

OILPALM PLANTATION MANAGEMENT VERIFICATION REPORT

Report Nr:	MY02410-Boustead Plantations	
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Evaluation dates:		
Pre-assessment	26 –28 April 2010	
Main Assessment	21 – 25 March 2011	

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LIST OF ABBREVIATIONS

CAR	Corrective Action Request
CPO	Crude Palm Oil
EFB	Empty Fruit Bunch
EIA	Environment Impact Assessment
EMS	Environmental Management System
ERT	Endangered, Rare and Threatened species
FFB	Fresh Fruit Bunches
Ha	Hectare
HCV	High Conservation Value
IPM	Integrated Pest Management
ILO	International Labour Organisation
ISO	International Organisation for Standardisation
IUCN	International Union for Conservation of Nature and Natural Resources
K	Potassium
kW	Kilowatt
LI	Local Indicator
M	Meter
Mg	Magnesium
Mm	Millimetre
Mt	Metric ton
N	Nitrogen
NGO	Non Governmental Organisation
OER	Oil Extraction Rate
OSH	Occupational Safety & Health
P	Phosphate
P & C	Principles and Criteria
PK	Palm Kernel
POM	Palm Oil Mill
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
RB	Oryctes Rhinoceros Beetle
SGS	Societe Generale de Surveillance
SOP	Standard Operating Procedures
UNDP	United Nations Development Programme
Yr	Year

INTRODUCTION

The purpose of the evaluation was to evaluate the operations of Boustead Rimba Nilai Sdn Bhd oil palm mill and plantations located in Pahang and Terengganu state, Malaysia, against the requirements of the QUALIPALM Programme, the SGS Group's verification programme for compliance to RSPO P&C MYNI 2008 requirement.

1. SCOPE OF VERIFICATION

The details of the Crude Palm Oil (CPO) mill and the oil palm plantations included in the scope of this assessment are presented in Table 1 and Table 2 below:

Table 1: FFB Input, CPO and PK output from Sg Jernih Palm Oil Mill (Jan 2010-Dec 2010)

MILL: SUNGAI JERNIH PALM OIL MILL				
Mill location	Capacity	FFB input	CPO output	PK output
Sungai Jernih, Pahang	30 TPH	66,973.42 MT	14,036.00 MT	3,167.00

Table 2: List of estates and FFB production (Jan 2010 – Dec 2010)

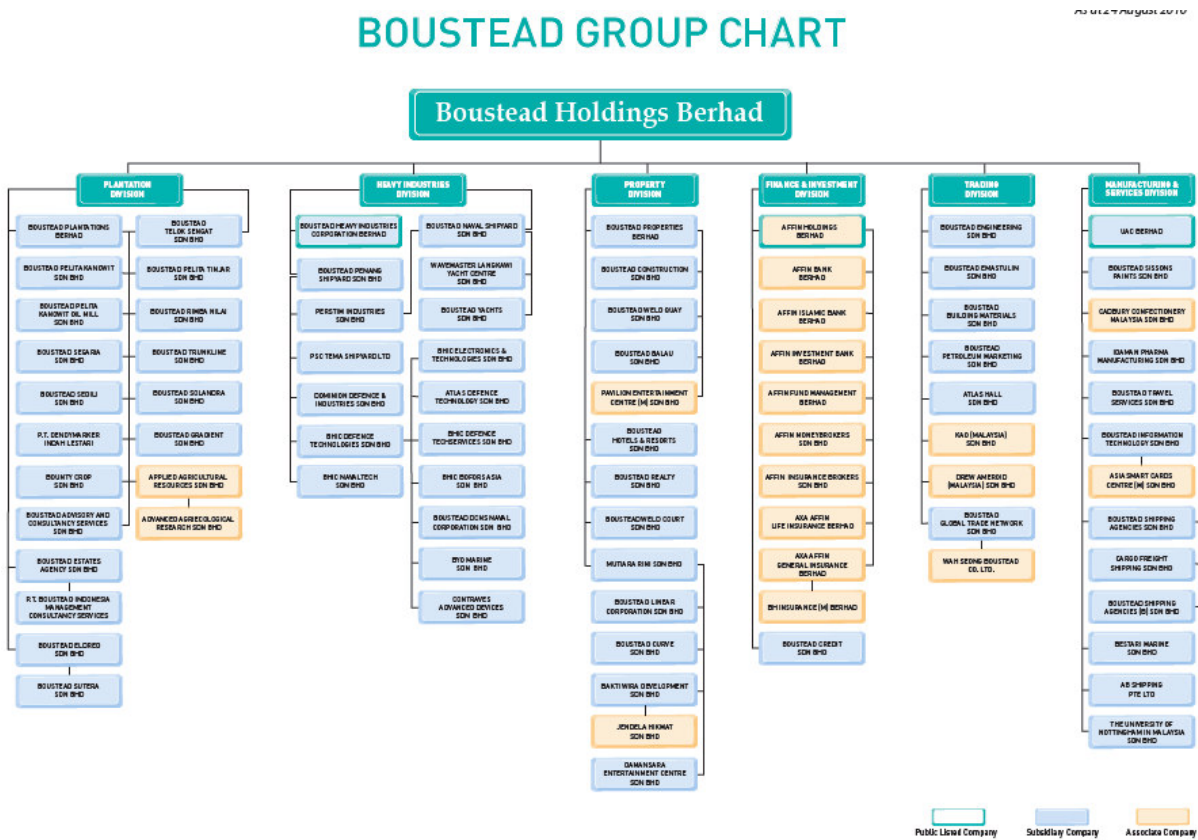
NAME OF HOLDING	LOCATION (Nearest town)	PLANTATION AREA		ANNUAL FFB PRODUCED (TONNES)
		Planted areas (ha)	Conservation (ha)	
Sungai Jernih Oil Palm Estate	Kuantan, Pahang	2,626.1	33.6	24,863.67
Ladang Tabung Tentera Terengganu Oil Palm Estate	Kemaman, Terengganu	1,743.7	194.6	22,722.86
Bebar Estate	Bandar Muadzam, Pahang	2,263.8	5.0	19,386.89
Total		6,633.6	233.2	66,973.42

2. COMPANY BACKGROUND

2.1 Ownership & History

Boustead Holdings Berhad founded in 1828 is a diversified conglomerate in Malaysia. The Group has an active interest in six primary sectors of the Malaysian economy namely plantation, property, finance & investment, trading, manufacturing & services and heavy industries. The Group's organisation chart is as shown in Figure 1 below:

Figure 1: Boustead Group's Organisation chart



Source: www.boustead.com.my

It has more than 13,000 employees in over 100 subsidiaries and associates. The Group major shareholder is Lembaga Tabung Angkatan Tentera having a total assets in excess of RM9 billion and has been listed on Bursa Malaysia since 1961. Its market capitalisation was in excess of RM5 billion at the close of the financial year (Annual Report 2010).

Boustead Plantations Berhad, one of the primary sectors is a major contributor to the Group's earning. The Plantation Division is primarily involved in the cultivation and processing of oil palm. The Group's plantation operations are carried out on its own holding as well as on lease land.

The Group's plantation operations are managed by Boustead Estates Agency Sdn Bhd (BEASB), a wholly owned subsidiary of Boustead Holdings Berhad. BEASB manages more than 100,000 hectares of agricultural land, of which 85,000 hectares are operated by the Group and the remaining on behalf of other organisations.

The group support local economy wherever it operates palm oil mill and established estates. The infrastructures it developed provide access for local communities living around its estates.

BEASB is also a leading estate management agency in the region providing a complete range of management services and solutions, which includes engineering consultancy, design, construction and marketing for oil palm estates, mills and rubber factories.

Boustead Plantations has committed to develop best practices that lead to sustainable business. The company has implemented Good Agriculture Practices (GAP) which is based on a set of guidelines centred on enhancing economic gains while maintaining and improving values of the surrounding environment and social local communities. Their replanting techniques include zero burning, soil and water conservation management and integrated pest management.

In the mill, the group implemented Good Milling Practices (GMP) guidelines to ensure the palm oil produced are of high quality while ensuring effective of management of water, effluents and mill by-products.

Through its associate company Applied Agricultural Resources Sdn Bhd (AAR), BEASB provides research and advisory services to the plantation industry. Tissue culture clonal propagation of oil palm is being produced from AAR tissue culture lab

In line with continuous improvement, the Group also advocated the use of technology to improve processes and operations in all aspects related to sustainable agriculture. For example, the company developed and implement AA+Mulch system which is a designed modified polyethylene sheet used to reduce the use of herbicides and improve fertiliser efficiency. The group uses Boustead AAR GIS Map Management System (BAARMIS) a decision support tool (rating system) in planning and management operations that will further enhance the Yield Improvement Programme (YIP) in the estate.

Boustead mills in the future will be equipped with the Boustead Biotherm Palmass System, an advance zero-waste, zero discharge composting system that offers an effective environmental friendly solution to maximise nutrient recycling by converting 100 % of raw POME and some 60% of EFB into nutrient enriched organic fertiliser.

The Group Plantation Division continues to move forward by looking for prospects locally (e.g. Sarawak) as well abroad (e.g Indonesia).

2.2 Boustead Group Palm Oil Mill and Plantation Subjected to Certification

Sg Jernih palm oil mill and its supply base subjected to the evaluation are as tabulated in Table 1 and Table 2. Brief description of the POM and its estates are as follows:

2.2.1 Sg. Jernih Palm Oil Mill

Sg Jernih Palm Oil mill was commissioned in 1992. As it is now, the mill has the capacity of 30 MT/hr processing and consuming about 80,000 metric tons of FFB per year. Photo 1 below shows the view of the mill with 4 CPO storage tanks (capacity 6,000 MT) in the foreground.

The mill has two boilers producing steam that use fibre and shell for power generation. There are eleven series of ponds for treating the POME (including three anaerobic) prior to releasing and applying it to plantation land within the Sg Jernih estate via channels and drains. The total land applications cover about 30 ha of the Sg Jernih estate.

Currently 100% of the EFB produced by the mill is applied directly to the estates. The electricity produced by the boiler is used for the mill operation, office as well as for the housing complex of the Sg Jernih mill and the Sg Jernih estates.

Currently with 60 workers, and the average OER of about 20.95 %, the mill generates about 14,000 MT of CPO and 3,300 mt of PK annually.



Photo 1: Sg. Jernih Palm Oil Mill

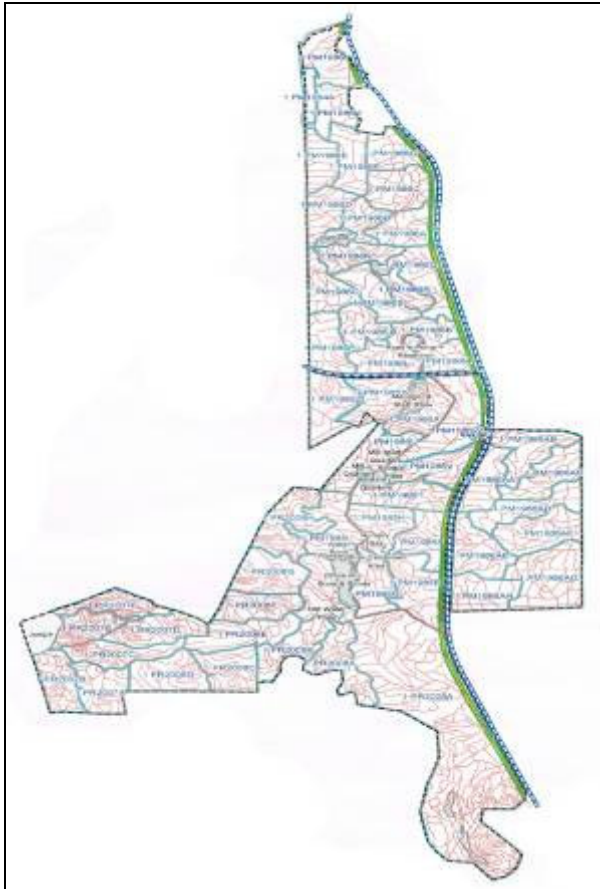
2.2.2 Oil Palm Estates

The land statement and crop age profile of the three estates (Sg Jernih, LTT-T and Bebar) subjected to the current evaluation are as tabulated below:

Table 3: Land Statement and crop age profile of Sg. Jernih, LTT-T and Bebar Estate

Age category (year)	Sg Jernih (ha)	LTT-T (ha)	Bebar (ha)	Total (ha)
< 3 (immature or less than 3 yrs)	1,215.20	149.6	953.9	2,318.7
3 – 6 (young mature)	612.9	155.9	1,101.0	1,869.8
7 – 15 yr (prime mature)	0	1,328.8	59.8	1,388.6
16 – 25 yr (prime mature)	798.0	109.4	149.1	1,056.5
Net area cultivated	2,626.1	1,743.7	2,263.8	6,633.6
Unplanted/Abandoned/Leasing/buffer zone area/swamps	42.1	186.8	20.6	249.5
Mill, housing, office, roads, amenities etc	34.2	2.4	36.3	72.9
TNB rentice	37.0	5.4	14.6	57.0
Nursery	7.0	0	8.7	15.7
Total not planted	120.3	194.6	80.2	395.1
Total	2,746.4	1,938.3	2,344.0	7,028.7

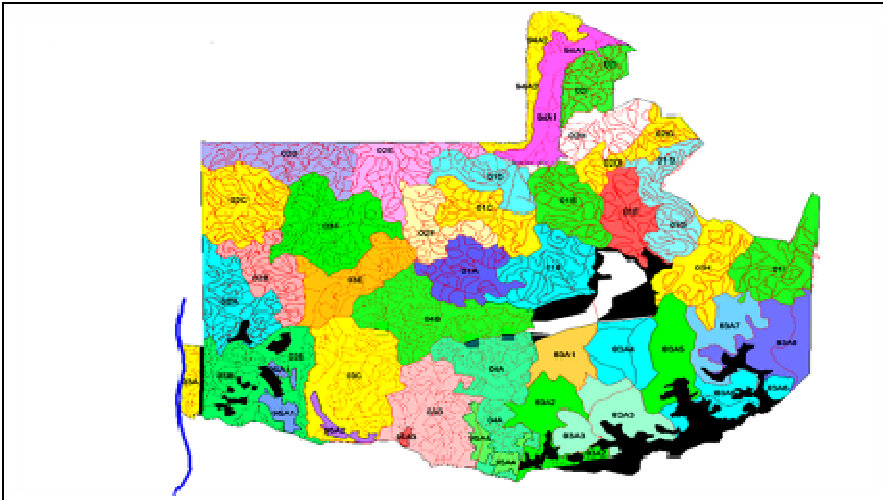
Map 1: Sg. Jernih Estate



Sg Jernih Estate was previously own by LKPP (Lembaga Kemajuan Perusahaan Pertanian Pahang) Perwira Sdn Bhd. The estate was bought over by Boustead Group in 2004. Sg Jernih Estate is situated along the Tun Razak Highway (Federal Route 12) that connects Segamat in the state of Johore to Kuantan in the state of Pahang. It is situated between the Bukit Ibam Forest Reserve 2.11 km southwest and the South East Pahang Peat Swamp Forest in the 1.5 km east. The nearest town is Muadzam Shah, which is approximately 20 minutes journey from the estate.

Sg. Jernih Estate is surrounded by other plantations such as FELCRA Pahang Tenggara, IOI Plantation (Bukit Lee Lau Estate), SKS Plantation (Sri Jelutong, Motif Wawasan and Kurnia Setia Estate), NYT Plantation and LKPP Corporation (T1T2 Estate). Sg. Jernih Estate activities mainly on Oil Palm Cultivation, mature, young mature, replanting and nursery. Total planted area for Sg. Jernih Estate stand at 2,626.1 ha which derived from the latest GPS Map, surveyed by Applied Agriculture Research and currently use for daily operation and working purposes.

Map 2: Ladang Tabung Tentera

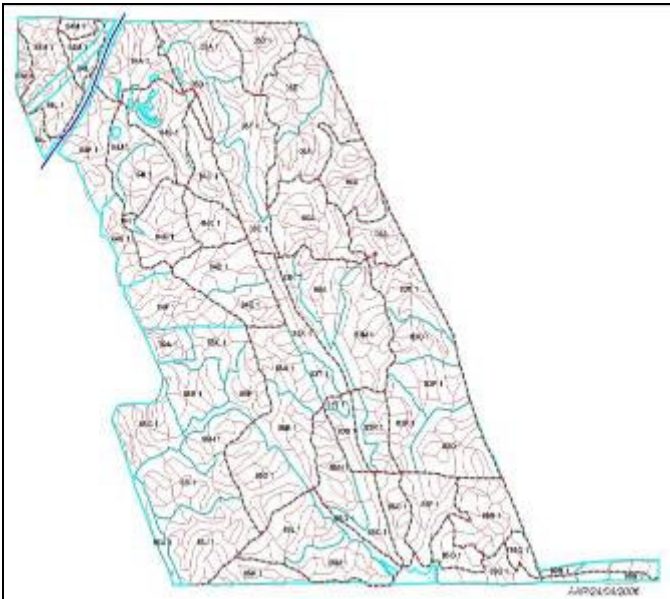


Ladang Tabung Tentera Terengganu Estate is located along the Jerangau – Jabor highway about 66 km from Kuantan and 38 km from Kemaman. The Estate is surrounded by other plantations such as Ladang Rakyat, Ketengah Perwira Estate, Felda Neram and Felda Sebarang Tayur Estate. The rivers Sg Dadong and Sg Paloh flow along the north and south boundary of the estate respectively. Sg Dadong drains into Sg Kemaman while Sg Paloh into Sg Cherul.

As tabulated in Table 3, out of a hectareage of 1743.7 ha , LTT-T Estate has 1438.2 ha (82.5%) of mature palms (> 7 yrs) , 155.9 ha (8.9%) of young mature (3-7 yrs) and 149.6 ha (8.6%) of immature palms (<3 yrs).

During the fiscal year 2010, the estate produced 22,722.86 MT of FFB all delivered to Sg Jernih POM.

Based on the soil map, soil survey and crop assessment report and agronomic reports, LTT-T has a number of soil types identified. Topographically LTT-T is more undulating and hilly. Nevertheless, LTT-T implemented appropriate agricultural practices like maintaining vegetative ground cover, proper frond stacking, planting of Guatemala grass on slopes and even gabion construction.

Map 3: Bebar Estate

Bebar Estate is located at about 65km on the left side of the Tun Razak Highway from Gambang to Bandar Muazzam Shah. The land is neighbouring the Lam Soon Estate in the north and northeast, Prosper Darabif in the south west, Felda Merchong in the south and State land forest Bukit Musuh in the mid west and Prosper Jawasa Estate in the east. Hutan Simpan Bukit Ibam is located on the northwestern border of the estate.

A drain has been constructed traversing the estate facilitating flow of surface water from North to South and eventually into Sg Bebar.

Total crop production from the 1,309.9 ha mature area in Bebar Estate is budgeted at 22,000 mt (or average 16.79 mt/ha) for the year 2011. The declining yields are inevitable during this transition period of old palms under prime mature (PM) which are estimated at 5,026 mt or 24.05 mt/ha for the year while yields from the young mature (PJ) fields forecasted at 16,974 mt or 15.41 mt/ha.

Bebar Estate is actively going through replanting from 2005 – 2012. Up to 2010, a total of 1,761.2 ha have been replanted. About 442.5 ha remain to be planted in 2011 and 2012. Plantings were done using mixture of ramets (tissue culture) with D x P seedlings. In some fields Costa Rica seedlings are being evaluated

Rhinoceros beetle damage on seedlings was common as evidence in the field. Implementation of pheromone traps was also observed.

3. OTHER BUSINESS UNIT OWNED BY BOUSTEAD GROUP AND PLAN FOR CERTIFICATION UNDER RSPO P&C

The current verification exercise is undertaken only for Sg Jernih Oil Mill and its supply base from the Group's estates and sources in Pahang and Terengganu, Peninsular Malaysia. Boustead Group also owns and manages other palm oil mills and plantations located in Peninsular Malaysia, Sabah, Sarawak and Indonesia. The company's revised time bound plan for certification of other business units is as summarised in Table 4.

Table 4: Boustead Group's Revised Timeline for RSPO certification of the other business units (oil mills and plantations)

Business Unit	2011	2012	2013	2014	2015	2016	2017
	1	2	3	4	5	6	7
Sg. Jernih Business Unit							
Nak Business Unit							
TRP Business Unit							
Lapan Kabu Business Unit , Segamaha Business Unit							
Telok Sengat Business Unit , Segaria Business Unit,							
Sugut Estates Business Unit							
Loagan Bunut Business Unit & Kanowit Business Unit							
PT Dendy Marker Business Unit							

The company had decided to change it time line due to the fact that they had not sold their property in Indonesia PT Dendy Marker. During the time RSPO audit was carried out in Sungai Jernih Business Unit they had one potential buyer who was interested to buy the property, however the deal did not go through. Therefore, the company decided to include PT Dendy Marker Business Unit to the timeline and schedule the aforesaid property to be audited in 2017 until and when the property is disposed off. The company has also decided to postpone RSPO audit for Trong Business Unit to 2013 due to the number of estates and stakeholders involved.

The certification plan developed by the company is quite challenging but the company has made good progress to date where at least one unit is undergoing assessment. The group is planning to bring its entire certification unit to certification by 2017. The company has good infrastructure and resources as well as commitment from top management in making the plan a reality. SGS is in the opinion that the plan made is reasonable and achievable.

4. PREPARATION FOR THE EVALUATION

4.1 Schedule

The Evaluation was preceded by a discussion on the logistic planning with Boustead personnel. This is important to ensure that sufficient time is allocated to allow coordination among team members.

4.2 Team

The table below shows the team that conducted the pre-assessment.

Table 5: Audit Team Resume

Audit Team	Brief Resume
Team Leader	Salahudin Yaacob, MPhil. Salahudin Yaacob has postgraduate degree in Environment and Natural Resources management currently head Natural Resources certification programme in SGS Malaysia. Trained as a botanist, the team leader has gathered more than 10 years of auditing especially in the forestry sector. As a lead auditor in forest management

	management and chain of custody of forest products, he is well versed in certification process and management of certification scheme. Undergone formal auditing training under RSPO and involved in at least 5 assessment against RSPO P&C.
Lead Auditor	Abdul Haye Semail, B.Sc. Abdul Haye is a forester by profession with nearly 15 years experience in forest harvesting and plywood industry. As a trained assessor, he has been involved in forest certification and chain of custody for the last 4 years. Trained by RSPO for auditing against RSPO P&C and involved in a number of plantation assessments and inspection of palm oil mill.
Auditor	James Ong, B.Agric Sc. presently working as an agronomist in SGS (M) Sdn Bhd Agriculture Services Division. He has many years experience in agriculture sector in Malaysia having worked in estates as well in the agrochemical and fertiliser industry. He is well versed with agrochemical and fertiliser applications. Has undergone ISO and RSPO Lead Auditor training and involved in a number audits on oil palm plantations.
Auditor	Norashikin Rasikon, B.Sc., holds a degree in forestry, has been involved in certification for the last three years, and has trained under the ISO system and chain of custody evaluation. Currently entrusted in preparing documents for certification system and responsible for maintaining records and report in compliance to accreditation requirement under various certification schemes.
Trainee Auditor	Ahmad Hamdi Mat Yusoff is a graduate in Environment Management from Universiti Pertanian Malaysia. Hamdi have more than 4 years experience in environmental research and monitoring activities pertains to EIA studies and Environmental management Planning. Has undergone the necessary ISO 14000 Lead Auditor course and has gathered substantial auditing experience pertaining to forest certification and RSPO supply chain.

5. THE EVALUATION

The evaluation was conducted in the steps outlined below.

5.1 Stakeholders Notification & Consultation

Following RSPO standard procedures, a public announcement and stakeholder consultation was made at least four weeks prior to field assessment. A wide range of stakeholders was contacted four to inform them of the evaluation and seek their views on relevant oil palm plantation management issues. The stakeholders contacted include environmental and social interest groups, local government agencies and authorities, workers' unions and the local community leaders.

Stakeholders that were contacted prior to the assessment are as listed in Table 5.

Table 6: List of Stakeholders contacted

Group Category	Number contacted
Local community leaders	18

Authority/Government agencies	22
Businesses	13
NGOs	16

Notes: Complete list of the stakeholders contacted are available from SGS.

During the assessment, meetings and discussions were also held with relevant stakeholders including workers' union leaders, member of the alliances, contractors as well as relevant municipal and other authorities. Issues raised by the stakeholders and the corresponding SGS responses are as listed in Appendix 1.

5.2 Field Assessment

The steps for conducting main assessment are as outlined below.

5.2.1 Opening meeting

An opening meeting was held at Sungai Jernih POM, Sungai Jernih Estate, Pahang, on 21 March 2011. The scope of the evaluation was explained and schedules were determined. A record was kept of all personnel who attended the meeting.

5.2.2 Document review

A review of the documentation and management of both the oil mill and the estates was conducted to evaluate the adequacy of coverage of the RSPO P&C MYNI 2010 requirements. This includes the verification of available detail document of policies, management plans, systems, procedures, instructions and controls.

5.2.3 Field assessments

Schedule for field visits were determined during the opening meeting after briefing given by the Boustead management. Focus of the visit was to sample the implementation of management practices and procedures.

Field assessments aimed to determine how closely activities in the field complied with documented management systems and RSPO P&C MYNI 2010 requirements. Interviews with staff, operators and contractors were conducted to determine their familiarity with and their application of policies, procedures and practices that are relevant to their activities. A carefully selected sample of sites was visited to evaluate whether practices met the required performance levels.

As a part of an effort to cover more areas, the verification team sometimes splits and works independently. The areas visited on daily basis were as tabulated in the below table:

Table 7: Audit Field Visits

Date	Area visited	Notes
21 March 2011	Opening meeting at Boustead Sungai Jernih mill Document review Visit to Sungai Jernih mill	Briefing on the estate and mill management given by the managers. Documents for review were made available. Visit to the ramp, mill, boiler, POME treatment area
22 March 2011	Visit to Ladang Tabung Tentera Terengganu (LTT-T) Estate,	Review of documents and visit to the following activities/area:

	Kemaman	<ul style="list-style-type: none"> ○ Harvesting area, chemical spray, manuring ○ Line sites, waste disposal ○ Interview with workers, contractors and local community leaders ○ Boundary demarcation, over planted area, replanting areas ○ Chemical storage <ul style="list-style-type: none"> ○ HCVs, riparian ○ Workshop, store, clinic
23 March 2011	Visit to Bebar Estate	Areas covered include clinic, local communities, educational forest areas, riparian, line sites, replanting etc.
24 March 2011	Visit to Sg Jernih Estate	
	Closing Meeting	Preliminary results of the assessment were presented to the Boustead Plantations management recommending the Unit for certification.

5.2.4 Summing up and closing meeting

At the conclusion of the field evaluation, preliminary findings were presented to company management at a closing meeting held on 24 March 2011. Findings made highlighted compliance and non-conformance to the RSPO requirement.

6. EVALUATION RESULTS

Results of the evaluation are tabulated below. The findings made under each criterion are discussed where non-compliances are raised against individual indicator of the MYNI 2008.

Non-Compliance to the RSPO requirement is categorised as follows:

Table 8: Level of Non-Compliance based on RSPO requirement

Level of Non Compliance	
Minor CAR	The management system applied complies with parts of the requirement or the system was inconsistently implemented. Improvements are required.

	<ul style="list-style-type: none"> ▪ Minor non compliance to the stated requirement ▪ Inconsistencies in documentation and implementation ▪ Will not prohibit recommendation for certification
Major CAR	<p>The management system failed to comply with the requirement or the written policy, procedures etc were not implemented.</p> <ul style="list-style-type: none"> ○ Major non conformance resulting in breakdown of the whole system ▪ Major failure in documentation and implementation ▪ Will prohibit recommendation for certification

6.1 Findings related to the general MYNI 2008

Summary of the assessment findings under each criteria were presented to the company management at a closing meeting. Follows are detailed findings that described the compliance and non-compliances (raised as a CAR) under each criterion.

PRINCIPLE 1:	Commitment to transparency
Criterion 1.1	Oil palm growers and millers provide adequate information to other stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in appropriate languages & forms to allow for effective participation on decision-making.

Boustead Group has a website for promotion of its products. The website also contains brief information about the company's corporate structure, its policy and management objectives.

During the assessment, it was observed that the company has compiled a list of local stakeholders that may be relevant to the company's operation including local communities, local authorities and NGOs.

Boustead has a Consultation and Communication Procedure that define the responsibilities and actions required for receiving, recording and responding to enquiries and requests from international and local stakeholders. The Mill and each estate manager is designated as the personnel that is responsible for providing information, getting feedbacks and responding to stakeholders.

Internally, any complaints received from employees/workers are dealt through JCC Committee which includes management and worker's representative. Procedurally, complaints received will be minuted in the worker's committee meeting and actions taken within 10 working days.

Each estate and mill maintains a "Complaint Register Book" for recording verbal and written communications. The audit team review comments/complaints received and the management responses which were in hard copies.

Sg Jernih palm oil mill located at Sungai Jernih only sources FFB from its own estates that are currently being evaluated. The mill does not purchase FFB from outgrowers or smallholders. Overall, managers and supervisors maintain a certain degree of knowledge of RSPO requirements, but further dissemination and awareness are needed. Management also demonstrated a high commitment to the RSPO process.

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

The standard requires that the following documents are publicly available:

- Land titles/ user rights
- Safety and health plan
- Plans and impact assessment relating to environment and social impacts
- Pollution prevention plans
- Details complaints and grievances
- Negotiation procedures
- Continuous improvement plans

It was observed during the assessment that the company has clear land titles on all the land / estates involved. Some standard operation procedures are also available, for example the OPC and MOM documents. Some information pertaining to the company's management is available on the website.

However, there is lack of public information on the management documents relating to the unit, it's environmental, social and legal issues demonstrating commitment towards compliance to RSPO criteria. Auditor found that there is no public information on the Boustead's holdings and its commitments towards meeting RSPO requirement in its website or annual reports. **(Minor CAR-01)**.

The Boustead Holdings website has been updated. Auditor had verified the website link <http://bea.boustead.com.my> and confirm that management documents relating to the unit, it's environmental, social and legal issues demonstrating commitment towards compliance to RSPO criteria has been uploaded and updated **(Minor CAR-01-Closed)**.

PRINCIPLE 2: Compliance with applicable laws and regulation

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

A complete list of legislation and regulations relevant to oil palm plantation management and mill operation is available. At the time of assessment, it was observed that copies of legal documents were available with the compilation of a list of applicable laws and regulations at both mill and estate levels, and a system or mechanism to trace changes in these legal requirements.

The company however does not formally identify, through an organisation chart or other method, the person at each estate responsible for monitoring changes in the laws and for communicating such changes down the line **(Minor CAR-02)**.

Mechanism to track legal changes is available and the Sustainability Team is responsible to disseminate changes to the estate/mill management. At Estate level Boustead Holdings has appointed personnel for the dissemination of the changes. For e.g LTT-T Estate the Estate Manager, Mr Anthony Jones is the responsible personnel for the dissemination of the changes. **(Minor CAR-02 Closed)**

Observed that the company has valid licenses and permits for both mill and estate operation. These licenses and permits are posted on the wall as part of procedures to monitor its validity period.

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

There are clear land tenureship documents for all estates under the group, as below.

Table 9: Land Tenureship

Estate Name	Land Legal Status
Sungai Jernih Estate	Ownership currently under Boustead Rimba Nilai Sdn Bhd. PT 882 (2.383 ha) and PT 4532 (349 ha) Both titles are meant for agriculture use. Prior to acquisition the properties were under LKPP Perwira Sdn Bhd. The renaming of the company to Boustead Rimba Nilai Sdn Bhd was 13 March 2002.
Ladang Tabung Tentera-Terengganu	Ownership currently under Boustead Rimba Nilai Sdn Bhd. for agriculture use under Surat Hakmilik Sementara, valid until 2054. <ul style="list-style-type: none"> ○ HSD 1273; PT1018(P)– 595.4 ha ○ HSD 2122; PT110(P) – 357.1 ha ○ HSD 820; PT 58(P) – 509.9 ha ○ HSD821; PT843(P) – 493.7 ha <p>The land was previously under Perwira Plantations Sdn Bhd, but has been transferred to Boustead Rimba Nilai Sdn Bhd. Sales and a purchase agreement between the two companies is available. Evidences of annual land tax payment (bil cukai tanah, parit dan taliair) on the land are also available.</p>
Bebar Estate	Current ownership of the land belongs to CIMB Trustee Berhad for the following: No Hakmilik PN 5265; Lot 1326 – 63.5 ha No. Hakmilik PN 5264; Lot 1327, 1328 & 1329 – 2,221.9 ha No. Hakmilik PN 5263; Lot 406 – 47.89 ha The land is only authorized for the purpose of planting oil palm.

Current activities on the land complied with legal landownership title where it was specifically spelt out that the land is to be planted with oil palm.

Estate boundaries are clearly marked by legal boundary stones. All sensitive boundaries that are critical in nature e.g. state land boundary and buffer zone are marked.

However, some areas are overplanted at LTT-T Estate (e.g. 50 ha planted on Felda land) and unclear land ownership at Bebar Estate (e.g. Boustead Plantations management rights, not Boustead Rimba Nilai) in lands not legally owned by the company (**Major CAR-03**). Clear top management decision and procedures are not in place to handle the areas to ensure that the fruits are not harvested and processed in the Sg Jernih mill.

Auditors have received evidence and documents stating that BEASB top management Director of Operations-Plantation has issued letters to the Managers of Ldg Sg Jernih (12th & 13th April 2011) , LTT-T (5th & 6th April 2011) and Ldg Bebar (5th & 6th April 2011) to instruct the withdrawal of harvesting and all other related works on the overplanted areas. Estates have marked and erected signs stating not to do any estate operation in those areas (**Major CAR-03-CLOSED**).

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

All plantations were established in the 1970s/80s without diminishing the legal rights, or customary rights, of other users in the vicinity at the time of planting.

In LTT-T Estate, after a survey carried out by an agronomist, it was found that the company is overplanting of about 50 hectare of land belonging to Felda. The company has taken action to notify Felda but no clear resolution has been achieved.

PRINCIPLE 3: Commitment to long term economic and financial viability

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

Each estate and mill prepare annual budget for each financial year that include detail expenditure allocations for:

- Capital expenditure
- General charges
- Expenditures for upkeep, maintenance and operation within the mature and immature areas

The budget or allocation is made according to the area statement, yield statement, availability of machinery and equipment as well as the workforce. Budgets included limited allocations for social and environmental/ biodiversity conservation programmes.

The detail area statements include land area in each field, record of previous year harvest, and estimate for the current year. Various levels of maps for each estate indicating the estate legal boundary and blocks are available. The rivers and streams within the estates were marked together with the access road and other infrastructures.

Crop production is monitored on a block-by-block basis for individual estates and a feedback mechanism is in place to analyse crop production trends supporting continuous improvement.

Crop production in LTT-T for Year 2010 (12 months) averaged at 15.93 metric tonnes per hectare as against 16.05 metric tonnes in Year 2009 registering a decline of 0.75%. This is mainly due to the cyclical downward trend pattern as experienced across the region.

Yields in LTT-T have been generally lower as against determined benchmark yields which is due to the following factors:-

- 1) Topography of the estate with undulating to hilly terrains
- 2) Low soil fertility factors such as acidic conditions with low soil CEC interactions

The Agronomist, Dr. Tasren Nazir Mahamooth in his Agronomic Report "Oil Palm Manuring Recommendations 2011 – Tabung Tentera Trengganu Estate" under Page 8 – Item 5. Soil Analysis Results had highlighted that soil pH samples taken from inter-rows of selected blocks ranged from pH 3.43 to 3.96 which is considered acidic and low in CEC (hardcopy of extract is attached). To correct this, since mid-2009, the management had embarked on improving the soil organic matter by implementing inter-palm frond stacking and directed application of fertilizer on frond heaps. This method is expected to improve overall soil fertility and thus improve yields. The management is optimistic that yields in LTT-T will improve significantly in 1 to 2 years time with improved agronomic practices and sound management inputs. In comparison with Year 2009, crop production in Year 2010 (12-months) has improved slightly in the younger fields (PM 01 to PM 04) generally but reduced significantly in older fields (PM 94 & PM 95) which diluted overall average crop for the year. The historical yield records taken from BAARMis Benchmark Yield for the 12-months (Jan to Dec) is attached which can be summarized as follows:

<u>Field</u>	<u>Range</u>	<u>Year</u>
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Metric ton per ha

PM 01	14.41 to 17.84	2010
	12.94 to 18.37	2009
PM 02	13.15 to 20.97	2010
	11.66 to 17.64	2009
PM 03	15.39 to 18.98	2010
	13.90 to 19.49	2009
PM 04	12.50 to 15.99	2010
	11.62 to 15.39	2009
PM 94	14.08 to 14.71	2010
	19.32 to 19.87	2009
PM 95	14.80 to 24.79	2010
	18.10 to 32.62	2009

They are also aware of the economic implications with low yields and as such the management had been prudent in managing cost on operations. With higher FFB sale proceeds, LTT-T had been returning profitable nett returns on its operations. Anticipating higher yields in the near future and with sustaining CPO price levels, LTT-T remains a profitable investment for the Company.

PRINCIPLE 4: Use of appropriate best practices by growers and millers:

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

The company has the following management document that described the procedures for specific activities and the plantation and the mill:

Mill SOP is available in Mill Operation Manual (MOM) & QAM (Quality Assurance Manual) while the Boustead estates have a file known as OPC (Oil Palm Circular) that is used as an equivalent SOP for the various operations in the estate.

It was observed that the procedures are adequately implemented in the field. There are records (include in smallholders) available to provide evidence of monitoring of relevant activities. However, there was no system and records on monitoring of effectiveness of SOPs at the mill and estates (**Minor CAR-04**).

Observed that some documents (additional procedures, HSE manual etc) are not adequately controlled where there was no reference number or date on the document to ensure that only latest or updated documents are used at all location (**Observation-01**).

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

The annual fertilizer recommendations are provided by the agronomists of Applied Agricultural Research (AAR) unit. Prior to fertilizer recommendations, leaf samples are collected annually. Soil samples are collected periodically at the depths 0-15cm and 15-45cm from palm circles and inter-rows. The soil health and nutrient

status were monitored by analyzing pH, organic carbon, and total nitrogen, total and available phosphorous, exchangeable Potassium, Magnesium and Calcium, and CEC. Historical analysis of soil can be traced way back to 2007. The types of fertilizer recommended are Ammonium Nitrate, Muriate of Potash, Borate, Rock Phosphate and Kieserite. Fertilizers recommended by the Agronomist are applied to the palms accordingly. For example, in 2011, palms in field PM 1989B Ammonium Nitrate at 1.25 kg were recommended to be applied per palm per application and was confirmed in records that an equivalent of 1.75 kg of Ammonium Chloride was applied after taking into account the Nitrogen % of the fertilizer.. In general, a good record of fertilizer applied is available in the estate office.

Nevertheless, logistic delays in supplying fertilizer by the suppliers were also reported in 2009 due to variation in pricing of fertilizers in the global market.

To improve soil fertility, the pruned fronds in the harvesting operation are piled along the inter-rows. The frond stacks decay at a natural rate and not only ensure that nutrients are slowly returned to the soil but also ensure soil structure is maintained by organic matter input. Substantial oil palm feeder root mass was observed under the frond piles. Moreover frond piles reduce the soil erosion in the field. The returning of pruned fronds to the oil palm field reduces fertilizer usage. The agronomist has considered the return of nutrients from the leaf tissue in their recommendation and nullified the requirement of putting additional inorganic nutrients to replace nutrient from fronds.

Another approach observed during field audit visit was the establishment of ground cover using leguminous plant *Mucuna bracteata*. The method of establishing the leguminous cover plant again supports the oil palm replanting environment by reducing the soil erosion, accumulation of organic litter and fixation of nitrogen to the soil by the nitrogen-fixing bacteria at the immature stage of palm growth.

The FFB supplying estates of Sg. Jernih POM adopted zero burning policy during the replanting. The old palm trunk were felled, chipped and buried at more than 2m.



Photo 2: The old palm trunk were felled, chipped and buried

The method claimed to be part of reducing *Oryctes rhinoceros* beetle (RB) damage, thus reducing the chemical usage in the immature stage. The replanting contract was viewed at the time of audit visit and it has included the non-burning clause and procedure (Contract No. LB/ALL /01-2011).

The palm oil mill effluent (POME) is transferred to Sg. Jernih estate field using a pipe and applied to the palms in the inter-rows by sprinkler system. Nevertheless, Boustead has plans to develop a composting plant to compost EFB and POME is used as the source of nutrient enrichment and bacterial activity for decomposition in the system. Empty fruit bunch (EFB) is currently applied to the field. Records are available as part of monitoring the EFB applied to the field e.g. in Feb 2011 PM86D 1/PM 86 AA.

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

Boustead has standard operating procedures on practices to minimise erosion control and degradation of soils. Field audit visit provided evidences of minimising erosion control through the practices of cutting terracing, pruned frond piling, developing silt traps along the roads and planting of ground cover plants at immature stage. The company practices palm circle spraying, that enables to maintain ground grass cover in most of the estate's mature fields of Bebar and Sg Jernih Estates are undulating to gentle sloping in nature. The terrain in LTT-T estate is generally undulating to hilly, which standard estate practice of minimising soil erosion and degradation are as follows:



Photo 3: Frond piles places along the edge of the contour terraces

- a. The planting terraces of replanting fields were planted with legume cover crop and established well.
- b. In mature areas, the policy of maintaining non-competitive "soft weeds" in the inter-rows was well established. Frond heap stacks and "soft weed" rows (harvester paths) provide a significant ground cover minimising the exposure of soil to erosion.
- c. In steeper areas, planting terrace has been constructed along contour and frond piles were observed to be placed along the edge of the contour terraces. The stop bunds were also established at periodic intervals along the contour terraces.
- d. Roads are maintained and compacted on a regular basis. Annual budget is given for road maintenance. The contract with contractors (Contract number LB/ALL/07-2011) indicates the roads were resurfaced and graded according to contract.
- e. In LTT-T, Guatemala grass was grown on slopes for slope erosion control.

In addition to the above Boustead had developed the policy (Polisi Perlindungan Cerun & Zon Penampan Sungai) that provides guidance for steep slope protection and stream and river buffer zones. The policy also described that terrain of slope $> 25^\circ$ will not be replanted. The buffer zones were mapped and marked on the ground. It was also observed that no spraying or manuring would be carried out within the buffer zones areas.

Soil maps are available and individual estates is using such information to develop management responses to erosion control. Soil maps available in the estate verified that there is no peat in the 3 FFB supplying units. Since there are no peat areas, subsidence of peat monitoring through a water

management programme is not applicable.



Photo 4: Terraces of replanting fields were planted with legume cover crop

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

The operations within estates visited have minimum impact on water resources based on the fact that most areas are with matured palm. In areas where replanting is being carried out measures have been undertaken to minimise water erosion. Rainfall is also being monitored and records are kept.



Photo 5: Manual de-creeping of *Mucuna* was done on the young palms along the buffer zone.

In Ladang Bebar - Buffer zone marked along the watercourses. No spraying was done and manual de-creeping of *Mucuna* cover crop was done along the buffer zone.

The final discharge of the effluent of the mill is monitored and analysis of the standard parameters like BOD, COD, SS, NH₃, pH and temperature is monthly sampled and sent to Felda Palm Industries Sdn Bhd, Makmal Analisa, Bukit Goh, 26050 Kuantan, and Pahang for analysis. Quarterly, the results are sent to the Department of Environment as legal compliant procedure.

In the estates, outgoing water into main natural waterways is also monitored and analyzed for BOD, COD, SS and NH₃ once in 3 months. The number of sampling points obtained along the waterways for the estates ranges from 4-10.



Photo 6: Vegetation maintained along the waterways reducing erosion



Photo 7: Spraying avoided along the buffer zones area

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

In all the estates evaluated, some elements of IPM have been observed. The estates monitor major pest such as *Oryctes rhinoceros* beetle, leaf eating caterpillars and rats. The introduction of biological control is being promoted and the use of Barn Owls for rat control is also being encouraged. As for leaf eating caterpillars, some attempt has been made to establish beneficial and parasitoid host plants e.g. *Tunera subulata*, *Cassia cobannensis* and *Antigonon leptopus*.

Use of aggregation pheromone to control *Oryctes rhinoceros* beetle was also observed in the replant fields to monitor its population. However when the population of the pest reaches the threshold level, chemical intervention is exercised. In Ladang Bebar, Cyperact 16 is used in PR09 and PR10 to control *Oryctes rhinoceros* beetle. In LTT-T, rat bait usage showed an increase as barn owl nest occupancy is still low. Monitoring of usage is available in terms of litres per ha although eventually the estate is required to monitor the quantity of active ingredient (a.i). used per ha. Integrated implementation of IPM needs to be maintained.





Photo 8: Use of aggregation pheromone in the replant fields to monitor *Oryctes rhinoceros* beetle population

Photo 9: Presence of nest boxes on poles control to attract Barn Owls for biological rat control

A whole series of training and awareness raising activities have to be scheduled for all estates where this is concerned. To attain full compliance an IPM programme has to be systematically developed and proof of targeted implementation has to be provided. Biological control is being practiced as described above and signage showing the prohibition of hunting of certain animals and discouraging hunting altogether.

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 the national Best Practices 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.

SOPs are available both in the estates and in mill in the local language. These SOPs include agrochemical usage for pest and disease control, harvesting, frond pruning, store management and most of the operations related to the estate or the mill.

List of chemicals used is available. Detailed records of use are maintained in all evaluated estates and management is aware of active ingredients used.

It was noted that there was a need to improve the documentation of inventory and the implementation of triple rinsing procedure of empty chemical containers prior to its disposal (Minor **CAR-05**)

CHRA on workers were carried out and report available. There is availability of information on chemical, its usage and hazards but there is inadequate effort to provide such information in appropriate languages that are easily understood by the workers.

Chemical mixing and application is thoroughly supervised. Sprayers are not allowed to mix chemicals. The mixing is done by estate supervisory management staff and transported to the field for application. The sprayers are briefed on safety and spraying techniques before beginning any task, are appropriately protected, and are knowledgeable in emergency response. Knapsack sprayers are used with appropriate nozzle size to ensure effective ground level spraying.

The spray teams seem to be adequately trained in both spraying techniques and are aware of consequences of inappropriate handling of chemicals.

All agrochemicals used are on the official registered as required by the Malaysian Pesticides Act 149 (1974).

Chemical storage is observed to be satisfactorily according Malaysian Occupational Safety, Health, and pesticide regulatory requirements.

Material safety data sheets (MSDS) are available for all chemicals stored and the relevant personnel are well versed in the information contained in these sheets. Chemical waste is minimal and management ensures that any waste is appropriately disposed of by appropriate management staff.

All workers associated with chemical spraying are screened for exposure effects annually. And no women workers are used for spraying activities.

Detailed records of chemical use are maintained in all evaluated estates and management is aware of active ingredients used. However, there was evidence of use of paraquat but the usage in Ladang Bebar has been reducing yearly. In LTT, paraquat usage has been eliminated since 2009.

The management procedure is such that a complete set of records are maintained for all pesticides used on a hectare basis.

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

The company has documented policy and SOPs for occupational health and safety, but better quality control is required. Safety signs in the mill are adequate, but more signs for reducing speed limits on the estates are needed. The level of risk assessment carried out at each estate is consistent and training on awareness was adequate in regard to health and safety concerns.

Observations made at the three sites visited showed that implementation of health and safety procedures are consistent. For example, there is emergency contact and contingency procedure posted at the work site for spraying.

Observations made at the Sg. Jernih oil mill showed proper procedures and good practices.

It is observed, accident and emergency information is made available at the worksite including proper training on the use of first aid. In addition, records of OSHA meetings is consistently maintained and submitted to the authorities.

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

Internal training plans for the year 2011 were viewed for safety and health related operations, emergency responses, chemical management and handling, cultivation practices, workshop and vehicle maintenance of the estate management and contractor's workers. The trainings so far conducted are as follows;

1. Chemical Management and handling
 - a. Triple rinsing of chemical containers in LTT-T (23rd March 2011)
 - b. Training on how to use personnel protective equipment in LTT-T (PPE) (6TH April 2011)
 - c. Training on repairing of knapsack sprayers in LTT-T (6th April 2011)
2. Agricultural cultivation practices
 - a. Integrated Pest Management (IPM) on leaf eating caterpillars, ants, rats, rhinoceros beetles and Ganoderma basal stem rot in LTT-T (23rd March 2011).
3. Environmental practices in LTT-T (23rd March 2011)
 - a. Recycling of domestic waste of plastics, glass bottles, aluminum tin cans and paper.
 - b. Schedule waste and pollution prevention in workshop
 - c. Fertilizer empty bags
 - d. Clinical waste

There is a daily briefing by the supervisors or assistant manager during the Master Call for workers prior to commencing work, whereby workers are reminded of OSH requirements and their PPE checked. However, training requirements for contractor's workers is not established.

However, it was observed that there were inadequate provision of training to the staff, workers and contractors as planned. Training plan is available but it is not implemented. There is no evaluation on the effectiveness of training conducted as well (**Minor CAR-06**).

The estate has updated their training programme and there are documented and pictorial evidence of attendance. Some of the training conducted at LTT-T was on IPM, Use of PPE and the safe use of Knapsack sprayer, and the triple rinsing procedure. The estate (e.g. Sg Jernih Estate) provide a Q&A to the workers as a method to evaluate the effectiveness of the training (**Minor CAR-06-Closed**)

PRINCIPLE 5: Environmental responsibility and conservation of natural resources and biodiversity

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

As described in the earlier part of this report, all plantations being evaluated were established (or acquired) prior to the enforcement of EIA regulation. As such, there was no formal EIA were done for any of the area. Boustead has established Plantation Management Plan (PMP) for all estates that containing description on the environmental aspects of the operation, its mitigation measures and monitoring regime.

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

Some of the estates being evaluated border Forest Reserves and other natural areas which evidently support wildlife (i.e. elephants, wild boar). The company is fully aware of this and has erected a few signs to warn other that hunting is prohibited. Electric fences are also erected along some boundaries with forests to prevent elephants from encroaching into planted areas.

The management plans identifies and list all the RTE species surviving within the estate areas, as well as those in the surrounding landscape. These plans showed long-term commitments in terms of funding and management with conservation SOPs formally documented.

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

The company maintains a register of waste streams produced from its operations and takes measures to reduce overall pollution. Waste generated at the palm oil mill is reused for composting and as biomass feedstock for boilers.

Scheduled waste disposable is being managed and estate units maintain records of used oil collected and recycled.

Effective recycling and maximization of EFB and POME application was observed in the estates. The POME from the mill is pumped to the field and applied along the inter-rows using a series of sprinklers. The programme will cease once the composting plant is in operation.

Domestic waste is now identified as the source of pollution. However, the domestic waste including tyres, plastics, bottles, papers was found being dumped to landfill without segregation (**Minor CAR-07**).

In addition, there are inadequate oil trap systems constructed in some estates (**Observation-02**).

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

The Sg. Jernih mill uses fibre and shell as biomass fuel for the boiler to generate electricity and for the processing of oil palm Fresh Fruits Bunches (FFB). The mill also monitors the renewal energy use from FFB input and total steam consumption.

The usage of fossil fuels was also recorded in the oil mill. The diesel consumed for the year 2010 was on per ton FFB processed was 3.25 liters of diesel per ton FFB or 15 liters of diesel per ton CPO. High diesel consumption was observed on low cropping season of January and February 2010 due to insufficient fibre and shell. Estate also monitors the diesel consumption on per ton FFB basis. E.g. Bebar Estate consumed diesel equivalent to 4.5liters per ton FFB.

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 Guidance or other regional best practice.

In line with legal procedure and best management practices, Boustead does not use fire in plantation management. Old palm trees felled prior to replanting were chipped and buried. Waste generated in the office and line sites were collected and dumped into designated landfills. The company has a zero burning policy and clears matter by physical means. Domestic waste is not burned. There is no evidence of use of fire for burning waste or during replanting.

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

Documented plan that identify the sources and to mitigate pollution and GHG emission activities has established.

Assessment of polluting activities has been carried out also in reducing pollution and emissions. Pollution activities, plan for reduction and awareness is integrated in the Environmental Management System. Effective implementation should be monitored.

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

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.

All the three estates and the mill have documented SIAs conducted by external consultant. The social impact assessment is carried out through consultation with stakeholders to identify potential impacts and plans for mitigation measures to be taken to control negative impacts.

The estates and mill set up Joint Consultative Committee (Jawatankuasa Perundingan Bersama) and Gender Committee. In all estates, records showed that the Joint Consultative Committee plans quarterly meetings yearly. Attendance list signed by all attendants is kept in the file. Meeting minutes in local language (Malay), include welfare, health and safety of workers, sexual harassment, use of PPE and awareness on maintenance of clean and healthy environment. Similarly, the Gender Committee in these estates also plans to have quarterly meeting. Records showed that during the meeting of this committee, among the issues discussed are sexual harassment,

harassment, women's welfare and activities to be carried out for 2011 proposed.

In LTT-T, several meetings with stakeholders had been conducted. For example, meeting dated 5th August 2010 was conducted with stakeholders. Issue discussed was briefing on RSPO compliance, estate's progress and activities, explanation on complaint procedure and other issues related to estates. Minute of meeting was made available during the audit and kept in file.

Auditor had met leader of Kampung Jenang Baru (Pak Ali). Kampung Jenang Baru is located at boundary of the estate. According to Pak Ali, there is no issue between the villagers and estate. Some of the older villagers work with estate and most of the young generation prefer to work in town rather than in estate.

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

A comprehensive list of stakeholders is maintained and a grievance procedure is in place to deal with complaints. The company places boxes throughout the mill and estates for suggestions and maintains records of consultation with stakeholders.

In all estates, they have established complaint panel committee to handle all stakeholders' issues and complaints. The committee is chaired by estate's manager.

The company maintains records of complaints made by stakeholders (particularly workers) and there were also evidence of communication with the surrounding villagers.

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

The company maintains a complaints and grievance procedure that is specified in its SOP documentation.

Sg. Jernih oil palm mill has established complaints and grievances procedure (Flowchart and Procedure on Handling Social Issue dated July 2010 Issue 1). This is including any complaints made by external parties as well. The complaint and grievances mechanism had been discussed with all stakeholders during the meeting on 20th March 2010 and had been agreed by all affected parties.

Observed complaint records in Bebar Estate and found that they had system in resolves disputes in an effective, timely and appropriate manner. All action taken had been informed and accepted by complainer.

Discussions and interviews during the assessment revealed no major issues with workers or the surrounding communities.

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.

There have been three cases of encroaching of planting oil palms beyond the designated title boundary. The first incident was observed at LTT-T, where the results of recent land boundary survey by registered surveyor indicated that two parcels of land 5.65 ha (PM04) and 46.64 ha (PM94) were planted with oil palm encroaching the State land. Historically, the land were planted with oil palm by the previous owner and replanted by the

Boustead without knowing that the land were not legally belongs to the company. While waiting for formal respond from the Land Office, the Estate Manager has taken measures to issue a directive to all parties to stop all operation within the two pieces of land. The letter dated 5 April 2011 from the Director of Operations stated that the withdrawal of harvesting operation from the encroached land. The letter on 6th April 2011 again a letter was issued by the Director of Operations on the submitting an application with the surveyed map for Temporary Occupation License (TOL) at Land Office.

The second incident is at Bebar Estate, overplanting of palm to another public listed plantation owner Lam Soon, which Boustead had withdrawn from encroached boundary from all activities through the letter given by the Director of Operations on 5 April 2011.

The third incident is in Sg. Jernih Estate whereby 1.8 hectares was overplanted with oil palm along jungle fringes. Trenches were cut within the land to demarcate the boundary after re-surveying the boundary with registered surveyor. A letter was issued by the Director of Operations on 13th April 2011 to withdraw all activities there and allow the natural vegetation to grow in the encroached planted area.

Boustead has taken sufficient action plans to mitigate the situation of encroachment of planting oil palm beyond the title boundary and there were no compensation claims from the relevant stakeholders at this juncture. However, it is a requirement to develop a procedure for compensation and negotiation claim in the event of any claim arises in future.

The local communities were employed by the management to work in the plantation as security guards and office workers. The nearby communities has the standard Jawatankuasa Kemajuan dan Keselamatan Kampung (JKKK), that meet once a month to discuss and act on any issues brought by the member of the community. The estate management maintain close rapport with the leaders and consider issues brought by the JKKK leaders are official complaints where action will be taken.

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.

There are proper terms and conditions for the employment of workers that are documented. A clear and transparent remuneration system is in place with an employment agreement for individual workers.

Workers are provided with fringe benefits, such as attendance allowance, product incentive, commission, tall palm allowance, tool allowance, vacation pay, holiday pay, sick pay, and overtime.

Company had signed agreement with MAPA (MAPA/AMESU Agreement, 2006), MAPA/NUPW Field, Other General Employees, and Fringe Benefits Agreement, 2007.

Auditor had checked sample of payslip in Sg. Jernih mill and found that the payment details, deductions and leave or holidays taken are clearly stated. Basic wages for mill workers are based on MAPA circular plus price bonus determined by MAPA as well.

Payment for contractor's workers also had been sampled and found that they had been paid based on the agreed pay. No evidence of delayed payment had been done.

Interviews with workers in the field and in the mill did not reveal any dissatisfaction with working conditions or pay.

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 the law, the employer facilitates parallel means of independent and free association and bargaining for all such personnel.**

The company does not provide restriction for workers to form workers union. Management statement of freedom of association is publicly available in local language. Workers are subjected terms and conditions of employment.

It was observed that some workers are members of the National Union of Plantation Workers (NUPW) or MASEU.

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.**

The mill and estates maintain a complete register of workers with details of each individual, including date of birth. There was no evidence of under age (below 16 years) workers employed in the mill or estates. Boustead does not employ persons under 16 years old. Personal information of workers showed that all workers are above 16 years old.

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.**

There are evidence that the company does not engage or support discrimination based on race, caste, national origin, religion and gender. So far there was no allegation of discrimination was observed.

All the three estates have established a policy on equal opportunities, known as the 'Deklarasi Kesamarataan Hak Ladang Sg. Jernih, dated from January 2010.

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.**

The company has documented its policy on sexual harassment and displays it at a number of locations in the office and estate premises. A complaints and grievances procedure and mechanism is in place, with additional procedures on the prevention and eradication of sexual harassment and violence. There have been no cases of harassment against women.

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

Boustead palm oil mill only processes FFB sourced from its own plantations, so the company does not deal with smallholders and all operations within the estates are carried out by the company.

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

Evidences of contribution and consultation with local communities are available.

For workers, the estates provide free housing and electricity with plans to subsidise water supply in the future. At LTT, the estate donated 5 hampers to Jabatan Bomba for their programme associated with the Orang Asli and cash donations for other activities. In addition, LTT-T organizes events and activities for workers.

The Bebar Estate made donations for the Police Football competition in April 2010 and to schools (i.e. Sekolah Kebangsaan Muadzam Jaya).

PRINCIPLE 7: Responsible development of new plantings

Criterion 7.1 A comprehensive and participatory independent social and environmental impact assessment is undertaken prior to establishing new plantings or operations, or expanding existing ones, and the results incorporated into planning, management and operations.

This Principle is not applicable as all Boustead plantations in Pahang and Terengganu were all planted since the 1970s. The lands are either purchased from other companies or developed by the Group since the 1970s. Currently, the company only carries out extensive replanting in all the estates.

Criterion 7.2 Soil surveys and topographic information are used for site planning in the establishment of new plantings, and the results are incorporated into plans and operations.

Not applicable. All estates have been planted since 1980s.

Criterion 7.3 New plantings since November 2005 have not replaced primary forest or any area required to maintain or enhance one or more High Conservation Values.

Not applicable

Criterion 7.4 Extensive planting (to be determined by SEIA) on steep terrain, and/or on marginal and fragile soils, is avoided.

Not applicable

Criterion 7.5 No new plantings are established on local peoples' land without their free, prior and informed consent, dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions..

Not applicable

Criterion 7.6 Local people are compensated for any agreed land acquisitions, relinquishment of rights, subject to their free, prior, and informed consent and negotiated agreements.

Not applicable.

Criterion 7.7 Use of fire in the preparation of new plantings is avoided other than in specific situations, as identified in the ASEAN Guidance or other regional best practice.

Not applicable.

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

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

Boustead Rimba Nilai Sdn Bhd as a plantation company has demonstrated commitment to continuous improvement. As an established plantation company, Boustead monitors its performance through a number ways particularly through biannual visits carried out by the plantations adviser. Over the years the company has recorded reasonably good results in terms of crop production. Biological control is also implemented such as planting of beneficial plants like *Turnera subulata*, use of aggregation pheromone for rhinoceros beetle control and monitoring and the use of barn owls to reduce rats. Insect and rat surveys have been conducted to determine their effectiveness and determine how the reduction of pesticides can be realized.

The situation in the estates indicate that Boustead, though committed to improving its operations, is still at a stage where integration of RSPO principles has not been formalised and fully communicated to the production level.

Relevant to the requirement of the MYNI 2008, the following elements (which have been elaborated in the respective sections):

- Environmental impact evaluation done (refers C5.1)
- Pollution prevention plan (refers C5.6) and monitoring and review of activities.
- Social impact assessment documents (refers C6.1), monitoring and review of activities and their impacts on local communities.
- There is on going effort to minimize use of pesticides (refers C4.6).

The management showed proactive in documenting and implementing monitoring programmes for each estate.

The group is making effort in recycling and minimizing waste. The EFB and POME produced are being used as a base material for making compost which is being re-used in the mill.

Internal audits are conducted where reports are available as part of its improvement process. Boustead continuously make improvement in techniques and procedures. Continuous cooperation with experts allows continuous improvement particularly in the environment and social management. The group continuously strives to improve the livelihood of communities where it operates.

7. CHAIN OF CUSTODY

As described in the earlier sections of this report, Fresh Fruit Bunches (FFB) produced by the plantation are transported to and processed at Sg. Jernih mill which is located within the Sg. Jernih Estate in Pahang. The mill with a moderate capacity of 30 metric tonne FFB per hour receives and processes only raw materials from Boustead estates subjected to this evaluation.

From the three plantations – Sg. Jernih, Bebar and Ladang Tabung Tentera - the FFB are delivered by trucks where details on the delivery documents allow traceability of the fruits to a group of harvesting blocks in each district or sector. Records of FFB deliveries and input into the processing line are well maintained by the company. Similarly, records of CPO and palm kernel output are also maintained on a daily basis.

As far as chain of custody is concern, the mill (and the plantation) currently does not have a document standard operation procedures (SOP) that identify the critical control points (CCPs) and described the method used in identifying, segregating and recording at each point identified. The document also need to identify the person in charge (or the management representative) responsible for the implementation and maintenance of the whole system and ensuring its integrity.

The mill now has four CPO storage tanks to store CPO produced. The company also maintains clear records of incoming and outgoing through stock control. All CPO are dispatched to buyers via truck / tanker with proper sales and delivery documents in place. Each truck / tanker was properly sealed prior to leaving the mill. The seal number is recorded in the delivery document together with the volume and the buyer's name.

8. ISSUANCE OF NON-COMPLIANCE

1 Major CAR, six Minor CARs and two observations were issued as a result of the assessment. The non-conformances are as tabulated under section 12 of this report.

Boustead has prepared a Corrective Action Plan for closing Major CAR and addressing the identified Minor Nonconformities and observations. SGS has reviewed and accepted Boustead's Corrective Action Plan.

The Major CAR and 3 Minor CARs had been closed.

9. ASSESSMENT DECISION

With no outstanding Major CAR, the Boustead Plantation Bhd's management of Sg Jernih Palm Oil Mill and its supply base estates in Pahang and Terengganu, Peninsular Malaysia, is now recommended for the certification against the RSPO P&C MYNI 2010. The issues highlighted as Minor CARs must be adequately addressed and the adequacy of the actions taken will be verified during the first surveillance visit to be conducted within 12 months from the date of assessment.

10. ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY AND FORMAL SIGN-OFF OF ASSESSMENT FINDINGS

It is acknowledged that the assessments cited in this report have been carried out as stipulated and we confirm the acceptance of the assessment report contents including assessment findings.

Signed on behalf of:

BOUSTEAD RIMBA NILAI SDN BHD (346457-W)

Signed on behalf of:

SGS MALAYSIA SDN BHD (10871-T)



Mr. Chow Kok Choy

Director of Operations-Plantation



Mr Kenny Looi

Division Manager

11. RECORD OF STAKEHOLDER COMMENTS AND INTERVIEWS

As described in the earlier sections of this report, letters were sent to stakeholders as apart of process for informing them on the assessment to be carried out as well as a mechanism to solicit comments. During the assessment, discussion and consultation were held with a number of agencies, communities, workers etc. Follows are the comments/issues received or highlighted by the stakeholders and responds from the audit team:

Nr	Comment	Response
Main Evaluation		
1	Complaints of dogs within housing estates	The estates identified the owners of the dogs. Discussion was arranged and notice letters were issued to remind the owners not to allow the dogs to stray into the housing linesite.
2	Procedure for "naik pangkat" (promotion)	Documented procedure for promotion available. It depends on parameters like yearly performance evaluation, seniority and years of service.

12. RECORD OF CORRECTIVE ACTION REQUESTS (CARS) AND OBSERVATIONS

RECORD OF CORRECTIVE ACTION REQUESTS (CARS)

Organisation:	Boustead Rimba Nilai Sendirian Berhad Sg Jernih Business Unit	Project Nr:	MY02410
Assessment:	Main assessment against RSPO P&C MYNI 2010	Date:	24 March 2011
Lead Assessor:	Salahudin Yaacob	Auditor:	Abdul Haye Semail James S H Ong Norashikin Rasikon Ahmad Hamdi Mat Yusoff

CAR #	Indicator	CAR Detail					
01	1.2	Date Recorded	24/03/2011	Due Date	1 st surveillance	Date Closed	24/06/2011
Non-Conformance:							

CAR #	Indicator	CAR Detail					
		Lack of public information on the management documents relating to the unit, its environmental, social and legal issues demonstrating commitment towards compliance to RSPO criteria.					
		Objective Evidence:					
		No public information on the Boustead's holdings and its commitments towards meeting RSPO requirement in its website or annual reports.					
		Close-out evidence:					
		The Boustead Estate Agency website link http://bea.boustead.com.my has public information on Boustead Holdings commitment toward sustainability and RSPO requirement in some of its publication e.g. Boustead Holdings Berhad Plantation Division "Towards Sustainable Agriculture"					
02	2.1.4	Date Recorded	24/03/2011	Due Date	1 st surveillance	Date Closed	24/06/2011
		Non-Conformance:					
		The person responsible for tracking changes in legal system and communicating it through the Unit is not formally identified.					
		Objective Evidence:					
		Mechanism to track changes is available, however no specific personnel identified to be responsible and system to communicate the changes through the Unit.					
		Close-out evidence:					
		BEASB has issued a letter CKC/AASI/haya dated 18 th April 2011 to implement an flow chart plan to track changes in legal system. In addition a flow chart showing the Dept and the Estate personnel responsible for communicating the information through the Unit is identified.					
M03	2.2.1	Date Recorded	24/03/2011	Due Date	Prior to certification	Date Closed	24/06/2011
		Non-Conformance:					
		Evidence of overplanting on land does not legally belong to the Boustead group. There was no clear management resolution to handle such areas.					
		Objective Evidence:					
		Some areas of over planting in LTT-T, Bebar and Sg Jernih. These areas are not legally belongs to the company. Clear top management decision and procedures are not in placed to handle the areas to ensure that the fruits are not harvested and processed in the Sg Jernih mill.					
		Close-out evidence:					
		BEASB top management Director of Operations-Plantation issued letters to the Managers of Ladang Sg Jernih (12 th & 13 th April 2011) , LTT-T (5 th & 6 th April 2011) and Ladang Bebar (5 th & 6 th April 2011) to instruct the withdrawal of harvesting and all other related works on the overplanted areas. Estates have marked and erected signs stating not to do any estate operation in those areas.					
04	4.1.2	Date Recorded	24/03/2011	Due Date	1 st surveillance	Date Closed	
		Non-Conformance:					
		There was no system and records on monitoring of effectiveness of SOPs at the mill and estates.					
		Objective Evidence:					
		No system for monitoring and improvement on SOPs.					
		Close-out evidence:					
05	4.6.3	Date Recorded	24/03/2011	Due Date	1 st surveillance	Date Closed	
		Non-Conformance:					

CAR #	Indicator	CAR Detail					
		Inconsistent inventory and implementation of triple rinsing and perforation of chemical containers prior to disposal.					
		Objective Evidence:					
		Storage for scheduled waste are available but require improvement in documentation (inventory) and triple rinsing procedures are not consistently implemented.					
		Close-out evidence:					
06	4.8.1	Date Recorded	24/03/2011	Due Date	1 st surveillance	Date Closed	
		Non-Conformance:					
		Inadequate provision of training to the staff, workers and contractors as planned.					
		Objective Evidence:					
		Training plan is available but not implemented. No evaluation on the effectiveness if training conducted.					
		Close-out evidence:					
		Provision of training to the staff, workers and contractors updated as planned. Documented evidence of training available. Evaluation was done in the form of questionnaire (e.g Sg Jernih Estate)					
07	5.3.2	Date Recorded	24/03/2011	Due Date	1 st surveillance	Date Closed	
		Non-Conformance:					
		Domestic waste are disposed at land fills but not properly segregated					
		Objective Evidence:					
		Organic and inorganic waste from the line sites, office and garden refused are dumped together in the land fill despite availability of programme and facilities for segregation and recycling.					
		Close-out evidence:					

RECORD OF OBSERVATIONS

OBS #	Indicator	Observations Detail					
		Date Recorded	24 Mar 11	Due Date		Date Closed>	
01	4.1.2	Non-Conformance:					
		However, some documents (additional procedures, HSE manual etc), are without quality control where it has no reference number, not dated and no clear management responsibilities					
		Objective Evidence:					
		Close-out evidence:					
02	5.3	Non-Conformance:					
		Oil traps are constructed but in some estates were found to be inadequate (Observation-02).					
		Objective Evidence:					
		Close-out evidence:					
		Non-Conformance:					
		Objective Evidence:					
		Close-out evidence:					