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PUBLIC SUMMARY REPORT

RSPO

4th ANNUAL SURVEILLANCE ASSESMENT

Sime Darby Plantation Sdn. Bhd SOU 20 - Chaah Palm Oil Mill, Chaah, Johor, Malaysia

Report Author:

Senniah Appalasamy – May 2014

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SUMMARY

BSi has conducted the 4th Annual Surveillance Assessment of SOU 20 - Chaah Palm Oil mill and supply base operations located in Chaah, Johor, Malaysia comprising one palm oil mill, three company own oil palm estates, support services and infrastructure. SOU 20 - Chaah Palm Oil Mill is belongs to Sime Darby Plantation Sdn Bhd. (RSPO Membership number: 1-0008-04-000-00).

BSi conducted the 4th Annual Surveillance Assessment on 21 – 25 April 2014. The assessment was conducted against the RSPO requirements [RSPO P&C MYNI 2010; RSPO Certification System June 2007 (revised March 2011); Annex 4: Procedure for Annual Surveillance Assessment and Supply Chain Certification Standard: November 2011, Module D-CPO Mills: Segregation]. There were three major nonconformities raised during the assessment. Corrective action plans for all major nonconformities were appropriately implemented and closed prior to finalising this assessment report.

BSi concludes that SOU 20 - Chaah Palm Oil Mill and Supply Base operations comply with the RSPO requirements [RSPO P&C MYNI 2010; RSPO Certification System June 2007 (revised March 2011); Annex 4: Procedure for Annual Surveillance Assessment and Supply Chain Certification Standard: November 2011, Module D – CPO Mills: Segregation].

BSi recommends for the approval of SOU 20 - Chaah Certification Unit's operations as a producer of RSPO Certified Sustainable Palm Oil.

ABBREVIATIONS USED

ASA	Annual Surveillance Assessment
BOD	Biological Oxygen Demand
CHRA	Chemical Health Risk Assessment
CPO	Crude Palm Oil
DOE	Department of Environment
DOSH	Department of Occupational Safety & Health
EFB	Empty Fruit Bunch
EMS	Environmental Management System
FFB	Fresh Fruit Bunch
HCV	High Conservation Value
IPM	Integrated Pest Management
MAPA	Malaysian Agriculture Producers Association
MPOA	Malaysian Palm Oil Association
MSDS	Material Safety Data Sheet
MY-NI	Malaysian National Interpretation
PK	Palm Kernel
PPE	Personal Protective Equipment
PSQM	Plantation Sustainability and Quality Management
SEIA	Social & Environmental Impact Assessment
SIA	Social Impact Assessment
SOP	Standard Operating Procedure

1.0 SCOPE OF ANNUAL SURVEILLANCE ASSESSMENT

1.1 Identity of Certification Unit

SOU 20 - Chaah Palm Oil Mill and estates are located in Chaah, Johor, Malaysia. Location map is included in Appendix E. The oil mill is central to the estates located near Chaah town. Additional maps of the Chaah and North Labis estates are included in the Appendix E and Appendix F showing Chaah Estate and North Labis Estate field map. The GPS location of the mill is shown in Table 1.

SOU 20 - Chaah Palm Oil Mill process FFB from own certified supply base estates. Maps of the estates are attached in Appendix.

Table 1: Mills GPS Locations

MILL	EASTING	NORTHING
Chaah Palm Oil Mill (Capacity: 30mt/hr)	102° 59' 47.67" E	2° 10' 40.84' N

1.2 Production Volume

The estimated tonnages reported during the ASA 4 are detailed in Table 2. The projected tonnages covers period of 1/4/14 – 31/3/15 is based on the annual budget data. The actual production for the ASA3 period is included as well covers the previous reporting period of 1/4/13 – 31/3/14.

Table 2: Certified Production tonnages

Chaah Palm Oil Mill	Projected during ASA3 1/4/13-31/3/14	Actual for ASA3 1/4/13-31/3/14	Projected for ASA4 1/4/14 – 31/3/15
CPO	25,124	26,761	28,723
PK	7,222	5,725	7,522
OER	20.16	22.12	21.00
KER	5.80	5.22	5.50

1.3 Certification details

RSPO Membership No: 1-0008-04-000-00
 BSi RSPO Certificate No: SPO 548299
 Date of Initial Certification Assessment: 26-29/6/2009
 Date of certification: 18/11/2010
 Annual Surveillance Assessment 1: 19-20/12/2011
 Annual Surveillance Assessment 2: 12/07/2012
 Annual Surveillance Assessment 3: 2 - 3/5/2013
 Annual Surveillance Assessment 4: 21 – 25/4/2014

1.4 Description of Supply Base and Supply Chain

The supply base is the FFB from three company owned estates that supplied for processing at the Chaah Palm Oil Mill. The projected FFB for the year 2014 are listed in Table 3.

The projected FFB production tonnages shown in Table 3 were based on the potential yield could be achieved by the supply base estates in Chaah Certification Unit. SOU

20 - Chaah Palm Oil Mill is using the Segregation supply chain mechanism for the incoming FFB and outgoing palm products. This is because Chaah Palm Oil Mill receives FFB from company owned estates only.

Table 3: Estate Certified FFB Production Tonnages

Estate	Projected for ASA3 Period 1/4/13-31/3/14	Actual for the ASA3 Period 1/4/13-31/3/14	Projected 2014 (ASA4) 1/4/14 – 31/3/15
Chaah	69,062	64,119	68,915
North Labis	20,000	29,953	32,902
Simpang Kiri	35,138	26,912	34,963
Grand Total	124,600	120,984	136,780

The age profiles of the palms are shown in Table 4a. Immature area is located in North Labis and Simpang Kiri estates.

Table 4a: Age Profile of Palms

AGE (Years)	% of PLANTED AREA		
	Chaah Estate	North Labis Estate	Simpang Kiri Estate
26 – 30	0		0
21 – 25	0.2	4.0	0
11 – 20	69.7	62.0	28.6
4 – 10	30.1	14.0	48.1
0 – 3	0	20.0	23.3
TOTAL	100.00	100.00	100.00

The areas of mature and immature palms are detailed in Table 4b for each of the estates. Total planted area is 8,019ha. Total land area is 8,789.42ha. 770.42ha is used for infrastructure, building and roads.

Table 4b: Estates and Areas Planted

Estate	Mature (ha)	Immature (ha)	Total Planted Area
Chaah	2,685	0	2,685
North Labis	2,673	683	3,356
Simpang Kiri	1,517	461	1,978
TOTAL	6,875 (85.73%)	1,144 (14.27%)	8,019 (100%)

1.5 Other Certifications Held

The Chaah Certification Unit does not have any other certificate.

1.6 Organizational Information / Contact Person

Sime Darby Plantation Sdn Bhd
SOU 20 - Chaah Palm Oil Mill,
Batu Pahat,
Johor,
Malaysia.
Contact Person: Mr. Azhanizan Bin R Deni
Chaah Palm Oil Mill Manager
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1.7 Progress against Time Bound Plan

Sime Darby Time Bound Plan is included as Appendix G. There are total of 59 Certification Units within Sime Darby Plantation (34 in Malaysia and 25 in Indonesia). As per the time bound plan, Pagoh palm oil mill and Sua Betong palm oil mill which was newly commissioned end of 2012 was certified on 28 January 2014 (Pagoh) and February 2014 (Sua Betong). Based on this achievement, Sime Darby Plantation has achieved RSPO Certification for all the 34 Management Units in Malaysia.

There are 25 Management Units in Indonesia. 21 Management Units in Indonesia has achieved RSPO Certification. There are 4 certification units in Indonesia was audited and summary report is being RSPO peer reviewed. Upon certification of the remaining Management Units, Sime Darby will achieved and complete the Time Bound Plan for RSPO certification.

However, PT MAS is remaining to be certified although it has been audited as per original Time Bound Plan (TBP) in 2011 due to the on-going social issues; the certification body that audited the site requested the company to address the issues prior to issuing certificate. Now the case is with RSPO DSF and being facilitated. The new target is revised to 2015 which was decided after the meeting with RSPO DSF mediation Team and community. The revision of TBP is acknowledge and accepted by the certification body that already audited the PT MAS. BSI accepts the revision as well due to the complexity involved in resolving the PT MAS issue and the acknowledgement and involvement of RSPO DSF mediation team as part of resolution process as an justified resolution process and acceptable justification for the revision in TBP to 2015. The process is also accepted by all the parties involve including acknowledged by RSPO DSF. The progress of the issue will be followed up and reported.

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

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

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

Progress of Associated Smallholders/Out-growers towards RSPO Compliance

Chaah Palm Oil Mill does not have any associated smallholders or out-growers

2.0 ASSESSMENT PROCESS

2.1 Certification Body

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

2.2 Qualifications of the Lead Assessor and Assessment Team

Senniah Appalasmay - Lead Assessor

He holds degree in Resource Economics from Agriculture University, Malaysia. He has vast experience in Plantation crop management covering oil palm plantation, rubber, cocoa and pepper for more than 10 years. He is also experience in manufacturing sector as a quality controller and production management. He is involved in RSPO implementation and assessment since 2008 as a team member and subsequently as a lead auditor with RSPO approved certification body covering assessment with RSPO P&C, RSPO SCCS, RSPO NPP and RSPO Group Certification in Malaysia, Indonesia and Thailand. He has completed ISO 9001:2008, RSPO SCCS awareness training, RSPO Lead Auditor Training Course, RSPO SCCS Lead Auditor Training Course, RSPO – RED Lead Auditor Training Course, International Sustainable Carbon Certification (ISCC) Lead Auditor training, Sustainability Report Assurance (SRA) Assessor Training, ISO 14001 Lead Auditor Training Course and OHSAS 18001 Lead Auditor Training Course. Besides RSPO, he is also qualified as ISCC lead auditor and SRA Lead Assessor. He have experience in other standards i.e. Global Gap Option 1 and 2 (Fruit, vegetable and aquaculture) and GMP B+ as team member.

Muhammad Haris B. Abdullah – Team member

He graduated from the Open University Malaysia with a Bachelor of Business Administration (Hons) Majored in Human Resource Development and completed his Master's Degree in Business Administration from the University Utara Malaysia in January 2014. He has more than 3 years working experience in oil palm plantation and conducting social impact assessments of agriculture, agriculture best practices, and environmental impact assessment and workers welfare. He completed the RSPO Lead Auditor Training in April 2013 and passed the course. He is also passed the ISO 14001 Lead Auditor

Training, OHSAS 18001 Lead Auditor Training Course and qualified as EICC auditor. He has completed International Sustainable and Carbon Certification (ISCC) Lead Auditor Training Courses. He had assisted with conducting audits of oil palm plantation for more than 7 companies against the RSPO P&C in Indonesia and in Malaysia for the past 4 years. During this assessment, he assessed on the aspect of Safety and Health, Legal, Social and community engagements, Stakeholders consultation, and workers welfare.

2.3 Assessment Methodology, Programme, Site Visits

The ASA4 was conducted from 21 - 25 April 2014. The audit programme is included as Appendix B. The approach to the audit was to treat the mill and its supply base as an RSPO Certification Unit. Mill was audited together with the sample estates (Chaah Estate and North Labis Estate). A range of environmental and social factors were covered. These included consideration of topography, palm age, proximity to areas with HCVs, declared conservation areas and local communities.

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

The Nonconformities that were assigned during the previous assessment were followed up to check the effectiveness of corrective actions and evidence of the implementation. The ASA4 assessment findings (Major and Minor) are detailed in Section 3.2.

This report is structured to provide a summary of the assessment finding with details for indicators. The assessment was based on random samples and therefore nonconformities may exist that have not been identified.

This report was reviewed by Mr. Aryo Gustomo, the Scheme Manager prior to certification decision.

2.4 Stakeholder Consultation

Stakeholder consultation involved internal and external stakeholders. External stakeholders were contacted by telephone to arrange meetings at a location convenient to them to discuss Chaah Certification Unit's environmental and social performance.

Additional meetings were held with stakeholders during the assessment to seek internal and external stakeholders' views on the performance of the company with respect to the RSPO requirements and aspects where they considered that improvements could be made. At the start of each meeting, the interviewer explained the purpose of the audit followed by an evaluation of the relationship between the stakeholder

and the company before discussions proceeded. The interviewer recorded comments made by stakeholders and these have been incorporated into the assessment findings.

Internal stakeholder interview such as worker interviews with male and female workers and staff were held in private at the workplace in the mill and the estates. Fieldworkers were interviewed informally in small groups in the field during the field visit. In addition, the wives of workers and staff were interviewed in informal group meetings at their housing site. Separate visits were made to each of the local communities to meet with the village head and residents. Company officials were not present at any of the internal or external stakeholder interviews. A list of Stakeholders contacted is included as Appendix C.

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

As outlined in Section 2.3 objective evidence was obtained separately for Principle and Criteria together with indicators for the mill and the estates. The results for each indicator have been aggregated to provide an assessment of overall conformance of the company's operations with each indicator. A statement is provided to support the finding of the assessment team.

During the assessment there were three major nonconformities and two Observations/Opportunities for improvement were identified. Chaah Palm Oil Mill and Supply Base operations have prepared a Corrective Action Plan for addressing the identified nonconformities that was reviewed and accepted by BSi. The corrective action for the Major nonconformities were addressed and implemented. Evidence for the implementation were followed up and verified. The Major nonconformities were closed on 26 May 2014.

PRINCIPLE 1: Commitment to Transparency

Information request are adequately responded by all the operating units assessed during the ASA4.

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.

All operating units have maintained up to date policies, procedures and management plans for provision of information to the public upon request. Financial data such as costs and income, and details relating to customers and suppliers, and data that possibly can affect personal privacy are categorised as confidential information. The company have effective system for receiving and responding to the request of information to the public and has kept the record of request and responses. Requests are directed to managers. He prepares response with the help from assistant

managers and administrative assistants. It is noted that majority of the correspondence are in local language. Recently the palm oil mill responded to the information request from DOE for renewal of permit for Chaah Palm Oil Mill and was responded by the mill respectively. The new permit was issued on 30/6/2013 and valid until 30/6/2014. Information was provided to DOSH by Chaah estate on 16/4/2014 and by North Labis estate on 29/9/2013.

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

The management documents include key indicators of performance like pollution prevention plans, waste management and disposal plan on plantations and mill.

Inspection of document confirmed that mill and estates visited held each copy of management documents (land titles/user right, health and safety plan, plan and impact assessment relating to environmental and social impacts, pollution prevention plan, details of complaints and grievances, negotiation procedures and continues improvement plan) and this are available to public on request. Copy of the Health and Safety Policy signed by the top management representative is displayed on the notice board at the mill and estates. Public have access to the information on request. OSH plan is developed at all the operating units for the year 2013/2014 includes training plan, risk assessment plan, OSH meeting, workplace inspection etc.

Copy of the Environmental Aspect and Impact Register and Social Impact Assessment (SIA) are available at all the operating units. Pollution prevention plans for financial year 2013/2014 aiming at mitigating and minimising significant environmental impacts identified through risk assessment included in the environment improvement plan with latest review on 22 April 2014.

All operating units implemented system to receive and record grievances and complaints in a log book. Action taken to resolve the issues are updated in the same book. Sime Darby's group negotiation procedure for handling disputes is as per the procedure in Sustainable Plantation Management System document prepared in 2008. Awareness was given to stakeholder during stakeholder meeting on 25/1/2014 (North Labis estate) and 8 April 2014 (Chaah Mill and estate). Continuous Improvement Plan documented by taking into consideration all the impacts identified in SEIA assessment as part of mitigation plan.

PRINCIPLE 2: Compliance with Applicable Laws and Regulations

Inspection of records showed that supply base estates complied with permit requirement and conditions and legal requirements which are applicable to their operation. Internal audits and checks were conducted

for monitoring compliance. No land disputes were sighted for Chaah Palm Oil Mill and supply base operation. Boundary stones were maintained at each of the Estates visited.

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

The palm oil mill and estates have kept an up to date list of legal requirements with review dated 4/11/2013 (North Labis estate) and 8/4/2014 (Chaah mill and estate). Sime Darby Plantation has own mechanism to ensure all relevant legal requirements are complied. In addition, each operation has a List of Licenses showing the expiry dates and displayed in the office. Inspection of a sample of licenses and permits confirmed all were current. At the mill and estate compliance found on OSH Act 1994, Pesticide Act 1974, Environmental Quality Act 1974 (Scheduled Waste), Environmental Quality Regulation on control of emission, Factory and Machinery Act 1967, Electric Supply Act 1990, MPOB Act 1998, “Akta Timbang dan Sukat 1972”, Worker’s Minimum Standards of Housing and Amenities Act 1990, CHRA requirements, Guideline for Implementation of Zero Burning, Road Transport Act 1987, Employment Act 1955, Minimum Wage Order 2012, Employee Provident Fund Rules 1991, Immigration Act 1959, Employee Social Security Act 1969, Workmen Compensation Regulations etc.

Example of permits inspected and valid are: MPOB license (518940004000 – Chaah mill; 518848002000 – Chaah estate; 522496002000 – North Labis estate), DOE License (No. 002153), overtime permit [No. 2 dlm JTK.BP/PMP/Sek.60A (4) (a)/SR] etc. All the permits are valid and current.

However, it was noted that the schedule waste stored at North Labis estate exceeded the 180 days storage limit. A Major nonconformity was raised as per below:

Major nonconformity against indicator 2.1.1: Evidence of compliance with legal requirements.

At North Labis Estate, Storage of schedule waste has exceeded 180 days storage limit. Schedule waste was not disposed as per EQA 1974 (Schedule Wastes) Regulations, 2005. Visit to the schedule waste store on 24/4/2014 found that schedule waste (SW 409 - used chemical containers) has been stored more than 180 days. Record review shows that the last disposal of SW 409 was on 26/4/2013.

Foreign workers have valid work permits foreign workers work permit (AR 468924 valid until 27/6/2014). Foreign workers passport and work permit was checked and verified during documents audit and found to be valid. All operating units comply with the employment Act. Local and foreign workers are treated equally.

The mill and estates have “Legal and Other Requirement Register” system with written information on legal requirements which includes list of all applicable laws.

This document was updated in June 2013 to include latest regulations. The manager, compliance executive at the operating units and PSQM executives are responsible for ensuring that all applicable regulations are implemented.

Sime Darby Plantation have centralised system for tracking any changes in the law. Legal department and PSQM Standard and Compliance Unit responsible to track, monitor and update changes in the applicable law. Legal department and PSQM Standard and Compliance Unit notify operating units and the changes registered in legal register list. MPOA and MAPA provide additional update on changes to laws relevant to mill and plantation whenever new and revised regulations are notified by the government.

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

The mill and estates holds copies of land ownership in the form of land titles (country lease) and there are no changes since last audit. The land is not encumbered by customary rights and the right to use the land is not disputed by stakeholders who were interviewed during the stakeholder consultation. Copies of the land titles are available at the operating units. Land titles inspected are found to be valid. Sample land titles checked found to be in compliance (number 7745 and 7746 – Chaah estate and 98804, 132749, 88297 – North Labis estate etc).

All the estates are complying with the terms of the land title provided for agriculture. Since the merger of three plantation companies (Sime Darby, Guthrie and Golden Hope), the present name was changed to Sime Darby. The Estates have maps showing the locations of boundary stones that have been physically located and marked. Inspection of the boundary stones at the estates during the field visit reveal that it is clearly marked with red paint and maintained. Boundary marker at field number 90A, 90B, 09A (North Labis estate); and 04D and 04C (Chaah estate) was visited and inspected. Boundary clearly demarcated. There is no land dispute or boundary disputes.

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

As per Sime Darby procedure, all operating units are not restricting access by stakeholders through the estates, except in relation to FFB trucks as a security control to avoid any FFB theft. Interview with local community representatives confirmed that there is no land dispute or any claim of customary land within the estates. The village communities confirm that the plantations are operating within the plantation land.

PRINCIPLE 3: Commitment to Long Term Economic and Financial Viability

Chaah Palm Oil Mill and Supply Base estates have well developed internal management system for monitoring and improvement of their operating unit against operation target to achieved long term economic and financial viability. Operating budget and capital expenditure budget are projected for five years and used as a guidance document.

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

Mill and estate has annual budget which includes operating cost and production cost and reviewed annually. Five year projection includes FFB forecast, CPO, PK production forecast and replanting plans. The annual budget contain data on FFB yield/ha, OER, CPO yield/ha, PK and cost of production.

Replanting take place after the palm age reach 25years. Replanting is due in 2013/2014 at North Labis estate covering an area of 307.59ha. The replanting was ongoing during the assessment. Zero burning techniques is used as a best practice for replanting. During the last annual budget preparation, replanting review was conducted and there is a palm to replant 296.21ha in 2014/2015 financial year.

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

Chaah Palm Oil Mill and Supply Base estates have implemented management systems with standard operating procedure for monitoring and control of best practice implementation at its mill and estates. This includes a programme of regular checking by the Manager, visiting adviser (Mill and Estate), internal audit and on-site compliance audit.

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

Palm Mill holds two sets of procedures - Sustainability Plantation Management System (MQMS/SOM/08 v.1 dated 1/11/2008) includes mill SOP and Mill Quality Management Manual v.1 2008/MQMS/QMM/08 as a guidance document to operate the mill. Estates have a separate SOP (Sime Darby SOP issued 2/1/2008 and Agricultural reference Manual) covers land preparation, planting material, upkeep, harvesting, transport etc. A Separate work instruction is available at the mill to cover all the work stations at the mill. Work Instructions in local language have been derived from SOPs and are posted at work stations at the mill and at certain locations at the estates. There is a separate SOP on safe working practices for estates. The safe operating procedure for the estates includes pesticide application. Palm Oil Mill has its own SOP for safe working practices covering all the work stations. The audit team checked the SOP related to the measuring and monitoring mill effluent. The mill has SOP for monitoring the mill

effluent which includes a flow chart of the whole procedure. There is evidence that there was compliance with legislation. The staff responsible for the key environmental control were identified and trained. The person in-charge is the on-site Assistant Engineer.

All operating units have a system of regular inspections of the mill and estates to ensure consistent implementation of SOPs, together with monthly reporting to head office. Supervisors (mandor) and Assistant Managers carry out daily checks on work practices and the Manager undertakes random inspections. At the mill, operating parameters are monitored at each of the work stations and recorded on log book. Shift Supervisors review records and prepare daily reports on milling performance.

The management monitor the cost of operation on monthly basis through monthly report and compared with the budget. Justification is provided by the managers when the cost exceeds the budget. The quality is inspected through quality assurance team from head office to maintain the quality. Further monitoring is carried out by the planting advisor engaged by the company. There is a mechanism to identify, monitor and implement stricter controls to ensure costs do not overrun. This is implemented through planting advisers and external audits.

External Mill Advisor and a Planting Advisor inspect and report on the operations on annual basis. The on-site managers develop Action Plans from the Advisory Reports for improvement of the operations. Review of Advisory Reports, Action Plans and site inspections confirmed consistent records of implementation of SOPs. During mill visit it was noted that that operating parameters were consistently recorded by the operators. All the monitoring records are maintained for more than 12 months.

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

Sime Darby Agriculture Services Sdn Bhd prepare the annual fertilizer recommendation. Leaf analysis result which shows the nutrient level was used as guidance for the fertilizer recommendation. Agronomist visit was conducted and fertilizer recommendation was finalised and given to the estates. Application records are maintained.

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

All the estates hold copies of soil map. There are no significant erosion risks noted during the field visit. Recently replanted area was constructed with terraces. Inspection at the field found good ground cover with soft weed and leguminous cover crop in replanted areas. The soil map at the estates has confirmed there are no fragile soils such as peat, high sand content or acid sulphate soils. The soil analysis and periodic leaf

sampling is carried out to monitor changes in nutrient status.

Both estates visited have implemented annual Road Maintenance Programme. Roads inspected during field audit are generally in a good condition due to the lateritic soil. Road maintenance carried out internally with grader and compactor. Road maintenance includes road grading, re-surfacing wherever necessary, road side drain upkeep, culvert upkeep, road side silt pits construction etc. Monthly progress records are prepared and sent to head office.

There are several steps implemented by the operating units to ensure that disturbed earth do not enter waterways during gravel extraction processes. These includes construction of road side silt pit, stop bund (with sand bag) along the road side drains to slow down the speed of surface run-off water, silt traps (at the junctions of the road side drains) and well maintained riparian buffer. There is no peat soil or soil categorised as problematic or fragile soil at all estates visited.

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

Rehabilitation of riparian strips as per Sime Darby plantation's policy at both side of the stream is implemented. This was observed during the field visit. Buffer zones are marked with red paint and signage erected. Reference was made to Department of Irrigation and Drainage regulations and guidelines from the state authorities and complies to the requirement. Visit to river riparian confirm that the buffer zone is maintained and well managed. Use of agrochemical has been ceased and replaced with manual weeding along the buffer strip. No bunds/weirs/dams were constructed across the main waterways in the estate.

All operating units maintained monthly rainfall monitoring data. Rainfall monitored and records are sent to agronomist. The rainfall records show high rainfall during the month of December and January. Rainfall pattern is used for the development of water management plan.

During the mill visit and estates field visit it was noted that there is no water drainage into protected areas such as housing site and river which comply to the RSPO indicator. Water management plan at the operating units covers all the water usage activities such as water usage at the mill for processing, cleaning and water conservation is given emphasis to save water. Houses are provided with water tanks. Regular inspections of leaks are carried out to ensure no water wastage.

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

IPM is documented in Agriculture Reference Manual. The estates continue to implement biological control for

the oil palm pest in the plantation such as leaf eating pest and rat. The IPM techniques applied at the estates include monitoring of pest numbers and the use of triggers for initiation of control measures. Barn owls *Tyto alba* have been introduced for biological control of rats but not very successful. Past census records show that there is no 24/2/2014 outbreak of leaf eating pest. Although there have been no outbreaks of leaf eating pests, beneficial plants are being established along roadsides to attract natural predators. The estates have planted beneficial plants such as *Cassia cobanensis* and *Turnera subulata* and *Antigonon leptopus*. IPM training was conducted on 24/2/2014 for executives and staff.

All the estates have commenced recording information on active ingredients since July 2008. Records of areas where pesticides have been used are recorded with details of block number, quantity, date of application, number of applicator and costing as per RSPO P&C requirement. Usage of chemicals is monitored by the estates. For example, at Chaah estate glyphosate was used as active ingredient and applied 0.10lit active ingredient was applied per hectare.

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.

Monitoring of pesticide usage units per hectare is carried out for rat bait. No other pesticide used. The operating units comply with Regulation on Pesticides Act 1974 which requiring balance of remaining solution to be kept under lock and key. During visit it was noted that all the remaining pesticides are kept in the store and securely locked and comply with regulation. Notice is displayed for all type of agrochemical treated area.

The quantity of agrochemicals required for various field conditions are documented and justified in Sime Darby Plantation Agriculture Reference Manual Section 16.5. The implementation in the field is consistent with the Agriculture Reference Manual Section 16.5.

A check of the stocks held at the pesticides store confirmed that the chemicals used are officially registered under the Pesticides Act (1974) and USECHH Regulations (2000). Written justification is also available in Agriculture Reference Manual Section 16.5 for the use of agrochemicals use.

All operating units have upgraded the existing agrochemical stores to comply with OSH and the Pesticides Act requirements. Inspection confirmed the adequacy of spill containment, ventilation, separation of chemicals, labelling, provision of protective equipment and emergency preparedness.

MSDS was displayed in local Bahasa Malaysia language at the agrochemical store for each chemical stored as well as a Work Instruction on safe handling for the easy understanding of the agrochemical handlers.

Observation 2 (4.6.4): Cha'ah Estate: All the MSDS are available. However, some are in English.

Medical surveillance carried out once a year for all agrochemical handlers. However, medical check-up for nursery mandor and operator at North Labis estate was not available. Major nonconformity against indicator 4.6.5 was raised.

Ref. 1047140M4: Major nonconformity against indicator 4.6.5: Annual medical surveillance as per CHRA for plantation pesticide operators.

At North Labis estate annual medical surveillance not conducted for oil palm nursery pesticide handlers. Interview with the nursery mandor and operator and document review on 24/2/2014 found that annual medical surveillance was not conducted for the past 12 months for the two employees who handle pesticide in the nursery.

Interview with female workers confirmed knowledge of the policy of transfer to alternative duties if they wished to continue working when pregnancy was confirmed. Records held at the Clinic showed that none of the female sprayers had worked with pesticides after pregnancy was confirmed. Medical surveillance includes checks on occupational diseases. During the field visit workers were interviewed to find out if they suffer from skin disorders or rashes, breathing difficulties or nail problems. No issues were highlighted by workers and workers union representatives.

Paraquat is eliminated since November 2005. At the time of this initial assessment there was no other class 1 agrochemical noted. Records and interview of staff confirmed there is no aerial application of agrochemicals. There is no requested from buyers to conduct chemical residues in CPO and buyer did not conduct the chemical residues test either. Records of the quantity of pesticides used, location of application, active ingredient and these are reconciled monthly against the stocks held at the store.

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

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

The Mill and Estates have reviewed and updated the health and safety risk assessments associated with each task. Hazard Identification Risk Assessment and Control (HIRAC) review was carried out on January 2014 for all tasks at the mill and estate operations. The company has

a safety awareness training programme for staff and workers at the mill and estates. Safety information is posted on notice boards at Muster areas and briefings are given regularly at morning muster.

Field inspections and interview with agrochemical applicators in the estate and mill workers and staff confirmed awareness of safety precautions associated with their tasks. Records confirmed workers also had received training in emergency procedures and interview showed that they understood the instructions. There is a list of PPE supplied to workers and staff for the various work tasks. Workplace inspections and review of stores issues confirmed supply of PPE and first aid kits to workers and PPE was being worn correctly. Workplace inspection by the onsite compliance executive includes audit on PPE used. PPE used are in compliance to DOSH requirement. Audiometric was done at the mill and employees exposed to high noise levels provided with training.

Training records confirmed that supervisor (mill and estate) and mandors are trained in first-aid. Checks showed that appropriately stocked first-aid kits were taken into the field and also were available at the mill and other Work Stations. At the mill first aid equipment includes fire extinguishers and fire hydrant. During mill visit it was noted that these equipments are in working order.

The mill's compliance officer and the estate's assistant manager at each of the estates are appointed as OSH Coordinators. OSH Committees meeting conducted quarterly and meeting minutes includes issues raised and action taken. No any unresolved safety and health issues noted. Safety training is conducted regularly during morning muster and at the start of mill shifts to reinforce safe work practices.

Minor incidents and injuries are recorded in the clinic by hospital assistant. There is no any fatal accident. Minor common injuries are reported such as thorn prick incidents during the harvesting. Records are maintained in the form of accident register, dangerous occurrence, poisoning and disease (Daftar Kemalangan, Kejadian Berbahaya, Keracunan Pekerjaan dan Penyakit Pekerjaan". Reports are sent to DOSH annually in January.

Local employees and staff are covered by the Social Security Organisation (SOCSO) insurance scheme. Foreign workers are covered with the compensation insurance scheme by RHB Insurance Berhad. However, document audit at North Labis revealed that contractor's workers insurance was expired. Major nonconformity was raised.

Ref. 1047140M5: Major nonconformity against indicator 4.7.3: Workers should be covered by accident insurance.

Workman Compensation Insurance for contractor's workers not available. During the document audit on 24/4/2014, it was found that workman compensation

insurance for workers under the FFB Harvesting Contractor Gemilang Enterprise was not available as per the contract term and condition section (K) dated 1/7/2013 (contract date).

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

The Chaah Palm Oil Mill and Supply Base Estates have annual training program that is based on a training need assessment carried out at the individual operating unit level for each work-station/work type. The training program includes staff, workers, contractor's workers and contractors.

It was noted that most of the trainings/briefings are informal "on the job" instruction. Detailed records are maintained of formal training of individuals. The mill and estate maintains records of informal and formal training for workers. Daily briefings are recorded in a note book of the executives, mainly "on the job" instructions.

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

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

Environmental Aspect and Impact Register is available at all the operating units. Palm Oil Mill reviewed Environmental Aspect and Impact in July 2013. Environmental Aspect Impact review for the Chaah Certification Unit was conducted. Based on the review result Management Action Plans are developed and implemented as part of continuous improvement.

The management of the impacts and the progress with implementation of the improvements activities were checked during the field and document audit. Examples of the improvement include maintaining of riparian buffer zones, construction of oil traps, management of schedule waste etc.

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

Ecologist from the PSQM team conducted initial HCV assessment of the possible presence of HCVs within and adjacent to the estates in 2009. BSI audit team already assessed the HCV assessment in 2009 during the initial certification of the supply base. HCV Toolkit for Malaysia by WWF – Malaysia was used for the HCV assessment. There was an appropriate consultation process for identification, management and monitoring of HCVs. Conservation area is maintained mainly water-log and

steep area. There is no any ERT identified within the plantation. There is no ERT in the conservation area within the estates.

All operating units have developed Management Plan for the HCV and conservation area to protect from any encroachment. Habitat protection includes prevention of disturbance by workers through awareness campaigns and regular patrols of the area. The Estates have installed signboards at prominent areas to prohibit hunting, disturbance of protected areas and the lighting of fires. Inspection of housing areas and interview of residents confirmed workers were aware of the company policy that prohibits hunting and collecting activities. Monitoring is carried out by the security and staff in charge for the respective area.

Sime Darby implemented a program of tree planting to enhance the habitat at the conservation areas throughout the company's oil palm plantations. Common species planted was *Shorea sp.*

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

Chaah Palm Oil Mill and estates have identified waste products and sources of pollution in the Environmental Impact Assessment. The source of waste categorized as operational waste, schedule waste, clinical waste, recyclable waste (shell, fiber, EFB, Boiler ash, decanter cake etc), domestic waste. Inspection to estates confirmed solid wastes were well controlled, with consistent separation at source into recyclables and non-recyclables. Solid wastes that cannot be recycled are disposed in a municipal land fill belongs to the local government.

Scheduled waste is managed well with designated storage area at the mill and each of the estates. However, the estates did not follow the 180 days in accordance with the requirements of the Environmental Quality Act 1974 (Scheduled Wastes), Regulations, 2005. A major nonconformity was raised under indicator 2.2.1 for noncompliance to the legal requirement (Refer to Criteria 2.1). The mill's schedule waste disposal was through licensed collector approval letter from DOE.

EFB, decanter cake and mill boiler ash are presently recycled to the field as mulching material. Majority of the mill process waste materials are applied to the estate closest to the mill due to transport costs. Mill effluent is treated in ponds.

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

The Mill monitors and reports monthly energy usage to head office. The company has optimized the use of renewable energy as sighted in report books. The mill is also purchasing shell to increase the utilization of renewable energy source. The average renewable energy generated for the period January – December 2013 was 29KWh. Action plan was drawn to reduce the

fossil fuel usage by maximising the use of renewable energy. Fossil fuel is used only when there is no processing.

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

The company has a documented Zero Burn Policy. Inspection in the field confirmed no burning activities. SOP is in place to felled, chipped and mulched palms during future replanting. Visit to the landfill no evidence of burning waste.

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

The mill and estates Pollution Prevention Plan are documented in the Environmental Impacts Identification and Improvement Plan reviewed on 2/1/2014. Inspection confirmed the Mill and Estates have implemented appropriate controls for preventing pollution from point source emissions to air and discharges of wastewater. Smoke emission quality test at the mill was done every 6 month in accordance to the Environmental Quality (Clean Air) Regulation 1978. Boiler is equipped with smoke density monitors and securely locked. The recorder room have latches to doors and only authorised personnel allowed to enter the recorder room. Quarterly returns to the DOE sent in accordance with the Environmental Quality Regulations. Assessment team viewed and satisfied that production of CPO figures and effluent discharge analysis were correctly captured in the return.

Mill has boiler register which indicate the date of commission, cleaned, inspected and tested. The register is available and was checked during the document audit. There is compliance with the requirement of the Factories and Machinery (Noise Exposure) (Regulations) 1989. Monitoring of noise level at mill was done at the mill by DOSH certified competent person.

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

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

SIA assessment was conducted by PSQM team members with social assessment background. Latest review conducted in June 2013 and next due is in June 2014. The assessment was through meeting with the effected parties and stakeholders. Assessment also covered social amenities, environment, road users, employee changes, safety and health issues, surrounding communities,

government official, police, labour department, health department, contractors and suppliers.

Based on the SIA findings and recommendation from the stakeholders, a timetable with responsibilities for mitigation and monitoring of the social impacts were developed and reviewed as necessary. The assistant manager is responsible for the social issues and communication with the stakeholders.

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

Communication and consultation procedure documented for external and internal communications under section 5 of the Mill Quality Management System and Section 5.5.3 of the Estate Quality Management System. This procedure was communicated to the internal and external stakeholders during meeting.

The mill and estate managers are responsible for communication with local communities and other stakeholders. Since implementation of the procedure, communications are being consistently recorded. Interview of local community representatives confirmed that they are able to take issues to the managers for discussion and action.

Management staff and has prepared a list of stakeholders who were identified following the Social Impact Assessment. A formal list of stakeholder has been prepared consisting of local communities, neighbouring estates, government offices, suppliers, contractors, workers, NGO, consultants, banks, external auditors complete with address, contact number and persons in charge. Records are held on file List of Stakeholders.

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

A grievance procedure has been developed. The "Grievance/Complaints" book is used to record all enquiries not only complaints and grievances. Inspection of the records indicated that the system resolved all disputes in a timely manner. Workers interview confirmed that the procedure was implemented. There were no disputes at the time of the audit.

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

Procedure for identifying legal and customary rights and for identifying people entitled to compensation is available. Corporate Land Management and Legal

Department will conduct assessment if there is any land compensation issues detected. There is no legal customary land issue found in the vicinity of the Chaah Palm Oil Mill and Supply Base estates. Interview with local community leaders and elderly community members confirmed that no outstanding land dispute in this certification unit.

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

Pay and conditions are documented in the employment agreement between the company and workers and calculated in line with the current minimum wage order. Inspection of contracts of both local and foreign workers confirmed that pay and conditions are available. Management has communicated to all workers that they are paid as per Minimum Wage Order 2012. All workers are provided with annual leave and paid public holidays.

The payslip shows basic wages, allowances, overtime payment and incentive are clearly written in local language which understood by the foreign workers from Indonesia. Interview with workers in the field confirm that they understand the wage structure and details. Payslip for the month of January and February 2014 was checked and verified. Average gross pay is above RM900.

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

Palm Oil Mill and estates provide adequate housing, water supplies, medical, educational and welfare amenities in accordance with Workers' Minimum Standard of Housing and Amenities Act 1990 (Act 446). There is on-going upgrading of housing. Water is supplied to workers housing through piping. The water tanks are provided for storage purpose. No deduction from wages of workers for water. The company have transport standby 24hours to send employees and dependents to hospitals.

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.

National Union Plantation Workers was formed by the workers. Latest meeting was conducted on 18/3/2014 attended by 16 representatives. Workers have freedom to join the workers union. Policy on

Freedom of Association dated April 2008. Observation was raised because the action was after meeting was not updated in the meeting minutes.

Observation 1 (6.6.1):

Cha'ah Mill: The Union meeting was done on 18/3/2014 and minutes available. Updating of the action taken and person in-charge was missing in the minutes of meeting. North Labis Estate: Union meeting was schedule on 12/5/2014. Union meeting minutes will be followed up.

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

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

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

A statement on Equal Opportunity Policy dated April 2008 includes statement on equal opportunity and fair treatment and any form of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age, is prohibited. The policy is displayed at notice board at muster ground in the mill and estates. Interview of male and female workers confirmed understanding and awareness of the policy. Male, female, local and foreigners are paid equally based on Minimum Wage Order.

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.

Sexual Harassment Policy is available for the whole Sime Darby Plantation group dated April 2008. Sexual harassment complaint procedure communicated and displayed on the notice boards. No harassment cases were reported. There were lot of activities schedule by Gender committee members. Female workers interview confirmed understanding of the mechanism and no issue was raised during the audit. The last gender committee meeting for the Chaah Palm Oil Mill Complex was held.

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

There are no traders or smallholders dealing with the palm oil mill. Pricing mechanism for FFB is not applicable because all the FFB are from own company estates.

Interview confirmed that contractors/suppliers and workers understand contractual agreement and stated that the contract is transparent and fair. The company has standard term and condition of contract agreement. Interview of contractors and workers confirmed payment is made promptly. Inspection to the “Grievance Book” indicated no complaint was raised in relation to processing of the payment.

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

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

Principle 7: Responsible Development of New Plantings

All the Supply Base Estates in Chaah Palm Oil Mill Certification Unit did not carried out any new oil palm developments and there are no plans for expansion of plantings. The immature area are replanted palms. Therefore Principle 7 is not applicable to this Assessment.

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

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

Both estates are not using any class 1a pesticides and paraquat. All the operating units committed and stopped using paraquat. The management continue to use biological methods to control pest through barn owl for rat control and beneficial plants for leaf eating pest control. The significant environmental impacts of the operations were identified. An Environmental Impact Management details the impact mitigation measures and actions required to improve environmental performance for the identified significant impacts. The management has identified waste generation as one of its significant impacts to environment. Program has been developed and implemented to encourage segregation of all wastes at source and recycling of materials where practical. The effort is started with segregation at all the administrative buildings. Pollution Preventive Plans have been prepared for the mill and estates.

Social impacts associated with operations have been prepared and an Improvement Action Plan for mitigation of negative social impacts is available. This Action Plan is aimed at addressing the identified significant social impacts. An example is the building of new housing and connection of water supply from the government source which was in progress during the assessment. The Johor

Water Company (Syarikat Air Johor) was fixing the pipes along the village road leading to the estate. All the operating units have an informal system to capture the performance and expenditure in social and environmental aspects through the annual budget and monthly reports.

3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions

During the ASA4 assessment there were three major nonconformities were raised. There were two observations raised as an area for improvement.

Chaah Palm Oil Mill and Supply Base Estates submitted Corrective Action Plans for all the nonconformities. The implementation of the corrective action plans to address the major nonconformity raised during the ASA4 was verified through desk top document assessment. Document verification and interview with the PSQM executives reveal that the corrective actions were addressed and implemented. Evidence for the implementation were followed up and verified. The Major nonconformities were closed on 26 May 2014.

Corrective actions plans with respect to the previous nonconformities raised during the ASA3 have been followed up and reviewed by the BSI audit team and found to be effectively addressing the nonconformities. All the previous nonconformities remain closed.

Major Nonconformity

Ref. 1047140M0: Major nonconformity against indicator 2.1.1: Evidence of compliance with legal requirements.

At North Labis Estate, Storage of schedule waste has exceeded 180 days storage limit. Schedule waste was not disposed as per EQA 1974 (Schedule Wastes) Regulations, 2005. Visit to the schedule waste store on 24/4/2014 found that schedule waste (SW 409 - used chemical containers) has been stored more than 180 days. Record review shows that the last disposal of SW 409 was on 26/4/2013.

Corrective Action Plan and Close out evidence:

The operating unit submitted corrective action plans which BSI Audit team conducted review and accepted the corrective action plan. The evidence of implementation was received on 15/5/2014. BSI audit team conducted document assessment on the evidence submitted. The implementation evidence was accepted on 26/5/2014. The corrective action plan and evidence as follows:

- Estates engage DOE-licensed Schedule Waste (SW) collector to collect the Schedule waste.
- Management provide training for the Person In Charge of the schedule waste management.
- Management conduct awareness training for schedule waste management to all staff.

The corrective action plans were appropriately implemented. The empty containers were disposed through authorised collector on 5/5/2014. Total of 162 empty containers disposed. The store clerk was

appointed as the person-in-charge to ensure the empty containers are disposed as per requirements. The major nonconformity was closed on 26/5/2014.

Ref. 1047140M4: Major nonconformity against indicator 4.6.5: Annual medical surveillance as per CHRA for plantation pesticide operators.

At North Labis estate annual medical surveillance not conducted for oil palm nursery pesticide handlers. Interview with the nursery mandor and operator and document review on 24/2/2014 found that annual medical surveillance was not conducted for the past 12 months for the two employees who handle pesticide in the nursery.

Corrective Action Plan and Close out evidence:

The operating unit submitted corrective action plans which BSI Audit team conducted review and accepted the corrective action plan. The evidence of implementation was received on 15/5/2014. BSI audit team conducted document assessment on the evidence submitted. The implementation evidence was accepted on 26/5/2014.

BSI audit team found that the corrective action plans were appropriately implemented. Medical surveillance was conducted on 25/4/2014. Medical report was received on 2/5/2014. Medical surveillance was conducted by occupational doctor (Registration number HQ/08/DOC/00/545). Both employees fit to continue work. After further review of the relevant documents, the major nonconformity was appropriately closed on 26/5/2014. Routine plan available.

Ref. 1047140M5: Major nonconformity against indicator 4.7.3: Workers should be covered by accident insurance.

Workman Compensation Insurance for contractor's workers not available. During the document audit on 24/4/2014, it was found that workman compensation insurance for workers under the FFB Harvesting Contractor Gemilang Enterprise was not available as per the contract term and condition section (K) dated 1/7/2013 (contract date).

Corrective Action Plan and Close out evidence:

The operating unit submitted corrective action plans which BSI Audit team conducted review and accepted the corrective action plan. The evidence of implementation was received on 25/4/2014 immediately after the closing meeting. BSI audit team conducted document assessment on the evidence submitted. The implementation evidence was accepted on 2/5/2014 after receiving the complete corrective action plans. The corrective action plan and evidence as follows: The management realised that the copy of the insurance policy is not kept at the estate. The management contacted the contractor for the copy of the insurance policy. The copy of the insurance policy was submitted to the BSI audit team at the end of closing meeting. The BSI audit team checked and verified all the information on the insurance policy. The insurance master policy number W0235980 valid until 29/05/2015, issued by Ace

Jernih Insurance Berhad. The nonconformity was closed on 26/05/2014.

Minor Nonconformities

There was no minor nonconformity found during the ASA4.

Observation/Opportunity for improvement

There were two Observations/Opportunities for improvements were identified. The progress with the Observations/Opportunities for Improvement will be followed up at the next Re-Certification Assessment. The details of the observations are as per below:

Observation 1 (6.6.1):

Cha'ah Mill: The Union meeting was done on 18/3/2014 and minutes available. Updating of the action taken and person in-charge was missing in the minutes of meeting. North Labis Estate: Union meeting was schedule on 12/5/2014. Union meeting minutes will be followed up.

Observation 2 (4.6.4):

Cha'ah Estate: All the MSDS are available. However, some are in English.

3.3 Status of Nonconformities Previously Identified

Previous minor nonconformities CR08 was followed up during the ASA4 and the corrective action plans were implemented. The minor nonconformities were closed on 25/04/2014.

CR08: Minor compliance indicator 5.3.2 Having identified waste and pollutants, an operational plan should be developed and implemented, to avoid or reduce pollution.

A nonconformity was assigned because follow up of observation 07 identified during ASA2 found no action had been taken to prevent ash and fibre from entering the drain. The observation was upgraded to nonconformity against this minor compliance indicator.

Corrective Action and close out implementation:

The leakages at the boiler body that resulted in ash coming out remain patched by the maintenance team. Damaged drain cover repaired and replaced to prevent debris from entering the drain. Monitoring of the boiler ash area carried out by the foreman on weekly basis. Site Visit during the ASA4 found that all the plans were effectively implemented and the nonconformity was closed on 25/04/2014

Observation

01 (2.1.1) Chaah mill labour department approval of extension to the number of overtime hours worked each month will expire on 30.11.2013. It is important to ensure sufficient time to complete the renewal process. ASA4: The extension was renewed and valid.

02 (4.4.1) At Chaah estate, the sample of palms inspected along sungai sayong showed consistent protection of buffer zone, ut small stream near the club, there was evidence of some palm circle sprayed within

the buffer boundary.

ASA4: Visit to the site confirm no over spraying.

03 (4.4.5) The mill water treatment plant operator had not reported a badly leaking gland seal on transfer pump #1.

ASA4: No leaking issues noted during this visit.

04 (4.6.1): At Chaah estate, the accuracy of measuring pesticide concentrate could be improved by using laboratory grade plastic measuring cylinders to eliminate parallax error.

ASA4: The estate has replaced the measuring tools to plastic measuring cylinders.

05 (4.6.3) Two instances were found of pesticide not being stored in accordance with the application regulation. At Chaah estate there was an unlabelled 20 litre container stated contains a mixture of diesel and malathion. Simapng Kiri estate two containers were in general store.

ASA4: No any misplaced containers found during this visit.

06 (4.7.1) There was no record of First Aid training being carried out for the mill employees since 2009.

ASA4: First training conducted by the hospital assistant to the first aiders.

Noteworthy Positive and Negative Components

The Mill is ensures minimum downtime and to reduce maintenance cost. Safety sign are clearly marked with walkways.

The Mill is maximizing renewable fuel use by fully utilizing shell and fiber.

As per Sime Darby's Group practice, riparian buffer zones are consistently maintained.

Training of the workers and staff remain as high priority in health and safety aspects beside on the job training.

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

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

a) Representative from Labour Union: Representative from Labour Union highlighted that all operating units comply with labour requirement and minimum wage.

Company Response: The management will continue to comply with the minimum wage.

Auditor comments: No further action required.

b) Village Representative: There is no land dispute or other grievances. Good relationship is maintained.

Company Response: The management will maintain the good relationship.

Auditor comments: No issues.

c) Contractors: Payment is prompt as per agreed contract. No other issues.

d) School teacher: Management always support school activities. The relationship is good. No other issues.

f) Foreign workers representative: No issue regarding pay and condition of work. He highlighted that they are treated equally. All foreign workers have access to management similar to local workers.

Company response: The management treat all employees equally and no discrimination. The workforce is treated as an asset for long term success.

Auditor comments: No disputes were highlighted by foreign workers interviewed during field visit.

4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

4.1 Date of Re- Certification Assessment

The re-certification assessment will be scheduled within 12-9 months from the ASA4.

4.2 Date of Closing Nonconformities (Major and Minor)

CAR Ref.	CLASS	ISSUED	STATUS
CR01 2.1.1	Major	29/6/2009	Closed 06/07/2010
CR02 4.4.1	Major	29/6/2009	Closed 06/07/2010
CR03 5.2.2	Major	29/6/2009	Closed 06/07/2010
CR04 4.3.2	Minor	29/6/2009	Closed 19/12/2011
CR05 5.2.2	Major	12/07/2012	Closed 10/09/2012
CR06 5.2.3	Minor	12/07/2012	Closed 03/05/2013
CR07 6.1.3	Minor Upgraded to Major	12/07/2012 03/05/2013	Closed 02/07/2013
CR08 5.3.2	Minor	03/05/2013	Closed 5/04/2014
1047140M0 2.1.1	Major	25/04/2014	Closed 26/05/2014
1047140M4 4.6.5	Major.	25/04/2014	Closed 26/05/2014
1047140M5 4.7.3	Major	25/04/2014	Closed 26/05/2014

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


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

Signed for on behalf of
Chaah Certification Unit

SIME DARBY PLANTATION SDN BHD
Kilang Kelapa Sewit Cha'ah
Co. No. 647766-V


.....
AZHANIZAM BIN R DENI
Mill Manager

Signed for on behalf of
BSI Group Singapore Pte Ltd


.....
Mr. Senniah Appalasamy
BSI Lead Auditor

Appendix A: Sime Darby Plantation Sdn Bhd – Chaah Palm Oil Mill Certification Unit’s RSPO Certificate Details

Sime Darby Plantation Sdn Bhd
 Strategic Operating Unit (SOU) 20,
 SOU 20 - Chaah Palm Oil Mill,
 Batu Pahat,
 Johor,
 Malaysia.
 Website: <http://plantation.simedarby.com>

BSI RSPO Certificate No: SPO 548299
 Applicable Standards: RSPO Certification System June 2007 (revised March 2011); RSPO P&C MY-NIWG 2010; Annex 4: Procedure for Annual Surveillance Assessment; RSPO Supply Chain Certification Standard: November 2011, Module D – CPO Mills: Segregation.

Chaah Palm Oil Mill and Supply Base		
Location	Batu Pahat, Johor, Malaysia.	
Address	Strategic Operating Unit (SOU) 20, Chaah Palm Oil Mill, Batu Pahat, Johor, Malaysia.	
GPS	102° 59' 47.6772 E ; 2° 10' 40.8468" N	
CPO Tonnage Total Production (Certified)	28,723	
PK Tonnage Total Production(Certified)	7,522	
Company Estate FFB Tonnage (Certified)	136,780	
Estates FFB Tonnage (Certified)	Chaah Estate	68,915
	North Labis Estate	32,902
	Simpang Kiri Estate	34,963

Appendix B: Assessment Programme

Date	Time	Subjects	Senniah	Muhd Haris
Monday 21/4/2014	AM PM	Travel to site. Meeting up with Stakeholders.	√	√
Tuesday 22/4/2014	08.30 – 09.00	Opening Meeting: <ul style="list-style-type: none"> • Presentation by the Estate and mill managers • Presentation by Audit team leader. • Confirmation of assessment scope and finalize Audit plan (including stakeholder's consultation). 	√	√
	09.00 – 12.00	Cha'ah Palm Oil Mill Inspection: FFB receiving, warehouse, workshop, wastes management, Effluent Ponds, OSH, Environment issues, POME application, water treatment, staff, workers and contractor interview, housing and facility inspection.	√	√
	12.00 – 13.00	Lunch	√	√
	13.00 – 17.00	Cha'ah Palm Oil Mill: Document Audit, SOPs, Supply chain for CPO mill, Review on SEIA documents and records, wage records, employee data, training records, permits, mill inspection records, etc.	√	√
Date	Time	Subjects	Senniah	Muhd Haris
Wednesday 23/4/2014	08.30 – 12.00	Cha'ah Estate Field visit, boundary inspection, fertiliser application, field spraying, harvesting, workers interview, buffer zone, HCV area, Office, workshop, worker housing, clinic, Landfill, Chemical store and mixing, etc.	√	-
	09.00 – 12.00	Meeting with stakeholders (Government, village rep, smallholders, Union Leader, contractor etc.)	-	√
	12.00 – 13.00	Lunch	√	√
	13.00 – 17.00	Cha'ah Estate Document review (General Documentation e.g. Legal, Manual and Procedure, HCV identification, SEIA documents, Health and Safety, Time bound plan verification, review pay documents etc).	√	√
Thursday 24/4/2014	8.30 – 12.00	North Labis Estate Field visit, boundary inspection, fertiliser application, field spraying, harvesting, workers interview, buffer zone, HCV area, Office, workshop, worker housing, clinic, Landfill, Chemical store, mixing, etc.	√	√
	12.00 – 13.00	Lunch	√	√
	13.00 – 17.30	North Labis Estate Document review (General Documentation e.g. Legal, Manual and Procedure, HCV identification, SEIA documents, Health and Safety, review pay documents etc).	√	√
Friday 25/4/2014	8.30 – 12.00	Continue Supply Chain audit and Verify any outstanding issues.	√	√
	12.00 – 14.30	Lunch and Friday Prayers.	√	√
	14.30 – 16.30	Prepare for closing meeting Closing meeting.	√	√

Appendix C: List of Stakeholders Contacted

<p><i>Internal Stakeholders</i></p> <p>Managers and Assistants Male Mill Staff/Workers Foreman Female Mill Staff/Workers Weighbridge Clerk Foreign Worker Field workers Male and Female Estate workers Hospital Assistant Lab Assistant Union Representatives Gender Committee Representative Boiler operators Engine room operators Store clerk Staff and Workers at workshop</p>	<p><i>External Stakeholders</i></p> <p>Head of the Villages Village Representative Mosque Committee Contractors General Supplier</p>
<p><i>Government Departments</i></p> <p>Labour Department Police Representative School Teacher</p>	<p><i>Workers Union and Representative</i></p> <p>NUPW Representative AMESU Representative Foreign Workers Representative</p>

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

Requirements	Compliance
D.1. Documented procedures	
D.1.1 The facility shall have written procedures and/or work instructions to ensure implementation of all the elements specified for Segregation (SG) supply chain requirements. a) Complete and up to date procedures covering the implementation of all the elements. b) The name of the person having overall responsibility for and authority over the implementation of these requirements and compliance with all applicable requirements. This person shall be able to demonstrate awareness of the facilities procedures for the implementation of this standard.	Chaah palm oil mill have written documented procedures for the chain of custody with SG and MB model covering certified and non certified FFB. The mill manager has the responsibility to ensure implementation. During the audit only the SG model used because only certified FFB is processed at the moment. However, the palm oil mill also have the system in place to use Mass Balance model through either down grading the SG to MB or through purchasing non certified FFB in the future.
D.1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFBs.	Chaah mill has documented procedures for the incoming FFB, processing and outgoing palm products (CPO and PK). System available to make marking on the receiving documents to differentiate the certified and non-certified FFB received. Only certified FFB received.
D.2. Purchasing and goods in	
D.2.1 The facility shall verify and document the volumes of certified and non-certified FFBs received.	Daily records are prepared at the entry point at the weighbridge. Daily summary and monthly summary documented for all the certified and non certified FFB. Records verified by internal and external audit. Only certified FFB received.
D.2.2 The facility shall inform the CB immediately if there is a projected overproduction.	The facilities aware of this procedure. The facility informed about the overproduction which was achieved due to the higher OER achieved. The facility did not perform any overselling of certified product. No transaction in eTrace.
D.3. Record keeping	
D.3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of certified and noncertified palm products.	Daily records are prepared at the entry point at the weighbridge. Daily summary and monthly summary documented for all the certified FFB. Records verified by internal and external audit. Only certified FFB received.
D.3.2 Retention times for all records and reports shall be at least five (5) years	The retention period is specified as five years and financial documents retained longer based on the local regulation requirement.
D.3.3 The facility shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, PKO and palm kernel meal on a three-monthly basis.	All the inventory records are maintained and updated on daily basis and monthly report shows monthly inventory. No PKO and Palm kernel meal at Chaah mill. PK is sold to Sime Darby's subsidiary kernel crushing plant.
D.3.4 The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. *product name*/SG or Segregated. The supply chain model used should be clearly indicated.	System in place to indicate CPO/Segregated on the documents related to the supply chain.
D.4. Sales and goods out	
D.4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information	Until the moment of this ASA4, no certified palm oil sold through eTrace. Conventional CPO sold to Sime Future Trading. This information was verified in the eTrace. Sales of GreenPalm certificate was sold as a group rather than individual mill. Sample of existing sales documents were checked and found that sales documents include required information and comply to the requirement. The information on the documents are:
(a) The name and address of the buyer	Name and address of buyer written on the existing invoice. i.e. Sime Future Trading Sdn Bhd, Kuala Langat, Selangor.
(b) The date on which the invoice was issued	Date is written on all dispatch and relevant documents
(c) A description of the product, including the applicable supply chain model (Segregated)	System in place to write product description and supply chain model is written as CPO/Segregated.
(d) The quantity of the products delivered	Quantity in tone.
(e) Reference to related transport documentation	Weighbridge documents and D/O includes all the transport references.
D.5. Processing	
D.5.1 The facility shall assure and verify through clear procedures and record keeping that the RSPO certified palm oil is kept segregated from non certified material including during transport and storage and be able to demonstrate that is has taken all reasonable measures to ensure that contamination is avoided. The objective is for 100 % segregated material to be reached. The systems should guarantee the minimum standard of 95 % segregated physical material; up to 5 % contamination is allowed	During this assessment it was confirmed that only certified source of FFB from own plantation is processed. This ensures that there is no possibility of mixing during processing.
D.5.2 The facility shall provide documented proof that the RSPO certified palm oil can be traced back to only certified	Processing and storage records can trace back to only certified segregated raw material (FFB) and finish product (CPO and PK).

segregated material.	
D.5.3 In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that: <ul style="list-style-type: none"> The crush operator conforms to these requirements for segregation The crush is covered through a signed and enforceable agreement 	There is no outsourcing activity directly handled by the mill. The kernel is sold to a subsidiary kernel crushing plant belong to Sime Darby Group. The kernel crushing plant have own supply chain certificate and it is independent from the mill.
D.6 Training	
D.6.1 The facility shall provide the training for all staff as required implementing the requirements of the Supply Chain Certification Systems.	Staffs in the weighbridge, inventory, storage and processing, document control have attended training. Training was conducted on 7 March 2014.
D.7. Claims	
D.7.1 The facility shall only make claims regarding the use of or support of RSPO certified palm oil that are in compliance with the RSPO Rules for Communications and Claims.	No claims made because the CPO is delivered/sold to downstream refineries.

Actual Certified Palm Production - 01 April 2013 - 31 March 2014 (ASA3)

MILL	CAPACITY	CPO	PK
Chaah Palm Oil Mill	30 mt/hr	26,761	5,725

Actual Sales of Certified Palm Products - 01 April 2013 - 31 March 2014 (ASA3)

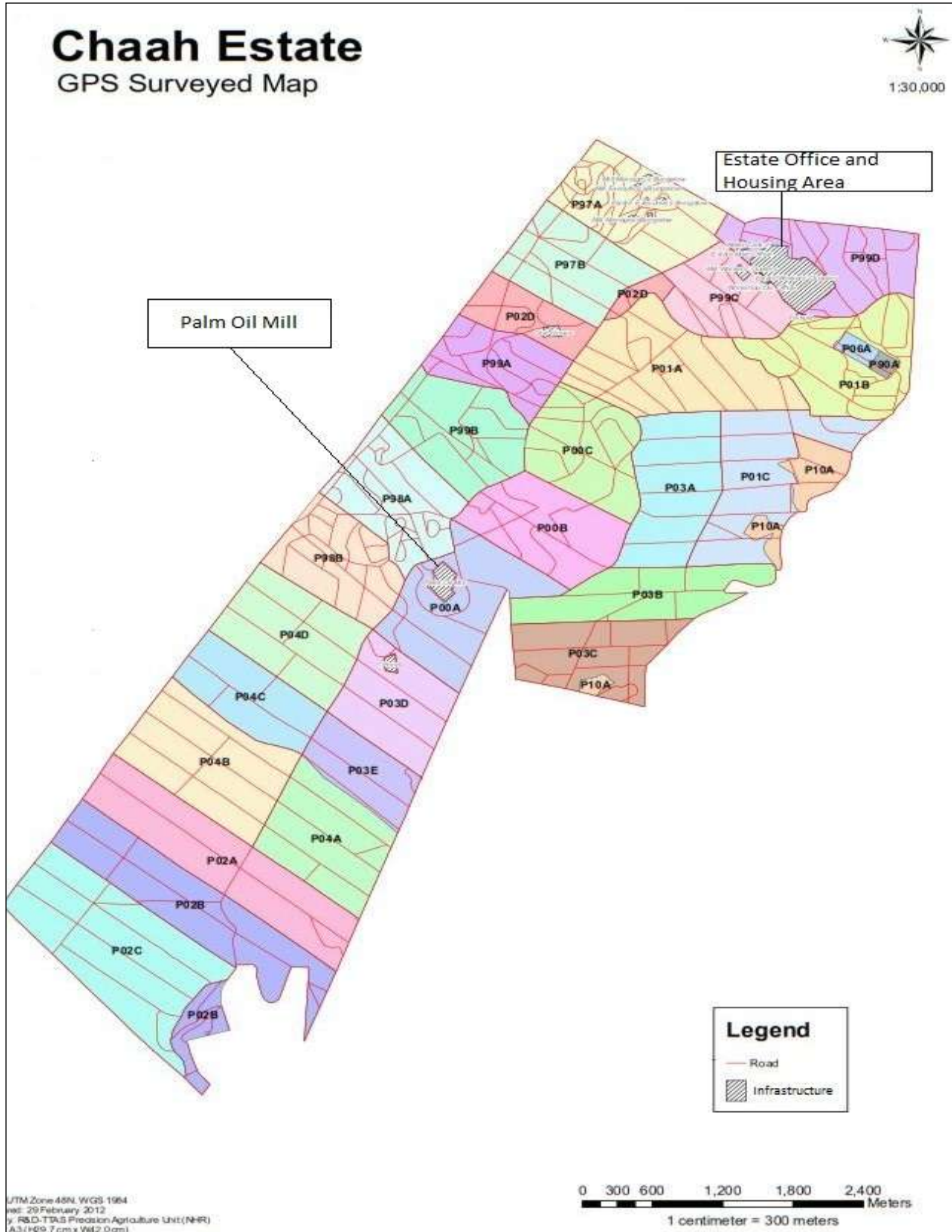
MILL	Certified CPO Sales	Certified PK Sales	Remarks
Chaah Palm Oil Mill	NIL	NIL	No sales of certified palm products through eTrace system.

Actual Certified FFB Received Monthly - 01 April 2013 - 31 March 2014

Month	Chaah	North Labis	Simpang Kiri	Total FFB/Month
April 2013	2,959	3,766	1,688	8,413
May 2013	3,217	3,105	1,678	8,000
June 2013	4,633	1,728	2,097	8,458
July 2013	5,588	1,425	2,650	9,663
August 2013	6,437	1,954	2,838	11,229
Sept. 2013	8,142	2,147	3,702	13,991
Oct. 2013	9,406	2,791	3,308	15,505
Nov. 2013	7,296	2,654	2,557	12,507
Dec. 2013	5,241	2,956	1,910	10,107
January 2014	5,269	2,819	1,916	10,004
February 2014	3,581	2,496	1,470	7,547
March 2014	2,350	2,112	1,098	5,560
Total	64,119	29,953	26,912	120,984

Appendix E

Chaah Estate Field Map with location of the Chaah Palm Oil Mill



Appendix F

North Labis Estate field map



Appendix G: Sime Darby Plantation Time bound Plan

certification Status	Malaysia	Indonesia	Status during ASA03
Certified as of March 2014	34 Certification units	24 Certification units	Total Certified: 58
Undergoing Certification Process	-	1 Certification Unit	Certification on-going: 1
RSPO EB Review	-	-	-
Total	34 Certification units	25 Certification units	59 Certification units