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PUBLIC SUMMARY REPORT

RSPO INITIAL ASSESSMENT

Sime Darby Plantation Sdn. Bhd Pagoh Palm Oil Mill, Muar, Johor, Malaysia

Report Author:

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SUMMARY

BSi has conducted the Initial Certification Assessment of Pagoh Palm Oil mill and supply base operations located in Muar, Johor, Malaysia comprising one palm oil mill, four company own oil palm estates, support services and infrastructure. All the supply base estates were certified in January 2011 through Nordanal Palm Oil Mill. Sime Darby Plantation Sdn Bhd decommissioned Nordanal Palm Oil Mill and commissioned new Pagoh Palm Oil Mill. Pagoh Palm Oil Mill is belongs to Sime Darby Plantation Sdn Bhd. (RSPO Membership number: 1-0008-04-000-00).

BSi conducted the Initial Certification Assessment on 18 – 21 June 2013. The assessment was conducted against the RSPO requirements [RSPO P&C MYNI 2010; RSPO Certification System June 2007 (revised March 2011) and Supply Chain Certification Standard: November 2011, Module D-CPO Mills: Segregation]. There were two major nonconformities raised during the certification assessment. Corrective action plans for both major nonconformities were appropriately implemented and closed prior to finalising this assessment report.

BSi concludes that Pagoh 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) and Supply Chain Certification Standard: November 2011, Module D – CPO Mills: Segregation].

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

ABBREVIATIONS USED

| | |
|-------|--|
| ASA1 | Annual Surveillance Assessment 1 |
| BOD | Biological Oxygen Demand |
| CHRA | Chemical Health Risk Assessment |
| CPO | Crude Palm Oil |
| DOE | Department of Environment |
| DOSH | Department of Occupational Safety & Health |
| EFB | Empty Fruit Bunch |
| EMS | Environmental Management System |
| FFB | Fresh Fruit Bunch |
| HCV | High Conservation Value |
| IAV | Initial Assessment Visit |
| IPM | Integrated Pest Management |
| PPOM | Pagoh Palm Oil Mill |
| MAPA | Malaysian Agriculture Producers Association |
| MPOA | Malaysian Palm Oil Association |
| MSDS | Material Safety Data Sheet |
| MY-NI | Malaysian National Interpretation |
| NUPW | National Union of Plantation Workers |
| 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 INITIAL CERTIFICATION ASSESSMENT

1.1 Identity of Certification Unit

Pagoh Palm Oil Mill and estates are located in Muar, Johor, Malaysia (Appendix E). The oil mill is central to the estates located near Pagoh town. Pagoh Palm Oil Mill process FFB from own company estates. No FFB from outside source received/processed by the mill. Additional maps are included in the Appendix F and Appendix G showing Pengkalan Bukit Estate and Pagoh Estate field map. The GPS location of the mill is shown in Table 1.

Table 1: Mills GPS Locations

| MILL | EASTING | NORTHING |
|--|---------|----------|
| Pagoh Palm Oil Mill (Capacity: 45mt/hr) | 102.759 | 2.083 |

1.2 Production Volume

The estimated tonnages reported during the Initial certification Assessment are detailed in Table 2. The projected tonnages for the year 2013 period of the Certificate are based on the annual budget. This is a new mill commissioned in 2013. No previous production.

Table 2: Production tonnages

| Pagoh Palm Oil Mill | Projected for 2013 |
|---------------------|--------------------|
| CPO | 37,508 |
| PK | 9,595 |
| OER | 21.50 |
| KER | 5.50 |

1.3 Certification details

RSPO Membership No: 1-0008-04-000-00
 BSI RSPO Certificate No: SPO 600305
 Date of Initial Certification Assessment: 18–21 June 2013
 Date of certification: Subject to RSPO Approval of Summary Report

1.4 Description of Supply Base and Supply Chain

The supply base is the FFB from four company owned estates that supplied 100% of the FFB processed at the Pagoh Palm Oil Mill. The projected FFB for the year 2013 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 Pagoh Certification Unit. Pagoh Palm Oil Mill is using the Segregation mechanism for the incoming FFB and outgoing palm products. This is possible because Pagoh Palm Oil Mill receives FFB from company owned estates which are included in the certification scope. There is no FFB supply from outside source.

Projected FFB tonnage in Table 3 shows an average of 24.54mt FFB per hectare (mature hectare) for the whole supply base in Pagoh Certification Unit.

Table 3: Estate FFB Production Tonnages

| Estate | Projected 2013 |
|-----------------|----------------|
| Lanadron | 61,866 |
| Pengkalan Bukit | 55,119 |
| Welch | 12,504 |
| Pagoh | 44,969 |
| Total | 174,458 |

The age profiles of the palms are shown in Table 4a. The immature areas are those replanted in 2010 - 2013. There is no any new planting. It was noted from the age profile that there are palms exceeded the 25 years replanting cycle. These areas are planned for replanting in 2013 onwards.

Table 4a: Age Profile of Palms

| AGE (years) | % of PLANTED AREA | | | |
|--------------|-------------------|------------------------|---------------|---------------|
| | Lanadron Estate | Pengkalan Bukit Estate | Welch Estate | Pagoh Estate |
| 26 – 30 | 3.47 | 0.52 | 20.16 | 15.65 |
| 21 – 25 | 23.74 | 8.98 | 0 | 26.67 |
| 11 – 20 | 31.39 | 52.61 | 66.74 | 17.97 |
| 4 – 10 | 31.94 | 14.21 | 13.10 | 25.99 |
| 0 – 3 | 9.46 | 23.68 | 0 | 13.72 |
| TOTAL | 100.00 | 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 8,263.66ha. 13.97% of the total planted area is in immature stage.

The immature palms are located at Lanadron Estate, Pengkalan Bukit Estate and Pagoh Estate.

Table 4b: Estates and Areas Planted

| Estate | Mature (ha) | Immature (ha) | Total Planted Area |
|-----------------|--------------------------|--------------------------|------------------------|
| Lanadron | 2,326.35 | 243.08 | 2,569.43 |
| Pengkalan Bukit | 2,346.10 | 638.41 | 2,984.51 |
| Welch | 721.70 | 0 | 721.70 |
| Pagoh | 1,715.30 | 272.72 | 1,988.02 |
| TOTAL | 7,109.45 (86.03%) | 1,154.21 (13.97%) | 8,263.66 (100%) |

1.5 Other Certifications Held

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

1.6 Organizational Information / Contact Person

Sime Darby Plantation Sdn Bhd
Pagoh Palm Oil Mill,
Lot 2159, Ladang Pagoh, Mukim Jalan Bakri,
84309 Muar, Johor,
Malaysia.
Contact Person: Mr. Arumugam Vyapuri Pillay
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1.7 Progress against Time Bound Plan

Sime Darby Time Bound Plan is included as Appendix H. Sime Darby has achieved RSPO Certification for 32 of the Management Units in Malaysia and 19 in Indonesia. There are two certification units in Malaysia are newly commissioned palm oil mills and undergoing RSPO initial Certification. There are 6 certification units in Indonesia was audited and summary report is being RSPO peer reviewed. Upon certification of the remaining Certification Units, Sime Darby will have achieved the Time Bound Plan.

Sime Darby kept BSi informed that SOU 19 Nordanal Mill and SOU 25 Segaliud mill was decommissioned. Sime Darby also kept BSi informed on new palm oil mills commissioned. The Pagoh Certification Unit is using SOU 19 as reference number. Pagoh palm oil mill's initial certification assessment was conducted as per the time bound plan in June 2013.

BSi has continued involvement with assessments of Sime Darby Management Units during the 2012/13 period. Sime Darby consistently has kept BSi informed of any emerging issues and claims made against it. At the time of preparation of this Report, BSi is not aware of any new issues involving:

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

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

Progress of Associated Smallholders/Out-growers towards RSPO Compliance

Pagoh Palm Oil Mill does not purchase FFB from smallholders or out-growers. There is no any associated FFB suppliers.

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 Appalasamy - Lead Assessor

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

Isman Yusoff – Team member

He holds Executive MBA from University Technology Mara and a degree in Electrical Engineering from University of Missouri, USA. He worked as an ISO 9001 Lead Auditor with SIRIM and as an ISO 9001, ISO 14001 and OHSAS 18001 Lead Auditor with Det Norske Veritas (DNV) for the past 6 years. He is also experience in Bio Mass CDM Projects. Currently he is a Lead Auditor with BSi for ISO 9001, ISO 14001 and OHSAS 18001. Isman Yusoff attended RSPO internal training on September 2012. He attended RSPO Certification Body workshop on October 2011, February 2012, June 2012 and Supply

Chain Training organised by RSPO Secretariat on February 2012. He has involved in auditing palm oil mills as well as wood industries. He has been involved in RSPO assessment since September 2012 as a team member covering assessment with RSPO P&C in Malaysia. During this assessment, he assessed on the aspect of legal, environment, safety and health and mill best practices.

Muhammad Haris B. Abdullah – Team member

He graduated from the Open University Malaysia with a Bachelor of Business Administration (Hons) Majored in Human Resource Development and currently pursuing his Master's Degree in Business Administration from the University Utara Malaysia. He has more than 3 years working experience in oil palm plantation and conducting social impact assessments of agriculture, agriculture best practices, and environmental impact assessment and workers welfare. He will be attending the RSPO Lead Auditor Training in April 2013. He had assisted with conducting audits of oil palm plantation for more than 7 companies against the RSPO P&C in Indonesia and in Malaysia for the past 3 years. During this assessment, he assessed on the aspect of Legal, Social and community engagements, Stakeholders consultation, and workers welfare.

2.3 Assessment Methodology, Programme, Site Visits

The Initial Assessment was conducted from 18 - 21 June 2013. The audit programme is included as Appendix C. The approach to the audit was to treat the mill and its supply base as an RSPO Certification Unit. Mill was audited together with the sample estates (Pagoh Estate, and Pengkalan Bukit 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. 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 Major Nonconformities that were assigned during the initial certification assessment were followed up to check the effectiveness of corrective actions and evidence of the implementation. The Initial Certification Assessment findings are detailed in Section 3.2 Page 13.

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

2.4 Stakeholder Consultation

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

Meetings were held with stakeholders during the certification assessment on 19 June 2013 to seek stakeholders' views on the performance of the company with respect to the RSPO requirements and aspects where they considered that improvements could be made. At the start of each meeting, the interviewer explained the purpose of the audit followed by an evaluation of the relationship between the stakeholder and the company before discussions proceeded. The interviewer recorded comments made by stakeholders and these have been incorporated into the assessment findings.

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

2.5 Date of Annual Surveillance Assessment

The 1st Annual Surveillance Assessment will be scheduled within twelve months of RSPO Certificate.

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

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

During the Initial Certification Assessment there were two major nonconformities, three minor nonconformities and ten Observations/Opportunities for improvement were identified. Pagoh 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.

PRINCIPLE 1: Commitment to Transparency

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 possible 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. It is noted that all correspondence are in local language. Recently all the operating units responded to the information request from DOSH on newly installed equipments at Pagoh Palm Oil Mill total was responded on 20/5/2013 (1.1.1)

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

The management documents include other key indicators of performance like 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. (1.2.1)

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. 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. (1.2.2)

Copy of the Environmental Aspect and Impact Register and Social Impact Assessment (SIA) are available at all the operating units. Palm Oil Mill developed initial Environmental Aspect and Impact due to the new environment occupied by the newly commissioned mill. Similarly SIA was prepared with Social Action Improvement Plan (1.2.3).

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 dated 1 June 2013 (1.2.4)

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 (1.2.5).

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 20/2/2013 attended by 15 stakeholders (1.2.6).

Continuous Improvement Plan documented by taking into consideration all the impacts identified in SEIA assessment as part of mitigation plan (1.2.6)

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. At the palm oil mill issues related to legal compliance was observed. This was raised as nonconformity as explained under indicator 2.1.1. Internal audits and checks were conducted for monitoring compliance. No land disputes were sighted for Pagoh 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 15/2/2013. 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: MPOB license (565809104000 – Mill; 58941002000 – Pengkalan Bukit Estate; 508589902000 – Pagoh Estate), MPOB Nursery permit 509532111000, Diesel Storage Permit (MR/PD/SK-0344), Steam Engineer, Boiler man and

Engine Driver holding competency certificate, DOE License (No. 002366), etc. All the permits are valid and current (2.1.1). It was noted at the Pagoh Palm Oil Mill, poison license and USECHH compliance to "Hygiene Technician Reports" for the use of Xylene was not available. A Major nonconformity was raised.

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

Poison license from Director of Pharmaceutical Services or the Director of Medical and Health Services (as per ACT 366 POISONS ACT 1952 (REVISED - 1989) for the storage of Sodium Hydroxide was not available at the Pagoh Mill. The Lab fume hood was without "monthly inspection records" as per OSH (Use and standards of Exposure of Chemicals hazardous to health) Regulation 17(1) for the use of Xylene and "Hygiene Technician Reports" although usage of Xylene which is (Schedule 1) is in use.

Foreign workers have valid work permits. Foreign workers passport and work permit was checked and verified during documents audit. Boiler and diesel engines are in possession of valid certificates and comply with local laws. Mill has boiler register which indicate the date of cleaning, repairing, inspection and tested date. The register is available and was checked during the document audit. The DOSH officer interviewed during the stakeholder consultation confirmed that inspection carried out by officers from DOSH Johor. 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 revised in June 2013 to include latest regulations (2.1.2).

Observation 1 (2.1.2): Legal and Other Requirement Register is available and evaluation conducted. Updating of Legal and Other Requirement Register is in progress of updating at the Head Office level.

The manager, compliance executive at the operating units and PSQM executives are responsible for ensuring that all applicable regulations are implemented (2.1.3).

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. (2.1.4)

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

The mill and estates holds copies of land ownership in the form of land titles. 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. Pengkalan Bukit Estate holds 61 land titles and Pagoh estate holds 27 land titles. Sample land titles checked found to be in compliance (Title number GN82106, GRN3292, GN 3166) (2.2.1).

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 (2.2.2)

The Estates have maps showing the locations of boundary stones that have been physically located and marked. Inspection of the boundary stones at the estates during the field visit reveal that it is clearly marked with red and white paint and maintained. Boundary stone at Sari Baru village and Seri Meranti Village was inspected (2.2.3.1)

There is no a land dispute or boundary disputes. (2.2.3.2)

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 Mill and Estates are on the free hold land. 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. (2.3.1 – 2.3.3)

PRINCIPLE 3: Commitment to Long Term Economic and Financial Viability

Pagoh 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.

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. Two year projection includes FFB forecast, CPO, PK production forecast and replanting plans. (3.1.1)

The annual budget contain data on FFB yield/ha, OER, CPO yield/ha, PK and cost of production.

There are about 283.53ha which exceed the 25years replanting cycle at Pengkalan Bukit Estate is due for replanting. Similarly about 311ha at Pagoh Estate id programmed for replanting. The replanting plan was reviewed the financial year 2013/2014 (3.1.2)

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

Pagoh 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 SOPs: 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. (4.1.1)

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. Mill adviser visited the Pagoh Palm oil Mill on 30/5/2013. Planting adviser visit was on 9-11/1/2013. Government regularity bodies such as DOSH visited on 24/4/2013 and 20/5/2013 to monitor legal compliance (4.1.2).

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

Sime Darby Seeds and 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 on 17-18/1/2013. Fertilizer recommendation dated 10/4/2013 was checked. Recommendation for the field OP91CA (14.42ha) was 1.25kg/palm Muriate of Potassium (MOP). Application records match the recommendation. Fertilizer application records held on file "Fertiliser Application Records" (4.2.1 and 4.2.2).

EFB application only applied to selected fields (13 A, B and C covering 126.14ha at Pengkalan Bukit Estate and field 2013C at Pagoh estate) which is close to the palm oil mill. Average about 45mt/ha EFB applied. No POME application because Pagoh Palm Oil Mill is newly commissioned and effluent discharged is insufficient for POME land application. Zero burning is carried out during replanting (4.2.3).

Observation 4 (4.2.3): All estates have records of EFB application. Records are on divisional basis with total applied and division where EFB was applied. It will to the benefit of the estate to keep the records on field/block basis to monitor each field.

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

All the estates hold copies of soil map. The main soil type is Renggam Series which is lateritic. As such 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 (4.3.1 and 4.3.2).

The soil analysis includes periodic tissue and soil sampling to monitor changes in nutrient status.

Both estates visited has 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, laterite 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 (4.3.3).

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. Majority soil categorised as Rengam (4.3.4 and 4.3.5).

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

Reinstatement of riparian strips as per Sime Darby plantation's policy at both side of the stream during replanting is implemented. This was observed during the field visit to the replanted area. 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. Visit to Pagoh River confirm that the buffer zone was reinstated during replanting in 2005 and well managed. Use of agrochemical has been ceased and replaced with manual weeding along the buffer strip (4.4.1).

No bunds/weirs/dams were constructed across the main waterways in the estate (4.4.2).

Sime Darby Seeds and Agriculture Services Sdn Bhd carry out water analysis of the river (upstream and downstream) water sample to reflect the estates and mills current activities which may have negative impacts. The result of effluent analysis was BOD<1mg/L dated 3/5/2013. The palm oil mill is just commissioned 6 months ago. There is very little waste water in the first effluent pond. The risk of effluent overflowing to stream is very minimum (4.4.3).

The effluent produced by the mill is not discharged anywhere because the mill is newly commissioned beginning October 2012. There is very little POME in the pond. The permit allows the mill to use the POME for land application with BOD 5,000mg/L. The BOD at the anaerobic pond is 670mg/L.

All operating units maintained monthly rainfall monitoring data. Rainfall monitored and records are sent to agronomist. Rainfall records show an average of 2,148.20mm for the last 10 years. Total rainfall for the year 2012 was 1,629.70mm caused some dry period. The rainfall records show high rainfall during the month of November, December and January (4.4.4).

Water supplies for estate and mill housing were from Government water supply. Pagoh mill has maintained monitoring on water usage for processing which recorded on daily and summarised month end. Average water usage was range from 1.27 – 1.36mt/mt of FFB processed. The average was for the last six months since the commissioning of the Pagoh Palm Oil Mill (4.4.5).

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 (4.4.6).

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 (4.4.7).

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

IPM is documented in 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. Barn owl boxes are constructed at the rate of 1 box to 10ha. Past census records show that there is no 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* (4.5.1 & 4.5.2). It was noted that the census interval for barn owl occupancy was not as per Sime Darby SOP in Agricultural Reference Manual v.1 Section 15. A minor non conformity was raised. See below.

Minor nonconformity against indicator 4.5.2: Monitoring extent of IPM implementation for major pests.

The Barn Owl was introduced and implemented as a biological control for the rat. Census conducted but not as per Sime Darby SOP in Agricultural Reference Manual v.1 Section 15. Sime Darby Agriculture Reference Manual version 1 2008, Section 15 page 4 which referring to the monitoring of barn owl population requires monitoring every six month. However at Pagoh

Estate, the last monitoring/census were conducted on 6-10 July 2012. There is no record of monitoring at six month interval as per the Sime Darby Agriculture Reference Manual v.1 2008, Section 15 page 4.

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 (4.5.4).

Usage of pesticide is monitored by the estates. For example, at Pengkalan Bukit estate glyphosate was used as active ingredient and applied 0.13lit active ingredient was applied per hectare (4.5.4).

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

Monitoring of pesticide usage units per hectare is carried out. For example, at Pengkalan Bukit estate glyphosate was used as active ingredient and applied 0.13lit active ingredient per hectare.

The following was checked:

- I. The operating units comply with Regulation 9 of the Pesticides Act 1974 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.
- II. Form II is maintained whenever highly toxic pesticide is used to monitor the hours worked. The information included is date, site treated, pesticide used, quantity, total working hour and method of application. During the audit it was noted that there in no highly toxic pesticide was used.
- III. 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 (4.6.1).

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. CHRA report for the Pagoh Palm Oil Mill was dated 2/4/2013. All the estates have a generic CHRA dated April 2009 includes all the agrochemicals used by the operating units (4.6.2).

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 (4.6.3).

Used pesticide containers are returned to authorised collector approved by the Agriculture Department. Approval number PPNJ(A)MES4207/08/151/(19).

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 (4.6.4).

Observation 3 (4.6.4): Pagoh estate is supplying clean water in plastic drums for spraying workers in the field. The mark on the plastic drum was faded.

Medical surveillance carried out once a year for all agrochemical handlers. Medical check-up for sprayer was conducted on 7-9/9/2012 by Dr. Tee Chik Kiong from clinic Tee (DOSH Reg. No.: HQ/08/DOC/00(527)). Report shows that no serious medical problems were detected and recommendation was given to applicators to continue work (4.6.5). 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. Further interview with DOSH officer confirm that there is no any issues. (4.6.6).

Paraquat is eliminated since November 2005. At the time of this initial assessment there was no other class 1 agrochemical noted (4.6.7). Records and interview of staff confirmed there is no aerial application of agrochemicals (4.6.8). There is no requested from buyers to conduct chemical residues in CPO and buyer did not conduct the chemical residues test either (4.6.9). Records of the quantity of pesticides used, location of application, active ingredient and these are reconciled monthly against the stocks held at the store (4.6.10).

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

Pagoh Palm Oil Mill and Supply Base estates has maintained an approved Health and Safety Policy dated April 2008 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 (4.7.1).

The Mill and Estates have reviewed and updated the health and safety risk assessments associated with each task. Estate's CHRA dated April 2009. Hazard Identification Risk Assessment Control (HIRAC) review was carried out on 14/5/2013 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.

Observation 5 [4.7.1 (a)]: The palm oil mill and estates: Increasing warning signs to create safety awareness at work sites will improve awareness.

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 that PPE was being worn correctly. Employees exposed to high noise levels are given ear protector such as ear muffs and ear plug. Workplace inspection by the onsite compliance executive includes audit on PPE used. PPE used are in compliance to DOSH requirement. Monitoring noise level was done at the mill by DOSH certified competent person on 9 May 2013. Employees exposed to high noise levels provided with training as required by Regulation 27. The training was conducted by DOSH approved competence person. The training includes explanation on the effects of noise on hearing, purpose of using ear plug and how to use. Training program was inspected and complies with regulation 27. Hearing loss prevention audit done for employees exposed to noise levels by external consultants on 15 May 2013. High noise area is covered and only authorised personnel with ear protector are allowed to enter these area. Regular and periodically maintenance of noisy machine parts carried out. Limiting the amount of time a workers spends in noisy areas and allowing them to exit to quiet areas throughout the working hours. Employees exposed to high noise levels interviewed by the auditors during the mill visit. No complaints were raised.

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. Last OSH meeting minutes at the mill dated 14/5/2013 was checked and verified. 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. Estate's OSH meeting was conducted on 6 April 2013.

All operating units maintain records of accidents and LTIs. The last reported LTIs dated 17/6/2013 for the mill shows zero lost time incident. There is no any fatal accident. Minor common injuries are reported such as thorn prick incidents during the harvesting. At the Pagoh Palm Oil Mill 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. However it was noted that some of the copies of the reports at Pengkalan Bukit Estates and Pagoh Estates was not available during the audit. A Major nonconformity was raised as per below (4.7.2).

Major nonconformity against indicator 4.7.2: Records should be kept of all accidents and periodically reviewed at quarterly intervals.

The accident occurred at Pengkalan Bukit Estate was not reviewed during quarterly safety meeting and was not reported in JKPP 6. At Pagoh estate records of accident prior to 2013 were not available. At Pengkalan Bukit Estate/Main and Pagoh Division, JKPP 8 (dated 1/1/2013) and OSH meeting minute (dated 9 Nov 2012) were available. However, JKPP 8 document did not record the accident dated 3 Aug 2012 as per record in JKPP 6. During the OSH meeting on this accident was not reviewed. At Pagoh Estate, maintenance of all records of accident, dangerous occurrence, occupational poisoning and occupational disease including JKPP 6 and JKPP 8 (which shall be retained 5 years from the date on which it was made) as per Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease [OSH (NADOPOD) Regulation 10(2)] was not available. There was only JKPP 8 for the year 2013. JKPP 6 dated 25/5/2013 without signature (tanda tangan pemberitahuan). The previous year JKPP8 and JKPP 6 accident records were not available.

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 (Policy number FW035781E03, FW025720 and PB-W 0243176-WFC) (4.7.3).

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

The Pagoh 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 (4.8.1).

Some of the trainings conducted are

- a) First Aid Training on 24/5/2013 was attended by 17 first aiders.
- b) Schedule Waste Management training on 27/1/2013 attended by the store clerk, medical assistant and administrative officer.
- c) Agrochemical handling training by external supplier MyCrop Sdn Bhd dated 20/2/2013 attended by 18 workers.
- d) Harvesting training on 18/2/2013 attended by 13 harvesters.
- e) Driving competency training on 4/3/2013 and 22/5/2013.
- f) RSPO training conducted on 20/5/2013 at Sime Darby's Training Centre in Merlimau, Malacca.
- e) Fire Fighting Training (21/01/2013)
- f) Supply Chain and Traceability Training on 15/1/2013
- g) Evacuation drill at mill conducted on 8/4/2013.

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 developed initial Environmental Aspect and Impact in January 2013 due to the new environment occupied by the newly commissioned Pagoh Palm Oil Mill. Environmental Aspect Impact review for the Pagoh Certification Unit was conducted on 15/5/2013 for the new financial year 2013/14. Based on the review result Management Action Plans are developed and implemented as part of continuous improvement (5.1.1).

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 reinstatement of riparian buffer zones, construction of oil traps, management of schedule waste etc (5.1.2).

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

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 which was certified under Nordanal mill. 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. There were no HCV area within the mill and plantation. There is about 14ha (at block 99C) of remnant vegetation categorized as HCV4 at Pengkalan Bukit estate. Other HCV in Pengkalan Bukit estate includes 1ha of temple (HCV6) and 0.25ha of cemetery (HCV6). At Lanadron estate there is 0.75ha temple categorized as HCV6. Similarly temple is categorized as HCV 6 in Welch and Pagoh estate covering an area of 1.5ha. About 66.63ha of 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. The surrounding areas are well developed for housing and occupied by smallholders planted with rubber and Durian. Common species found in the conservation areas are long tail monkeys, wild boar (*Sus scrofa*), Black Cobra (*naja sp.*) and monitor lizard. (5.2.1).

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 (5.2.2 and 5.2.3).

Sime Darby implemented a program of tree planting to enhance the habitat at the conservation areas throughout the company's oil palm plantations. The planting was first commenced on World Environment Day 2009 by allocating tree seedlings to each estate. During the audit it was noted that these trees are growing well. 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.

Pagoh Palm Oil Mill and estates have identified waste products and sources of pollution in the Environmental Impact Assessment and Action Plan with the latest review on 14/06/2013. The source of waste categorized as operational waste, schedule waste, clinical waste, recyclable waste (shell, fiber, EFB, Boiler ash, decanter cake etc), domestic waste etc (5.3.1).

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 small landfill that

was located away from housing and water source. The management is consistent with guidelines for municipal waste disposal. Landfill is monitored to ensure it is as per the municipal waste disposal guideline. (5.3.2).

Scheduled waste is managed well with designated storage area at the mill and each of the estates not to less than 180 days in accordance with the requirements of the Environmental Quality Act 1974 (Scheduled Wastes), Regulations, 2005. Disposal was through licensed collector G-Planter with approval letter from Agriculture Department (No. PPNJ(A)MESY 207/08/151/(19). Consignment note dated 14/6/2013 was for the disposal of SW409. Clinical waste was disposed on 27/5/2013 through Pantai Medivest (5.3.2).

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. Due to the Pagoh Palm Oil Mill was commissioned about 6 months ago; there is hardly any effluent that can be applied for land application. POME land application was not carried out. Pagoh Palm Oil has a permit from DOE (permit number: 002366) for water course discharge with BOD level 100ppm. Mill prepares quarterly BOD monitoring report and sent to DOE. Last report was submitted on 10/4/2013. No discharge to water course (5.3.3).

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 – May 2013 was 20.83KWh. Pagoh Palm Oil Mill has access to electricity from the government for power supply during low production. 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. (5.4.1 and 5.4.2).

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. Land preparation at the recently replanted area was carried out with zero burning techniques (5.5.1). Inspection to the replanted area confirmed that palms are felled, chipped and mulched (5.5.2). During the facility visit and visit to the landfill no evidence of burning waste (including domestic waste) (5.5.3).

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 1/6/2013. 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 Continuous Emission Monitoring System (CEMS) which linked with DOE. 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. The return dated 10/4/2013 ref. Number ASJ(B) 31/152/000/090 Jld 3 was checked and verified. (5.6.1 and 5.6.2). No peat soil (5.6.3).

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. The DOSH officer interviewed during the stakeholder consultation confirmed that inspection carried out by officers from DOSH. 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 on 9 May 2013. There is compliance to Malaysia Standard (MS 1596:2003) which require air pollution monitored every six month. The new mill was commissioned since October 2012. The first air pollution monitoring was conducted for the period of Oct 2012 – March 2013. The report was sent to DOE on 10 April 2013.

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. Initial assessment for the estates was developed in April 2009. Latest review include newly commissioned Pagoh Palm Oil was conducted in June 2013. 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 (6.1.1 and 6.1.2).

Based on the SIA findings and recommendation from the consultant, 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. However at the Pagoh estate it was noted that the mitigation and monitoring plan was without status update. A minor nonconformity was raised (6.1.3).

Minor nonconformity against indicator 6.1.3: A timetable with responsibilities for mitigation and monitoring is reviewed and updated as necessary.

At Pagoh Estate, SIA was conducted and impacts identified but the action plan was without the updated status and action taken to mitigate the impacts. Document review of the SIA for the FY 2012/2013 found that there is no status of action taken.

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 i.e. Union Meeting on 19/3/2013 and Stakeholder meeting on 20/2/2013 ((6.2.1).

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 (6.2.2).

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 (6.2.3).

Observation (6.2.3): Maintenance of a list of stakeholders is available. MPOB and DOSH were missing.

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 (6.3.1). Inspection of the records indicated that the system resolved all disputes in a timely manner (6.3.2). Workers

interview confirmed that the procedure was implemented. There were no disputes at the time of the audit. The community representative attended the stakeholder meeting with the audit team on 19/6/2013 confirmed that he has access to the complaint procedure (6.3.3).

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

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 Pagoh 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 (6.4.1 – 6.4.3).

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

Pay and conditions are documented in the employment agreement between the company and workers and calculated in line with the current MAPA/NUPW award rate. Inspection of contracts of both local and foreign workers confirmed that pay and conditions are available. Management has communicated to all workers that they will be paid the minimum wage in June 2013 onwards as per Minimum Wage Order 2012. Foreign workers are provided with annual leave and paid public holidays. No foreign workers engaged by contractors.

The payslip shows basic wages, allowances, overtime payment, tool allowance and incentive are clearly written in local language which understood by the foreign workers from Indonesia. Translations in a language understood by other nationalities are available. Interview with workers in the field confirm that they understand the wage structure and details. Payslip for the month of May 2013 was checked and verified. Average gross pay is above RM900 (6.5.1).

Contracts of employment contains detail of payments and conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc) available in the language understood by the workers. Those unable to read are explained carefully to them by the executives accompanied by the workers representative. A minor nonconformity was raised because there is no consent letter from workers for deduction (6.5.2).

Minor nonconformity against indicator 6.5.2: Labour laws, union agreements or direct contracts of employment detailing payments and conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc) are available in the language understood by the workers or explained carefully to them by a plantation management official in the operating unit.

At Pengkalan Bukit Estate, It was noted that the deduction from the worker's salary was made. However there is no any consent letter from the workers giving permission for the deduction as per "Permit Pemotongan dari Gaji Pekerja". Deduction permit issued by the labour department (Permit Pemotongan dari Gaji Pekerja" No. PP3/34/0798) dated 14/11/2003 requires the management to get the concern letter (Surat Persetujuan) from the workers before any deduction is made. This letter was not available during the audit.

The deduction permit by the Director of Labour, Johor Labour Department was for the labour union monthly membership fee.

Palm Oil Mill and estates provide adequate housing, water supplies, medical, educational and welfare amenities in accordance with Workers' Minimum Standard of Housing and Amenities Act 1990 (Act 446). Some houses are recently converted to three rooms. 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 ambulance standby 24hours to send employees and dependents to hospitals.

(6.5.3)

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

Worker Union was formed by the workers. Formal meeting with the management was conducted on 19/3/2013 attended by 10 union representatives including foreign workers representative. Workers have freedom to join the workers union. Policy on Freedom of Association dated April 2008 (6.6.1 and 6.6.2).

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

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 (6.7.1).

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

A statement on Equal 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 NUPW/MAPA Agreement (6.8.1 and 6.8.2).

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

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 Pagoh Palm Oil Mill Complex was held on 20/2/2013 and 11/6/2013 attended by 11 committee members. No issue were raised. Record of the meeting is documented (6.9.1 and 6.9.2).

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

There is no smallholder dealing with the palm oil mill. Pricing mechanism for FFB is not applicable because the FFB sourced is from own company estates (6.10.1 and 6.10.2).

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 (6.10.3).

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. For example, agreement with GSD Enterprise dated 1/7/2012 was checked. His contract is still valid. Latest payment for the month of May 2013 was made on 8/06/2013 (6.10.4).

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 (6.11).

Principle 7: Responsible Development of New Plantings

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

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

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

All estate are not using any class 1 pesticides and paraquat. This is one of the major commitment by all the operating units to stop using paraquat(8.1.1).

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 (8.1.2).

The management has identified waste generation as one of its significant impacts. Program has been developed and implemented to encourage segregation of all wastes at source and recycling of materials where practical (8.1.3).

Pollution Preventive Plans have been prepared for the mill and estates. Mill is newly commissioned and new technology and machinery is installed to improve and minimise emissions from mill process (8.1.4).

Social impacts associated with operations have been prepared and an 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 (8.1.5).

All the operating units have an informal system to capture the performance and expenditure in social and environmental aspects. This will be followed up during the annual surveillance (8.1.6)

3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions

During the initial certification assessment there were two major nonconformities and three minor

nonconformities were raised. There were ten observations raised as an area for improvement.

Pagoh Palm Oil Mill and Supply Base Estates submitted Corrective Action Plans for all the nonconformities. Corrective actions plans with respect to the major nonconformities raised during the initial assessment have been reviewed by the BSI audit team and found to be effectively addressing the major nonconformities. The implementation of the corrective action plans to address the major nonconformity raised during the initial certification assessment was verified through desk top document assessment. Document verification and interview with the PSQM executives reveal that the corrective actions were implemented effectively and the major nonconformity was appropriately closed on 20 May 2013.

Major Nonconformity

Ref. 935929M0: Major nonconformity against indicator 2.1.1: Evidence of compliance with legal requirements.

Poison license from Director of Pharmaceutical Services or the Director of Medical and Health Services (as per ACT 366 POISONS ACT 1952 (REVISED - 1989) for the storage of Sodium Hydroxide was not available at the Pagoh Mill. The Lab fume hood was without "monthly inspection records" as per OSH (Use and standards of Exposure of Chemicals hazardous to health) Regulation 17(1) for the use of Xylene and "Hygiene Technician Reports" although usage of Xylene which is (Schedule 1) is in use.

Corrective Action Plan and Close out evidence:

The operating unit submitted corrective action plans on 2/7/2013. BSI Audit team conducted review and accepted the corrective action plan. Part of the evidence of implementation was received on 2/9/2013. The rest of the evidence was received on 10/9/2013. BSI audit team conducted document assessment on the evidence submitted. The implementation evidence was accepted on 20/9/2013. The corrective action plan and evidence as follows:

- a) Operating unit submitted evidence that Sodium Hydroxide used is 2% concentration. The permit requirement is only applicable for concentrations 12% and above [GARISPANDUAN UNTUK PEMEGANG PERMIT NATRIUM HIDROKSIDA (Bagi natrium hidroksida berkepekatan \geq 12% sahaja)].
- b) Lab fume hood inspection was carried out since end of June 2013. Inspection record dated 24/6/2013, 23/7/2013 and 28/8/2013 was checked and verified found to be appropriately conducted.
- c) Hygiene Technician [DOSH registration number JKKP HIE/127/171-3/1(20)] report dated 29/8/2013 found to be compliance with USECHH regulation 2000.
- d) Operating unit appointed laboratory staff Mr. Amir Shah Hashim as person in-charge to ensure the fume inspection and hygiene inspection are carried out as per requirements.

The corrective action plans were appropriately implemented. The major nonconformity was closed on 20/9/2013.

Ref. 935929M1: Major nonconformity against indicator 4.7.2: Records should be kept of all accidents and periodically reviewed at quarterly intervals.

The accident occurred at Pengkalan Bukit Estate was not reviewed during quarterly safety meeting and was not reported in JKKP 6. At Pagoh estate records of accident prior to 2013 were not available. At Pengkalan Bukit Estate/Main and Pagoh Division, JKKP 8 (dated 1/1/2013) and OSH meeting minute (dated 9 Nov 2012) were available. However, JKKP 8 document did not record the accident dated 3 Aug 2012 as per record in JKKP 6. During the OSH meeting on this accident was not reviewed. At Pagoh Estate, maintenance of all records of accident, dangerous occurrence, occupational poisoning and occupational disease including JKKP 6 and JKKP 8 (which shall be retained 5 years from the date on which it was made) as per Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease [OSH (NADOPOD) Regulation 10(2)] was not available. There was only JKKP 8 for the year 2013. JKKP 6 dated 25/5/2013 without signature (tanda tangan pemberitahuan). The previous year JKKP8 and JKKP 6 accident records were not available.

Corrective Action Plan and Close out evidence:

The operating unit submitted corrective action plans on 2/7/2013. BSI Audit team conducted review and accepted the corrective action plan. Part of the evidence of implementation was received on 2/9/2013. The rest of the evidence was received on 10/9/2013. BSI audit team conducted document assessment on the evidence submitted. The implementation evidence was accepted on 20/9/2013. The corrective action plan and evidence as follows:

- a) The operating unit re-submitted revised JKKP 8 to the DOSH on 21/6/2013 with all the information on accidents.
- b) OSH meeting for the second quarter of 2013 was conducted on 28/6/2013. Minutes of meeting section 4.1 recorded reviews on accident occurred before.
- c) Document search on DOSH website shows that JKKP 6 was sent to DOSH with reference number JH/JKKP6/2009/803. A copy of the searched document is documented on 2/9/2013.
- d) Operating units appointed the OSH Committee secretary to ensure that JKKP 6 and JKKP 8 forms are compiled in a separate file to avoid misplacing the forms. The person in-charge will ensure that these documents are kept for minimum 5 years.

BSI audit team found that the corrective action plans were appropriately implemented. After further review of the relevant documents, the major nonconformity was appropriately closed on 20/9/2013.

Minor Nonconformities

Three nonconformities were assigned against Minor Compliance Indicators 4.5.2, 6.1.3 and 6.5.2. Pagoh Palm Oil Mill and Supply Base operations has prepared corrective action plan for addressing the non conformities which BSi audit team has reviewed and accepted. Progress towards resolution on the action taken will be followed up at the annual surveillance assessment. The details of these minor nonconformities are provided below:

A935929N3: Minor nonconformity against indicator 4.5.2: Monitoring extent of IPM implementation for major pests.

The Barn Owl was introduced and implemented as a biological control for the rat. Census conducted but not as per Sime Darby SOP in Agricultural Reference Manual v.1 Section 15. Sime Darby Agriculture Reference Manual version 1 2008, Section 15 page 4 which referring to the monitoring of barn owl population requires monitoring every six month. However at Pagoh Estate, the last monitoring/census were conducted on 6-10 July 2012. There is no record of monitoring at six month interval as per the Sime Darby Agriculture Reference Manual v.1 2008, Section 15 page 4.

A935929N4: Minor nonconformity against indicator 6.1.3: A timetable with responsibilities for mitigation and monitoring is reviewed and updated as necessary.

At Pagoh Estate, SIA was conducted and impacts identified but the action plan was without the updated status and action taken to mitigate the impacts. Document review of the SIA for the FY 2012/2013 found that there is no status of action taken.

A935929N5: Minor nonconformity against indicator 6.5.2: Labour laws, union agreements or direct contracts of employment detailing payments and conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc) are available in the language understood by the workers or explained carefully to them by a plantation management official in the operating unit.

At Pengkalan Bukit Estate, It was noted that the deduction from the worker's salary was made. However there is no any consent letter from the workers giving permission for the deduction as per "Permit Pemotongan dari Gaji Pekerja". Deduction permit issued by the labour department (Permit Pemotongan dari Gaji Pekerja" No. PP3/34/0798) dated 14/11/2003 requires the management to get the concern letter (Surat Persetujuan) from the workers before any deduction is made. This letter was not available during the audit.

Observation/Opportunity for improvement

There were ten Observations/Opportunities for improvements were identified. The progress with the Observations/Opportunities for Improvement will be checked at the Annual Surveillance Assessment. The details of the observations are as per below:

Observation 1 (2.1.2): Legal and Other Requirement Register is available and evaluation conducted. Updating of Legal and Other Requirement Register is in progress of updating at the Head Office level.

Observation 2 (6.2.3): Maintenance of a list of stakeholders is available. MPOB and DOSH were missing.

Observation 3 (4.6.4): Pagoh estate is supplying clean water in plastic drums for spraying workers in the field. The mark on the plastic drum was faded.

Observation 4 (4.2.3): All estates have records of EFB application. Records are on divisional basis with total applied and division where EFB was applied. It will to the benefit of the estate to keep the records on field/block basis to monitor each field.

Observation 5 [4.7.1 (a)]: The palm oil mill and estates: Increasing warning signs to create safety awareness at work sites will improve awareness.

Observation 6 [4.7.1 (g)]: Accident and emergency procedures exist and instructions understood by all workers during interview. The effectiveness was tested at Pagoh mill. Estates should test the effectiveness at estate's level.

Observation 7: The palm oil mill should consider recording the lightning arrester continuity (Ohm) check and it is performed periodically to ensure arrester is in working condition.

Observation 8 [4.7.1(e)]: DOSH visit dated 24/4/2013 commented on Confined space entry procedure. During the audit specific Confined procedure not clearly described. Understanding are lacking on issuing the Permit to work for confined space.

Observation 9: Best practice: The Compressor (MK PMT 1884) at Pagoh division workshop not indicates the PMT number as required.

Observation 10: Security and safety: The fencing at water retention pond at Pagoh Division was damaged. Currently the Vehicle Parking bay at Pengkalan Bukit Estate was stored with fertilizer without any safety/warning signage.

Noteworthy Positive and Negative Components

The Mill is newly commissioned and designed with latest processing equipments to ensure minimum downtime and to reduce maintenance cost. Safety sign are clearly marked with walkways. Average OER achieved as per May 2013 was 21.24% above the projected OER of 20.95%.

The Mill is taking efforts to maximize renewable fuel use by getting shell from other subsidiary Sime Darby mills.

As per Sime Darby's Group practice, reinstatement of riparian buffer zones is consistently implemented at replanting areas.

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

During replanting land that is unsuitable for replanting to oil palm has been set aside as conservation area and protected from disturbance.

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

During this Initial Certification Assessment, the majority of stakeholders had positive comments about Pagoh 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 Police Force: Representative from Pagoh Police Station highlighted that all operating units need to register fire arms (if there is any) with the police for security reason.

Company Response: The management informed that there is no fire arm at the operating units.

Auditor comments: No further action required.

b) Sri Makmur Village Representative: Requested all operating units to monitor the speed limit of the FFB Lorries passing through the village. He informed that there is no land dispute or other grievances. Good relationship is maintained.

Company Response: The management highlighted that monitoring system is in place. There is a security officer assign to conduct the monitoring. All executives and staff are instructed to monitor as well. Counselling and written warning is given if there is proven cases detected.

Auditor comments: During field visit it was noted that one vehicle belongs to neighbouring smallholder was driven with high speed and almost lost control. The management immediately called the smallholder and gave counselling. Audit team will follow up on the improvement during next assessment.

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.

e) Workers union secretary: No pending disputes. Company follow the NUPW/MAPA agreement and minimum wage requirement. Union representative and workers have unrestricted access to meet the management. He also highlighted that the management is giving rice and cooking oil to workers.

Company response: The management always encourage union representative and workers to meet them to resolve any issue immediately and open for discussion.

Auditor comments: No disputes were raised by workers interview with them which indicate that the freedom to join union and procedure to voice out grievances is implanted.

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.

g) Representative from DOSH: Informed that there is no issue on legal compliance. OSH requirements are implemented in all estates.

Company Response: The management took note of the comment.

h) Sari Baru Village Representative: He highlighted that the management and village community have good relationship. No any disputes. The company provide job opportunity and donations for village activities.

Company Response: The management highlighted that the assistance given are based on the head office approval. It will be continued as long as applications for assistance are supported with request letter.

4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

4.1 Date of Annual Surveillance Assessment

The Annual Surveillance Assessment will be scheduled within twelve months of the certification approval by RSPO.

4.2 Date of Closing Nonconformities (Major and Minor)

| CAR Ref. | CLASS | ISSUED | STATUS |
|----------|-------|-----------|----------------------|
| 935929M0 | Major | 21/6/2013 | Closed on 20/09/2013 |
| 935929M1 | Major | 21/6/2013 | Closed 20/09/2013 |
| 935929N3 | Minor | 21/6/2013 | Open |
| 935929N4 | Minor | 21/6/2013 | Open |
| 935929N5 | Minor | 21/6/2013 | Open |

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

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

Signed for on behalf of
Pagoh Certification Unit



SIME DARBY PLANTATION SDN. BHD.
(Company No: 647766-V)
LADANG PENGKALAN BUKIT
K.B. NO. 103,
84500 PANCHOR MUAR, JOHORE.
TEL: 06-9736239 FAX: 06-9737131

Mr. V. Arumugam
Senior Manager
Pengkalan Bukit estate
Date: 4.10.2013

Signed for on behalf of
BSI Group Singapore Pte Ltd



Mr. Senniah Appalasamy
BSI RSPO Lead Auditor
Date: 3/10/2013

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

Sime Darby Plantation Sdn Bhd
 Pagoh Palm Oil Mill,
 Lot 2159, Ladang Pagoh,
 Mukim Jalan Bakri,
 84309 Muar, Johor,
 Malaysia.

BSI RSPO Certificate No: SPO 600305

Date of Initial Certificate Issued: Subject to RSPO Approval of the summary report.

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

| Pagoh Palm Oil Mill and Supply Base | |
|---|---|
| Location | District of Muar, Johor, Malaysia. |
| Address | Lot 2159, Ladang Pagoh, Mukim Jalan Bakri, 84309 Muar, Johor, Malaysia. |
| GPS | 102.759 E; 2.083 N |
| CPO Tonnage Total Production (Certified) | 37,508 |
| PK Tonnage Total Production(Certified) | 9,595 |
| Company Estate FFB Tonnage (Certified) | 174,458 |
| Estates FFB Tonnage (Certified) | Pengkalan Bukit Estate : 55,119 |
| | Pagoh Estate : 44,969 |
| | Welch Estate : 12,504 |
| | Lanadron Estate : 61,866 |

Appendix B: Assessment Programme

| Date | Time | Subjects | Senniah | Isman | Muhd Haris |
|------------------------|---------------|---|---------|-------|------------|
| Monday 17/6/2013 | 12.00 noon | Audit Team travelling to Muar, Johor | √ | √ | √ |
| Tuesday 18/6/2013 | 08.00 – 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 | Pagoh 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 | Pagoh 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. | √ | √ | √ |
| Wednesday 19/6/2013 | 08.00 – 12.00 | Pengkalan Bukit 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. And Document Audit. | √ | √ | - |
| | 09.00 – 12.00 | Meeting with stakeholders (Government, village rep, smallholders, Union Leader, contractor etc.) | - | - | √ |
| | 12.00 – 13.00 | Lunch | √ | √ | √ |
| | 13.00 – 17.00 | Pengkalan Bukit 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 20/6/2013 | 8.00 – 12.00 | Pagoh 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. And Document Audit. | √ | √ | √ |
| | 12.00 – 13.00 | Lunch | √ | √ | √ |
| | 13.00 – 17.00 | Pagoh 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). | √ | √ | √ |
| Friday 21/6/2013 | 8.00 – 12.00 | Continue Document Audit Verify any outstanding issues and stakeholder feedbacks | √ | √ | √ |
| | 12.00 – 14.30 | Lunch & Friday Prayers | √ | √ | √ |
| | 14.30 – 16.00 | Auditor meeting & Preparation for closing meeting | √ | √ | √ |
| | 16.00 – 17.00 | Closing Meeting | √ | √ | √ |

Appendix C: List of Stakeholders Contacted

| | |
|---|---|
| <p>Internal Stakeholders</p> <p>Managers and Assistants</p> <p>Male Mill Staff/Workers</p> <p>Female Mill Staff/Workers</p> <p>Foreign Worker</p> <p>Field workers</p> <p>Nursery workers</p> <p>Male and Female Estate workers</p> <p>Hospital Assistant</p> <p>Union Representatives</p> <p>Gender Committee Secretary</p> <p>Boiler operators</p> <p>Engine room operators</p> <p>Store clerk</p> <p>Staff and Welder at workshop</p> <p>Press station worker</p> <p>Weighbridge Staff</p> | <p>External Stakeholders</p> <p>Head of the Village</p> <p>Sri Makmur Village Representative</p> <p>Pagoh Village Representative</p> <p>Sari Baru Village Representative</p> <p>Mosque Committee</p> <p>Join Consultative Committee Representative from Village</p> <p>Contractors & Consultants</p> <p>Electrical Contractor</p> <p>General Supplier</p> |
| <p>Government Departments</p> <p>Labour Department</p> <p>Fire and Rescue Department</p> <p>Department of Safety and Health (DOSH)</p> <p>Pagoh Police Station Representative</p> <p>School Teacher – SJK Tamil Temiang Pendang</p> <p>School Teacher – SJK Cina Kim Kee</p> | <p>National Union of Plantation Workers</p> |

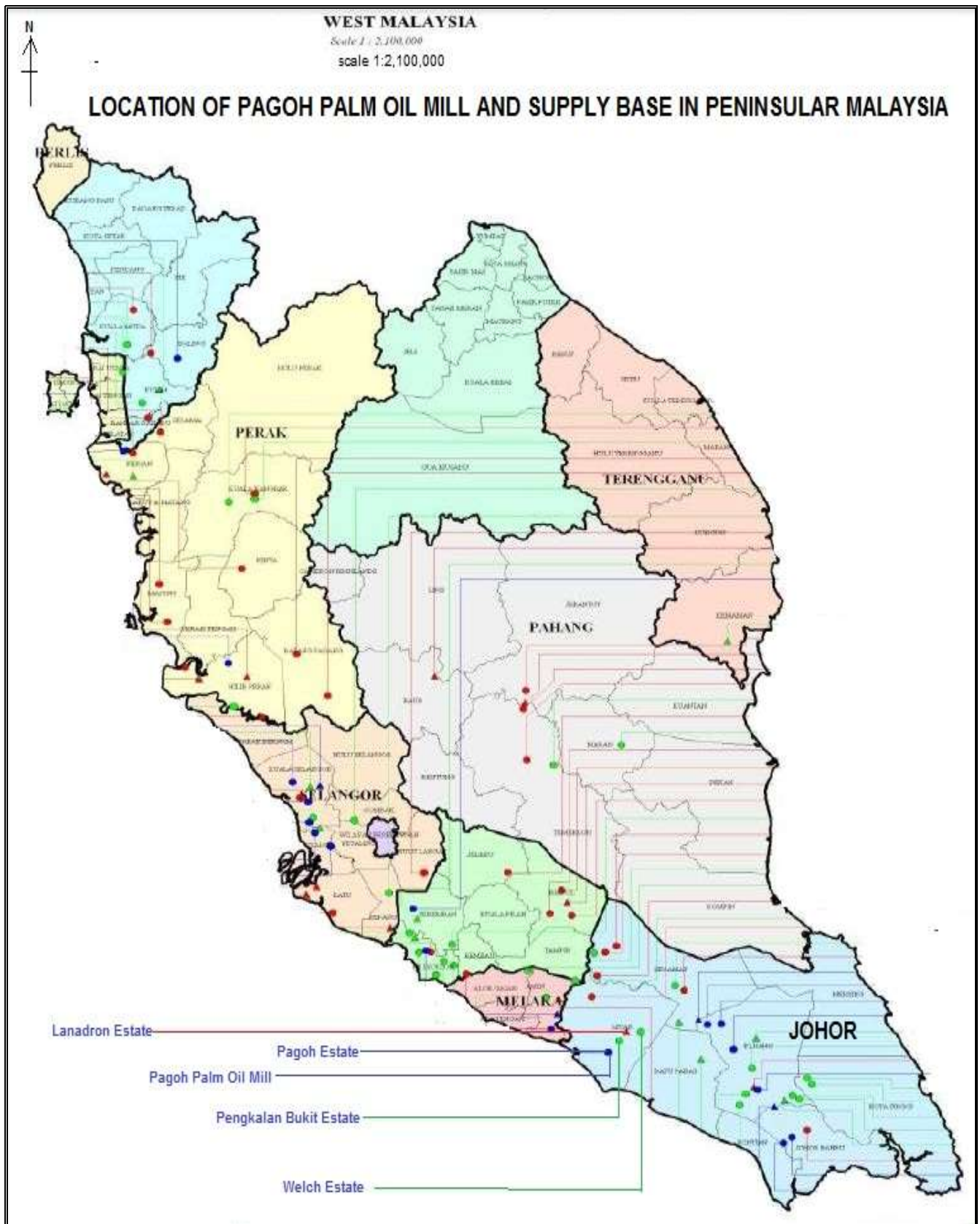
Appendix D: Pagoh Palm Oil Mill Supply Chain Assessment (Module D: Segregation)

| 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. | Pagoh palm oil mill have written documented procedures (RSPO SCCS v.1 Year 2012 dated 1/8/2012) for the chain of custody with SG model covering all the RSPO Supply Chain Certification Standard and Traceability for handling certified and non certified FFB under Appendix 15. The mill manager has the responsibility to ensure implementation assisted by the on-site compliance executive. The SG model is used because only certified FFB from own supply base is received and processed at Pagoh Palm Oil Mill. |
| D.1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFBs. | Pagoh Palm Oil mill has documented procedures (RSPO SCCS v.1 Year 2012 dated 1/8/2012) 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 once certified products are available. |
| 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. During the time of initial certification assessment no certified FFB received. Certified FFB will be available once the Certification Unit is certified. There is a possibility that the mill will receive Certified FFB from other Sime Darby's Certified Estate such as Tangkah Estate which was certified under Kempas Certification Unit (SIRIM QAS International Certificate Number: RSPO 005, valid until 19 May 2015). Pagoh mill have system to verify at the weighbridge. This will be further verified during surveillance if FFB is received from other certified estates. No non-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 and stated in the SOP (RSPO SCCS v.1 Year 2012 dated 1/8/2012). |
| 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 FFB received. Records of certified and non certified FFB received will be further verified during annual surveillance once Pagoh Palm oil Mill and Supply Base is certified. Records verified by internal and external audit. |
| D.3.2 Retention times for all records and reports shall be at least five (5) years | The retention period is specified as five years in SOP (RSPO SCCS v.1 Year 2012 dated 1/8/2012) and financial documents retained longer based on the local regulation requirement. |
| D.3.3 The facility shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, PKO and palm kernel meal on a three-monthly basis. | All the inventory records are maintained and updated on daily basis and monthly report shows monthly inventory. Computerized system in place. No PKO and Palm kernel meal at Pagoh Palm Oil mill. PK is sold to external kernel crushing plant such as Hok Huat Oil Mill Sdn Bhd. and Sime Darby Futures Trading. |
| D.3.4 The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. *product name*/SG or Segregated. The supply chain model used should be clearly indicated. | System in place to indicate CPO/SG and PK/SG on the documents related to the supply chain once Pagoh Palm Oil Mill is certified. Sample documents are available as reference. |
| D.4. Sales and goods out | |
| D.4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information | No sales of certified palm product during the initial certification assessment. The mill has system to carry out sales of certified palm products and makes traceability records as per RSPO requirement once certified. The documents relevant to sales of certified product only available after certified. Sample documents for the present conventional palm product sales checked have the following information: |
| (a) The name and address of the buyer | Name and address of buyer written on the existing invoice dated 17 June 2013 to Hok Huat Oil Mill Sdn Bhd. |
| (b) The date on which the invoice was issued | Date is written on all dispatch and relevant documents. Weighbridge ticket number 004418 was dated 17/6/2013 was checked. |
| (c) A description of the product, including the applicable supply chain model (Segregated) | System in place to write product description and supply chain model once the Pagoh Palm Oil Mill is certified. Product description will be written such as CPO/SG and PK/SG for certified product delivery. |
| (d) The quantity of the products delivered | Quantity in tone (weighbridge ticket number 004418) was 40.32mt. |
| (e) Reference to related transport documentation | Weighbridge documents and D/O includes all the transport references. Sample document checked weighbridge ticket number 004418 was dated 17/6/2013, transported by vehicle number JPH 7147. |

| 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 it 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. However, there is a possibility that the mill will receive Certified FFB from other Sime Darby's Certified Estate such as Tangkah Estate which was certified under Kempas Certification Unit (SIRIM QAS International Certificate Number: RSPO 005, valid until 19 May 2015). This will be further verified during surveillance assessment if such cases observed. No non-certified FFB received. |
| D.5.2 The facility shall provide documented proof that the RSPO certified palm oil can be traced back to only certified segregated material. | Processing and storage records can trace back to only certified segregated FFB and finish product (CPO and PK) through traceability records such as weighbridge records. |
| 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 own kernel crushing plant and an external kernel crushing plant (Hok Huat Oil Mill Sdn Bhd.). 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. Latest SCCS training was conducted on 15/1/2013 attended by all the staff handling supply chain documents such as all executives, weighbridge clerk, store clerk, administration clerk, dispatch clerk, lab assistant and processing assistants . There was an training on internal SCCS assessment on the same day. |
| 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. |

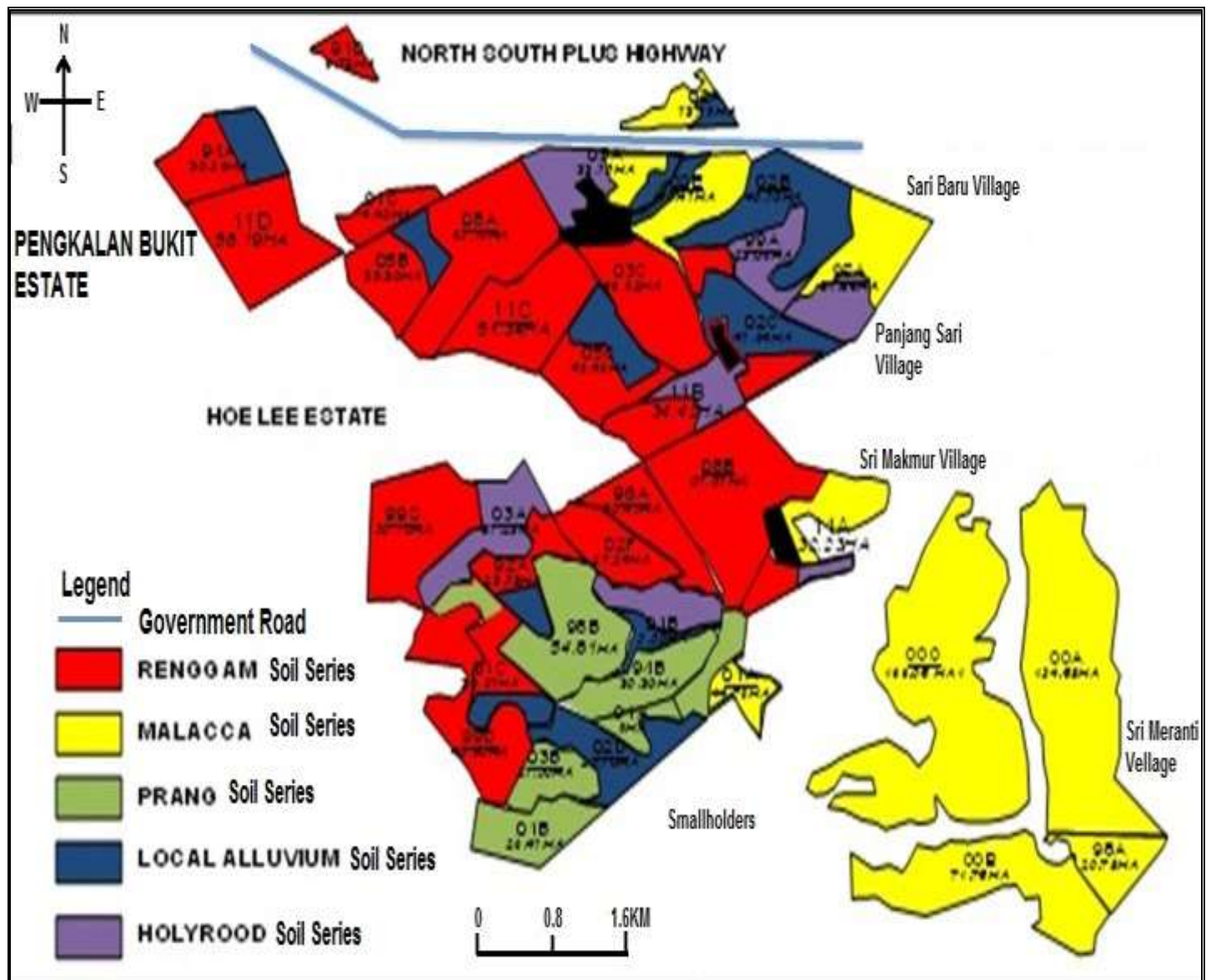
Appendix E

Map shows location of the Pagoh Palm Oil Mill and Supply Base in Muar, Johor, Peninsular Malaysia



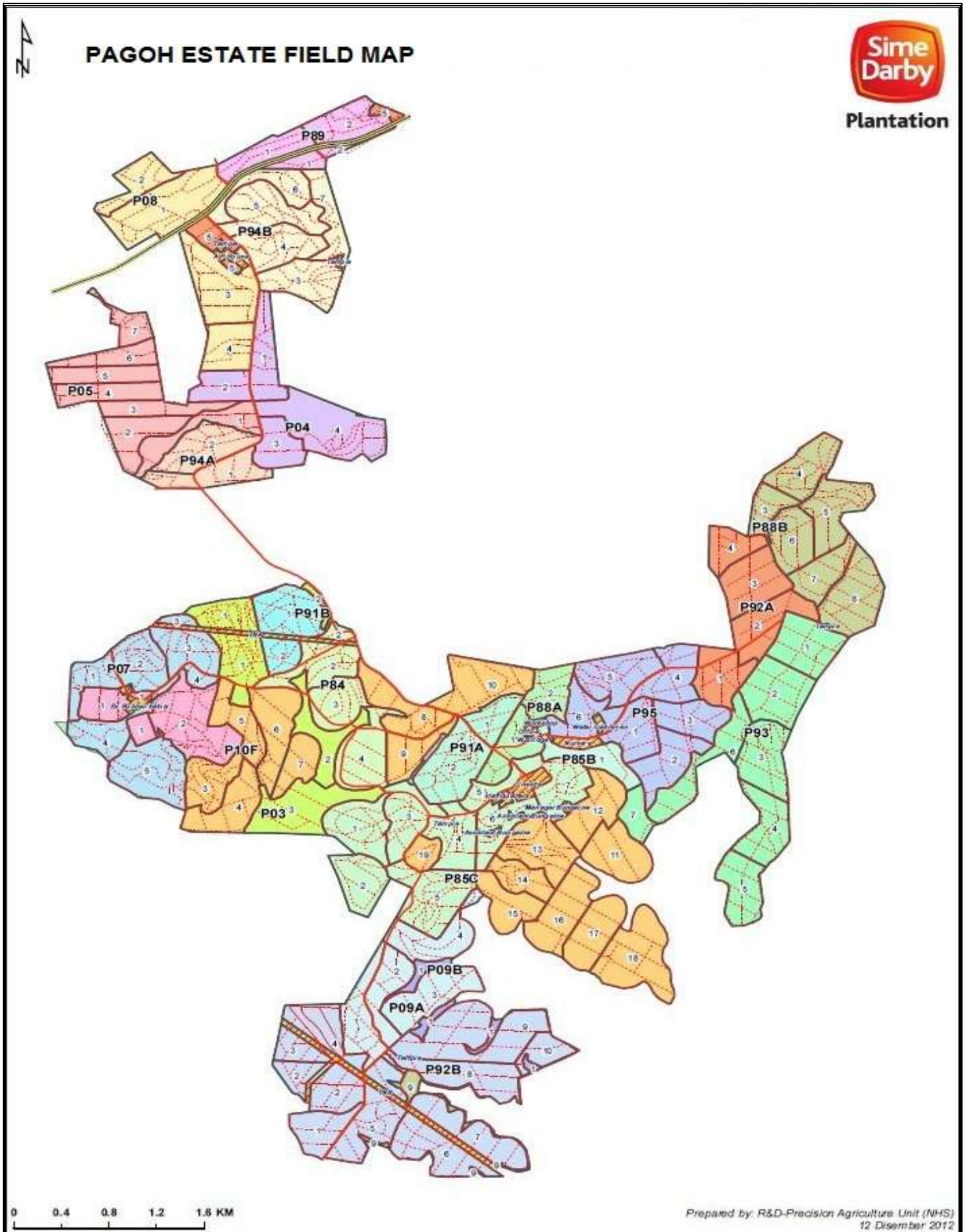
Appendix F

Pengkalan Bukit Estate field map



Appendix G

Pagoh Estate Field Map



Appendix H: Sime Darby Plantation Time bound Plan

| certification Status | Malaysia | Indonesia | Time bound for certification | Status during Pagoh Certification Unit's Initial Assessment |
|-----------------------------------|--------------------|--------------------|------------------------------|---|
| Certified | 33 operating units | 19 operating units | 52 operating units | Total Certified: 52 |
| Decommissioned | 1 (Segaliud) | - | - | - |
| New mill added to Time bound Plan | 2 | - | 2 | Certification in 2013 (a) 1 Mill: Initial certification Assessment completed in June 2013. |
| RSPO EB Review | 0 | 6 operating units | 6 operating units | Ongoing peer review. |
| Total | 35 operating units | 25 operating units | 60 operating units | - |
| Total Active Units | 34 operating units | 25 operating units | 59 operating units | - |

Note: Status verified as of June 2013. Details are explained under section 1.7 of this summary report.