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**Roundtable on Sustainable Palm Oil**

**Public Summary Report**

Report no.: 18501830

Certification assessment against the  
RSPO Principles & Criteria Malaysia National Interpretation year 2008

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

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## 1.0 SCOPE OF CERTIFICATION ASSESSMENT

### 1.1 National Interpretation Used

The operations of the palm oil mill and its supply base of FFB were assessed against the Malaysia National Interpretation 2010 of the RSPO Principles & Criteria.

### 1.2 Type of Assessment

The main certification assessment was carried out on one mill and 3 company owned estates under Sg. Segama Group of Estates (SSGOE), Hap Seng Plantations (River Estates) Sdn. Bhd. owned by Hap Seng Plantations Holdings Berhad (HSPHB).

### 1.3 Location and Maps

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

Name of mill / estate	Location	GPS locations	
		Latitude	Longitude
Bukit Mas (BM) Mill	Jalan Jeroco, Lahad Datu Sabah	5°20' 14.28"N	118°28'25.104"E
Bukit Mas (BM) Estate	Jalan Jeroco, Lahad Datu Sabah	5°19'01.928" N	118°27'46.294" E
Sungai Segama I (SS1) Estate	Jalan Jeroco, Lahad Datu Sabah	5°19'02.421" N	118°27'47.331" E
Sungai Segama II (SS2) Estate	Jalan Jeroco, Lahad Datu Sabah	5°19'02.421" N	118°27'47.331" E

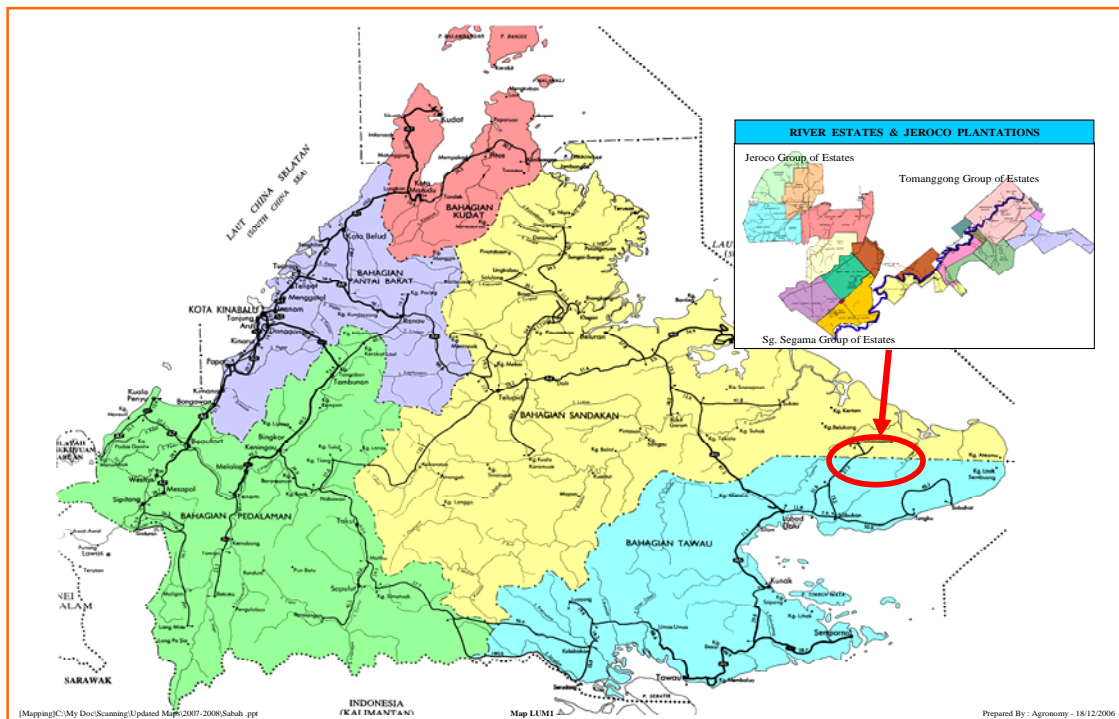


Figure 1: Location of Sg. Segama Group of Estates within Hap Seng Plantations Sdn. Bhd. River Estates and Jeroco Plantations in Sabah, Malaysia

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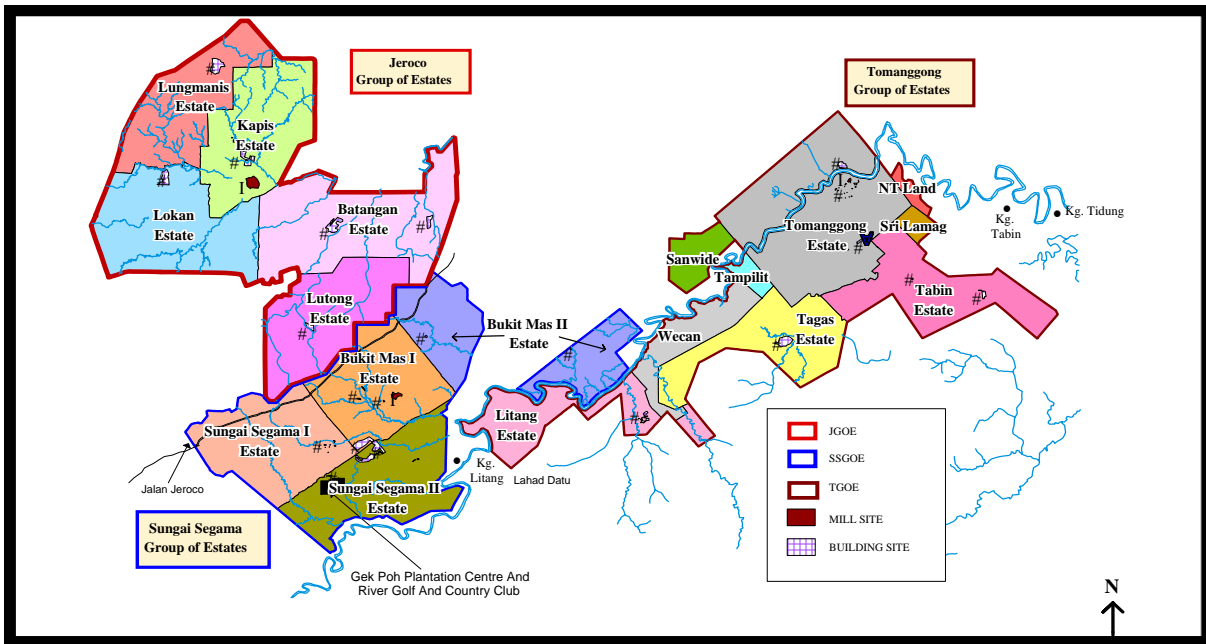


Figure 2: Estate map of Sg. Segama Group of Estates (SSGOE) relative to other groups of estates under Hap Seng Plantations Sdn. Bhd.

## 1.4 Description of Supply Base

Bukit Mas Palm Oil Mill is one of the palm oil mills that is owned by Hap Seng Plantation Holdings Berhad located in Lahad Datu, Sabah Malaysia. Bukit Mas Palm Oil Mill was established in 1998 with a production capacity of 288,000 mt/year or 45 tonnes/hour according to the mill's license from the Malaysian Palm Oil Board (MPOB) No. 500254304000. Bukit Mas Palm Oil Mill receives supplies from its 3 company-owned estates, as described below. The scope of this assessment only covers the 3 company-owned estates under Hap Seng Plantations (River Estates) Sdn. Bhd., Sungai Segama Group of Estates, which are Bukit Mas Estate, Sungai Segama 1 and Sungai Segama II estate.

Table 2: FFB Supply Information for Bukit Mas Palm Oil Mill for Year 2010 and January to May 2011

FFB Contributors	FFB supplied January-December 2010		FFB supplied January-May 2011	
	Tonnes	%	Tonnes	%
<b>Company owned estates:</b>				
Bukit Mas Estate	102,558.53	51.88	47,563.23	48.83
Sungai Segama I Estate	45,968.57	23.25	23,914.07	24.55
Sungai Segama II Estate	46,305.10	23.42	21,776.11	22.36
<b>Sub-total</b>	<b>194,832.20</b>	<b>98.55</b>	<b>93,253.41</b>	<b>95.74</b>
FFB from other estates under Hap Seng Plantations & outgrowers	2,867.19	1.45	<b>4,153.67</b>	4.26
<b>TOTAL</b>	<b>197,699.40</b>	<b>100</b>	<b>97,407.08</b>	<b>100</b>

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### 1.5 Dates of Plantings and Replanting Cycles

The company follows a replanting cycle of 25 years. Information on the dates of plantings is as per the table below.

**Table 3: Age and year of plantings of company estate supplying to Bukit Mas Palm Oil Mill**

Year of Plantings	Oil palm planted area at each estate(ha)		
	Bukit Mas estate	Sg. Segama I	Sg. Segama II
2005 - 2008	-	-	35.8
2000 - 2004	6	-	234.4
1994 - 1999	4231	44	1133.8
1991 - 1993	21	2351.5	703.5
<b>TOTAL</b>	<b>4258</b>	<b>2395.5</b>	<b>2107.50</b>

**Table 4: Planned and actual oil palm replanting activities for Sungai Segama Group of Estates, Hap Seng Plantations Sdn. Bhd.**

Year	Total planned replanting area (ha)	Total planned replanting area for each estate (ha)			Actual total area replanted (ha)
		Bukit Mas	Sungai Segama I	Sungai Segama II	
2016	385.00	-	385.00	-	-
2017	948.00	-	948.00	-	-
2018	948.00	-	948.00	-	-
2019	796.00	21	72	703	-
2020	884.50	-	-	884.50	-

### 1.6 Other Achievements and Certifications Held

**Table 5: Details of other certifications or awards held by Bukit Mas Palm Oil Mill**

Name of mill / estate	Certification Standard / Award achieved	Certification Body / Awarder	Date Achieved
Bukit Mas Palm Oil Mill	Best Quality CPO Supplier	IOI Edible Oils Sdn. Bhd.	2010

### 1.7 Organizational Information / Contact Person

Contacts details of the company are as follows:

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<b>Company Name:</b>	Hap Seng Plantation (River Estates) Sdn. Bhd., Subsidiary of Hap Seng Plantation Holdings Berhad
<b>Address:</b>	Jalan Jeroco Km 65. Lahad Datu, Sabah Office Address: MDLD 2052B, Executive 1, Taman Executive, Mile 1. Jalan Tengah Nipah, Locked Bag No. 5, 91109Lahad Datu, Sabah. Malaysia
<b>Contact Person:</b>	Liew Voon Kheong
<b>Telephone:</b>	+603-2172 5347/ +6089-617677
<b>Email:</b>	liewvk@hapseng.com.my

### 1.8 Description of Company History and Environment

#### 1.8.1 Company History

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

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

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

The total title area is 10 321 Ha. 9906.4 ha are under SSGOE whilst the balance 414.58 ha belongs to another groups of estates under Hap Seng Plantations Holdings Bhd. which is Tomanggong Group of Estates (TMGOE). The land title number CL 095316340 (total title is 1434.00 ha) is shared between Bukit Mas Estate (SSGOE – 1019.42 ha) and Litang Estate (TMGOE – 414.58 ha).

Sungai Segama Group of Estate also has their MPOB license No. 502429-602000 for Segama estates, CL 095317605,7614,6340 Kinabatangan, Sabah (total area 10,321.00 ha) valid from 01-08-2006 to 31-07-2011. The license has almost expired at time of audit and was in progress for renewal.

Bukit Mas Palm Oil Mill (BPOM) was commissioned in 1998 to process the Fresh Fruit Bunches (FFB) from Sungai Segama Group of Estate. The location of Bukit Mas Palm Oil Mill is inside of Bukit Mas estate. The mill has an operating license from MPOB i.e. MPOB 500254304000 valid from 01 April 2011 to 31 March 2012.

The company has been an RSPO member since 2 September 2005 under the name Hap Seng Consolidated Berhad. The company's name has since changed to Hap Seng Plantations Holdings Bhd. with current membership number 1 0098 11 000 00.

#### 1.8.2 Description of Estate Environmental Parameters

For its operation, Sungai Segama Groups of estate is divided into 3 estates to facilitate their plantation management, i.e. Bukit Mas Estate, Sungai Segama I and Sungai Segama Estate II. The following table is a summary of the plantation environment and surrounding stakeholders.

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**Table 6: General information on Hap Seng Plantation (River Estates) Sg. Segama Group of Estates.**

1.	Company Location	Hap Seng Plantation (River Estate) Sdn. Bhd. Jalan Jeroco Km 65. Lahad Datu Sabah <b>Office Address:</b> MDLD 2052B, Executive 1, Taman Executive, Mile 1. Jalan Tengah Nipah, 91109, Lahad Datu, Sabah, Malaysia
	Geographical location	As explained above.
	Location of local government admin office	Lahad Datu Sabah Malaysia
2.	Surrounding stakeholders	
	Stakeholders located at north boundary of plantation	Jeroco Plantation Sdn. Bhd and Litang Village
	Stakeholders located at east boundary of plantation	Tomanggong Estate
	Stakeholders located at south boundary of plantation	Segama River
	Stakeholders located at west boundary of plantation	Jeroco Plantation
3.	Total Land Area	9906.4 ha
4.	Land Condition	Flat, Undulating until Hilly
5.	Soil type	Alluvium, peat, mudstone, sandstone, ultrabasic and igneous Rock.
6.	Köppen climate classification	Group A (Tropical/megathermal climates)

### 1.9 Time Bound Plan for Other Management Units

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

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

Name of Holding	Location	Time bound plan for certification
Tomanggong Palm Oil Mill and Estate	Lahad Datu	2012
Jerocco Palm Oil Mill and Estate	Lahad Datu	2012

### 1.10 Area of Plantation (Total, Planted and Mature)

**Table 7: Oil Palm Planted Area Summary, FFB Production and Average yield/ha for Hap Seng Plantation (River Estate), Sungai Segama Group of Estate.**

Estate Name	Total area (ha)	Oil Palm Planted area (ha)	Mature (Production) area (ha)	Immature (Non-production) area (ha)	FFB Production* (tonnes)	Average yield/ ha
Bukit Mas	4732.9	4258.0	4258.0	-	102,558.53	24.09
Sg. Segama I	2,578	2395.5	2395.5	-	45,968.57	19.19
Sg. Segama II	2,595.5	2107.5	2,104.5	3	46,305.10	22.00
<b>TOTAL</b>	<b>9,906.4</b>	<b>8,761.0</b>	<b>8758.0</b>	<b>3</b>	<b>194,832.20</b>	<b>22.25</b>

Source: Sg. Segama Group of Estate Area Statement for Year 2010

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**Table 8: Land use data for Sungai Segama (River) Estates Group**

Estate Name	Total area (ha)	Oil Palm Planted Area (ha)	HCV/ Potential HCV areas* (ha)	Land used for other purposes (ha)			
				Building, Housing, Road	Nursery	Cleared Area	Other Land
Bukit Mas	4732.90	4258.00	5.1	351.70		-	118.10
Sg. Segama I	2,578	2395.5	-	161.8	2.4	-	18.30
Sg. Segama II	2,595.5	2107.5	13.7	169.60		-	304.70
<b>TOTAL</b>	<b>9,906.04</b>	<b>8761</b>	<b>18.8</b>	<b>683.1</b>	<b>2.4</b>		<b>441.1</b>

Source: Sungai Segama Group Budget for the year 2010

### 1.11 Approximate Tonnages Certified

CPO and PK actual production in 2010 was as follows:

Crude Palm Oil (CPO) : 41,705.05 mt

Palm Kernel (PK) : 9,802.73 mt

Average actual Oil extraction rate (OER) for year 2010 is 21.09% and average actual kernel extraction rate (KER) is 4.95%

The approximate tonnages certified are based on the actual CPO and PK production for year 2010 from company owned estate, is as follows.

**Crude Palm Oil (CPO) : 41,090 mt**

**Palm Kernel (PK) : 9664 mt**

### 1.12 Recommendation for Certification

Bukit Mas Palm Oil Mill and its 3 estates supply base have 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 Malaysian National Interpretation version 2008.

TUV Rheinland Malaysia recommends that Bukit Mas Palm Oil Mill be approved as a producer of RSPO Certified Sustainable Palm Oil.

### 1.13 Date of Certificate Issued and Scope of Certificate

The scope of the certificate covers production of palm oil from Hap Seng Plantation (Rivers Estate) Sdn. Bhd. and its supply base, which includes Bukit Mas Estate, Sungai Segama 1 estate, Sungai Segama II estate. The date of certificate issued is 24 May 2012. Further details of the certificate are as per Appendix 1.



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### 2.0 ASSESSMENT PROCESS

#### 2.1 Certification Body

TUV Rheinland Malaysia Sdn. Bhd. 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 360 locations in 62 countries on all five continents. TUV Rheinland Malaysia offers certification for a wide range of management systems according to established international standards including ISO 9001, ISO 14001, OHSAS 18001, SA 8000, as well as CDM Project Validations. TUV Rheinland Malaysia's office is located in Subang Jaya, Selangor, Malaysia.

#### 2.2 Qualifications of Lead Assessor and Assessment Team

Name	Position	Qualifications / Experience
Dian S. Soeminta	Lead Auditor	<p><b>Education:</b> Bachelors Degree in Forestry - Bogor Agriculture Institute. Indonesia, (1990 to 1995).</p> <p><b>Trainings attended:</b> 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; Chain of Custody training for FSC System. RSPO Lead Assesor training on March 2011, Pro Forest-Wild Asia, Kuala Lumpur.</p> <p><b>Working experience:</b> 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.</p>
Fadli	Auditor	<p><b>Education:</b> Bachelor of Anthropology, Department of Anthropology - University of Indonesia, Jakarta.</p> <p><b>Trainings attended:</b> Sustainable Natural Production Forest Management (Pengelolaan Hutan Alam Produksi Lestari - PHAPL) assessor training (May 2003); Forest Plantation Management (August 2003) training - Indonesian Ecolabel Institute (LEI), Forest Management and Agriculture Auditor Training; ISO 9001:2008, ISO 14000:2004, OHSAS 18001:2007 trainings - Smartwood/Rainforest Alliance; SA8000 training - SA International; RSPO Lead Auditor Training - Indonesian Palm Oil Commissions.</p> <p><b>Working experience:</b> Experienced as lecturer for D3 Tourism program, University of Indonesia. Social Aspect Auditor of PT. TUV International Indonesia for Sustainable Forest Management and RSPO Principles &amp; Criteria. Researcher of Stakeholder Mapping With CSR Indonesia.</p>
Rahmawati Noor	Auditor	<p>Bachelor of Chemical Engineering, Sriwijaya University Palembang and Master of Occupational Health and Safety, University of Indonesia, Jakarta.</p> <p>Trainings attended: RSPO, Jakarta, 13-18 July 2009, Komisi Minyak Sawit Indonesia. Lead Auditor for ISO 9001, ISO 14001 and OHSAS 18001 since 2001 in PT. TUV International Indonesia, and has audited more than 100 companies. Involved in ISO 9001, ISO 14001 and OHSAS audits for several palm oil plantations and mills. Since 2007, involved in CDM validation projects for several palm oil mills in Indonesia. Had 5 years experience as environmental consultant for PT. Dames and Moore Indonesia, prior to working for PT. TUV International Indonesia.</p>

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Carol Ng	Expert	<p><b>Education:</b> Bsc. Biotechnology &amp; Bsc. Environmental Management - Monash University.</p> <p><b>Trainings attended:</b> RSPO Malaysian National Interpretation Requirements and Certification – SIRIM; Implementation of RSPO Principles &amp; Criteria - QA Plus; RSPO Stepwise Support Programme; 2nd Biodiversity Seminar – RSPO; Certification Body Biodiversity Forum &amp; Workshop – RSPO; Environmental Quality Act 1974 (DOE) and ISO9001:2008 QMS Conversion Requirements (TUV Rheinland).</p> <p><b>Working experience:</b> Experience in implementing sustainable practices in Sime Darby plantations to comply with RSPO requirements, performing RSPO internal audits and implementing sustainability projects. Prepared training materials and conducted several RSPO requirements trainings and workshops to plantation management teams (2008).</p>
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### 2.3 Assessment Methodology

The certification assessment was conducted between June 27 and July 01, 2011 as per the assessment program below. The assessment was carried out in accordance with TUV Rheinland Malaysia'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 3 estates and 1 mill were visited and the assessment team carried out field and document assessments of compliance to all the RSPO principles and criteria. Common systems were identified and specific evidence was recorded for individual estates. Interviews were conducted at all estates and the mill.

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

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### Main Assessment Agenda.

Date	Location/ Main sites	Main activities/site visited
<b>27.06.2011</b>		
10.00-12.30	Plantation Central Office	Stakeholder consultation
14.00-15.00	Plantation Central Office	Opening Meeting Presentation from Hap Seng Management regarding company's performance
15.00-17.30	Estates Central Office	Document checks by all auditors
<b>28.06.2011</b>		
08.30-10.30	Plantation Central Office	Document checks: Land titles and tax payment Migrant worker documents, worker employee provident fund (EPF) and Social Security (SOCSO) All relevant SOP for plantations
10.30-14.30	Bukit Mas Estate	Interview with female workers Field checks of implementation of Good Agriculture Practices
15.30-18.00	Segama I estate	Checks of chemical store, fertilizer store, and central workshop
	Sungai Segama I estate	Housing area in Sungai Segama 1 estate
	Sungai Segama II estate	Central waste landfill in Sungai Segama Estate 2
	Bukit Mas and Sungai Segama I estate	Checking boundary stone in Bukit Mas Estate and Sungai Segama 1 estate.
	Segama I estate	HCV 6 area in Sungai Segama 1 estate
	Litang Village	Visit to Litang Village, discussion with head of village
<b>29.06.2011</b>	Bukit Mas estate	HCV 1.4 forest area; HCV 4.1 water catchment pond, Riparian river buffer zone of Litang Kecil river and Sungai Litang Besar.
	Sungai Segama I	Bukit Kibos protected area.
	Polyclinic	Polyclinic activities, accident report, waste
	Genset housing	Fossil fuel consumption, waste handling
	Housing Sungai Segama	Housing facility, interview with worker families
	Sungai Segama I estate	Interview with harvesters Good Agriculture Practices Environmental management practices & OSH implementation
<b>30.06.2011</b>	Bukit Mas Mill	Mill site visit: FFB reception, engine room, boiler room, effluent treatment pond, scheduled waste store, chemical stores, checks of environmental management practices & OSH implementation
		Workers interview
		CPO/PK production data
		Mill documents checks
	Sungai Segama II estate	HCV area
		Good Agriculture Practice
		Environmental & OSH implementation
		Migrant worker issues
<b>01.07.2011</b>	Head office	Land legal ownership documents
		Company's management plan
		Corporate responsibility implementation
		Children workers issue and woman workers
		Preparing for closing meeting
		Closing meeting and presentation of findings
		End of main assessment program
<b>02.07.2011</b>		Traveling to Lahad Datu, KL and Indonesia

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To verify closure of some of the major nonconformities raised, a on-site reaudit of the company was done on 27 April 2012, as the per the following agenda:

### Reaudit Agenda

Date	Location/ Main sites	Main activities/site visited
<b>27.04.2012</b>		
7:00-10:00	Estates Central Office	Opening Meeting Review of documented evidence for closure of Major Nonconformities 2011-01 of 13 and 2011-13 of 13: - Records of process to legalize foreign workers - Records of collection of chemical containers - Records of application to DOE and local contractor requesting for collection and disposal of clinical wastes - Namelist of workers as evidence of no underaged workers employed
10:00-12:00	Bukit Mas estate & Sg. Segama II estate	Site visits: - Estate landfill is SSII estate sighted during certification audit (now closed) - 2 <sup>nd</sup> landfill at Bukit Mas estate (now closed) - Current landfill at Bukit Mas estate - Estate clinic - Empty chemical containers store - Chemical containers washing area - Observation of field workers to check for underaged workers

### 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, out-growers, 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 at the Hap Seng Plantation Central Office training room on June 27, 2011. 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 Sungai Segama estates and Bukit Mas Oil Palm Mill.

The stakeholder consultation meeting held with stakeholders during the audit was extensive and productive, with an attendance of 33 participants. 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 March 2013.

**3.0 ASSESSMENT FINDINGS**

**3.1 Summary of Findings**

During the certification assessment, a total of 13 nonconformities were identified, of which 3 nonconformities were assigned against a Major Compliance indicator while 10 nonconformities were assigned against Minor Compliance Indicators. 22 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 Principles & Criteria Malaysian National Interpretation year 2008.

***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 procedure for request of information management i.e. HSPSB P2 1120 issued on November 29, 2010. The procedure was made for all relevant stakeholders that wish to request for information including workers, government agencies such as MPOB, and so on. In the procedure, it was explained that all incoming information through phone calls, walk in, mail or email will be received by company's staff, and it will be reported to estate assistants before it is reported to the higher level management who will decide whether the information will be issued or not. All incoming information is recorded on a form. There are some notes in a log book on September 23, 2010 from a stakeholder who walked in requesting information on the estate's grading system for FFB harvesting. A verbal response was given directly. Other information requested includes information pertaining to OSH, plantation management practices such as manuring and beneficial plants at estates within the Sungai Segama group.

**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:**

As informed by company's management that there are some documents made available to the public based on stakeholder requests, and these documents include land titles, safety and health plan, plans and impact assessments relating to environmental and social impacts, pollution prevention plans, details of complaints and grievances, negotiation procedures, and continuous improvement plans. The procedure to request information is as per the company's documented procedure no. HSPSB P2 1120.

As a publicly listed entity, the company makes annual performance reports for all subsidiaries under Hap Seng Plantations Holdings Berhad. Information stated in the annual report include financial highlights and financial statements, chairman statements about company's performance review, production and yield performance reports and outlook, including current years prospects, best practices of corporate governance, Corporate Social Responsibility (CSR) plans which cover activities on environment aspects, programmes for local communities, and OSH plan. There is also attached information in the annual report about company's properties which includes information about all land titles and other information related to land tenure.

**Compliance status: Full compliance**

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

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### Findings:

There is evidence of actions taken by the company to comply with applicable legal requirements. For example:

- The estate have licenses from the Malaysian Palm Oil Board (MPOB) for selling and transport of FFB, valid until 31 July 2011 and application for updated licenses was being done at time of audit. The mill has MPOB license for selling, transport and storage of CPO, FFB, PK & sustainable palm oil (SPO) valid until 31.03.2012.
- All estates and the mill have business licenses valid until 31 Dec 2011.
- Bukit Mas mill has a license from the Department of Environment for occupation and usage of the prescribed premise.
- Estate have permits to purchase specified quantities of diesel and petrol from the Domestic Trade Ministry of Lahad Datu.
- All estates have permits to purchase specified quantities of methamidophos. Sample records show that purchases of this chemical is made in accordance with the permit.
- The mill has valid certificates of fitness for all boilers, sterilizers, steam back pressure receiver, vertical steam separator, softener tanks, air receivers.
- The estates and mills have valid licenses for self installation of electricity supply (genset).
- Written permission from Department of Environment (DOE) for Effluent Treatment System and land irrigation of treated mill effluent dated 15 April 2008.
- License no. 001190 dated March 09, 2011 for land application operation from DOE Sabah.

There is evidence of regular visit at the mill by DOE and Department of Occupation Safety and Health (DOSH) officers with recommendations recorded in a log book, with no records of legal non-compliance noted by the offices.

However, some inconsistencies in compliance to legal regulations were still found, such as:

- 1) At least 3 workers, two from the mill and one from the estate were found with invalid work permits.
- 2) No collection of empty chemical containers as per Environmental Quality Act (EQA) Scheduled Waste Regulations 2005 by a licensed contractor or alternative appropriate disposal method. Empty chemical containers were also found in the estate landfill. Open burning of medical waste (e.g. used syringes, used cotton wool and small medicine bottles) is carried out at the clinic.
- 3) It was found that some accidents were not reported to the Department of Occupational Safety and Health (DOSH, or JKPP in Malay) as required by the Occupational Safety and Health Act 1994 (Act 514) Regulation 10 Part III, which states that occupational accidents must be recorded in form JKPP 6 and JKPP 8 and reported to the nearest DOSH office. However, the JKPP 6 forms were only submitted for accidents where insurance claims were made, but not for accidents in which no insurance claims were made.

The estates have a Register of Legal and Other Requirements, however the register does not include the list of legal requirements pertaining to employment, e.g. Employment Act 1955, Immigration Act 1959, Workmen's Compensation Act 1952, Children & Young Person Employment Act 1966, Employee Provident Fund Act 1991, Employees Social Security Act 1969, etc.

The estates have an SOP for checking and updating changes in Legal Requirements, where the plantation advisor is the appointed responsible person for monitoring legal requirements. Register of Legal and Other Requirements Applicable to Palm Oil Estates prepared for Financial year 2011, which includes applicable legal requirements e.g. Environmental Quality Act and related regulations, Occupational Safety Act, Sabah Land Ordinance and others. However the register does not include the Drainage & Irrigation Ordinance 1956 (Sabah) or list of legal requirements pertaining to employment, e.g. Employment Act 1955, Immigration Act 1959, Workmen's Compensation Act 1952, Children & Young Person Employment Act 1966, Employees Provident Fund Act 1991, Employees Social Security Act 1969.

An assessment of compliance to legal requirements listed in the estate's Register of Legal and Other Requirements was also conducted, however, there was no documented action plan to comply with all identified legal non-conformities, which includes timelines for compliance and responsible persons to track progress. The assessment of legal compliance may also have not been appropriately conducted as it was indicated that the company complies with certain clauses of legal requirements where these should have been marked as non-compliant e.g. EQA Scheduled waste regulations, and Clause II.5 regarding notification of accidents and dangerous activities in the Notification of Accidents, Dangerous Occurrence, Occupational Poisoning and Occupational Diseases (NADOPOD) Regulations 2004. The company receives circulars and updates from the Malaysian Palm Oil Board (MPOB) and Malaysian



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Palm Oil Association (MPOA) on updates to changes in the requirements. Updates to employment related acts are received from the company's Personnel and Administration department, e.g. there was a memorandum dated 20 January 2011 to all estates and mills stating that Employee Provident Fund (EPF) contributions for local employees are to be increased from 8% to 11% based on requirements from the EPF Group or 'Kumpulan Wang Simpanan Pekerja' (KWSP).

It was also found on-site that there were some underaged workers. This is described further and was raised as a non-conformity under Criterion 6.7.

### **Compliance status: Non Compliance**

#### **NCR 2011-01 of 13**

There is evidence of legal non-compliances, e.g.

- 1) At least 3 workers, two from the mill and one from the estate were found with invalid work permits
- 2) There is no collection of empty chemical containers as per EQA Scheduled Waste Regulations 2005 by a licensed contractor or alternative appropriate disposal method.
- 3) Empty chemical containers were also found in the estate landfill.
- 4) Open burning of medical waste (e.g. used syringes, used cotton wool and small medicine bottles) is carried out at the clinic.
- 5) Work accidents are not reported to nearest DOSH Office through forms JKPP 6 and JKPP 8 as per OSH Act 1994 (Act 514), Regulation 10 Part III.

#### **NCR 2011-02 of 13**

The estates have a Register of Legal and Other Requirements, however the register does not include the list of legal requirements pertaining to employment, e.g. Employment Act 1955, Immigration Act 1959, Workmen's Compensation Act 1952, Children & Young Person Employment Act 1966, Employees Provident Fund Act 1991, Employees Social Security Act 1969, etc.

#### **NCR 2011-03 of 13**

- 1) An assessment of compliance to legal requirements listed in the company's Register of Applicable Legislation and Licenses was conducted, however there is no documented action plan to comply with all non-compliances, which includes timelines for compliance and responsible persons to track progress.
- 2) The assessment of legal compliance may also have not been appropriately conducted as it was indicated that the company complies with certain clauses of legal requirements where these should have been marked as non-compliant e.g. EQA Scheduled waste regulations, and Clause II.5 regarding notification of accidents and dangerous activities in NADOPOD Regulations 2004.

***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 (River estate) Sdn Bhd or Sungai Segama Group of Estate has land titles from the Land and Surveying Department of Sabah in 3 land titles license which all company's plantation for 3 estate growth inside these land title, i.e.:

Segama Group estate:

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

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While the third land title does not state any special terms, the first and second land titles state that the land is only to be used for the cultivation of agricultural crop of economic value according to good husbandry practices, and stages of cultivation were defined. The company has complied with these terms by planting the area with oil palm (an agricultural crop of economic value) and carried out plantings in accordance with the defined stages of cultivation.

Boundary stones were sighted at the border between company's estate and other land owners, as seen on the border of Bukit Mas "Litang Utara" and Unico Sdn. Bhd. area as well as a smallholder area, however some of the boundary stones are damaged, need repair and should be made more visible, such as boundary stones no. 83/108 in Bukit Mas estates and boundary stones no 983/799 in Sungai Segama I estate. The company has a program for Monitor and Maintenance of Boundary stone and Markers however the program still not implemented yet, since the program was just recently made. As determined on the program, the company will check the condition of all boundary stones and markers. If any boundary stone is found missing, the boundary stones will be replace if the actual location can be confirmed visually by plantations using boundary stone survey map, whereas the company will engage a surveyor to identify the actual location of the boundary stone and replace if the location of boundary stone is unconfirmed. 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 of all programs annually.

**Compliance status: Compliance with observations**

***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:**

Each estate has an annual budget that made a year before the current fiscal year. The information in the budget consists of: Area Statement, Production Plan (yield per ha, crop extraction rate, CPO produced) and Turnover including Revenue Expenditure, Cost of sales, Total estate overhead, Total estate expenditure and capital expenditure. Bukit Mas Estate I has a documented budget for year 2009 and 2010 and the company was in progress of establishing a budget for year 2011. As this was raised as an issue during the audit, the company prepared a complete management plan including information about budget plan for year 2011 and the following year. Since the draft budget for 2 years could be provided, this was raised as an observation.

Mill has a 5 year long term plan but only pertaining to crop distribution including FFB supply and CPO/ PK production. Annual budgets include detailed information regarding overhead expenditure, capital expenditure and revenue for year 2010. The budget does not include information about projected profit and cost planned to be achieved at both the estates and mills to be achieved within the next 2 years, and this is a potential for improvement.

There has been no replanting carried out at the estates thus far as the estate is still in its first planting cycle. The company has a replanting programme as follows:

- Replanting planned in year 2016 for 385 ha in Sungai Segama I estate, 196.50 ha at block S91A and 188.50 ha for block S91B;
- Replanting planned in year 2017 in Sungai Segama I estate, 201 ha in block S92A, 202 ha in block



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- S92B, 274 ha in block S92C, 257.50 ha in block S92D, and 13.50 ha in block S92E;
- Replanting planned in year 2018 in Sungai Segama I estate, 252.50 ha in block S92E, 226.5 ha in block S92F, 120.50 ha in block S92G and 348.50 ha in block S92H,
  - Replanting planned in year 2019 total 796 ha in Sungai Segama I estate, 72 ha in block S93A, in Sungai Segama II estate, 275 ha at block S93A, 225.50 ha at block S93B, 203 ha at block S93C, and in Bukit Mas estate 21 ha at block B93A;
  - Replanting planned in year 2020 in Sungai Segama II estate for total area of 884.50 ha, including 316.50 ha a block S94A, 320.30 ha at block S94B, and 247.80 ha at block S94C.

**Compliance status: Compliance with observations**

***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, EFB application, harvesting, bunch census and palm thinning. The mill has an SOP for Bukit Mas POM v1.0 dated 22 November 2010, which covers operations such as reception, sterilizer station, press station, threshing, oil room (clarification), kernel plant, lab, CPO dispatch, engine room, electric, workshop, vehicles, and boiler station, land irrigation and SOP for taking POME samples prior to land irrigation

Internal audits are conducted annually at estates, e.g. the internal audit report for Sg. Segama estate 1 dated 29 December 2010 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.

There is evidence that the mill maintains monitoring records of operational activities in accordance with the SOPs, eg. As sighted from sample records as follows:

- Daily FFB Reception records from all estates, including vehicle no., time in and out, year of planting, and FFB weight
- Bukit Mas Palm Oil Mill Daily Production Report for 2006-2009, including data on FFB received and processed, CPO and PK production, OER and KER, CPO and PK dispatch, CPO and PK stock, Mill shift hours, process hours and throughput, and EFB production.

**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 Bukit Mas and Sungai Segama 2 estates 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 Bukit Mas estate and Sg. Segama estates. A map dis-

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playing 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 Sg. Segama estate 1 and soil analysis results for 2009 for Bukit Mas estates were sighted. Soil parameters tested include Base Saturation, PH, N(%), Tp ppm, Ap ppm, C.E.C (meg/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 annual EFB application programmes with map of planned EFB application area. For year 2010, planned EFB application for Bukit Mas estate is 367.00 ha (35 tonnes of EFB applied per ha), and records show that applications were completed in October 2010.

The company also has policy for zero burning for replanting activities. There has been no replanting conducted at Sg. Segama estates as first planting was in 1991 and is only planned for replanting in 2016.

Bukit Mas palm oil mill carries out land irrigation of treatment mill effluent of 53.31 ha of area at block B695, where maximum BOD of irrigated effluent is 100ppm and analysis records show that this requirement for BOD as well as other chemical parameters is met. Records of total amount of treatment effluent discharged main irrigation ponds, prior to application to separate field trenches, are maintained in a log book. There is a worker responsible to carry out daily monitoring of levels of irrigation trenches to ensure there is no overflow and breakage of pipes. However, there are no records of monitoring of POME diverted into individual irrigation trenches, such as amounts and dates applied to respective trenches, records of incidents of overflow, etc. Monitoring for final discharge is conducted every month by external laboratory i.e. Lahad Datu Edible Oils Sdn. Bhd. and the last monitoring was conducted on June 22, 2011. Results for all parameters were in compliance with government standards (stated on the Environmental Quality Act) for parameters biological oxygen demand (BOD), Ammonical Nitrogen, Suspended Solids, Oil and Grease, Total Nitrogen, pH and temperature.

**Compliance status: Non compliance  
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The mill does not maintain records of monitoring of POME diverted into individual irrigation trenches, such as amounts and dates applied to respective trenches, records of incidents of overflow, etc.

**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 Bukit Mas, Sungai Segama I & II 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 Sg. Segama estates, most of company's area are categorized as flat to undulating land. The company also has slope map which shows the general topography of all estates is less than 10° slope (96.3%) while 3% of the estate area is between 10°-25° slope and the remaining area (0.7% is over 25° slope. 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. No area with significant erosion was found in the plantation area during audit time. No peat soil and no fragile soil is identified in Sg Segama 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 Bukit Mas estate and Sg. Segama 1 include road grading, road patching, new roads, maintenance of bridges, footbridges and culverts, including actual expenditure vs. budget for road maintenance (exceeded in 2010 for Bukit Mas estate). The company's area has several quarry areas which is used as a source of quarry stone for road maintenance as seen on Sg Segama II estate and Bukit Mas estate. It was observed that the company's grading and compacting program stated that until May 2010, the company planned to carry out road maintenance works for 24000 m, however actual area

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was only 22570 m and at the time of audit, the program for resurfacing of main road was still not conducted yet. Road patching was planned for 13600 m, but in actual only it had only been done for 5970 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:**

All water courses and wetlands are well protected from agrochemical application. The company has a green belt (cover crops) in along of water courses and river within the estate. It was sighted that riparian buffer zones of Litang Besar river and Litang Kecil river are in good condition. The riparian buffer zone of Segama river is also in good condition and not significantly affected by company's operation. The estate have implemented plans to reduce run-off of chemicals into rivers by marking riparian buffer zones and sprayers and manurers interviewed on-site are aware that they cannot carry out spraying or manuring at marked buffer zones. According to the estates watershed map, all watercourses in company's estate flow to Segama River. There is no construction of bunds/weirs/dams across the main rivers or waterways passing through an estate in all estates area. There is no outgoing water into main natural waterways, all waste water from mill activities is used for land application.

The company conduct regular monitoring of rainfall. There are two rainfall stations in Bukit Mas Estate i.e. in at Bukit Mas and Litang Utara area where rainfall data is collected every day. For year 2009 there was recorded 189 days with rain with rainwater volume of 1,748 mm.

Bukit Mas mill conducts land irrigation of treated mill effluent to 50 hectares of Bukit Mas estate with no discharge to nearby river. Monthly analysis of water samples taken from final discharge point to the irrigation area are conducted by an external laboratory, as well as analysis of upstream and downstream samples of the nearest river, Sikuk River. Samples of water analysis certificates show that BOD for discharged effluent is within 100ppm, and other chemicals parameters are within the standards specified in the mill's license for effluent treatment.

Water consumption for mill activities is monitored every month as part of the mill water management plan. Total water consumption in year 2010 for mill activities (processing) is 277,227,000 litres, while for domestic usage such as housing and office, water consumption is 319,553,000 litres. As such, total water consumption in year 2010 is 596,780,000 litres. As total FFB processed was 197,699.20 mt, average mill water usage per tonne FFB processed is 1402.26 litres/ mt of FFB processed. Remarks on analysis of water consumption is stated in the Monthly Performance Report, and reasons for higher water consumption (if any), is stated.

**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 caterpillars, rats, rhinoceros beetles, grasshoppers, bunch moths, etc) and diseases (including seedling 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 com-

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pany's SOP, chemical treatment of pests is 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 Bukit Mas 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 cobanensis*. 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 Bukit Mas estate, usage of the chemical Dewan (a.i. glyphosate isopropylamine), 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:

The company has written justification in Standard Operating Procedures (SOP) of all agrochemicals use on the company's Oil Palm Agriculture Policy. The SOPs include guidelines on chemicals to be used and amounts to be applied for:

I. Upkeep of Mature Oil Palms (reference document HSPHB OPAP No.9, revised on July 2009), through palm circle weeding and inter row weeding. The chemicals to be used include registered herbicides such as Glyphosate, surfactants and fluroxypyr.

II. Manuring (reference document OPAP No. 11, revised on July 2009), which states that fertilizer applications shall be based on leaf analysis results in conjunction with other field factors, such as yield, palm condition etc. The Agronomy Department is responsible for doing annual leaf sampling and fertilizer recommendations. 3 – 4 applications per year (1 corrective dose and 1 and 2 maintenance doses) shall be carried out for palms between 3-8 years old. For palm older than 8 years old, 2-3 applications per year are recommended (1 corrective dose, 1-2 maintenance dose). The fertilizer application as defined in Fertilizer Budget in Sg. Segama I, II and Bukit Mas Estates, is made according to Agronomy Department recommendation.

Pesticides selected for use are those officially registered under the Pesticides Act 1974 (Act 149) and the relevant provision (Section 53A); and in accordance with the Use and Standards of Exposure of Chemicals Hazardous to Health (USECHH) Regulations (2000). All information regarding the chemicals and its usage, hazards, trade and generic names in fertilizer and agrochemicals applied is defined in the material safety data sheets (MSDS). The MSDS in Malay language is also available.

Sprayers interviewed on-site were provided with appropriate PPE free by the company (including aprons, goggles, gloves and boots). The sprayers are required to pay for their spraying knapsack through monthly instalments for 6 months, and this was agreed with the workers as upon completion of payment, the workers own the knapsack and this is an incentive for them to take good care of their equipment. Sprayers were found to understand the associated hazards of chemicals used and safety measures. There is no formal documentation of training to workers related to all information regarding agrochemicals and its usage, hazards, trade and generic names. This was raised as an observation.

Annual medical surveillance is conducted routinely for sprayers and manurers. Medical surveillance is conducted for sprayers 2 times per year and for manurers 1 time per year and the medical surveillance

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for sprayers include blood tests. Annual medical surveillance have not been conducted yet for workshop workers, store keeper and also generator operators at the estate and some workers at the mill working at hazard places such as workshop, boiler, laboratory, and the wastewater treatment plant (WWTP). However, the company has a plan to conduct a medical check up for these workers in 2011, with evidence in the form of a letter to Chong Clinic in Tawau dated 30 June 2011 from Estate and a memorandum to the Senior Medical Assistant on 28 March 2011. From interviews with female sprayers and manurers, pregnant and breast-feeding women are not permitted to conduct spraying work, and are given other work where they are not required to handle chemicals.

The company has list of agrochemicals used, and from the list it was found there are still agrochemicals categorised as World Health Organisation Type 1A or 1B, or listed by the Stockholm or Rotterdam Conventions. These chemicals include Paraquat (Paraquat dichloride 13% w/w) and Matikus (Brodifacoum 0.003% w/w). The company has developed an action plan to cease usage of Gramoxone (paraquat) and reduce usage of Matikus (Brodifacoum) such that it is only used in case of any pest (rats) attack on the field and not for prophylactic purposes.

There is no aerial application of agrochemicals. Records of pesticide use (including active ingredients used, area treated, amount applied per ha and number of applications) are well maintained, and all records are available in all estate offices.

**Compliance status: Compliance with observations**

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

### Findings:

The company has a policy to comply with OSH legal requirements and implement it. The policy is approved by Mr. Au Yong Siew Fah (Chief Executive – Group Plantations) on 31 December 2004. The policy is made public by mounting on the office walls, whereas the employees have access to read.

An OSH Committee has been established at each estate, and includes representatives of management and workers. Every 3 months the committee conducts an OSH meeting to discuss work related safety issues and meeting minutes are maintained. Safety committee comprises of Head of Committee, Assistant Head, secretary, employer representative, and employee representative. The Head of Committee is the Estate Manager.

All operations have been risk assessed and documented. The company has prepared a Hazard Identification, Risk Assessment and Risk Control (HIRARC) document at Sungai Segama 1 & 2 Estate, and Bukit Mas Estate dated 28-31 March 2001 e.g. for the activities such as uprooting, pruning trunk injection, EFB application, chemical spraying, harvesting, FFB checking, driving, rat baiting, census, palm thinning, manuring, engine checks, maintenance, welding, operating forklifts, portable grinding, hand grinding, cutting machines, drilling, road maintenance, office activities, quarry activities, genset operation.

The mill also has a documented HIRARC which includes identified hazardous activities at mill locations including chemicals stores, vehicle workshops, effluent treatment plants, engine room, water treatment plant, laboratory, boiler Station, kernel plant, clarification room, threshing station, sterilizer station, and loading ramp.

A training program of OSH is available and implemented. See CR 4.8. The following Safety Standard Operating Procedures have been trained to the workers: SOP for Spraying, SOP for Manuring, SOP for Harvesting, SOP for Driving, and SOP for Pre-mixing of Herbicides. The SOPs describe the OSH hazard and risk, safe work procedures during working and after working, procedures for emergency conditions and types of PPE used.

Workers trained in First Aid are present in both field and mill operations. The mandor is responsible as first aider in the field and the mandors bring first aid kits during work in the field. However, there is no evidence that some mandores at SS 2 Estate (5 out of 13 mandores) have been provided with first aid



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training although they are responsible to carry out first aid in case of accidents in the field. First aid training has been conducted at the mill on 1 May 2008. Retraining of first aid was conducted in 2011 for both mill and estate workers. First aid kits are available at relevant locations, such as at the field (brought by mandor during work), stores, generator areas, etc, while in the mill, first aid kits are located at the boiler area, workshop, and other locations.

Records of all accidents are kept by the clinic and every month, data on total number of accidents is reported to the estate management office. The estate management will review the accident records every 3 months during the OSH Committee meeting. From the accident records for year 2010 and 2011 for SS1 estate, it was seen that for both years the most frequent accident occurring per month was thorn injuries (13.8 cases per month in 2010 and 16.5 cases per month in 2011). Other minor injuries include minor traffic accidents, cut wounds, and skin burns. The estate management office has made an accident investigation and action plan to reduce and/or avoid the accidents. However, it was found that some accidents were not reported to the Department of Occupational Safety and Health (DOSH, or JKKP in Malay), as required by Occupational Safety and Health Act 1994 (Act 514) Regulation 10 Part III, which states that occupational accidents must be recorded in form JKKP 6 and JKKP 8 and reported to the nearest DOSH office. The JKKP 6 forms were only submitted for accidents where insurance claims were made, but not for accidents in which no insurance claims were made. This was raised as a non-conformity under CR2.1.

The company provides accident insurance for estate workers. Local workers are covered under law by SOCSO while foreign workers are covered under a Foreign Worker Compensation Scheme. Currently the Health Assistant of the clinic decides whether the accident will be claimed to the Insurance Company, Malaysian Assurance Alliance Berhad. The company maintains records of all insurance claims made.

POM workers are also covered by accident insurance, MAA Assurance (Malaysian Assurance Alliance Berhad) for death, permanent total disablement, temporary total/partial disablement, hospitalization and medical expense. The insurance is made yearly as recorded in "Certificate of Insurance" (Foreign Workers Compensation Scheme). Workers of Malaysian nationality are also provided additional health coverage under the PERKESO ('Pertubuhan Keselamatan Sosial' or Social Safety Organization) worker safety regulations.

**Compliance status: Non Compliance**  
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There is no evidence that some mandores at SS 2 Estate (5 out of 13 mandores) have been provided with first aid training although they are responsible to carry out first aid in case of accidents in the field.

**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 :

SS1 Estate Training Programmes, including:

1. PPE Training (Feb, June 2011)
2. Spray Pump Maintenance (Monthly)
3. Safe Operating Procedure- Sprayers (Jan, April, Jul, Nov 2011)
4. Safe operating Procedure - Manuring (Jan, April, Jul, Nov 2011)
5. Safe Operating Procedure - Harvesters (Mar, Jul, Nov 2011)
6. Safe Operating Procedure - Drivers (April, Jul, Oct)

SS 2 Estate Training Programmes, including:

1. PPE Training (June, Nov 2011)
2. Spray Pump Maintenance (Monthly)
3. Safe Operating Procedure- Sprayers (March, April, Jul, Nov 2011)
4. Safe Operating Procedure - Manuring ( April, Jun, Aug, Oct, Dec 2011)
5. Safe Operating Procedure - Harvesters (Mar, Jun, Sep, Dec 2011)
6. Safe Operating Procedure - Drivers (April, Aug 2011)

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In BM Estate, there was evidence of trainings conducted in the form of attendance lists, e.g. for training of SOP for Spraying on 25.06.2011. Sprayers interviewed were found to understand the associated hazards of chemicals used and safety measures. However, there is no formal documentation of training to workers related to all information regarding agrochemicals and its usage, hazards, trade and generic names. This was raised as an observation as stated under CR4.6.

There was also attendance lists as evidence of trainings conducted for contractors, e.g. Safe Driving Training for Drivers from three contractor companies conducted on 28-04-2011. The company currently only conducts assessments of understanding for executive level personnel, for example, during the reaudit there was sighted a letter of recommendation dated 14 October 2011 of further training required for two trainee field conductors. However, the company does not conduct formal assessments on the understanding of fieldworkers on training conducted. As determined during the reaudit, as of January 2012, field conductors maintain files of training records of each workers under them, and each conductor is responsible to evaluate their workers and request for further training when required, although this is still done in an informal manner.

The mill conducted trainings as documented in RSPO Program for 2011, such as Fire drill training (01-02-2011), First aid training (01-12-2010), Training on Safety in Confined space (21 & 22-02-2011), Briefing on work in confined space (20-06-2011), SOP for Loading ramp (22-04-2011), SOP for Water treatment plant (27-03-2011), SOP for Sterilizer (07-02-2011), SOP for Kernel plant (20-05-2011), and SOP for Press station (26-05-2011). Contractor working in the mill such as from Poly Electrical Co., Sri Tarbin Service Sdn Bhd have been provided with safety induction prior to work at the mill. Evidence of trainings conducted were sighted in the form of signed attendance lists and photos.

**Compliance status: Compliance with observations**

***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:**

The estates have a documented Environmental Aspects and Impacts (EAI) assessment developed in January to April 2011 for Sg. Segama Group of Estates, which includes identified environmental aspects and impacts for estate activities such as weeding, manuring, harvesting, loose fruit collection, transportation, pest & diseases control (including mixing of pesticides at store, trunk injection, and spraying of pests), general upkeep and maintenance, workshop maintenance, and water treatment plant. The environmental aspects and impacts assessment documents could be improved to include genset, office and housing activities.

The company has documented general mitigation measures for negative environmental impacts identified in the Environmental Aspects and Impacts (EAI) 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, vehicle drivers are trained to drive within speed limits to reduce air pollution due to excessive dust, scrap metal is collected by a supplier and proper management of scheduled waste at the estate is being implemented. The mill's environmental improvement plan includes recycling of fibre in boilers to minimize diesel consumption, treatment of mill effluent for land irrigation and regular monitoring of used oil as well as proper management to avoid oil spillage. From visit to the mill, there is evidence of implementation of the environmental improvement plan.

The documented environmental improvement plans do not include timelines for implementation and persons responsible for monitoring implementation of improvement plan, and this was raised as an observation.

**Compliance status: Compliance with observations**

**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.**

**Findings:**

A HCV assessment for the company's area has been conducted on January 10 to April 1, 2011. There are 8 potential HCV areas in Bukit Mas, Sungai Segama 1 & 2 estates, i.e.: HCV 1.4 (Any forest area which is important to wildlife for feeding, nesting, roosting, migration or) in Bukit Kibos Forest (75.5ha) within the area of Sg. Segama GOE, which is proposed to be classified as potential HCV 1.4 because of the appearance of the Rhinoceros hornbills (*Buceros rhinoceros*), Malabar pied hornbill (*Anthoceros coronatus*) and Oriental Darter (*Anhinga melanogaster*) sighted at Bukit Kibos and its surroundings by resident and locals. There is a jungle/forest area of 35.4 ha identified as potential HCV 2 (landscape level forest), consisting of isolated patches of vegetation which are reserved for the purposes of environmental conservation, and some of the area are important because it forms the wildlife corridor to the larger patches of forest. Other HCV areas identified include HCV 4.1 (watershed protection) areas identified within the company's area include river reserves (145.4 ha) and a water catchment pond (17.5 ha); rocky step hill with a gradient of more than 25° (30.0 ha), HCV 4.2 (erosion control) area which is a quarry no longer in operation (35.4 ha) and HCV 6 areas (important for cultural identity of local communities) such as burial site (0.3 ha) and areas planted with forest trees (10.7 ha) including tree species such as Gaharu, Jelutong and Mahogany as part of a management initiative because the land is unsuitable for oil palm. However company should improve their methodology of HCV assessment since from the report there is no clear information why there was no involvement of workers as part of stakeholders to be involved in HCV assessment. There is also no detailed or summarized information about the presence and absence of each HCV category such as HCV 1.1, 1.2 and others which were not listed as HCV areas or potential HCV areas within the company's area. There is also no HCV map attached on the HCV document to indicate the location of potential HCV areas in all 3 estates. These were raised as observations.

A monitoring and management plan for the identified HCV areas has been established. As explained on the HCV management plan e.g. for HCV 1.4 Bukit Kibos, the company will check the condition of all boundary markers at their jungle area and area of Bukit Kibos Forest every quarter (once every 3 months), and the company will assign mandors and workers to install and maintain the HCV signboard and monitor the abundance of wildlife within estates area.

During the site visit, sign board prohibiting hunting and also animal grazing were sighted at the entrance of the estate area, in various locations the field and along roads where the villagers frequently travel. Based on interviews with the local communities, the location of their village is far from the location of the company's estates, and there are no indications of fishing activities. The company uses CCTV cameras at all entry gates to monitor all people incoming and outgoing to and from estates area. From the CCTV cameras, the management can detect and identify whether there is any active hunting or fishing inside company area. However, as informed by some workers, sometime they carry out hunting of pigs, wild chickens and pangolins (*Manis javanica*) which according to workers can be sold for a high price. Since the pangolin is listed as an endangered species in IUCN and CITES, the company should make further efforts to ensure that no more pangolin hunting is done by the workers. The company should provide further training or information to all workers that pangolins (*Manis javanica*) are prohibited for hunting.

**Compliance status: Compliance with observations**

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

**Findings:**

All estates have a documented identification of waste products and sources of pollutions and part the estate's documented Continuous Improvement Plan. Waste identified include used tyres, tubes and oil wastes from workshops and warehouse, recyclable, non-recyclable and organic domestic wastes from households and offices, empty chemical containers and scrap metal. For the mill, wastes were identified as part of the mill's environmental aspects and impacts evaluation of all mill activities.

The estates have a documented action plan for management of identified wastes. 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 landscap-



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ing and flower pots, reselling of used batteries to a licensed collector and reselling of scrap metal to collectors.

Scheduled wastes from estates are stored at the Plantation Central Workshop located at Bukit Mas estate in a secure store with appropriate hazard signs. Inventories of incoming and outgoing waste oil and used batteries are maintained. However, there are several observations where management of scheduled wastes could be improved. For example, the company's documented action plan for management of oil waste is not appropriate as action plans include reuse of oil waste although it should be managed as scheduled waste. Last collection of 4,400 tonnes of waste oil from Sg. Segama estates by licensed contractor was on 19 Nov 2011, and current storage of waste oil has exceeded the maximum permitted timeframe for storage, which is 180 days. As this is due to difficulty is having the waste collected by a licensed collector, the company has taken action by submitting letter no. SCU/0664/06/2011 dated 24 June 2011 to DOE requesting for extension of time to store scheduled waste to 365 days. The estates also had not submitted a notification to the DOE on total amount of scheduled waste produced and stored at plantation central store to DOE, as required by law. However, at time of audit, the notification as per letter no. SCU/0659/06/2011 dated 24 June 2011 was immediately prepared and submitted to the DOE as required. The types of scheduled wastes produced include used engine and gear oil, old batteries, disposed chemical containers, rags and contaminated gloves and clinical waste. At time of audit, there was also no evidence that inventories of contaminated gloves and rags were maintained, however, the estates took immediate action and amounts of these wastes are included in the estate notification to DOE. As the company took immediate corrective action, these have been raised as observations.

It was also found that there is no collection of empty chemical containers as per EQA Scheduled Waste Regulations 2005 by a licensed contractor or alternative appropriate disposal method. Empty chemical containers were also found in the estate landfill. Open burning of medical waste (e.g. used syringes, used cotton wool and small medicine bottles) is carried out at the clinic. This was raised as a non-conformity pertaining to management of scheduled wastes was raised under CR2.1.1.

From interviews with sprayers, it was found that even though the company provided a designated shower room and washing area for PPE near the estate office, some sprayers still wash their spraying equipment in the field drains and they also wash their PPE and clothes after spraying at home, which may flow to the river, and might impact the health of the family of sprayers. This was raised as a non-conformity.

The mill manages scheduled wastes separately from the estates and maintain inventories of all incoming and outgoing used engine oil with reports of inventories submitted once every 3 months to the DOE, i.e. reports were submitted for 31 March 2011, 31 December 2010 and 30 Sept 2010 including amount of engine oil reused and lubricant oil, roller chain conveyor, and remaining total amount of oil. Scheduled waste at the mill is stored in a secure store with appropriate hazard signs.

All domestic waste from offices and housing are collected and disposed at a landfill located at Sg. Segama 2 estate, away from housing and rivers, and landfill is closed with soil when full. Disposal method of domestic waste should be improved as some wastes were observed scattered around the landfill area. This was also raised as an observation.

There is evidence of recycling of crop residues / biomass. Each estate has annual empty fruit bunch (EFB) application programmes and records of actual EFB applications are maintained. Based on records of EFB applications at Bukit Mas estate for year 2010, EFB applications were carried out according to the annual programme. However, for Sg. Segama estate 2 estate, records show that actual EFB applications for year 2010 was 15,527.40mt for 443.64ha, and did not meet the EFB programme to apply 24,500mt of EFB to 700.00ha. Based on estate analysis, this was due to labour shortage. EFB applications in the field were sighted during site visits. Bukit Mas palm oil mill also carries out land irrigation of treated mill effluent to 50 hectares of Bukit Mas estate. Records of inlet and outlet effluent are maintained. Shell and fibre is also reused for the mill boiler for power generation.

### **Compliance status: Non Compliance**

#### **NCR 2011-06 of 13**

From interviews, it was found that some sprayers still wash their spraying equipment in the field drains and they also wash their PPE and clothes after spraying at home, which may flow to the river, and might impact the health of the family of sprayers.

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

#### **Findings:**

Bukit Emas Palm Oil Mill uses fibre and shell as sources of renewable energy for boiler operations and

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maintains records of usage and energy production and utilization. For example, in year 2010, total FFB processed is 197,699.20 mt, total fibre utilized 37,562.85 mt, and total shell utilized was 15,815.94 mt. Total energy produced from fibre and shell usage was 3,323,370.00 kWh, and renewable energy utilization was an average of 1.32 kWh / mt of CPO and average energy produced was calculated to be 63 kWh/Mt fibre or shell. During January to May 2011, the total amount of FFB processed is 79,407.08 mt, total fibre utilized 15,087 mt, and total shell utilized was 16,352.57 mt. Total energy produced from fibre and shell usage was 1,119,667.00 kWh, and renewable energy utilization was calculated to be an average of 1.0 kWh/mt of CPO and average energy produced was 11 kWh/Mt fibre or shell.

The company only utilizes diesel oil for vehicles and for genset operation and monthly records of diesel oil consumption are maintained. As seen from data on Actual Diesel Consumption in 2010, total diesel oil consumption was 125,860.00 litres. Energy generated from diesel usage was calculated to be 275,604 kWh while average diesel oil consumption per FFB processed was calculated to be 0.68 litre/mt of FFB, and diesel consumption for CPO production was 3.27 litre/ mt of CPO produced. The company's total budget for diesel consumption for January to December 2010 was 316,025 litre (RM 807,450.45) while actual consumption for year 2010 was 258,004.00 litre (RM 588,840.25), indicating that the actual diesel consumption is less than what was budgeted by the company.

The company should make an efficiency analysis for renewable energy usage compared to diesel oil consumption. This was raised as an observation.

**Compliance status: Compliance with observations**

***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:

There is no evidence of open burning and the company has a zero burning method as defined in their SOP for Land Clearing, Preparation and Planting, last revised in July 2009. The method includes removal of viable timber to minimize residual biomass, cutting of underbrush above 12.5cm, uprooting by bulldozers and excavators, stacking and lopping in windrows. As stated in the SOP, all previous crop is felled mechanically and shredded into fragments of not more than 7.5cm thick, and then spread out to accelerate decomposition and aeration. However, the earliest planting in all estates was in year 1991 in Sg. Segama estate 1. As such, there has been no replanting conducted, and hence no records available of replanting methods used.

Management does not permit burning of waste by workers, and this was confirmed through interviews of sprayers and harvesters in the field. No evidence of burning waste was observed on-site. However, at the clinic, it was observed that open burning of medical waste (e.g. used syringes, used cotton wool and small medicine bottles) is carried out. This was raised as a non-conformity under CR2.1.1

**Compliance status: Compliance with observations**

***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 2011. 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, 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 2011, review of the plan is not yet required.

Bukit Mas mill has a documented proposal reviewed on 6 May 2011 to carry out a Clean Development Mechanism (CDM) Methane Capture with Power Generation project. The estimated total methane production is 2,730,000 m<sup>3</sup>/ year or 1,960 mt/year and estimated optimum power generation at 40% gas engine efficiency is 1.50MW. The CDM capture project of the mill was reviewed since the last proposal

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in 2010.

Requirement to mitigate peat subsistence rates are not applicable as there is no peat soil within Sg. Segama group of estates.

**Compliance status: Compliance with observations**

***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 a documented social Impact assessment for estate plantation and mill. The assessment was conducted internally by the company's agronomist and chief agronomist and the date of report was 25<sup>th</sup> March 2011 while the date of assessment was 10<sup>th</sup> January-1<sup>st</sup> April 2011. The assessment was conducted through distributing questionnaires to selected local workers and the head of Litang Village. 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 identified social impacts but no schedule or identified person responsible for implementation of the plan.

**Compliance status: Non Compliance**

**NCR No.2011-07 of 13**

Migrant workers were not involved during the development of the social impact assessment. The estates and mill have a mitigation plan for negative social impacts but no timetable or identified responsible person to carry out implementation of the plan.

***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:**

Documented consultation and communication procedures have still not been established yet both for mill/estates and local community and other affected parties. There is no a nominated plantation management official at the operating unit responsible for consultation and communication with local communities or other affected parties.

The company has prepared a list of stakeholders, which includes the local village (village head as representative), contractors and suppliers, local government departments, and local schools (including Humana School for children of migrant workers).

There are some records of communication with local community found, such as:

- Letter from the JKKK manager of Litang Village on 19 July 2010 requesting donation of a grass cutter machine for Litang Kinabatangan school. It was provided by the company on July 26, 2010
- Letter from the teachers association of Litang Kinabatangan school dated on May 24, 2011 requesting transportation aid for a teacher's day ceremony dated May 26, 2011. Aid was provided by the company on May 27, 2011.
- Letter from headmaster of SK Litang (a local school) on 01 June 2011 requesting the company to carry out road maintenance for the road from Bukit Mas estate to Litang Village road, and maintenance of the road and football yard. This work was done by the company on June 06, 2011.

**Compliance status: Non Compliance**

**NCR No. 2011-08 of 13**

The company has no documented procedure for consultation and communication between the company and stakeholders which is developed in collaboration with communities and other interested parties (e.g. workers, suppliers, contractors).

**NCR No. 2011-09 of 13**

The company has no nominated plantation management official at the operating unit responsible for these issues communication and consultation activities.

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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:**

The company has a documented procedure to resolve disputes, both in the mill and estates, which was last updated 29/11/2010. It is stated in the procedure that all staff and workers should implement the procedure to communicate their problems or complaints regarding safety, health, environment, loss of items, or any other issues to the company's management. However the procedure still does not include handling of communications and complaints from local communities and no evidence that the system is open to any affected parties except company's workers and staff.

**Compliance status: Non Compliance**

**NCR No. 2011-10 of 12**

The company has a documented procedure for dealing with complaints and grievances from workers, however it does not include dealing of complaints and grievances from local communities and other stakeholders. The procedure has also not been consensually agreed upon by other parties.

**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:**

The company has a mechanism to resolve land disputes, squatter disputes, and cases of loss of legal and customary rights of legitimate persons or individuals eligible for compensation:

All individuals that request for the compensation will be entertained. However, the company will undergo the procedure for the clarification and confirmation of the status of the claimant as a legitimate person or individual for the compensation by the "ketua anak negeri" (state rulers) and respective land office and forestry department heads.

The company has a procedure for distribution of compensation. As the first priority, the monetary compensation will only be granted to the identified legitimate land owner/ resident. However, if the identified legitimate land owner/ resident is absent, the compensation will be allocated to the following individuals according to the sequence below:

1<sup>st</sup>=spouse, 2<sup>nd</sup>=parents (evenly divided), 3<sup>rd</sup>=children (evenly divided), 4<sup>th</sup>= siblings (evenly divided). The range of compensation and period of allocation is as follows:

RM1-RM250,000=within 3 months

RM250,000-RM1,000,000=within 12 months

>RM1,000,000=active 24 months.

To date, there have been no cases of communities or individuals making claims to land belonging to Hap Seng Plantation, and hence there are no records of compensation cases.

**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 is evidence of documentation of pay and conditions for all estate and mill workers. Workers are provided with pay slips which include information such as basic pay, piece rates, fixed allowances and deductions made, payment for overtime and total wages.

Workers are provided with working agreements available in Malay and English languages and include information such as the relevant supervisor of the worker, employee position, and salary and wages.

However some sample contracts of employment of workers viewed do not include certain important information pertaining to conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc) in the language understood by the workers. There is lack of proper explanation of terms & conditions of employment to work-

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ers, as some workers interviewed at Sg. Segama estate 1 and the mill do not fully understand the terms of their employment

The company provides good housing including furnished facilities in each house for all workers including migrant workers, the facilities also includes water and electrical facilities, provided during limited hours but is sufficient for daily consumption. All facilities that has been provided in accordance with Workers' Minimum Standard of Housing and Amenities Act 1990 (Act 446).

**Compliance status: Non Compliance**

**NCR 2011-11 of 13**

Some contracts of employment of workers do not include details payments and conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc) in the language understood by the workers. There is lack of proper explanation of terms & conditions of employment to workers, as some workers do not fully understand the terms of their employment.

***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:**

Hap Seng plantation has a documented policy which states that the employer respects the right of all personnel to form and join trade unions of their choice and to bargain collectively. The company is able to facilitate formation of worker associations, even though the right to freedom of association and collective bargaining for migrant workers are restricted under Malaysian Trade Unions Act 1959 which prohibits migrant workers to join trade unions. However, to date, there have been no formal worker representatives elected by the estate or mill workers and no established workers union in Hap Seng Plantation, even though the company has informed the workers that they can form a workers union. There are worker representatives for different types of workers, but their main function is to disseminate information from the company to other workers and not for dealing with workers issues.

The company has a statement for freedom of association of workers, however there is no evidence that this statement has been made publicly available and explained to the workers. This was raised as non-conformity.

**Compliance status: Non Compliance**

**NCR 2011-12 of 13**

The company has a statement for freedom of association of workers, however there is no evidence that this statement has been made publicly available and explained to the workers.

***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:**

The company has a policy stating that children that are not employed or exploited, as stated in an internal memorandum letter no. SCU/0666/06/2011. According to the policy, the management will not employ underage persons below 16 years old; however work by young persons (that have not completed their sixteen year of age) is acceptable under adult supervision, since these children of migrant workers are not able to obtain higher education. However, there were some 15 year old workers found during field visits and the morning muster such as slashers and manurers, as well as in Division A of Bukit Mas estate were found during the main assessment. In addition, the company's policy stating the minimum age of underage workers is not in accordance with the Children and Young Persons (Employment) Act Amendment 2010 which specifies age limit of 18 years.

**Compliance status: Non-compliance**

**NCR 2011-13 of 13**

There were some 15 year old workers found during field visits and the morning muster such as slashers and manurers, as well as in Division A of Bukit Mas estate were found during the main assessment. The company has documented policy to prohibit employment of underage person, but the minimum working age is not in accordance with the Children and Young Persons (Employment) Act Amendment 2010



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which specifies age limit of 18 years

**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:**

No form of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age, was found in Hap Seng Plantations Sg. Segama GOE, including Bukit Mas mill. The management has established and a publicly available equal opportunities policy. There is a management statement on Gek Poh corporate culture issued in 1996 and valid until now. There is a company statement that within the organization, the company is against any form of what is perceived as discrimination. There is no evidence that employees and group including migrant workers have been discriminated against. However, the company has not fully informed all workers regarding this policy, only selected workers were informed.

**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:**

A policy on sexual harassment and violence in the workplace and records of implementation are available on the estates office, housing area and other open areas such meeting rooms, workers room etc. To date, there is no evidence of sexual harassment cases both in estates or mill, as confirmed through interviews with various estate and mill workers. There is evidence that the company has informed workers regarding this policy was done, however from interviews, some of the workers did not seem to fully understand the policy. The company should provide effective awareness to workers to enhance understanding about company's policy regarding prevention of sexual harassment and violence, minimum age requirement, equal opportunities, etc.

A Gender Committee has been established in Bukit Mas mill, and it was formalized (approved) on March 29, 2011. The organization structure for the gender committee is available and has been understood by all woman workers in Bukit Mas Mill. A similar gender committee has been established for the estates and the company also applies the code of practice on the prevention and eradication of sexual harassment in the workplace from the Malaysian Employers Federation, which is made available at the mill and estate. There is a SOP for writing letters to members of the gender committee as a method for reporting of sexual harassment or domestic violence cases. There is an organization chart showing the members of the estate Sexual Harassment and Violence Gender Committee and it was stated in the standard operating procedure that the gender committee meeting will be conducted once every two months. However, there is no recorded evidence that workers have been informed regarding the grievance mechanism.

**Compliance status: Compliance with observations**

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

**Findings:**

There is a small number of outgrowers that sell their FFB to Bukit Mas Mill, and pricing mechanisms for FFB and inputs/services has been documented. However, since the amount of incoming FFB from outgrowers is only a small amount, the company keeps FFB price information available only request. Those who want to know about FFB price can contact mill manager. Information about current and past FFB price is also available at Bukit Mas mill and will be provided upon request.

All parties understand the contractual agreements they enter into, and that contracts are fair, legal and transparent such as for local business. Some evidence was assessed during audit e.g. contract between Bukit Mas mill and a contractor for sterilizer maintenance that has been working with Hap Seng since

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1997. As explained by contractor, company always pay in timely manner at an average price compared with other mill. Hap Seng implement open tender/bidding to offer jobs to contractors, and according to the interviewed contractor, they have the impression that Hap Seng has a fair contractor selection process.

**Compliance status: Full Compliance**

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

#### **Findings:**

The company can demonstrate their contributions to local development that are based on the results of consultation with local communities in Litang Village. For example, the company has records of:

1. Carrying out maintenance of roads from Bukit Mas estate to Litang village and carrying out a roadside cleanup at Litang Village football yard on June 10, 2011. This contribution is based on request from request of the Litang Zone UMNO Manager.
2. Farewell ceremony for the Kinabatangan Regional Office, including donation amount of RM1,500 given on 07/12/2010
3. Sponsorship contribution of RM3000 for incorporated society of planters Inter-Branch Sport 2010, Sandakan, given on 13-14/11/2010
4. Donation of RM3000 for Kinabatangan school on 28/5/2009

The company also provides regular assistance and donations to the nearby Litang Village, as confirmed through interviews with the village head.

**Compliance status: Full Compliance**

### ***Principle 7: Responsible development of new plantings***

#### **Findings:**

Principle 7 is not applicable because the company has no development area program.

**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, 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.

Bukit Mas mill has a pollution prevention plan in the form of a documented proposal reviewed on 6 May 2011 to carry out a Clean Development Mechanism (CDM) Methane Capture with Power Generation project. The estimated total methane production is 2,730,000 m<sup>3</sup>/ year or 1,960 mt/year and estimated optimum power generation at 40% gas engine efficiency is 1.50MW. The CDM capture project of the mill was reviewed since the last proposal in 2010

All 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 13 nonconformances were identified during the main certification assessment. These consisted of 3 major non-conformities and 10 minor non-conformities. For the major non-conformances, the company has taken the necessary corrective action to close these non-conformances, and this was verified by the audit team through documented evidence submitted by the company on 27 September 2011 and through an additional reaudit done on 27 April 2012. 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:

#### **Indicator 2.1.1: Evidence of compliance with relevant legal requirements.**

##### **Non-conformance 2011-01 of 13 (Major non-conformity):**

There is evidence of legal non-compliances, e.g.

1. At least 3 workers, two from the mill and one from the estate were found with invalid work permits
2. There is no collection of empty chemical containers as per EQA Scheduled Waste Regulations 2005 by a licensed contractor or alternative appropriate disposal method.
3. Empty chemical containers were also found in the estate landfill.
4. Open burning of medical waste (e.g. used syringes, used cotton wool and small medicine bottles) is carried out at the clinic
5. Work accidents are not reported to nearest DOSH Office through forms JKPP 6 and JKPP 8 as per OSH Act 1994 (Act 514), Regulation 10 Part III

##### **Correction & corrective action:**

1. Correction: Letter for renewal of work permits (P&A/0001/168) for the 3 workers has been sent by Personnel & Administration (P&A) Department on 4<sup>th</sup> July to Sri Balung Service Agency (Foreign labour agency). The agency has replied receiving the request on 6<sup>th</sup> July.  
Corrective action: Estates provide a list of workers and their documents to Personnel and Administration (P&A) monthly. Estates & mill together with P&A department to track the starting & expiry dates of workers' documents monthly. P&A liaise with labour agency to renew work permits and other legal documents two months before expiry dates on documents. P&A to follow up with agency to ensure effective renewal of documents. P&A to submit documents with renewed dates to estates. P&A to issue reminders to estates if estates fail to submit workers details. Documents are screened monthly by Executive –Sustainability to ensure compliance. Non-compliances are reported immediately to Plantation Management Committee for corrective and/or disciplinary actions to be taken.
2. Correction: A letter dated 6<sup>th</sup> July was received from Newgates Industries Sdn. Bhd stating that they will collect the empty chemical containers on 12<sup>th</sup> July. Newgates Industries Sdn. Bhd is authorized by the Department of Agriculture (DOA) to collect schedule waste (letter from DOA attached).

Corrective action: Estate Manager is to conduct monthly assessment on type and amount of each schedule waste in the schedule waste store. The assessment is documented monthly and the report kept in the manager's office. The assessment is reported to Chief Agronomist with a copy sent to the General Manager, Sr. General Manager & Plantation Advisory. The Executive-Sustainability assesses the store and all documents monthly to ensure compliance. Non-compliance is reported by the Executive-Sustainability to the General Manager's office for corrective/disciplinary actions to be taken. The General Manager provides a summary describing the status of schedule waste to the Plantation Management Committee every month

3. Correction: An instruction (SCU/0688/07/2011) has been issued out from the General Manager's office on 5<sup>th</sup> July to each estate manager requiring them to keep all empty chemical containers in the



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centralize schedule waste store and prohibiting anyone from disposing empty chemical containers in the fields, landfills, housing compounds, etc. On 6<sup>th</sup> July all empty containers in the landfill have been retrieved and kept in the schedule waste store for collection. Arrangement was made with Newgates Industries Sdn Bhd to collect the schedule waste on the 12<sup>th</sup> July 2011.

Corrective action: Estate Manager or assistant manager is to conduct monthly monitoring of landfills to prevent illegal disposal of chemical containers. A report of the surveillance is made and kept in the manager's office. A copy of the report is to be sent to Chief Agronomist with a copy sent to the General Manager, Sr. General Manager, & Plantation Advisory. The Executive-Sustainability will assess the landfills and the corresponding report monthly to ensure compliance. Non-compliance is reported by the Executive-Sustainability to the General Manager's office for corrective/disciplinary actions to be taken. A summary describing the status of schedule waste in landfills is reported to the Plantation Management Committee

4. Correction: A letter dated 6<sup>th</sup> July from the General Manager's office (SCU/0694/07/2011) to Faber Medi-Serve Sdn. Bhd. (company providing clinical waste disposal services) requesting them to collect and dispose medical waste, has been sent and awaiting reply.

Corrective action: Staff from the clinic are to record and document the type and amount of all medical schedule wastes. All medical schedule waste are stored in an appropriate container in the schedule waste store prior to collection. The assessment is documented monthly and the report kept in the General Manager's office. The assessment is reported to Chief Agronomist with a copy sent to the General Manager, Sr. General Manager & Plantation Advisory. The Executive-Sustainability assesses the schedule waste store and documents monthly to ensure compliance. Non-compliance is reported to the General Manager's office for corrective/disciplinary actions to be taken. The General Manager reports the status of schedule waste to the Plantation Management Committee monthly

5. Correction: A letter dated 7<sup>th</sup> July 2011 informing of 5 late reported accidents cases that occurred within the estate area was sent to DOSH on the 8<sup>th</sup> July 2011 along with the JKKP 6 form for the year 2010. JKKP 8 will be sent to DOSH by the respective estates on 13<sup>th</sup> July 2011.

Corrective action: Hospital assistant at the clinic records all cases of accident that was brought to their attention. For an accident (during work) that causes the workers to take medical leave for more than 4 days, the clinic need to forward the accidents report to the Estate Manager's office. The Estate Manager in turn compiles the reports into forms JKKP 6. The forms are then sent to DOSH within four days of the accident. A receipt of the report to DOSH is required and documented. The JKKP 8 form for 2011 need to be submitted by the mill and estates to DOSH before 28<sup>th</sup> January 2012. The Executive-Sustainability conducts a monthly check of the reports from the clinic and JKKP forms, and ascertain the reports are sent and effectively received by DOSH. The General Manager is to report to Plantation Management Committee on the latest status of work accidents each month

### **Auditor Conclusions: Closed with observations**

A reaudit to confirm closure of this nonconformity was conducted on 27 April 2012. There is evidence that the company has made efforts to comply with the legal requirements, however further action is required from other parties which is causing a delay in full compliance, as explained below. Copies of documents and letters related to corrections and correctives actions taken were sighted as follows:

1. Letter from the company to Sri Balung Service Agency dated 4<sup>th</sup> July 2011 requesting application for new work pass for the three workers found with invalid work passes, with acknowledgement of receipt dated 6 July 2011. The company provided lists of legalized workers and their dependants at each estate as well as lists of workers that are in process of being legalized under the 5P programme (programme initialized by the Malaysian government to legalize illegal migrant workers). From the lists provided, it was stated that the number of workers and dependants at each estate registered under the first 5P programme held from 18 July to 10 August 2011 is 318 persons at Bukit Mas estate, 79 persons at Sg. Segama 1 estate and 231 persons at Sg. Segama 2 estate, with an additional 26 workers and dependants from SS2 estate registered under the programme later on. However the workers registered under this 5P programme are still awaiting for approval of work passes from the legal authorities. Some workers are also in process of being legalized by the respective foreign labour agency. A letter from Sri Balung Service Agency dated 25 April 2012 was sighted stating that legalization of these workers were still in progress.
2. The company provided a record of collection of 490 kg of chemical containers on 21 July 2011 by Newgate Industries, which is approved by the Agricultural Department to carry out collection of chemical containers, according to a letter from the department dated 18 March 2011. However, since then, there has been no collection of the chemical containers, according to the company this is due to the contractor being unwilling to collect the chemical containers due to small amount. The

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- company now carries out triple rinsing of the chemical containers and stores them in a secure designated store to prevent reuse.
3. The company has an internal memorandum dated 5 July 2011 to estate managers and assistant regarding proper storage and disposal of empty chemical containers. The landfill in Sg. Segama II estate in which chemical containers were previously sighted was revisited and found to have been closed (covered). The estates are currently using another landfill in Bukit Mas estate block B95C7, which was sighted and no chemical containers were sighted being disposed there.
  4. The clinic was revisited and no evidence of open burning of medical wastes was sighted. The clinic now stores all clinical wastes securely in an enclosed box within a store. The company also provided documented evidence of efforts to engage a collector for their medical wastes. The letter dated 6<sup>th</sup> July from the General Manager's office (SCU/0694/07/2011) to Faber Medi-Serve Sdn. Bhd. (company providing clinical waste disposal services) requesting them to collect and dispose medical waste was sighted. The response letter dated 2 November 2011 including a quotation for collection from Faber Medi-Serve Sdn. Bhd. was also sighted. Due to delay in collection, the company then sent a letter to the DOE of Sabah on 21 December 2011 requesting permission to send medical waste to them for disposal, but the DOE responded with a letter dated 17 January 2012 advising the company to send the waste for disposal to Faber Medi-Serve Sdn. Bhd. Hence, the company wrote another letter dated 7 February 2012 to Faber Medi-Serve Sdn. Bhd. requesting collection again, and they received a response that Hap Seng is in progress of being registered. Hence, the collection of medical waste by a licensed collector is still pending.
  5. The company has submitted their latest JKPP 8 accident reports for each estate. The JKPP8 report for year 2011 for Bukit Mas estate was submitted on 27 January 2012, for Sg. Segama I estate, it was submitted on 25 January 2011, while for Sg. Segama II estate, it was submitted on 18 January 2012. There is also evidence that the company fills in JKPP 6 accident report forms for accidents that result in loss of more than 4 man days, e.g. a completed JKPP 6 form was sighted for an accident which occurred on 13 June 2011, in which a harvester had to take 4 days of medical leave. The worker was compensated through the Foreign Workers Compensation Scheme (FWCS).

### ***Indicator 2.1.2: A documented system, which includes written information on legal requirements.***

#### **Non-conformance No. 2011- 02 of 13 (Minor non-conformity):**

The estates have a Register of Legal and Other Requirements, however the register does not include the list of legal requirements pertaining to employment, e.g. Employment Act 1955, Immigration Act 1959, Workmen's Compensation Act 1952, Children & Young Person Employment Act 1966, Employees Provident Fund Act 1991, Employees Social Security Act 1969, etc.

#### **Correction and Corrective Action:**

Correction: The list of related laws, regulations & guidelines used in Malaysia palm oil industry have been provided to P & A department on 7<sup>th</sup> July (A-14/4/1 (166/2011)). P&A will purchase the documents. Corrective action: The RSPO committee reviews the findings of the Plantation Advisor once every 6 months. The findings are forwarded to the Plantation Management Committee for actions to be taken.

**Auditor Conclusions: Evidence of corrective action accepted. Effectiveness of implementation to be verified during next audit**

### ***Indicator 2.1.3: A mechanism for ensuring that they are implemented.***

#### **Non-conformance No. 2011- 03 of 13 (Minor non-conformity):**

- 1) An assessment of compliance to legal requirements listed in the company's Register of Applicable Legislation and Licenses was conducted, however there is no documented action plan to comply with all non-compliances, which includes timelines for compliance and responsible persons to track progress.
- 2) The assessment of legal compliance may also have not been appropriately conducted as it was indicated that the company complies with certain clauses of legal requirements where these should have been marked as non-compliant e.g. EQA Scheduled waste regulations, and Clause II.5 regarding notification of accidents and dangerous occurrences in NADOPOD Regulations 2004

#### **Correction and Corrective Action:**

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1. Correction: Summary and action plan was drafted and implemented immediately. Plantation advisory submit a report listing all non-compliances to estate and mill manager.  
Corrective action: The RSPO committee reviews the findings of the Plantation Advisor once every 6 months. The findings are forwarded to the Plantation Management Committee for actions to be taken.
2. Correction: Plantation Advisory, Chief Agronomist, General Manager, Estate Manager & Mill Manager has met and reviewed the assessment. A revised assessment report was produced. Immediate action has been taken to comply with the EQA Scheduled Waste Regulations and Clause 11.5 (Notification of accidents and dangerous occurrences) in NADOPOD Regulations 2004. Official letter (dated 24<sup>th</sup> June 2011 and 5<sup>th</sup> July 2011) has been sent to DOE seeking approval to store schedule waste for 365 days. Authorised contractor, Newgates Industries Sdn Bhd, is to collect the chemical containers on 12<sup>th</sup> July 2011. An official letter together with the JKPP 6 forms for the year 2010 been sent to DOSH on 8<sup>th</sup> July 2011. The JKPP 8 forms for the year 2010 will be sent to DOSH by Segama Clinic on 13<sup>th</sup> July 2011.  
Corrective action: The RSPO committee reviews the findings of the Plantation Advisor once every 6 months. The findings are forwarded to the Plantation Management Committee for actions to be taken

**Auditor Conclusions: Evidence of corrective action accepted. Effectiveness of implementation to be verified during next audit**

### ***Criterion 4.2.3: Monitor area over which EFB, POME and zero-burning replanting is applied.***

#### **Non-conformance No. 2011- 04 of 13 (Minor non-conformity):**

The mill does not maintain records of monitoring of POME diverted into individual irrigation trenches, such as amounts and dates applied to respective trenches, records of incidents of overflow, etc.

#### **Correction and Corrective Action:**

Correction: Further details of POME application will be recorded starting August 2011. Additional data include amount of POME pumped into each satellite pond. Recordings now include incidences of overflows and date of occurrence.

Corrective action: Bukit Mas Mill will conduct monthly inspection of the trenches for any overflow or incidents. Executive- Sustainability will monitor the records on monthly POME discharge.

**Auditor Conclusions: Evidence of corrective action accepted. Effectiveness of implementation to be verified during next audit**

### ***Indicator 4.7.1.h: Workers trained in First Aid should be present in both field and mill operations.***

#### **Non-conformance No. 2011- 05 of 13 (Minor non-conformity):**

There is no evidence that some mandores at SS 2 Estate (5 out of 13 mandores) have been provided with first aid training although they are responsible to carry out first aid in case of accidents in the field.

#### **Correction and Corrective Action:**

Correction: First aid training was carried out on 11<sup>th</sup> December 2010 for all 3 estates by the Hospital Assistant. Another session of training was held on the 7<sup>th</sup> July 2011 for all mandores. A program for meetings, medical checks & CHRA is made.

Corrective action: First aid training is organized once every 6 months and is conducted by the hospital assistant. External trainers e.g. St. John, Red Cross or Government Hospital are invited once a year to conduct First Aid training.

**Auditor Conclusions: Evidence of corrective action accepted. Effectiveness of implementation to be verified during next audit**

### ***Indicator 5.3.2: Having identified wastes and pollutants, an operational plan should be developed and implemented, to avoid or reduce pollution***

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**Non-conformance No. 2011- 06 of 13 (Minor non-conformity):**

From interviews, it was found that some sprayers still wash their spraying equipment in the field drains and they also wash their PPE and clothes after spraying at home, which may flow to the river, and might impact the health of the family of sprayers.

**Correction and Corrective Action:**

Correction: The General Manager has issued a letter (SCU/0658/07/2011) on the 5<sup>th</sup> July 2011 prohibiting washing of spraying equipments, PPE and clothing in the fields or housing area.

Corrective action: Spraying equipment and PPE must be kept in the store after use. The issuance and return of all equipment and PPE are recorded. Excess chemical solutions must be returned to the chemical store for safekeeping. The type and amount of chemicals are recorded. The Executive-Sustainability conducts monthly checks in the store to ensure compliance. Any non-compliance are reported to the Plantation Management Committee for actions to be taken

**Auditor Conclusions: Evidence of corrective action accepted. Effectiveness of implementation to be verified during next audit**

***Indicator 6.1.3: A timetable with responsibilities for mitigation and monitoring is reviewed and updated as necessary.***

**Non-conformance No. 2011- 07 of 13 (Minor non-conformity):**

Migrant workers were not involved during the development of the social impact assessment. The estates and mill have a mitigation plan for negative social impacts but no timetable or identified responsible person to carry out implementation of the plan.

**Correction and Corrective Action:**

Correction: Discussions were held with estates and mill on 5<sup>th</sup> and 6<sup>th</sup> July respectively. Timeline to mitigate the negative impact and the person in charge have been decided. Migrant workers participated during development of the mitigation plan for negative social impacts. Copies of Social Impact Assessment report have been given to the estates and mill.

**Corrective action:** Sustainability Executive shall monitor progress of implementation. Progress is to be reported to the RSPO Committee for review (every 3 months)

**Auditor Conclusions: Evidence of corrective action accepted. Effectiveness of implementation to be verified during next audit**

***Indicator 6.2.1: Documented consultation and communication procedures.***

**Non-conformance No. 2011- 08 of 13 (Major non-conformity):**

The company has no documented procedure for consultation and communication between the company and stakeholders which is developed in collaboration with communities and other interested parties (e.g. workers, suppliers, contractors)

**Correction and Corrective Action:**

Correction: Documented procedure for consultation and communication has been distributed to each Estate and mill on 6<sup>th</sup> July. Invitation letter (SSGOE/JCC/2011/01) for Joint Consultation Committee (JCC) meeting was extended to 24 stakeholders. Tentatively the meeting is schedule on the 21<sup>st</sup> July 2011.

Corrective action: Executive-Sustainability monitors progress of implementation. Progress is reported to the RSPO Committee for review (every 3 months).

**Auditor Conclusions: Closed**

**Verification by auditor:**

Company provide procedure for consultation and communication between the company and stakeholders i.e. HPSB PI 1120(b) issued on July 04, 2011. There is also invitation letter regarding Joint Consultation Committee (JCC) to representative from company's stakeholders their supplier (Jiang Sang Contract

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tor and head of Litang Village (Ismail Tawiring) through letter No. SSGOE/JCC/2011/01 dated July 7, 2011. Meeting was held on July 21, 2011.

***Indicator 6.2.2: A nominated plantation management official at the operating unit responsible for these issues.***

**Non-conformance No. 2011- 09 of 13 (Minor non-conformity):**

The company has no nominated plantation management official at the operating unit responsible for communication and consultation activities.

**Correction and Corrective Action:**

Correction: Every estate and mill managers are responsible for communication and consultation activities. Instructions to that effect have been issued out from Sr. GM office on 4<sup>th</sup> July and distributed to all Heads of Departments on 6<sup>th</sup> July 2011.

Corrective action: A notice issued from the General Manager's office to all stakeholders nominating the plantation management official responsible for communication and consultation activities is to be given once every year.

**Auditor Conclusions: Evidence of corrective action accepted. Effectiveness of implementation to be verified during next audit**

***Indicator 6.3.3: The system is open to any affected parties.***

**Non-conformance No. 2011- 10 of 13 (Minor non-conformity):**

The company has a documented procedure for dealing with complaints and grievances from workers, ref no: HSPSB P1 1120, last update 29/11/2010, however it does not include dealing of complaints and grievances from local communities and other stakeholders. The procedure has also not been consensually agreed upon by other parties.

**Correction and Corrective Action:**

Correction: Procedure for dealing with complaints and grievances for local communities and other stakeholders have been drawn up 7<sup>th</sup> July 2011. The procedure and documents involved will be explained to the local communities and other stakeholders during the JCC meeting on 21<sup>st</sup> July 2011. Corrective action: The procedure is sent to communities and stakeholders each year requesting their comments. Estate and mill management executives will then consider the issues raised by the communities and stakeholders. Issues accepted are incorporated into the procedure and distributed to all stakeholders. Executive-Sustainability monitors the progress of the review. Progress of the review is reported to the Plantation Management Committee.

**Auditor Conclusions: Evidence of corrective action accepted. Effectiveness of implementation to be verified during next audit**

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

**Non-conformance No. 2011- 11 of 13 (Minor non-conformity):**

Some contracts of employment of workers do not include details payments and conditions of employment (e.g. working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice, etc) in the language understood by the workers. There is lack of proper explanation of terms & conditions of employment to workers, as some workers do not fully understand the terms of their employment.

**Correction and Corrective Action:**

Correction: Term and conditions of employment are explained by the Executives to the workers in the



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presence of a mandore to which the workers is assigned to. Explanation will be in Bahasa Malaysia. Workers are required to sign a declaration form to acknowledge that they fully understand the term and conditions of their employment contract. Estates and mill will conduct induction and company policy training annually to the workers. Both training have been scheduled for July 2011.

Corrective action: Estates and mill conduct induction and company policy training annually to the workers. Executive-Sustainability to monitor implementation of training program and its effectiveness and to report to Chief Agronomist

**Auditor Conclusions: Evidence of corrective action accepted. Effectiveness of implementation to be verified during next audit**

### ***Indicator 6.6.2: A published statement in local languages recognizing freedom of association.***

#### **Non-conformance No. 2011- 12 of 13 (Minor non-conformity):**

The company has a statement for freedom of association of workers, however there is no evidence that this statement has been made publicly available and explained to the workers

#### **Correction and Corrective Action:**

Correction: The company follows the Sabah labour ordinance (1966) and does not prohibit workers from joining any union. Estates and mill will convey to the workers during induction and company policy training which is schedule for July 2011.

Corrective action: Estates and mill conduct induction and company policy training annually to the workers. Executive- Sustainability to evaluate effectiveness of training annually.

**Auditor Conclusions: Evidence of corrective action accepted. Effectiveness of implementation to be verified during next audit**

### ***IN 6.7.1: Documentary evidence that minimum age requirement is met.***

#### **Non-conformance No. 2011- 13 of 13 (Major non-conformity):**

There were some 15 year old workers found during field visits and the morning muster such as slashers and manurers, as well as in Division A of Bukit Mas estate were found during the main assessment. The company has documented policy to prohibit employment of underage person, but the minimum working age is not in accordance with the Children and Young Persons (Employment) Act Amendment 2010 which specifies age limit of 18 years

#### **Correction and Corrective Action:**

A memo from the top management Hap Seng Plantations Bhd that strictly prohibiting engagement of underage (below 18 years old) workers has been issued on the 15<sup>th</sup> December 2011. A reply letter from General Manager of Sungai Segama Group of Estates dated 6<sup>th</sup> January 2012 inform the top management that there is no workers below the age of 18 years old are employed. With the letter also, the list of estates workers as at December 2012 is attached.

#### **Corrective action :**

- a) The estates are required to send to Personnel & Administration Department the Summary of Workers and Dependant every month. From there, the recruitment of workers can be monitored.
- b) Procedure for recruiting foreign workers also has been developed. Estates are required to comply with the procedure and this will be monitored by the Executive Sustainability on monthly basis.

#### **Auditor Conclusions: Closed**

A reaudit to confirm closure of this nonconformity was conducted on 27 April 2012. Copies of documents and letters related to corrections and correctives actions taken were sighted as follows:

The company provided list of workers stating the name of employee, date of birth, and starting date of employment with Hap Seng. From the list there is no more workers below 18 employed by company at this time. During field visits, no underaged workers were sighted. The 15 year old workers found at the time of the certification audit had since been relieved of their work from the company, but they could not

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be interviewed to confirm this as according to the management, they had relocated elsewhere.

### 3.3 Noteworthy Positive Observations

No.	Criteria / Indicator	Positive Observations
1.	4.4	River riparian buffer zones are marked and well maintained with good ground cover, and sprayers as well as manurers have been well trained not to carry out chemical application at river buffer zones.
2	4.7	The company clinic is well maintained with ample stock of medication and facilities such as an x-ray room, ambulance, and separate wards for male and female workers.
3	5.2.1	The company has a well protected forest reserve, including its biodiversity, within its area
4.	5.3	Good drainage design for land application
5.	5.3 & 8.1	There is a lot of improvement in management of oil waste at the estate workshop and chemical store since the initial RSPO pre-assessment
6.	6.5.	Excellent living conditions for workers and all employees where facilities such as water, electricity, clinic, day care, recreational facilities, etc... are well maintained with ample space for workers as well as their families.

### 3.4 Issues Raised by Stakeholders and Findings Pertaining to Issues

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

No.	Issues Raised	Management Response	Audit Verification
1.	<p>The company has assisted S.K. Jeroco school by providing donations, however the school requests Hap Seng for additional assistance in terms of providing grants for the development of:</p> <p>1) Students, through provision of scholarships for excellent students and tuition, especially for Standard 4,5 and 6 students going for UPSR</p> <p>2) Teachers, by maintaining the housing of teachers every one or two years for their welfare and comfort, and provide free transport for travel on duty (to meetings, seminars, workshops, etc)</p> <p>3) School facilities such as installation of fencing for safety of students, restoration of school library, office buildings, classrooms and toilets, and provide clean water facilities for the school</p> <p>The company is also requested to acknowledge the school for any achievements pertaining to academic, co-curricular or sports activities or official</p>	<p>We assist this school in various ways as mentioned by the Assistant Headmaster. The buildings classrooms, teachers rooms, toilet etc were previously constructed by Hap Seng.</p> <p>The land is given free of charge to the school.</p> <p>Roads leading to the school are constructed &amp; maintained, free of charge.</p> <p>The school belongs to the Government and as such is supported by the Government.</p>	<p>There is some evidence of company's donation to S.K. Jeroco, Kinabatangan School. Such as donations for school activities, as explained on the section 3.1 under CR6.11 above.</p>

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	activities		
2.	<p>1) The water from Sg. Segama river cannot be used for consumption as it is dirty and all the fish in the river have died. But this is not solely due to activities of Hap Seng but also many other companies in the surrounding area. We hope that the Environmental Department will monitor the factories near Sg. Segama.</p> <p>2) The company has a good relationship with Litang Village and the company has provided many contributions. However, the village requested to provide a 22 water tanks (800 gallons) to store clean water. This request has been made since 3 years ago (letter date 18/02/2005) to the company but there has been no response from the company.</p> <p>3) The villagers hope that Hap Seng will permit us to sell their wares (e.g. vegetables, fish and prawns) within Hap Seng's area.</p>	<p>1) Upstream activities are beyond our control.</p> <p>2) Noted our good relationship with Kg. Litang. The request for water tanks was made in an informal manner to personnel who has since left the company. Since the request was made in 18/02/2005, there were a number of meetings with the villagers and village head. At the meetings, no mention was made of the request for water tanks. As such the company has no idea at all that such request had been made. The village head can still make the request in future meetings. Supplying of the water tanks however will be at the discretion of the company.</p> <p>3) We have donated &amp; assisted villages in many ways i.e. roads to the village are maintained by us. We welcome the sale of their produce among our staffs.</p>	<p>1) There is no mill waste water disposed to public streams. All mill effluent is treated and used for land irrigation.</p> <p>Riparian river buffer zones at Segama River are good condition as explained under CR4.4, Section 3.1.</p> <p>2 &amp; 3) Requests for donations are made at the company's discretion and there is evidence that the company contributes and supports the local communities through donations.</p>
3.	So far MPOB has not had any problems with Hap Seng Plantations. The audit team should verify that MPOB licences for the estates and mills are up to date.	Noted. All own licences are up to date.	Compliance to regulation was assessed the result is as seen on the section 3.1, CR2.1. No issues found pertaining to MPOB licenses.
4.	So far the company has treated the workers well. However, when their passports are renewed, the amount of annual leave provided is the same as for new workers (6 days) although workers who have worked more than one year should have 12 days of annual leave.	<p>Not true with regard to annual leave. Our record will prove otherwise.</p> <p>A new worker is entitled to 8 days of annual leave. The number of annual leave increases to 12 days after the worker has served the company for 2 years or more. This is according to the Sabah Labour Law.</p>	The company provided a sample working agreement stating work conditions, including statement that no. of annual leave for workers working less than 2 years with company is entitled to 8 days annual leave. Sample leave records show that leave is provided according to these work conditions.
5.	The workers wish to request that the Humana school for the Indonesian workers children is established as soon as possible as many of the Indonesian workers children have not received any education	Humana school construction is in progress in Sg. Segama Group of Estates (SSGOE) as well as in Jeroco Group of Estates (JGOE).	Verified that Humana school construction is underway.
6.	<ul style="list-style-type: none"> <li>- Hap Seng treats us (workers) well</li> <li>- Occupational Safety and Health is emphasized and PPE is provided to all workers</li> </ul>	Noted.	Based on site visits to housing area, work sites and polyclinic, there is no evidence found that this in-



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	<ul style="list-style-type: none"> <li>- Medical treatment is paid by the company</li> <li>- Wages are sufficient</li> <li>- The company provides the following facilities:                             <ol style="list-style-type: none"> <li>1) Good housing with guaranteed water and electricity and water supply</li> <li>2) Transport for workers to the worksite</li> <li>3) Nursery</li> <li>4) School bus for Malaysian employee's children</li> </ol> </li> </ul>		formation is untrue.
7.	(From worker) Thank you to Hap Seng as I have been working for the company for 19 years without any problems. Housing, lighting and water is good and in ample supply.	Noted.	Verified through site visits that workers housing is in very good condition with good facilities provided.
8.	The company's main roads are not properly maintained and this can cause health and environmental problems due to dust and reduce road safety	This representative is mistaken. The main Jeroco road is a Government road. Hap Seng's roads are well maintained	Explanation accepted
9.	Employment of Indonesian and Phillipino workers at estates and mill is subject to the requirements of the Immigration Act 1959/63 (amended 2002). Therefore the company should understand this act. Common noncompliances against this act include overstay of migrant employees which goes against Section 15(1) (c) and Section 15(4) of the act. Offenders may face a compound or jail.	Noted. We follow Government regulations accordingly.	No evidence found of non-compliance to this regulation, although it was found that some workers do not have updated working permits, and this was raised as nonconformity 01 of 13, Section 3.2
10	The audit team should check compliance of the company to relevant regulations under the Environmental Quality Act, including Crude Palm Oil Regulations 1977, Clean Air Regulations 1978, Scheduled Waste Regulations 2005, Control of Emission from Diesel Engines Regulations 1996 and Control of Emission from Petrol Engines Regulations 1996.	Noted  The mill continuously ensures compliance of Environmental Quality Act, including all the new acts as verified by visiting DOE officer from Sandakan DOE Office (visited every year).  All chemicals which are applicable in mill were registered and regularly updating the record.	There were non-compliances pertaining to the company's compliance to legal requirements and assessment of legal compliance. This was raised as non-conformity no. 01 of 13 under Section 3.2.
11.	<p>1) On usage of chemicals, does the company have a license from the Pesticide Board? Are quantities of chemicals approved? How is handling of chemicals? Do the amount and interval of chemical application comply with Pesticide Board regulations?</p> <p>2) Is land application of mill effluent efficient? Does the company have a compliance report on land application system from the DOE?</p>	<p>Yes. We are licensed. We comply strictly.</p> <p>Yes. We are licensed &amp; compliant.</p>	<p>1) When purchasing controlled chemicals, the company applies to the relevant licences from the Pesticide Board, i.e. licences for purchase of methamidophos were sighted. Based on chemical application records, application amounts are according to requirements.</p> <p>2) The company has a license for land irrigation of treated mill effluent. However, there were no records of irrigation amounts applied to land, and this was raised at</p>

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			nonconformity no. 4 of 13.
12.	<p>The estate must have/performance the following to legally cultivate oil palm:</p> <ol style="list-style-type: none"> <li>1. MPOB License for Estate and Mill</li> <li>2. Operating license</li> <li>3. Provide production and OER report to MPOB yearly</li> <li>4. Pay cash to MPOB</li> <li>5. Provide information on labour requirement.</li> </ol> <p>Based on checks of Hap Seng past records, they have previously complied with MPOB regulation. It is suggest that the audit team involve MPOB in future audits.</p>	<p>Noted. We comply.</p>	<p>The company's MPOB licenses and operating licenses were found to be valid or in process of renewal due to nearing expiry.</p>
13.	<p>Hap Seng should ensure that their mill and plantation has fulfilled the requirements in the Factories and Machinery Act 1967 (Revised – 1974) and Occupational Safety and Health Act 1994 through:</p> <ol style="list-style-type: none"> <li>1. Ensure all machines/heavy machinery have a valid Certificate of Fitness (CF). The company must register and plan for fitness checks of all machines once every 15 months.</li> <li>2. Provide the necessary PPE (Protective Personal Equipment) for workers at plantation and mill, and ensure the workers wear the PPE properly</li> <li>3. Provide safely working environment according to its risk on every activity. Safe Operating Procedures should be made and trained to the workers.</li> <li>4. Report any work accidents, work-related diseases and dangerous incidents within 7 days to nearest DOSH office (Kota Kinabalu) as well as annually at the end of year. To ensure there is follow-up on every comment of DOSH officer recorded in the log book during their inspections</li> </ol>	<p>Noted.</p> <p>All the requirements of Factories And Machinery Act 1967 and Occupational Safety and Health 1994 are complied with in our mill. The Certificate of Fitness (CF) of machines are checked and issued yearly by DOSH officer as stipulated in the FMA regulations, therefore the mill is regularly maintained and under good control.</p> <p>Yes, we are compliant.</p> <p>Yes, we comply strictly.</p> <p>Yes, we comply strictly.</p> <p>Yes, we comply strictly.</p> <p>Yes, we comply strictly.</p>	<ol style="list-style-type: none"> <li>1. The mill have valid CFs for all machines and heavy machinery</li> <li>2. Appropriate PPE is provided to all workers</li> <li>3. The company has documented SOPs and from sites visits there is evidence of efforts taken to provide a suitably safe working environment</li> <li>4. Non-compliance pertaining to reporting of accidents was raised as non-conformity no. 01 of 13 under Section 3.2.</li> </ol>
15.	<p>Positive Comments from Humana (organization providing schools for children of foreign workers):</p> <ol style="list-style-type: none"> <li>1. Hap Seng has provided 2 units of 4 WD HILUX in year 2007</li> <li>2. Hap Seng recently approved new payments for Humana</li> <li>3. Hap Seng always supports Humana financially, and provides school buildings and sport facilities at Tomanggong</li> <li>4. Hap Seng supports education of the children in Tomanggong group of Estate, together with the Humana Child Aid Society.</li> <li>5. Hap Seng cares about teachers welfare.</li> </ol>	<p>Noted.</p> <p>We continue to practice CSR</p>	<p>Verified that the company has made such contributions and has other CSR programs.</p>

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16.	<p>1. If there are cases of crimes, drugs, or death which requires police involvement, please contact the police for follow-up action.</p> <p>2. It is recommended for the company to appoint an employee as contact person that can be communicated or contacted by the police in case of any issues that require action from the police.</p>	<p>Noted.</p> <p>Yes our Manager Personnel &amp; Administration is our contact person.</p>	<p>Communication mechanism with stakeholders requires improvement, as this was raised as nonconformity no. 09 of 13.</p>
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### B) Issues Raised during Stakeholder Interviews On-site

No.	Issues Raised	Audit Verification
1.	Community needs repairing of the road between Litang Village to estate	The company does carry out regular road maintenance.
2.	There are no difficulties for local communities' entering estate location, because company allows it.	This is part of company's responsibilities.
3.	Currently, there is no issue regarding pollution, however it has happen before.	There was no land application program previously, which could have been the cause of water pollution however since company implements land irrigation of mill effluent, no more waste water disposed to public stream. As stated by the village head interviewed, water pollution is not solely due to activities of Hap Seng but also many other companies in the surrounding area

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### 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 Holdings Bhd.

Signed on behalf of TUV Rheinland Malaysia

.....  
Liew Voon Kheong  
Chief Agronomist

Date: 2 NOVEMBER 2011

.....  
Dian S. Soeminta  
Lead Auditor

Date: 29 August 2011

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## APPENDICES

### Appendix 1: Details of Certificate

Standard: **RSPO Principles & Criteria for Sustainable Palm Oil Production: 2007; Malaysian National Interpretation: 2010**

Certificate Registr. No.: 18501830 001  
TÜV Rheinland Malaysia Sdn. Bhd., certifies:

Certificate Holder: **Hap Seng Plantations (River Estates) Sdn Bhd**  
Sg. Segama Group of Estates  
(Subsidiary of Hap Seng Plantations Holdings Bhd),  
Off 40 km, Jalan Jeroco, Lahad Datu, Sabah.  
including its company-owned estates according to the annex

Scope: Palm Oil Production and Management System  
An audit was performed, Report No. 18501830. Proof has been furnished that the requirements according to RSPO Principles & Criteria for Sustainable Palm Oil Production: 2007; Malaysian National Interpretation: 2010 are fulfilled.

The due date for all future surveillance audits is 24-03 (dd.mm).

Validity: The certificate is valid from valid from 24 May 2012 until 23 May 2017.  
The certificate shall remain valid in 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 TÜV Rheinland Malaysia Sdn. Bhd.

#### GPS locations of processing units covered in scope:

Name of Mill / Estate	Location	GPS Locations	
		Latitude	Longitude
Bukit Mas (BM) Mill	Jln. Jeroco, Lahad Datu, Sabah	5°20' 14.28"N	118°28'25.104"E
Bukit Mas (BM) Estate	Jln. Jeroco, Lahad Datu, Sabah	5°19'01.928" N	118°27'46.294" E
Sungai Segama I (SSI) Estate	Jln. Jeroco, Lahad Datu, Sabah	5°19'02.421" N	118°27'47.331" E
Sungai Segama II (SSII) Estate	Jln. Jeroco, Lahad Datu, Sabah	5°19'02.421" N	118°27'47.331" E

CPO Tonnage Total Production\*: 41,705.05 tonnes  
PK Tonnage Total Production\*: 9,802.73 tonnes  
Company Estates FFB Tonnes\*: 194,832.20 tonnes  
FFB Tonnes from other sources\*: 2,867.19 tonnes  
CPO Tonnage claimed for certification: 41,090 tonnes  
PK Tonnage claimed for certification: 9,664 tonnes

\* For year 2010

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### Appendix 2 : Certification Audit Plan

Date / Time <sup>(1)</sup>	Organizational Unit and Processes	Auditor / Ab-brev.	Interviewee	Procedure - EM/QM Element - Standard Chapter
<b>Sunday, 26 June 2011</b>	Indonesian Audit team members travel from Jakarta to KL to Tawau: <i>AK381: Jakarta-Kuala Lumpur 08:35 - 11:30</i> All auditors travel from KL to Tawau <i>AK5154:Kuala Lumpur-Tawau 15:30 - 18:10</i> Travel to client site (4.0 hours)	Dian (DS), Fadli (FA), Rahmawati (RN) Carol Ng (CN)		
<b>Monday, 27 June 2011 – Stakeholder Consultation Meeting &amp; Main Office</b>				
9.00am 12.00pm	Stakeholder Consultation Meeting Plantation Central Office			
12.00pm – 1.00pm	<b>Lunch</b>			
1.00pm- 2.00pm	<b>Opening meeting</b> - Introduction by audit team leader - Presentation of estates and mill by respective managers	All	Top Management and Related Managers	
2.00pm – 5.30pm	<b>Document Review at Main Office</b>			
	<b>Economic, Environmental, OSH &amp; Legal Requirements</b>	DS, CN and RN	Top Management and Related Managers	Principle 1 Principle 2 Principle 3 Principle 4 Principle 5 Principle 8
	<b>Social issues &amp; Legal requirements</b>	FA	Top Management and Related Managers	Principle 1 Principle 2 Principle 6 Principle 8
<b>5.30pm</b>	<b>End of Day 1</b>			
<b>Tuesday, 28 June 2011 – Bukit Mas Estate</b>				
8.00am – 12.30pm	<b>Site visit to Estate</b>			
	<b>Environment, HCV areas, Legal requirements</b> <ul style="list-style-type: none"> <li>• HCV areas</li> <li>• Rivers / riparian buffer zones</li> <li>• Estate field site management (sloped areas, marginal soils, peat soils, EFB &amp; POME application, etc)</li> </ul>	DS	Estate manager / assistants	Principle 2 (CR 2.1, 2.2) Principle 3 Principle 5 Principle 7 Principle 8
	<b>OSH, Good Agricultural Practices, Legal requirements</b> <ul style="list-style-type: none"> <li>• Field operations (spraying, harvesting, manuring)</li> <li>• Worker interviews</li> <li>• Chemical stores</li> <li>• Workshops</li> <li>• Estate field site management</li> </ul>	RN & CN	Estate manager / assistants/ workers	Principle 2 (CR2.1 – OSH related) Principle 4 Principle 5 (CR5.3, 5.4, 5.6) Principle 6 (criteria applicable to workers) Principle 8



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Date / Time <sup>(1)</sup>	Organizational Unit and Processes	Auditor / Abbrev.	Interviewee	Procedure - EM/QM Element - Standard Chapter
	(sloped areas, marginal soils, EFB & POME application, etc) <ul style="list-style-type: none"> <li>Waste management</li> </ul>			
	<b>Social issues &amp; Legal requirements</b> <ul style="list-style-type: none"> <li>Housing.</li> <li>Medical.</li> <li>Schools.</li> <li>Local communities</li> </ul>	FA	Local communities / workers	Principle 1 Principle 2 Principle 6 Principle 7 (CR7.1, 7.5 & 7.6) Principle 8 (Social related)
12.30pm – 1.30pm	<b>LUNCH</b>			
1.30pm – 5.30pm	<b>Document review</b>			
	<b>Environment, HCV areas, Legal requirements</b>	DS	Estate manager / assistants	Principle 2 (CR 2.1, 2.2) Principle 3 Principle 5 (CR 5.1, 5.2, 5.5) Principle 7 Principle 8
	<b>OSH, Legal requirements</b>	RN		Principle 2 (CR2.1 – OSH related) Principle 4 (CR4.6 – 4.8) Principle 8 (OSH & chemicals related)
	<b>Good Agricultural Practices, Waste &amp; Pollution Management</b>	CN		Principle 2.1 (CR2.1 - Environment related) Principle 4 (CR4.1-4.5) Principle 5 (CR5.3, 5.4, 5.6) Principle 8 (Environment related)
	<b>Social issues &amp; Legal requirements</b>	FA		Principle 1 Principle 2 Principle 6 Principle 7 (CR7.1, 7.5 & 7.6) Principle 8 (Social related)
<b>5.30pm</b>	<b>End of Day 2</b>			
<b>Wednesday, 29 June 2011 – Sg. Segama Estate I or II (to be decided after Day 1 Main office doc review)</b>				
8.00am – 12.30pm	<b>Site visit to Estate</b>			
	<b>Environment, HCV areas, Legal requirements</b> <ul style="list-style-type: none"> <li>HCV areas</li> <li>Rivers / riparian buffer zones</li> <li>Estate field site management (sloped areas, marginal soils, peat soils, EFB &amp; POME application, etc)</li> </ul>	DS	Estate manager / assistants	Principle 2 (CR 2.1, 2.2) Principle 3 Principle 5 Principle 7 Principle 8
	<b>OSH, Good Agricultural Practices, Legal requirements</b> <ul style="list-style-type: none"> <li>Field operations (spraying, harvesting, manuring)</li> <li>Worker interviews</li> <li>Chemical stores</li> </ul>	RN & CN		Principle 2 (CR2.1 – OSH related) Principle 4 Principle 5 (CR5.3, 5.4, 5.6) Principle 6 (criteria applicable to workers)

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Date / Time <sup>(1)</sup>	Organizational Unit and Processes	Auditor / Ab-brev.	Interviewee	Procedure - EM/QM Element - Standard Chapter
	<ul style="list-style-type: none"> <li>Workshops</li> <li>Estate field site management (sloped areas, marginal soils, EFB &amp; POME application, etc)</li> <li>Waste management</li> </ul>			Principle 8
	<b>Social issues &amp; Legal requirements</b> <ul style="list-style-type: none"> <li>Housing.</li> <li>Medical.</li> <li>Schools.</li> <li>Local communities</li> </ul>	FA	Local communities / workers	Principle 1 Principle 2 Principle 6 Principle 7 (CR7.1, 7.5 & 7.6) Principle 8 (Social related)
12.30pm – 1.30pm	<b>LUNCH</b>			
1.30pm – 5.30pm	<b>Document review</b>			
	<b>Environment, HCV areas, Legal requirements</b>	DS	Estate manager / assistants	Principle 2 (CR 2.1, 2.2) Principle 3 Principle 5 (CR 5.1, 5.2, 5.5) Principle 7 Principle 8
	<b>OSH, Legal requirements</b>	RN		Principle 2 (CR2.1 – OSH related) Principle 4 (CR4.6 – 4.8) Principle 8 (OSH & chemicals related)
	<b>Good Agricultural Practices, Waste &amp; Pollution Management</b>	CN		Principle 2.1 (CR2.1 - Environment related) Principle 4 (CR4.1-4.5) Principle 5 (CR5.3, 5.4, 5.6) Principle 8 (Environment related)
	<b>Social issues &amp; Legal requirements</b>	FA		Principle 1 Principle 2 Principle 6 Principle 7 (CR7.1, 7.5 & 7.6) Principle 8 (Social related)
<b>5.30pm</b>	<b>End of Day 3</b>			
<b>Thursday, 30 June 2011 – Bukit Mas Mill</b>				
9.00am – 12.30pm	<b>Mill Inspection/ Economic, Environmental, OSH &amp; Legal Requirements</b> <ul style="list-style-type: none"> <li>Workshops.</li> <li>Stores.</li> <li>POME application.</li> <li>Waste management</li> <li>Document review.</li> </ul>	DS, CN and RN	Mill manager / assistants	Principle 1 Principle 2 Principle 3 Principle 4 Principle 5 Principle 8
	<b>Mill inspection/ Social issues &amp; Legal requirements</b> <ul style="list-style-type: none"> <li>Workers/ Contractor interviews</li> <li>Housing</li> <li>Local communities</li> <li>Document review.</li> </ul>	FA	Mill manager / assistants / Local communities / workers	Principle 1 Principle 2 Principle 6 Principle 8

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Date / Time <sup>(1)</sup>	Organizational Unit and Processes	Auditor / Abbrev.	Interviewee	Procedure - EM/QM Element - Standard Chapter
12.30pm – 1.30pm	<b>LUNCH</b>			
1.30pm – 5.30pm	<b>Document review - Economic, Environmental, OSH &amp; Legal Requirements</b> <ul style="list-style-type: none"> <li>• Workshops.</li> <li>• Stores.</li> <li>• POME application.</li> <li>• Waste management</li> <li>• Document review.</li> </ul>	DS, SK, CN and AS	Mill manager / assistants	Principle 1 Principle 2 Principle 3 Principle 4 Principle 5 Principle 8
	<b>Document review - Social issues &amp; Legal requirements</b> <ul style="list-style-type: none"> <li>• Workers/ Contractor interviews</li> <li>• Housing</li> <li>• Local communities</li> <li>• Document review.</li> </ul>	FA	Mill manager / assistants / Local communities / workers	Principle 1 Principle 2 Principle 6 Principle 8
<b>5.30pm</b>	<b>End of Day 4</b>			
<b>Friday 1 July 2011 –</b>				
9.00am – 10.00am	<b>Prepare for Closing Meeting</b> - Consolidate findings	All	-	
10.00am – 12.00pm	<b>Closing Meeting</b> - Summary of findings	All	Top Management and Related Managers	
12.00pm onwards	Return travel for Malaysian & Indonesian team members: <i>All:</i> <i>AK5155</i> <i>Tawau - Kuala Lumpur</i> <i>18:35-21:20</i> Indonesian team stay overnight at Tunes hotel			
<b>Saturday 2 July 2011</b>	Return travel for Indonesian team: <i>AK380</i> <i>Kuala Lumpur - Jakarta</i> <i>07:00-08:05</i>			

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### Appendix 3: List of Abbreviations

CITES	Convention on International Trade in Endangered Species
CPO	Crude Palm Oil
DOA	Department of Agriculture
DOE/ JAS	Department of Environment / Jabatan Alam Sekitar
DOSH/ JKKP	Department of Occupational Safety & Health / Jabatan Keselamatan dan Kesihatan Pekerja
EIA	Environmental Impact Assessment
EPF	Employee Provident Fund
ERTs	Endangered, Rare & Threatened species
ESH	Environmental Safety & Health
EQA	Environmental Quality Act
FFB	Fresh Fruit Bunches
EFB	Empty Fruit Bunches
HCV	High Conservation Value
HIRARC	Hazard Identification, Risk Assessment and Risk Control
HSPHB	Hap Seng Plantations Holdings Bhd.
IPM	Integrated Pest Management
IUCN	International Union for Conservation of Nature
KWSP	Kumpulan Wang Simpanan Pekerja (Employee Provident Fund Group)
LCC	Leguminous Cover Crop
LTA	Lost Time Accident
MSDS	Material Safety Data Sheets
MPOB	Malaysian Palm Oil Board
NADOPOD	Notification of Accidents , Dangerous Occurrence, Occupational Poisoning and Occupational Diseases
NGO	Non-Government Organization
OSH	Occupational Safety & Health
P&A	Personnel & Administration
PERKESO	Pertubuhan Keselamatan Sosial (Social Safety Organization)
PK	Palm Kernel
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
Sg.	Sungai (River)
SIA	Social Impact Assessment
SOCSSO	Social Security Organization
SOP	Standard Operating Procedure
SPO	Sustainable Palm Oil
SSGOE	Sg. Segama Group of Estates
TMGOE	Tomanggong Group of Estates
USECHH	Use and Standards of Exposure of Chemicals Hazardous to Health

### Appendix 4: List of Stakeholders Interviewed and Contacted

No.	Name of Stakeholder	Institution - Address
<b>Stakeholders Interviewed during Public Consultation Meeting</b>		
1.	Ismail Tawirid	Head Of Litang Village
2.	Batrianto Nawir	Guide
3.	Muhamad Man	Loader
4.	Ermelinda Adrianus	Mill representative
5.	Amira	Manurer
6.	Rosdiana Dahlan	Woman Worker representaive
7.	Hamira	Woman Worker representaive
8.	Sapar Pato	Mandor

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9	Zulkifly	Jeroco School Representative
10.	Johnny Lim	Hap Seng Trading
11.	Wahid Bin Omar	MPOB
12.	Omar Abdul Kadir	Malaysian Nature Society Sabah
13.	Yabi Yangkat	Environmental Protection Departement
14.	Siti Rohani Mohd Fadil	Immigration Department
15.	Juneceel Fransisco Maloloy	Humana
16.	Amir Rayfon Fransisca	Humana
17.	Mohammad Fadli Hj Sata	Sheong Huat (Supplier)
18.	Nik Firdaus	Malaysia Departement of OSH Tawaw
19.	Shazly Abd. Rahim	Departement of Environmental Tawaw
20.	ASP Jasmin Hussin	Ipol Datu (Police Representaive)
21.	Hasyim Dullah	Sheong Huat
<b>Company's staff</b>		
1.	Halim Mohd Djuda	Estate Senior Manager
2.	Khairul Anwar Ibrahim	Estate Manager
3.	Hamuddun Bustamin	Mill Manager
4.	Hiew Yin Foh	General manager
5.	Gelasius Gallus	Estate Manager
6.	Teo Kin Huat	Estate Manager
7.	Denis Pusing	Estate Assisstant
8.	Mohamad Asraf Mattasin	Chemist
9.	Ling Chia Yi	Assistant Agrochemist
10.	Junaidi Hassan	Junior Estate Assistant
11.	Ali Yunus	Senior Estate Assistant
12.	Cyril Yong	Agronomist
13.	Simon Chua	Assistant Agronomist
14.	Hoh Kam Hoe	Mill Assistant
15.	Khor Hang Chaai	General Manager
16.	Anselmius @ Robert Kimon	Processing Controller
17.	Liew Voon Kheong	Chief Agronomist
18.	Khoo Lian Hong	Plantation Operations

### Appendix 5: Observations and Opportunities for Improvement

No.	Observations / Opportunities for Improvement	Criteria
1.	The company's annual budget should include additional information on profit and loss from estate and mill considering FFB yield/ha, CPO yield /ha, cost of production, any other company's activities relating to environmental management programs and social impact management programs	3.1
2.	Estate: Annual Medical Surveillance should be conducted for workers at hazardous area such as workshops (welder) and generator operators for housing area as in year 2011 according to plan. Mill: Medical surveillance planning for mill workers should be conducted as well. The mill has proposed this to the clinic to conduct medical surveillance, but there was no follow up by the clinic	4.6
3.	MSDS for Sungai Segama 1 fertilizer stores are not available	4.6.4
4.	Records of training to workers related to all information regarding agrochemicals and its usage, hazards, trade and generic names should be maintained as evidence.	4.6.4
5.	The mill has fire extinguishers which are checked annually by the fire department, but it was observed that fire extinguishers are not located adjacent to high risk areas of the mill, such as the lubricant store and used oil store.	4.7.1g
6.	There are 5 new diesel tanks at the estate workshop which have not been en-	4.7 & 5.3

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	closed in a banded area. The tanks should be banded as soon as possible to prevent pollution due to possible leakage, and away from potential sources of fire.	
7.	It is recommended to put emergency eye shower in or near the chemicals store and fertilizer stores. PPE to be used in the fertilizer store as Sg. Segama 1 estate should be provided and safety signs should be placed at the store. Source of clean water to wash hands should be made closer to both stores.	4.7.1
8.	It is recommended to provide back support for workers who regularly carry heavy materials, such as manurers.	4.7.1
9.	The company should provide clean water for sprayers and manurers to wash hands prior to having meals in the field. Currently the workers bring their own clean water to the field.	4.7.1
10.	Steam engine operators should be provided with ear muffs instead of earplugs	4.7.1
11.	It is recommended for mill to define PPE usage regulations (i.e. responsibility of the company to provide PPE for free, and deductions imposed on workers if they require new PPE due to irresponsible handling or loss) and inform this to the workers.	4.7.1
12.	It is recommended to summarize the results of emergency response training/simulations carried out and areas to be improved after the simulation is conducted	4.7.1 g
13.	The environmental aspects and impacts assessment document for estate should include identification of environmental aspects and impacts for genset, office and housing activities.	5.1.1
14.	The documented environmental improvement plans should include additional information such as timelines for implementation and persons responsible for monitoring implementation of improvement plans.	5.1.2
15.	The company should involve workers to identify HCV area and consider their information for the assessment result.	5.2
16.	The company's HCV assessment report should be reviewed by external expert for its adequacy. HCV report should also be reviewed periodically considering any changes in current HCV area.	5.2
17.	Based on interviews with workers, some workers reported that illegal hunting of some animals is still done by some estate workers, although workers have been informed by the company that hunting is prohibited. The company should continue to regularly inform the workers that hunting is prohibited, especially hunting of pangolins ( <i>Manis Javanica</i> )	5.2
18.	Disposal method of domestic waste should be improved as some wastes were observed scattered around the landfill located at Sg. Segama 2 estate	5.3.2
19.	The company should make an efficiency analysis for renewable energy usage compare with diesel oil consumption.	5.4
20.	The company should make an efficiency analysis for renewable energy usage compared to diesel oil consumption.	5.4
21.	The company should provide effective awareness to workers to enhance understanding about company's policy regarding prevention of sexual harassment and violence, minimum age requirement, equal opportunities, etc.	6.7, 6.8, 6.9
22.	There were some young persons (15 years old) found working for the company. The company shall develop an appropriate action plan for young workers considering the company's memorandum, i.e. to ensure they do not perform heavy work or work fewer hours than normal workers.	6.7