Roundtable on Sustainable Palm Oil

Public Summary Report

Report no.: 82450215028
Certification assessment against the
RSPO Principles & Criteria Malaysian National Interpretation 2010
(with reference to RSPO Generic P&C 2013)
& RSPO Standard for Group Certification year 2010

Kawa Estate and Hap Seng Estate
Hap Seng Plantations (Ladang Kawa) Sdn Bhd,
Tawau, Sabah Malaysia

Date of assessment:
25 to 26 November 2014

Report prepared by:
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Certification decision by:
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1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 National Interpretation Used

The operations of the oil palm plantations were assessed against RSPO Principles & Criteria (P&C) Malaysia National Interpretation (MY-NI) year 2010 (with reference to RSPO P & C 2013); and RSPO Standard for group certification. As implementation of the RSPO Principles & Criteria 2013 were only mandatory from May 2015 onwards, any non-compliances against the new P&C 2013 requirements which were not in the MY-NI 2010 were raised as negative observations only.

1.2 Type of Assessment

The RSPO main certification assessment was carried out on two estates under Kawa Estate (owned by Hap Seng Plantations (Ladang Kawa) Sdn. Bhd.) and Hap Seng Estate (managed by Hap Seng Plantations (Ladang Kawa) Sdn. Bhd. on behalf sister company, Hap Seng Land Sdn. Bhd.)

1.3 Location and Maps

Table 1: GPS locations for all estates and mills included in certification assessment

<table>
<thead>
<tr>
<th>Name of mill / estate</th>
<th>Location</th>
<th>GPS locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kawa Estate</td>
<td>Tawau, Sabah, Malaysia</td>
<td>N4° 21' 54.2&quot; E 118° 2' 20.7&quot;</td>
</tr>
<tr>
<td>Hap Seng Estate</td>
<td>Tawau, Sabah, Malaysia</td>
<td>N4° 21' 54.2&quot; E 118° 2' 20.7&quot;</td>
</tr>
</tbody>
</table>

Location of Kawa and Hap Seng Estate in Tawau.
Figure 1: Kawa and H Maran Estate in Tawau, Sabah

Kawa estate is divided into 3 divisions i.e Apas Claremont, Tasek, and Muul Hills. While Hap Seng has only one division, which is Tiku division. All district location are scattered in several places as seen on the maps of division location below. Kawa estates divided into 3 divisions, i.e.:

Figure 2: Map of Apas Claremont Division of Kawa Estate
Figure 3: Map of Tasek Division of Kawa Estate
Figure 4: Map of Muul Hill Division of Kawa Estate
1.4 Description of Supply Base

Table 2: FFB Production for year 2013 and Forecast for year 2014

<table>
<thead>
<tr>
<th>FFB Contributors</th>
<th>Year 2013</th>
<th>Year 2014*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tonnes</td>
<td>%</td>
</tr>
<tr>
<td>Company owned estates:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kawa Estate</td>
<td>30,237.14</td>
<td>79.52</td>
</tr>
<tr>
<td>Hap Seng Estate</td>
<td>7,784.73</td>
<td>20.48</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>38,021.87</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Note: Information from January to November 2014
1.5 Dates of Plantings and Replanting Cycles
The company follows a replanting cycle of 25 years. Information on the dates of plantings are as per the table below.

Table 3: Age and year of plantings of Kawa Estate and Hap Seng Estate

<table>
<thead>
<tr>
<th>Age &amp; Year of Plantings</th>
<th>Oil palm planted area at each estate (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kawa Estate</td>
</tr>
<tr>
<td>1997</td>
<td>123.51</td>
</tr>
<tr>
<td>1998</td>
<td>399.43</td>
</tr>
<tr>
<td>1999</td>
<td>603.76</td>
</tr>
<tr>
<td>2000</td>
<td>55.16</td>
</tr>
<tr>
<td>2001</td>
<td>-</td>
</tr>
<tr>
<td>2002</td>
<td>-</td>
</tr>
<tr>
<td>2003</td>
<td>18.64</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,200.50</strong></td>
</tr>
</tbody>
</table>

The replanting plan will start on year 2022 since the company implements a 25 years replanting cycle.

1.6 Other Achievements and Certifications Held
There is no information on other achievements held by Kawa Estate or Hap Seng estate.

1.7 Area of Plantation (Total, Planted and Mature)

Table 4: Oil Palm Planted Area Summary, FFB Production and Average yield/ha for year 2014 (until October 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>Kawa Estate</td>
<td>1,276.19</td>
<td>1200.50</td>
<td>1200.50</td>
<td>-</td>
<td>30,237.14</td>
<td>25.18</td>
</tr>
<tr>
<td>Hap Seng Estate</td>
<td>545.96</td>
<td>224.50*</td>
<td>224.50*</td>
<td>-</td>
<td>7,784.73</td>
<td>29.37</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1822.15</strong></td>
<td><strong>1425</strong></td>
<td><strong>1425</strong></td>
<td>-</td>
<td><strong>38,021.87</strong></td>
<td><strong>25.94</strong></td>
</tr>
</tbody>
</table>

*At the audit time the total oil palm planted in Hap Seng Estate reduce 40.5 ha plantation area from 265 ha to 224.5 ha in block H20B and H20D for buildings under Hap Seng Properties.

The area statement for Kawa estate and Hap Seng estate for year 2014 as explained on the Table below.

Table 5: Land use data for Kawa and Hap Seng Estate for year 2014 (until October 2014)

<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 and road</td>
</tr>
<tr>
<td>Kawa Estate</td>
<td>1,276.19</td>
<td>1200.50</td>
<td>-</td>
<td>70.20</td>
</tr>
<tr>
<td>Hap Seng Estate</td>
<td>545.96</td>
<td>224.50</td>
<td>-</td>
<td>306.15</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1822.15</strong></td>
<td><strong>1425</strong></td>
<td></td>
<td><strong>376.35</strong></td>
</tr>
</tbody>
</table>
1.8 Organisational Information / Contact Person

Contacts details of the company are as follows:

<table>
<thead>
<tr>
<th>Company Name:</th>
<th>Kawa Estate and Hap Seng Estate (Subsidiary of)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSPO Membership no.</td>
<td>1-0098-11-000-00</td>
</tr>
<tr>
<td>Address:</td>
<td>Hap Seng Plantations (Ladang Kawa) Sdn Bhd, P.O. Box 666, 91008, Tawau, Sabah</td>
</tr>
<tr>
<td>Contact Person:</td>
<td>Kee Keow Chong</td>
</tr>
<tr>
<td>Telephone:</td>
<td>+6089-278138 (Ext 104)</td>
</tr>
<tr>
<td>Email:</td>
<td><a href="mailto:keekc@hapseng.com.my">keekc@hapseng.com.my</a></td>
</tr>
</tbody>
</table>

1.10 Time Bound Plan for Other Management Units

Hap Seng Plantations (Ladang Kawa) Sdn Bhd is a subsidiary of Hap Seng Plantations Holdings Bhd. which has several other holdings which have been certified. The time frame laid out below is considered to be both challenging and realistic. This time bound plan has so far been carried out according to plan. The audit team is satisfied that the company conforms with the RSPO requirements for partial certification as laid out in Clause 4.2.4 of the RSPO Certification Systems document.


<table>
<thead>
<tr>
<th>Name of Holding</th>
<th>Location</th>
<th>Time bound plan for certification</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sg Segama Group Of Estates</td>
<td>Lahad Datu &amp; Kinabatangan</td>
<td>2012</td>
<td>Completed &amp; Certified</td>
</tr>
<tr>
<td>- Hap Seng Plantations (River Estates) Sdn Bhd</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jeroco Group Of Estates</td>
<td>Lahad Datu &amp; Kinabatangan</td>
<td>2013</td>
<td>Completed &amp; Certified</td>
</tr>
<tr>
<td>- Jeroco Plantations Sdn Bhd</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tomanggong Group Of Estates</td>
<td>Lahad Datu &amp; Kinabatangan</td>
<td>2015</td>
<td>Completed &amp; Certified</td>
</tr>
<tr>
<td>- Hap Seng Plantations (River Estates) Sdn Bhd</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Hap Seng Plantations (Wecan) Sdn Bhd</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Hap Seng Plantations (Tampilit) Sdn Bhd</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ladang Kawa</td>
<td>Tawau</td>
<td>2015</td>
<td>In progress</td>
</tr>
<tr>
<td>- Hap Seng Plantations (Ladang Kawa) Sdn Bhd</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kota Marudu &amp; Pelipikan Estate</td>
<td>Kota Marudu</td>
<td>2016</td>
<td>Under preparation</td>
</tr>
<tr>
<td>- Hap Seng Plantations (River Estates) Sdn Bhd</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Pelipikan Plantations Sdn Bhd</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1.11 Compliance to Rules for Partial Certification

Compliance of the uncertified management units of Hap Seng Plantations (Ladang Kawa) Sdn. Bhd. against the rules for partial certification according to RSPO Certification System clause 4.2.4 was assessed by Self Assessment, the result was seen to TRID to be review. 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 changes to the time-bound plan are permitted only where the organisation can demonstrate that they are justified.</td>
<td>The company has a timebound plan, current status of each management unit as stated on the table 9 above.</td>
</tr>
<tr>
<td>(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.</td>
<td>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 now as 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.</td>
</tr>
<tr>
<td>(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.</td>
<td>There is no known land conflict in all estates under Hap Seng Plantation group.</td>
</tr>
<tr>
<td>(g) Labour disputes, if any, are being resolved through a mutually agreed process, in accordance with RSPO criterion 6.3.</td>
<td>There is no known labour dispute in all estates under Hap Seng Plantation group.</td>
</tr>
<tr>
<td>(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.</td>
<td>There are some non-compliances to applicable legal requirement as seen on the relevant non conformities on section 3.3 below.</td>
</tr>
</tbody>
</table>
1.12 Plan for certification of associated smallholders
   The estate has no cooperation with smallholders, therefore this requirement is not applicable for Hap Seng and Kawa estates.

1.13 Approximate Tonnages Certified
   The approximate tonnages certified, based production in 2013 for Kawa Estate and Hap Seng Estates only are as follows:
   FFB: 38,022 tonnes

1.14 Approval for Certification
   Hap Seng and Kawa Estate has established and maintains an effective system to ensure compliance with the RSPO Principles and Criteria. The audit team has confirmed through the audit process that the company’s practices complies with, adequately maintains and implements the requirements of RSPO Principles and Criteria Malaysia National Interpretation year 2010 (with reference to RSPO P & C 2013); and RSPO Standard for group certification. PT TUV Rheinland Indonesia certifies Hap Seng and Kawa estate as a producer of RSPO certified sustainable fresh fruit bunches.

1.15 Date of Certificate Issued and Scope of Certificate
   The scope of the certificate covers production of fresh fruit bunches from Kawa and Hap Seng Estate. The date of certificate issued is October 16, 2015. Further details of the certificate are as per Appendix 1.
2.0 ASSESSMENT PROCESS

2.1 Certification Body

PT TUV Rheinland Indonesia is member of Group TÜV Rheinland Group, a global leader in independent testing and assessment services. The TÜV Rheinland Group was established in 1872 with 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, OHSAS 18001, as well as SA 8000, PT TUV Rheinland Indonesia’s office is located in Jakarta, Indonesia.

2.2 Qualifications of Lead Assessor and Assessment Team

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Qualifications / Experience</th>
</tr>
</thead>
</table>
| Dian S. Soeminta   | Lead Auditor | **Education:** Bachelors Degree in Forestry - Bogor Agriculture Institute, Indonesia. (1990 to 1995).  
|                    |            | **Trainings attended:** ISO 9001:2000 lead assessor course 1996 - Neville Clark; ISO 14001 lead assessor course - PE International; OSHAS: 2007 training, Sustainable Forest Management (SFM) - Forest Stewardship Council (FSC) system training; RSPO P & C lead Auditor Training by Pro Forest in March 2011, Chain of Custody training for FSC System. SCC-RSPO by David Ogg Consulting March 2012.  
|                    |            | **Working experience:** Professional forester since 1995 to 2000. Lead Auditor for Forest Stewardship Council (FSC), Sustainable Forest Certification (SFC) and Chain of Custody (COC) Certification, Lead auditor for Environmental Management System (EMS) and Quality Management System (QMS) audits. Conducted sustainable forest management certification audits on FSC and Indonesian Ecolabel Institute (Lembaga Ecolabel Indonesia - LEI) standards for 20 companies, 50 COC FSC/LEI audits, and EMS and QMS audits at more than hundred companies for TUV Rheinland Indonesia. Instrumental in the preparation of TUV Rheinland Indonesia for Sustainable Forest Management Certification System and TUV Rheinland Malaysia for RSPO Certification. Member of Task Force for Indonesian National Interpretation (Guidance on scheme smallholder RSPO certification). Developed TUV Rheinland RSPO Gap Assessment Checklist and report template. |
| Azizan Zakaria     | Auditor    | **Education:** Master of Engineering (Environmental) - Universiti Putra Malaysia, B. Eng in Chemical Engineering - University of Wales, Swansea  
|                    |            | **Trainings attended:** ISO9001: Lead Auditor Training/Course, Internal Auditor  
|                    |            | Training of IMS (ISO9001, ISO14001 & OHSAS18001)  
|                    |            | **Working experience:** 10 years experience in chemical management and polyurethane production and internal auditing for process compliance with integrated Environmental Management System (EMS) and OSH Management System. |
### Trainings attended:


### Working experience:


### Education:

- Bachelor of Engineering (Hons) (Civil Engineering), Universiti Sains Malaysia (1999); Master of Science in Highway and Transportation Engineering, Universiti Sains Malaysia (2000) and Ph.D. in Environment & Resource Studies, Mahidol University, Thailand (2008).

### Trainings attended:

- November 2010: Auditor’s Training Course on the Malaysian Criteria and Indicators 2002 (Malaysian Timber Certification Council); May 2012: Auditor’s Training Course on the Malaysian Criteria and Indicators (Natural Forest) (Malaysian Timber Certification Council); September 2012: Lead Auditor’s Training Course for Roundtable on Sustainable Palm Oil (RSPO) (Proforest and WildAsia); November 2012: ISO 14001 Lead Auditor’s Training Course (by SGS (M) Sdn. Bhd.)

### Working experience:

- Worked as a consultant/project highway and transportation engineer from 2000-2004 (Maunsell Sharma & Zakaria and Scott Wilson Pavement Engineering Sdn.Bhd.); Experience in project administration and community development with the Indigenous Knowledge Network Project (2004); Coordinated social development/sustainable livelihood projects as Consultant Environmental Sociologist for Orang Asli in Pahang under the United Nations Development Programme (UNDP)/Global Environment Facility (GEF) (2004-2007); Contract Social auditor/technical expert for sustainable forest management (Malaysia Criteria and Indicators (MC&I))(Natural Forest) & Forest Stewardship Council (FSC) and Roundtable for Sustainable Palm Oil (RSPO) for SGS (M) Sdn. Bhd. (2006-present). Consultant Environmental Sociologist for due diligence, social impact assessments for sustainable forest and oil palm management and has worked with various rural communities in Malaysia and Indonesia on High Conservation Value Forest assessments (HCVF) with Malaysian Environmental Consultants (MEC) Sdn.Bhd (2006-2011). Social Screening Consultant for the Sarawak Railway Screening Project-Social Screening Social commissioned by the Bintulu Development Authority, Sarawak and assisted in APEC
2.3 Assessment Methodology

The certification assessment was conducted between 25 to 26 November 2014, as per the assessment program below. The assessment was carried out in accordance with PT TUV Rheinland Indonesia’s RSPO audit procedure as well as the RSPO Certification Systems document. During assessment, the qualified TUV 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 2 estates 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.

Main Assessment Agenda.

<table>
<thead>
<tr>
<th>Date</th>
<th>Location/ Main sites</th>
<th>Main activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>26 November 2014</td>
<td>Kawa Estate</td>
<td>Stakeholder Consultation&lt;br&gt;Opening Meeting&lt;br&gt;Document checking&lt;br&gt;Field checking&lt;br&gt;Document review at Kawa Estate office covering documents from both Kawa and Hap Seng estates. Examples of documents reviewed are land titles, contracts, pay slips, check-roll, SIA management plans, continuous improvement plans, minutes of meetings i.e. gender committee &amp; JCC, insurance records, CSR program records and grievance mechanism. A stakeholder consultation was conducted from 10am-1pm at the Kawa Club House involving representatives of various stakeholders such as workers, suppliers, contractors, smallholders, adjacent plantation management, the police, Sabah Forestry Department, Agriculture Department and Labour Department.&lt;br&gt;Stakeholder Consultation: Representative from Royal Malaysian Police, Department of Labour, Department of Agriculture, Department of Forestry.&lt;br&gt;On site visit: chemical store, scheduled waste store, Diesel tank, chemical mixing area.&lt;br&gt;Interview: Sr. Estate Manager, Estate Assistants, Supervisors Workers, Clerk and mandore, harvester.&lt;br&gt;Document Review: OSH Policy, CHRA records, Medical surveillance record, Laporan HIRARC, Emergency Response Plan, First Aid training records. and Safety and Health Organization Chart, Chemical list, Legal register. Training record.</td>
</tr>
</tbody>
</table>
2.4 Stakeholder Consultation and Stakeholders Contacted

The stakeholder consultation involved both external and internal stakeholders. External stakeholders were notified to make comments on the certification assessment by placing an invitation to comment on the RSPO website. Stakeholders included those immediately linked with the operation of the company such employees, outgrowers, the local government, NGO’s, trade and labour unions and local communities.

Stakeholder consultation took place in the form of meetings and interviews. Meetings with stakeholders were held to seek their views on the performance of the company with respect to the sustainability practices outlined in the RSPO Principles & Criteria, and to comment on aspects where improvements could be made. Meetings with local communities were held at their respective premises within and near the company’s area. A stakeholder consultation meeting was also held on Kawa estate Club House on November 26, 2014. Letters inviting individual stakeholders to the stakeholder consultation meeting were prepared and sent to the individual stakeholders, while electronic mail and telephone calls were made to arrange the meetings.

In all the interviews and meeting, the objectives of the RSPO and the purpose of the assessment was clarified at the outset followed by an evaluation of the relationship between the stakeholders and the company before discussion proceeded to obtain the stakeholders feedback on the company’s compliance to different aspects of the RSPO Principles & Criteria. Although several stakeholders were not familiar with RSPO but they agreed with its objective and expressed their willingness to collaborate in the promotion of sustainable palm oil in Sabah. In all interviews and meeting, the assessment team did not restrict discussion of both the positive and negative aspects of operations conducted by Kawa and Hapseng estate.

The stakeholder consultation meeting held with stakeholders during the audit was extensive and productive, with an attendance of more than 30 attendees. This was followed by site inspections, including visits to the local communities, interviews with land claimants and contractors, and inspections of worker amenities and infrastructure. All stakeholder issues raised were recorded and forwarded to the management for their written response, and this is summarized in Section 3.4. The list of stakeholders that attended the stakeholder consultation meeting and stakeholders interviewed during the assessment is included as Appendix 4.

2.5 Date of Next Surveillance Visit

The next surveillance visit is planned for September 2016.
### 3.0 ASSESSMENT FINDINGS

#### 3.1 Summary of Findings

Hap Seng Plantations Holding Berhad (HSPHB) is a public listed company registered in Malaysia. The company is mainly involved in the cultivation of oil palms and fresh fruit bunches (FFB). Hap Seng Plantations (Ladang Kawa) Sdn. Bhd. is a subsidiary of HSPHB which manages Kawa Estate and Hap Seng estate, which are both currently the only estates of Hap Seng Plantations Holding Berhad (HSPHB) located in Tawau, Sabah. The estates consist of several divisions namely Apas Claremont, Muul Hill, Tasek and Tiku divisions.

All FFB produced from Hap Seng and Kawa estates are sold to palm oil mills belong to other companies nearby surrounding Sabah area. Once the estates are certified, their FFB will be transferred to certified Palm Oil Mills under Hap Seng Plantations Holding Berhad (HSPHB).

Hap Seng and Kawa estate are not independent smallholders, both estate are part of Hap Seng Land Sdn. Bhd. and Hap Seng Plantations Holdings Berhad respectively. To ensure compliance with the RSPO Principles & Criteria, the assessment was done against the RSPO P & C Malaysia National Interpretation year 2010 (with reference to RSPO P & C 2013); and RSPO Standard for group certification. However since these are not independent smallholders with membership scheme, some group certification requirement are not applied to be assessed.

The requirements that are not applicable are:
- Clause 1 regarding Group Requirements
- Clause 2 regarding Group Management Documentation

Only Clause 3 about Chain of Custody is applied for both estates.

During the certification assessment 12 nonconformities were assigned against Major Compliance indicators while 5 nonconformities were assigned against Minor Compliance indicators related to RSPO P & C, and 4 minors non conformities related to group certification requirements. 16 observations or opportunities for improvement were identified. Further explanation of the non-conformities raised and corrective actions taken by the company are provided in Section 3.2. The observations & opportunities for improvement are listed in Appendix 5.

The following is a summary of findings made for the criteria listed in the RSPO Standard for group certification and RSPO Principles & Criteria Malaysia National Interpretation year 2008 (with reference to RSPO P & C 2013);

#### 3.1.1 Findings against requirements for Group Certification:

<table>
<thead>
<tr>
<th>Element 3.1: The group manager shall document and implement a system for the tracking and tracing of FFB produced by the group members and intended to be sold as RSPO certified FFB</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Findings:</strong></td>
</tr>
<tr>
<td>FFB harvested from Kawa and Hap Seng Estate are documented in FFB harvested records FFB Q1, FFB Ckchecker Form 03P. FFB from the field will be transport to the Ramp and will be recorded on FFB Daily record. FBB from the ramp will be transferred to FFB Trailer or Dump Truck and covered with netting. And FFB is weighed at estate’s weighbridge with trailer or dump truck. All FFB is sealed using security seals after weighing process and the result are recorded on weighbridge ticket. All FFB goes to the mill accompanied by delivery notes to chosen palm oil mill. During this main audit, both estates had no established mechanism /SOP for the tracking and tracing of FFB produced by each estate, and intended to be sold as RSPO certified FFB. This was raised as non conformity.</td>
</tr>
<tr>
<td><strong>Compliance status : Non Compliance</strong></td>
</tr>
<tr>
<td><strong>NCR No. 2014-01 of 21</strong></td>
</tr>
</tbody>
</table>

Both Kawa and Hap Seng Estate has information/data about result of harvest (volume of FFB (tonnasse)) basis monthly.
**Element 3.2**: There shall be a collective group procedure for the sale of all certified FFB originating from the plantations of group members that is agreed by the group members and the Group Manager and is designed to ensure that non-certified FFB are not sold as RSPO certified FFB. This shall be contained in any group marketing system that is developed for the group, and shall follow one of the supply chain models as per the RSPO Supply Chain Certification Systemsii, i.e. Identity Preserved, Segregation or Mass Balance.

Findings:
Both estates have no procedure for the sale of all certified FFB originating from the plantations that is designed to ensure that non-certified FFB are not sold as RSPO certified FFB. This shall be contained in marketing system that is developed and shall follow one of the supply chain models as per the RSPO Supply Chain Certification Systems i.e. Identity Preserved, Segregation or Mass Balance. This is raised as non conformity.

Compliance status: Non Compliance
NCR No. 2014- 02 of 21
Both estates did not have mechanism to sale certified FFB from the source of plantations to prevent non-certified FFB sold as RSPO certified FFB. Both estates still not define RSPO SCCS model which will be implemented in their organization system, E.g. Identity Preserved, Segregation or Mass Balance.

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**Element 3.3**: The group manager shall ensure that all invoices for sales of RSPO certified FFB originating from the group are issued with the required information as per the adopted supply chain model requirements within Annex 6 of the RSPO Supply Chain Certification Systems document – November 2009.

Findings:
Both Hap seng and Kawa Estate using FFB delivery notes for FFB transport to the chosen mill, and an invoice will be issued after the FFB is received by the mill. In the invoice letter, there is information on destination of FFB transported, delivery date, transportation (car number plate and name of driver), origin estate, division/block, year of planting, quantity (amount of bunches), volume of FFB (tonnages) in estate and note. However all invoices format templete for sales of RSPO certified FFB are issued without the required information about selected supply chain model (IP or MB).

Compliance status: Non Compliance
NCR No. 2014- 03 of 21
All invoices format templete for sales of RSPO certified FFB are not issued with the required information as per the adopted supply chain model IP or MB.

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**Element 3.4**: The physical transporting of RSPO certified FFB originating from the plantations of group members shall be done either directly by the group (i.e. through own transportation), or via sub-contracted intermediaries. For intermediaries the requirements as outlined in 3.7 shall also apply.

Findings:
The organization uses a subcontractor transporter company for FFB delivery process. Trucks used in transporting FFB to mills, however there is no evidence that the outsourced transporter engages and provide unrestricted access to their respective operations, system, and any and all information to certification bodies that are duly approved by the RSPO (when this is announced in advance) or that this requirement has been included on the contract between company and outsourcing company (FFB transporter). This is raised as non conformity.
Compliance status: Non Compliance  
NCR No. 2014-04 of 21  
There is no evidence that outsourced FFB transporters engaged provide unrestricted access to their respective operations, system, and any and all information to certification bodies that are duly approved by the RSPO *(when this is announced in advance)* or that this requirement has been included on the contract between the company and outsourced company (FFB transporter).

**Element 3.5: All sales of FFB originating from the plantations of group members shall be documented.**

Findings:
The organization records FFB weighing results for each division with weighbridge tickets at each estate weighbridge. All FFB goes to the mill accompanied by delivery notes to chosen palm oil mill.

Hap Seng and Kawa estate has establish the format for certified FFB sales documents such as contract including information about contract number, FFB quantity and destination; Invoice; Delivery order number, date, transport information such as vehicle number, driver name, original estate and respective mill destination, description of FFB sold. Information for certification status will be added after RSPO certificate has been granted.

Compliance status: Full Compliance

**Element 3.6: The Group Manager shall maintain copies of all relevant documentation and records of group product transactions for a period of 5 years**

Findings:
To ensure that the organization will maintain transaction products for 5 years the organization has issued decree letter from estate manager stating that retention time for RSPO FFB documents and records shall be at least 5 years.

Compliance status: Full Compliance

**Element 3.7: If an intermediary exists in the supply chain from the group to the mill that wants to be included within the group certification control rather than obtain their own supply chain certification, the intermediary shall be identified by the Group Manager. The Group Manager shall have a contract with the intermediary to fulfill the RSPO Standard for Group Certification and agree to be assessed on an annual basis by the Group Manager as well as in certification assessments.**

Findings:
There is no intermediary used for Hap Seng and Kawa estates except for FFB transport activity, and because both estate under Hap Seng Plantation Sdn. Bhd. This element is not applicable for both estates.

Compliance status: Not applicable

3.1.2 Findings against RSPO Principles & Criteria Malaysia National Interpretation year 2010 (with reference to RSPO P & C 2013);

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

Findings:

There is a standard operating procedure (SOP) titled, “Prosedur Memohon Maklumat Syarikat” (Procedure for Requesting Company Information) which outlines the overall procedure in dealing with requests for information. This procedure/mechanism is also illustrated in the form of a flowchart titled, “Carta Alir Permohonan Maklumat”. There is a record book to keep track of requests for information. The company representative says that there have been no requests for information to date.

Compliance status: Full Compliance

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

Findings:

There is a master list of 31 land titles (Country Lease for 99 years) totaling 4500.53 ha. spanning Apas Claremont, Muul Hill, Kau Syn, Tiku and Mile 10, Tawau District. This document will be made available upon written request to the company (no requests observed so far). Social impact assessment report is not publicly available as it has not yet been completed. This was raised as minor non-conformity. There is an SOP to facilitate complaints and grievances, titled, “Prosedur Melapor Aduan dan Permasalahan (Pihak-Pihak Yang Berkepentingan atau Stakeholders)” (Procedure for Reporting Complaints and Problems (for Stakeholders). There is a dedicated record book at Kawa Estate, titled, “Buku Rekod Menggunakan Khidmat Tukang ACD 2014” (Records Book of Usage of ACD Builders Services 2014) which facilitates complaints and requests for repairs for workers’ housing. This document is available to the workers and staff of Kawa and Hap Seng. This document will be made available upon written request to the company (no requests observed so far).

There is a document titled, “Land Disputes, Squatter Disputes, Loss of Legal and Customary Rights which is a guideline to identify lawful and legitimate persons or individuals who are entitled to compensation. The document also describes procedures for the distribution and time-frame for compensation as well as calculation for various compensations. This document is publicly available upon request. There is a continuous improvement plan for Kawa estate dated 7 November 2014. This document is only made available upon written request to the company (no requests observed so far).

Compliance status: Non Compliance

NCR no. 2014 -05 of 21
Social impact assessment report is not publicly available as it has not yet been completed.

Criterion (P&C 2013): Growers and millers commit to ethical conduct in all business operations and transactions.

Findings:

There is no evidence of a written policy committing to a code of ethical conduct and integrity in all operations and transactions or evidence of such a policy communicated to all levels of the workforce and operations. However this was raised as a negative observation as P & C year 2013 is not mandatory at the audit time.

Compliance status: Non Compliance

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

There is evidence of actions taken by the company to comply with applicable legal requirements, however some of legal regulation are still not complied with and has been raised as non conformities such as:

No evidence of training for scheduled waste been conducted as competent person stated in Environmental Quality (Amendment) Act 2012, Act A1441, Section 49A which states that "An owner or occupier of a premise shall employ a person who has been certified by the Director General as a competent person to conduct all or any of the following activities:- management of schedule waste". Only training on the handling of schedule waste conducted internally on 4 November 2014.

In Kawa Estate also found List of Legal Register as at March 2014 is available but not clearly stating any evidence of compliance. Just a tick mark in the format. There is a 'List of Law, Regulations, Permits and Licences' to manage an Estate and Oil Mill and expiry date) which lists, among others, compliance to legal requirements such as land titles, quit rent payment, domestic and consumer permit for keeping fertilizer and diesel, license for estate vehicle renewal etc. The List of Legal Requirements Register for Kawa Estate dated March 2014 did not mention the Employees Provident Fund Act 1951 (Act 272). This was raised as a negative observation because the list is currently under review.

The method of evaluation need to more properly done as it was found some non-applicable legal requirements were also being evaluated for compliance including requirements like Occupational Safety and Health (OSH) Control of Industry Major Hazards (CIMAH) 1996, OSH Safety & Health Officer (SHO) Regulations 1997, Factory and Machineries (FM) (Steam Boilers & Unfired Pressured vessel) Regulations, FM (Electrical Passenger and Goods Lift) Regulations were ticked as compliant even there were considered not applicable to the estates. In addition, requirements such as sending JKKP 8 form (annual accident report form) to the Department of Occupational Safety & Health (DOSH) Office before 31st January 2014 were stated as compliant but actual the forms were not completed or sent.

At Kawa and Hap Seng Estates need to improve mechanism of legal compliance as in the document of legal compliance only stated YES of NO Evidence must be clearly stated for assurance of compliance stated. According to the procedure for ensuring legal compliance (LORR) the mechanism was not properly explained and it is just a normal flow chart in managing legal issues

For work on holidays, staff and piece-rated workers are not paid two days’ wages/twice the ordinary rate per piece, which contravenes Chapter XIV, Section 103 (6) a & b of the Sabah Labour Ordinance (SLA), 2005. Daily wage workers are only paid 1.5 day's wages at the ordinary rate of pay, which contravenes section 103 (6a). E.g two daily wage worker) at Kawa estate did not receive twice the wages and also did not receive overtime rates of three times his hourly rate of pay, as per Section 7.

Rest day wages and overtime are also not paid accordingly (see SLA 2005 Section 104 C. (2) a & b) and for overtime, refer to Section 104 C (4&5) of the SLA.

There is no clear mechanism to track on legal changes when referred to the company’s Procedure for Ensuring Compliance to Legal Requirements. The mechanism was not properly explained and it is just a normal flow chart in managing legal issues and not explaining the mechanism accordingly. (P&C 2013). These two issues were raised as a major non-conformity.

There is a Standard Operating Procedure (flow-chart) for ensuring that legal requirements are met, titled, “Prosedur Memastikan Pematuhan Kepada Keperluan Undang-Undang” (Procedure for Ensuring That Legal Requirement Is Met), the implementation of which has been observed at the Kawa office.

There is a dedicated officer, legal compliance executive (certified officer), at the group level, Plantation Central Office (PCO) who is responsible for tracking changes in the law who liaises with the Legal and Compliance Department in the headquarters (HQ). The legal register is updated annually. There is a mechanism for tracking changes in the law, titled; ‘Mechanism for Tracking Any Changes in the Law’ (dated 4 July 2014).

Compliance status: Non Compliance
NCR No. 2014-06 of 21
Kawa Estate & Hap Seng Estate: No evidence of training for scheduled waste been conducted as competent person stated in Environmental Quality (Amendment) Act 2012, Act A1441, Section 49A which states that

"An owner or occupier of a premise shall employ a person who has been certified by the Director General as a competent person to conduct all or any of the following activities: management of schedule waste"

Only training on the handling of schedule waste was conducted internally on 4 November 2014.

NCR No. 2014-07 of 21
At Kawa Estate found List of Legal Register as at March 2014 is available but not clearly stating any evidence of compliance, just a tick mark in the format. The method of evaluation need to more properly done as found that non-applicable legal requirements were also being evaluated in term of compliance, including requirements like Occupational Safety and Health (OSH) Control of Industry Major Hazards (CIMAH) 1996, OSH Safety & Health Officer (SHO) Regulations 1997, Factory and Machineries (FM) (Steam Boilers & Unfired Pressured vessel) Regulations, FM (Electrical Passenger and Goods Lift) Regulations were ticked as compliance even there were considered not applicable to the estates. In addition, requirements such as sending JKKP 8 form (annual accident report form) to the Department of Occupational Safety & Health (DOSH) Office before 31st January 2014 were stated as compliant but actual the forms were not completed or sent.

NCR No. 2014-08 of 21
1. For work on holidays, staff and piece-rated workers are not paid two days' wages/twice the ordinary rate per piece, which contravenes Chapter XIV, Section 103 (6) a & b of the Sabah Labour Ordinance (SLA), 2005. Daily wage workers are only paid 1.5 day’s wages at the ordinary rate of pay, which contravenes section 103 (6a). E.g. Rusman bin Yunus (daily wage worker) at Kawa estate did not receive twice the wages and also did not receive overtime rates of three times his hourly rate of pay, as per Section 7.

2. Rest day wages and overtime are also not paid accordingly (see SLA 2005 Section 104 C. (2) a & b) and for overtime, refer to Section 104 C (4&5) of the SLA.

NCR No. 2014-09 of 21
There is no clear mechanism to track on legal changes when referred to the company’s Procedure for Ensuring Compliance to Legal Requirements. The mechanism was not properly explained and it is just a normal flow chart in managing legal issues and not explaining the mechanism accordingly.

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

Findings:
The right to use land can be demonstrated, and there are no disputes on land use with local communities. Hap Seng Plantation (Kawa estate or Hap seng estate) Sdn Bhd has land titles from the Land and Surveying Department of Sabah.
The company cannot provide full evidence that boundary stones along the perimeter adjacent to state land and other reserves are being located and visibly maintained. There are only remaining 4 boundaries stones along the company’s border.
The company has no program for Monitoring and Maintenance of Boundary stone and Markers. The company will match the available boundary stones and markers with the boundary stones survey map. Repainting of the boundary stones and markers will be done annually including clearing the bushes and maintaining the cleanliness of the location of the boundary stones and marker. All these activities are the responsibility of the assistant field conductor together with a certified surveyor. Plantation managers and the senior manager will verify implementation

Compliance status: Non Compliance
NCR No. 2014-10 of 21
The company cannot provide full evidence that boundary stones along the perimeter adjacent to state land and other reserves are being located and visibly maintained. There are only remaining 4 boundaries stones along the company’s border.
**Criterion 2.3: Use of land for oil palm does not diminish the legal rights, or customary rights, of other users, without their free, prior and informed consent.**

**Findings:**
There is no lands identified as encumbered with customary rights in all estates, hence this requirement is not applicable.

**Compliance status:** Not applicable

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

**Findings:**
The Kawa social management plan is valid for five years and further revisions and updates will be done within the period of five years to ensure that the company’s social responsibilities and commitments and are up to date with Group Vision and Mission and current standards of the industry. Review of this document will be conducted to ensure the validity, practicality, effectiveness and efficiency of this management plan.

Document management plan for each estate has an annual budget that made a year before the current fiscal year. The information in the budget consists of: Area Statement, Turnover including Revenue Expenditure, Cost of production, total estate overhead, total estate expenditure and capital expenditure.

The planning was made for year 2014, 2015, 2016, 2017 and 2018. However there is no explanation about FFB Forecast price both for Hap Seng estate and Kawa estate for minimum next 5 years at least 3 years as required. This is raised as non conformance.

There has been no replanting carried out at the estates thus far as the estate is still in its first planting cycle.

**Compliance status:** Non Compliance

**NCR No. 2014-11 of 21**
There is no explanation is the estate management plans about FFB Forecast price both for Hap Seng estate and Kawa estate for at least the next 3 years

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

**Findings:**
The estates have 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, empty fruit bunch (EFB) application (if any), harvesting, bunch census and palm thinning.

Internal audits are conducted annually at estates, e.g. the internal audit report for Kawa estate dated year 2014 was sighted. The agenda for internal audit included assessment of implementation of efficient harvesting and dispatching practices according to SOPs to achieve target FFB production volume and quality, carrying out of manuring programme in accordance with agronomist recommendations, measures taken to prevent outbreak of pests and diseases, maintenance of authorized employee records, and stock movement. The estates provided their response with action taken to close the internal audit findings within two weeks of the report. Agronomist reports are also produced for each estate every financial year, and reports include findings pertaining to implementation of estate best practices and recommendations for improvement. Follow-up actions taken are monitored and reported in the agronomist for the following year.
Compliance status: Full Compliance

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

**Findings:**

All estates have an agronomic advisory report prepared annually by the Agronomist Department which includes fertilizer recommendations. Actual fertilizer applications are recorded monthly and compared against fertilizer recommendations in the monthly estate manager’s report with summary of reconciliation of fertilizer application schedule in the Agronomic Advisory Report. It was sighted in the report for Hap Seng and Kawa Estate that application of fertilizer was mostly on schedule or delayed by 1 month except for NK (nitrogen and potassium) application which was delayed 2 months due to late delivery of fertilizers.

Leaf analysis is conducted annually and results for each estate are available in the annual Agronomic Advisory Report, and as sighted from reports for Kawa and Hap Seng Estate. A map displaying leaf nitrogen, potassium and phosphorus levels at each estate is prepared based on leaf analysis results and all results show levels are either sufficient or optimum. Soil analysis is conducted annually by an external lab (Borneo Samudera Sdn. Bhd, Tawau) with soil samples taken from each estate field. Soil sampling results for 2011 for Hap Seng and soil analysis results for 2009 for Kawa estates were sighted. Soil parameters tested include Base Saturation, PH, N(%), Tp ppm, Ap ppm, C.E.C (meq/100gr) and Exchangable cations (meg/100 g). As seen from the report, the nutrient levels of soil in Segama estate vary between very low to very high.

The estates have no EFB application programmes since there is too difficult to get EFB from the palm oil mills surrounding the estate area.

The company also has policy for zero burning for replanting activities. There has been no replanting conducted yet as the estates are still in their first cycle of plantings.

Compliance status: Full Compliance.

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

**Findings:**

The company has soil maps, and as seen on the map that there are only 5 type of soil in Kawa estate i.e.: Kinabatangan type (Alluvium), Sapi (Alluvium and Peat), Kretam (Mudstone, Sand stone and Miscellaneous Rock), Lungmanis (Mudstone and Alluvium) and Bida-bida (Ultrabasic, Igneous Rock). As seen from the contour map for Segama estates, most of company’s area are categorized as flat to undulating land. For the undulating land company implements terracing to prevent soil erosion. The company has a documented SOP regarding soil conservation and terracing dated July 2009 which states that terracing is to be carried out on gentle to steep slopes, and no planting on slopes above 25 degrees or steeper are to be carried out. Viewed from site visits that terracing is carried out at steep areas and there is ample ground cover of LCC plantings at sloped areas to reduce soil erosion. However most of Kawa and Hap Seng estate is flat area, only small part in Muul Hill division has slope area. No area with significant erosion was found in the plantation area during audit time. No peat soil and no fragile soil are identified both in Kawa and Hap Seng estate.

Every estate has documented annual road maintenance programmes and records of road maintenance works carried out are recorded in monthly Estate managers report i.e. records of road maintenance works were sighted for Kawa and Hap Seng Estate include road grading, road patching, new roads, maintenance of bridges, footbridges and culverts, including actual expenditure vs. budget for road maintenance. The company’s area has several quarry areas which is used as a source of quarry stone for road maintenance as seen on Kawa estate. It was observed that the company’s grading and compacting program stated that until May 2014, the company planned to carry out road maintenance works for 4000 m, however actual area was only 2570 m and at the time of audit, the program for resurfacing of main road was still not conducted yet. Road patching was planned for 3600 m, but in actual only it
had only been done for 1970 m. However, due to company using quarry stones for road maintenance, road condition is good even during rainy season. It was observed on-site that field roads are well-maintained and roads are watered to reduce dust production.

Compliance status: Full Compliance

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

Findings:
Water Management Plans for Kawa Estate and Hap Seng Estate has been established on 15 October 2014 and will be review in June 2015. Since both estates are under management of Hap Seng Plantation Sdn. Bhd, the company’s relevant standard operation procedures for riparian buffer zones will be applied also for both estates if any. There is no river flowing or nearby the plantation area.

Compliance status: Full Compliance

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

Findings:
The company has a detailed SOP on Pests and Diseases management (ref. HSPHB OPAP no. 10) last revised July 2009, which includes description of various pests (including bagworms, nettle cat-erpillars, rats, rhinoceros beetles, grasshoppers, bunch moths, etc) and diseases (including seed-ling blight, early leaf disease, ganoderma, leaf spot, leaf rot, blast, etc). The SOP includes methods of conducting pest census, rate of chemical treatment, control measures and critical hazard levels for main pests, and also states that prophylactic spraying is not recommended.

The estates conduct daily census of nettle caterpillars (fortnightly census of each block) and monthly census of rats and ganoderma outbreaks, as these are the main pests for the estates. As per the company’s SOP, chemical treatment of pests in applied to respective estate blocks only when census results show that attacks are high (average of above 5% attacks per frond in a block for nettle caterpillar, while for rats, above 5% per 100 bunches). This was verified from records of chemical treatment (through trunk injection) applied in Kawa estate for treatment of nettle caterpillars in Feb 2011, where it was seen that treatment was only carried out at specific fields where high rates of nettle caterpillar attacks were found. The estates also maintains records of fields where rat bait is applied, including amount applied, no. of round applied and percentage uptake of rat bait per round of rat baiting.

It was also observed in the field that there are areas that have been planted with beneficial plants such as Tunera subulata, Antigonen leptopus, and Cassia cobbansensis. These plants attract natural predators of leaf-eating insects, and are a form of biological control of leaf pests.

The estates monitors monthly pesticide usage per hectare and there is evidence that usage is as per label. For example, viewed from pesticide usage records of Kawa Estate, usage of the chemical Dewana (a.i. glyphosate isoprophyamine), highest usage between Jan to May 2011 was 0.071 litres/ha, which is lower than the recommended usage as per label (1.3 litres per ha).

Compliance status: Full Compliance

Criterion 4.6: Agrochemicals are used in a way that does not endanger health or the environment. There is no prophylactic use of pesticides, except in specific situations identified in national Best Practice guidelines. Where agrochemicals are used that are categorised as World Health Organisation Type 1A or 1B, or are listed by the Stockholm or Rotterdam Conventions, growers are actively seeking to identify alternatives, and this is documented.
Findings:
At Kawa and Hap Seng Estate, there were record of Pesticides/Herbicides used for the years 2012, 2013 and 2014. Among used are: Glyphosate (Dewana), Furoxpyr Metylbeptyl estate (Starane), Mesultron (ally), Dimentylamine (amine), Warfarin (Ebor), Brodifacoum (Matikus). Also included litre/hectare application for every month. Found also no paraquat used by the estates since 2012 as sampled in the Pesticides Used record for 2012, 2013 and 2014. At Apas Claremont Division sampled Field Upkeep Programme for 2014 (circle spraying). 3 round of pesticides (Glyphosate, Starane and Wetsorb) being use for area covering 268.01 Ha. Training report on Safe Spraying Method done on 15/10/14 at Kawa Master Area. In Occupational Safety and Health Plans For Kawa Estates 2015, under training Programme, there are a few trainings planned, including trainings on OSHA and Factory & Machineries Act (FMA) Regulations Introduction in March 2015, Safety and Health Committee training in March and October 2015, Scheduled Waste Handling training on December 2015, First Aid training on April 2015, SOP Training for Chemical Handlers on March 2015 and so on. A group of sprayers managed by a lady mandore were interviewed and found to have good understanding of these requirements and not bringing home used or empty waste materials. There was a procedure to explain method for triple rinse of chemicals containers in document named ‘Step and Effective methodology in handling pesticides’. Observed a letter from Chong Clinic dated 20/11/14 to Hap Seng Plantations (Kawa Estate) charging RM 5250.00 for 35 pax for medical surveillance. Among employees sent for medical surveillance included the Store Clerk, Attendance Store, 30 Sprayers and 3 Manurers. Sampled group of 6 sprayers at Block 7 and 2 at chemical mixing area and found that there are no pregnant woman or woman breastfeeding babies. They also are aware that pregnant and breastfeeding women are prohibited from carrying out chemical application activities.

At Kawa Estate, the Store Clerk and Assistant interviewed did not attend any proper training on chemical handling during interview. 4 ladies workers mixing chemicals only attended briefing during morning muster. Emergency shower and eye wash were not sighted at or nearby chemical store. At chemical mixing area, there was no emergency shower available, only have eye wash facility. At chemicals store in Kawa Estate, pesticides are kept properly with MSDS available at site, and fire extinguisher also made available at site. There is an exhaust fan in the store installed which needs to be on for 5 minutes before anyone can enter. First aid box and spillage kit are not available at chemical store. This was noted as an observation.

Compliance status: Compliance with observations

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

Findings:
The estates have a completed Hazards Identification, Risk Assessment and Risk Control (HIRARC) Form for workshop was sighted and dated 3/11/14, and includes activities such as carpentry, wiring, administrative (stack of documents), administrative and others. However, there were several observations/opportunities for improvement noted about the HIRARC. For example, the control measures only mentioned personal protective equipment (PPE) and not other methods. The document needs to be more specific on the types of PPE to be used such as helmet, goggle, safety shoes etc as sampled for harvesting and spraying activities. The proposed control measures also recommended for a low risks scored and same control measures being recommended such as PPE even this control measure was indicated as currently risk controlled. In Kawa Estate, (Muul Hill) found harvester not wearing safety glasses and dust and debris from the tree he was harvesting was observed dropping from the branches to his face, which can cause eye irritation and injury. Existing risk control mention awareness training, The risk assessment likelihood is 4 but the severity is 1 only and the score of risk is 4 (low). Recommended risk control measure is standing at the proper location, as well as awareness and training. Columns for Person-in-Charge (PIC)/Due Date and Status was left blank for this activity as well as for EFB Application, Pests and Diseases (P&D) (Trunk Injection), P&D (Rat Baiting) too. The scoring was also not consistent such as for P&D (Rat Baiting) for risk score 3 is considered low, while for risk score 4 also considered low. Information on action to be done and PIC/ Due Date was not yet filled up the by auditee.

There was evidence that the company does accident reporting in accordance with legal requirements.
At Kawa Estate, there was an accident that occurred to a general worker on 4 September 2013 while distributing FFB loading nets, he got his leg stuck in and he fell down causing his right leg to break. The JKKP 6 report form for the incident was completed was issued to DOSH signed by Assistant Manager. There was another case of occupational poisoning which affected an Indonesian general worker on 23 September 2013 who was on medical leave for 2 days. The JKKP 7 reporting form was issued to DOSH as notified by Assistant Manager on 2 October 2013. Sampled another accident involving General worker on 4/9/13 that resulted his leg broken was compensated by SOCSO (Malaysian Social Security).

However, during field visit to Block 2008 Tiku Division, mandore and harvesters interviewed explained that only serious accidents that occur during harvesting activity need to be reported, while minor cuts of first aid cases and near-miss cases not required to be reported. This contradicts the company’s Accident Reporting and Investigation Procedure which mentions that all employees and contractor must report unsafe working environments/ conditions /equipment, all hazardous conditions, all near misses incidents and all accidents. This was raised as a nonconformity.

There was also another document called Accident Occurrence Reporting Procedure. This procedure is only related to accident and not incidents, and explained how to use the JKKP 6 form (Notification of Occupational Accident/ Dangerous Occurrence) but use of JKKP 7 (Notification of Occupational Poisoning / Occupational Disease) and JKKP 8 form (Register of Occupational Accidents, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) not included. This was also raised as a nonconformity.

The company’s Emergency Response Plan 2014 does not mention the correct contact number for fire emergency (stated as 994 but actually is 999). This was also raised as a nonconformity.

At Kawa Estate it was observed chemical handlers at chemical mixing area wearing PPE such as mask, safety glasses, apron, safety shoes and gloves and at Block 7, sprayers also wearing same PPE as observed. At Tiku Division under Hap Seng Estate observed harvesters wearing helmet, safety shoes and gloves. At Muul Hill (Kawa Estate) harvester not wearing safety glasses. The relevant SOP only required PPE such as safety shoes, gloves, helmet and cover for the knife. Safety glasses was not mentioned but in the SOP mentioning about the distance of 5 feet to be maintained during harvesting activity. Organization Chart OSHA November 2014 comprised both estates Kawa and Hap Seng. Chairman is Estate Manager and consists of employers/employees representative from Apas Claremont A, Apas Claremont B, Muul Hill Division, Tasek Division and batu 10/Tiku Division. Safety and Health Committee meetings were sampled as seen in minutes dated 25/9/14, 25/06/14, 25/03/14, 11/12/13, 18/01/10, 31/10/08.

No Spillage kit was made available at chemical handling area. This was noted as an observation.

Compliance status: Non Compliance

NCR No. 2014-12 of 21
1) During field visit to Block 2008 Tiku Division, mandore and harvesters interviewed explained that only serious accidents that occur during harvesting activity need to be reported, while minor cuts of first aid cases and near-miss cases not required to be reported. This contradicts the company’s Accident Reporting and Investigation Procedure which mentions that all employees and contractor must report unsafe working environments/ conditions /equipment, all hazardous conditions, all near misses incidents and all accidents

2) There was also another document called Accident Occurrence Reporting Procedure. This procedure is only related to accident and not incidents, and explained how to use the JKKP 6 form (Notification of Occupational Accident/ Dangerous Occurrence) but use of JKKP 7 (Notification of Occupational Poisoning / Occupational Disease) and JKKP 8 form (Register of Occupational Accidents, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) not included.

3) The company’s Emergency Response Plan 2014 does not mention the correct contact number for fire emergency (stated as 994 but actually is 999).

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

Training programs for staff and executives is made by the Plantation Central Office. For workers, training program is made by each estate management. Records of training programs conducted were sighted, for example:

**Kawa Estate Training Programmes, including:**
1. PPE Training (February, June 2014)
2. Spray Pump Maintenance (Monthly)
3. Safe Operating Procedure - Sprayers (January, April, July, Nov 2014)
4. Safe operating Procedure - Manuring (January, April, July, November 2014)
5. Safe Operating Procedure - Harvesters (March, July, November 2014)
6. Safe Operating Procedure - Drivers (April, July, October)

There was also evidence of trainings conducted for contractors, e.g. Safe Driving Training for Drivers from three contractor companies conducted on 28-04-2014.

**Compliance status: Full Compliance**

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

**Findings:**

Environmental Impact Assessment (EIA) Management Plans and Continuous Improvement Plans dated 14th - 16th Aug 2014 by the Sustainability Personnel and Agronomist has been sighted. The EIA is to identify the impact from the daily activities from the plantation. Next review will be in June 2015.

All activities have been assessed which includes daily activities from preparation of chemicals to unloading of FFB to the mill. The necessary action plan has been established for the activities which has high risk or impact to the environment.

**Compliance status: Full Compliance**

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

**Findings:**

The company conducted HCV assessment internally by two company’s staff, the assessment was conducted on August 14 to 16, 2014. Information that has been collated is there are 3 potential area for HCV 4. i.e. related to riparian reserve stream of Apas Claremont, Muul Hill and Tasek.

However, there is no explanation about presence of protected areas that could be significantly affected by the estate, conservation status (e.g. IUCN status), legal protection, population status and habitat requirements of rare, threatened, or endangered (RTE) species that could be significantly affected by the estate; or identification of HCV habitats, such as rare and threatened ecosystems, that could be significantly affected by the grower or miller. This was raised as a non-conformity.

This HCV document also has no evidence of consultation with relevant government departments, research institutes and interested NGOs. This was raised as a non-conformity.

The estate made management action plans and continuous improvement plan for identified potential HCV areas, appropriate measures to maintain and/or enhance identified HCVs have been defined through an action plan as determined on the HCV document, however there is no clear timetable to implement the action plan and no information on the person in charge of implementation. This was raised...
as a non-conformity.

The estate made training program for the workers on October 15, 2014. There is monthly training plan for awareness on HCV and ERT species as seen on the Training and Awareness Session Schedule document. The training will be providing to internal stakeholder both company’s workers and their families. The action plan has been created for identified potential HCV area, as stated on the HCV document, however there is no monitoring plan made including information the time table and person in charge to manage and monitor the HCV as a basic to make further planning.

Compliance status: Non Compliance

NCR No. 2014-13 of 21
The company has a HCV document, however the document has no explanation about presence of protected areas that could be significantly affected by the estate, conservation status (e.g. IUCN status), legal protection, population status and habitat requirements of rare, threatened, or endangered (RTE) species that could be significantly affected by the estate; or identification of HCV habitats, such as rare and threatened ecosystems, that could be significantly affected by the grower or miller

NCR No. 2014-14 of 21
There is no evidence of consultation with relevant government departments, research institutes and interested NGOs during HCV document assessment.

NCR No. 2014-15 of 21
The action plan has been created for identified potential HCV area, as stated on the HCV document, however there is no monitoring plan made including a clear time table and person in charge to manage and monitor the HCV as a basic to make further planning.

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

Findings:
The company’s EIA includes identification of the scheduled wastes, which are documented as SW305, SW306, SW409, SW410, SW102. An authorized contractor, Legenda Bumimas Sdn Bhd has been appointed to collect and store the scheduled waste SW305 and SW306. License of the contractor is valid from 1 May 2014 to 30 April 2015. Latest collection of scheduled waste was on 18 November 2014 with 4 drums of SW305, used oil filters (SW410) and used batteries (SW102). No empty pesticides send to the authorized contractor for disposal but re-used in the plantation.

The waste management and disposal plan has been developed to reduce or avoid pollution document-ed. The waste identified but no timeline been identified as it has just been established but not yet start-ed.

Compliance status: Compliance with observations

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

Findings:
The company had implemented a plan for improving efficiency of the use of fossil fuels for year 2014 compare to year 2013 consumption. Both estates conducted monthly monitoring of diesel consumption and usage trends were recorded and analysed, as seen from ‘Diesel Consumption for Financial Year 2014’. The overall diesel consumption had reduced from January to August 2014. The company is continueing to carry out monitoring of diesel consumption and usage trends for future analysis.

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

Findings:
The SOP of the company for land clearing, i.e. Hap Seng Consolidated Berhad - Oil Palm Agricultural Circulars: Land Clearing, Preparation and Planting Rev Oct 2006 (HSCB OPC No 2); Section 2.1 Zero Burn Method states that it is not allowed to use fire for removal of viable timber, underbrushing, uprooting, stacking in windrows, lopping in windrows and land clearing contract. At the time of the audit, there is no evidence found of ongoing or planned replanting activities.

Open burning has been sighted at Tiku Division near the housing compound.

No signage on prohibition of open burning was sighted and workers also were not aware or communicated of the requirement to carry out open burning.

Compliance status: Non Compliance

NCR No. 2014 –16 of 21
Burning activity was sighted at Tiku Division (near the housing compound).
No signage on prohibition of open burning was sighted and workers also were not aware or communicated of the requirement to carry out open burning.

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

Findings:
The estates have documented mitigation measures for negative environmental impacts identified in the Environmental Impact Assessment document prepared for the estate on Jan – April 2014. The information of sources of greenhouse gases has been included on the Environmental Impact Assessment document, such as emission from transportation of FFB and fertilizer application. There is also evidence of implementation of aspects of the plan, i.e. usage of paraquat has been stopped at estates since March 2014 and replaced with alternative chemicals, vehicle drivers are trained to drive within speed limits to reduce air pollution due to excessive dust and scrap metal is collected by a supplier. Scheduled waste such as waste oil and used batteries are also stored securely and collected by a licensed collector, however, improvement to management of scheduled waste is required, as explained under findings for CR5.3. As the mitigation plan was completed in April 2014, review the implementation of the plan will be conducted by both estates after one year implementation.

Compliance status: Full Compliance.

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

Findings:
There is no documented social impact assessment for estate plantation. The assessment was conducted internally by the company’s agronomist and chief agronomist and the report has not been completed yet. There is no evidence that a social impact assessment has been done with the participation of affected parties. However, there is no evidence that migrant workers, which comprise the majority of workers in Hap Seng plantation, had participated during the assessment.

There is mitigation and monitoring plan for the social impacts but no schedule or identified person responsible for implementation of the plan.

Compliance status: Non Compliance

NCR No. 2014- 17 of 21
There is no documented social impact assessment (SIA) available for Kawa Estate or Hap Seng Estate.

**NCR No. 2014-18 of 21**
There is no evidence that a social impact assessment has been done with the participation of affected parties.

**NCR No. 2014-19 of 21**
There is no evidence of a timetable with responsibilities for mitigation and monitoring.

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

**Findings:**
There is a Joint Consultative Committee (JCC) for Kawa estate which consists of representatives of staff and workers from Kawa and Hap Seng estates. The JCC is a platform for two-way consultation and communication between the employees and management of both estates. Documented evidence of consultation and communication is the minutes of meeting at JCC dated 13 November 2014. There is documented evidence, i.e. appointment letter dated 13 November 2014 titled, 'Perlantikan Sebagai Perwakilan Syarikat Untuk Perundingan, Permohonan Maklumat dan Komunikasi' of two nominated plantation management official responsible for negotiation, information requests and communications.
The list of stakeholders is available at the Kawa Estate.

**Compliance status:** Full compliance

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

**Findings:**
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. There is an SOP to facilitate complaints and grievances, titled, 'Prosedur Melapor Aduan dan Permasalahan (Pihak-Pihak Yang Berkepentingan atau Stakeholders) (Procedure for Reporting Complaints and Problems by Stakeholders). Among the methods to channel complaints are via the morning muster/roll call, via respective supervisors (mandores), direct to the manager. There is a dedicated record book at Kawa Estate, titled, "Buku Rekod Menggunakan Khidmat Tukang ACD 2014" which facilitates complaints and requests for repairs for workers' housing. In addition, at the management level, the Joint Consultative Committee (JCC) is the platform for the grievance resolution at the highest level of the estate, representing all workers and staff of Kawa and Hap Seng estates, respectively.
The audit team has checked the record books for complaints about housing and confirms that the system resolves disputes in an effective, timely and appropriate manner.
The system is open to all internal stakeholders, i.e. all workers (local and foreign), staff, contractors, suppliers and smallholders.

**Compliance status:** Full Compliance

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

**Findings:**
There is a document titled, ‘Land Disputes, Squatter Disputes, Loss of Legal and Customary Rights’ which is a guideline to identify lawful and legitimate persons or individuals who are entitled to compensation.
The document titled, ‘Land Disputes, Squatter Disputes, Loss of Legal and Customary Rights’ also describe procedures for the distribution and time-frame for compensation as well as calculation for vari-
ous compensations.

There are no land claims which necessitate compensation to date at Kawa and Hap Seng estates.

**Compliance status: Full Compliance**

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

**Findings:**

There are contracts for all staff and daily paid workers, both foreign and local at Kawa and Hap Seng estates, which stipulate pay, work terms and conditions such as rest day, holiday, overtime, levy deductions, benefits such as medical, allowance (motorbike and cooking gas allowance), EPF, SOCSO, insurance, levy deductions (for migrant workers). There is an Estate Management System called MOVEX which calculates and documents wages. The wages of all staff and workers is computed at Kawa Estate Office.

There is documented evidence of induction training for new workers and staff. Staff working hours at the estate is from 7am-5pm and workers from 6am-2pm with a half hour break, i.e. 10.30-11am at Hap Seng (Tiku division) and 11-11.30am at Kawa Estate. Insurance (Workman Compensation Scheme Policy) insured by Lonpac for foreign workers is available at Kawa and Hap Seng estates. This policy includes compensation for death from personal injury by accident in the course of employment, repatriation expenses and personal accident insurance (off-work hours). Local workers have SOCSO. Workers and staff, both foreign and local are paid minimum wages of a minimum of RM800/month. EPF contributions are 12%. Levy deductions for foreign workers are RM30-45/month. The management of Kawa estate has also arranged for the children of foreign workers, i.e. Indonesian workers to be sent to Humana school. Documented evidence for this is a letter dated 13 November 2014 (ref: 002/CLC-Balung/XI/2014 from SMPT Balung River Community Learning Centre 33 to Kawa Estate management, titled, "Permohonan Kebenaran Bagi Anak-Anak Indonesia di Ladang Kawa Untuk Bersekolah Di CLC SMPT atau Humana Balung River Plantation" (Application for Permission for Indonesian Children at Kawa Estate to be Schooled at CLC SMPT or Humana Balung River Plantation). Migrant children between the ages of 5-10 will be enrolled in Humana school whereas children who are 11 years will be enrolled at the Community Learning Centre (CLC), both initiatives by the Indonesian government to assist migrant children in securing an education.

The following are the findings related to employment contracts for Kawa and Hap Seng estates which is raised as negative observations since there is no mention of the maximum overtime hours in the Sabah Labour Ordinance.

- Staff and piece-rated workers are not paid two days' wages/twice the ordinary rate per piece. Daily wage workers are only paid 1.5 day's wages at the ordinary rate of pay. E.g. a daily wage worker at Kawa estate did not receive twice the wages.

- Rest day wages and overtime were also not paid accordingly (see SLA 2005 Section 104 C. (2) a & b) for several workers at both Kawa and Hap Seng estates, and for overtime.). Minimum wage is RM30.77/day

- There are incidences of overtime up to 6 hrs

It was also found that workers belonging to contractors have no contractual agreements stipulating pay, overtime, terms and conditions of employment, benefits, SOCSO/EPF etc, this is against RSPO requirement and categorized as non conformity.

Staff and workers (local and foreign) are provided housing (cement), treated water (from Kawa river and pumped to the water storage facility and then supplied to the line site (24 hours). The company also provides electricity (from turbines and genset (24 hours). Water is provided free of charge. Workers at both estates have to pay for electricity at their housing, with the first 20 units free (RM0.6/unit. There is a crèche at Kawa estate only which operates from 5am-3pm. There is a football field, badminton and volleyball courts for the workers' recreation activities for Kawa estate only. There is a club house for company executives based at Kawa estate. There is also a surau (prayer room) for Muslims.
to perform prayers at Kawa estate but not at Hap Seng estate (Tiku division). Solid waste management is conducted twice a week. Garbage bins are installed at the line site (just installed on 25 November 2014).

The following are the findings related to housing and amenities for Kawa and Hap Seng estates which were raised as non-conformity (Major):

- **Water supply to the line site is not treated which contravenes Part II, Section 6.1a of the Workers’ Minimum Standards of Housing and Amenities (Act 446) 1990 “Where the Director General so permits in writing, to provide free and adequate supply of potable piped water drawn from any other source which shall be filtered and treated in a manner approved by the Director General”.

- **Housing for foreign workers is not compliant with the law, e.g. poor sanitation (toilet and strewn rubbish all around the housing), clogged drains causing water stagnation, which contravenes Section 23 (1) (a) and (b) of the Workers’ Minimum Standards of Housing and Amenities (Act 446) 1990.

- **Employer does not provide milk and play equipment to children of workers at the creche, as per Section 10 (3) “On each day a dependent is accommodated at the nursery, he shall be provided by the employer at his own expense with a supply of milk in sufficient quantity and of good quality, and play equipment”.

- **Workers interviewed are still accustomed to carrying out open-burning of waste, especially evident at Hap Seng Estate Tiku Division.

- **There is no evidence of a labour policy stating non-discriminatory practices.

Interviews with staff and workers at the Hap Seng Estate (Tiku Division) reveal that the prices of goods at the nearest grocery stores (2 Nos.) to the estate (outside the estate) are quite high, which is unaffordable to the workers. This was raised as a negative observation.

**Compliance status: Non Compliance**

**NCR No. 2014-20 of 21**
Workers belonging to contractor have no contractual agreements stipulating pay, overtime, terms and conditions of employment, benefits, SOCSO/EPF etc.

**NCR No. 2014-21 of 21**
1. Water supply to the linesite is not treated which contravenes Part II, Section 6.1a of the Workers’ Minimum Standards of Housing and Amenities (Act 446) 1990 “Where the Director General so permits in writing, to provide free and adequate supply of potable piped water drawn from any other source which shall be filtered and treated in a manner approved by the Director General”.

2. Housing for foreign workers is not compliant with the law, e.g., poor sanitation (toilet and strewn rubbish all around the housing), clogged drains causing water stagnation, which contravenes Section 23 (1) (a) and (b) of the Workers’ Minimum Standards of Housing and Amenities (Act 446) 1990.

3. Employer does not provide milk and play equipment, as per Section 10 (3) “On each day a dependent is accommodated at the nursery, he shall be provided by the employer at his own expense with a supply of milk in sufficient quantity and of good quality, and play equipment”.

4. There is no evidence of a labour policy stating non-discriminatory practices.

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

**Findings:**
There are trade unions for workers at Kawa and Hap Seng estates. Workers and staff have an elected representative at the Joint Consultative Committee (JCC). There is a published statement in Bahasa Melayu recognizing freedom of association which is posted on the Kawa Estate notice board, visible to all workers and staff.
Compliance status: Full Compliance

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

**Findings:**
There was no evidence found that children are not employed or exploited. Field observations and random checks of worker’s passports, insurance, and contracts confirm that the minimum age requirement is met. The company has policy not to employ children under age requirement as stated in an internal memorandum letter no. SCU/0666/06/2011 for all plantation area under Hap Seng Plantation Sdn. Bhd.

Compliance status: Full Compliance

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

**Findings:**
The equal opportunities policy of Hap Seng Plantations Sdn. Bhd. is applied by the company, however the policy is not publicly available, only available on request. This was raised as a negative observation.

Interviews with workers from Kawa and Hap Seng estates consulted during the stakeholder consultation on 25 November 2014 reveal no complaints or evidence that local and migrant workers and staff have been discriminated against.

Compliance status: Compliance with observations

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

**Findings:**
There is a policy on sexual harassment sighted at Kawa estate for Kawa and Hap Seng estates, titled, ‘Policy on the Prevention and Eradication of Sexual Harassment at the Workplace’. However, female foreign workers (Tiku Division) interviewed at Hap Seng Estate have no knowledge about the sexual harassment policy or the gender committee. This was noted as an observation.

There is also a Standard Operating Procedure for the grievance mechanism pertaining to sexual harassment sighted at Kawa estate. There is a dedicated gender officer and gender committee for women, based at Kawa estate. The members of the gender committee comprise representatives from the both Kawa and Hap Seng estates. The gender committee was formed in November 2014. The committee has so far held only one meeting, as observed from the minutes of meeting of the 1st gender committee meeting on 13 November 2014. The frequency of the gender committee meeting is once in six months. There has been no other activity pertaining to the implementation of the sexual harassment policy.

There is yet to be a policy to protect the reproductive rights of all, especially of women. Female workers interviewed are unsure of their reproductive rights according to the national laws. This was raised as a negative observation under P&C 2013 requirements.

The company has a grievance mechanism as described under CR6.3, however the mechanism does not include methods to make complaints which respects anonymity and protects complainants pertaining to sexual harassment or women’s reproductive right which is established, implemented, or communicated to all levels of the workforce at the Kawa and Hap Seng Estates. This was raised as a negative observation under P&C 2013 requirements.

Compliance status: Compliance with observation
**Criterion 6.10: Growers and mills deal fairly and transparently with smallholders and other local businesses.**

**Findings:**
Hap Seng and Kawa estate has no palm oil mill, they only produce FFB and sell to palm oil mills surrounding Tawau region. This requirement is not applicable for Hap Seng and Kawa estate.

**Compliance status:** Not Applicable.

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

**Findings:**
There is documented evidence that Kawa estate contributes to local development. Contributions are usually written requests from schools or societies for donation to support their activities. E.g. is a letter dated 20 June 2014 (ref: SKBQT/800/05/14(01) from Sekolah Kebangsaan Bukit Quoin to the Kawa estate management, titled, “Memohon Sumbangan Minimum Kotak Dan Minuman Mineral” (Request for Donations of Box Drinks and Mineral Water). There is also a receipt (Ref no: 14320) dated 27 December 2011 which demonstrates that the company has contributed to the Sabah Society of the Blind and two donations to Apa Balung Health Clinic, Tawau on 22 November 2010 and 3 November 2011.

**Compliance status:** Full Compliance

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**6.12. (P & C 2013): No forms of forced or trafficked labour are used**

**Findings:**
Interviews with mill and plantation workers, both local and foreign confirm that there is no element of forced or trafficked labour to recruit Indonesian workers. However, there is no evidence of voluntary surrender of passports of foreign workers to the employer. There is no special labour policy and procedures established or implemented for temporary or foreign workers at the Kawa and Hap Seng Estates. This was raised as a negative observation.

**Compliance status:** Compliance with observation

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**6.13. (P & C 2013): Growers and millers respect human right.**

**Findings:**
(P&C 2013): There is no documented policy to respect human rights which is communicated to all levels of the workforce and operations at either the Kawa Estate or Hap Seng Estate. This was raised as a negative observation.

(P&C 2013): There is no school at the Kawa and Hap Seng Estate to provide education to children as their basic human right. However, there is documented evidence i.e. a letter dated 13 November 2014 (ref: 002/CLC-Balung/XI/2014 from SMPT Balung River Plantation Community Learning Centre 33 to Kawa Estate management, titled, ‘Permohonan Kebenaran Bagi Anak-Anak Indonesia di Ladang Kawa Untuk Bersekolah Di CLC SMPT Atau Humana Balung River Plantation’. This was raised as a negative observation because education is part of human right to be provided by all human..

**Compliance status:** Compliance with observation

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**Prinsip 7. Responsible development of new plantings.**
Findings

During main audit, it was observed, there is no new evidence of new plantings in Hap Seng and Kawa Estate. The youngest planting was in year 2003 as seen in Table 3 of this report. The principle no.7 not applicable for Hap Seng and Kawa Estate.

Compliance status: Not Applicable.

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

Findings:

The company has documented general mitigation measures for negative environmental impacts and reduction of chemicals as identified in the Environmental Impact Assessment. There is also evidence of implementation of aspects of the plan, i.e. usage of paraquat has been stopped at estates since March 2011 and replaced with alternative chemicals following HPSB policy, vehicle drivers are trained to drive within speed limits to reduce air pollution due to excessive dust and scrap metal is collected by a supplier.

The estates also have a documented action plan for management of identified wastes to reduce pollution as explained under CR5.3. While some aspects of the plan have not yet been implemented, such as composting of organic waste and recycling of domestic waste, certain aspects of the plan are being implemented, e.g. re-use of used tyres for landscaping and flower pots, reselling of used batteries to a licensed collector and reselling of scrap metal to collectors.

Both estates capture their performance and expenditure in social and environmental aspects in a monthly estate manager's report which include details of monthly actual expenditure against budgeted actual expenditure for activities such as road maintenance works, weeding and manuring, desilting of drains, soil and water conservation (maintenance of platforms and terraces), and donations and activities carried out for workers and local communities.

Compliance status: Compliance with Observations

3.2 Identified Non-conformances, Corrective Actions Taken and Auditors Conclusions

A total of 21 nonconformances were identified during the main certification assessment. These consisted of:

1. Four (4) major non-conformities against RSPO Group Certification year 2010
2. Eight (12) major non-conformities and five (5) minor non-conformities against RSPO P & C Malaysia National Interpretation year 2008(with reference to RSPO P & C 2013)

For the major non-conformances, the company has taken the necessary corrective action to close these non-conformances within 60 days of completion of the assessment, and this was verified by the audit team through documents verification submitted by the company. For the minor non-conformances, the company has taken corrective action against these as well, and for those which could not be verified as closed through document checks, the closure of these minor non-conformities will be assessed during the next surveillance audit.

A summary of all identified non-conformances, corrective actions taken and auditor conclusions is as below:

3.2.1 NCRs against RSPO Group Certification requirements:

Criterion 3.1: The group manager shall document and implement a system for tracking of FFB produced by the group members, and intended to be sold as RSPO certified FFB.

Non-conformance 2014-01 of 21 (Major non-conformity):
Both estates have not established any mechanism /SOP for the tracking and tracing of FFB produced by each estate, and intended to be sold as RSPO certified FFB.
Correction:  
The SOP for tracking and tracing FFB produced has been established. The SOP covers the aspect from harvesting of FFB until the delivery of the FFB to the mill.

Corrective Action:  
The training on the SOP will be conducted on yearly basis.

Auditor Conclusions: Closed

Verification result:  
The company provided a new SOP for tracking and tracing FFB produced. The SOP covers the aspect from harvesting of FFB until the delivery of the FFB to the mill i.e. Doc No : SCS/KAWA/001 Issue No : 01 dated : October 2014, standard operating procedures for supply chain and traceability the procedure has been explain traceability process since; harvesting, loading and unloading of fresh fruit bunch at the respective mill.

Criterion 3.2: There shall be a collective group procedure for the sale of all certified FFB originating from the plantations of group members that is agreed by the group members and the Group Manager and is designed to ensure that non-certified FFB are not sold as RSPO certified FFB. This shall be contained in any group marketing system that is developed for the group, and shall follow one of the supply chain models as per the RSPO Supply Chain Certification Systems ii, i.e. Identity Preserved, Segregation or Mass Balance.

Non-conformance 2014-02 of 21 (Major non-conformity):  
Both estates did not have mechanism to sale certified FFB from the source of plantations to prevent non-certified FFB sold as RSPO certified FFB. Both estates still not define RSPO SCCS model which will be implemented in their organization system, E.g. Identity Preserved, Segregation or Mass Balance.

Correction:  
Kawa and Hap Seng Estate FFB will sold using the Segregation supply chain option. The newly developed SOP explained that non-certified FFB will not be sold as RSPO certified FFB. The SOP for product sold has been establishing incorporated with SOP for tracking and tracing FFB produced has been establishing i.e. SCS/KAWA/001.

Corrective Action:  
The training on the SOP will be conducted on yearly basis. Once the RSPO certificate has been obtained, Internal Audit will be conducted by Sustainability Executive to Kawa and Hap Seng Estate to check on the implementation.

Auditor Conclusions: Closed.

Verification result:  
The company provides new SOP for tracking and tracing FFB produced. The SOP covers the aspect from harvesting of FFB until the delivery of the FFB to the mill i.e. Doc No : SCS/KAWA/001 Issue No : 01 dated : October 2014, standard operating procedures for supply chain and traceability the procedure has been explain traceability process since; harvesting, loading and unloading of fresh fruit bunch at the respective mill.

Criterion 3.3: The group manager shall ensure that all invoices for sales of RSPO certified FFB originating from the group are issued with the required information as per the adopted supply chain model requirements within Annex 6 of the RSPO Supply Chain Certification Systems document – November 2009.

Non-conformance 2014-03 of 21 (Major non-conformity):  
All invoices format template for sales of RSPO certified FFB are not issued with the required information as per the adopted supply chain model IP or MB).
Correction:
The required information will be included inside the invoices. The SOP for product sold has been establishing incorporated with SOP for tracking and tracing FFB produced has been establishing i.e. SCS/KAWA/001.

Corrective Action:
The training on the SOP will be conducted on yearly basis. Once the RSPO certificate has been obtained, Internal Audit will be conducted by Sustainability Executive to Kawa and Hap Seng Estate to check on the implementation.

Auditor Conclusions: Closed

Verification Result:
The required information will be included inside the invoices. The SOP for product sold has been establishing incorporated with SOP for tracking and tracing FFB produced has been establishing i.e. SCS/KAWA/001.

Element 3.4: The physical transporting of RSPO certified FFB originating from the plantations of group members shall be done either directly by the group (i.e. through own transportation), or via sub-contracted intermediaries. For intermediaries the requirements as outlined in 3.7 shall also apply

Non-conformance 2014-04 of 21 (Major non-conformity):
There is no evidence that outsourced FFB transporters engaged provide unrestricted access to their respective operations, system, and any and all information to certification bodies that are duly approved by the RSPO *when this is announced in advance) or that this requirement has been included on the contract between the company and outsourced company (FFB transporter).

Correction:
The contract was amended to include the requirement 5.4.2.e The company has tender out for FFB transportation in December 2014 and the operation will start in January 2015. Requirement 5.4.2.e of RSPO SCC standard Year 2011 was stated in the contract.

Corrective Action:
Once the existing contract with the transporter has expired, the new contract (that includes the above) will be given to all of the elected transporters.

Auditor Conclusions: Closed with observations

Verification of Evidence:
The company provided sample of contract for transporter i.e. contract with Agritim Corporation Sdn.Bhd. contract No. 900254. The contact has been state information about RSPO certified product. This is enough, eventhough information about selected supply chain model not defined yet. This potential for improvement that will be verify during next audit.

3.2.2 NCRs against RSPO P & C Malaysia National Interpretation year 2010 requirements

Criterion 1.2. (Major ) indicator 1: Management documents that are made available to the public 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 summary (Criteria 5.2 and 7.3);
- Pollution prevention and reduction plans (Criterion 5.6);
Non-conformance 2014-05 of 21 (Major non-conformity):
Social impact assessment report is not publicly available as it has not yet been completed.

Correction:
The consultation was done in several stages as per Attachment 1 by the estate and Agronomy Department. Identification of stakeholders and interviewing several of the related stakeholders was conducted. This document was made publicly available and listed in the documents of publicly available documents.

Corrective Action:
The social impact assessment report was conducted according to the proposed plan and developed. The document was made publicly available in the estate office. The report will be reviewed on annual basis by the estate management along with Agronomy Department.

Auditor Conclusions: Closed with Observation

Verification result:
The company provided SIA documents and evidences that information regarding document SIA has been made available for public. It is listed in the list of documents which can be made publicly available.

Criterion 2.1. (Major) indicator 1: Evidence of compliance with relevant legal requirements shall be available.

Non-conformance 2014-06 of 21 (Major non-conformity):
Kawa Estate & Hap Seng Estate: No evidence of training for scheduled waste been conducted as competent person stated in Environmental Quality (Amendment) Act 2012, Act A1441, Section 49A which states that "An owner or occupier of a premise shall employ a person who has been certified by the Director General as a competent person to conduct all or any of the following activities:- management of schedule waste"
Only training on the handling of schedule waste was conducted internally on 4 November 2014.

Correction:
BPOM Mill Manager has attended and completed the training for Competent Person for scheduled waste management in March 2015 and he was assigned to oversee the scheduled waste management, as seen in Kawa Estate Attachment 2.

Corrective Action:
Timely monitoring will be conducted by Agronomy Department and BPOM Mill Manager to ensure that the schedule waste management is conducted as per requirement.

Auditor Conclusions: Closed with observations

Verification result:
The company provided evidence about training that was done for appointed personnel from Hap Seng Bukit Mas Palm Oil Mill for schedule waste management conducted on March 9-13, 2015. However, there is lack of additional information on what is the responsibility of the appointed person at Kawa & Hap Seng Estate.
**Criterion 2.1. (Major indicator 1): Evidence of compliance with relevant legal requirements shall be available.**

**Non-conformance 2014-07 of 21 (Major non-conformity):**

**Correction:**
At Kawa Estate found List of Legal Register as at March 2014 is available but not clearly stating any evidence of compliance, just a tick mark in the format. The method of evaluation need to more properly done as found that non-applicable legal requirements were also being evaluated in term of compliance, including requirements like Occupational Safety and Health (OSH) Control of Industry Major Hazards (CIMAH) 1996, OSH Safety & Health Officer (SHO) Regulations 1997, Factory and Machineries (FM) (Steam Boilers & Unfired Pressured vessel) Regulations, FM (Electrical Passenger and Goods Lift) Regulations were ticked as compliance even there were considered not applicable to the estates. In addition, requirements such as sending JKKP 8 form (annual accident report form) to the Department of Occupational Safety & Health (DOSH) Office before 31st January 2014 were stated as compliant but actual the forms were not completed or sent.

**Corrective Action:**
The Legal Register was updated by HSPHB Agronomy Department with the Compliance Executive. The Legal Register is generic for all of HSPHB mills and estates thus the availability of non-related requirements inside the document. A list of applicable laws for Kawa Estate will be prepared and attached to the generic document.

**Auditor Conclusions: Closed**

**Verification result:**
The company provide revised Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease that has been updated, evidence of JKKP 8 form submission and revised format of legal register to include new column for related documents as evidence of compliance to legal requirements.

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

**Non-conformance 2014 -08 of 21 (Major non-conformity):**

**1.** For work on holidays, staff and piece-rated workers are not paid two days' wages/twice the ordinary rate per piece, which contravenes Chapter XIV, Section 103 (6) a & b of the Sabah Labour Ordinance (SLA), 2005. Daily wage workers are only paid 1.5 day's wages at the ordinary rate of pay, which contravenes section 103 (6a). E.g. two daily wage worker) at Kawa estate did not receive twice the wages and also did not receive overtime rates of three times his hourly rate of pay, as per Section 7.

**2.** Rest day wages and overtime are also not paid accordingly (see SLA 2005 Section 104 C. (2) a & b) and for overtime, refer to Section 104 C (4 & 5) of the SLA.

**Correction:**
The wages and overtime for Rest day and Holiday paid will be reviewed and will be paid accordingly as per the (SLO) Sabah Labour Ordinance effective December 2014.

**Corrective Action:**
The wages and overtime (OT) are monitored by the chief clerk, assistant manager and manager. No workers are allowed to work during rest day and public holiday unless there is an approval by the es-
Auditor Conclusions: Closed.

Verification Result:
Company provide “piece rated” work form dated January 19, 2015. The information was stated that Sunday work had been paid in accordance with the government regulation for 3 tractor drivers and truck drivers.

**Criterion 2.1. Minor indicator 4): A system for tracking any changes in the law shall be implemented.**

Non-conformance 2014-09 of 21 (Minor non-conformity):
There is no clear mechanism to track on legal changes when referred to the company’s Procedure for Ensuring Compliance to Legal Requirements. The mechanism was not properly explained and it is just a normal flow chart in managing legal issues and not explaining the mechanism accordingly.

Correction:
There is a Mechanism for Tracking Any Changes in the Law which was used to update and keep track on any changes of the law. Attachment 4

Corrective Action:
Implementation of the updating will be conducted whenever necessary and during the yearly review. The proposed review month of the Legal Register is every December of the year.

Auditor Conclusions: Evidence of immediate action taken was accepted. Effectiveness of implementation to verified at next audit.

**Criterion 2.2. (Minor indicator 2): There is evidence that physical markers are located and visibly maintained along the legal boundaries adjacent to state land, NCR land and reserves.**

Non-conformance 2014-10 of 21 (Minor non-conformity):
The company cannot provide full evidence that boundary stones along the perimeter adjacent to state land and other reserves are being located and visibly maintained. There are only remaining 4 boundary stones along the company’s border.

Correction:
Internal team has been sent to Kawa and Hap Seng Estate to locate the boundary stone since August to November 2014. The search for the boundary stone by internal team will continue until December 2014.

Corrective Action:
Certified surveyor will be engaged by the company to re-survey the whole of Kawa and Hap Seng Estate.

Auditor Conclusions: Evidence of immediate action taken was accepted. Effectiveness of implementation to verified at next audit.

**Criterion 3.1. (Major indicator 1): A business or management plan (minimum three years) shall be documented that includes, where appropriate, a business case for scheme smallholders.**

Non-conformance 2014 – 11 of 21 (Major non-conformity):
There is no explanation is the estate management plans about FFB Forecast price both for Hap Seng estate and Kawa estate for at least the next 3 years.
**Correction:**
The FFB Forecast price next 3 years has been obtained and made available at the office

**Corrective Action:**
The forecast price will be updated whenever there is a need to do so.

**Auditor Conclusions:** Closed.

**Verification result:**
The company provided FFB Forecast price for 3 years, i.e. 2015, 2016 and 2017 signed by the senior manager for Hap Seng and Kawa estate.

**Criterion 4.7. (Minor indicator 5):** Accident and emergency procedures shall exist and instructions shall be clearly understood by all workers. Accident procedures shall be available in the appropriate language of the workforce. Assigned operatives trained in First Aid should be present in both field and other operations, and first aid equipment shall be available at worksites. Records of all accidents shall be kept and periodically reviewed.

**Non-conformance 2014 – 12 of 21 (Minor non-conformity):**
4) During field visit to Block 2008 Tiku Division, mandore and harvesters interviewed explained that only serious accidents that occur during harvesting activity need to be reported, while minor cuts of first aid cases and near-miss cases not required to be reported. This contradicts the company’s Accident Reporting and Investigation Procedure which mentions that all employees and contractor must report unsafe working environments/ conditions /equipment, all hazardous conditions, all near misses incidents and all accidents.
5) There was also another document called Accident Occurrence Reporting Procedure. This procedure is only related to accident and not incidents, and explained how to use the JKKP 6 form (Notification of Occupational Accident/ Dangerous Occurrence) but use of JKKP 7 (Notification of Occupational Poisoning / Occupational Disease) and JKKP 8 form (Register of Occupational Accidents, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) not included.
6) The company’s Emergency Response Plan 2014 does not mention the correct contact number for fire emergency (stated as 994 but actually is 999).

**Correction:**
The training on Accident Reporting and Investigation was recently conducted in October 2014 to all management staff. Implementation of the accident reporting was still ongoing during the time of audit. Starting from November 2014, all accidents, injury and near misses are required to be recorded. The procedure has been amended to include the use of JKKP 7 and JKKP 8. The Emergency response number also has been corrected using the new number.

**Corrective Action:**
The training on the Accident Reporting will be conducted on yearly basis as per Kawa Estate and Hap Seng Estate OSH plan. This includes all aspects inside the NADOPOD requirements.

**Auditor Conclusions:** Evidence of immediate action taken was accepted. Effectiveness of implementation to verified at next audit.

**Criterion 5.2. (Major indicator 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).

**Non-conformance 2014 – 13 of 21 (Major non-conformity):**
The company has a HCV document, however the document has no explanation about presence of protected areas that could be significantly affected by the estate, conservation status (e.g. IUCN status), legal protection, population status and habitat requirements of rare, threatened, or endangered (RTE) species that could be significantly affected by the estate; or identification of HCV habitats, such as rare and threatened ecosystems, that could be significantly affected by the grower or miller.
Correction:
The HCV report was reviewed and amended accordingly. The review of the report was conducted in phases starting with preliminary site visit and stakeholder consultation.

Corrective Action:
The review of the HCV report will be conducted on yearly basis. Proposed review month is December.

Auditor Conclusions: Closed

Verification result:
The company provided the revised HCV document. The revised document included information on 3 potential HCV areas in Kawa Estate categorized as HCV 4.1, i.e. unknown stream in Apas Claremont; unknown stream in Muul Hills, and unknown stream in Tasek. There is also one (1) Sabah National Park identified adjacent to Kawa estate. There were no protected species identified that could be significantly affected by the estate.

Criterion 5.2. (Major indicator 2): Where rare, threatened or endangered (RTE) species, or HCVs, are present or are affected by plantation or mill operations, appropriate measures that are expected to maintain and/or enhance them shall be implemented through an action plan.

Non-conformance 2014-14 of 21 (Major non-conformity):
There is no evidence of consultation with relevant government departments, research institutes and interested NGOs during HCV document assessment.

Correction:
The HCV report was reviewed and amended accordingly. This report includes the mentioned organization and institutions.

Corrective Action:
The review of the HCV report will be conducted on yearly basis. Proposed review month is December.

Auditor Conclusions: Closed with observation

The company provided records of reviewed HCV document. It was informed that stakeholder consultation was conducted on December 2014 for gathering input information however there is no further explanation about persons involved for review process. The company conducts stakeholder consultation again on July 7, 2015. There were 32 participants attended on the meeting as recorded on "borang maklumbalas impak sosial operasi ladang kawa dan hap seng estate". Stakeholders comment form has been recorded and prvided. The NCR has been closed.

Criterion 5.2. (Minor indicator 4): Where an action plan has been created there shall be ongoing monitoring:
- The status of HCV and RTE species that are affected by plantation or mill operations shall be documented and reported;
- Outcomes of monitoring shall be fed back into the action plan.

Non-conformance 2014-15 of 21 (Minor non-conformity):
The action plan has been created for identified potential HCV area, as stated on the HCV document, however there is no monitoring plan made including a clear time table and person in charge to manage and monitor the HCV as a basic to make further planning.

Correction:
The HCV report was reviewed and amended accordingly. Monitoring plan with time table and person in charge was included in report.

Corrective Action:
The review of the document will be conducted on yearly basis by estate and Agronomy Department.
Auditor Conclusions: Evidence of immediate action taken was accepted. Effectiveness of implementation to verified at next audit.

**Criterion 5.5 (Major indicator 1): There shall be no land preparation by burning, other than in specific situations as identified in the ‘Guidelines for the Implementation of the ASEAN Policy on Zero Burning’ 2003, or comparable guidelines in other regions.**

Non-conformance 2014-16 of 21 (Major non-conformity):
Burning activity was sighted at Tiku Division (near the housing compound).
No signage on prohibition of open burning was sighted and workers also were not aware or communicated of the requirement to carry out open burning.

Correction:
Upon investigation, the rubbish is caused by the errant workers who disobeyed the company instruction to maintain the house cleanliness. A warning letter has been issued to these workers and cleaning has been conducted immediately.

During the time of audit, the signage prohibiting open burning was already been purchased and in progress to be delivered. The signboard will be installed once arrived. Attachment 11.

Corrective Action:
A two monthly housing inspection will be conducted starting from December 2015. Any workers who do not maintain the cleanliness of their housing will be taken disciplinary action. A yearly induction briefing will be conducted by the estate covering open burning issue.

Auditor Conclusions: Closed with observations
The company provided photographs relating information on restriction of the use of fire for disposal of domestic waste. The installation of the sign and evidence of implementation will be further verified at next audit.

**Criterion 6.1. (Major indicator 1): A social impact assessment (SIA) including records of meetings shall be documented.**

Non-conformance 2014-17 of 21 (Major non-conformity):
There is no documented social impact assessment (SIA) available for Kawa Estate or Hap Seng Estate.

Correction:
SIA was completed with the stakeholder consultation was done in several stages starting with as per Attachment 1 by the estate and Agronomy Department. Identification of stakeholder and interviewing several of the related stakeholders has been conducted.

Corrective Action:
SIA will be reviewed at annual basis and ready for public viewing and implementation. The social impact assessment report will be conducted according to the proposed plan and developed once all information has been obtained.

Auditor Conclusions: Closed

Verification Result:
The company provided a documented SIA and information regarding document SIA has been available to the public and listed in the company’s list of publicly available documents. There is a matrix of identified social impact from Hap Seng and Kawa estates operational including planning to management and monitor the implementation of social impact management plan both positive and negative impact.
<table>
<thead>
<tr>
<th><strong>Criterion 6.1. (Major indicator 2): There shall be evidence that the assessment has been done with the participation of affected parties.</strong></th>
</tr>
</thead>
</table>
| **Non-conformance 2014-18 of 21 (Major non-conformity):**  
There is no evidence that a social impact assessment has been done with the participation of affected parties |
| **Correction:**  
The consultation was done in several stages starting with as per Attachment 1 by the estate and Agronomy Department. Identification of stakeholders and interviewing several of the related stakeholders has been conducted. The report has been made publicly available at the estate offices. |
| **Corrective Action:**  
Review of SIA will be conducted on yearly basis and the affected parties will be updated on any updates by the estate management |
| **Auditor Conclusions:** Closed with observations |
| The company provided the social impact assessment document and also provided records/evidence of stakeholder questionnaires and input from stakeholders used to make the social impact assessment. |

<table>
<thead>
<tr>
<th><strong>Criterion 6.1. (Major indicator 3): Plans for avoidance or mitigation of negative impacts and promotion of the positive ones, and monitoring of impacts identified, shall be developed in consultation with the affected parties, documented and timetabled, including responsibilities for implementation.</strong></th>
</tr>
</thead>
</table>
| **Non-conformance 2014-19 of 21 (Major non-conformity):**  
There is no evidence of a timetable with responsibilities for mitigation and monitoring |
| **Correction:**  
Time table with person in charge for mitigation and monitoring was included in the SIA. |
| **Corrective Action:**  
Timely monitoring will be conducted by Agronomy Department to ensure the person incharge mitigate the issues following the time table. |
| **Auditor Conclusions:** Closed with observation. |
| **Verification result:**  
The company provide document of timetable with responsibilities for mitigation and monitoring, however since the impacts were still not clearly identified in the SIA document, however the planning has not include information about time table for impact management plan. |

<table>
<thead>
<tr>
<th><strong>Criterion 6.5. (Major 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.) shall be available in the languages understood by the workers or explained carefully to them by a management official.</strong></th>
</tr>
</thead>
</table>
| **Non-conformance 2014 -20 of 21 (Major non-conformity):**  
Workers belonging to contractor have no contractual agreements stipulating pay, overtime, terms and conditions of employment, benefits, SOCSO/EPF etc |
| **Correction:**  
The contractors do have Contractual Agreement with their workers |
| **Corrective Action:**  
The contractors engaged in the future will be requested to disclose the availability of their workers contracts. |
Auditor Conclusions: Closed with observation

Verification result:
The company provided samples of contract document between subcontractor enterprise and their workers, such as from Intan enterprises and Wong Cheng Wi, information about pay, overtime, and term and condition has been included. There is evidence of overtime payment as recorded on form “Kawa estate piece rated work form” for driver working on Sunday, overtime report dated on 14 January 2015. However explanation about term and condition still not clear. This is opportunity for company’s improvement.

Criterion 6.5. (Minor indicator 3): Growers and millers shall provide adequate housing, water supplies, medical, educational and welfare amenities to national standards or above, in accordance with Workers’ Minimum Standard of Housing and Amenities Act 1990 (Act 446) or above, where no such public facilities are available or accessible (not applicable to smallholders).

Non-conformance 21 of 21 (Minor non-conformity):
1. Water supply to the linesite is not treated which contravenes Part II, Section 6.1a of the Workers’ Minimum Standards of Housing and Amenities (Act 446) 1990 “Where the Director General so permits in writing, to provide free and adequate supply of potable piped water drawn from any other source which shall be filtered and treated in a manner approved by the Director General”.

2. Housing for foreign workers is not compliant with the law, e.g. poor sanitation (toilet and strewn rubbish all around the housing), clogged drains causing water stagnation, which contravenes Section 23 (1) (a) and (b) of the Workers’ Minimum Standards of Housing and Amenities (Act 446) 1990.

3. Employer does not provide milk and play equipment, as per Section 10 (3) “On each day a dependent is accommodated at the nursery, he shall be provided by the employer at his own expense with a supply of milk in sufficient quantity and of good quality, and play equipment”.

4. There is no evidence of a labour policy stating non discriminatory practices.

Correction:
1. There is plan to upgrade the water treatment plant and is put inside the Special Management Plan for Kawa Estate 2014. The report is valid until 2016 and the progress is monitored on monthly basis. The timeline of the upgrading project us as per stated inside the report.

2. Upon investigation, the rubbish is caused by the errant workers who disobey the company instruction to maintain the house cleanliness. A warning letter has been issued to these workers and cleaning has been conducted immediately.

3. The milk to be provided to the workers has been highlighted by the Top Management via email dated 7th November 2014. The estate is currently in progress to provide the necessary items for the crèche.

4. The company commitment in non-discriminatory practices is can be found inside HSPHB Corporate Culture handbook (page 6 to 9). The extract of the book will be translated into Bahasa Malaysia, displayed at the notice board and communicated to the workers.

Corrective Action:
1. Once the upgrading project has been completed, a monthly inspection on the water treatment plant will be conducted. A 6 months once drinking water quality checking will be conducted.

2. A 2 monthly housing inspection will be conducted starting from December 2015. Any workers who do not maintain the cleanliness of their housing will be taken disciplinary action.

3. A monthly inspection to the crèche will be conducted starting December 14 and will be recorded inside an inspection book. The milk and biscuit provided will also be checked.

4. A yearly training on the company policy will be conducted by the estate (every June of the year). The training is incorporated to the yearly induction training for all workers and staff.
### Auditor Conclusions: Evidence of immediate action taken was accepted. Effectiveness of implementation to verified at next audit.

### 3.3 Noteworthy Positive Components

<table>
<thead>
<tr>
<th>No.</th>
<th>Criteria / Indicator</th>
<th>Positive Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>4.7</td>
<td>The company clinic is well maintained with ample stock of medication and facilities.</td>
</tr>
<tr>
<td>2.</td>
<td>5.2.1</td>
<td>The company has a well protected forest reserve.</td>
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<tr>
<td>3.</td>
<td>6.5</td>
<td>Workers and all employees are provided with facilities such as water, electricity, clinic, day care, and recreational facilities which are well maintained with ample space for workers as well as their families.</td>
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### 3.4 Issues Raised by Stakeholders and Findings Pertaining to Issues

**A) Issues Raised during Stakeholder Consultation Meeting**

<table>
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<tr>
<th>No.</th>
<th>Issues Raised</th>
<th>Management Response</th>
<th>Audit Verification</th>
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<tbody>
<tr>
<td>1.</td>
<td>Confirmation about total workers in Hap Seng Properties area is requested. Please explain the difference between RSPO and MSPO. 'Jabatan Tenaga Kerja' (Manpower Department)</td>
<td>As at March 2015, the number of workers in Hap Seng Properties are 37 and all is registered under Hap Seng Plantations (Ladang Kawa) Sdn Bhd.</td>
<td>Explanation from management can be accepted, it was verified during the audit. Explanation has been determined on Cr.6.5. Difference between RSPO and MSPO was explained by the audit team.</td>
</tr>
<tr>
<td>2.</td>
<td>What is the benefit of RSPO and validity of ROPO certificate? 'Jabatan perhutanan' (Forestry Department)</td>
<td>RSPO is a global and multi-stakeholder initiative that encourages production of oil palm on a sustainable manner. The certificate is valid worldwide to be used as a proof that the oil palm produced are sustainable. There are demands from buyers all around the world for RSPO Certified Oil and company benefitted by getting a premium price and implementation of good agricultural practices.</td>
<td>Explanation from management can be accepted. No need further verification</td>
</tr>
<tr>
<td>3.</td>
<td>Comparation about MSPO and RSPO, why there are 2 similar standards 'Jabatan Pertanian Sabah' (Sabah Agriculture Department)</td>
<td>MSPO and RSPO are two sustainable palm oil production certification that differs in the terms of context, certificate validity and members. MSPO is the Malaysian Standard that provides guidance for production and cultivation of sustainable production of palm oil. MSPO is in close reference with</td>
<td>Explanation from management can be accepted. No need further verification</td>
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<td>4</td>
<td>There are reports of FFB theft. What is the best way to handle such cases together with company surrounding Tawau and the Government? <strong>Sabah Land Development.</strong></td>
<td>Ladang Kawa area is scattered all over around Balung area. Mostly the neighbouring is small holder and few big company/Government eg. Borneo Samudera, Teck Guan, Jabatan Pertanian and SLDB. Most of the estate boundaries are been fixed with fences or trenches. Entrance of the estate or the field leading to the government road is manned by security guard or watchmen. The estate has a very close repo with the police station in Bukit Quoin and Thief of FFB are been given feed back to the neighbouring estate and small holder. Yearly Police has also held meeting with Estate, small holder and Kampong Folk for Security purpose.</td>
<td>During the audit, there is no record about monitoring of FFB stolen available for both estates. This is potential for improvement for the company to make mechanism to prevent FFB theft.</td>
</tr>
<tr>
<td>5</td>
<td>This stakeholder (Department of Agriculture Sabah representative) talked about the requirement of usage of pesticides and plantation requirements and mentioned that Kawa Estate and Hap Seng Estate not having any issue related to both requirements. To their knowledge, neither estate has been penalised or have non-compliances issued related to the legal requirements such as Pesticides Act 1974.</td>
<td>The company will continue to ensure that the use of pesticides and chemicals are according to the laws and legislations. Kawa has its own Oil Palm Agricultural Practice (OPAP) which is a set of guidelines set by the company. All purchases of pesticide and chemicals are been monitored by the company Central Purchasing Department and Agronomy Department</td>
<td>Full explanation about company practice about the usage of pesticide has been explained on the CR 4.6 in Section 3.1 of this report.</td>
</tr>
<tr>
<td>Jabatan Pertanian Sabah  (Department of Agriculture Sabah)</td>
<td>Jabatan Hutan Sabah  (Department of Forestry Sabah)</td>
<td>Royal Malaysian Police</td>
<td></td>
</tr>
<tr>
<td>----------------------------------------------------------</td>
<td>---------------------------------------------------</td>
<td>------------------------</td>
<td></td>
</tr>
<tr>
<td>6 This representative mentioned that Kawa Estate and Hap Seng Estate are not having any legal issue related to illegal logging or clearing any forest at their nearby boundary. Wildlife or endangered species hunting by the employees at both estates have also never been reported before. Illegal burning that will risk a spread of fire to the forest has also never occurred before or came to their attention. There are no known land disputes between the department and the estates.</td>
<td>The company will continue to ensure no illegal activities conducted and closely monitor the boundary to prevent intrusion, illegal fire or hunting. All boundaries with forest/jungle are been fence and maintain. Any illegal intrusion will be reported to the Forestry Department.</td>
<td>No evidence of suspected cases of illegal logging, wildlife hunting, or illegal burning was found during during this on-site verification.</td>
<td></td>
</tr>
<tr>
<td>7 The Police officer was saying that no criminal cases involving both estates and they are happy with the security condition around the estates. There are no drug issues too or illegal employees caught from either estates. There are also no reports of fatality cases involving employees of both estates as a result of accident at the workplace before.</td>
<td>The company will continue to ensure no criminal cases committed by both estates, no drugs usage, no illegal employees and prevent fatality cases resulting from accident at the workplace. Relationship with police officer station in Bukit Quoin has been very cordial.</td>
<td>Explanation from management can be accepted, it was verified during the audit.</td>
<td></td>
</tr>
<tr>
<td>8 The issues of concern raised by these two representatives were about minimum wages, employing foreign workers, salary, constructive dismissal, welfare of employees including their quarters, employees foreign workers insurance scheme, socso, Young Person and Child Act, Employment Act and etc. So far Kawa Estate and Hap Seng Es-</td>
<td>The company will continue to comply with related legal requirements. To date any minor labour issue have been resolved immediately by the estate management and the relationship with the employee are been very cordial.</td>
<td>Explanation from management can be accepted, it was verified during the audit.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


| State complied with the related legal requirements and no complaint was made by the employees of both estates to the department in the recent years. | Jabatan Tenaga Kerja Sabah (Department of Labour Sabah) |

### 3.5 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 of Hap Seng Plantations (Ladang Kawa) Sdn Bhd

Signed on behalf of PT TUV Rheinland Indonesia

Kee Keow Chong: Chief Agronomist

Dian S. Soeminta: Lead Auditor

Date: Date:
APPENDICES
Appendix 1: Details of Certificate

Certificate

Standards: RSPO Principles & Criteria for Sustainable Palm Oil Production
Malaysian National Interpretation: 2010 (with reference to RSPO
Generic P&C 2013) and RSPO Standard for Group Certification
year 2010

Certificate Regist. No.: 824 502 15028

PT TUV Rheinland Indonesia certifies:

Certificate Holder: Kawa Estate and Hap Seng Estate,
Hap Seng Plantations (Ladang Kawa) Sdn Bhd
P.O. Box 666, 91008, Tawau, Sabah, Malaysia
and its company owned estates according to the annex

RSPO number: -

Scope: Oil Palm Plantation Management System

An audit was performed, Report No. 82450215028. Proof has been
furnished that the requirements according to RSPO Principles &
Criteria for Sustainable Palm Oil Production Malaysian National
Interpretation: 2014 are fulfilled.

The due date for all future surveillance audits is 15-10 (dd.mm).

The certificate shall remain valid for the period stipulated above
provided that the certificate holder mentioned here continues to
comply with the RSPO P&C requirements. Status of compliance of the
certificate holder shall be based on the annual inspections conducted
by PT TUV Rheinland Indonesia.

RSPO registered parents company: Hap Seng Plantations Holdings Bhd
(RSPO Member No.: 1-0098-11-000-00)

* Name of the RSPO registered member company of which the certificate holder is a subsidiary

PT TUV Rheinland Indonesia was accredited to provide RSPO Principles & Criteria (P&C) and RSPO

Date of first certificate: October 16, 2015

Indonesia, 16-10-2015

PT TUV Rheinland Indonesia
Director

The certificate remains property of PT TUV Rheinland Indonesia and can be withdrawn in case of terminations as mentioned in
the contract or in case of changes or deviations of the above-mentioned data. The licensee is obliged to inform PT TUV
Rheinland Indonesia immediately of any changes in the above-mentioned data. Only an original and signed certificate is valid.

www.tuv.com

QMF: RSPO-007a-13(Rev.0)
## Annex to certificate

### Standards:

- RSPO Principles & Criteria for Sustainable Palm Oil Production
- Malaysian National Interpretation: 2010 (with reference to RSPO Generic P&C 2013) and RSPO Standard for Group Certification year 2010

Certificate Regstr. No.: 824 502 15028

### Location:

Kawa Estate and Hap Seng Estate, Hap Seng Plantations (Ladang Kawa) Sdn Bhd
P.O. Box 666, 91008, Tawau, Sabah, Malaysia

The oil palm plantation and supply base covered in certification scope are:

<table>
<thead>
<tr>
<th>Name of Mill / Estate</th>
<th>Location</th>
<th>GPS Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kawa Estate</td>
<td>Tawau, Sabah, Malaysia</td>
<td>4° 21’ 54.2” N 118° 2’ 20.7” E</td>
</tr>
<tr>
<td>Hap Seng Estate</td>
<td>Tawau, Sabah, Malaysia</td>
<td>4° 21’ 54.2” N 118° 2’ 20.7” E</td>
</tr>
</tbody>
</table>

Company Estates FFB Tonnages: 38,021 tonnes
FFB Tonnages Claimed for Certification: 38,022 tonnes

Issued by PT TUV Rheinland Indonesia
www.tuv.com

Indonesia, 16-10-2015
PT TUV Rheinland Indonesia
Director
## Appendix 2: Certification Audit Plan

<table>
<thead>
<tr>
<th>Date / Time (1)</th>
<th>Organizational Unit and Processes</th>
<th>Auditor / Abbriv.</th>
<th>Interviewee</th>
<th>Procedure - EM/QM Element - Standard Chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Monday, 25 November 2013</strong></td>
<td>Dian travels from Jakarta to Kuala Lumpur (morning)</td>
<td>Dian Soeminta (DS)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>All auditors travel from KL to Tawau: AK5740 1535 (KUL) - 1825 (TWU)</td>
<td>Azizan Zakaria (AZ), Yusof Nizar (YN) &amp; Savinder Gill (SG)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Travel to client site</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tuesday, 26 November 2013 – Kawa Estate &amp; Hap Seng estate</strong></td>
<td><strong>Opening meeting</strong></td>
<td>All</td>
<td>Top Management and Related Managers</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>- Introduction by audit team leader</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Finalization of audit plan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Presentation on Kawa estate &amp; Hap Seng by Hap Seng management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Stakeholder Consultation Meeting</strong></td>
<td>All</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Kawa Estate Country Club</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>12.00pm – 1.00pm</strong></td>
<td>Lunch</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>1.00pm - 5.00pm</strong></td>
<td><strong>RSPO Group Certification requirements:</strong></td>
<td>DS</td>
<td>Group manager</td>
</tr>
<tr>
<td></td>
<td>- Group Management Documentation / group operation manual</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Confirmation of group members (Kawa &amp; Hap Seng estates)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Internal assessment system</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Chain of Custody system &amp; procedures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- FFB sales records</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>1.00pm - 5.00pm</strong></td>
<td><strong>Document review:</strong> OSH, Good Agricultural Practices, Legal requirements</td>
<td>YN &amp; AZ</td>
<td>Estate manager / assistants / workers</td>
</tr>
<tr>
<td>Date / Time (1)</td>
<td>Organizational Unit and Processes</td>
<td>Auditor / Abrev.</td>
<td>Interviewee</td>
<td>Procedure - EM/QM Element - Standard Chapter</td>
</tr>
<tr>
<td>----------------</td>
<td>-----------------------------------</td>
<td>------------------</td>
<td>-------------</td>
<td>---------------------------------------------</td>
</tr>
</tbody>
</table>
| 1.00pm-5.00pm  | Document review: Social issues, land issues & legal requirements (social) | SG | Local communities / workers | Principle 1  
Principle 2  
Principle 6  
Principle 7 (CR7.1, 7.5 & 7.6)  
Principle 8 (Social related) |
| 5.00pm         | End of Day 1                      |                  |             |                                             |
| Wednesday, 27 November 2013 – Kawa Estate & Hap Seng estate (continued) & Closing Meeting |
| 8.00am – 12.00pm | Site visit to Estate             | DSS              | Estate manager / assistants | Principle 2  
Principle 3  
Principle 4  
Principle 5  
Principle 6  
Principle 7 |
| 1.00pm – 3.30pm | Continue Document review         | All              | Estate manager / assistants | All principles |
| 3.30pm – 4.30pm | Prepare for Closing Meeting      | All              | -                        | - |
| 4.30pm – 5.00pm | Closing Meeting                  | All              | Top Management and Related Managers | - |
Organizational Unit and Processes

Date / Time (1) | Auditor / Ab-brev. | Interviewee | Procedure - EM/QM Element - Standard Chapter
--- | --- | --- | ---
5.00pm | End of Day 2 | All | 
Thursday, 28 November 2013 – Return travel

4.00am onwards | Travel back to Tawau and return flight from Tawau to KL: AK5745 1030 (TWU) - 2135(KUL) | All | 

### Appendix 3: List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIMAH</td>
<td>Control of Industry Major Hazards</td>
</tr>
<tr>
<td>CPO</td>
<td>Crude Palm Oil</td>
</tr>
<tr>
<td>CSDS</td>
<td>Chemical Safety Data Sheet</td>
</tr>
<tr>
<td>CHRA</td>
<td>Chemical Health Risk Assessment</td>
</tr>
<tr>
<td>CLASS 2013</td>
<td>Occupational Safety (Classification, Labelling, Safety Data Sheet of hazardous Chemicals) Regulations 2013</td>
</tr>
<tr>
<td>EIA</td>
<td>Environmental Impact Assessment</td>
</tr>
<tr>
<td>ERTs</td>
<td>Endangered, Rare &amp; Threatened species</td>
</tr>
<tr>
<td>ESH</td>
<td>Environmental Safety &amp; Health</td>
</tr>
<tr>
<td>EQA 1974</td>
<td>Environmental Quality Act 1974</td>
</tr>
<tr>
<td>EFB</td>
<td>Empty Fruit Bunches</td>
</tr>
<tr>
<td>FFB</td>
<td>Fresh Fruit Bunches</td>
</tr>
<tr>
<td>FM</td>
<td>Factories and Machineries</td>
</tr>
<tr>
<td>FMA 1967</td>
<td>Factories and Machineries Act 1967</td>
</tr>
<tr>
<td>HCV</td>
<td>High Conservation Value</td>
</tr>
<tr>
<td>HIRARC</td>
<td>Hazard Identification, Risk Assessment, and Risk Control (HIRARC)</td>
</tr>
<tr>
<td>HQ</td>
<td>Headquaters</td>
</tr>
<tr>
<td>IPM</td>
<td>Integrated Pest Management</td>
</tr>
<tr>
<td>LCC</td>
<td>Leguminous Cover Crops</td>
</tr>
<tr>
<td>LTA</td>
<td>Lost Time Accident</td>
</tr>
<tr>
<td>MSDS</td>
<td>Material Safety Data Sheets</td>
</tr>
<tr>
<td>MY NI</td>
<td>Malaysia National Interpretation</td>
</tr>
<tr>
<td>MSPO</td>
<td>Malaysia Sustainable Palm Oil</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Government Organization</td>
</tr>
<tr>
<td>OSH</td>
<td>Occupational Safety and Health</td>
</tr>
<tr>
<td>OSHA 1994</td>
<td>Occupational Safety and Health Act 1995</td>
</tr>
<tr>
<td>OPAP</td>
<td>Oil Palm Agriculture Practice</td>
</tr>
<tr>
<td>PCO</td>
<td>Plantation Central Office</td>
</tr>
<tr>
<td>P&amp;C</td>
<td>Principles &amp; Criteria</td>
</tr>
<tr>
<td>PIC</td>
<td>Person Incharge</td>
</tr>
<tr>
<td>P &amp; D</td>
<td>Pest and Diseases</td>
</tr>
<tr>
<td>PKO</td>
<td>Palm Kernel Oil</td>
</tr>
<tr>
<td>POME</td>
<td>Palm Oil Mill Effluent</td>
</tr>
<tr>
<td>PPE</td>
<td>Personal Protective Equipment</td>
</tr>
<tr>
<td>RSPO</td>
<td>Round Table for Sustainable Palm Oil</td>
</tr>
<tr>
<td>SIA</td>
<td>Social Impact Assessment</td>
</tr>
<tr>
<td>SHO</td>
<td>Safety &amp; Health Officer</td>
</tr>
<tr>
<td>SLA</td>
<td>Sabah labour Ordinance</td>
</tr>
<tr>
<td>SOP</td>
<td>Standard Operating Procedure</td>
</tr>
<tr>
<td>HIRARC</td>
<td>Hazard Identification, risk Assessment and Risk Control</td>
</tr>
<tr>
<td>NADOPOD 2004</td>
<td>Occupational Safety (Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) Regulations 2004</td>
</tr>
<tr>
<td>--------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>USECHH 2000</td>
<td>Occupational Safety (Use and Standard of Exposure of Chemical Hazardous to Health) Regulations 2000</td>
</tr>
<tr>
<td>PMD</td>
<td>Pendaftaran Mesin Dandang</td>
</tr>
<tr>
<td>PMT</td>
<td>Pendaftaran Mesin Tekanan</td>
</tr>
<tr>
<td>JKKP (DOSH)</td>
<td>Jabatan Keselamatan dan Kesihatan Pekerjaan (Department of Occupational Safety and Health)</td>
</tr>
</tbody>
</table>
## Appendix 4: List of Stakeholders Interviewed and Contacted

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Stakeholder</th>
<th>Institution / Position</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Mohamad b. Muzam</td>
<td>Sr. Manager</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Frankie A Patrick</td>
<td>Sustainability Executive</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Kee Keow Chong</td>
<td>Chief Agronomist</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Jamal Paloloi</td>
<td>Estate Assistant</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Zeno William</td>
<td>Assistant Manager</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Mohd Idris Mandore</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Ling Chia Yi</td>
<td>Agronomist</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Halim Ag Ali</td>
<td>Dept. of Agriculture</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Suhaili Dsamail</td>
<td>Dept. of Labour</td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>DSP Ag Md Arsad Ag Bakar</td>
<td>Royal Malaysian Police</td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Justin Lahuji</td>
<td>Dept. of Forestry</td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td>Rosslan bin Abdul Razak</td>
<td>Contractor (Machinery and buildings)</td>
<td>Male contractor (Ladang Kawa (Muil, Tasik, Tiku))</td>
</tr>
<tr>
<td>13.</td>
<td>Joni Tahang</td>
<td>Contractor (Transport)</td>
<td>Driver at Kawa Estate</td>
</tr>
<tr>
<td>15.</td>
<td>Mohd. Sha Muarvi</td>
<td>Mandore (harvester)</td>
<td>Male foreign worker (from South Sulawesi, Indonesia)</td>
</tr>
<tr>
<td>16.</td>
<td>Siti Habasa</td>
<td>Store worker</td>
<td>Female local worker (Kawa Estate)</td>
</tr>
<tr>
<td>17.</td>
<td>Siti Arasai</td>
<td>Mandore</td>
<td>Female local worker (Kawa Estate)</td>
</tr>
<tr>
<td>18.</td>
<td>Tamrin Tagglia</td>
<td>Mandore (sprayer)</td>
<td>Male foreign worker (from Sulawesi, Indonesia at Kawa estate (Muul Hill))</td>
</tr>
<tr>
<td>19.</td>
<td>Wong Cheng Wi</td>
<td>Supplier (Grocery shop owner)</td>
<td>Kawa estate</td>
</tr>
<tr>
<td>20.</td>
<td>Abon Sakka</td>
<td>Security</td>
<td>Male local worker (Kawa Estate)</td>
</tr>
<tr>
<td>22.</td>
<td>Suriati binti Bahar</td>
<td>General worker (spray &amp; fertilizing)</td>
<td>Female foreign worker (from Sulawesi, Indonesia); Hap Seng Estate (Tiku division)</td>
</tr>
<tr>
<td>23.</td>
<td>Indotaang binti Rabek</td>
<td>General worker (spray &amp; fertilizing)</td>
<td>Female foreign worker (from Sulawesi, Indonesia); Hap Seng Estate (Tiku division)</td>
</tr>
<tr>
<td>24.</td>
<td>Fereardineati binti Badu</td>
<td>General worker (spray &amp; fertilizing)</td>
<td>Female foreign worker (from Sulawesi, Indonesia); Hap Seng Estate (Tiku division)</td>
</tr>
</tbody>
</table>
## Appendix 5: Observations and 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>There is no evidence of a written policy committing to a code of ethical conduct and integrity in all operations and transactions or evidence of such a policy communicated to all levels of the workforce and operations.</td>
<td>1.3.1 (P&amp;C 2013)</td>
</tr>
<tr>
<td>2.</td>
<td>The company has not good quality of map to include information about the scale of map and position coordinate.</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>The List of Legal Register for Kawa Estate dated March 2014 did not list down the Employees Provident Fund Act 1951 (Act 272) (currently under Review)</td>
<td>2.1.2</td>
</tr>
</tbody>
</table>
| 4.  | - The Chemical Store Clerk and her assistant were interviewed and found to have not attended any proper training on chemical handling. 4 ladies workers that carry out mixing chemicals only attended briefing during morning muster and do not fully understand on chemical handling issues such as how to use Safety Data Sheets as references in case of emergencies. The training was only considered in 2015 training Program as stated in Occupational Safety and health Plans for Kawa Estate 2015.  
  - Emergency shower and eye wash should be allocated at or nearby chemical store. At chemical mixing area, there was no emergency shower available only have eye wash facility.  
  - Proper bunding need to be considered too to prevent spillages to the nearby river.                                                                                                                                                                                                                   | 4.6.5         |
| 5.  | At chemicals store, there were no first aid box, spillage kit available at chemical store. The emergency shower and eye wash also not located close to it if required during emergency. Proper containment for prevention of spillages also need to be considered.                                                                                                                 | 4.6.6         |
| 6.  | Method of conducting HIRARC needs improvement as seen from several observations as below:  
  - HIRARC Form dated 3/11/14 done by the Assistant Manager and Estate Assistant mentioned only PPE as control measures with no consideration for better methods of reducing risk.  
  - The type of suitable PPE to be used was not stated clearly to provided, which is required as a guidance for implementation.  
  - It was observed on-site during harvesting activity, dust and debris falling onto harvester’s face and can also fall into eyes which can cause eye irritation and injury. Existing risk control only mentions awareness training, The risk assessment likelihood is 4 but the severity is 1 only and the score of risk is 4 (low). Eye injury is actually a sever injury and the score should at least be 2. | 4.7.2         |
| 7.  | Maximum OT hours is 4hrs but there are incidences of overtime upto 6 hrs.  
  - Staff and piece-rated workers are not paid two days’ wages/twice the ordinary rate per piece. Daily wage workers are only paid 1.5 day’s wages at the ordinary rate of pay. E.g. a daily wage worker at Kawa estate did not receive twice the wages.  
  - Rest day wages and overtime were also not paid accordingly (see SLA 2005 Section 104 C. (2) a & b) for several workers at both Kawa and Hap Seng estates, and for overtime.). Minimum wage is RM30.77/day | 6.5.2         |
<p>| 8.  | Interviews with staff and workers at the Hap Seng Estate (Tiku Division) reveal that the prices of goods at the nearest grocery stores (2 Nos.) to the estate (outside the estate) are quite high, which is unaffordable to the workers.                                                                                                                   | 6.5.4 (P&amp;C 2013) |
| 9.  | The equal opportunities policy of Hap Seng Plantations Sdn. Bhd. is applied by the company, however the policy is not publicly available, only available on request.                                                                                                                                                                                                                      | 6.8.1 (P&amp;C 2013) |
| 10. | Female foreign workers (Tiku Division) interviewed at Hap Seng Estate have no knowledge about the sexual harassment policy or the gender committee.                                                                                                                                                                                                                               | 6.9.1         |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>11.</td>
<td>There is no policy to protect the reproductive rights of all, especially of women which is either implemented nor communicated to all levels of the workforce at Kawa or Hap Seng estate.</td>
<td>6.9.2 (P&amp;C 2013)</td>
</tr>
<tr>
<td>12.</td>
<td>There is no specific grievance mechanism which respects anonymity and protects complainants pertaining to sexual harassment or women's reproductive rights established, implemented, or communicated to all levels of the workforce at the Kawa and Hap Seng Estates.</td>
<td>6.9.3 (P&amp;C 2013)</td>
</tr>
<tr>
<td>13.</td>
<td>There is no evidence that workers' passports are voluntarily surrendered to the employer.</td>
<td>6.12.1 (P&amp;C 2013)</td>
</tr>
<tr>
<td>14.</td>
<td>There is no special labour policy and procedures established or implemented for temporary or foreign workers at the Kawa and Hap Seng Estates.</td>
<td>6.12.3 (P&amp;C 2013)</td>
</tr>
<tr>
<td>15.</td>
<td>There is no documented policy to respect human rights which is communicated to all levels of the workforce and operations at either the Kawa Estate or Hap Seng Estate.</td>
<td>6.13.1 (P&amp;C 2013)</td>
</tr>
<tr>
<td>16.</td>
<td>There is no school at the Kawa and Hap Seng estates. However, there is documented evidence to show that Kawa estate has negotiated with Humana to accept students of children of Kawa estate foreign workers.</td>
<td>6.13.2 (P&amp;C 2013)</td>
</tr>
</tbody>
</table>