - 01 November 2011 – 31 October 2012

Month	Tereh Utara	Tereh Selatan	Selai	Enggang	Mutiara	Sungai Sembrong	Sungai Tawing	Total FFB/Month
Nov-11	4,726.11	4,325.75	1,351.62	1,611.16	4,884.31	1,324.75	2,729.95	20,953.65
Dec	4,200.7	3,693.99	1,100.29	1,393.96	5,318.34	1,147.61	2,136.2	18,991.09
Jan-12	3,009.99	2,890.55	1,117.84	1,126.51	3,761.41	885.03	1,387.97	14,179.30
Feb	2,432.21	2,169.36	1,029.43	880.58	3,371.63	830.38	1,319.92	12,033.51
Mar	2,088.72	2,136.97	1,076.81	848.05	3,225.03	694.81	1,389.59	11,459.98
Apr	2,273.75	2,233.8	1,002.74	847.06	2,837.99	796.18	1,623.9	11,615.42
May	2,658.49	2,403.28	1,127.84	923.33	3,089.06	1,133.37	2,071.41	13,406.78
Jun	3,682.26	3,358.18	1,254.39	1,065.6	2,685.91	1,124.33	2,463.34	15,634.01
Jul	5,142.85	4,787.62	1,388.02	1,306.55	2,920.33	1,820.23	2,463.52	19,829.12
Aug	5,889.48	5,542.16	1,637.66	1,422	3,603.14	2,021.86	3,090.39	23,206.69
Sep	7,018.33	6,310.86	1,820.64	1,524.9	4,344.48	2,825.36	3,220.01	27,064.58
Oct	7,211.02	6,427.24	1,815.01	1,746.15	5,025.17	2,866.29	3,841.06	28,931.94
TOTAL	50,333.91	46,279.76	15,722.29	14,695.85	45,066.8	17,470.2	27,737.26	217,306.07

PALONG MILL SUPPLY BASE**Certified FFB Received Monthly - 01 November 2011 – 31 October 2012**

Month	Mungka	Kemedak	Palong	Sepang Loi	UMAC	Labis Bahru	Total FFB/Month
Nov-11	876.14	746.75	1,204.62	1,206.81	1,854.11	2,656.65	8,545.08
Dec	586.56	813.46	976.2	949.6	1,147.74	2,681.13	7,154.69
Jan-12	532.6	660.18	1,034.43	642.81	982.12	2,114.27	5,966.41
Feb	496.63	470.81	1,010.31	576.94	927.27	1,761.31	5,243.27
Mar	654.53	522.63	1,114.34	711.5	991.03	1,691.2	5,685.23
Apr	751.12	616.51	1,220.4	828.5	1,255.41	1,785.48	6,457.42
May	700.17	671.51	1,268.29	1,159.89	1898	1,699.62	7,397.48
Jun	744.5	850.48	1,211.39	1,434.93	2,405.82	2,026.21	8,673.33
Jul	840.8	983.06	1,164.94	2,030.92	3,159.47	2,835.34	11,014.53
Aug	998.22	1,323.87	1,224.68	2,127.62	3,376.96	2,993.48	12,044.83
Sep	1,163.44	1,545.6	1,267.98	3,062.62	3,991.09	4,700.89	15,731.62
Oct	1,375.88	1,381.59	1,207.63	2,419.19	3,360.73	4,119.86	13,864.88
TOTAL	9,720.59	10,586.45	13,905.21	17,151.33	25,349.75	31,065.44	107,778.77

SINDORA MILL SUPPLY BASE**Certified FFB Received Monthly - 01 November 2011 – 31 October 2012**

Month	Sindora	REM/Pasak	Rengam	Total FFB/Month
Nov-11	5,459.26	3,770.15	4,296.05	13,525.46
Dec	5,414.33	3,542.71	3,981.86	12,938.90
Jan-12	3,836.99	3,198.29	3,461.38	10,496.66
Feb	4,281.45	2,843.56	2,949.68	10,074.69
Mar	3,890.66	2,571.96	3,020.1	9,482.72
Apr	4,205.72	2,439.24	2,937.07	9,582.03
May	4,281.53	2,334.74	3,203.55	9,819.82
Jun	3,721.61	2,351.30	2,986.87	9,059.78
Jul	4,298.44	3,060.33	4,781.06	12,139.83
Aug	3,866.66	3,282.22	5,096.75	12,245.63
Sep	4,797.43	4,126.22	5,882.45	14,806.10
Oct	4,783.72	3,620.39	5,705.03	14,109.14
TOTAL	52,837.80	37,141.11	48,301.85	138,280.76

SEDENAK MILL SUPPLY BASE**Certified FFB Received Monthly - 01 November 2011 – 31 October 2012**

Month	Sedenak	Rengam	Kuala Kabong	Basir Ismail	Ulu Tiram	Sg Papan	Total FFB/Month
Nov-11	4,158.47	136.21	3,408.2	3,526.93	1,097.1	0	12,326.91
Dec	3,712.19	0	3,462.48	3,576.52	1,303.27	0	12,054.46
Jan-12	3,324.43	0	2,647.74	2,919.6	1,175.4	0	10,067.17
Feb	2,656.07	0	2,399.06	2,546.69	900.87	0	8,502.69
Mar	2,503.32	0	2,104.29	2,401.87	877.86	0	7,887.34
Apr	2,688.03	0	2,085.44	2,196.75	822.7	0	7,792.92
May	3,304.8	0	2,437.82	2,639.1	923.16	0	9,304.88
Jun	3,942.63	0	3,334.35	3,044.39	936.24	0	11,257.61
Jul	4,561.25	0	4,219.59	3,563.37	843.56	0	13,187.77
Aug	4,505.51	0	3,947.96	3,958.27	697.79	0	13,109.53
Sep	5,109.72	0	3,885.1	4,794.85	966.45	1,784.78	16,540.90
Oct	5,403.63	0	3,004.86	4,731.93	1,005.64	2,639.43	16,785.49
TOTAL	45,870.05	136.21	36,936.89	39,900.27	11,550.04	4,424.21	138,817.67

Certified Company Details

Kulim (Malaysia) Berhad
Ulu Tiram Estate
KB 705
Johor Bahru
Johor 80990
MALAYSIA

RSPO Membership No: 021-04(O)

Contact Person:

Mrs Salasah Elias
Senior Manager
Phone: +6078611611
Fax: +6078631084
Email: salasah@kulim.com.my

Certification Body Details

BSi Group Singapore Pte Ltd
(Co. Reg. 1995 02096-N)
3 Lim Teck Kim Road #10-02
Genting Centre
SINGAPORE 088934

Contact Person: Mr Aryo Gustomo
BSi RSPO Scheme Manager
Phone: +65 6270 0777
Fax: +65 6270 2777
Email: Aryo.Gustomo@bsigroup.com

Summary

Supply Chain assessment was made for the production from Sedenak, Sindora, Tereh and Palong Mills that are owned and operated by Kulim (Malaysia) Berhad. The assessment included site visits to each of the Mills and Sedenak, Sindora, Selai, Sungai Tawing, Sungai Sembrong, UMAC, Mungka, Ulu Tiram and REM Estates, Kulim Marketing Department, review of records and interviews of staff. Kulim sold 80,135 Green Palm Certificates equivalent to 80,135 tonnes of CSPO and 4,000 Green Palm Certificates equivalent to 4,000 tonnes of CSPK during the period 01 July 2011 – 30 June 2012. The assessor concluded Kulim has implemented an appropriate management system for controlling the purchase of certified FFB, processing of same and tracking sales. Kulim maintains adequate records for confirming compliance with the RSPO supply Chain traceability requirements as applicable to all Kulim Mills.

Conclusion

The Kulim management system and records meet the requirements of the RSPO Supply Chain Certification Standard : November 2011, Module E – CPO Mills : Mass Balance. Kulim Marketing Department manages all sales of CPO and PK on behalf of the Kulim Mills. The system is computerised and Kulim Marketing Department transfers information to the Mills for including the RSPO Supply Chain information for the despatch note and the sales invoice. Inspection of documents confirmed that Kulim maintains all of the applicable documentation required for verification of implementation of the RSPO Supply Chain Certification Standard : November 2011, Module E – CPO Mills : Mass Balance.

Certificate Details

Background to the Report

(a) Report authors

Assessor

Mr Charlie Ross, BSi RSPO Lead Auditor

CB Management Representative

Mr Aryo Gustomo, BSi RSPO Scheme Manager

(b) Previous assessments *Not Applicable*

(c) On-Site Visits

Visit Itinerary

Monday 5 November 2012 – Sedenak Mill – Opening Meeting held at Mill Meeting Room; Weighbridge Station; examined weighbridge records; daily Transaction Report of FFB deliveries, CPO and PK production; CPO Bulk Tank and PK Silo records; shipments of CPO and PK. Closing Meeting Monday 12 November.

People consulted: Razali Bin Hamzah (Senior Manager); Rosfazihan Baharoom (Manager); Weighbridge Operator.

Tuesday 6 November 2012 – Sindora Mill – Opening Meeting held at Mill Meeting Room; Weighbridge Station; examined weighbridge records; daily Transaction Report on FFB deliveries, Daily Mill Production Reports; CPO Bulk Tank and PK Silo records; Despatch records of CPO and PK. Closing Meeting Monday 12 November.

People consulted: Kamaroulzaman Bin Thith (Manager); Sheik Ibrahim Bin Sheik Awab (Assistant Engineer); Weighbridge Operator.

Wednesday 7 November 2012 – Tereh Mill – Opening Meeting held at Mill Meeting Room; Weighbridge Station; examined weighbridge records; daily Transaction Report of FFB deliveries, CPO and PK production; CPO Bulk Tank and PK Silo records; shipments of CPO and PK. Closing Meeting Monday 12 November.

People consulted: Latif Bin Yusof Ghani (Manager); Mohd Taufiq Bin Khalil (Assistant Engineer); Siti Aminah binti Mujar (Weighbridge Operator).

Friday 9 November 2012 – Palong Mill – Opening Meeting held at Mill Meeting Room; Weighbridge Station; examined weighbridge records; daily Transaction Report of FFB deliveries, CPO and PK production; CPO Bulk Tank and PK Silo records; shipments of CPO and PK. Closing Meeting Monday 12 November.

People consulted: Mohd Khairudin bin Idris (Manager); Amir Muslimin bin Mohamed (Assistant Manager); Weighbridge Operator.

Monday 12 November 2012 – EPA Head Office (Marketing Department): Examined sales recorded in the eTrace system and related supply chain documents.

People consulted: Noor Effendy Mohd Ali (Deputy General Manager); Mohd Radzi Mohamed (Marketing Manager)

Scope

The scope of the assessment covered Sedenak Palm Oil Mill and the supply base of Kulim owned Sedenak and Ulu Tiram Estates; Sindora Palm Oil Mill and the supply base of Kulim owned Sindora and REM Estates; Tereh Palm Oil Mill and the supply base of Kulim owned Selai, Sungai Tawing and Sungai Sembrong Estates; and Palong Palm Oil Mill and the supply base of Kulim owned UMAC and Mungka Estates. The Supply Chain mechanism used is Mass Balance. The Kulim operations were assessed against the RSPO Supply Chain Certification Standard : November 2011, Module E – CPO Mills : Mass Balance.

Description of Operation's Management System

Kulim uses the mass balance mechanism for the supply chain because it processed non-certified crop from "outside suppliers" during the period 01/11/2011 – 31/10/2012. All consignments of FFB despatched from the Estates to the Mills are accompanied by a Consignment Note with a unique consecutive number and includes details of: Field Number Harvested; block Number; No of Bunches; Date Harvested; Estimated Tonnage; Vehicle Registration Number; Driver's Name and Bin Number.

All deliveries of FFB received at the Mills are issued with a Weighbridge Docket that records the Name of the supplier, Truck Registration No, Driver's Name and the Tonnage. The weighbridge system is computerised and delivery records are used as the basis for payment for FFB deliveries. A sample of weighbridge dockets was checked at the Mills against the summaries of FFB deliveries from, for example, Sedenak, Sindora, Selai and Ulu Tiram Estates. This confirmed the details of the source and quantity of FFB were recorded accurately and could be verified by tracking. The source of the FFB can be traced back to the Estate and the oil palm block from which it was harvested.

The Mills send a Daily Production Report to Kulim Head Office that records the quantity of FFB received from the Estate and outside suppliers; the tonnage of FFB processed; the tonnages of CPO and PK produced; despatch tonnages; and the quantities of materials held in stock at CPO Tanks and PK Silos. The Mills and Estates also report the above quantities monthly to Kulim Head Office.

Checks of a sample of records at the Mills confirmed the sales of CPO and PK matched the despatch quantities during the preceding 12 months (01 November 2011 – 31 October 2012). Inspection of documents confirmed that Kulim maintains the documentation required for supply chain verification (RSPO Supply Chain Certification Standard : November 2011, Module E – CPO Mills : Mass Balance).

Certified Volume Purchased and Claimed

The following certified FFB material was received from Kulim Estates during the 01/11/2011 – 31/10/2012 year and processed at Sedenak Mill: 138,817 t/FFB; Sindora Mill: 138,281 t/FFB; Tereh Mill: 217,306 t/FFB; Palong Mill: 107,778 t/FFB.

Main Report Details

1. Documented procedures

- 1.1 The facility shall have written procedures and/or work instructions to ensure the implementation of all the elements specified in these requirements. This shall include at minimum the following:
- Complete and up to date procedures covering the implementation of all the elements in these requirements. *Complies – Procedures are controlled documents under the ISO 9001 Quality Management System, are current and include all elements of the Supply Chain for controlling the receipt, sale and dispatch of palm products.*
 - 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. *Complies – The Marketing Manager has overall responsibility for the Supply Chain traceability activities – planning and executing sales of CSPO & CSPK. aspects of FFB receipts, processing and shipping of palm products. Interview of the Marketing Manager confirmed his knowledge of the RSPO Supply Chain requirements and he was able to demonstrate use of eTrace to track sales and shipments of products.*
- 1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFB. *Complies – the Mills Weighbridge SOP covers the receiving of FFB and recording details of the Supplier and Transporter. All deliveries of FFB are subject to verification of documentation and quality checks. For example, Document No: LTM/SOP/5.2/ REV No:1; Issue No:2 /Procedure 6.1 Reception of FFB/ 11 August 2010 Document No: LTM/SOP/5.2/ REV No:1; Issue No:2 /Procedure 6.2 Despatch of CPO/ 11 August 2010 Document No: LTM/SOP/5.2/ REV No:1; Issue No:2 /Procedure 6.3 Despatch of PK/ 11 August 2010*

2. Purchasing and goods in

- 2.1 The facility shall verify and document the volumes of certified and non-certified FFBs received. *Complies – the Mills record tonnages received at the weighbridge and these are reported daily to Head Office on the Mill Production Report.*
- 2.2 The facility shall inform the CB immediately if there is a projected overproduction. *Complies – the company has a mechanism for advising the CB of production variations, which are monitored internally, using information from the Monthly Reports.*

3 Record keeping

- 3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements. *Complies – Inspection of records at the Mills confirmed these were updated daily.*
- 3.2 Retention times for all records and reports shall be at least five (5) years. *Complies – Records are archived and stored for 3 years, in accordance with ISO 9001 QMS, but 5 years relating to RSPO.*
- 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. *Complies – the Mills prepare a “Monthly Progress Report” for Head Office on the quantities of crop received by source, processed, dispatch of CPO & PK and held in stock.*
 - All volumes of palm oil and palm kernel oil that are delivered are deducted from the material accounting system according to conversion ratios stated by RSPO. *Complies, the volumes held in stock are updated and reported to Head Office daily and monthly.*
 - The facility can only deliver Mass Balance sales from a positive stock. However, a facility is allowed to sell short. *Complies – The Company policy is to only make sales of stocks of palm product held in storage. The company did not make any physical deliveries of CSPO or CSPK outside of stock holdings.*
- 3.4 The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. *product name*/MB or Mass Balance. The supply chain model used should be clearly indicated. *Complies – Kulim uses the prefix MB on the Product Code.*
- 3.5 In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the responsibility of the Mills and does not need to be separately certified. The mills have to ensure that the crush is covered through a signed and enforceable agreement. *Complies – The company does not out-source activities to Kernel Crushing Mills.*

4. Sales and goods out

- 4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information:
- The name and address of the buyer; *Complies – included on invoice.*
 - The date on which the invoice was issued; *Complies*
 - A description of the product, including the applicable supply chain model (Segregated or Mass Balance); *Complies (MB)*
 - The quantity of the products delivered; *Complies*
 - Reference to related transport documentation. *Complies – dispatches include details of the transport vehicle/vessel and shipper.*

5 Training

- 5.1 The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems. *Complies – Inspection of a sample of records at the Mills and Marketing Department confirmed Kulim maintains records of training. Interviews of Marketing Manager and Mills Staff confirmed knowledge of the Supply Chain requirements. For example, Tereh Mill holds records for training of weighbridge operator.*

6 Claims

- 6.1 The facility shall only make claims regarding the use of or support of RSPO certified oil palm products that are in compliance with the RSPO Rules for Communications and Claims. *Complies – To the best of the Assessor’s knowledge, the company has not made claims outside of the RSPO rules for Communications and Claims.*

Appendix “B”

ASA4 Programme

KULIM ASA4 PROGRAMME 05 – 12 NOVEMBER 2012

TEAM: CR: CHARLIE ROSS; IN: IMAN NAWIREJA; RR: ROBYN ROSS; JM: JUNECEL MALOLOY

DATE	TIME	DETAILS	CR	IN	RR	JM	
Monday 5 November	AM	Opening Meeting	√	√	√	√	
		Inspect Mill/Effluent Ponds/Stores/Workshop/Landfill/Land Application	√				
		Interview Male Staff/Workers	√			√	
		Interview Contractors/External Stakeholders	√			√	
		Interview Female Office Staff/Workers			√	√	
	Review Pay Documentation			√	√		
	PM	Document Review including Supply Chain	√				
		Visit Clinic Interview Staff			√	√	
Inspect Housing Interview Residents (Mill and Estate)				√	√		
Closing Briefing	√		√	√			
TEAM 2 Sedenak Estate	AM	Inspect Estate including any Buffer Zones		√			
		Interview Male Fieldworkers		√			
		Inspect Stores, Workshop, Landfill		√			
		Interview Contractors/External Stakeholders		√			
PM	Visit any Local Communities			√			
	Document Review			√			
	Closing Briefing			√			
Tuesday 6 November	AM	Opening Meeting	√		√	√	
		Inspect Mill/Effluent Ponds/Stores/Workshop/Landfill /Land Application	√				
		Interview Male Staff/Workers	√			√	
		Interview Contractors/External Suppliers	√			√	
		Interview Female Office Staff/Workers			√	√	
		Review Pay Documentation			√	√	
	PM	Document Review including Supply Chain	√				
		Visit Clinic Interview Staff			√	√	
		Inspect Housing Interview Residents (Mill and Estate)			√	√	
	Closing Briefing	√		√	√		
	TEAM 2 Sindora Estate	AM	Opening Briefing		√		
			Inspect Estate including any Buffer Zones		√		
Interview Male Fieldworkers				√			
Inspect Stores, Workshop, Landfill				√			
Interview Contractors/External Stakeholders				√			
PM	Visit any Local Communities			√			
	Inspect Clinic/Housing Interview Residents			√			
	Document Review			√			
	Closing Briefing			√			

DATE	TIME	ACTIVITY	CR	IN	RR	JM	
Wednesday 7 November	AM	Opening Meeting	√	√	√	√	
		Inspect Mill/Effluent Ponds/Stores/Workshop/Landfill/Land Application	√			√	
		Interview Male Staff/Workers	√			√	
		Interview Contractors/External Stakeholders	√			√	
		Interview Female Office Staff/Workers			√	√	
	Review Pay Documentation			√	√		
	PM	Document Review including Supply Chain	√				
		Visit Clinic Interview Staff			√	√	
		Inspect Housing Interview Residents			√	√	
	Team 2 Selai Estate	AM	Closing Briefing	√		√	√
Inspect Estate				√			
Interview Fieldworkers				√			
Inspect Stores, Workshop, Landfill				√			
Inspect Housing				√			
Interview Contractors/External Stakeholders		√					
PM	Telephone Contact Government Departments, NGOs during the Audit						
	Visit Local Communities		√				
	Document Review		√				
Closing Briefing		√					
Thursday 8 November	AM	Opening Briefing	√		√	√	
		Inspect Estate	√				
		Inspect Stores, Workshop, Landfill	√				
		Interview Contractors/External Stakeholders	√			√	
		Interview Female Fieldworkers			√	√	
		Interview Female Office Staff/Workers			√	√	
		Review Pay Documentation			√	√	
	PM	Document Review	√				
		Visit Clinic Interview Staff				√	
		Inspect Housing Interview Residents				√	
	Closing Briefing	√		√	√		
	Team 2 Sg Sembrong Estate	AM	Opening Briefing		√		
			Physical Inspection Estate		√		
			Interview Male Fieldworkers		√		
Inspect Stores, Workshop, Landfill				√			
Inspect Housing				√			
Interview Contractors/External Stakeholders		√					
PM	Visit Local Communities		√				
	Document Review		√				
Closing Briefing		√					

DATE	TIME	ACTIVITY	CR	IN	RR	JM
Friday 9 November	AM	Opening Briefing	√		√	√
		Inspect Mill/Effluent Ponds/Stores/Workshop/Landfill /Land Application	√			
		Interview Male Staff/Workers	√			√
		Interview Contractors/External Suppliers	√			√
		Interview Female Office Staff/Workers			√	√
TEAM 1 Palong Mill	PM	Review Pay Documentation			√	√
		Document Review including Supply Chain	√			
		Visit Clinic Interview Staff			√	√
		Inspect Housing Interview Residents			√	√
TEAM 2 UMAC Estate	AM	Closing Briefing	√		√	√
		Opening Briefing		√		
		Inspect Estate including any Buffer Zones		√		
		Interview Male Fieldworkers		√		
		Inspect Stores, Workshop, Landfill		√		
PM	Interview Contractors/External Stakeholders		√			
	Visit any Local Communities		√			
	Inspect Housing		√			
	Document Review		√			
Saturday 10 November	AM	Closing Briefing	√	√	√	√
		Opening Briefing	√			
		Inspect Estate including any Buffer Zones		√		
		Interview Male Fieldworkers		√		
		Interview Female Fieldworkers	√		√	√
Mungka Estate	PM	Inspect Stores, Workshop, Landfill		√		
		Interview Contractors/External Stakeholders		√		
		Interview Female Office Staff/Workers			√	√
		Review Pay Documentation			√	√
Monday 12 November	AM	Document Review	√			
		Visit any local communities		√		
		Visit Clinic Interview Staff			√	√
		Inspect Housing Interview Residents			√	√
		Closing Briefing	√	√	√	√
Monday 12 November	PM	Opening Briefing	√		√	√
		Inspect Estate including any Buffer Zones	√			
		Interview Female Fieldworkers			√	√
		Inspect Stores, Landfill	√			
		Interview Contractors/External Stakeholders	√			√
		Interview Female Office Staff/Workers			√	√
		Review Pay Documentation	√		√	√
		Visit Clinic Interview Staff			√	√
		Inspect Housing Interview Residents			√	√
		Document Review			√	√
Team 1 Ulu Tiram Estate (SEDENAK)	AM	Prepare Visit Report and Closing Presentation			√	√
		Closing Briefing	√		√	
		Follow up any outstanding data for Supply Chain	√		√	√
		Opening Briefing		√		
		Inspect Estate including any Buffer Zones		√		
		Interview Male Fieldworkers		√		
		Inspect Stores, Workshop, Landfill		√		
		Interview Contractors/External Stakeholders		√		
		Inspect Housing		√		
		Document Review		√		
Team 2 REM Estate (SINDORA)	PM	Meeting with Marketing Department Staff		√		
		Closing Briefing		√		
		Closing Meeting at EPA	√	√	√	√

Appendix “C”

List of Stakeholders Contacted

Stakeholders Contacted – Kulim Operations, Johor, Malaysia

INTERNAL STAKEHOLDERS

<u>SEDENAK</u> Mill 5 Male Workers, 4 staff 8 Female Staff/Workers 15 Residents at Housing Clinic Hospital Assistant	Sedenak Estate 4 Indonesian Harvesters	Ulu Tiram Estate 5 Female Staff/Workers 3 Residents at Housing Clinic Hospital Assistant Female Clinic Assistant EPA (Head Office) 3 Marketing Department Staff
<u>SINDORA</u> Mill 4 Male Workers, 5 staff 8 Female Staff/Workers 15 Residents at Housing	Sindora Estate 4 Female Staff/Workers 5 Harvesters(Indonesian) 5 Male Sprayers (Indonesian) Clinic Hospital Assistant 6 Residents at Housing	REM Estate 5 Male Sprayers (Indonesian) 4 Harvesters (Indonesian) Clinic Hospital Assistant
<u>TEREH</u> Mill 5 Male Workers, 6 staff 7 Female Staff/Workers 6 Residents at Housing Clinic Hospital Assistant Clinic Female Assistant	Selai Estate Clinic Hospital Assistant 6 Male Sprayers 1 Harvester (Indonesian)	Sungai Tawing Estate 7 Female Staff/Workers 4 Foreign Male Sprayers Clinic Hospital Assistant 3 Residents at Housing Sungai Sembrong Estate 7 Indonesian Harvesters
<u>PALONG</u> Mill 4 Male Workers 4 Female Staff/Workers 17 Residents at Housing	Mungka Estate 7 Female Staff/Workers 6 Residents at Housing 5 Harvesters (Indonesian) 5 Male Sprayers Clinic Hospital Assistant	UMAC Estate 4 Harvesters (Indonesian) 7 Male Sprayers

EXTERNAL STAKEHOLDERS

<u>SEDENAK</u> Mill Equipment Supplier FFB Transporter	Sedenak Estates FFB Transporter Harvesting Contractor General Contractor	Kampong Baru Kemedak Residents Head Kampong Melayu Sedenak Elementary School Principal
<u>SINDORA</u> Mill Electrical Contractor FFB Transporter	Sindora Estate FFB Composting Contractor Imam Mosque Ulu Belitong (Felda Ulu Belitong)	
<u>TEREH</u> Mill FFB Transporter, Engineering Fabrication Contractor	Selai Estate Harvesting Contractor Village Head, Kg Sri Kenangan	Sg Tawing Estate Equipment Supplier
<u>PALONG</u> Mill Electrical Contractor FFB Transporter Spare Parts Supplier	UMAC Estate 2 FFB Transport Contractors Kg Bukit Seruk Residents	Mungka Estate Local School Head Master Harvesting Contractor General Contractor FFB Transporter

<u>GOVERNMENT DEPARTMENTS/STATUTORY AUTHORITIES</u> Department of Environment (Kluang) Labour Department (Segamat)	<u>NGOs and OTHERS</u> Wildlife Conservation Society, Johor NUPW, Kluang AMESU
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