

The background of the slide is a photograph of a palm oil plantation. The trees are arranged in neat rows, and their fronds are a vibrant green. The ground is covered with grass and some fallen palm fronds. A large, light blue diagonal shape is overlaid on the right side of the image, partially obscuring the trees and the logo.

United Plantations Berhad, Malaysia  
Audit report - Summary  
September 15-17, 2010

## AUDIT REPORT SUMMARY

### Background

In September 2010 the Danish newspaper "Politiken" published a series of critical articles regarding pesticide usage at United Plantations (UP) and with allegations of poor working conditions causing poisoning of the workers. Focus was on two pesticides; e.g. Paraquat and Monocrotophos. "No access to adequate medical help", "slavery conditions", "fear for the management", etc, are among other serious allegations raised in these newspaper articles as well as in recorded videos. AAK found these accusations very serious and decided to carry out a thorough on-site audit and inspection. In order to ensure objectivity, PricewaterhouseCoopers (PwC) was engaged as an independent third party to accompany the visiting team.

### Scope

The scope of the audit was Safety & Health / Working Environment in general but with special attention to the use and handling of pesticides and chemicals. Most time was spent on the two estates Kuala Bernam and Jendarata, which were targeted in Danish media. A third estate was randomly selected during the visit to broaden the audit; Ulu Bernam. In addition the refinery Unitata - a part of United Plantations' organization and our official supplier - was covered to some extent as well.

The audit took place on 15<sup>th</sup> – 17<sup>th</sup> September where a number of matters were followed up regarding governance, policies, overall procedures and instructions but much attention and time have also been spent on how matters were handled in practice. Own observations during various visits together with interviews with relevant functions; i.e. management, employees, workers union, UP doctor, "village" doctor, have given us a clear picture of the situation.

### Audit results

A Chemical Health Risk Assessment (**CHRA**) is required by Malaysian law to be conducted by a third party where all chemicals used should be described and risk assessed. The company is obliged to include these risks, as well as other kind of risks, into their Hazard Identification Risk Assessment and Risk Control (**HIRARC**). These two frameworks are essential and a base for establishing of proper procedures, training sessions and medical examinations. Both frameworks are implemented, documented and maintained regularly. United Plantations are further under the supervision of Department of Safety and Health (**DOSH**), who conduct yearly unannounced visits to all individual plantations. The last full inspection was carried out on 7<sup>th</sup> of March 2009 and from the audit report it was translated to us: "...Very satisfactory ...", "...keep up the standard...". Further UP is, as the first palm oil producer, certified according to the strict principles of Round table for Sustainable Palm Oil (**RSPO**). The RSPO certifying body does annual surveillance assessments, which also cover several of the subjects included in the AAK audit.

All policies, procedures and instructions at UP are put in an "Occupational Safety and Health Assurance" (OSHA) manual. This is valid for all plantations and departments, which have to adopt how to make training plans, conduct training, carry out medical examinations, supply personal protective equipment, send out warning letters in case of non-compliance, accident reporting, etc. There is a well-defined organization for OSHA where top management, middle management and operative units are linked together via committees holding regular meetings. The manual documents as well as meeting minutes have to some extent been reviewed by us and found to be in good order.

The accident reporting statistics shows that cutting wounds during harvesting and motor cycle accidents to/from work are the most frequently reported types of accidents. For 2010, there is no report related to either spraying of pesticides or chemical poisoning. Any accident or findings during the monthly medical examination of sprayers must be reported to DOSH by the certified doctor for OSHA. The UP doctor, Dr Tan Kim Soon whom the audit team met, explained that pesticide/chemical poisoning symptoms are very rare and have not been detected at United Plantations for years. However, a few accident incidents normally may happen yearly.

The use of chemicals and pesticides are decreasing over time at United Plantations. This has especially taken shape since 2006 where United Plantations has been intensifying its Integrated Pest Management (IPM) services. Setting up of pheromone traps to help control the rhinoceros beetle pest and planting of beneficial flowering plants under the Company's IPM were explained to us. Another example of reducing the use of pesticides is by introducing 2000 barn owls hunting rats in the plantations. It is estimated that these owls takes about 1.5 million rats a year and the use of rat pesticides has almost stopped. A third good example is that the grass in the space in between the palm tree rows is cut instead of sprayed, which significantly reduces the amount of pesticides used.

All pesticides used on U.P are approved and regulated by the Malaysian authorities. The storage and preparation to ready-to-use dilutions are handled in a controlled and, to what can be seen, safe way. The employees are trained and well equipped with personal protective equipment. Safety data sheets are placed where needed. Significant documentation and training sessions are held in the three common languages. Also the sprayers in action were visited by us and found to be carrying out their tasks in a proper way and with the correct safety equipment. Potable water was brought to the fields and available for the workers.

As the only plantation in Malaysia UP has two plantation hospitals serving six and four of the plantations, respectively. During the audit we visited both hospitals and our impression was that they were well-functioning. Each plantation also has a medical clinic for minor medical services. All foreign workers are medically examined when joining the company and have regular check-ups the following three years.

All employees working with chemicals and pesticides are examined once a month by a licensed doctor. Pregnant or breast-feeding women are transferred to tasks other than working with chemicals or spraying. From what we experienced during the visit we have full trust in the medical examinations and medical support.

We met Dr Ravindran Naidu at his medical clinic, Sabak Bernam Dispensary. This is the doctor interviewed by Politiken and the local NGO Tenaganita the 28<sup>th</sup> August 2010. In the sub-sequent published articles and video recording they claim that Dr Naidu gets 5-10 UP workers every month to his clinic with clear symptoms of pesticide poisoning. During our meeting with him he completely rejected these allegations as false and says he was quoted incorrectly.

Dr Naidu is also a DOSH approved medical examiner and his responsibility is to report back to DOSH any findings. This has not been the case for any UP employees for many years. Occasionally some small-holders get injured because of poor equipment and a low level of know-how.

To summarize the Danish media allegations regarding the pesticide use on U.P and the poisoning of the workers, we do not find any evidence confirming these allegations. Where-ever allowed chemicals and pesticides are used they must always be applied under the right and strict conditions and from our on-site audit we conclude that this seems to be the case at UP.

Other types of allegations such as “slavery conditions”, “fear for the management”, etc, is something we strongly question. The basic labor rights and general working conditions seems to be in compliance with applicable labor standards. During the audit we met the workers union representatives at Jendarata estate. The picture we got is in great contrast to the allegations. Actually the company provides several benefits for employees such as:

Running hospitals / medical clinics, free housing, free home for retired employees without family or relatives, running six day-care centers and eight primary schools, built community halls for any kind of gatherings and ceremonies, support various cultures and religions by providing necessary buildings, temples and mosques etc.

The audit did not find any significant non-conformities where “required actions” are needed.

However, five minor observations and “recommendations” were given. These represent small improvements that might be considered by UP; e.g. review of the document control of the OSHA manual, back-up of critical documents, review the completion of local training plans, introduce expiry dates on filters/masks used at spraying, improve warning signs when spraying is ongoing in the fields.

  
Bengt Petersson  
Auditor Leader

**Auditor's report regarding review of AarhusKarlshamn AB's report/declaration concerning specific circumstances at United Plantations Berhad, Malaysia.**

**To the readers of AarhusKarlshamn AB's (publ) report – 'United Plantations Berhad, Malaysia, Audit report summary, 15-17 September 2010'.**

We have been requested by the management of AarhusKarlshamn AB (publ) (AAK) to perform a review of the summary of AAK's report and declaration regarding working conditions and, amongst other things, the use of pesticides at three of United Plantations' (UP) plantations in Malaysia. The Board of Directors and management of AAK are responsible for the selection of plantations, their own review of these and the report/declaration, on which we have performed a limited review and, consequently, about which we hereby provide a statement. Our responsibility is to provide a conclusion regarding AAK's report/declaration based on our review.

**Background**

When the Danish newspaper *Politiken*, in September 2010, published a highly negative series of articles regarding the working conditions at UP's plantations in Malaysia, from which some of the materials in AAK's products are purchased, PwC was contacted, and the objective and scope of our review assignment was discussed and agreed. AAK decided to carry out supplier audits on site in order to ascertain whether the media criticism was justified. We have performed a review of, and formed an opinion on, AAK's report – 'United Plantations Berhad, Malaysia, Audit report summary, 15-17 September 2010'.

**The focus and scope of our review**

We have performed our review in accordance with *International Framework for Assurance Engagements* and *International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Information, ISAE 3000 (Revised)*, published by the International Federation of Accountants, IFAC.

Our review has been performed with regard to the claims made in *Politiken* in the period 8-15 September 2010, concerning the use of pesticides Paraquat and Monocrotophos at plantations owned and operated by UP in Malaysia. The focus of our review has, primarily, been to confirm or reject these statements.

Based on an assessment of materiality and risk, our review has included, amongst other things, the following:

- a. Update of our knowledge and understanding of AAK's and UP's respective organisations and operations,
- b. Evaluation of AAK's planning and programme for the review of UP's plantations as well as the Unitata refinery,

- c. Site visits together with AAK's personnel at the plantations Kuala Bernam, Jendarata and Ulu Bernam, and the Unitata refinery, in Malaysia on 15-17 September 2010, including interviews with local management, medical staff, and union representatives, as well as the independent medical doctor quoted in the *Politiken* articles,
- d. Review of health and safety policies and procedures at UP's plantations, with a special focus on the use and handling of pesticides,
- e. Examination of other internal and external documents in order to assess if the reported conclusions of the review of UP are relevant and reliable.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that AAK's report, '*United Plantations Berhad, Malaysia, Audit report summary, 15-17 September 2010*' does not, in all material aspects, address the selected statements in *Politiken* in a relevant, factual and reliable manner.

Stockholm, October 5 2010

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