Roundtable on Sustainable Palm Oil
3rd Annual Surveillance Audit Report
Report no.: ASA3_14016

Surveillance assessment against the
RSPO Principles & Criteria Malaysia National Interpretation year 2014
& RSPO Supply Chain Certification Standard 2014

Sg. Segama Group of Estates
Hap Seng Plantations (Rivers Estate) Sdn. Bhd
(Subsidiary of Hap Seng Plantations Holdings Bhd)
Lahad Datu, Sabah, Malaysia

Date of assessment: 31 March – 2 April 2015
Report prepared by:
Carol Ng Siew Theng
(RSPO Lead Auditor)

Certification decision by:
M. Bascharul Asana
(Director of TUV Rheinland Indonesia)

Certification Body:
PT TUV Rheinland Indonesia
Menara Karya, 10th Floor
Jl. H.R. Rasuna Said Block X-5 Kav.1-2
Jakarta 12950, Indonesia
Tel: +62 21 57944579
Fax: +62 21 57944575
www.tuv.com/id
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1.0 SCOPE OF ANNUAL SURVEILLANCE AUDIT

1.1 National Interpretation Used
The operations of the palm oil mill(s) and its supply base of FFB were assessed against the Malaysia National Interpretation year 2014 of the RSPO Principles & Criteria (P&C) and the RSPO Supply Chain Certification Standard 2014.

1.2 Type of Assessment
The 3rd annual surveillance certification assessment was carried out on one mill and 3 company owned estates under Sg. Segama Group Estate (SSGOE), Hap Seng Plantations (Rivers Estate) Sdn. Bhd owned by Hap Seng Plantations Holdings Berhad. The date of certification of this unit was May 24, 2012.

1.3 Certification Details
The details of RSPO certification of Bukit Mas Palm Oil Mill are as per the table below

Table 1: RSPO Certification details of Bukit Mas Palm Oil Mill

<table>
<thead>
<tr>
<th>RSPO Membership no.:</th>
<th>1-0098-11-000-00</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSPO Certificate no.:</td>
<td>824 502 14016 (replaced previous certificate number 18501830 001)*</td>
</tr>
<tr>
<td>Date of RSPO certificate &amp; validity:</td>
<td>May 24, 2012 to May 23, 2017</td>
</tr>
<tr>
<td>Date of certification audit:</td>
<td>June 27, 2011 to July 02, 2011</td>
</tr>
<tr>
<td>Date of previous surveillance audit:</td>
<td>18-20 March 2014</td>
</tr>
<tr>
<td>CPO tonnages claimed:</td>
<td>44,220 tonnes</td>
</tr>
<tr>
<td>PK tonnages claimed:</td>
<td>11,140 tonnes</td>
</tr>
</tbody>
</table>

* Certificate was revised due to update in tonnages certified. Refer to Section 1.13 for details.

1.4 Location and Maps
Table 2: GPS locations for all estates and mills included in annual surveillance assessment

<table>
<thead>
<tr>
<th>Name of mill / estate</th>
<th>Location</th>
<th>GPS locations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Latitude</td>
</tr>
<tr>
<td>Bukit Mas (BM) Mill</td>
<td>Jalan Jeroco, Lahad Datu Sabah</td>
<td>5°20′ 14.28″N</td>
</tr>
<tr>
<td>Bukit Mas (BM) Estate</td>
<td>Jalan Jeroco, Lahad Datu Sabah</td>
<td>5°19′01.928″N</td>
</tr>
<tr>
<td>Sungai Segama I (SS1) Estate</td>
<td>Jalan Jeroco, Lahad Datu Sabah</td>
<td>5°19′02.421″N</td>
</tr>
<tr>
<td>Sungai Segama II (SS2) Estate</td>
<td>Jalan Jeroco, Lahad Datu Sabah</td>
<td>5°19′02.421″N</td>
</tr>
</tbody>
</table>
Figure 1: Location of Sg. Segama Group of Estates within Hap Seng Plantations Sdn. Bhd. River Estates and Jeroco Plantations in Sabah, Malaysia
Figure 2: Estate map of Sg. Segama Group of Estates (SSGOE) relative to other groups of estates under Hap Seng Plantations Sdn. Bhd.
1.5 Organisational Information / Contact Person

Sungai Segama Group of Estates is under Hap Seng Plantations (River Estate) Sdn. Bhd. Sungai Segama Group of Estates was established in 1991 and consist of three estates which are Sungai Segama I estate, Sungai Segama II Estate and Bukit Mas Estate. Bukit Mas Estate was previously made up of Bukit Mas I and Bukit Mas II Estate, and now these two estates have been amalgamated into one estate named Bukit Mas Estate. All estates location is in Lahad Datu Sabah, Malaysia. The total area is 9,906.4 ha of which 8,761 ha is planted with oil palm and the rest of the area is used for housing and other miscellaneous uses.

The first plantation in Sungai Segama I Estate started in 1991, followed by Sungai Segama II Estate and Bukit Mas I Estate and finally Bukit Mas II Estate. Planting was completed in 2008. Sungai Segama Group of Estate has 3 land titles i.e.

1. Certificate of land ownership title no. 095317614 approved by the Director of Lands and Surveys, Land Department of Kota Kinabalu, valid since January 01, 1991 until December 21, 2089, for total area of 5044 ha for Bukit Mas I estate
2. Certificate of land ownership title no. 095317605 approved by Director of Lands and Surveys, Land Department of Kota Kinabalu valid since January 01, 1991 until December 21, 2089, for total area of 3843 ha for Sungai Segama I and Sungai Segama II estates.
3. Certificate of land ownership title no. 095316340 approved by Director of Lands and Surveys, Land Department of Kota Kinabalu valid since June 16, 1888 until December 21, 2887, for total area of 1434 ha for Bukit Mas II estate (now incorporated together with Bukit Mas I estate)

Sungai Segama Group of Estate also has their MPOB license No. 502429-602000 for Segama estates, CL 095317605,7614,6340 Kinabatangan, Sabah (total area 10,321.00 ha) valid from 01-08-2014 to 31-07-2015. Bukit Mas Palm Oil Mill (BPOM) was commissioned in 1998 to process the Fresh Fruit Bunches (FFB) from Sungai Segama Group of Estate. The location of Bukit Mas Palm Oil Mill is inside of Bukit Mas estate. The mill has an operating license from MPOB i.e. MPOB 500254304000 which is updated annually and valid from 01 April 2015 to 31 March 2016. The mill’s processing capacity remains the same at 45 tonnes/hour in accordance with the mill’s DOE license no. 001190 valid from 1 July 2014 until 30 June 2015.

Contacts details of the company are as follows:

<table>
<thead>
<tr>
<th>Company Name:</th>
<th>Hap Seng Plantations (River Estates) Sdn. Bhd., Subsidiary of Hap Seng Plantations Holdings Berhad</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address:</td>
<td>Off KM 40 Jalan Jeroco, Lahad Datu, Sabah</td>
</tr>
<tr>
<td></td>
<td>Office Address: MLDL 7073-7074, Ground Floor, Bandar Sri Perdana, Jalan Silam, 91100 Lahad Datu, Sabah, Malaysia.</td>
</tr>
<tr>
<td>Contact Person:</td>
<td>Kee Keow Chong</td>
</tr>
<tr>
<td>Telephone:</td>
<td>+6089-617677/88</td>
</tr>
<tr>
<td>Email:</td>
<td><a href="mailto:keekc@hapseng.com.my">keekc@hapseng.com.my</a></td>
</tr>
</tbody>
</table>

1.6 Description of Supply Base

Bukit Mas Palm Oil Mill is one of the palm oil mills that is owned by Hap Seng Plantations Holdings Berhad located in Lahad Datu, Sabah Malaysia. Bukit Mas Palm Oil Mill was established in 1998 with a production capacity of 288,000 mt/year according to the mill’s license from the Malaysian Palm Oil Board (MPOB) No. 500254304000. Bukit Mas Palm Oil Mill receives supplies from its 3 company-owned estates, as described below. The scope of this assessment only covers the 3 company-owned estates under Hap Seng Plantations (River Estates) Sdn. Bhd., Sungai Segama Group of Estates, which are Bukit Mas Estate, Sungai Segama I and Sungai Segama II estate.
Table 2: FFB Supply Information for Bukit Mas Palm Oil Mill for Year 2014 and January to February 2015

<table>
<thead>
<tr>
<th>FFB Contributors</th>
<th>FFB processed January-December 2014</th>
<th>FFB processed January-February 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tonnes</td>
<td>%</td>
</tr>
<tr>
<td><strong>Company owned estates:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bukit Mas Estate</td>
<td>104,516.34</td>
<td>49.72 %</td>
</tr>
<tr>
<td>Sungai Segama I Estate</td>
<td>50,639.66</td>
<td>24.09 %</td>
</tr>
<tr>
<td>Sungai Segama II Estate</td>
<td>54,217.47</td>
<td>25.79 %</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td>209,373.47</td>
<td>99.6 %</td>
</tr>
<tr>
<td>FFB from other estates under Hap Seng Plantations*</td>
<td>815.45</td>
<td>0.39 %</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>210,188.92</td>
<td>100.00 %</td>
</tr>
</tbody>
</table>

Notes:
1) Data from Monthly Performance Report of Bukit Mas POM for December 2014 and February 2015
2) In year 2014, a total of 8,736.57 tonnes of FFB from the company owned estates (Bukit Mas estate, Sg Segama I estate and Sg Segama II) was sent for processing at Jeroco Palm Oil Mill.

1.7 Actual production volumes, tonnages and projected outputs.

Table 4: Certified tonnages claimed, certified tonnages purchased or sold, total and projected CPO and PK production from Bukit Mas palm oil Mill

<table>
<thead>
<tr>
<th></th>
<th>Amount (MT)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CPO</td>
</tr>
<tr>
<td>Certified tonnages claimed</td>
<td>44,220.00</td>
</tr>
<tr>
<td>Certified tonnages sold in year 2014*</td>
<td>23,647.18</td>
</tr>
<tr>
<td>Certified tonnages sold in year 2013*</td>
<td>14,382.00</td>
</tr>
<tr>
<td>Certified tonnages purchased</td>
<td>-</td>
</tr>
<tr>
<td>Actual Production year 2014</td>
<td>44,365.76</td>
</tr>
<tr>
<td>Projected output for next 12 months in year 2015**</td>
<td>44,223</td>
</tr>
<tr>
<td>Actual OER and KER for year 2014</td>
<td>OER: 21.12%</td>
</tr>
<tr>
<td>Projected OER and KER for year 2015**</td>
<td>OER: 21.50%</td>
</tr>
</tbody>
</table>

Note:
* Confirmed through eTrace transaction records
** Information derived from Bukit Mas POM budget for year 2015
1.8 Dates of Plantings and Replanting Cycles
The company follows a replanting cycle of 25 years. Information on the dates of plantings are still same condition as previous audit condition as per the table below.

Table 5: Age and year of plantings of company estate supplying to Bukit Mas Palm Oil Mill

<table>
<thead>
<tr>
<th>Year of Plantings</th>
<th>Bukit Mas estate</th>
<th>Sg. Segama I</th>
<th>Sg. Segama II</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005 - 2008</td>
<td>-</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>2000 - 2004</td>
<td>6</td>
<td>-</td>
<td>264.2</td>
</tr>
<tr>
<td>1994 - 1999</td>
<td>4231</td>
<td>42.5</td>
<td>1133.8</td>
</tr>
<tr>
<td>1991 - 1993</td>
<td>21</td>
<td>2353.8</td>
<td>703.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4258</td>
<td>2389.30</td>
<td>2107.50</td>
</tr>
</tbody>
</table>

There are no changes on company’s program for replanting activities, according to Sg. Segama Group of estate Replanting Program document, the company will start replanting in year 2016 as determined in the table below.

Table 6: Planned and actual oil palm replanting activities for Hap Seng Plantations

<table>
<thead>
<tr>
<th>Year</th>
<th>Total planned replanting area (ha)</th>
<th>Total planned replanting area for each estate (ha)</th>
<th>Actual total area replanted (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Bukit Mas</td>
<td>Sungai Segama I</td>
</tr>
<tr>
<td>2016</td>
<td>385.00</td>
<td>-</td>
<td>385.00</td>
</tr>
<tr>
<td>2017</td>
<td>948.00</td>
<td>-</td>
<td>948.00</td>
</tr>
<tr>
<td>2018</td>
<td>948.00</td>
<td>-</td>
<td>948.00</td>
</tr>
<tr>
<td>2019</td>
<td>796.50</td>
<td>21</td>
<td>72</td>
</tr>
<tr>
<td>2020</td>
<td>884.50</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

1.9 Area of Plantation (Total, Planted and Mature)

Table 7: Oil Palm Planted Area Summary, FFB Production and Average yield/ha for Hap Seng Plantations (River Estates), Sungai Segama Group of Estates for year 2014

<table>
<thead>
<tr>
<th>Estate Name</th>
<th>Total area (ha)</th>
<th>Oil Palm Planted area (ha)</th>
<th>Mature (Production) area (ha)</th>
<th>Immature (Non-production) area (ha)</th>
<th>FFB Production (tonnes)</th>
<th>Average yield/ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bukit Mas</td>
<td>4,732.9</td>
<td>4,258.0</td>
<td>4,258.0</td>
<td>-</td>
<td>113,355.82</td>
<td>26.62</td>
</tr>
<tr>
<td>Sg. Segama I</td>
<td>2,578</td>
<td>2389.30*</td>
<td>2389.30*</td>
<td>-</td>
<td>52,931.47</td>
<td>22.10</td>
</tr>
<tr>
<td>Sg. Segama II</td>
<td>2,595.5</td>
<td>2,107.5</td>
<td>2,107.5</td>
<td>-</td>
<td>51,822.75</td>
<td>24.59</td>
</tr>
<tr>
<td>TOTAL</td>
<td>9,906.4</td>
<td>8,754.80</td>
<td>8,754.80</td>
<td>-</td>
<td>218,110.04</td>
<td></td>
</tr>
</tbody>
</table>

Source: Sg. Segama Group of Estate Area Statement for Year 2013 (no changes) and production data for year 2014
Note: * Oil palm planted area for Sg. Segama I has been revised from 2395.5 ha in previous year as part of the estate area was converted into nursery area. The total land area remains the same.
Table 8: Land use data for Sungai Segama (River) Estates Group

<table>
<thead>
<tr>
<th>Estate Name</th>
<th>Total area (ha)</th>
<th>Oil Palm Planted Area (ha)</th>
<th>HCV / Potential HCV areas (ha)</th>
<th>Land used for other purposes (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Building, Housing, Road</td>
</tr>
<tr>
<td>Bukit Mas</td>
<td>4732.90</td>
<td>4258.00</td>
<td>5.1</td>
<td>351.7</td>
</tr>
<tr>
<td>Sg. Segama I</td>
<td>2.578</td>
<td>2389.30*</td>
<td>-</td>
<td>161.8</td>
</tr>
<tr>
<td>Sg. Segama II</td>
<td>2595.5</td>
<td>2107.5</td>
<td>13.7</td>
<td>169.60</td>
</tr>
<tr>
<td>TOTAL</td>
<td>9,906.04</td>
<td>8754.80</td>
<td>18.8</td>
<td>683.1</td>
</tr>
</tbody>
</table>

Source: Sungai Segama Group Area statement for year 2013 (no changes)

Note: * Oil palm planted area for Sg. Segama I has been revised from 2395.5 ha in previous year as part of the estate area was converted into nursery area.

** Other land area was revised from 18.3 ha due to addition of 2.4 ha of quarry area.

1.10 Progress Against Time Bound Plan

The time frame laid out below is considered to be both challenging and realistic. The company will be using the experience of this main assessment to ensure that the other management units conform to the RSPO Principles & Criteria.

The audit team is satisfied that the company conforms to the RSPO requirements for partial certification as laid out in Clause 4.2.4 of the RSPO Certification Systems document.

Table 9: Time Bound Plan of the Other Management Units

<table>
<thead>
<tr>
<th>Name of Holding</th>
<th>Location</th>
<th>Time bound plan for certification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tomanggong Palm Oil Mill and Estate</td>
<td>Kinabatangan</td>
<td>Certified on 9 January 2015 by SIRIM*</td>
</tr>
<tr>
<td>Jeroco Palm Oil Mill and Estate</td>
<td>Lahad Datu</td>
<td>Certified on 27th September 2013 by SIRIM</td>
</tr>
<tr>
<td>Kawa Estate &amp; Hap Seng Estate</td>
<td>Tawau</td>
<td>Certification audit by TUV Rheinland completed on 24 – 26 November 2014</td>
</tr>
<tr>
<td>Kota Marudu &amp; Pelipikan Estate</td>
<td>Kota Marudu</td>
<td>Planned for year 2016</td>
</tr>
</tbody>
</table>

Note:* Hard copy of certificate not yet received by the company, date stated is based on eTrace license date of approval.

1.11 Compliance to Rules for Partial Certification

Compliance of the uncertified management units of Hap Seng Plantations Holdings Bhd. against the rules for partial certification according to RSPO Certification System clause 4.2.4 was assessed by interview and onsite verification during this 3rd surveillance audit. A summary of findings is as stated below.

<table>
<thead>
<tr>
<th>Partial Certification Requirements</th>
<th>Audit Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) The parent organization or one of its majority owned and / or managed subsidiaries is a member of RSPO.</td>
<td>Yes, parent organization is RSPO member, with membership number 1-0098-11-000-00</td>
</tr>
<tr>
<td>(b-d) A challenging time-bound plan for certifying all its relevant entities is submitted to the Certification Body (CB) during the first certification audit. The time-bound plan should contain a list of subsidiaries, estates and mills. Any revision to the time-bound plan or to the circumstances of the company shall cause the plan to be reviewed. for whether it is still appropriate, such that</td>
<td>The company has a timebound plan, current status of each management unit as stated on the table 9 above.</td>
</tr>
</tbody>
</table>
changes to the time-bound plan are permitted only where the organisation can demonstrate that they are justified

(e) No replacement of primary forest or any area identified as containing High Conservation Values (HCVs) or required to maintain or enhance HCVs in accordance with RSPO criterion 7.3. Any new plantings since January 1st 2010 must comply with the RSPO New Plantings Procedure

As found during the previous surveillance audit, there was a newly development area in Tomanggung group of estate around 400 ha, which is within the company’s land title area. Previously the area was a flooded area that was not developed as a plantation area, however company tried to develop it as a plantation area. The EIA document is in progress for final report made by Kiwi Heng Woods and Environmental consultant. An EIA document has been made for all areas included in the company’s replanting program up to year 2020, covering 14,524.20 ha including the 400ha of newly planted areas in Tomanggung estate. However, the new planting was carried out before the HCV and SEIA assessment of the area was still completed. Since this was raised as non conformity no. NCR 2013-01 of 06 during the 1st surveillance, the company took action to close this nonconformity by submitting a land use change (LUC) analysis to the RSPO and has been advised by the RSPO to adopt a compensation scheme. The LUC is still under progress of being reviewed by the RSPO.

(f) Land conflicts, if any, are being resolved through a mutually agreed process, e.g. RSPO Grievance procedure or Dispute Settlement Facility, in accordance with RSPO criteria 6.4, 7.5 and 7.6.

There is no known land conflict in all estates under Hap Seng Plantations group.

(g) Labour disputes, if any, are being resolved through a mutually agreed process, in accordance with RSPO criterion 6.3.

There is no known labour dispute in all estates under Hap Seng Plantations group.

(h) Legal non-compliance, if any, are being resolved in accordance with the legal requirements, with reference to RSPO criteria 2.1 and 2.2.

There are some non-compliances to applicable legal requirement as seen on the relevant non conformities on section 3.3 below.

1.12 Progress of associated smallholders or outgrowers towards RSPO compliance

Not applicable as there are no FFB from smallholder scheme supplied to Bukit Mas Palm Oil Mill (BPOM).

1.13 Approximate Tonnages Certified

The approximate tonnages certified as stated in the original certificate is as follows:

Crude Palm Oil (CPO) : 41,090 tonnes
Palm Kernel (PK) : 9,664 tonnes

Based on the average actual oil extraction rate (OER) for year 2014 of 21.12 %, average actual kernel extraction rate (KER) of 5.32 % and FFB tonnages produced from company owned estates as per Table 2, the tonnages certified have been revised according to the latest data for year 2014 as follows.

Crude Palm Oil (CPO) : 44,220 tonnes
Palm Kernel (PK) : 11,140 tonnes
2.0 ASSESSMENT PROCESS

2.1 Certification Body

PT TUV Rheinland Indonesia is a member of Group TÜV Rheinland Group, a global leader in independent testing and assessment services. The TÜV Rheinland Group was established in 1872 and currently has offices located in over 500 locations in 65 countries on all five continents. PT TUV Rheinland Indonesia offers certification for a wide range of management systems according to established international standards including ISO 9001, ISO 14001, and OHSAS 18001. PT TUV Rheinland Indonesia’s main office is located in Jakarta, Indonesia.

2.2 Qualifications of Lead Assessor and Assessment Team

The assessment team members of this surveillance audit that were part of the same assessment team for the certification audit are as follows:

1) Carol Ng (Lead Auditor)
2) Yusof Khairan Nizar

New assessment team members that were not part of the previous assessment team are as per the table below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Qualifications / Experience</th>
</tr>
</thead>
</table>
| Irpan Kadir       | Auditor (Social)         | **Education:** Bachelor of Agriculture, Department of Social and Economic of Agriculture, Bogor Institute of Agriculture.  
**Trainings attended:** Sustainable Natural Production Forest Management (Pengelolaan Hutan Alam Produksi Lestari - PHAPL) assessor training (May 2003); Forest Plantation Management (August 2003) training - Indonesian Ecolabel Institute (LEI).  
**Working experience:** Experienced as external auditor of PT TUV International Indonesia for RSPO Principles & Criteria since year 2009 and Sustainable Forest Management auditor since year 2003. Has experience in conducting assessments of performance and social mapping for mining and forestry companies. He also has experience as a senior social researcher since year 2000 to 2005 and is currently a CSR consultant and trainer at A + CSR Indonesia since year 2006. |
| Aswan Hasibuan (AH) | Auditor (OSH/ Environment) | **Education:** Bachelor of Industrial Engineering, University of North Sumatera.  
**Trainings attended:** ISO 9000:2000 Series Auditor / Lead Auditor Training - PE International (Jakarta), IEA Advanced EMS Auditor (IEA / EARA ISO 14001) Auditor / Lead Auditor Training Course - PE International (Jakarta), OHSAS 18001 Lead Auditor Training Course - PE International (Jakarta), RSPO Lead Auditor Course – Wildasia  
2.3 Assessment Methodology & Agenda

The surveillance assessment was conducted between 31st March – 2 April 2015 as per the assessment program below. The assessment was carried out in accordance with TÜV Rheinland Malaysia’s RSPO audit procedure as well as the RSPO Certification Systems document. During assessment, the qualified TÜV Rheinland assessors used the RSPO standard as endorsed for the country in which the assessment took place and recorded their findings. Due to the location and proximity of the estates, combined with common management systems, it was possible to carry out both field and document assessments of all estates and the mill within the time frame without compromising the integrity of the assessment in anyway. All 3 estates and 1 mill were visited and the assessment team carried out field and document assessments of compliance to all the RSPO principles and criteria. Common systems were identified and specific evidence was recorded for individual estates. Interviews were conducted at all estates and the mill.

The company proposed the correction and corrective action for all identified non-conformities raised to the certification body 30 days after the closing meeting. Verification of closure of major non-conformances was conducted 2 months after the closing meeting of the main assessment and implementation of corrective actions for minor non-conformities will be verified during the next surveillance audit. The certification assessment agenda is as explained below.

3rd Surveillance Audit Agenda:

<table>
<thead>
<tr>
<th>Date</th>
<th>Location/Main sites</th>
<th>Main activities</th>
</tr>
</thead>
</table>
| 31.03.2015 | Plantation Central Office (PCO) Bukit Mas Palm Oil Mill | Opening Meeting  
Summary of Previously raised NCRs and Actions taken  
Introduction of team members  
Finalization of audit plan  
Explanation on type of findings  
On-site visit locations:  
• Mill compound  
• Fat pit  
• Workshop  
• Chemical store  
• Loading ramp  
• Wastewater treatment plant  
• Boiler room and engine room  
• Scheduled waste store and used lubricant store  
• Cyclone  
• Diesel tank  
• Warehouse for lubricants, chemicals and other materials  
• Worker’s housing  
Interviews: Mill Manager, Mill Sr. Assistant, Mill Assistants, Supervisors Workers, and Mechanic, Clerk.  
tracts, overtime records, Social Impact Assessment and management plan, HCV Assessment and management plan

Supply Chain Certification Audit:
- Document review.
- Review of supply chain management system
- Check of supply chain related documentation
- Interviews with supply chain personnel

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<thead>
<tr>
<th>Date</th>
<th>Location</th>
<th>On-site visit locations:</th>
</tr>
</thead>
</table>
| 01.04.2015 | Bukit Mas Estate  | - Plantation maintenance<br>- Spraying and harvesting activities at Block 96D6<br>- Chemical store and fertilizer stores<br>- Scheduled waste store<br>- Harvesting activities<br>- Plantation maintenance Estates site visit:  
  - Interviews with harvesters and sprayers  
  - Bukit Mas waste landfill<br>- Ex-quarry area and rocky/ sloped area<br>- Stream between field 96D1 with 96D2 at Bukit Mas D estate<br>- EFB & bell press solid application area<br>- Mill ex-fibre dump site, currently used as bell press solid storage site<br>- Pond adjacent to Bukit Mas mill (mill & domestic water source)<br>- Workers housing<br>- Children’s crèche |
| 02.04.2015 | Sungai Segama 1 & Sungai Segama II estate | - Plantation development<br>- FFB production<br>- Harvesting activities<br>- Spraying activities<br>- Workers Housing Area<br>- Document check at main estate office<br>- Protection of Watercourses at Litang River Sg Segama II estate.<br>- Humana Learning Centre<br>- Chemical store<br>- Scheduled waste keeping area<br>- Spraying and harvesting activities at Block 94D1<br>- Small Lindungan River (92F4)<br>- Block 92F4 (spraying)<br>- Sungai Segama Central Workshop. |

Interview: Manager, Assistant Managers, Field Conductors, Mandores, Sprayer, harvesters, manurers.

<table>
<thead>
<tr>
<th>Regulations, Chemical Stock Inventory, Social Impact Assessment and management plan, HCV Assessment and management plan, CSR activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparation of findings</td>
</tr>
<tr>
<td>Closing Meeting</td>
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</tbody>
</table>
3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

The following is a summary of findings during this surveillance audit for the criteria listed in the RSPO Principles & Criteria Malaysia National Interpretation year 2014.

<table>
<thead>
<tr>
<th>Principle 1: Commitment to transparency</th>
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<tbody>
<tr>
<td>Criteria assessed: CR1.1, CR1.2, CR1.3</td>
</tr>
<tr>
<td>Criteria not assessed: -</td>
</tr>
</tbody>
</table>

Findings:

**CR1.1**
The company using procedure named HSPHB P1 1120 as a reference for request for information procedure that last updated in November 2012. This procedure regulates how requests for information responded by the company and applies to all stakeholders. Information can be requested after the applicant fills out a form, or if via telephone the company will record the identity of applicants. The procedure are well implemented and clearly understood by the person-in-charge. During this surveillance audit it was found no information request from stakeholders. There is only a record of the visit of the Sabah Environmental Department on 23 April 2014 and 18 November 2014, where they conducted a check into the company’s conformity to local environmental regulations. This visit was recorded in the company’s visitor logbook 2014.

**CR1.2**
The company has procedure no. HSPSB P2 1120 regarding procedure for request of information, and the company also maintains a logbook of all stakeholders that have requested for information from the company, which has been kept up-to-date with all information requests. The company maintains a file for all documents that are made publicly available, including the management organization chart, land titles, boundary stones locations, OSH policies, OSH committee, SOPs for estates, Workers Training Programme, Training Records, and OSH Committee meeting minutes.

However, the list of documents in the file as well as the procedure for request of information no. HSPSB P2 1120 does not include a number of the documents required to be made publicly available upon request, as follows:

- User rights, if applicable (Criterion 2.2);
- Plans and impact assessments relating to environmental and social impacts (Criteria 5.1, 6.1, 7.1 and 7.8);
- HCV documentation summary (Criteria 5.2 and 7.3);
- Pollution prevention and reduction plans (Criterion 5.6);
- Details of complaints and grievances (Criterion 6.3);
- Negotiation procedures (Criterion 6.4);
- Continual improvement plans (Criterion 8.1);
- Public summary of certification assessment report;

**CR1.3**
The company’s policy for ethical conduct contained in the Gek Poh Leadership Attitudes and Approaches Document. The company calls it their “Business sixteen Commandments”. One of the points mentioned: Be judicious and honest in money matters; mismanagement promotes corruption. The document is distributed to all personnel at executive level, while for other employees can see it in the notice board. A number of workers who were interviewed said they had received an explanation from the company several time on the morning briefing. The document is only available in English version. This was noted as an observation.
Compliance status: Non-compliance

NCR No. 2015-01 of 07

The list of documents in the company’s file of documents to be made publicly available as well as the procedure for request of information no. HSPSB P2 1120 does not include or clearly state a number of the documents required to be made publicly available upon request, as follows:

- User rights, if applicable (Criterion 2.2);
- Plans and impact assessments relating to environmental and social impacts (Criteria 5.1, 6.1, 7.1 and 7.8);
- HCV documentation summary (Criteria 5.2 and 7.3);
- Pollution prevention and reduction plans (Criterion 5.6);
- Details of complaints and grievances (Criterion 6.3);
- Negotiation procedures (Criterion 6.4);
- Continual improvement plans (Criterion 8.1);
- Public summary of certification assessment report;

Principle 2: Compliance with applicable laws and regulations

Criteria assessed: CR2.1, CR2.2
Criteria not assessed: CR2.3

Findings:

CR2.1

The company has a documented Applicable Legislation and Licenses for Sg. Segama Group of Estates (SSGOE) and Bukit Mas Palm Oil Mill (BPOM).

At the palm oil mill, the following licenses were checked and found to be valid:
1) Mill’s DOE license no. 001190 valid from 1 July 2014 until 30 June 2015 and processing capacity of 45 tonnes/hour (same as before)
2) Mill’s MPOB license no. 500254304000 which is updated annually and valid from 01 April 2015 to 31 March 2016.

In Sungai Segama II Estate, a similar document is available called Applicable Legislation and Licenses for Sungai Segama Group of Estates and Bukit Mas Palm Oil Mill (Sg. Segama II Estate). Mentioned that Plantation Advisory Department is responsible for ensuring compliance by all estates and mills and update estate and mills on any reenactment or revocation of the said legal aspects. The document was last updated on 13/03/13.

At Bukit Mas Mill, the Occupying license from DOE No. 001190 dated 15/6/05 was checked and found to be valid until 30/6/15. The mill’s equipment included those with the following registration numbers; boiler PMD 10358, PMT 105335, PMT 105336, PMT 105337, PMT 105515, PMT 105516, PMT 105517, PMT 105518, PMT 105519, PMT 105520, PMT 105521, PMT 105522, PMT 105525. All equipment had been tested by DOSH, with evidence of payment to DOSH made amounting to RM 1,662.00. All equipment certificates are valid and the equipment was in acceptable condition as seen on-site.

At Bukit Mas Estate, there was evidence of compliance for disposal of scheduled waste as seen from consignment notes no. 003071 with delivery date 22/7/14 for SW410, consignment note dated 21/7/14 for SW 305, consignment note dated 22/7/14 for SW 305 and consignment note dated 22/7/14 for SW 102, all collected by a contractor named Legenda Bumimas Sdn Bhd. Documented inventories of scheduled waste was sampled, i.e. for SW 305 (engine oil) dated 28/2/15, quantity generated was 111.50 tonnes, while for SW 306 dated 28/2/15 (hydraulic oil), 178.50 tonnes was generated.

There was found no monitoring was done for noise at boundary as required by DOE to be below 55 dBA. At the moment in the Environmental aspect and impact assessment, the noise mentioned is related to OSH and not Boundary Noise as in the approval letter from the Department of Environment (DOE) for (caterpillar) model 3406 and 3412. This was raised as a non-conformity.
The mill had also not yet obtained their Fire Certificate for the mill as required in the Fire Services (Fire Certificate) Regulations 2001. This was also raised as a non-conformity.

The company’s Legal Requirements Register (LRR) and evaluation of compliance is under review by Compliance Executive and at draft status, therefore there is no approved updated LRR which includes all applicable legal requirements pertaining to the company as highlighted during the previous surveillance audit (NC 2014-02 of 08). Few legal issues were still not included. Progress was shown and the company stated that the document will only be ready by June 2015. This was maintained as a nonconformity.

Evaluation of legal compliance of the company will be reviewed accordingly and stated in the Register of Applicable Rules and Regulations, which will be done every 2 years. This procedure did not include any consideration to conduct review whenever there are new or updated legal requirements or within a shorter period of time. This was noted as an observation. The mill and estates have a procedure for ensuring compliance which states clearly the mechanism and system for tracking legal changes. This will be done annually. Currently the estates and mill received updated on latest changes to legal requirements from their HQ legal compliance department to update them.

CR2.2

There is no changes on company’s right to use land and land ownership of the company can be demonstrated through details of information regarding land titles, e.g. no. CL 095317614 for area of 5,044 ha in Bukit Mas estate and Sg Segama II estate (period of January 1, 1991 to December 21, 2089) on behalf of the East Asiatic Co. (M) Bhd, no.CL 095317605 amount of 3,843 ha in Sg Segama I & II (period of January 1, 1991 to December 21, 2089) on behalf of The River Estate Sdn. Bhd. and no. CL 095316340 amount of 1,434 ha (414 ha are under Lintang estate - Tomanggong Group of Estates (GOE) for Bukit Mas estate area of 1,020 ha) in Bukit Mas estate (period of June 16, 1988 to December 21, 2887) on behalf of The River Estate Sdn. Bhd. The company has complied with the terms of the land title where evidence of monthly payment for the period of January to December 2013 and January 2014 is available.

At the time of the audit, there is no evidence of land ownership issues or disputes. Outer boundaries of the company’s area marked by the boundary stones or ditches. Boundary stones are made of cement cast plus other markers in the form of wooden stakes painted red and white. The company maintains documented reports of boundary stones repaired or replaced. While the estate boundary and boundary stone conditions checks are performed in conjunction with HCV checking. Checking forms sampled dated March 23, 2015 for the location of S20B and S16B mentioned that boundary conditions marker are in good condition. For year 2015, there were no reports of replacement of boundary stone.

CR2.3

This criterion was not verified as there no lands identified as encumbered with customary rights in all estates.

Compliance status: Non-compliance

NCR No. 2015-02 of 07

1) It was found at mill no monitoring was done for noise at boundary as required in written approval letter from the DOE for 3 gensets (caterpillar) model 3406 and 3412, which states that the mill must ensure that noise be kept below 55dBA at boundary.


NCR No. 2015-03 of 07

The company’s Legal Requirements Register (LRR) and evaluation of compliance is under review by Compliance Executive and at draft status, therefore there is no approved updated LRR which includes all applicable legal requirements pertaining to the company as highlighted during the previous surveillance audit (NC 2014-02 of 08).
**Principle 3: Commitment to long-term economic and financial viability**

Criteria assessed: CR3.1
Criteria not assessed: -

Findings:

**CR3.1**

Bukit Mas Palm Oil Mill and its three supplier estates (Bukit Mas estate, Sg Segama I estate and Sg Segama II estate) has an annual budget (year 2015) that was made a year before the current fiscal year. The information in the budget consists of area statement year 2015 to 2019, crop production Plan year 2015 to 2019 (yield per ha, crop extraction rate, CPO produced), monthly budget breakdown (year 2015), budget summary for revenue & capital expenditure year 2015 to 2019, and turnover including revenue expenditure, cost of sales, total overhead (include general charges and vehicle running account), total expenditure, capital expenditure and cost of production forecast (include mature upkeep/harvesting, manuring, harvesting and collection, storage and dispatch, estate overhead and depreciation).

The company's replanting program is the same as stated in the previous surveillance audit report. According to the replanting plan, Sg Segama Group of Estates replanting program will start on year 2016 and a new nursery covering 6.2 ha has already been established at Sg. Segama II estate. Details of information about new replanting program are as explained below:

- Year 2016 for total area of 385 ha in Sg Segama I estate (block S91A: 196.50 ha and block S91B: 188.50 ha).
- Year 2017 for total area of 934.5 ha in Sg Segama I estate (block S92A: 201 ha, block S92B: 202 ha, block S92C: 274 ha, and block S92D: 257.50 ha).
- Year 2018 for total area of 960 ha in Sg Segama I estate (block S92E: 264.5 ha, block S92F: 226.5 ha, block S92G: 120.5 ha, block S92H: 348.5 ha).
- Year 2019 for total area of 796 ha in Bukit Mas estate (block B93A: 21 ha), Sg Segama I (block S93A: 72 ha) and Sg Segama II (block S93A: 275 ha, block S93B: 225 ha and block S93C: 203 ha).
- Year 2020 for total area of 884.5 ha in Sg Segama II estate (block S94A: 316.5 ha, block S94B: 320.2 ha, block S94C: 247.8 ha).

Compliance status: Full Compliance

**Principle 4: Use of appropriate best practices by growers and millers**

Criteria not assessed: -

Findings:

**CR4.1**

There is no change of existing procedure in best practice. The estates are still applying their documented SOPs for estate operations documented in the Oil Palm Agricultural Policy manual dated July 2009, covering nursery practices, land clearing and preparation, soil conservation & terracing, road construction and maintenance, establishment of leguminous cover-crops (LCC), planting density and planting technique, upkeep of immature and mature palms, pest and diseases, manuring, EFB application, harvesting, bunch census and palm thinning. There is evidence of monitoring of implementation of the estate SOPs, i.e. agronomist visits are conducted annually and recommendations for improvements to field practices are recorded in Agronomic Advisory Reports. Evidence of implementation of practices required as per the estate SOPs were checked and confirmed to be implemented according to the SOPs, e.g. EFB application at mature palm areas is also carried out at rates of 35 to 70 mt/ha/year and applied in center of each station which consists of four palms, in accordance with the SOP. Inspection of compliance to the OSHA 1994 and FMA 1967 regulations as well as the company’s Sustainability Certification Checklist was established as evidence of internal audit records found during audit.

The mill is still implementing their SOP for Bukit Mas POM v1.0 dated 22 November 2010, which covers operations such as reception, sterilizer station, press station, threshing, oil room (clarification), kernel
plant, lab, CPO dispatch, engine room, electric, workshop, vehicles, and boiler station, land irrigation and SOP for taking POME samples prior to land irrigation. There are no changes in last one year to the main SOP document. The mill maintains records of monitoring in Monthly Performance Reports, which include data on:
- FFB production, oil production, kernel production, EFB, products despatching
- FFB grading reports
- Laboratory analysis results for CPO, PK, press cake, oil losses on dry fiber, sterilizer condensate, EFB, final effluent, kernel losses, and shell analysis.
- Processing efficiency report, and plant and machinery maintenance reports

At the Bukit Mas Mill, there was evidence of monitoring consistent implementation of procedures through internal audit. Sampled internal audit report. There was a flow chart showing method for monitoring compliance of requirements including legal requirements. Internal audit is conducted every 3 months. At Bukit Mas Estate, inspection and compliance for OSHA 1994, FMA 1967 and Sustainability Certification Checklist was established as evidence of records of the internal audit.

Weekly inspections are also conducted by Hap Seng's Processing Controller, with output being the Weekly Mill Visit Report. Sighted from sample of recent mill visit report conducted on 1-2 March 2015 shows inspection covers mill stations including reception, FFB ramp and hopper, sterilizer station, threshing station, press station, oil room, boilers, engine room, kernel plant, sterilizer condensate usage, and effluent ponds. Inspection aspects cover operation parameters of machines, safety and condition/maintenance of the station. Similar inspections are also conducted by the mill manager or senior mill assistant staff, but are not regularly reported.

**CR4.2**

The estates apply SOP no. HSPHB OPAP no. 11 regarding Manuring, dated 01/04/1994, last revised October 2010. Leaf sampling is conducted annually and results of leaf analysis are made available in Agronomic Advisory Reports prepared for each estate, as seen from Agronomic Advisory Reports & Fertilizer Recommendations for all estates for year 2014 and 2015. There is also record of soil test conducted for all estates by KDC Laboratory as follows:
- 93 samples taken from Bukit Mas as seen from analysis report no. R14/5/144 dated 19 May 2014
- 75 samples taken from Sg. Segama I as seen from analysis report no. R14/6/234 dated 28 June 2014
- 89 samples taken from Sg. Segama II as seen from analysis report no. R14/10/218 dated 21 October 2014

The soil tests covered tests for pH, exchangeable cations, phosphorus, organic carbon and nitrogen.

Fertilizer application recommendations are prepared according to the soil and leaf analysis results and show. Each estate maintains a monthly reconciliation of fertilizer application schedule to update the status of application of fertilizers according to the programme. As seen from the reconciliation results for year 2014, fertilizer was applied according to schedule for all estates in year 2014, whereas from January to February 2015, some fertilizer application has been carried out but only partially or not yet started.

As part of company’s nutrient recycling strategy, the company carries out EFB application and also utilizes bell press solids (BPS) from the mill as fertilizer applied to the field. It confirmed through site visit to Bukit Mas estate that EFB is applied in one layer overlapping with cut fronds which are placed in between adjacent palms at flat areas. BPS is packed in separate biodegradable bags in 2 kg amount and applied intermittently in the field.

**CR4.3**

The company has potential erosion risk map (scale 1: 200,000) where it is based on the Revised Universal Soil Loss Equation (RUSLE). On the map has informed that there are slope > 25° in Sg Segama GoE (Sg Segama I, Sg Segama II and Bukit Mas estate) such as border of between block 92C7 with 92D6, block 91B2, block 94A3 and block 94B4. It was verified during visits to the field (to the border of between block 92C7 with 92D6) that there are terracing and setting of palm fronds parallel with the direction of the slope. This is effective as practices minimizing soil erosion. No bare or exposed soils were sighted within the estates and ground cover is adequate. It was confirmed through visits to field that they do not carry out blanket spraying.
Based on soil map, the soil classification/type in Sg Segama GoE are Kinabatangan (flood plain), Sapi (swamps), Lungmanis (very low hill and valley floors), Keretam (moderate hills slope) and Bidu-Bidu (mountain and hills). Distribution of soil type in Sg Segama GoE are Sg Segama I estate: Bidu-Bidu, Kinabatangan Keretam (dominan), Lungmanis and Sapi-Sapi; Bukit Mas estate: Kinabatangan, Keretam (dominan in Bukit Mas II), Lungmanis (dominan in Bukit Mas I & II), Buran, Darau, Guan, Kumansi (dominan in Bukit Mas II); and Sg Segama II estate : Kinabatangan, Keretam (dominan), Lungmanis. Based on those information, there are no peat soils, sandy/low organic matter, acid sulphate soils or other fragile soils in the estates, so no management strategy is required for these types of soils. It was also verified in the field (block 94A9 (sapi-sapi)) that there are collection drains located at every fourth row of trees.

The company carries out regular road maintenance, which was evident during site visits to the field where it was observed no significant soil erosion from roads due to proper maintenance.

CR4.4

The company has a Water Management Plan for Sg. Segama GOE and Bukit Mas Palm Oil Mill, dated 21 March 2013 and last updated 11 March 2015. The plan describes the sources of water used for processing and domestic uses and their management. The primary water source is the pond located next to the mill. Monitoring of water consumption is carried out, as well as monitoring of mill POME effluent quality as well as water quality index in accordance with local requirements. The plan also describes the soil moisture conservation programme through EFB mulching, terracing and other methods.

The company continues to protect water courses and wetlands from agrochemical application through demarcation of rivers to indicate areas where chemicals cannot be applied. It was found during the previous surveillance audit that there is a stream between field 96D1 with 96D2 at Bukit Mas D estate which flows to Sg Segama river but no action taken by the company to prevent agrochemical application at this small river. During checks on-site at the same area during field visit, it was confirmed that the stream riparian buffer zones have been demarcated as well. At Bukit Mas Estate, during site visit to Block 94D6, signage posted to warn on prohibition of application of pesticides at buffer zone near to the stream was observed. This was supported as mentioned by the mandore that no spraying is allowed near the stream. Palms at riparian buffer zones are marked red to indicate no spraying of these palms are allowed. While in Sungai Segama 1 at Block 92F4, Sungai Lintang Kecil is having a signboard restricting spraying of chemicals at trees marked with red paint which are located are the river riparian buffer zones. Those gazetted rivers in SSGOE are Sg. Mikok, Sg. Maarang Arang, Sg. Lintang Besar, Sg. Lintang Kecil, Sg. Tigbos and Sg. Segama. Reserving 1 to 2 palms of oil palm (10 meters). This is mentioned in the company’s Water Management Plan which was reviewed on 11/3/15 as well.

At Bukit Mas Mill, palm oil mill effluent (POME) production is being monitored and measured with report submitted to DOE quarterly as approval letter for license under Section 18(1) EQA 1974. License no 001190 for period of 1/7/14-30/6/15. In the Water Management Plan Rev. 3 mentioned requirement that effluent quality must comply with DOE requirement BOD level (100mg/l), suspended solid (400mg/l), oil and grease (50mg/l), ammoniacal nitrogen (200 mg/l), total nitrogen (200 mg/l), Ph (>5.0-<9) and temperature (>45 degree celcius). It was seen from BMPOM Summary of Final Discharge Monitoring for Jan-Dec 2014 and Jan-Feb 2015 that all parameters was within the legal standards for POME.

Bukit Mas Mill was found to have records for water consumption for 2013 and 2014 was found properly recorded and monitored. Water consumption records for January to December 2014 and January to March 2015 were sighted.

CR4.5

The company still implements their SOP on Pests and Diseases management (ref. HSPHB OPAP no. 10), which was last revised October 2014. In accordance with their SOP, prophylactic pest spraying at nurseries is not recommended but regular inspection for emergence of pests should be carried out. Pest management with chemicals is done only once high rates of pest attacks are detected through monthly census. Main method of biological control of pests is still use of beneficial plants to attract predators of nettle caterpillars and bagworms. Regular census is conducted for nettle caterpillars/bagworms, rats and basal stem rot (ganoderma). Monthly records of Pests and Diseases Reports (Early
Warning System) were sighted for Bukit Mas estate. The reports included summary of attacks found for caterpillars and bagworms, rhinoceros beetles, rats, bunch moths, ganoderma and nettle caterpillars.

The company’s SOP on Pests and Diseases was revised October 2014. The SOP still states that rat baiting shall be carried out in mature fields when incidence of fresh damage in an area exceeds 1 palm in 20 (5%). Warfarin shall be used where attacks are low and more potent baits may be considered when attack levels are higher. The SOP also stated that warfarin baits should be replaced every 4 days until acceptance falls to 0% or at a level deemed acceptable by the manager. However, it was explained by an agronomist that rat baiting can be implemented when attacks rates are still below 5% at the discretion of the manager. This is conflicting with the requirement of the SOP.

Monthly Summary Rat Infestation Reports for all estates were sighted, including the dates of census, field no., no. of palms included in the census, hectarage applied and percentage of fresh rat attack, and areas where rat bait was applied. However it was observed that rat baiting is still carried out at areas where percentage of rat attacks is less than 5%, which is not in accordance with the SOP. For example, observed in Rat Infestation report for Sg. Segama II that 3 rounds of application of rat bait were applied at fields numbered 93B6, 93C3, 93C4 in April 2014 even though census results for these fields in March and April 2014 showed less than 1% rat damage. In addition, some fields in SSII showing rat damage over 5% in March 2014, e.g. 93B1, 93B2 and 93B3, but no rat baiting was carried out in April or May 2015 at these fields.

Checks against the raw data census records for month of March showed dates of census conducted and incidence of rat damage all differ from the rat infestation monthly summary report.

CR4.6

Chemicals used at all estates include Dewana (Glyphosate), Starane, Ally, Amine, Garlon, Mentor, Paraquat, Garlon, Activator, Websob, Enforce (methamido phos), Ebor Baits (warfarin 0.0%), Matikus (Brodifacoum 0.003%). Written justification on usage of chemicals is described in the company’s Oil Palm Agricultural Policy manual dated July 2009 and recorded in their Chemical Usage register 2010-2014 as signed by the Manager of Bukit Mas Estate. All this chemical register in Company’s Register of Hazardous Chemicals.

The company tries to minimize pesticide use by implementing Integrated Pest Management using beneficial plants and IPM methods as described under CR4.5 above. The company does not use any pesticide which is categorized as World Health Organization Class 1A or 1B, or that are listed by the Stockholm or Rotterdam Conventions, and paraquat, are not used.

Sprayers and mandores have sufficient training regarding pesticide dangerous. Appropriate safety and application equipment be provided and used during the audit, such as boots, google glass, body apron, hand-gloves. Harvesters are also equipped with safety helmets.

Pesticides application performed in an appropriate method to minimize risk and impact as described above and after completed, the area will be marked and not allowed to be entered. During site visit to Bukit Mas Estate, Block 94D6, there was a signboard sighted informing regarding the application of pesticides at that particular area and prohibition to enter back. At Sungai Segama 1, a sprayer interviewed at Block 92F4 also mentioned that after spraying the signboard need to be posted to warn others not to enter the sprayed area. There is no aerial application of chemicals at the estates.

At Bukit Mas Estate and Sungai Segama 1 Estate, the mandores and 5 ladies sprayers (BME) and mandore and one of her sprayer (SS1) found understood about the requirement of handling proper disposal of waste materials such as used chemicals containers. At Bukit mas Estate, pesticides was mixed at the chemicals store and brought to the site as required by the SOP. At the field, when the chemical to be loaded into the pump, a containment used to prevent spillages. This was observed too at Sungai Segama 1 Estate.

Female chemical sprayers interviewed at Bukit Mas estate confirmed that they had undergone medical checks once every 3 months, and are provided with free medical treatment if and when required, with no complaints of work related health issues. Harvesting and Spraying Mandore was observed carrying a first aid kit with him to the field.

At Bukit Mas Estate and Sungai Segama 1 Estate, MSDS/CSDS were not made available at site where the pesticides being used particularly among group of sprayers. This was noted as an observation.
At Sungai Segama II Estate at Block 92F5, there were no female sprayers found to be pregnant and carrying out spraying work. No pesticides categorized as Type 1A and 1B chemicals are kept at the store as sampled in the related Chemical Store.

**CR4.7**
The company has a safety policy in place, which is the same policy established as found in previous audits. Hap Seng Plantations has appointed responsible persons of OSH implementation, one person responsible for overall company safety while for each company department, individual responsible persons were also already determined and have been appointed as responsible person in his area. These appointed people conduct regular meetings to discuss safety health and welfare, for example, there is record of an OSH meeting conducted on January 13th, 2015, which was attended by them and workers representatives.

HIRARC last approved by the National Institute of Occupational Safety and Health (NIOSH) in 28.08.2014 and next review date will be in 20.08.2015. There is no change regarding process and equipment in the last one year. The HIRARC covers all risks pertaining to activities at the POM and, as approved by NIOSH.

The company maintains records of accidents that occurred, as seen in report dated 14th January 2015 to the Director of the Department of Occupational Safety and Health of Sabah using the JKKP8 form which is a summary form for all accidents that occurred in a year. It was reported in this form that 10 accidents occurred during year 2014 and total lost time injury was 24 days, with no fatality, while working hours in year 2014 amounted to 6,259 hours with average working days of 139 days.

The company provides appropriate personal protective equipment (PPE) to field workers such as harvesters and sprayers, and also prepares eye wash at chemical stores for preparedness in case of any potential spill, splash to eyes and skin.

**CR4.8**
Training records for awareness of safety and health was sighted in training records attached to the worker’s general induction list. For example, noise safety training for mechanic, engine drivers, workshop apprentices, wiremen was planned to be done on March 31th, 2015. Meanwhile, manuring and spraying operations at riparian reserves, and reentry procedure to chemical treated field was done on October 13th, 2014 for Chemical Mixing workers, Sprayer, Mandore, Field Conductor and Estate assistant.

The company provided training on RSPO, which is documented and described in the job descriptions for workers. Training programs such as Safety and Health training, training and demonstration report on trunk injection, training understanding pesticide spraying, training on understanding harvesting techniques had been done and records of the training are well maintained. Training for workers expose to noise was conducted on 1/4/15 for the balance of workers who did not yet attend the previous session.

**Compliance status: Non-compliance**

**NCR No. 2015-04 of 07**

1) The company’s SOP on Pests and Diseases was revised October 2014. The SOP still states that rat baiting shall be carried out in mature fields when incidence of fresh damage in an area exceeds 1 palm in 20 (5%). However, it was explained by an agronomist that rat baiting can be implemented when attacks rates are still below 5% at the discretion of the manager. This is conflicting with the requirement of the SOP.

2) It was seen from Monthly Summary Rat Infestation Reports for Sg. Segama II estate that rat baiting is still carried out at areas where percentage of rat attacks is less than 5%, which is not in accordance with the SOP. For example, 3 rounds of application of rat bait were applied at fields numbered 93B6, 93C3, 93C4 in April 2014 even though census results for these fields in March and April 2014 showed less than 1% rat damage. In addition, some fields in SSII showing rat damage over 5% in March 2014, e.g. 93B1, 93B2 and 93B3, but no rat baiting was carried out in April or May 2015 at these fields.

3) Checks against the raw data census records for month of March showed dates of census conduct-
ed and incidence of rat damage all differ from the rat infestation monthly summary report.

**Principle 5: Environmental responsibility and conservation of natural resources and biodiversity**

Criteria assessed: CR5.1, CR5.2, CR5.3, CR5.4, CR5.6
Criteria not assessed: CR5.5

**Findings:**

**CR5.1**
The company has an Environmental Impact Assessment for Proposed Replanting of 14,524.20ha of Oil Palms for 10 years (2011 - 2020) at Hap Seng Group of Estate by Hap Seng Plantations Holdings Berhad. The document was prepared by Kwiheng Wood and Environmental Consultants Sdn. Bhd. and issued on 26 June 2014. The EIA has been approved by the Department of Environment (DOE) of Kota Kinabalu, Sabah as per letter no JPAS/PP/11/600-11/1/149 Kit 2(9) dated 14 February 2014. The EIA includes identification of environmental impacts that would result from the replanting activities and mitigation and monitoring measures for all identified impacts. In accordance with the requirement from the DOE, an Environmental Compliance Report is prepared once every 4 months by the consultant and submitted to the DOE. The consultant will send a team of field inspectors to the site to monitor compliance of the company to the EIA requirements prior to preparing and submitting the Environmental Compliance Report to the DO.

There is also an Environmental Impact Assessment Management Action Plans and Continual Improvement Plans for Bukit Mas Mill which includes monitoring plans for each of the identified environmental aspects and impacts. Date of assessment was 12/3/15 (3rd review). The Management and Continual Improvement Plan will be reviewed annually, with evidence of review done on 12/3/13, 10/3/14, 12/3/15 was sighted and next review will be in March 2016.

**CR5.2**
As found during the previous surveillance audit, SSGOE had conducted an HCV assessment for the three estates, namely Bukit Mas, Sg.Segama 1, Sg.Segama 2 and the mill, i.e Potential High Conservation Value Area Assessment Report - Sg. Segama Group of Estates and Bukit Mas Palm Oil Mill, reported by 3 staff from the Agronomy Department, dated 10 January - 1 April 2011 and last updated 12 March 2015. Two of the staff appointed to conducted the HCV assessment have educational background in Conservation Biology, as seen from copies of their bachelors degrees.

The report is complete with management and monitoring prescriptions which is updated on a yearly basis. The company had also previously conducted reclassification of the HCV type in several areas in SSGOE in March 2013 to review previous HCV document. According to reclassification result, there is 9 identified potential HCV areas in SSGOE i.e. Bukit Kibos (HCV 1.2; 1.4) total area 75.5 ha; Sg. Segama (HCV 1.2; HCV 2; HCV 4.1 and HCV 5); Other rivers including Sg. Sikok, Sg. Litang Besar, Sg. Litang Kecil, Sg. Maarang Arang, Sg. Tigbos and other small tributaries (HCV 4.2); Water catchment pond (HCV 4.1; HCV 5) covering area of 17.5 ha; Rocky and steep hill (HCV 4.2) covering area of 30 ha; Non-operating quarries (HCV 4.2) total area 35.4 ha; Burial site (HCV 6) total area 0.3 ha; Jungle area (HCV 4.2) covering area of 35.4 ha; and tree planting area (10.7 ha) planted with Gaharu, Jelutong and Mahogany as management initiative because the land is unsuitable for oil palm.

However, it was previously found during the last surveillance audit that the HCV assessment conducted for SSGOE had not conclusively identified HCV habitats within its company boundary. At present, the company only avoids damage to and deterioration of HCV habitats by ensuring that HCV areas are connected, corridors are conserved, and buffer zones around HCV areas are created. The following were the non-conformities which were collectively raised as Major non-compliance during the previous annual surveillance audit. :

- There is no species inventory for flora and fauna for Bukit Kibos forest (identified as potential HCV1.2, 1.4. and 2);
- There is no corresponding list for conservation status for the species identified, except for avian species; and
- A proposed preliminary biodiversity study has been postponed to 2016 for two consecutive years.
HCVs identified in the HCV report on 24 June 2011 shows potential 8 HCV values. There is yet to be a stakeholder consultation to conclusively identify HCVs.

During this 3rd annual surveillance audit, sighted email correspondences between the company’s CSR coordinator, Ms. Mainon with the Director of Universiti Malaysia Sabah (UMS) to discuss proposals for UMS conduct a HCV assessment on the Bukit Kibos area. UMS prepared a proposal for HCV (Baseline Biodiversity) Assessment at Bukit Kibos in Hap Seng Plantations Holdings Berhad. The proposal included a summary of the objectives of the study, scope of work, methodology, tentative schedule (proposed to be started in January and completed within 6 months), project team and fees. However, there no evidence of acceptance of the proposal by the company or other evidence of commitment to proceed with the HCV baseline study, including a confirmed timeline/schedule when the study will be carried out and estimated to be completed. In addition, the proposed methodology of the study does not include consultation with local communities on the possible existence of HCV areas within the area that are fundamental to their rights and livelihood. This non-conformity remains open.

As the company has not conducted an identification of species list and their conservation status, there is no identified of rare, threatened and endangered (RTE) species. As such, the company has not yet developed a programme to regularly educate the workforce about the status of these RTE species, and appropriate disciplinary measures in case any individual working for the company is found to capture, harm, collect or kill these species. There is also no management plan developed yet for the monitoring of RTE species (only HCV areas). This was noted as an observation and status of compliance will be verified upon during next surveillance audit after completion of the RTE species identification.

The action plan continues to be implemented, including maintaining of the riparian reserve by prohibiting any cutting down of the trees at the areas, prohibition of any of the manuring and spraying operation at the riparian reserve area, to monitor for any signs of erosion or illegal activities in Bukit Kibos, installation of warning signboard of taking fish by means of electric shocks and illegal hunting fauna, socialization of HCV area and their conservation, there are evidence that worker carry out activities in the blocks near Sg. Segama river without disturbing Proboscis monkey activities. The company has currently also engaged a surveyor to carry out survey of all steams and riparian reserves as well as steep areas identified within SSGOE’s area. The information collated from this survey will be incorporated into management strategies for protection and restoration during planned replanting activities. The survey commenced in January 2015 and is targeted to be completed by June 2015.

It was stated on page 27 of the updated Potential HCV Assessment Report that part of the management plan for Sg. Segama river is to conduct a baseline study to identify animals living with the Sg. Segama Riparian Reserve and to conduct baseline study for the Proboscis monkey population living along the Segama River. Stated in the remarks column that the timeline for the plan was increased to year 2018 and the reason being due to lack of internal resources. However, it was informed by the company representative that researchers from University Malaysia Sabah which the company plans to engage to carry out the baseline study for Bukit Kibos area and Sg. Segama area had did a site inspection of the area and advised that baseline study for Sg. Segama riparian reserve was not required as the reserves were already planted. As such, the remarks stated for the progress of this plan was not updated accurately to reflect the status of this management plan for Sg. Segama river. This was noted as an observation.

CR5.3

The company still maintains their aspect and impact assessment document which includes identification of wastes at Bukit Mas Mill as well as at the estates. Management Action Plans and Continual Improvement Plan for waste management are included in the document. For example, it was mentioned in page 29 regarding mitigation and monitoring programmes for solid waste management, scheduled waste management and sewage management.

At Bukit Mas Mill, the schedule waste store was visited and found used containers and drums are being kept and controlled in a proper manner as required for scheduled waste regulations. While in Bukit Mas Estate, sampled at Sungai Mas Central Workshop and store found scheduled waste SW305 (used engine oil), 306 (used gear oil), 410 (contaminated gloves/filters), 102 (used battery), 409 (used containers). At Bukit Mas Estate, sampled consignment notes for collection of scheduled wastes by the contractor, Lagenda Bumimas for SW 410, 305 and 102 in July 2014 were sighted and the consignment
notes were well kept.

CR5.4
Bukit Mas Mill still conducts monthly monitoring of renewable energy usage/tonnes CPO and energy produced (kWh)/mt fibre/shell utilized. Renewable energy usage trends are recorded and analysed, as seen from document ‘Renewable Energy Utilization for Financial Year 2014’. Renewable energy utilization ranged from 1.22 to 1.44 mt shell & fibre/mt CPO in year 2014. Total fibre utilized in year 2014 was 39,935.89 tonnes and total shell utilized in year 2014 was 16,816.11 tonnes, with total kWh generated of 394,002.00 kWh.

Bukit Mas mill still conducts monthly monitoring of diesel consumption/tonne FFB processed and diesel consumption/tonne CPO processed and usage trends are recorded and analysed, as seen from ‘Diesel Consumption for Financial Year 2014’. Average diesel usage ranged from 0.24 to 1.09 tonnes diesel per tonne FFB processed, with unusually high usage in August 2014 of 1.83 tonnes diesel/tonne FFB processed. It was explained that this was due to rainy season at the time when the mill needed to pump more effluent than usual to the effluent treatment ponds and power was generated from the diesel genset instead of using mill generated power when the mill is not processing. The overall diesel consumption has reduced from the previous annual surveillance audit when it was found that monthly diesel consumption ranged from 1.00 to 2.13 tonnes diesel per tonne FFB processed.

CR5.5
This criterion was not evaluated this surveillance audit.

CR5.6
The mill’s plans to mitigate polluting activities is as stated in the Environmental Impact Assessment Management Plan and Continuous Improvement Plans document dated 24 June 2011 and last reviewed on 12 March 2015. Plans include 6 monthly monitoring of isokinetic emissions, continued implementation of the continuous emission monitoring system and land application to ensure smoke emissions and POME applied to the field complies with legal requirements, regular desludging of effluent ponds and ensuring alkaline boiler ash is not applied in close sequence with ammonia fertilizers to avoid greenhouse gas emissions in the form of ammonia. The mill started operations of a continuous desludging plant to reduce amount of solids produced at the effluent ponds in August 2014, which aims to reduce the BOD of the effluent produced by the mill. As found during previous audits, the company was planning to implement a Clean Development Mechanism (CDM) Methane Capture with Power Generation project at the mill. As updated by the mill management, the mill will no longer carry out the project as a CDM project, but the mill still maintains the plan to construct a biogas plant with power generation, estimated to start within 2 years after implementation of a similar project at Jeroco Group of Estates (one of Hap Seng’s other management units).

Based on soil type/classification map that no peat soil in the areas so there are no activity of monitoring and reducing peat subsidence rate through water table management.

In accordance with the new RSPO MYNI 2014 requirement, the company has carried out monitoring and calculation of GHG emissions using the RSPO endorsed modified version of the PalmGHG tool, including calculation of carbon sequestration amount from each estates, and estimated emissions from POME production and land conversion which is the main source of emissions from the company. Based on the calculations of the tool, the estimated GHG production of the company is 4.34 tCO₂/tonnes of CPO and 4.34 tCO₂/tonnes of PK. It was found that there was a slight discrepancy in the actual FFB production for year 2014 input in the Palm GHG tool compared to the actual FFB production records of the mill. This was noted as a negative observation. The client informed that they have submitted their PalmGHG calculation results to the RSPO Secretariat for review.

Compliance status: Non-compliance

NCR No. 2015-05 of 07
The company has requested a proposal for HCV baseline assessment of Bukit Kibos area from Universiti Malaysia Sabah, however there no evidence of acceptance of the proposal by the company or other evidence of commitment to proceed with the HCV baseline study, including a confirmed time-line/schedule when the study will be carried out and estimated to be completed.
In addition, the proposed methodology of the study does not include consultation with local communities on the possible existence of HCV areas within the area that are important to their rights and livelihood.

**Principle 6: Responsible consideration of employees and of individuals and communities affected by growers and mills**

**Findings:**
Criteria not assessed: CR6.4, CR6.10

**CR 6.1**
There was no change on the social impact monitoring and management since 2nd surveillance audit. SIA document that is checked is the result of the third review issued on 24 March 2015. The document was merely updated with the names of the estate staff as there have been changes in the personnel. A new consultation with stakeholders was proposed to be conducted in July 2015 along with stakeholders for Jeroco Group of Estates (JGOE) and Tomanggong Group of Estates (TMGOE). The company continues to carry out mitigation and monitoring plan for the identified social Impacts from the previous stakeholders’ consultation. Example of part of the company’s mitigation and monitoring program is providing clean water to residents of Kampong Litang as they have difficulty getting clean water in the dry season.

The company plans to conduct a review of the document SIA every year with the participation of stakeholders. During the 1st review, 33 participants attended the stakeholder consultation, while the 2nd review involved 20 participants, and 45 participants attended the 3rd review. They also assigned a team members who were involved in the preparation of the Social Impact Assessment, including among other roles: as internal assessor, as the host of the stakeholder consultation, as question and answer panel, and as stakeholders identification.

**CR6.2**
Documented consultation and communication procedures have been established both for mill/estates and local community and other affected parties. The procedure was defined in documents named Procedures of Complaints and Problems Reporting, last updated 29/11/2011, Procedures of Complaints and Problems Reporting: Stakeholders, last updated 4/07/2011 and Information Request procedure, last updated September 2012.

There is a nominated plantation management official at the operating unit responsible for consultation and communication with local communities or other affected parties. The company appointed four people each from Bukit Mas Estate, Sg Segama 1, Sg Segama 2 and Bukit Mas Palm Oil Mill (POM) as Social Liaison Officer to handle grievances and social affairs. While correspondence is handled by Estate Clerk.

There is a list of stakeholders, updated in February 2015, comprising government agencies (including nearby schools), neighbouring estates, NGOs, internal stakeholders, suppliers, contractors, local villages and consultants. There is a documented SSGOE, TMGOE and JGOE Stakeholder Consultation Minutes, and SOP for complaints available. Incoming (letters of requests or complaints) and outgoing correspondence are documented into two separate registers categorised under each individual folder. Records of communication from each estate is sent to the Plantation Central Office (head office).

**CR6.3**
There was no change to the company’s complaint and grievance procedure. There are two Standard Operating Procedures related to grievance mechanism, i.e. Procedure for handling of Complaints and Grievances ("Prosedur Menangani Aduan dan Rungutan") (dated: 29 November 2011 ref: HSPSB P1 1120) and Complaint Reporting Procedures and Problems: Interested parties or stakeholders ("Prosedur Melapor Aduan dan Permasalan: Pihak-pihak yang Berkepentingan atau Stakeholders") (dated: 4 July 2011 ref: HSPSB P1 1120b). Each of the estates and the mill has a grievance mechanism which is documented.
There are several methods whereby a grievance can be channelled to the relevant authority at the estates and mill. Among the methods to channel complaints is via the morning muster/roll call, via respective supervisors (mandores), direct to the manager, in a complaints box located at the entrance to each estate/mill office or a standard form which is filled by workers to report about their housing/work conditions. In addition, at the management level, the Joint Consultative Committee (JCC) is the platform for the grievance resolution at the highest level of SSGOE, which is a body consisting all estates and mill. On February 27, 2015, have been carried out JCC meeting. The meeting also has set the members of the joint consultative committee comprising representatives of employer and employee representatives.

There is a letter delivered migrant workers from Indonesia dated January 15, 2015 which requested assistance to his superiors about the order to empty his home in order to be given additional time. While, at the time of the 3rd surveillance audit did not reveal any complaints from external stakeholders.

**CR6.4**
This criterion was not assessed as there was no evidence found that the company is involved in any ongoing land disputes, hence there are no ongoing compensation claims. As found in previous audits, the company has established procedures for identifying people entitled to compensation and calculation of distribution, but these procedures have not yet been implemented due to no land disputes.

**CR6.5**
The audit team randomly sampled and verified pay slips and employment contracts for staff and migrant worker as well as conducted interviews with employee and worker with regards to salary, salary deduction, and the rights of employees and working conditions. The company displayed the employment contract format in the notice board as a guide for employees. This document contains, among other conditions of employment, wage regulations, overtime rules, hours of work and the termination of an employee. The contracts are all written in Malay language and the company will read or explain the terms of the contract to their prospective employees / workers. Migrant workers from Indonesia that were interviewed regarding the contracts and requested to provide an explanation or other information related to their employment stated that they understand the Malay language.

Employees work 8 hours per day. On week off days and public holidays they are entitled not to work. Employees who work overtime are compensated in accordance with the Sabah Labour Ordinance. During the audit, obtained information, worker paid RM30.77 per day. While overtime payments is counted as RM5.77 per hour. For 26 working days, worker gets a salary of RM800.02, which is in accordance with the Minimum Wage Order 2012 of Malaysia (minimum wage for East Malaysia).

The company provides facilities for employees. At Bukit Mas Estate for instance, the company provided 160 houses, 1 crèche, 1 chapel, one mosque, and 3 shops. Auditors also visited the clinic and sports area for employees. If there are complaints related to housing, worker can submit it to the company via the complaint form fill, report when morning briefing or through a suggestion box in the office estate. During interviews with workers employed as manurers / sprayer, it was informed that they occupy a house that consists of two families with the number of occupants reaching up to 10 people. Although the are within the same family (parents and son), the number of occupants in a house is deemed quite high for the amount of space available in the house. This was raised as a negative observation.

The cleanliness of the house and its surroundings is the responsibility of the employee / occupants, while housing complex becomes the responsibility of company. The company has a cleanliness contest at the estate housing. Occupants whose homes were considered the most clean and tidy win a prize money from the company. At Bukit Mas housing, at the backyard of housing no. 410, 411, 412, stagnant and damaged condition of the water main drain was observed. As this was raised as a finding on the previous surveillance audit (NC 08, 2014), this was raised to a Major Nonconformity.

Employees purchase their groceries from shops that are in the area of estate housing. The company regularly monitors the selling price in every shop and compares it with the price in the Lahad Datu (the city nearest SSGOE’s area). There is a monthly report document of the prices of goods in the shop. Interviews with shop’s employee at Bukit Mas Housing Estate, they expressed different selling price less than the market price because there is the cost of transport. Most employees do not pay cash immediately upon purchase, but make payment for all groceries purchased in the month once they receive their salary.
CR6.6
The company’s statement for freedom of association of workers has been made publicly available and explained to the workers. There is a notice dated January 24, 2015 No BME / 0031/01/15 which contains a statement that the company respect the right of employees to form and join trade unions of their choice and to bargain collectively as set out on article 6 and 7, HSPHB Gek Poh Holdings Corporate Culture.

CR6.7
The company has a policy stating that children that are not employed or exploited, as stated in an internal memorandum letter no. SCU/0666/06/2011. According to the policy, the management will not employ underaged persons below 18 years old. The summary list of workers in Bukit Mas POM and Sg Segama Estate, was checked and found to contain names of workers, date joining the company, date of birth sex, nationality and job description. There are no workers under 18 years old. The youngest employee was born in 1994. It was also found during interviews with several foreign employee from Indonesia, they know the age limit of 18 years as a condition of admission to employment at the company.

CR6.8
There is notice from Bukit Mas Estate dated January 24, 2015 No BME / 0031/01/15 to all staff and workers that Employers do not engage in or support discrimination based on race, caste, nationality, religion, disability, gender, age, sexual orientation, union membership, political as set out in article 15 of Hap Seng Corporate culture. There was no case of discrimination happen in this company. Since the last audit to date, there are no reported cases of discrimination, which was also confirmed during interviews with workers.

CR6.9
There is no change in policy regarding sexual harassment and violence from the previous audit. The policy document contains firm guarantees of protection against acts of sexual harassment and violence, definitions, and complaint procedures. The document sighted at the notice board in both the Bukit Mas POM and Sg Segama Estate. From interviews with female workers working at Block 92F4, it was found that during certain times, such as at morning briefing, the management conveys information about sexual harassment policy including reporting procedures. There are dedicated gender officers and gender committees for both men and women (separately) at SSGOE. The members of the gender committee comprise of representatives from the estates, mill and management with a total of 10 members.

CR6.10
This criterion was not evaluated this surveillance audit

CR6.11
The company makes local contributions which are granted based on proposals or requests from the community. In addition, during the stakeholder consultation, the community can convey their needs. For example, as checked against the communication record book, there are letters requesting assistance for clean water from a female resident of the village of Litang on 24 September 2014 and the school of Litang on 24 February 2015. The company had responded by sending clean water.

The company has consistently continued cooperation with Humana Child Aid Society Sabah. They provide financial support of RM6000 / month for operation of Humana Learning Center. During a visit to the location of the Humana Learning Center complex at Sungai Segama Group of Estates, it was found that all pupils are children of migrant workers from Indonesia. Humana provides educational services for children aged 5-15 years, ranging from kindergarten to Primary 6.

CR6.12
Migrant workers from Indonesia working in SSGOE are mostly from the same region or have family members working for the company. They are all directly contracted by the company in accordance with the vacation and work as desired. Based on interviews with a number of migrant workers, there are no complaints of contract substitution cases. As evidence of the absence of forced labor, company explained that their contracts do not specify a certain timeframe of work for migrant workers. Worker can decide to stop work within two weeks within written notice to the company, although quite there are a lot
of cases of workers who abscond without notice (which is a common issue among plantation workers). As found during interviews with migrant workers, if they do not like working in a company or receive an offer from another company they will apply stop working, or leave without prior notice. As there were no complaints that workers abscond due to misconduct by the company, hence, it is likely that the workers ascond due to better offers by other companies or their personal reasons.

The company has a number of policies related to migrant workers, among others, as stated in article 15 of Hap Seng Corporate Culture mentioning that Employers do not engage in or support discrimination based on race, caste, nationality, religion, disability, gender, age, sexual orientation, union membership and political. The company also implemented an orientation program for workers, including safety briefings or training, an introduction to the local culture and language as well as providing basic facilities.

CR6.13
Specific policies on respect for human rights are contained in Hap Seng Corporate Culture document, which states that the company does not engage in or support discrimination and that the company respects the right of employees to form and join trade unions of their choice and to bargain collectively. There is evidence that the company does ensure the protection of human rights, such as providing education to the children of migrant workers as explained nuder CR6.11, as evidence that they consider the rights of these children to a basic education.

Compliance status: Compliance with observations

Principle 7: Responsible development of new plantings

Criteria assessed: -

Findings:
Principle 7 is not applicable because the company has no developed area and currently has no plan to carry out any new development. Only replanting activities are planned starting from year 2016 as stated in Table 6 above.

Compliance status: Not applicable

Principle 8: Commitment to continuous improvement in key areas of activity

Criteria assessed: CR8.1
Criteria not assessed: -

Findings:
The company has an Environmental Impact Assessment Management Action Plans and Continual Improvement Plans for Bukit Mas Mill. Date of assessment was 12/3/15 (3rd review). The Management and Continual Improvement Plan will be reviewed annually, with evidence of review done on 12/3/13, 10/3/14, 12/3/15 was sighted and next review will be in March 2016. Management Action Plans and Continual Improvement Plan for waste management are included in the company’s aspect and impact assessment document. For example, it was mentioned in page 29 regarding mitigation and monitoring programmes for solid waste management, scheduled waste management and sewage management.

The mill’s plans to mitigate polluting activities is as stated in the Environmental Impact Assessment Management Plan and Continuous Improvement Plans document dated 24 June 2011 and last reviewed on 12 March 2015. Plans include 6 monthly monitoring of isokinetic emissions, continued implementation of the continuous emission monitoring system and land application to ensure smoke emissions and POME applied to the field complies with legal requirements, regular desludging of effluent ponds and ensuring alkaline boiler ash is not applied in close sequence with ammonia fertilizers to avoid greenhouse gas emissions in the form of ammonia. The mill started operations of a continuous desludging plant to reduce amount of solids produced at the effluent ponds in August 2014, which aims to reduce the BOD of the effluent produced by the mill. As found during previous audits, the company
was planning to implement a Clean Development Mechanism (CDM) Methane Capture with Power Generation project at the mill. As updated by the mill management, the mill will no longer carry out the project as a CDM project, but the mill still maintains the plan to construct a biogas plant with power generation, estimated to start within 2 years after implementation of a similar project at Jeroco Group of Estates (one of Hap Seng’s other management units).

However, in terms of social impacts, it was found that stagnant and damaged water main drain in the backyard of housing at Bukit Mas estate housing no. 410, 411, 412 was still observed, as raised in NCR No. 2014-08 of 08 during the previous certification audit. Hence this was raises as a major non-formity.

Compliance status: Non-compliance

NCR No. 2015-06 of 07
Stagnant and damaged water main drain in the backyard of housing at Bukit Mas estate housing no. 410, 411, 412 was still not observed (NCR No. 2014-08 of 08)

3.2 Description of Supply Chain Management System

During this 3rd surveillance audit, there were no significant changes to the company’s supply chain management. Bukit Mas Mill is located in Sabah - Malaysia. The mill was commissioned in 1998 to process the Fresh Fruit Bunches (FFB) from Sungai Segama Group of Estate. The location of Bukit Mas Palm Oil Mill is inside of Bukit Mas estate. The mill has an operating license from Malaysian Palm Oil Board (MPOB) i.e. MPOB license no. 50025430400 valid from 01 April 2015 to 31 March 2016.

The company was previously implementing the “Segregation (SG)” model of the RSPO Supply Chain Certification 2011 according to the nature of mill FFB supply condition. In accordance with the RSPO Supply Chain Certification Standard, as CPO mills no longer have the option for the “Segregation” model, the mill will apply the “Identity Preserved” SC model. The following is a description of the company’s supply chain management system according to the RSPO SCCS requirements, including status of compliance of the company and their outsourced third parties to RSPO SCCS requirements:

<table>
<thead>
<tr>
<th>Module D – CPO Mills: Identity Preserved</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>D.1 Definition</strong></td>
</tr>
</tbody>
</table>

Findings:
Bukit Mas Palm Oil Mill is currently applying the Segregation model. When selling CSPO to buyers, they sell only either as Segregation or Mass Balance. However, in accordance with the new RSPO Supply Chain Certification Standard 2014, CPO mills no longer have the option to apply the “Segregation Model” but can only apply either “Identity Preserved” (IP) or “Mass Balance” (MB). During this surveillance audit, the company has taken immediate action to update their SCC SOPs to state that the mill will now implement IP, however further evidence of implementation is required as described under the following requirements.

Bukit Mas mill meets the definition of Identity Preserved as all FFB used by the mill are sourced from its own supply base certified to the RSPO Principles and Criteria (RSPO P&C), with some occasional supply from Jeroco Group of Estates, which has also already been certified to the RSPO Principles and Criteria. It was verified during this audit that the mill no longer accepts FFB from non-certified sources.

Compliance status: Compliance with observations.

| **D.2 Explanation** |

Findings:
The projected CPO and PK projected producton in year 2015 was estimated to be 44,224 tonnes of CPO and 10,696 tonnes of PK as seen in the company’s annual budget for year 2015. Actual production for year 2014 is quite similar to the year 2015 projection, i.e. 44,365.76 tonnes of the CPO and 11,180.75 tonnes of PK.
PK. This has been noted in Table 4 of this report. Bukit Mas Mill registers transactions of sales of RSPO certified SCPO in the RSPO IT platform at the time of physical shipment as required by the rules set by RSPO, as confirmed from the checks of the usage of the eTrace platform and history of transactions made from year 2013 to year 2014. From the transaction history, it was found that a total of 14382MT of CSPO was sold in year 2013 and 23647.18 MT was sold in year 2014. There were no sales of CSPK though the eTrace system.

**D.3 Documented procedures**

**Findings:**

Bukit Mas POM implements their Standard Operating Procedures for Traceability – CSFFB, CSPO & CSPK Traceability System Chain of Custody which is dated 14 August 2012. The document includes 5 SOPs generalised for application as all of Hap Seng Plantations supply chain certified management units as follows:

1. **CSFFB, CSPO & CSPK Traceability System – Chain of Custody (SOP/COC/001)**
2. **Harvesting and Loading of Fresh Fruit Bunch (SOP/COC/002)**
3. **Delivery and Reception of CSFFB, In-house and Non In-house FFB (SOP/COC/003)**
4. **Dispatch of CSPO and CSPK from the mill to the refinery (SOP/COC/004)**
5. **Monitoring of CSPO and CSPK Sales (SOP/COC/005)**

The procedure on delivery and reception of certified sustainable FFB (CSFFB) has included a description regarding how to handle documents for certified and non-certified material (FFB) and it is also states the definition of certified and non-certified FFB in the procedure. The mechanism (SOP CPO Dispatch) to write information certified or non-certified CPO on Weighbridge Advice Ticket has been established. Through sample checks of weighbridge documents it was confirmed that the company has implemented all procedures for their daily operations.

Bukit Mas POM’s RSPO Supply Chain Organizational Chart Team 2015 was sighted as identification of appointment of persons having overall responsibility for and authority over the implementation of these requirements and compliance with all applicable requirements. The team includes the mill manager as the overall responsible person, assisted by the mill assistants and the office and operational staff. There is a memorandum issued on 13 February 2015 to the new manager informing him of him appointment as the new Person-in-Charge for the implementation of the RSPO Supply Chain Certification System. There are records of RSPO SCCS training conducted in January 2015 for the newly appointed mill manager and related personnel, as explained under Section 5.8 below.

However, the following was found pertaining to the SOPs:

1. **Supply Chain SOPs for the mill have not been updated to state application of IP in accordance with the new RSPO SCC Standard 2014, as SG for CPO mills is not longer applicable under the new SCC Standard 2014**
2. **The mill’s SOP for delivery and reception of CSFFB does not clearly specify the method of physical handling and processing of CSFFB and non-certified FFB according to the supply chain method applied by the respective mill (Identify Preserved or Mass Balance). The procedure only describes that CSFFB, in-house FFB and non-house FFB are to be identified and indicated accordingly in weighbridge tickets and related documents.**
3. **The mill’s SOP for delivery and reception of CSFFB, in-house and non in-house does not specify the mechanism for handling of non-conforming material and/or documents.**

**Compliance status: Non Compliance**

**NCR No. 2015-07 of 07**

1. **Supply Chain SOPs for the mill have not been updated to state application of IP in accordance with the new RSPO SCC Standard 2014, as SG for CPO mills is not longer applicable under the new SCC Standard 2014**
2) The mill’s SOP for delivery and reception of CSFFB does not clearly specify the method of physical handling and processing of CSFFB and non-certified FFB according to the supply chain method applied by the respective mill (Identify Preserved or Mass Balance). The procedure only describes that CSFFB, in-house FFB and non-house FFB are to be identified and indicated accordingly in weighbridge tickets and related documents.

3) The mill’s SOP for delivery and reception of CSFFB, in-house and non in-house does not specify the mechanism for handling of non-conforming material and/or documents.

D.4 Purchasing and goods in

Findings:

It was confirmed from sample weighbridge tickets at the mill that the mill verifies and documents the tonnage and sources of certified and the tonnage of non-certified FFBs received. All tonnages and sources of FFB received are also documented in the mill’s mass balance sheet and updated in monthly production reports. Bukit Mas mill carries making Shipping Announcements and Shipping Confirmations on the RSPO IT platform on the level of each shipment to buyers of CSPO, as seen from eTrace transaction records for year 2013 and 2014.

The mill’s SOPs includes a mechanism for informing the CB immediately if there is a projected overproduction of certified tonnage.

The mill’s SOP for delivery and reception of CSFFB, in-house and non in-house does to specify the mechanism for handling of non-conforming material and/or documents. This was raised as non-conformity under CR 5.3 above.

Compliance status: Non-compliance
See NCR No. 2015-07 of 07

D.5 Record keeping

Findings:

It was confirmed from checks of the mills mass balance sheets of FFB received and CPO and PK output that the mill records and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO and PK on a monthly basis, which is more stringent than the minimum 3 months requirement.

All sales of RSPO certified CPO are maintained as transaction records on the RSPO eTrace platform, which serves as an up-to-date record of all RSPO certified palm oil claimed. The mill does not purchase any RSPO certified palm products.

Compliance status: Full Compliance

D.6 Processing

Findings:

As verified from the mill’s records and SOPs, the mill no longer receives non-certified FFB, ensuring that all crop received is 100% not mixed with any non-certified material.

Compliance status: Full Compliance

3.3 Status of Previously Identified Non-conformities

During the 2nd surveillance assessment, a total of 8 nonconformances to the RSPO Malaysian National Interpretation year 2010 were identified, which comprised 4 major non-conformities and 4 minor non-conformities, while 4 Major non-conformities against the RSPO Supply Chain Certificatin System 2011 were raised. The
company had taken action to close all major non-conformities raised against the RSPO P&C within 60 days and RSPO SCCS 2011 within 30 days with documented evidence, while for the minor non-conformances, the company had provided their corrective action plan and evidence of actions taken. The status of closure of these minor non-conformities were also verified during this surveillance audit and verification results are as below. A summary of all identified non-conformances, corrective actions taken and auditor conclusions is as below:

**Criterion 2.1. (Major indicator 1) Evidence of compliance with relevant legal requirements.**

**NCR No. 2014-01 of 08 (Major non-compliance)**

1) Stated in Bukit Mas mill’s DOE compliance schedule license no. 001190 dated 1 July 2013 - 30 June 2014, the mill is required to appoint a competent operator to manage and maintain the effluent treatment system, air pollution control equipment and for management of scheduled wastes in accordance with the year 2012 amendment to the Environmental Quality Act 1974 Section 49A, and report the names and qualifications of these appointed personnel to the DOE within one month of issuance of the license. However, there is no evidence that this was done by the mill.

2) The mill has not complied with the regulation that requires those exposed to noise above 85 dBA to attend training on noise exposure.

3) In Sungai Segama II Estate, evaluation of legal compliance done showed non-compliance status under Section 49A of Environmental Quality Act (revised 2012) and no action plan yet to have competent person for scheduled waste management.

4) There are inconsistencies in the implementation of the Minimum Wages Order 2012. Checks on pay slips for foreign workers for January 2014 and interviews with migrant workers revealed several cases of workers working full days but receiving less than RM800.

5) Migrant woman worker (sprayer) alleged that she was asked by company officials to stop work before completing eight months of pregnancy, thereby causing her to lose her maternity benefits (60days) (Sabah Labour Ordinance Cap 1967, Section 83 (3).

6) The company maintains that foreign women workers are not entitled to paid maternity leave, yet their signed contracts clearly display this entitlement.

**Correction:**

1) BPOM management is currently preparing proposal for sending mills personnel for the 3 competent person post mentioned. The proposal once prepared will be submitted to top management for their approval.

2) BPOM management is currently liaising with NIOSH to conduct the training for the mill and workshop executives. Once the training has been held, the executives will conduct the training to the workers exposed to noise above 85DbA.

3) The mills personnel sent to the competency course will also be taking charge for the estate scheduled waste.

4) Proper explanation of the piece rate work salary calculation and payment is currently being prepared and will be displayed. The calculation will be incorporated inside the Annual Induction Briefing.

5) Immediate briefing will be held to all female workers and clarify the maternity leave issue. This issue will be informed clearly to the workers during the induction training. All female workers also will be reminded again on the company policy of preventing pregnant female workers from being exposed to chemicals.

6) Same with no. 5, Immediate briefing will be held to all female workers and clarify the maternity leave issue. This issue will be informed clearly to the workers during the induction training. All female workers also will be reminded again on the company policy of preventing pregnant female workers from being exposed to chemicals.

**Corrective action:**

1) The EQA 1974 Section 49A will be updated along with other legal requirements. This include revision and the inclusion of proper action plans and time bound of completion.

2) The monitoring of the progress of action plan to comply with all legal requirement will under Personnel & Administration and Safety & Health Officer.

3) The training on noise exposure will be conducted on yearly basis to all affected personnel.

4) The Annual Induction Briefing will continue to be done on yearly basis complete with the workers signature. A feedback form to determine the workers understanding will be prepared and distributed.
The briefing also will be done in several stages of small groups as to ensure better understanding.

5) The clinic, estates and mill supervisor will monitor all female workers medical record to ensure none of them exposed to chemicals. If identified, the female workers will be transferred to another job.

Verification results of 3rd surveillance audit:

1) Evidence was sighted that the mill manager attended a Course On Certified Environmental Professional In Scheduled Waste Management (CePSWaM) training from 09-13 March 2015 and Certified Environmental Professional In the Operation Of POME Treatment System (CePPOMETS) training from 01-06 December 2014, with validity of training certificate until from 2/3/15-1/3/16. The company has hence appointe the mill manager as the competent operator to manage and maintain the effluent treatment system, air pollution control equipment and for management of scheduled wastes in accordance with the year 2012 amendment to the Environmental Quality Act 1974 Section 49A.

2) Audiometric training covering the requirements of the Factories and Machinery (Noise Exposure) Regulations 1989, Regulation 27 was done on 8 August 2014, as seen from training attendance lists. The training included 21 participants from SSGOE as well as participants from the other group of estates under Hap Seng Plantations A training related on noise was done on 15/3/15 at Mill Meeting Room attended by 18 workers. It was found one of the boiler chargemen did not attend this meeting. According to the manager, those who had not attended will join another training on 1/4/15.

3) Refer to findings for part 1 above

4) The company provided an updated piece rate calculation document comparing wages before minimum wage implementation and after minimum wage implementation for various types of workers, including loose fruit collectors, FFB loaders, FFB transporters, FFB ramp workers, sprayers, manual weeders, circler rakers, manurers, EFB applicators, and rat baiters. According to the revise document, payment rates for all workers have been increased such that minimum wages of each type of workers is more than RM800 a month if working for 26 days. During this ASA3, it was confirmed that payments to workers are calculated according to the new piece rate calculation which is in accordance with the Minimum Wage Order 2012.

5) The company conducted an investigation into the alleged refusal of provision of maternity benefits to the pregnant female worker, with investigation report dated 10 April 2014 sighted. Result of investigation was that the female worker interviewed were transferred from spraying work to other work not involving chemical spraying, and her maternity benefits were provided later.

6) The company provided copy of memo regarding maternity leave and allowance outlining the maternity benefits of female workers which is provided given that they work for the company for at least 90 days within a period of 6 months or work with the company not less than 180 day in a period of 12 months, in accordance with the Sabah Labour Ordinance.

Auditor Conclusions: Closed with observations

Criterion 2.1. (Minor indicator 2 ) A documented system, which includes written information on legal requirements.

NCR No. 2014-02 of 08 (Minor non-compliance)

1) Under the mill’s list of applicable legislations and licenses for Bukit Mas Palm Oil Mill, updated 13/03/13, evaluation of compliance was not done for certain sections, i.e. Section 20 (Requirement and Approval of Plan), 22 (Prohibition of Pollution of Atmosphere), 23 (Restriction of Noise Pollution), 24 (Restriction of Pollution of Soil), 25 (Restriction of Pollution of Inland Waters), 29A (Open Burning) were not evaluated accordingly as seen from the related format.

2) Factories and Machinery (Noise Exposure) Regulations 1989, Regulation 27 which requires those exposed to noise above 85 dBA must attend training, was not listed in the mill’s list of applicable legislations and licenses.

3) At Bukit Mas Palm Oil Mill, found Environmental Quality Act 1974 Revised 2012 particularly Section 49A was not updated in the register. Also Occupational Safety (Classification, Labelling and Safety Data Sheet of Hazardous Chemicals) 2013 was also not identified. There was a memo from the Group HR Director dated 14/01/14 informing on the enforcement of Personal Data Protection Act 2010 effective 15/11/13 by Minister of Communication and Multimedia. This was also not included in the legal requirements register.

4) In Sungai Segama II Estate, the Occupational Safety (Classification, Labelling and Safety Data Sheet of Hazardous Chemicals) 2013 was also not identified and updated in the legal requirements list.
5) Legal register has not been updated to include:
   - Minimum Wages Order 2012 and its requirements;

**Correction:**
1. The list is currently being reviewed by the Mill Manager. Once understood, the documents will be filled in properly and signed.
2. BPOM management is currently liaising with NIOSH to conduct the training for the mill and workshop executives. Once the training has been held, the executives will conduct the training to the workers exposed to noise above 85Db.
3. The list of legal register is currently being updated. Once updated, the list will be distributed to all operating units.

**Corrective action:**
1. The newly appointed Safety & Health Officer will go through the FMA, EQA and OSHA and prepare a complete compliance status report.
2. Review of the List of Applicable Legislation and Licenses will be carried out every January of each year.
3. The training on noise exposure will be conducted on yearly basis to all affected personnel.

**Verification results of 3rd surveillance audit:**
At the mill, the Legal Register that was updated 5/4/14 was sampled. The requirement of Occupational Safety (Classification, Labelling and Safety Data Sheet of Hazardous Chemicals) 2013 was updated in the Legal Register. However, the company’s Legal Requirements Register (LRR) and evaluation of compliance is still under review by Compliance Executive and at draft status, therefore there is no approved updated LRR which includes all applicable legal requirements pertaining to the company as highlighted during the previous surveillance audit (NC 2014-02 of 08).

A training related on noise was done on 15/3/15 at Mill Meeting Room which was attended by 18 workers. It was found that one of the boiler chargemen did not attend this meeting. According to the manager, those who had not attended will join another training on 1/4/15.

**Auditor Conclusions:** OPEN and raised to Major NC 2015-03 of 07

**Criterion 4.4. (Major indicator 1) Protection of water courses and wetlands, including maintaining and restoring appropriate riparian buffer zones at or before replanting along all natural waterways within the estate.**

**NCR No. 2014-03 of 08 (Major non-compliance)**
There is a stream between field 96D1 with 96D2 at Bukit Mas D estate which flows to Sg Segama river but no action taken by the company to prevent agrochemical application at this small river.

**Correction:**
1. The area has been demarcated immediately.
2. Briefing to all staff and assistant are conducted immediately to inform them the situation.

**Corrective action:**
1. Area that has been demarcated will be inspected on yearly basis. Refurbishment will be done to faded/ unclear marker.
2. Spot check will be conducted by Assistant Manager and Manager to the marked area. Any spraying activity observed at the demarcated area will be reported to top management for disciplinary action.

**Verification results of 3rd surveillance audit:**

QMF: RSPO-007b-11
It was verified at the site of the stream between field 96D1 and 96D2 that the riparian buffer zones of the stream had been demarcated (approximately 3m from the edge of the stream, in accordance with the local Department of Environment Requirements) as indication that spraying and chemical application shall no longer be carried out at the palms at the edge of the stream.

Auditor Conclusions: Closed

**Criterion 4.5. (Minor indicator 1) Documented IPM system.**

**NCR No. 2014-04 of 08 (Minor non-compliance)**

1) There was evidence that rat baiting at Sg. Segama I estate carried out at rates of attacks of below 5%, which is not in accordance with the estate’s SOP (OPAP 10) which states that baiting campaigns are to be carried out when the incidence of fresh damage in an area exceeds 1 palm in 20 (5%).

2) The data in rat infestation summary reports also does not clearly indicate dates and specific fields when rat baiting campaigns was applied and so it cannot be confirmed if rat baiting was justified by increase in trends of rat attacks.

**Correction:**

1. Oil Palm Agriculture Procedure (OPAP) will be reviewed and SOP for rat baiting will be updated in the coming OPAP Committee meeting. The updates and reviews include the 0% rat damage tolerance and mill records on rat damage as a reference for rat baiting.

2. Summary records of the rat baiting is updated immediately.

**Corrective action:**

OPAP will be reviewed on annual basis or whenever there is amendment to the SOP.

**Verification results of 3rd surveillance audit**

1) The company’s SOP on Pests and Diseases was revised October 2014. The SOP still states that rat baiting shall be carried out in mature fields when incidence of fresh damage in an area exceeds 1 palm in 20 (5%). Warfarin shall be used where attacks are low and more potent baits may be considered when attack levels are higher. The SOP also stated that warfarin baits should be replaced every 4 days until acceptance falls to 0% or at a level deemed acceptable by the manager.

   However, it was explained by an agronomist that rat baiting can be implemented when attacks rates are still below 5% at the discretion of the manager. This is conflicting with the requirement of the SOP.

2) Monthly Summary Rat Infestation Reports for all estates were sighted, including the dates of census, field no., no. of palms included in the census, hectarage applied and percentage of fresh rat attack, and areas where rat bait was applied. However it was observed that rat baiting is still carried out at areas where percentage of rat attacks is less than 5%, which is not in accordance with the SOP. For example, observed in Rat Infestation report for Sg. Segama II that 3 rounds of application of rat bait were applied at fields number 93B6, 93C3, 93C4 in April 2014 even though census results for these fields in March and April 2014 showed less than 1% rat damage.

   In addition, some fields in SSII showing rat damage over 5% in March 2014, e.g. 93B1, 93B2 and 93B3, but no rat baiting was carried out in April or May 2015 at these fields.

**Auditor Conclusions:** OPEN and raised to Major NC 2015-04 of 07

**Criterion 5.2 (Major indicator 2) Management plan for HCV habitats (including ERTs) and their conservation.**

**NCR No. 2014-05 of 08 (Major non-compliance)**

1) The HCV assessment conducted for SSGOE has not conclusively identified HCV habitats within its company boundary. There is no species inventory for flora and fauna for Bukit Kibos forest (identified as potential HCV1.2, 1.4. and no corresponding list of conservation status for the species identified, except for avian species.
2) The company’s plan to conduct a preliminary biodiversity study was postponed to 2016 for two consecutive years.

3) HCVs identified in the HCV report on 24 June 2011 shows potential 8 HCV values. There is yet to be a stakeholder consultation to conclusively identify HCVs.

**Correction:**
1. The HCV Assessment will be incorporated inside the Compensation Scheme. The scheme will be implemented by the management once it has been approved by RSPO.
2. The stakeholder consultation for the HCV identified also will be incorporated inside the Compensation Scheme.

**Corrective Action:**
1. The management will provide status report on the progress of the HCV Assessment once the Land Use Change Analysis and Compensation Plan has been approved by the RSPO.
2. Any recommendations made inside the assessment or required will be implemented by the management in accordance to the budget.

**Verification results of 3rd surveillance audit:**
The company has established a Land use change (LUC) analysis and compensation plan for a newly planted area located at Tomanggang GOE which was not converted in accordance with RSPO requirements. The LUC and compensation plan has been submitted to the RSPO for approval. Upon approval of their plan, it was informed by Hap Seng management that the budget allocated for implementation of the compensation plan will be used for conducting the preliminary biodiversity study, including species inventory, as well as the stakeholder consultation. Approval of the compensation plan is still pending from the RSPO.

Sighted email correspondences between the company’s CSR coordinator, Ms. Mainon with the Director of Universiti Malaysia Sabah (UMS) to discuss proposals for UMS conduct a HCV assessment on the Bukit Kibos area. UMS prepared a proposal for HCV (Baseline Biodiversity) Assessment at Bukit Kibos in Hap Seng Plantations Holdings Berhad. The proposal included a summary of the objectives of the study, scope of work, methodology, tentative schedule (proposed to be started in January and completed within 6 months), project team and fees. However, there no evidence of acceptance of the proposal by the company or other evidence of commitment to proceed with the HCV baseline study, including a confirmed timeline/schedule when the study will be carried out and estimated to be completed.

**Auditor Conclusions:** OPEN and raised to Major NC 2015-05 of 07

**Criterion 5.3 (Minor indicator 2)** Having identified wastes and pollutants, an operational plan should be developed and implemented, to avoid or reduce pollution.

**NCR No. 2014-06 of 08 (Minor non-compliance)**
There is evidence of poor waste management implementation since there were found rubbish scattered within main drain of the worker housing and found rubbish in a tray mixed between plastic, leaves and hazardous waste such as damaged sprayer pump and aerosol paint container sighted in the backyard of housing of Sg. Segama II estate no. 320, 321, Bukit Mas mill housing no. 182, and Bukit Mas Housing no. 410, 411 and 412.

**Correction:**
1. Cleaning of the area has been conducted immediately after the audit.
2. All sanitation and building inspection report are reviewed back by the estate and mill personnel to ensure no houses are left behind.
3. Repair job of the drains is currently being prepared and will be forwarded to management for approval.

**Corrective action:**
1. Any cleaning or repair job for housing need to go through General Manager or Mill Manager Offices.
2. Once the repair or cleaning has been done, relevant personnel will counter check on the progress and confirm the completion of the job.
Verification results of 3rd surveillance audit:
During verification at housing of Sg. Segama II estate no. 320, 321 and Bukit Mas mill housing no. 182, it was verified that the company had already repaired the drainage canal, and rubbish is collected in proper bins and looks tidy. Organic rubbish containers were found to only contain organic rubbish.

Auditor Conclusions: Closed

Criterion 6.5. (Minor indicator 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.

NCR No. 2014-07 of 08 (Minor non-compliance)
1. Despite induction courses conducted, migrant workers do not fully understand maternity benefits and levy deductions. There is no separate contract for migrant and local workers (to meet immigration requirements for foreign workers). The contracts for foreign workers do not stipulate the levy deductions, workmen compensation and maternity benefits.
2. Contracts for local workers do not stipulate SOCSO and EPF contributions from employer and employee.
3. Glass and containers filled with water (potential aedes mosquito breeding ground) found at the outer perimeter (near water tank) behind the Bukit Mas estate creche.

Correction:
1. Proper explanation of the piece rate work salary calculation and payment is currently being prepared and will be displayed. The calculation will be incorporated inside the Annual Induction Briefing.
2. Immediate briefing will be held to all female workers and clarify the maternity leave issue. This issue will be informed clearly to the workers during the induction training. All female workers also will be reminded again on the company policy of preventing pregnant female workers from being exposed to chemicals.
3. The contract agreement for locals is currently being reviewed by Personnel & Administration Department. Once completed and approved, the form will be distributed and used immediately.
4. The leftover tools and rituals has been cleaned by the management immediately. Ritual activity is not prohibited by the management however sanitation and cleanliness aspects need to be taken into consideration.

Corrective Action:
1. The Annual Induction Briefing will be done on yearly basis complete with the workers signature. A feedback form to determine the workers understanding will be prepared and distributed. The briefing also will be done in several stages of small groups as to ensure better understanding.
2. The estates and mill supervisor will monitor all female workers medical record to ensure none of them exposed to chemicals. When identified, a temporary job transfer notice will be given to the workers.
3. Any rituals done by the workers will have to go through the General Manager/Manager/Mill Manager endorsement.

Verification results of 3rd surveillance audit:
1. Some female workers interviewed had a reasonable understanding of maternity benefits and levy deductions. Existing contracts for foreign workers have not been updated, but notices have been prepared which stipulate the levy deductions, workmen compensation and maternity benefits and foreign workers interviewed have been briefed on these requirements.
2. Contracts for local workers have been revised to include details on SOCSO and EPF contributions.
3. Glasses and containers filled with water were no longer sighted at the crèche.

Auditor Conclusions: Closed with observations

Criterion 8.1 (Major indicator 5) Social impacts (C6.1)
NCR No. 2014-08 of 08 (Major non-compliance)

There is no evidence of actions taken or improvements made based on results of the Social Impact Assessment 2012 (last annual review in 2014) and from clinic inspection report 2014. For example: Stagnant and damaged main drain in the back yard of housing at Sg. Segama II estate no. 320, 321, Bukit Mas Palm Oil Mill housing no. 182, 184 and Bukit Mas housing no. 410, 411, 412.

Correction:
1. Cleaning of the area has been conducted immediately after the audit.
2. All sanitation and building inspection report are reviewed back by the estate and mill personnel to ensure no houses are left behind.
3. Repair job of the drains is currently being prepared and will be forwarded to management for approval.

Corrective Action:
1. Any cleaning or repair job for housing need to go through General Manager or Mill Manager Offices. Once the repair or cleaning has been done, relevant personnel will counter check on the progress and confirm the completion of the job.

Verification results of 3rd surveillance audit:
Stagnant and damaged water main drain in the backyard of housing at Bukit Mas estate housing no. 410, 411, 412 was still observed.

Auditor Conclusions: OPEN and raised to Major NC 2015-06 of 07

SCCS 2011 - D.1.1 The facility shall have written procedures and/or work instructions to ensure the implementation of all the elements specified in these requirements. This shall include at minimum the following:

a) Complete and up to date procedures covering the implementation of all the elements in these requirements
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.

Non-conformance SCCS 2014-01 of 04 (Major non-compliance)
Mill Manager has been replaced but the mill's memorandum about the person-in-charge of implementation SCCS in Bukit Mas POM has not been updated accordingly

Correction:
A new letter will be issued out by Senior General Manager/ Processing Controller immediately;

Corrective Action:
1. Training on Supply Chain System is currently done in yearly basis. Next training is expected to be done in June 2014.
2. Any new personnel appointed by the company needs to be briefed about the Supply Chain System by the Mill Manager

Auditor Conclusions: Closed

Verification results of 3rd surveillance audit:
There is a new Mill Manager for Bukit Mas POM which was appointed i.e. Mr. Hoh Kam Hoe on January 2015. There was a memorandum issued on 13 February 2015 to the new manager informing him of his appointment as the new Person-in-Charge for the implementation of the RSPO Supply Chain Certification System.

SCCS 2011 - D.2.1 The facility shall verify and document the volumes of certified and non-certified FFBs received.
Non-conformance SCCS 2014-02 of 04 (Major non-compliance)

There were some weighbridge tickets for receipt of FFB from Northbank estate stamped as certified sustainable FFB by the weighbridge operator, even though this is a non-certified source. It was found that 116.89 tonnes of FFB received from Northbank estate - Tomanggong GOE was categorized as certified sustainable FFB in the mill’s mass balance report.

Correction:

Refresher training was conducted immediately to BPOM weighbridge operators and executives by Sustainability Executive

Corrective Action:

1. The training will be conducted on yearly basis
2. Mill assistant and manager will conduct spot checks on the weighbridge operator as to ensure correct stamp is used

Auditor Conclusions: Closed

Verification results of 3rd surveillance audit:

It was verified from mill summary production report for December 2014 (including total FFB processed for year 2014) and for January to February 2015 that the mill no longer receives FFB from non-certified sources. All FFB in only received from the certified estates under SSGOE or certified estates belonging to Jeroco when diversion is required on an occasional basis. No other crop received from Northbank since this non-compliance was raised

SCCS 2011 - 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.

Non-conformance SCCS 2014-03 of 04 (Major non-compliance)

The mill’s material balance report includes columns for volumes of received FFB divided into external and internal sources. However all FFB from internal sources is included in the mill’s volume of CSPO & CSPK production and stock, even though the internal sources listed included FFB from non-certified estates under Hap Seng group. Impact from this condition is that the volume of CSPO & CSPK production and stock includes oil & kernel from FFB Non Certified sources

Correction:

The monitoring form was reviewed and updated accordingly as per required during the annual surveillance audit. Once completed, the form will be used immediately by BPOM

Corrective Action:

1. The monitoring form will be updated daily by the RSPO clerked and counter checked by the assistance
2. Mill Manager will then check the monthly summary report and submit it to Processing Controller and Sustainability Executive for compliance check

Auditor Conclusions: Closed

Verification results of 3rd surveillance audit:

The currently used mass balance sheet was checked and confirmed to no longer contain the internal sources column. All potential sources of FFB (name of estates) are stated in the mass balance sheet and indicated as certified. As the mill has stopped receiving oil palm from non-certified sources, the mass balance sheet no longer includes any non-certified sources and there is no longer a significant risk of mixture volume of FFB and PK from certified and non-certified sources, either physically or in the mass balance sheet record.
SCCS 2011 - D.5.1 The facility shall assure and verify through clear procedures and record keeping that the RSPO certified palm oil is kept segregated from non certified material including during transport and storage and be able to demonstrate that is has taken all reasonable measures to ensure that contamination is avoided. The objective is for 100 % segregated material to be reached. The systems should guarantee the minimum standard of 95 % segregated physical material; up to 5 % contamination is allowed.

Non-conformance SCCS 2014-04 of 04 (Major non-compliance)
There is no evidence of segregation in the processing of FFB material received from non-certified sources such as Northbank estate from certified FFB material, resulting in contamination of CSPO and CSPK with non-certified material

Correction :
With immediate effect, BPOM will not accept any FFB from non-RSPO certified estates. Memo on this issue has been issued out from Processing Controller and distributed to all estates and mills

Corrective Action :
1. No FFB from non-RSPO certified estates will be accepted by BPOM
2. SOP on Traceability will be reviewed to cater with the changes and mill will comply accordingly
3. Introduction to traceability training will be conducted to all estate managers to enhance their understanding on the matter. The training will later be conducted to all estates and mill executives and staffs in stages

Auditor Conclusions: Closed

Verification results of 3rd surveillance audit: Based on checks of mill monthly production report for year 2014 and 2015, it was found that since the previous surveillance audit’s findings that some noncertified FFB was being received from Northbank, there was no longer any uncertified FFB from Northbank or any other sources received.
3.4 Identified Non-conformances, Corrective Actions Taken and Auditors Conclusions

During this surveillance assessment, a total of 6 nonconformances were identified against the RSPO P&C MY-NI 2014 and 1 nonconformance was identified against the RSPO SCCS 2014. All nonconformities are categorized as major non-conformities. For these major non-conformances the company already provide some documents as evidence and already verified by auditors. A summary of all identified non-conformances, corrective actions taken and auditor conclusions is as below:

**Indicator 1.2.1: Publicly available documents shall include, but are not necessarily limited to:**
- Land titles/user rights (Criterion 2.2);
- Occupational health and safety plans (Criterion 4.7);
- Plans and impact assessments relating to environmental and social impacts (Criteria 5.1, 6.1, 7.1 and 7.8);
- HCV documentation (Criteria 5.2 and 7.3);
- Pollution prevention and reduction plans (Criterion 5.6);
- Details of complaints and grievances (Criterion 6.3);
- Negotiation procedures (Criterion 6.4);
- Continual improvement plans (Criterion 8.1);
- Public summary of certification assessment report;

**NCR No. 2015-01 of 07 (Major non-compliance)**
The list of documents in the company’s file of documents to be made publicly available as well as the procedure for request of information no. HSPSB P2 1120 does not include or clearly state a number of the documents required to be made publicly available upon request, as follows:
- Plans and impact assessments relating to environmental and social impacts (Criteria 5.1, 6.1, 7.1 and 7.8);
- HCV documentation summary (Criteria 5.2 and 7.3);
- Pollution prevention and reduction plans (Criterion 5.6);
- Details of complaints and grievances (Criterion 6.3);
- Negotiation procedures (Criterion 6.4);
- Continual improvement plans (Criterion 8.1);
- Public summary of certification assessment report;

**Correction:**
1) The list of documents to be made public available will be updated accordingly
2) For Confidential Complaints and Grievances, the terms of use and disclosure of such documents will be monitored and included inside the company’s existing Grievance Procedure (Ref#: HSPHB P 1 1120(B))

**Corrective action:**
1) The list of documents will be made publicly available at the estates and mills RSPO Principle 1 Documents and Office Notice Boards.
2) The updating of the documents will be conducted on yearly basis and done by the estate and mill management.

**Verification results:**
The company had updated their procedure for requesting information with an updated list of documents made publicly available, which includes all the documents required as listed in the non-conformance.

**Auditor Conclusions: Closed**

**Closure date: 22 April 2015**
Indicator 2.1.1: Evidence of compliance with relevant legal requirements shall be available

NCR No. 2015-02 of 07 (Major non-compliance)
1) It was found at mill no monitoring was done for noise at boundary as required in written approval letter from the DOE for 3 gensets (caterpillar) model 3406 and 3412, which states that the mill must ensure that noise be kept below 55dBA at boundary.

Correction:
1) Hap Seng Plantations (River Estates) has appointed YJM Corporate Sdn. Bhd. to complete the boundary noise monitoring for BPOM’s 3 gensets on/ before 31st July 2015.
2) BPOM has obtained adequate 3 quotations for fire protection system c/w certificate after 3rd round of re-tender exercise. Open tender will be done on 10th August 2015 and the project to acquire the fire certificate will be completed in year 2016.

Corrective action:
1) BPOM will ensure the boundary noise monitoring to be conducted according to the programme given by the consultant.
2) Fire fighting system will be implemented according to the fire certificate for BPOM.

Verification results:
1) Letter of award to YJM Corporate Sdn. Bhd. was sighted, dated 18th June 2015 and requesting the contractor to carry out the boundary noise monitoring for 14 units of generator sets at SSGOE, Bukit Mas POM, Gek Poh Plantation Centre and Tabin Estate. The quotation issued by the contractor was also signed by the company representative on 19 June 2015 as indication of acceptance of work.
2) The company sighted evidence of the company’s progress to invite contractors to conduct the mill repair project for fire protection system at BPOM complete with certificate. The process of engaging a contractor was done in accordance with the company’s policy to request for minimum of 3 tenderers for any projects. The 1st request for tender letter was issued on 16 March 2015 to 7 contractors with deadline for tender submission on 30th March 2015. As only one company responded which is not sufficient to meet the company’s policy to request for minimum of 3 bidders, the company had re-issued a letter to request for tender to 5 contractors on 27th April 2015 with deadline for submission on 11 May 2015. During the 2nd round, 2 contractors responded, which still was not sufficient to meet the company’s policy. A 3rd round of re-tender was called on 29th June 2015, with 3 contractors invited to tender and all 3 responded. A tender opening was conducted in 10 August 2015. The company has prepared a tender/quotation summary document which describes the event above. The document states a final recommendation to the lowest bidder, which is P.I. System. This tender summary was not yet signed by the mill manager or general manager as it is still pending final approval by the company. The evidence was accepted as progress of the company to close the Major NC and noted that the long process to engage the contractor is due to the company’s stringent tendering process.

Auditor Conclusions: Closed with observations

Closure date: 10 August 2015

Indicator 2.1.2: A documented system, which includes written information on legal requirements, shall be maintained.

NCR No. 2015-03 of 07 (Major non-compliance)
The company’s Legal Requirements Register (LRR) and evaluation of compliance is under review by Compliance Executive and at draft status, therefore there is no approved updated LRR which includes all applicable legal requirements pertaining to the company as highlighted during the previous surveillance audit (NC 2014-02 of 08).
Correction:
The applicable LRR (highlighted in 2nd ASA) has been reviewed by the Compliance Executive and was approved by management in June '15 PMC meeting. The documents will then be given to the estates and mill management to check for its compliance status. The operating units with non-compliance are required to comply within 3 months of the compliance check.

Corrective action:
Review of the List of Applicable Legislation and Licenses will be carried out every January of each year. Any ongoing non-compliance will be reported immediately to the Senior Management and action will be taken should the operating units found does not take proper action to close the issue.

Verification results:
The draft of the Legal Requirements Register (LRR) was provided as well as the minutes of the 3rd Plantation Management Committee (PMC) Meeting for the year of 2015. In the meeting minutes, it was sighted that the PMC members had approved the legal register requirements and that it would be applied to all estates and mill.

The updated Legal Requirements Register was sighted and confirmed to include the latest applicable legal requirements for the company, including abstracts of the clauses relevant to company for the Minimum Wages Order 2012, Environmental Quality (Clean Air) Regulations 2014, updated clauses of the Environmental Quality Act 1974, updated clauses of the Factory and Machinery (Noise exposure) Regulation 1989, the Occupational Safety and Health (Classification, Labelling and Safety Data Sheet of Hazardous Chemicals) Regulations 2013, and the Personal Data Protection Act 2010. The format of the LRR includes columns to update on actions, location, responsible person, compliance status and remarks. The effective use of the LRR format and evaluation of legal compliance will be verified at the next surveillance audit.

Auditor Conclusions: Closed with observations

Closure date: 15 August 2015

**Indicator 4.5.1: Implementation of Integrated Pest Management (IPM) plans shall be monitored.**

**NCR No. 2015-04 of 07 (Major non-compliance)**

1) The company’s SOP on Pests and Diseases was revised October 2014. The SOP still states that rat baiting shall be carried out in mature fields when incidence of fresh damage in an area exceeds 1 palm in 20 (5%). However, it was explained by management representative that rat baiting can be implemented when attacks rates are still below 5% at the discretion of the manager. This is conflicting with the requirement of the SOP.

2) It was seen from Monthly Summary Rat Infestation Reports for Sg. Segama II estate that rat baiting is still carried out at areas where percentage of rat attacks is less than 5%, which is not in accordance with the SOP. For example, 3 rounds of application of rat bait were applied at fields numbered 93B6, 93C3, 93C4 in April 2014 even though census results for these fields in March and April 2014 showed less than 1% rat damage. In addition, some fields in SSII showing rat damage over 5% in March 2014, e.g. 93B1, 93B2 and 93B3, but no rat baiting was carried out in April or May 2014 at these fields.

3) Checks against the raw data census records for month of March 2014 showed dates of census conducted and incidence of rat damage all differ from the rat infestation monthly summary report.

**Correction:**

1) Our SOP has a clause: For the incidence of fresh rat damage at <5% where control is required, baiting should be carried-out after consultation with Chief Agronomist. Therefore, baiting at <5% fresh rat damage after consultation with Chief Agronomist is not conflicting with the SOP

2) Local Inquiry has been conducted and it was found out that there is no monitoring and checking done by the Chief Clerk on the Trainee Clerk when key-in the rat damage % into the system. This has caused the actual rat damage at >5% (where baiting is required as per SOP) was not key into the system. A reminder letter has been issued out to the Chief Clerk reminding her to always check on the work of all data entry as it was found out that there is no monitoring and checking done by the
Chief Clerk on the Trainee Clerk when key-in the rat damage % into the system. This has caused the actual rat damage at >5% (where baiting is required as per SOP) was not keyed into the system.

3) Training Clerk that was assigned to key in the data in the future will be closely supervised by the Field Conductor or Chief Clerk. Training on rat census and baiting will be conducted for the estate management immediately.

Corrective action:
1) All the trainings will be conducted on annual basis by the estate management.
2) Agronomy and Estate Management will spot check the rat damage. Any discrepancy will be immediately notified to the Top Management and action will be taken immediately.

Verification results:
1) The company provided the latest version of their SOP on Pests and Diseases which states that “For incidence of fresh rat damage at <5% where control is required, baiting will be carried out after consultation with the Chief Agronomist”. The company’s practice is therefore in compliance with the latest SOP.
2) The company provided a copy of report entitled “Investigation on raw data rat census for March 2014 which differs from Rat Infestation Monthly Summary Report” which describes an internal investigation done on 7 April 2015 to determine the reason why the raw data for census results was not keyed in correctly. The results were as stated in the correction statement from the company above.
3) The company provided a copy of report entitled “Investigation on raw data rat census for March and April 2014 differed from the rat infestation monthly summary report on the same month. The results were as stated in the correction statement from the company above.

It is noted as an observation that the company’s investigation report did not identify the source of the ‘incorrect data’ keyed in by the trainee clerk in order to ensure the same ‘incorrect data’ is not keyed in by the trainee, and that this cannot be determined as the trainee clerk has resigned.

Auditor Conclusions: Closed with observations.

Closure date: 7 April 2015

Indicator 5.2.1: Information shall be collated in a High Conservation Value (HCV) assessment that includes both the planted area itself and relevant wider landscape-level considerations (such as wildlife corridors).

NCR No. 2015-05 of 07 (Major non-compliance)
The company has requested a proposal for HCV baseline assessment of Bukit Kibos area from Universiti Malaysia Sabah, however there no evidence of acceptance of the proposal by the company or other evidence of commitment to proceed with the HCV baseline study, including a confirmed timeline/schedule when the study will be carried out and estimated to be completed.

Correction:
Hap Seng Plantations (River Estates) has appointed Green Harvest Environmental Sdn Bhd to complete HCV baseline Assessment of Bukit Kibos area.

Corrective action:
Timeline was given to the Green Harvest Environmental Sdn Bhd to complete the required HCV baseline Assessment in 2015.

Verification results:
A copy of the letter dated 31st July 2015 regarding project award to Green Harvest Environmental Sdn. Bhd. to complete the HCV Assessment of Bukit Kibos as per RSPO Guidelines was sighted. It is stated that the project is required to be completed before September 2015. It was verified from the company’s website that the company conducts environmental management and monitoring services for sustainable agriculture, including HCV assessment in accordance with RSPO requirements.

The progress of the HCV assessment and follow-up by the company on the findings will be evaluated.
during the next annual surveillance audit.

Auditor Conclusions: Closed with observations

Closure date: 31 July 2015

Indicator 8.1: The action plan for continual improvement shall be implemented, based on a consideration of the main social and environmental impacts and opportunities of the grower/mill, and shall include a range of Indicators covered by these Principles and Criteria.

NCR No. 2015-06 of 07 (Major non-compliance)
Stagnant and damaged water main drain in the backyard of housing at Bukit Mas estate housing no. 410, 411, 412 was still observed (NCR No. 2014-08 of 08)

Correction:
1) All drains are continued to be inspected and any stagnant water observed are immediately cleared. Cleaning other sections of the drains also conducted immediately after the audit.

Corrective action:
1) Monthly Checking will be conducted by the Estate Hospital Assistant to confirm the housing area and drain are in good condition.
2) Spot check by the Estate General Manager and Sustainability Executive at the housing area.

Verification results:
Photographic evidence was provided to show the before and after photos of the drain which had been cleaned and is no longer stagnant

Auditor Conclusions: Closed

Closure date: 22 April 2015

SCCS D.3.1: The site shall have written procedures and/or work instructions to ensure the implementation of all the elements specified in these requirements

NCR No. 2015-07 of 07 (Major non-compliance)
1) Supply Chain SOPs for the mill have not been updated to state application of Identity Preserved SC model in accordance with the new RSPO SCC Standard 2014, as SG for CPO mills is not longer applicable under the new SCC Standard 2014
2) The mill’s SOP for delivery and reception of CSFFB does not clearly specify the method of physical handling and processing of CSFFB and non-certified FFB according to the supply chain method applied by the respective mill (Identity Preserved or Mass Balance). The procedure only describes that CSFFB, in-house FFB and non-house FFB are to be identified and indicated accordingly in weighbridge tickets and related documents.
3) The mill’s SOP for delivery and reception of CSFFB, in-house and non in-house does not specify the mechanism for handling of non-conforming material and/or documents.

Correction:
Supply chain model for BPOM is switched to IP and Supply Chain SOP for BPOM were updated immediately.
Mill’s SOP for delivery and reception of CSFFB were updated accordingly on the method of physical handling and processing of CSFFB and non-certified FFB
Both amendments take effect immediately on 6th April 2015.
Mill’s SOP for delivery and reception of CSFFB were accordingly on the mechanism for handling non-conforming material and/or documents.

Corrective action:
Mill management will check on any new SCCS requirement annually from the RSPO Websites. Training on new SOP on method of physical handling and processing of CSFFB and non-certified FFB will be conducted for the person in charge annually by the mill management. This also include the mechanism for handling non-conforming material and/or documents.

Verification results:
1) The company provided a copy of a Review Summary document for the company’s SOP for Supply Chain regarding implementation of Identity Preserved (IP) Supply Chain model at the mill
2) The review summary above stated that any crop from non-RSPO certified growers will be rejected at the mill’s weighbridge since the company is implementing Identity Preserved
3) The review document above specifies the process for handling of non-conforming Supply Chain documents, while as stated above, non-conforming material (i.e. non-certified material) will be rejected

Auditor Conclusions: Closed
Closure date: 22 June 2015

3.5 Noteworthy Positive Components

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR 5.3</td>
<td>Noted that there is small vegetable garden was planted at the mill area for free utilization by the workers.</td>
</tr>
<tr>
<td>CR 5.6</td>
<td>The mill started operations of a continuous desludging plant to reduce amount of solids produced at the effluent ponds in August 2014, which aims to reduce the BOD of the effluent produced by the mill.</td>
</tr>
<tr>
<td>CR 6.11</td>
<td>The company is committed to supporting Humana school activities, e.g. they have allocated provision of RM2000 to the school every year</td>
</tr>
<tr>
<td>CR 4.7</td>
<td>Field workers interviewed have good understanding of first aid procedure, for example one harvesting mandore was able explain how to handle cases of bone fractures during work</td>
</tr>
<tr>
<td>8.1</td>
<td>Good housekeeping and upkeep for housing area as seen in Bukit Mas and Sungai Segama. Company also motivating worker by organizing competition by rewarding workers accordingly.</td>
</tr>
<tr>
<td>8.1</td>
<td>Found surrounding of Mill and Workshop layout properly maintained, properly storage of scheduled waste and good housekeeping practices.</td>
</tr>
</tbody>
</table>

3.6 Issues Raised by Stakeholders and Findings Pertaining to Issues

No issues were raised by stakeholders interviewed during this surveillance audit

4.0 CERTIFIED ORGANISATION’S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

4.1 Date of Next Surveillance Visit

The next surveillance visit is planned for 01 April 2016
4.2 Acknowledgements of Internal Responsibility and Formal Sign-Off by Client

It is acknowledged that the assessment visit was carried out as described in this report and we accept the assessment findings and report content.

Signed on behalf Hap Seng Plantations Holdings Bhd.

Signed on behalf of TUV Rheinland Malaysia

Carol Ng Siew Theng
Lead Auditor
Date: 4 August, 2015

Name: [Signature]
Designation: [Signature]
Date: [Signature]
## APPENDICES

### Appendix 1: List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>BME</td>
<td>Bukit Mas Estate</td>
</tr>
<tr>
<td>BOD</td>
<td>Biological Oxygen Demand</td>
</tr>
<tr>
<td>BPOM</td>
<td>Bukit Mas Palm Oil Mill</td>
</tr>
<tr>
<td>CITES</td>
<td>Convention on International Trade in Endangered Species</td>
</tr>
<tr>
<td>CDM</td>
<td>Clean Development Mechanism</td>
</tr>
<tr>
<td>CePSWaM</td>
<td>Course On Certified Environmental Professional In Scheduled Waste Management</td>
</tr>
<tr>
<td>CePPOMETS</td>
<td>Certified Environmental Professional In the Operation Of POME Treatment System</td>
</tr>
<tr>
<td>CPO</td>
<td>Crude Palm Oil</td>
</tr>
<tr>
<td>CSDS</td>
<td>Chemical Safety Data Sheet</td>
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<tr>
<td>CSFFB</td>
<td>Certified Sustainable Fresh Fruit Bunches</td>
</tr>
<tr>
<td>CSPK</td>
<td>Certified Sustainable Palm Kernel</td>
</tr>
<tr>
<td>CSPO</td>
<td>Certified Sustainable Palm Oil</td>
</tr>
<tr>
<td>DOA</td>
<td>Department of Agriculture</td>
</tr>
<tr>
<td>DOE/ JAS</td>
<td>Department of Environment / Jabatan Alam Sekitar</td>
</tr>
<tr>
<td>DOSH/ JKKP</td>
<td>Department of Occupational Safety &amp; Health / Jabatan Keselamatan dan Kesihatan Pekerja</td>
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<tr>
<td>EIA</td>
<td>Environmental Impact Assessment</td>
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<tr>
<td>EPF</td>
<td>Employee Provident Fund</td>
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<tr>
<td>ERTs</td>
<td>Endangered, Rare &amp; Threatened species</td>
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<tr>
<td>ESH</td>
<td>Environmental Safety &amp; Health</td>
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<tr>
<td>EQA</td>
<td>Environmental Quality Act</td>
</tr>
<tr>
<td>FFB</td>
<td>Fresh Fruit Bunches</td>
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<tr>
<td>FMA</td>
<td>Factories and Machineries Act</td>
</tr>
<tr>
<td>EFB</td>
<td>Empty Fruit Bunches</td>
</tr>
<tr>
<td>GOE</td>
<td>Group of Estates</td>
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<tr>
<td>HCV</td>
<td>High Conservation Value</td>
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<tr>
<td>HIRARC</td>
<td>Hazard Identification, Risk Assessment and Risk Control</td>
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<tr>
<td>HSPHB</td>
<td>Hap Seng Plantations Holdings Bhd.</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>IP</td>
<td>Identity Preserved</td>
</tr>
<tr>
<td>IPM</td>
<td>Integrated Pest Management</td>
</tr>
<tr>
<td>IUCN</td>
<td>International Union for Conservation of Nature</td>
</tr>
<tr>
<td>JCC</td>
<td>Joint Consultative Committee</td>
</tr>
<tr>
<td>JGOE</td>
<td>Jeroco Group of Estates</td>
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<tr>
<td>KWSP</td>
<td>Kumpulan Wang Simpanan Pekerja (Employee Provident Fund Group)</td>
</tr>
<tr>
<td>LCC</td>
<td>Leguminous Cover Crop</td>
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<td>LRR</td>
<td>Legal Requirements Register</td>
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<td>LUC</td>
<td>Land Use Change</td>
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<td>LTA</td>
<td>Lost Time Accident</td>
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<td>MB</td>
<td>Mass Balance</td>
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<tr>
<td>MSDS</td>
<td>Material Safety Data Sheets</td>
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<tr>
<td>MPOB</td>
<td>Malaysian Palm Oil Board</td>
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<tr>
<td>NADOPOD</td>
<td>Notification of Accidents, Dangerous Occurrence, Occupational Poisoning and Occupational Diseases</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Government Organization</td>
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<tr>
<td>NIOSH</td>
<td>National Institute of Occupational Safety and Health</td>
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<tr>
<td>OSH</td>
<td>Occupational Safety &amp; Health</td>
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<tr>
<td>OSH</td>
<td>Occupational Safety &amp; Health Act</td>
</tr>
<tr>
<td>P&amp;A</td>
<td>Personnel &amp; Administration</td>
</tr>
<tr>
<td>P&amp;C</td>
<td>Principles &amp; Criteria</td>
</tr>
<tr>
<td>PERKESO</td>
<td>Pertubuhan Keselamatan Sosial (Social Safety Organization)</td>
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<tr>
<td>PK</td>
<td>Palm Kernel</td>
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</tbody>
</table>
Appendix 2: List of Stakeholders Interviewed and Contacted

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Stakeholder</th>
<th>Institution / Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Hoh Kam Hoe</td>
<td>Mill Manager</td>
</tr>
<tr>
<td>2.</td>
<td>Frankie A. Patrick</td>
<td>Sustainability Executive</td>
</tr>
<tr>
<td>3.</td>
<td>Ling Chia Yi</td>
<td>Agronomist</td>
</tr>
<tr>
<td>4.</td>
<td>Thom Damin Sulukan</td>
<td>Sustainability Executive</td>
</tr>
<tr>
<td>5.</td>
<td>Osman @ Open Laihe</td>
<td>Sr. Mill Assistant</td>
</tr>
<tr>
<td>6.</td>
<td>Kee Keow Chong</td>
<td>Chief Agronomist</td>
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<tr>
<td>7.</td>
<td>Lee Yen Fatt</td>
<td>General Manager-Bukit Mas Estate</td>
</tr>
<tr>
<td>8.</td>
<td>Ayub Jiha</td>
<td>Manager- Sungai Segama 2 Estate</td>
</tr>
<tr>
<td>9.</td>
<td>Paul Ching</td>
<td>Manager- Sungai Segama 1 Estate</td>
</tr>
<tr>
<td>10.</td>
<td>Tompong Darman</td>
<td>Workshop Executive</td>
</tr>
<tr>
<td>11.</td>
<td>Bacho Jumat</td>
<td>Senior Estate Assistant</td>
</tr>
<tr>
<td>12.</td>
<td>Rosniati Madek</td>
<td>Mandore</td>
</tr>
<tr>
<td>13.</td>
<td>Rismah</td>
<td>Sprayer</td>
</tr>
<tr>
<td>14.</td>
<td>Abdul Hamid</td>
<td>Mandore D6</td>
</tr>
<tr>
<td>15.</td>
<td>Jusni</td>
<td>Sprayer D6</td>
</tr>
<tr>
<td>16.</td>
<td>Nani</td>
<td>Sprayer D6</td>
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<tr>
<td>17.</td>
<td>Mardiana</td>
<td>Sprayer D6</td>
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<td>18.</td>
<td>Tiara</td>
<td>Sprayer D6</td>
</tr>
<tr>
<td>19.</td>
<td>Kartini</td>
<td>Sprayer D6</td>
</tr>
</tbody>
</table>

Appendix 3: List of Observations / Opportunities for Improvement

<table>
<thead>
<tr>
<th>No.</th>
<th>Observations / Opportunities for Improvement</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The company has defined ethical conduct in the company’s document entitled “Sixteen Business Commandments”. A number of workers who were interviewed said they had received an explanation from the company several times during morning briefing regarding the company’s policy on ethical conduct. However, there is no written evidence that company has been explained their policy on ethical conduct to all parties (all employees and contracted third party). Also the document is only available in English and not languages understood by workers at all levels of operation.</td>
<td>1.3</td>
</tr>
<tr>
<td>2.</td>
<td>The company’s procedure for review of legal compliance did not include any consideration to conduct review whenever there are new or updated legal requirements or within a shorter period of time</td>
<td>2.1</td>
</tr>
<tr>
<td>3.</td>
<td>At Bukit Mas Estate and Sungai Segama 1 Estate, MSDS/CSDS were not made available at site where the pesticides being used particularly among group of sprayers.</td>
<td>4.6.5</td>
</tr>
</tbody>
</table>
4. Stated on page 27 of the updated Potential HCV Assessment Report that part of the management plan for Sg. Segama river is to conduct a baseline study to identify animals living with the Sg. Segama Riparian Reserve and to conduct baseline study for the Proboscis monkey population living along the Segama River. Stated in the remarks column that the timeline for the plan was increased to year 2018 and the reason being due to lack of internal resources. However, it was informed by the company representative that researchers from University Malaysia Sabah which the company plans to engage to carry out the baseline study for Bukit Kibos area and Sg. Segama area had did a site inspection of the area and advised that baseline study for Sg. Segama riparian reserve was not required as the reserves were already planted. As such, the remarks stated for the progress of this plan was not updated accurately to reflect the status of this management plan for Sg. Segama river.

5. As the company has not conducted an identification of species list and their conservation status, there is no identified of rare, threatened and endangered (RTE) species. As such, the company has not yet developed a programme to regularly educate the workforce about the status of these RTE species, and appropriate disciplinary measures in case any individual working for the company is found to capture, harm, collect or kill these species. There is also no management plan developed yet for the monitoring of RTE species (only HCV areas). This was noted as an observation and status of compliance will be verified upon during next surveillance audit after completion of the RTE species identification.

6. It was found that there was a slight discrepancy in the actual FFB production for year 2014 input in the Palm GHG tool compared to the actual FFB production records of the mill.

7. 1) Mill staff have not been notified or trained on the application of the new supply chain model to be applied, i.e. IP, based on the new RSPO SCC Standard 2014 in which Segregation model for mills is no longer applicable.
   2) Noted that some mill office staff that may occasionally assist in the updating of RSPO SCC related information did not join the latest RSPO SCC training held on January 2015, i.e. Siti Hapsah Ismail and Zufazera Anisah.

8. It was found at the worker’s housing that a number of houses are occupied by 9-10 people, and there is lack of privacy due to the high number of people in one house.

9. During interviews with workers, it was found that there are some employees who are not clear about the remaining fees required to be deducted each month from their salary for payment of passport as their pay slips do not contain details about the remaining deductions due from the workers. One worker interviewed also did not know the total deductions due from him to the company.